



**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2006**

Geniki Group: Management commentary (consolidated accounts) for the year 2006

1. Summary of Group financial results and financial position

Financial results for 2006

| Group | Amounts in € million | | |
|-------------------------------------|----------------------------------|----------------------------------|----------|
| | 1 January to 31 December 2005 | 1 January to 31 December 2006 | % change |
| Operating income | 178.2 | 168,5 | -5,4% |
| Operating expenses | -154.5 | -169 | 9.40% |
| Operating results before provisions | 23.7 | -0,5 | |
| Provisions | -39.4 | -72.1 | |
| Profit (Loss) before income tax | -15.7 | -72,6 | |
| Net profit (loss) - Geniki Group | -14.1 | -78,8 | |
| Net profit (loss) - Geniki Bank | -16 | -79,4 | |

| | Dec-05 | Dec-06 | % change |
|--------------------------------------|--------|--------|----------|
| Loans and advances to customers, net | 2 647 | 2 940 | 11,1% |

Total operating income for 2006 amounted to EUR 168,5m, lower -1.6% (on a like-for-like basis) than the same period of 2005, after excluding one-off capital gains on the disposal of securities holdings booked in Q2-05.

Costs in 2006 showed an increase (+9.4%) versus the same period of the last year, at EUR 169m, reflecting the opening of *18 new branches between end of 2005 and end of 2006*, the development of new alternative distribution channels (internet banking, mobile sales force, call center) and continued investments in human resources. At the same time the bank maintained a strict control on its costs.

Operating results before provisions amounted to EUR -0,5m in comparison with EUR 23.7m for the same period of 2005.

During the year the bank continued the **re-assessment of its credit portfolio** and booked an additional EUR 72.1m in provisions. These additional charges are attributable to the application of stricter credit-worthiness criteria in the assessment of retail customers and the increase of the bad debt coverage ratio for certain corporate loans.

As a consequence, Geniki Group suffered a loss before tax of EUR 72,6m for 2006.

For accounting reasons the Bank has decided to de-recognize the deferred tax asset corresponding to the accumulated tax losses, which led to a tax charge of -21m. This treatment does not imply that the Bank has lost the right to set-off the accumulated tax losses against future tax profits.

Finally, the net Group result after tax is a loss at EUR -78,8m for the year 2006. The contribution of the Bank to this loss was EUR 79,4m.

In total, **net loans** increased by 11.1%. **Customer deposits** increased to EUR 2.6 billion, up 7% from December 2005.

Finally, the net equity of the Group as at 31 December 2006 amounted to EUR 131,9m.

2. Management actions

The **new organizational structure** of Geniki Bank has been implemented during 2006 and all customers, individuals, small, large businesses have been assigned with dedicated account officers.

As at the end of December 2006, the retail banking segment, following its restructuring, showed **substantial growth in consumer and mortgage loans**, which increased 23% and 29% year-on-year, respectively and acquired 31 800 new customers. Small and Medium Enterprises and professionals market segments also benefited from growth by gaining 3 800 new customers. Due to the strong competition, the interest margin was lower on the new production.

Geniki Bank will take all appropriate actions for complying with all the statutory and regulatory ratios.

3. Financial risk management

The main risks incurred on banking activities are the following:

- (a) credit risk: risk of loss arising from a counterparty's inability to meet its financial commitments;
- (b) market risk: risk of loss resulting from changes in market prices and interest rates, in correlations between these elements and their volatility;
- (c) structural risk: risk of loss in the bank's balance sheet arising from variations in interest or exchange rates;
- (d) liquidity risk: the risk of the Group not being able to meet its commitments at their maturities.

Financial derivatives and hedge accounting

All financial derivatives are recognized at fair value in the balance sheet as financial assets or financial liabilities. Changes in the

Derivatives are divided into two categories:

(i) Trading financial derivatives

Derivative instruments are considered to be trading financial derivatives by default, unless they are designated as hedging instruments for accounting purposes. They are booked in the balance sheet. Changes in fair value are recorded in the income statement. Derivatives used for economic hedges are included in this category (e.g. cases for which hedging accounting is not necessary for reducing income statement volatility because gains and losses arising on the hedging and hedged positions are recognised consistently in the income statement).

(ii) Derivative hedging instruments

To designate an instrument as a derivative hedging instrument (i.e. for implementing hedging accounting rules) the Group must document the hedging relationship at the inception of the hedge, specifying the asset, liability, or future transaction hedged, the risk to be hedged, the type of financial derivative used and the valuation method applied to measure the effectiveness of the hedge. The derivative designated as a hedging instrument must be highly effective in offsetting the variation in fair value or cash flows arising from the hedged risk, both when the hedge is first set up and throughout its life.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of GENERAL ("GENIKI") BANK OF GREECE S.A.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of General ("Geniki") Bank of Greece S.A. ("The Bank") and its subsidiaries (on a consolidated basis "The Group"), which comprise the stand alone and consolidated balance sheet as at December 31, 2006, and the consolidated 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 these were 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 the Greek Auditing Standards which are harmonised with the 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 financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as these were adopted by the European Union.

Without qualifying our opinion we draw your attention to the fact that :

- (a) The equity of the Bank on December 31, 2006 fell below one half of its paid-in share capital and, therefore, the provisions of (Greek) Company Law 2190/1920 are applicable. Further, the capital adequacy and liquidity ratios fell below the minimums required by applicable legislation and the (Central) Bank of Greece. The management of the Bank has confirmed that remedial action, including the increase in share capital has already been initiated in order to comply with all regulatory and supervisory ratios and rules.
- (b) The income tax returns of the individual consolidated entities for the corresponding tax periods which are stated in note 11 to the consolidated financial statements, have not yet been examined by the tax authorities. Therefore, there is a possibility that additional taxes and penalties thereon may be assessed upon the corresponding future tax inspections, which can not presently be determined.

Report on Other Legal and Regulatory Requirements

The content of Directors Report is consistent with the above financial statements.

Athens, 27 February 2007
The Certified Public Accountant

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Consolidated income statement

| | <u>Notes</u> | <u>Year ended 31 December</u> | |
|---|--------------|-------------------------------|------------------|
| | | <u>2006</u> | <u>2005</u> |
| | | <u>€ 000</u> | <u>€ 000</u> |
| Interest and similar income | | 206,388 | 191,656 |
| Interest expense and similar charges | | (73,257) | (50,475) |
| Net interest income | 6 | 133,131 | 141,181 |
| Fee and commission income | | 34,457 | 33,244 |
| Fee and commission expense | | (2,073) | (1,792) |
| Net fee and commission income | 7 | 32,384 | 31,452 |
| Dividend income | | 79 | 73 |
| Financial operations results | 8 | (1,421) | 1,321 |
| Other operating income | | 4,281 | 4,177 |
| Gross Operating income | | 168,454 | 178,204 |
| Provisions for loans | 17 | (76,117) | (41,185) |
| Provisions for other risks | | 4,040 | 1,818 |
| Staff costs and related expenses | 10 | (100,052) | (89,039) |
| Administration expenses | 9 | (55,134) | (51,256) |
| Depreciation and amortization | 9,21,22 | (13,774) | (14,159) |
| Operating expenses | | (241,037) | (193,821) |
| Net operating profit (loss) | | (72,583) | (15,617) |
| Share of profit (loss) of associates | 20 | - | (123) |
| Profit / (loss) before income tax | | (72,583) | (15,740) |
| Income tax expense | 11 | (6,257) | 1,658 |
| Profit / (loss) for the year | | (78,840) | (14,082) |
| Attributable to: | | | |
| Equity holders of the parent | | (78,840) | (14,082) |
| Earnings per share (in euros) | | | |
| - Basic and diluted | 12 | (1.35) | (0.29) |

Consolidated balance sheet

| | Note | Year ended | |
|--|------|------------------|------------------|
| | | 31 December | |
| | | 2006 | 2005 |
| | | € 000 | € 000 |
| Assets | | | |
| Cash and balances with central bank | 13 | 98,209 | 106,692 |
| Due from banks | 15 | 180,888 | 286,403 |
| Derivative financial instruments | 16 | 12,027 | 7,592 |
| Loans and advances to customers, net | 17 | 2,939,570 | 2,646,756 |
| Investment securities - available for sale | 18 | 361,251 | 186,057 |
| Investment in associate undertakings | 20 | 743 | 1,143 |
| Intangible assets | 21 | 12,855 | 12,804 |
| Property, plant and equipment | 22 | 131,578 | 124,743 |
| Deferred income tax assets | 30 | 64,841 | 67,017 |
| Other assets | 23 | 37,737 | 62,131 |
| Total assets | | 3,839,699 | 3,501,338 |
| Liabilities | | | |
| Due to banks | 24 | 853,417 | 622,107 |
| Due to customers | 25 | 2,631,608 | 2,457,351 |
| Derivative financial instruments | 16 | 6,008 | 3,574 |
| Subordinated debt | 26 | 125,201 | 99,883 |
| Provisions for staff benefits | 28 | 20,557 | 20,759 |
| Risks & charges provisions | 27 | 9,749 | 18,325 |
| Deferred income tax liabilities | 30 | 6,285 | 8,004 |
| Other liabilities | 29 | 54,986 | 60,788 |
| Total liabilities | | 3,707,811 | 3,290,791 |
| Equity | | | |
| Share capital | 31 | 336,898 | 336,898 |
| Share premium | 31 | 62,620 | 62,620 |
| Other reserves and retained earnings | | (267,630) | (188,971) |
| Total equity | | 131,888 | 210,547 |
| Total equity and liabilities | | 3,839,699 | 3,501,338 |

Consolidated statement of changes in equity

| Year ended 31 December 2005 | Share capital | Share premium | Fair value reserve | Statutory reserves | Non-Taxed reserves | Retained earnings | Treasury shares | Total equity |
|---|---------------|---------------|--------------------|--------------------|--------------------|-------------------|-----------------|--------------|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Balance at 01.01.2005 | 240,642 | 59,643 | - | 5,866 | 15,395 | (141,131) | (773) | 179,642 |
| First application of IAS 39 from 01.01.2005 | - | - | 5,134 | - | - | (55,618) | - | (50,484) |
| Share capital increase | 96,256 | 2,977 | - | - | - | - | - | 99,233 |
| Sale of treasury shares | - | - | - | - | - | 383 | 773 | 1,156 |
| Revaluation of AFS securities | - | - | (4,973) | - | - | - | - | (4,973) |
| Transfer of reserves | - | - | - | - | - | - | - | - |
| Loss for the period | - | - | - | - | - | (14,082) | - | (14,082) |
| Other | - | - | - | - | - | 55 | - | 55 |
| Balance at 31.12.2005 | 336,898 | 62,620 | 161 | 5,866 | 15,395 | (210,393) | - | 210,547 |

| Year ended 31 December 2006 | Share capital | Share premium | Fair value reserve | Statutory reserves | Non-Taxed reserves | Retained earnings | Treasury shares | Total equity |
|---|---------------|---------------|--------------------|--------------------|--------------------|-------------------|-----------------|--------------|
| | €'000 | €' 000 | €000 | €'000 | €'000 | € 000 | € 000 | € 000 |
| Balance at 01.01.2006 | 336,898 | 62,620 | 161 | 5,866 | 15,395 | (210,393) | - | 210,547 |
| Revaluation of AFS securities | - | - | (70) | - | - | - | - | (70) |
| Deferred tax on revaluation of AFS securities | - | - | 55 | - | - | - | - | 55 |
| Cash flow hedges | - | - | 533 | - | - | - | - | 533 |
| Recycled to P & L | - | - | (337) | - | - | - | - | (337) |
| Transfer | - | - | - | - | (14,957) | 14,957 | - | - |
| Loss for the period | - | - | - | - | - | (78,840) | - | (78,840) |
| Balance at 31.12.2006 | 336,898 | 62,620 | 342 | 5,866 | 438 | (274,276) | - | 131,888 |

Consolidated cash flow statement

| | Note | Year ended 31 December | |
|--|-------|---------------------------|------------------|
| | | 2006 € 000 | 2005 € 000 |
| Cash flow from operating activities | | | |
| Profit / (loss) after tax | | (78,840) | (14,082) |
| <i>Adjustment for:</i> | | | |
| Depreciation of property plant and equipment | 9, 22 | 10,841 | 10,619 |
| Depreciation of intangible assets | 9, 21 | 2,934 | 3,540 |
| Impairment of loans and advances to customers | 17 | 77,599 | 41,185 |
| Provisions for staff benefits | 28 | (204) | 1,756 |
| Other provisions | 27 | (8,475) | (1,818) |
| Deferred income tax | 11 | 510 | (3,235) |
| (Profit) / loss from financial operations | | 731 | (12,982) |
| (Profit) / loss from sales of fixed assets | | (98) | (153) |
| Share of (Profit) / loss from subsidiaries | | - | 123 |
| Foreign exchange (profit) / loss on cash and cash equivalents | | (14) | (858) |
| | | 4,984 | 24,095 |
| Net (increase) / decrease of assets relating to operating activities | | | |
| Due from banks | | 34,260 | (26,027) |
| Derivatives | | (1,468) | (4,551) |
| Loans and advances to customers | | (370,413) | (266,128) |
| Other assets | | 24,607 | 14,784 |
| Net increase / (decrease) of liabilities relating to operating activities | | | |
| Due to banks | | 231,310 | 181,119 |
| Due to customers | | 174,257 | (253,546) |
| Other liabilities | | (127) | 9,135 |
| | | - | - |
| Income tax paid | | (5,676) | - |
| | | 91,734 | (321,119) |
| Net cash flow from operating activities after taxes | | | |
| Cash flow from investing activities | | | |
| Purchase of available for sale securities | | (245,541) | (206,407) |
| Purchase of property, plant and equipment | 22 | (18,683) | (31,969) |
| Purchase of intangible assets | 21 | (2,985) | (2,179) |
| Proceeds from sale/ liquidation of investment in associates and subsidiaries | | 239 | - |
| Proceeds from sale of available for sale portfolio | | 89,324 | 655,599 |
| Proceeds from sale of fixed assets | | 1,105 | 13,008 |
| | | (176,541) | 428,052 |
| Cash flow from financing activities | | | |
| Capital increase | | | 99,233 |
| Issue of subordinated loan | 26 | 125,000 | - |
| Payments on subordinated loan | 26 | (100,000) | 54 |
| Proceeds from sale of treasury shares | | | 1,156 |
| | | 25,000 | 100,443 |
| Net Cash flow from financing activities | | | |
| Foreign exchange (profit) loss on cash and cash equivalents | | 14 | 858 |
| | | (59,793) | 208,234 |
| Net increase (decrease) in cash and cash equivalents | | | |
| Cash and cash equivalents at the beginning of the period | 14 | 337,207 | 128,973 |
| Cash and cash equivalents at the end of the period | 14 | 277,414 | 337,207 |

Notes to the consolidated financial statements

1. General Information

Geniki Bank S.A. (the "Bank") and its subsidiaries (the "Group") are active in retail and corporate banking, insurance brokerage services, finance leasing and other services. The Bank is incorporated in Greece and its shares are listed on the Athens Stock Exchange. The Group operates mainly in Greece. Its registered office is located in Greece (109-111 Messogion Avenue 115 10 Athens)

These consolidated financial statements were approved by the Board of Directors on 27 February 2007.

The consolidated financial statements of the Group are included in the consolidated financial statements of SOCIETE GENERALE GROUP, which is the ultimate parent entity that has a direct holding of 52.32% to the Bank.

2. Principal accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated 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 areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

The Group's presentation currency is the Euro (€) being the functional currency of the parent Company. All figures are presented in thousand Euros, unless otherwise stated.

The application of the amendments and interpretations listed below did not result in substantial changes to the Group's accounting policies:

- IAS 19 Amendment – Actuarial Gains and Losses, Group Plans and Disclosures;
- IAS 21 Amendment – Net Investment in a Foreign Operation;
- IAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 Amendment – The Fair Value Option;
- IAS 39 and IFRS 4 Amendment – Financial Guarantee Contracts;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards, and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- IFRS 6, Exploration for and Evaluation of Mineral Resources;
- IFRIC 4, Determining whether an Arrangement contains a Lease;
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

• IAS 19 Amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the accounts.

• IAS 21 Amendment, IAS 39 Amendment – Cash flow hedge accounting of forecasted intragroup transactions, IFRS 1, IFRS 6, IFRIC 4 and IFRIC 5 are not relevant to the Group's operating activities and therefore have no material effect on the Group's policies.

• IAS 39 Amendment – The Group meets the new criteria in the amendment and therefore continues to designate certain financial assets and financial liabilities at fair value through profit and loss.

• IAS 39 and IFRS 4 Amendment – Financial Guarantee Contracts. These types of contract are now accounted for under IAS 39 and no longer accounted for under IFRS 4, as previously required under IFRS. The measurement and disclosure requirements under IAS 39 have not resulted in a material change to the Group's policies.

The Group has chosen not to early adopt the following standard and interpretations that were issued but not yet effective for accounting periods beginning on 1 January 2006:

- IFRS 7, Financial instruments: Disclosures, and Amendment to IAS 1 – Capital disclosures. IFRS 7 supersedes IAS 30 and the disclosure requirements of IAS 32 (effective 1 January 2007);
- IFRS 8, Operating Segments (effective 1 January 2008);
- IFRIC 7, Applying the Restatement Approach under IAS 29 (effective 1 March 2006);
- IFRIC 8, Scope of IFRS 2 (effective 1 May 2006);
- IFRIC 9, Reassessment of embedded derivative (effective 1 June 2006);
- IFRIC 10, Interim Financial Reporting and Impairment (effective 1 November 2006);
- IFRIC 11, IFRS 2 – Group Treasury Share Transactions (effective 1 March 2007); and
- IFRIC 12, Service Concession Arrangements (effective 1 January 2009).

The application of these new interpretations will not have a material impact on the entity's financial statements in the period of initial application.

(b) Consolidation methods**(i) Full Consolidation**

This method is applied to entities over which Geniki Bank exercises sole control. Sole control over a subsidiary is defined as the power to govern the financial and operating policies of the said subsidiary so as to obtain benefits from its activities. It is exercised: (a) either by directly or indirectly holding the majority of voting rights in the subsidiary; (b) or by holding the power to appoint or remove the majority of the members of the subsidiary's governing, management or supervisory bodies, or to command the majority of the voting rights at meetings of these bodies; (c) or by the power to exert a controlling influence over the subsidiary through an agreement or provisions in the company's charter or bylaws.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A listing of the Bank's subsidiaries is set out in note 19.

(ii) Equity method

Companies over which the Group exercises significant influence are accounted for under the equity method. Significant influence is the power to influence the financial and operating policies of a subsidiary without exercising control over the said subsidiary. In particular, significant influence can result from Geniki Bank being represented on the board of directors or supervisory board, from involvement in strategic decisions, from the existence of significant intercompany transactions, from the exchange of management staff, or from the company's technical dependency on Geniki Bank. The Group is assumed to exercise significant influence over the financial and operating policies of a subsidiary when it holds directly or indirectly at least 20% of the voting rights in this subsidiary.

A listing of the Group's associate undertakings, accounted for with the equity method, is set out in note 20.

(c) Transactions denominated in foreign currencies

At period-end, monetary assets and liabilities denominated in foreign currencies are converted into euros (the Group's functional currency) at the prevailing spot exchange rate. Realized or unrealized foreign exchange losses or gains are recognized in the income statement under the line "Financial operations results".

Forward foreign exchange transactions are recognized at fair value based on the forward exchange rate for the remaining maturity. Spot foreign exchange positions are revalued using official spot rates applying at the end of the period. Unrealized gains and losses are recognized in the income statement under the line "Financial operations results".

Non-monetary assets denominated in foreign currencies, including shares and other variable income securities that are not part of the trading portfolio, are converted into euros at the exchange rate applying at the end of the period. Currency differences arising on these assets are only recognized in the income statement under the line "Financial operations results" when sold or impaired or where the currency risk is fair value hedged.

(d) Determining the fair value of financial instruments

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.

The fair value of financial instruments traded in active markets is determined from quoted prices. If the instrument is not traded in an active market, fair value is determined using valuation techniques.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

2. Principal accounting policies (continue)**(d) Determining the fair value of financial instruments (continue)**

When the financial instrument is traded in several markets to which the Group has immediate access, the fair value is the price at which a transaction would occur in the most advantageous active market. Where no price is quoted for a particular instrument but its components are quoted, the fair value is the sum of the various quoted components incorporating bid or asking prices for the net position as appropriate.

If the market for a financial instrument is not active, its fair value is established using a valuation technique (in-house valuation models). Depending on the instrument under consideration, these valuation models may use data derived from recent transactions, from the fair value of substantially similar instruments, from discounted cash flow or option pricing models. Where necessary, these valuations are adjusted to take certain factors into account, depending on the instruments in question and the associated risks, particularly the bid or asking price of the net position and the modelling risk in the case of complex products.

If the valuation parameters used are observable market data the fair value is taken as the market price, and any difference between the transaction price and the price given by the in-house valuation model, i.e. the sales margin, is immediately recognized in the income statement. However, if valuation parameters are not observable or the valuation models are not recognized by the market, the fair value of the financial instrument at the time of the transaction is deemed to be the transaction price and the sales margin is then generally recognized in the income statement over the lifetime of the instrument, except for some complex financial instruments for which it is recognized at maturity or in the event of early sale.

(e) Financial assets and liabilities

Purchases and sales of non-derivative financial assets at fair value through profit or loss, financial assets held to maturity and available-for-sale financial assets (see below) are recognized in the balance sheet on the settlement date while derivatives are recognized on the trade date. Changes in fair value between the trade and settlement dates are booked in the income statement or to shareholders' equity depending on the relevant accounting category. Customer loans are recorded in the balance sheet on the date they are paid.

When initially recognized, financial assets and liabilities are measured at fair value including transaction cost (except for financial instruments recognized at fair value through profit or loss) and are classified under one of the following categories.

ASSETS**(i) Loans and receivables**

Loans and receivables neither held for trading purposes nor intended for sale from the time they are originated or contributed are recognized in the balance sheet under the Due from banks or Loans and advances to customers and there after carried at their amortized cost. An impairment loss may be recorded if appropriate.

(ii) Financial assets and liabilities at fair value through profit and loss

These are financial assets and liabilities held for trading purposes. They are booked at fair value at the balance sheet date and recognized in the balance sheet under Derivative financial instruments. Changes in fair value are recorded in the income statement for the period as Financial operations results.

This category also includes non-derivative financial assets and liabilities designated by the Group upon initial recognition to be carried at fair value through profit or loss in accordance with the option available under IAS 39. The Group's aim in using the fair value option is:

- first to eliminate or significantly reduce discrepancies in the accounting treatment of certain financial assets and liabilities.
- secondly, the Group can book certain compound financial instruments at fair value so avoiding the need to separate out embedded derivatives that would otherwise have to be booked separately.

(iii) Held-to-maturity financial assets

These are non-derivative fixed income assets with a fixed maturity, which the Group has the positive intention and the ability to hold to maturity. They are valued after acquisition at their amortized cost and may be subject to impairment, if appropriate.

The amortized cost includes premiums and discounts as well as transaction costs and they are recognized in the balance sheet under Held-to-maturity financial assets.

(iv) Investment in securities - Available for sale

These are non-derivative financial assets held for an indefinite period which the Group may sell at any time. By default, these are any assets that do not fall into one of the above three categories. These financial assets are recognized in the balance sheet under Investment in securities - Available for sale and measured at their fair value at the balance sheet date. Interest accrued or paid on fixed-income securities is recognized in the income statement using the effective interest rate method under Interest and similar income. Changes in fair value other than income are recorded in shareholders' equity under Fair value reserves. The Group only records these changes in fair value in the income statement when the asset is sold or impaired, in which case they are reported as Financial operations results. Dividends on variable income securities classified as available for sale are recorded in the income statement under Dividend income.

DEBT

Group borrowings that are not classified as financial liabilities recognized through profit or loss are initially recognized at cost, measured as the fair value of the amount borrowed net of transaction fees. These liabilities are valued at the period end, at amortized cost and are recognized in the balance sheet as due to banks or due to customers.

(i) Amounts due to banks, due to banks

Amounts due to banks and due to customers are classified according to their initial maturity and type into: demand (demand deposits and current accounts) and time deposits and borrowings in the case of banks; and into savings accounts and other deposits in the case of customers. They also include securities sold to banks and customers under repurchase agreements.

(ii) Securitised debt payables

These liabilities are classified by type of security: loan notes, interbank market certificates, negotiable debt instruments, bonds and other debt securities; with the exemption of subordinated notes which are classified under Subordinated debt.

Bond issuance and redemption premiums are amortized at the effective interest rate over the life of the related borrowings. The resulting charge is recognized under Interest expenses in the income statement.

Subordinated debt

This item includes all dated or undated borrowings, whether or not in the form of securitized debt, which in the case of liquidation of the borrowing company may only be redeemed after all other creditors have been paid.

Derecognition of financial assets and liabilities

The Group derecognizes all or part of a financial asset (or group of similar assets) when the contractual rights to the cash flows on the asset expire or when the Group has transferred the contractual rights to receive the cash flows and substantially all of the risks and rewards of ownership of the asset.

Where the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has not retained control of the financial asset, the Group derecognizes it and recognizes separately as asset or liability any rights and obligations created or retained as a result of the asset's transfer. If the Group has retained control of the asset, it continues to recognize it in the balance sheet to the extent of its continuing involvement in that asset.

When a financial asset is derecognized in its entirety, a gain or loss on disposal is recorded in the income statement for the difference between the carrying value of the asset and the payment received for it, adjusted where necessary for any unrealized profit or loss previously recognized directly inequity.

The Group only derecognizes all or part of a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

(f) Financial derivatives and hedge accounting

All financial derivatives are recognized at fair value in the balance sheet as financial assets or financial liabilities. Changes in the fair value of financial derivatives, except those designated as cash-flow hedges (see below), are recognized in the income statement for the period.

Derivatives are divided into two categories:

(i) Trading financial derivatives

Derivative instruments are considered to be trading financial derivatives by default, unless they are designated as hedging instruments for accounting purposes. They are booked in the balance sheet under Derivative financial instruments. Changes in fair value are recorded in the income statement as Net gains or losses on financial transactions. Derivatives used for economic hedges are included in this category (e.g. cases for which hedging accounting is not necessary for reducing income statement volatility because gains and losses arising on the hedging and hedged positions are recognised consistently in the income statement).

(ii) Derivative hedging instruments

To designate an instrument as a derivative hedging instrument (i.e. for implementing hedging accounting rules) the Group must document the hedging relationship at the inception of the hedge, specifying the asset, liability, or future transaction hedged, the risk to be hedged, the type of financial derivative used and the valuation method applied to measure the effectiveness of the hedge. The derivative designated as a hedging instrument must be highly effective in offsetting the variation in fair value or cash flows arising from the hedged risk, both when the hedge is first set up and throughout its life. Derivative hedging instruments are recognized in the balance sheet under Derivative financial instruments.

Notes to the consolidated financial statements

2. Principal accounting policies (continue)**(f) Financial derivatives and hedge accounting (continue)**Fair value hedge

In a fair value hedge, the book value of the hedged item is adjusted for gains or losses attributable to the hedged risk which are reported under Financial operations results. As the hedging is highly effective, changes in the fair value of the hedged item are faithfully reflected in the fair value of the derivative hedging instrument. Accrued interest income or expenses on hedging derivatives are booked to the income statement under Interest income and expense at the same time as the interest income or expense related to the hedged item.

If it becomes apparent that the derivative has ceased to meet the effectiveness criteria for hedge accounting or is sold, hedge accounting is prospectively discontinued. Thereafter, the carrying amount of the hedged asset or liability ceases to be adjusted for changes in fair value and the cumulative adjustments previously recognized under the hedge accounting are amortized over its remaining life. Hedge accounting is discontinued automatically if the hedged item is sold before maturity.

Cash flow hedge

In a cash flow hedge, the effective portion of the changes in fair value of the hedging derivative instrument is recognized in a specific equity account, while the ineffective portion is recognized in the income statement under Net gains or losses on financial instruments.

Amounts directly recognized in equity under cash flow hedge accounting are reclassified in interest income and expenses in the income statement at the same time as the cash flows being hedged. Accrued interest income or expense on hedging derivatives is booked to the income statement under Interest income and expense at the same time as the interest income or expense related to the hedged item.

Whenever the hedging derivative ceases to meet the effectiveness criteria for hedge accounting or is terminated or sold, hedge accounting is prospectively discontinued. Amounts previously recognized directly in equity are reclassified to Interest income and expense in the income statement over the periods where the interest margin is affected by cash flows arising from the hedged item. If the hedged item is sold earlier than expected or if the forecast transaction hedged ceases to be highly probable, unrealized gains and losses booked to equity are immediately reclassified in the income statement.

Macro fair value hedge

In this type of hedge, financial derivatives are used to hedge on an overall basis structural interest rate risks usually arising from Retail Banking activities. In accounting for these transactions, the Group applies the IAS 39 "carve-out" standard as adopted by the European Union, which facilitates: (a) the application of fair value hedge accounting to macro hedges used for asset-liability management including customer demand deposits in the fixed-rate positions being hedged; (b) the carrying out of effectiveness tests required by the standard.

The accounting treatment for financial derivatives designated as a macro fair value hedge is similar to that for other fair value hedging instruments. Changes in fair value of the portfolio of macro-hedged instruments are reported in the balance sheet under Derivative financial instruments.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument. If this hybrid instrument is not valued at fair value through profit and loss the Group separates out the embedded derivative from its host contract if, at the inception of the operation, the economic characteristics and risks of the derivative are not closely related to the economic characteristics and risk profile of the host contract and it would separately meet the definition of a derivative. Once separated out, the derivative is recognized at its fair value in the balance sheet under Derivative financial instruments and accounted for as above. There are no such cases in the financial statements for 2006.

(g) Impairment of financial assets**(i) Financial assets valued at amortized cost**

At each balance sheet date, the Group assesses whether there is objective evidence that any financial asset or group of financial assets has been impaired as a result of one or more events occurring since they were initially recognized (a "loss event") and whether 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.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that loans or other receivables, or financial assets classified as held-to-maturity financial assets are impaired, an impairment loss is booked for the difference between the carrying amount and the present value of estimated future recoverable cash flows, taking into account any guarantees, discounted at the financial assets' original effective interest rate. This loss is booked to Cost of risk in the income statement and the value of the financial asset is reduced accordingly. Allocations to and reversals of impairments are recorded under Cost of risk. The impaired loans / receivables are debited with interest reflecting the unwinding of their discounting to present value, which is recorded under Interest income in the income statement.

As soon as a credit risk is incurred in a homogenous portfolio / group of financial instruments, impairment loss is recognized without waiting for the risk to individually affect one or more receivables. The amount of impairment is determined on the basis of historical loss experience for assets with credit risk characteristics similar to those in the portfolio, or using hypothetical extreme loss scenarios or, if necessary, ad-hoc studies, adjusted to reflect any relevant current economic conditions.

Where a loan is restructured, the Group books a loss in Cost of risk representing the change in terms of the loan if the present value of expected recoverable future cash flows, discounted at the loan's original effective interest rate, is less than the amortized cost of the loan.

(ii) Available-for-sale financial assets

Where there is objective evidence of long-term impairment to a financial asset available for sale, an impairment loss is recognized through profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in the shareholders' equity account under Unrealized or deferred capital gains or losses and subsequent objective evidence of impairment emerges, the Group recognizes the total accumulated unrealized loss previously booked to shareholders' equity in the income statement – under Cost of risk for debt instruments and under Net gains or losses on available-for-sale financial assets for equity securities.

This cumulative loss is measured as the difference between acquisition cost (net of any repayments of principal and amortization) and the current fair value, less any loss of value on the financial asset that has already been booked through profit or loss.

Impairment losses recognized through profit and loss on an equity instrument classified as available for sale are only reversed through profit and loss when the instrument is sold. Once a shareholders' equity instrument has been recognized as impaired, any further loss of value is booked as an additional impairment loss. For debt instruments, however, an impairment loss is reversed through profit and loss if they subsequently recover in value.

(h) Lease financing and similar agreements

Leases are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Otherwise they are classified as operating leases.

Lease finance receivables are recognized in the balance sheet under loans and advances to customers and represent the Group's net investment in the lease, calculated as the present value of the minimum payments to be received from the lessee, plus any unguaranteed residual value, discounted at the interest rate implicit in the lease.

Interest included in the lease payments is booked under Interest and similar income in the income statement such that the lease generates a constant periodic rate of return on the lessor's net investment. If there has been a reduction in the estimated unguaranteed residual value used to calculate the lessor's gross investment in the finance lease, an expense is recorded to adjust the financial income already recorded.

Fixed-assets arising from operating lease activities are presented in the balance sheet under Tangible and intangible fixed assets. In the case of buildings, they are booked under Investment Property. Lease payments are recognized in the income statement on a straight-line basis over the life of the lease under Income from other activities.

2. Principal accounting policies (continue)**(i) Tangible and intangible fixed assets**

Operating and investment fixed assets are booked in the balance sheet at cost. Investment subsidies received are deducted from the cost of the relevant assets.

Software designed in-house is booked as an asset in the balance sheet at its direct cost of development, calculated as spending on external supplies and services and personnel costs directly attributable to producing the asset and making it ready for use.

As soon as they are fit for use, fixed assets are depreciated over their useful life. Any residual value of the asset is deducted from its depreciable amount.

Where one or several components of a fixed asset are used for different purposes or to generate economic benefits over a different time period from the combined (whole) asset, these components are depreciated over their individual useful lives, through profit and loss under amortization, depreciation and impairment of tangible and intangible fixed assets.

The Group applied this approach to its operating and investment property, breaking down its assets into at least the following components with their corresponding depreciation periods:

Infrastructure

| | |
|----------------------------|----------|
| Major structures | 50 years |
| Doors and windows, roofing | 20 years |
| Façades | 30 years |

Technical installations

| | |
|---|---------------|
| Elevators | } 10-30 years |
| Electrical installations | |
| Electricity generators | |
| Air conditioning, extractors | |
| Technical wiring | |
| Security and surveillance installations | |
| Plumbing | |

Fixtures and fittings

| | |
|-------------------------|----------|
| Finishing, surroundings | 10 years |
|-------------------------|----------|

Depreciation periods for fixed assets other than buildings depend on their useful life, usually estimated in the following ranges:

| | |
|--------------------------------------|-------------|
| Plant and equipment | 5 years |
| Transport | 5-7 years |
| Furniture | 10-20 years |
| Office equipment | 5-10 years |
| IT equipment | 3-5 years |
| Software, developed or acquired | 3-5 years |
| Concessions, patents, licenses, etc. | 5-20 years |

Fixed assets are tested for impairment whenever there is any indication that their value might have been diminished. Evidence of a loss in value is assessed at every balance sheet date. Where a loss is established, an impairment loss is booked to the income statement under Amortization, depreciation and impairment of tangible and intangible fixed assets. This impairment loss will reduce the depreciable amount of the asset and so also affect its future depreciation schedule.

Realized capital gains or losses on operating fixed assets are recognized under Net income on other assets, while profits or losses on investment real estate are booked as Net Banking Income under Income from other activities.

(j) Provisions

Provisions, other than those for credit risk or employee benefits, represent liabilities whose timing or amount cannot be accurately determined. Provisions may be booked where, by virtue of a commitment to a third-party, the Group will probably or certainly incur an outflow of resources to this third-party without receiving at least equivalent value in exchange.

The expected outflows are then discounted to present value to determine the amount of the provision, where this discounting has a significant impact. Allocations to and reversals of provisions are booked through profit and loss under the items corresponding to the future expense.

(k) Loan commitments

The Group initially recognizes loan commitments that are not considered as financial derivatives, at fair value. Thereafter, these commitments are provisioned, as necessary, in accordance with the accounting principles for Provisions.

(l) Liabilities/shareholders' equity distinction

Financial instruments issued by the Group are classified in whole or in part to debt or to equity depending on whether or not they contractually oblige the issuer to remunerate the holders of the security in cash. The Group has analyzed the substance of these instruments considering the implicit obligation to reimburse the holders.

(m) Interest income and expense

Interest income and expense are booked to the income statement for all financial instruments valued at amortized cost using the effective interest rate method.

The effective interest rate is taken to be the rate that discounts the future cash inflows and outflows over the expected life of the instrument to the book value of the financial asset or liability. To calculate the effective interest rate the Group estimates future cash flows as the product of all the contractual provisions of the financial instrument without taking account of possible future loan losses. This calculation includes commissions paid or received between the parties where these are interest related, transaction costs and all types of premiums and discounts.

When a financial asset or group of similar financial assets have been impaired following an impairment of value, subsequent interest income is booked through profit or loss under Interest and similar income using the same interest rate that was used to discount the future cash flows when measuring the loss of value. Provisions that are booked as balance sheet liabilities, except for those related to employee benefits, generate interest expense for accounting purposes. This expense is calculated using the same interest rate as was used to discount to present value the expected outflow of resources that gave rise to the provision.

(n) Net fees for services

The Group recognizes fee income and expense for services provided and received in different ways depending on the type of service.

Fees for recurring services, such as some payment services, custody fees, or telephone subscriptions are booked as income over the lifetime of the service. Fees for one-off services, such as fund transfers, finder's fees received, arbitrage fees, or penalties following payment incidents are booked to income when the service is provided under Fees paid for services provided and other.

In syndication deals, underwriting fees and participation fees proportional to the share of the issue placed are booked to income at the end of the syndication period provided that the effective interest rate for the share of the issue retained on the Group's balance sheet is comparable to that applying to the other members of the syndicate. Arrangement fees are booked to income when the placement is legally complete. These fees are recognized in the income statement under Fee income – Primary market transactions.

(o) Personnel expenses

Personnel expenses include all expenses related to personnel, notably the cost of the legal employee profit sharing and incentive plans for the year as well as the costs of the various Group pension and retirement schemes and expenses arising from the application of IFRS 2 "Share-based payments"

(p) Employee benefits**(i) post-employment benefits**

Defined contribution plans limit the Group's liability to the subscriptions paid into the plan but do not commit the Group to a specific level of future benefits. Contributions paid are booked as an expense for the year in question.

Defined benefit plans commit the Group, either formally or constructively, to pay a certain amount or level of future benefits, and the company therefore bears the medium- or long-term risk.

Provisions are booked to cover the whole of these retirement obligations. This is assessed regularly by independent actuaries using the projected unit credit method. This valuation technique incorporates assumptions about demographics, early retirement, salary rises and discount and inflation rates.

When these plans are financed from external funds classed as plan assets, the fair value of these funds is subtracted from the provision to cover the obligations.

2. Principal accounting policies (continue)**(p) Employee benefits (continue)**

Differences arising from changes in the calculation assumptions (early retirements, discount rates, etc.) or from differences between actuarial assumptions and real performance (return on plan assets) are booked as actuarial gains or losses. They are amortized in the income statement according to the "corridor" method: i.e. over the expected average remaining working lives of the employees participating in the plan, as soon as they exceed the greater of: (a) 10% of the present value of the defined benefit obligation (before deducting plan assets); (b) 10% of the fair value of the assets at the end of the previous financial year.

Where a new or amended plan comes into force the cost of past services is spread over the remaining period until vesting.

An annual charge is booked under Personnel expenses for defined benefit plans, consisting of: (a) additional entitlements vested by each employee (current service cost); (b) the financial expense resulting from the discount rate; (c) expected return on plan assets (gross return); (d) amortization of actuarial gains and losses and past service cost; (e) settlement or curtailment of plans.

(ii) Long-term benefits

These are benefits paid to employees more than 12 months after the end of the period in which they provided the related services. Long-term benefits are measured in the same way as post employment benefits, except for the treatment of actuarial gains and losses and past service costs which are booked immediately to income.

(q) Cost of risk

The Cost of risk account is limited to allocations, net of reversals, to impairment charge for counterparty risks and provisions for legal disputes.

(r) Deferred Tax

Deferred taxes are recognized whenever the Group identifies a temporary difference between the book value and tax value of balance sheet assets and liabilities that will affect future tax payments. Deferred tax assets and liabilities are measured based on the tax rate enacted or substantively enacted which is expected to apply when the asset is realized or the liability settled. The impact of changes to tax rates is booked in the income statement under Deferred taxes. Net deferred tax assets are not recognised unless it is probable that the deferrer tax asset will be used.

For 2006 and following years, the tax rate applied for deferred tax calculation is 25%.

Deferred taxes are not discounted to present value.

3. Fair value of financial instruments

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.

For financial instruments recognized at fair value through profit and loss, fair value is determined, wherever possible, after prices quoted on an actively-traded market, adjusted if no price is available at the balance sheet date. However, for many of the financial instruments held or issued by the group no actively traded market exists. In these cases, fair value is determined through valuation techniques (in-house valuation models) using valuation parameters that reflect market conditions at the balance sheet date and which are heavily influenced by assumptions on issues such as the amount and timing of estimated future cash flows, discount rates, volatility or credit risk. The Group's in-house valuation models are based on current valuation techniques used by market participants to value financial instruments, such as discounted future cash flows for swaps or Black & Scholes valuation for some options.

For financial instruments that are not recognized at fair value in the balance sheet, the figures given in the notes should not be taken as an estimate of the amount that would be realized if all such financial instruments were to be settled immediately.

The fair values of financial instruments include, if applicable, any accrued interest.

(a) Loans and lease financing receivables

The fair value of loans and lease financing receivables is determined, in the absence of an actively traded market for these loans, by discounting the related future cash flows to present value at market rates in force at the balance sheet date for each type of loan and each maturity. For all floating-rate loans and lease financing receivables and fixed-rate loans with an initial maturity of less than one year, fair value is assumed to be the same as book value.

(b) Shares and other variable income securities

For listed shares, fair value is taken to be the quoted price at the balance sheet date.

(c) Debt (fixed-income) instruments held in portfolio measured at fair value and financial derivatives

The fair value of all these financial instruments is determined based on the quoted price at the balance sheet date or prices provided by brokers at the same date, where available. For unlisted financial instruments, fair value is determined using valuation techniques (in-house valuation models) as described in note 2 on Principal accounting policies

(d) Customers deposits

The fair value of retail customers deposits, mainly individuals or small or medium-sized companies, is assumed to correspond, as there is no actively-traded market in these liabilities, to the value of future cash flows discounted to present value at the market rate prevailing on the balance sheet date.

For floating-rate deposits, demand deposits and borrowings with an initial maturity of less than one year, fair value is assumed to be the same as book value.

(e) Other debt and subordinated debt

For listed financial instruments, fair value is taken as their quoted price at the balance sheet date. For unlisted financial instruments, fair value is determined by discounting future cash flows to present value at market rates.

4. Financial risk management

This note describes the main risks linked to financial instruments and the way in which they are managed by the Group.

The main risks incurred on banking activities are the following: credit risks: (a) risk of loss arising from a counterparty's inability to meet its financial commitments; (b) market risks: risk of loss resulting from changes in market prices and interest rates, in correlations between these elements and their volatility; (c) structural risks: risk of loss in the bank's balance sheet arising from variations in interest or exchange rates; (d) liquidity risk: the risk of the Group not being able to meet its commitments at their maturities.

(a) Organization procedures and methods

Risks are inherent to all banking activities and must therefore to be taken into account from the inception of a transaction through to its completion. As such, responsibility for risk management lies first with the operating divisions.

Geniki Bank's Risk Division is responsible for: (a) defining and validating the methods used to analyze, assess, approve and monitor risks; (b) the critical review of sales strategies for high-risk areas; (c) contributing to the independent assessment of credit risks by commenting on transactions proposed by sales units and monitoring them from start to finish; (d) identifying all Group risks and monitoring the adequacy and consistency of risk management information systems.

A systematic review of the bank's key risk management issues is carried out during the quarterly Risk Committee meetings, which bring together the members of the Executive Committee and Risk Division managers.

This Committee meets to review all core strategic issues: risk-taking policies, measuring methods, material and human resources, analyses of portfolios and the cost of risk, market and credit concentration limits.

All new products and activities or products under development must be submitted to the New Product Committee. This New Product Committee aims to ensure that, prior to the launch of a new activity or product, all associated risks are fully understood, measured, approved and subjected to adequate procedures and controls, using the appropriate information systems and processing chains.

(b) Credit risk**(i) Risk-taking - General principles**

Approval of a credit risk must be based on sound knowledge of the customer, the Group's risk strategy, the purpose, nature and structure of the transaction and the sources of repayment.

The risk approval process is based on four core principles: (a) all transactions giving rise to a counterparty risk (debtor risk, non-settlement or non-delivery risk, issuer risk) must be authorized in advance; (b) all requests for authorizations relating to a specific client or client group must be handled centrally by a single operating division. The central division is designated on a case by-case basis in order to ensure a consistent approach to risk management and permanent control of the Group's potential exposure to major clients; (c) responsibility for analyzing and approving risk is delegated to the most appropriate section of the business lines or credit risk units; (d) risk assessment departments are fully independent at each decision-making level.

(ii) Credit risk mitigation**Guarantees and collateral**

Guarantees or collateral are used by the bank to partially or fully protect against the risk of debtor insolvency (e.g. mortgage).

Master netting agreements

In order to reduce its credit risk exposure, Geniki Bank Group has signed a number of master netting agreements with various counterparties (ISDA contracts governing financial derivatives transactions). In the majority of cases, these agreements do not result in any netting of assets or liabilities on the books, but the credit risk attached to the financial assets covered by a master netting agreement is reduced insofar as, in the event of a default, the amounts due are settled on the basis of their net value.

4. Financial risk management (continue)**(b) Credit risk (continue)**Depreciation

Decisions to book individual provisions on certain counterparties are taken where there is objective evidence of impairment. The amount of the depreciation depends on the probability of recovering the sums due. Depreciation is then booked based on the financial position of the counterparty, its economic prospects and the guarantees called up or which may be called up.

The Risk Division draws up portfolio-based provisions which are reviewed each quarter. The aim of these provisions is to factor in any credit risks incurred on portfolio basis before any depreciation at an individual level.

(c) Market risks linked to trading activities

The organization of market risk management has been continually adjusted with a view to harmonizing existing procedures within the Group and guaranteeing that risk management team remain independent from the operating divisions.

At the proposal of this department, the Group's Risk Committee sets the levels of authorized risk by type of activity and takes the main decisions concerning Group risk management.

(d) Structural interest rate and exchange rate risks

Structural interest rate and exchange rate risks are incurred in commercial and proprietary activities (transactions involving shareholders' equity, investments, bond issues).

The general principle is to concentrate structural interest rate and exchange rate risks for monitoring and controlling using market risk methods, and to reduce structural interest rate and exchange rate as much as possible.

Wherever possible, commercial transactions are hedged against interest rate and exchange rate risks, either through micro hedging (individual hedging of each commercial transaction) or macro-hedging techniques (hedging of portfolios of similar commercial transactions within the treasury department).

Interest rate and exchange rate risks on proprietary transactions are hedged to the extent possible.

Consequently, structural interest rate and exchange rate risks are only borne on the residual positions remaining after this hedging.

(i) organization of the management of structural interest rate and exchange rate risks

The responsibility for managing structural risks lies with the Asset Liabilities Committee (ALCO), which is supported by the Asset and Liability Management Department (ALM Department).

The Group's ALCO Committee, chaired by the General Management and attended by members of the Executive Committee and Finance Department: validates the basic principles for the organization and management of the Group's structural risks; sets the limits; examines the reports on these risks provided by the ALM Department; validates the hedging programs implemented by Treasury.

The ALM Department, which is part of the Group Finance Department: defines standards for the management of structural risks (organization, monitoring methods); validates the models used by the entities; informs the entities of their respective limits; centralizes, consolidates and reports on structural risk exposure, and carries out controls.

(ii) structural interest rate risks

Structural interest rate risk arises from residual gaps in fixed-rate positions with future maturities.

Objective of the Group

The Group's principal aim is to reduce each entity's exposure to interest rate risk as much as possible.

Any residual structural interest rate risk exposure must comply with the sensitivity limits set by the ALCO. This sensitivity defines the variation in the net present value of future residual fixed-rate positions (surplus or deficits on assets and liabilities) for a 1% parallel shift in the yield curve (i.e. this sensitivity does not relate to the sensitivity of annual net interest income). The limit for the overall Group is set at EUR 15m.

Measurement and monitoring of structural interest rate risk

In order to quantify its exposure to structural interest rate risks, the Group analyzes all fixed-rate assets and liabilities with future maturities to identify any gaps.

Assets and liabilities are generally analyzed independently, without any prior matching. Maturities on outstanding positions are determined on the basis of the contractual terms governing transactions, assumptions of client behaviour patterns (savings and sight accounts, early repayments etc.), as well as conventional assumptions relating to certain aggregates (principally shareholders' equity).

Once the Group has identified the gaps in its fixed rate positions (surplus or deficit), it calculates their sensitivity (as defined above) to variations in interest rates. The current sensitivity used considers an immediate parallel shift of 1% in the yield curve.

(iii) structural exchange rate risks

Structural exchange rate risks essentially arise from investments made in a currency other than the base currency of the Group (EUR)

Measurement and monitoring of structural exchange rate risk

The Group quantifies its exposure to structural exchange rate risk by analyzing all assets and liabilities denominated in foreign currencies, arising from commercial and proprietary transactions.

As commercial transactions are hedged against exchange rate risk, the Group's residual exposure results primarily from proprietary transactions.

The Group's Finance Department monitors structural exchange rate positions.

(e) Hedging interest rate and exchange rate risk

In order to hedge certain market risks, the Group has set up hedges which, in accounting terms, are referred to as fair value hedges or cash flow hedges depending on the risks and/or financial instruments hedged.

In order to qualify these transactions as hedges for IFRS accounting purposes, the Group documents such hedge transactions in detail, specifying the risk covered, the risk management strategy and the method used to measure the effectiveness of the hedge from its inception. This effectiveness is verified when changes in the fair value or cash flow of the hedged instrument are almost entirely offset by changes in the fair value or cash flow of the hedging instrument— the expected ratio between the two changes in fair value being within the range 80%-125%. Effectiveness is measured each quarter on a prospective and retrospective basis. Where the effectiveness falls outside the range specified above, hedge accounting is discontinued. However, economic hedges may continue to be in place, irrespective to the IFRS accounting treatment.

(i) fair value hedge

Within the framework of its activities and in order to hedge its fixed-rate financial assets and liabilities against variations in long interest rates (essentially loans/borrowings, securities issues and fixed-rate securities), the Group uses fair value hedges primarily in the form of interest rate swaps and interest rate options.

Prospective effectiveness is assessed via a sensitivity analysis based on probable market trends between certain components of the hedged and hedging instruments.

Retrospective effectiveness is assessed by comparing any changes in the fair value of the hedging instrument with any changes in the fair value of the hedged instrument.

(ii) cash flow hedge

Cash flow hedges on interest rates are used to hedge against the risk that the future cash flow of a floating rate financial instrument fluctuate in line with market interest rates.

The aim of such a hedge is to protect against unfavourable changes in future cash flow that are liable to impact on the income statement.

(f) Liquidity risk

Liquidity risk management covers all areas of Geniki Bank's business, from market transactions to structural transactions (commercial or proprietary transactions).

The Group manages this exposure using a system designed to manage liquidity risk under normal day-to-day conditions.

(i) organization of the management of liquidity risk

The ALM Department manages liquidity for the overall Group, in conjunction with the treasury department.

The Group's ALCO, chaired by the General Management and attended by members of the Executive Committee and Finance Department: (a) validates the basic principles for the organization and management of the

The ALM Department, which is part of the Group Finance Sector (a) defines the standards for the management of liquidity risks; (b) centralizes, consolidates and reports on liquidity risk exposure (c) defines the Group's financing programs.

Treasury is responsible for managing short-term liquidity (less than one year).

Objective of the Group

The Group's objective is to finance its activities at the best possible rate under normal conditions of operation, and to ensure it can meet its obligations in the event of a crisis.

The main principles of the Group's liquidity management are as follows: (a) central management of liquidity to the extent possible (b) diversification of sources of funding, both in terms of geographical regions and sectors of activity (c) management of short-term liquidity in accordance with the regulatory framework; issuance of financial instruments to achieve the target solvency capital ratio.

Notes to the consolidated financial statements

4. Financial risk management (continue)

(f) Liquidity risk (continue)

Measurement and monitoring of liquidity risk

The Group's liquidity management system assess the Group's financing requirements on the basis of budget forecasts in order to plan appropriate funding solutions

The risk analysis is conducted with reports for on and off-balance sheet items per currency and residual maturity. Maturities on outstanding assets and liabilities are determined on the basis of the contractual terms of the transactions, assumptions for client behaviour patterns (savings and sight accounts, early repayments, etc.), as well as conventional assumptions relating to certain aggregates (principally shareholders' equity).

5. Estimations and judgements

The Group makes estimates and assumptions that affect the reported amounts recognised in the financial statements. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that appear to be reasonable under the circumstances.

(a) Impairment of loans and advances

The Group reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recognised in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a decrease in the estimated future cash flows from outstanding loans and advances.

The individual provisions relate to loans and advances separately examined for impairment and their calculation is based on the best possible estimation of the present value of the related recoverable future cash flows. For estimating the cash flows, the management estimates the financial position of each customer and the recoverable amount from the foreclosure of assets with fixed charges (e.g. pre-notation of property) or guarantees. Each case is evaluated separately, whereas the followed methodology and the estimation of recoverable cash flows are reviewed by independent parties.

Provisions for losses on aggregated positions take into consideration factors such as credit quality, portfolio size etc. For estimating the required provisions, assumptions are made in respect of models and parameters, adjusted for past experience and prevailing financial conditions.

Accuracy of provisions is dependent on the quality of the estimation of expected cash flows, at individual and aggregate level. Although the above estimations involve subjective judgments, the management believes that recognized provisions are adequately and sufficiently justified.

(b) Fair value of derivatives (including embedded derivatives)

The fair value of financial instruments not quoted in active markets are determined by using valuation techniques. To the extent practical models use only observable data.

(c) Income tax

The Group is subject to income tax according to the Greek Tax Legislation. The calculation of income tax expense requires the exercise of significant subjective judgment. In the context of the usual Group activity, there are many transactions and calculations for which the final tax assessment is not certain. The management of the Group has taken into consideration income tax expense that may arise from a future tax audit. In case the final level of income tax that will be assessed, differs from the estimates, the difference may affect the income tax in the period of assessment or it may reduce the amount of the contingent asset relating to the tax losses carried forward.

6. Net interest income

| | Year ended | |
|------------------------------|----------------|----------------|
| | 31 December | |
| | 2006 | 2005 |
| | € 000 | € 000 |
| (a) Interest income | | |
| Banks | 6,964 | 4,849 |
| Customers | 179,525 | 161,727 |
| Financial instruments | | |
| <i>Available for sale</i> | 8,043 | 15,821 |
| <i>Hedging instruments</i> | 4,614 | 3,703 |
| Financial leases | 7,242 | 5,556 |
| Total interest income | 206,388 | 191,656 |

| | Year ended | |
|-------------------------------|-----------------|-----------------|
| | 31 December | |
| | 2006 | 2005 |
| | € 000 | € 000 |
| (b) Interest expense | | |
| Banks | (23,632) | (9,618) |
| Customers | (41,894) | (33,773) |
| Financial instruments | | |
| <i>Subordinated Debt</i> | (4,891) | (4,139) |
| <i>Hedging instruments</i> | (2,840) | (2,945) |
| Total interest expense | (73,257) | (50,475) |

7. Fee income and expenses

| | Year ended | |
|---------------------------|---------------|---------------|
| | 31 December | |
| | 2006 | 2005 |
| | € 000 | € 000 |
| (a) Fee income | | |
| Customer transactions | 8,625 | 9,825 |
| Securities transactions | 2,643 | 1,731 |
| Investment and guarantees | 6,514 | 6,088 |
| Credit card fee income | 8,710 | 8,616 |
| Other service fees income | 7,965 | 6,984 |
| Total fee income | 34,457 | 33,244 |

| | Year ended | |
|----------------------------------|----------------|----------------|
| | 31 December | |
| | 2006 | 2005 |
| | € 000 | € 000 |
| (b) Fee expenses | | |
| Credit institutions transactions | (281) | (259) |
| Financial instruments operations | (1) | (12) |
| Financial services | (214) | (201) |
| Other service fee expenses | (1,577) | (1,320) |
| Total fee expenses | (2,073) | (1,792) |

8. Net income on financial operations

| | Year ended | |
|---|----------------|--------------|
| | 31 December | |
| | 2006 | 2005 |
| | € 000 | € 000 |
| Derivative financial instruments | (1,851) | (11,651) |
| Available for sale financial instruments | (592) | 12,114 |
| Foreign exchange transactions | 1,022 | 858 |
| Total net income on financial operations | (1,421) | 1,321 |

9. Operating expenses

| | Year ended | |
|---|----------------|----------------|
| | 31 December | |
| | 2006 | 2005 |
| | € 000 | € 000 |
| Staff costs (note 10) | 100,052 | 89,039 |
| Taxes | 1,403 | 1,608 |
| Advertising expenses | 12,221 | 8,897 |
| Computer equipment & software maintenance | 10,769 | 11,150 |
| Consulting and other legal expenses | 3,583 | 3,635 |
| Building rental and maintenance | 12,145 | 11,021 |
| Other administrative expenses | 15,013 | 14,945 |
| Depreciation and amortisation | 13,774 | 14,159 |
| Total operating expenses | 168,960 | 154,454 |

10. Staff costs

| | Year ended | |
|---------------------------------|----------------|---------------|
| | 31 December | |
| | 2006 | 2005 |
| | € 000 | € 000 |
| Wages and salaries | 77,768 | 66,970 |
| Social security costs | 15,729 | 15,757 |
| Defined contribution plans | 4,178 | 4,323 |
| Defined benefit plans (note 28) | 2,377 | 1,989 |
| Total staff costs | 100,052 | 89,039 |

The number of employees of the Group as at 31 December 2006 was 2,303 (2,284 for 2005)

Share-based payments

The employees of the Group are entitled to participate in a Societe Generale (SG) supported share-based payment scheme. The scheme is presented in summary below.

- Employees are eligible to buy SG shares at a discount of 20% on the price of the share prevailing at the announcement date

- Participation per employee is limited to EUR 20 000

- Employees should hold the shares for a period of five years. However, they are entitled to sell them in certain occasions such as marriage, resignation, purchase of new home etc.

So far the participation of Group employees to this plan has been very limited

11. Income tax expense

| | Year ended | |
|---------------------------------|----------------|--------------|
| | 31 December | |
| | 2006 | 2005 |
| | € 000 | € 000 |
| Current income tax | (5,747) | (1,577) |
| Deferred tax | (510) | 3,235 |
| Total income tax expense | (6,257) | 1,658 |

Further information about deferred income tax is presented in note 30. The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the parent as follows:

| | 2006 | 2005 |
|--|----------------|--------------|
| <i>Profit before tax</i> | (72,583) | (15,740) |
| Tax calculated at a statutory tax rate of 29% (2005 32%) | 21,049 | 5,037 |
| Adjustments due to tax ratio change | | (4,081) |
| Income not subject to tax (perm. diff.) | 23 | 493 |
| Expenses not deductible for tax purposes (perm. Diff.) | (233) | (636) |
| One-off taxation of special reserves | (2,394) | - |
| Tax withheld on bond interest - not recoverable | (1,760) | - |
| De-recognition of deferred tax asset on the tax loss c/f | (21,748) | - |
| Other | (1,194) | 845 |
| Income tax expense | (6,257) | 1,658 |

Group entities have been audited by the tax authorities as presented below.

- Geniki Bank SA up to 2004 (included)
- General Cards SA up to 2001 (included)
- General Finance SA up to 2002 (included)
- General Insurance Brokerage up to 2002 (included)
- General Leasing SA up to 2002 (included)
- GBG Finance PLC (tax resident in the United Kingdom) has not been audited for the years 2001 to 2004 (included)
- § General Securities (AXEPEY), merged in 2004 with the Bank, has been tax audited up to the year 2001 (included).
- § Gaiognomon SA which has been liquidated, has been tax audited up to 2001 (included).
- § Genap SA which under liquidation, has been tax audited up to 2001 (included).

Due to the fact that a tax audit may disallow some expenses, it is possible that additional taxes may be assessed; it is estimated that these taxes are not going to have a significant impact on the financial position of the Group.

Notes to the consolidated financial statements

12. Earnings / (losses) per share

Basic earnings per share is calculated by dividing the net profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

| <i>Measurement unit</i> | Year ended 31 December | |
|--|---------------------------|-----------------------|
| | 2006 | 2005 |
| Net profit (loss) for period attributable to ordinary shareholders | € ' 000 | (78,840) (14,082) |
| Weighted average number of ordinary shares in issue | Number of shares | 58,387,939 48,601,982 |
| Basic and diluted earnings per share | € | (1.35) (0.29) |

13. Cash and balances with central bank

| | Year ended 31 December | |
|---|---------------------------|----------------|
| | 2006 € 000 | 2005 € 000 |
| Cash in hand | 38,355 | 43,354 |
| Balances with central banks | 59,854 | 63,338 |
| Total cash and balances with central banks | 98,209 | 106,692 |
| Included in cash and cash equivalents (note 14) | 98,209 | 106,692 |
| | - | - |

14. Cash and cash equivalents

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

| | Year ended 31 December | |
|---|---------------------------|----------------|
| | 2006 € 000 | 2005 € 000 |
| Cash and balances with central banks | 98,209 | 106,692 |
| Loans and advances to banks | 159,255 | 230,515 |
| Availabel for sale investement securities | 19,950 | - |
| | 277,414 | 337,207 |

15. Due from banks

| | Year ended 31 December | |
|---|---------------------------|----------------|
| | 2006 € 000 | 2005 € 000 |
| Items in course of collection from other banks | 123,071 | 80,083 |
| Placements with other banks | 57,817 | 206,320 |
| Total due from other banks | 180,888 | 286,403 |
| Included in cash and cash equivalents (note 14) | | |
| Loans and advances to other banks | 159,255 | 230,515 |

16. Derivative financial instruments

| | Year ended 31 December 2006 | | | Year ended 31 December 2005 | | |
|--|--------------------------------|-------------|-------------|--------------------------------|-------------|-------------|
| | <i>Contract amount</i> | Fair values | | <i>Contract amount</i> | Fair values | |
| | | Assets | Liabilities | | Assets | Liabilities |
| (a) Derivatives held for trading (incl. economic hedging) | | | | | | |
| <i>(i) Foreign exchange derivatives</i> | | | | | | |
| Currency swaps | 187,790 | 545 | 5,282 | 229,030 | 673 | 1,506 |
| <i>Total foreign exchange derivatives</i> | | 545 | 5,282 | | 673 | 1,506 |
| <i>(ii) Interest rate derivatives</i> | | | | | | |
| Interest rate swaps | 175,000 | 477 | 428 | | | |
| Interest rate options | | | | 322,900 | 6,627 | - |
| <i>Total interest rate derivatives</i> | | 477 | 428 | | 6,627 | - |
| <i>(ii) Other financial derivatives</i> | | | | | | |
| Forward instruments | | - | - | 17,500 | - | 144 |
| <i>Total other financial derivatives</i> | | - | - | | - | 144 |
| Total recognized derivative held for trading | | 1,022 | 5,710 | | 7,299 | 1,650 |
| (b) Derivatives held for hedging (accounting hedging) | | | | | | |
| <i>(i) Derivatives designated as fair value hedges</i> | | | | | | |
| Interest rate swaps | 73,000 | 2,311 | 298 | 73,000 | 214 | 1,285 |
| Interest rate options | 436,050 | 8,693 | - | | | |
| <i>Total derivatives designated as fair value hedges</i> | | 11,004 | 298 | | 214 | 1,285 |
| <i>(ii) Derivatives designated as cash flow hedges</i> | | | | | | |
| Interest rate swaps | | - | - | 50,000 | 79 | 638 |
| <i>Total derivatives designated as cash flow hedges</i> | | - | - | | 79 | 638 |
| Total recognized derivative held for hedging (accounting hedging) | | 11,004 | 298 | | 293 | 1,924 |
| Total recognized derivative assets/(liabilities) | | 12,027 | 6,008 | | 7,592 | 3,574 |

17. Loans and advances to customers

| | Year ended 31 December | |
|---|---------------------------|------------------|
| | 2006 € 000 | 2005 € 000 |
| Loans to individuals | 1,453,074 | 1,211,835 |
| Loans to corporate entities | 1,650,036 | 1,591,850 |
| Leasing | 133,082 | 115,371 |
| Gross loans and advances | 3,236,192 | 2,919,056 |
| Revaluation of hedged items - macro-hedge | 2,228 | - |
| Revaluation of hedged items - micro-hedge | (2,065) | 954 |
| Less: allowance for losses on loans and advances | (288,836) | (266,184) |
| Less: allowance for losses on finance leases | (7,949) | (7,070) |
| Total loans and advances to customers, net | 2,939,570 | 2,646,756 |

Housing loans with embedded interest rate guarantees are macro-hedged (collar). The above mentioned amount has been reflected in the Income statement under Financial operations results.

17. Loans and advances to customers (conitnue)

| Allowance for losses on loan and advances | Year ended 31 December | |
|---|---------------------------|----------------|
| | 2006 € 000 | 2005 € 000 |
| Balance at 1 January | 273,254 | 206,853 |
| First adoption of IFRS (IAS 39) | - | 68,331 |
| Impairment losses on loans and advances charged in the year | 76,117 | 41,185 |
| Loans written off during the year as uncollectible | (52,586) | (43,115) |
| Balance at 31 December | 296,785 | 273,254 |

18. Available for sale investment securities

| | Year ended 31 December | |
|---|---------------------------|----------------|
| | 2006 € 000 | 2005 € 000 |
| Debt securities-at fair value | | |
| -listed | 355,895 | 182,628 |
| -unlisted | - | - |
| Equity securities-at fair value | | |
| -listed | - | 128 |
| -unlisted | 5,356 | 3,301 |
| Total available for sale investment securities | 361,251 | 186,057 |

Included in cash and cash equivalents (note 14)
Available for sale investment securities

19,950

-

Of which pledged

65,000

20,000

Of which used for repo collaterals

97,714

81,932

The movement of available for sale investment securities is summarised as follows:

| | Year ended 31 December | |
|-------------------------------|---------------------------|----------------|
| | 2006 € 000 | 2005 € 000 |
| Balance at 1 January | 186,057 | 640,190 |
| Additions | 269,820 | 193,408 |
| Disposals | (94,219) | (648,383) |
| Revaluation adjustments | (70) | 842 |
| Recyclement to P&L | (337) | - |
| Balance at 31 December | 361,251 | 186,057 |

19. Investment in subsidiaries

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

| | Year ended 31 December | | | |
|---|------------------------|------------------|----------------|------------------|
| | 2006 | | 2005 | |
| | Direct holding | Indirect holding | Direct holding | Indirect holding |
| General Cards & Financial Services S.A. | 100% | | 89% | 11% |
| General Finance S.A. | 100% | | 100% | |
| General Insurance Agency S.A. | 80% | 20% | 80% | 20% |
| General Leasing S.A. | 100% | | 65% | 35% |
| Gbg Finance Plc | 99% | 1% | 99% | 1% |
| Genap S.A. | 100% | | 100% | |

20. Investment in associates

| | Year ended 31 December | |
|---------------------------------|---------------------------|---------------|
| | 2006 € 000 | 2005 € 000 |
| Beginning of the year | 1,143 | 1,266 |
| Share of results | - | (123) |
| Disposal | (400) | |
| At the end of the period | 743 | 1,143 |

Genap S.A. has been consolidated with the net equity method and has been presented in the Investment in associates line in the Balance sheet because the figures are immaterial and there is no commercial activity of any kind. Also the entity is under liquidation.

Notes to the consolidated financial statements

21. Intangible assets

| | Computer software € 000 | Other € 000 | Total intangible assets € 000 |
|---|-------------------------------|----------------|-------------------------------------|
| Cost | | | |
| Balance at 1 January 2005 | 26,794 | 11,152 | 37,946 |
| Transfers | - | - | - |
| Additions | 1,853 | - | 1,853 |
| Disposals and write - offs | - | - | - |
| Balance at 31 December 2005 | 28,647 | 11,152 | 39,799 |
| Accumulated depreciation | | | |
| Balance at 1 January 2005 | 23,261 | - | 23,261 |
| Transfers | - | - | - |
| Additions | - | - | - |
| Disposals and write - offs | - | - | - |
| Charge of the year | 2,443 | 1,291 | 3,734 |
| Balance at 31 December 2005 | 25,704 | 1,291 | 26,995 |
| Net book value at 31 December 2005 | 2,943 | 9,861 | 12,804 |
| Cost | | | |
| Balance at 1 January 2006 | 28,647 | 11,152 | 39,799 |
| Transfers | - | - | - |
| Additions | 2,971 | 16 | 2,987 |
| Disposals and write - offs | (3) | - | (3) |
| Balance at 31 December 2006 | 31,615 | 11,168 | 42,783 |
| Accumulated depreciation | | | |
| Balance at 1 January 2006 | 25,704 | 1,291 | 26,995 |
| Transfers | - | - | - |
| Additions | - | - | - |
| Disposals and write - offs | - | - | - |
| Charge of the year | 1,821 | 1,112 | 2,933 |
| Balance at 31 December 2006 | 27,525 | 2,403 | 29,928 |
| Net book value at 31 December 2006 | 4,090 | 8,765 | 12,855 |

22. Property, plant and equipment

| | Land, buildings, leasehold improvements € 000 | Leasehold land and buildings € 000 | Furniture, equipment, motor vehicles € 000 | Computer hardware € 000 | Under construction € 000 | Total fixed assets € 000 |
|---|---|--|---|-------------------------------|--------------------------------|--------------------------------|
| Cost | | | | | | |
| Balance at 1 January 2005 | 117,864 | 7,555 | 19,365 | 29,759 | 1,860 | 176,403 |
| Transfers | 10,944 | - | 705 | 335 | (11,984) | - |
| Additions | 122 | - | 1,735 | 3,200 | 15,230 | 20,287 |
| Disposals and write - offs | (1,041) | - | (2,709) | (1,817) | (481) | (6,048) |
| Balance at 31 December 2005 | 127,889 | 7,555 | 19,096 | 31,477 | 4,625 | 190,642 |
| Accumulated depreciation | | | | | | |
| Balance at 1 January 2005 | 23,968 | 259 | 13,486 | 22,154 | - | 59,867 |
| Transfers | - | - | - | - | - | - |
| Additions | - | - | - | - | - | - |
| Disposals and write - offs | (311) | - | (2,639) | (1,443) | - | (4,393) |
| Charge of the year | 4,837 | 169 | 1,703 | 3,716 | - | 10,425 |
| Balance at 31 December 2005 | 28,494 | 428 | 12,550 | 24,427 | - | 65,899 |
| Net book value at 31 December 2005 | 99,395 | 7,127 | 6,546 | 7,050 | 4,625 | 124,743 |
| Cost | | | | | | |
| Balance at 1 January 2006 | 127,889 | 7,555 | 19,096 | 31,477 | 4,625 | 190,642 |
| Transfers | 5,215 | - | 2,131 | 154 | (7,500) | - |
| Additions | 2,071 | - | 1,427 | 3,723 | 11,462 | 18,683 |
| Disposals and write - offs | (825) | - | (1,243) | (2,633) | - | (4,701) |
| Balance at 31 December 2006 | 134,350 | 7,555 | 21,411 | 32,721 | 8,587 | 204,624 |
| Accumulated depreciation | | | | | | |
| Balance at 1 January 2006 | 28,494 | 428 | 12,550 | 24,427 | - | 65,899 |
| Transfers | - | - | - | - | - | - |
| Additions | - | - | - | - | - | - |
| Disposals and write - offs | (183) | - | (996) | (2,515) | - | (3,694) |
| Charge of the year | 6,040 | 169 | 1,936 | 2,696 | - | 10,841 |
| Balance at 31 December 2006 | 34,351 | 597 | 13,490 | 24,608 | - | 73,046 |
| Net book value at 31 December 2006 | 99,999 | 6,958 | 7,921 | 8,113 | 8,587 | 131,578 |

Notes to the consolidated financial statements

| 23. Other assets | Year ended 31 December | |
|-------------------------------------|---------------------------|---------------|
| | 2006 € 000 | 2005 € 000 |
| Prepaid expenses and accrued income | 4,053 | 7,317 |
| Auction (repossed) items | 9,456 | 10,083 |
| Other assets | 24,228 | 44,731 |
| Total other assets | 37,737 | 62,131 |

Auction (repossed) items

Auction (repossed) items are accounted as stocks in accordance with IAS 2.

| | 31 December | |
|-------------------------------|---------------|---------------|
| | 2006 € 000 | 2005 € 000 |
| Balance at 1 January | 10,083 | 9,716 |
| Additions | 821 | 2,342 |
| Impairment | (100) | - |
| Disposals and write - offs | (1,348) | (1,975) |
| Balance at 31 December | 9,456 | 10,083 |

| 24. Due to other banks | Year ended 31 December | |
|--|---------------------------|----------------|
| | 2006 € 000 | 2005 € 000 |
| Items in course of payment | 65,452 | 44,148 |
| Deposits from other banks | 787,965 | 577,959 |
| | 853,417 | 622,107 |
| Included in the amounts due to other banks are amounts due to: | | |
| - Parent, fellow subsidiary and affiliate undertakings | 729,062 | 311,030 |

| 25. Due to customers | Year ended 31 December | |
|---|---------------------------|------------------|
| | 2006 € 000 | 2005 € 000 |
| Savings and current accounts | 1,482,324 | 1,465,715 |
| Term deposits and repurchase agreements | 1,149,284 | 991,636 |
| | 2,631,608 | 2,457,351 |

26. Subordinated debt

GBG Finance PLC, a wholly owned subsidiary of the Group, redeemed on 18 December 2006 its outstanding Subordinated Guaranteed Step up Callable Floating Rate Notes loan amounting to 100m Euros, that was guaranteed by Geniki Bank SA.

For replacing the redeemed subordinated loan, the Bank issued on 18 December 2006 a new subordinated (bonded) loan amounting to 125m Euros. The (bonded) loan has been wholly placed to Societe Generale. The tenor of the loan is 10 years with fixed interest rate of 4.46% for the first five years and floating rate for the remaining years. The loan is callable after five years.

27. Provisions

| <i>Provisions for litigations and risks</i> | Year ended 31 December | |
|---|---------------------------|---------------|
| | 2006 € 000 | 2005 € 000 |
| At 1 January | 3,126 | 3,190 |
| Additions | 1,202 | - |
| Utilised during the year | (308) | (64) |
| Write off | - | - |
| Other | (1,423) | - |
| Balance at 31 December | 2,597 | 3,126 |

Provisions for impairment

| | Year ended 31 December | |
|--------------------------|---------------------------|---------------|
| | 2006 € 000 | 2005 € 000 |
| At 1 January | 1,012 | 1,012 |
| Additions | - | - |
| Utilised during the year | (675) | - |
| Write off | (337) | - |
| Balance at 31 December | - | 1,012 |

Other provisions

| | Year ended 31 December | |
|--------------------------|---------------------------|---------------|
| | 2006 € 000 | 2005 € 000 |
| At 1 January | 14,187 | 15,781 |
| Additions | 880 | 2,585 |
| Utilised during the year | (5,827) | (4,179) |
| Write off | (488) | - |
| Other | (1,600) | - |
| Balance at 31 December | 7,152 | 14,187 |

Notes to the consolidated financial statements

| 28. Staff leaving indemnity provision | Year ended 31 December | |
|--|---------------------------|---------------|
| | 2006 | 2005 |
| | € 000 | € 000 |
| At 1 January | 20,759 | 20,874 |
| Current cost | 1,315 | 1,819 |
| Interest expense (unwinding of discount) | 951 | 875 |
| Recognised actuarial losses | 82 | - |
| Indemnities paid | (2,550) | (2,809) |
| Balance at 31 December | 20,557 | 20,759 |

The amount recognised in the balance sheet are determined as follows:

| | | |
|--|---------------|---------------|
| Present value of unfunded obligations | 28,098 | 24,490 |
| Unrecognised actuarial losses liability in the balance sheet | (7,541) | (3,731) |
| | 20,557 | 20,759 |

Staff leaving idemnity provision is calculated in accordance with the stipulations of law 2112/20. The Group considers all benefits of employees with over than 15 years of service as vested.

| Demographic and financial assumptions | 2006 | | 2005 | |
|---------------------------------------|-------|--------------|-------|--------------|
| | Bank | Subsidiaries | Bank | Subsidiaries |
| Long term inflation rate | 3.30% | 2.00% | 3.38% | 2.16% |
| Employee turnover | 1.42% | 1.42% | 1.42% | 1.42% |
| Discount rate | 4.69% | 5.03% | 3.71% | 4.46% |

| 29. Other liabilities | Year ended 31 December | |
|--------------------------------------|---------------------------|---------------|
| | 2006 | 2005 |
| | € 000 | € 000 |
| Current tax liabilities | 1,953 | 44 |
| Deferred income and accrued expenses | 10,907 | 4,964 |
| Other liabilities | 42,126 | 55,780 |
| | 54,986 | 60,788 |

Finance leasing

The future minimum lease payments and unguaranteed residual values from finance leases where the Group is the lessee (including sale and leaseback transactions) are analyzed as follows:

| | Present value of minimum lease payments | | Present value of minimum lease payments | |
|---|--|------------------------|--|------------------------|
| | Minimum lease payments | Minimum lease payments | Minimum lease payments | Minimum lease payments |
| | 2006 | 2005 | 2006 | 2005 |
| - not later than one year | 776 | 457 | 748 | 453 |
| - later than one year and not later than five years | 3,851 | 2,723 | 3,880 | 2,558 |
| - later than five years | 3,008 | 2,808 | 3,754 | 3,430 |
| Total | 7,635 | 5,988 | 8,382 | 6,441 |
| Less future finance charges | 1,647 | - | 1,941 | - |
| Present value of minimum lease payments | 5,988 | 5,988 | 6,441 | 6,441 |

30. Deferred income tax

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

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

| | Year ended 31 December | |
|-------------------------------|---------------------------|---------------|
| | 2006 | 2005 |
| | € 000 | € 000 |
| At 1 January | 59,013 | 39,122 |
| First application of IFRS | - | 17,078 |
| Income statement credit | (510) | 3,235 |
| Available for sale securities | 55 | (1,711) |
| Other differences | (2) | 1,289 |
| Balance at 31 December | 58,556 | 59,013 |

Deferred income tax assets and liabilities are attributable to the following items:

Deferred income tax assets

| | | |
|---|---------------|---------------|
| Tax loss carried forward | - | 18,086 |
| Allowance for impairment on loans & advances to customers | 51,975 | 36,465 |
| Defined benefits obligations | 5,098 | 4,907 |
| Loans commissions and claims to customers | 3,696 | 3,107 |
| Provisions for other risks | 2,376 | 3,413 |
| Available for sale portfolio | (142) | 374 |
| Other differences | 1,838 | 665 |
| | 64,841 | 67,017 |

Deferred income tax liabilities

| | | |
|---------------------------------------|--------------|--------------|
| Derivatives and financial instruments | (516) | 330 |
| Fixed assets | 6,801 | 7,674 |
| | 6,285 | 8,004 |

Since 2006 is the third consecutive year with tax losses, the deferred tax asset corresponding to the tax benefit resulting from the carry forward of the tax losses that can be set-off against future taxable profits cannot continue to be recognised in accordance with IFRS. This treatment does not imply that the Bank has lost the right to set-off the accumulated tax losses against future tax profits. Tax losses can be carried forward for 5 years. For example, the tax loss of 2004, which is the earliest tax loss, can be carried forward until 2009.

As a result the Group has a contingent asset amounting to EUR 21 million approximately. This figure represents the ceiling of this contingent asset.

| Tax loss year | Carried forward untill | Amount | Contingent asset |
|---------------|---------------------------|---------------|------------------|
| 2004 | 2009 | 29,882 | 7,471 |
| 2005 | 2010 | 40,721 | 10,180 |
| 2006 | 2011 | 16,390 | 4,098 |
| | | 86,993 | 21,748 |

31. Share capital, share premium

The following is an analysis of the movement of share capital and share premium. The par value of the Bank's shares is € 5.77 per share and all of the Bank's shares are fully paid.

| Ordinary share capital | Year ended 31 December | | | |
|---|------------------------|----------------|-------------------|----------------|
| | 2006 | | 2005 | |
| | Number of shares | € 000 | Number of shares | € 000 |
| At 1 January | 58,387,939 | 336,898 | 41,705,671 | 240,642 |
| Share capital increase paid in cash | | | 16,682,268 | 96,256 |
| Balance at 31 December | 58,387,939 | 336,898 | 58,387,939 | 336,898 |
| Share premium | | | | |
| At 1 January | - | 62,620 | - | 59,643 |
| Rights issue (paid in cash) | - | - | - | 3,838 |
| Less: Rights issue expenses, net of tax | - | - | - | (861) |
| Balance at 31 December | - | 62,620 | - | 62,620 |

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

As geographical concentration risk is concerned, the Group is mainly active in Greece. For management information purposes Greece as a whole is considered as one geographical region.

33. Operating lease commitments

The obligations of the Group (as lessee) from leases relate to the occupancy of premises used for its operations. The duration of leases varies from 9 to 12 years with an option to renew or extend their duration at the agreement of both counterparties. Lease payments are usually adjusted annually on the basis of the consumer inflation index. Group policy is to renew such contracts.

The future minimum lease payments for operating leases are as follows:

| | Year ended 31 December | | | |
|---|------------------------|--------------------------------|--------------------|--------------------------------|
| | 2006 | | 2005 | |
| | Land and buildings | Furniture, equipment, vehicles | Land and buildings | Furniture, equipment, vehicles |
| - not later than one year | 8,099 | 209 | 8,065 | 166 |
| - later than one year and not later than five years | 26,561 | 296 | 26,362 | 326 |
| - later than five years | 16,563 | - | 19,823 | - |
| Total | 51,223 | 505 | 54,250 | 492 |

The total expenses of the Group for real estate leases for 2006 amount to 8,718 (2005: 7,651) thousands euro and are included in administration expenses.

34. Contingent liabilities and commitments

| | Year ended 31 December | |
|--|------------------------|----------------|
| | 2006 € 000 | 2005 € 000 |
| Contingent liabilities : | | |
| Guarantees | | |
| - guarantees and standby letters of credit | 368,917 | 461,848 |
| - other guarantees low and medium risk | 357,769 | 173,303 |
| Documentary credits | 12,044 | 13,605 |
| | 738,730 | 648,756 |
| Commitments : | | |
| Capital expenditure | 21,065 | 22,173 |

Legal cases

Pending litigation cases against the Group are not expected to have a significant impact on its financial position and future operation.

Tax issues

See note 11 on income tax and note 5c "Estimations and judgments".

Social security issues

The employees of Geniki Bank are socially secured in IKA (main fund) and therefore, the stipulations of the Law 3371/2005 relating to the transfer of employees to IKA-ETAM will not have an effect to the Group. The employees of the Bank have set up - without any participation of the Bank in the set-up, management and administration – a supplementary fund for pensions and lump-sum payments at retirement. The only obligation of the Bank in respect of the supplementary fund is the payment of contributions. In accordance with the provisions of Law 3371/2005, the employees can decide to dissolve and transfer their fund to IKA – ETEAM - ETAT. The effect on the contributions payable by the Bank in future periods or other impact from the introduction of the Law 3371/2005 cannot be assessed.

35. Business segments

Retail banking comprises private individuals and free-lancers. It includes all products offered to such clients, namely deposits, term deposits, Repos, Swaps, loans (housing and consumer), custody, debit and credit cards.

Corporate banking comprises all businesses (solo practitioners and legal entities of the public and private sector). Product offering includes deposits, term deposits, Repos, Swaps, loans, letters of guarantee, bond loans, derivatives, funds transfer, foreign exchange transactions.

| | Year ended 31 December 2006 | | | | | | |
|----------------------|-----------------------------|--------------------|--------------------|------------------|----------------|--|-----------------|
| | Retail € 000 | Corporate € 000 | Insurance € 000 | Leasing € 000 | Other € 000 | Inter-segment eliminations € 000 | Total € 000 |
| Revenue | 77,677 | 86,053 | 1,050 | 3,395 | 687 | (408) | 168,454 |
| Expenses | (65,995) | (86,370) | (770) | (1,485) | (974) | 408 | (155,186) |
| Provisions | (30,840) | (40,214) | 8 | (1,031) | - | - | (72,077) |
| Depreciation | (6,074) | (7,595) | (7) | (83) | (15) | - | (13,774) |
| Net results | (25,232) | (48,126) | 281 | 796 | (302) | - | (72,583) |
| Income tax | | | | | | | (6,257) |
| Net Profit after tax | | | | | | | (78,840) |
| Segment assets | 1,459,930 | 2,389,457 | 2,300 | 139,561 | - | (151,549) | 3,839,699 |
| Associates | - | - | - | - | - | - | - |
| Segment liabilities | 1,889,359 | 1,960,028 | 2,300 | 139,561 | - | (151,549) | 3,839,699 |
| Capital expenditure | 8,493 | 12,572 | - | - | - | - | 21,065 |

Notes to the consolidated financial statements

35. Business segments (continue)

Year ended 31 December 2005

| | Retail € 000 | Corporate € 000 | Insurance € 000 | Leasing € 000 | Other € 000 | Inter-segment eliminations € 000 | Total € 000 |
|----------------------|-----------------|--------------------|--------------------|------------------|----------------|--|----------------|
| Revenue | 77,734 | 95,985 | 905 | 2,927 | 732 | (79) | 178,204 |
| Expenses | (56,268) | (82,882) | (573) | (827) | 175 | 79 | (140,296) |
| Provisions | (15,468) | (22,336) | (178) | (1,385) | - | - | (39,367) |
| Depreciation | (5,873) | (8,236) | (16) | (12) | (22) | - | (14,159) |
| Net results | 125 | (17,469) | 138 | 703 | 885 | - | (15,618) |
| Loss on associates | | | | | (123) | | (123) |
| Income tax | | | | | | | 1,658 |
| Net Profit after tax | | | | | | | (14,083) |
| Segment assets | 1,211,700 | 2,300,474 | 1,700 | 113,743 | - | (126,279) | 3,501,338 |
| Associates | - | - | - | - | - | - | - |
| Segment liabilities | 1,657,746 | 1,854,428 | 1,700 | 113,743 | - | (126,279) | 3,501,338 |
| Capital expenditure | 7,883 | 14,067 | | 223 | | | 22,173 |

36. Currency risk

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

| | Year ended 31 December 2006 | | | |
|--|-----------------------------|----------------|----------------|------------------|
| | Euro € 000 | USD € 000 | Other € 000 | Total € 000 |
| Assets | | | | |
| Cash and balances with central bank | 97,772 | 222 | 215 | 98,209 |
| Due from banks | 131,282 | 20,062 | 29,544 | 180,888 |
| Derivative financial instruments | 12,015 | 11 | 1 | 12,027 |
| Loans and advances to customers, net | 2,885,870 | 50,757 | 2,943 | 2,939,570 |
| Investment securities - available for sale | 331,613 | 29,638 | - | 361,251 |
| Investment in associate undertakings | 743 | - | - | 743 |
| Intangible assets | 12,855 | - | - | 12,855 |
| Property, plant and equipment | 131,578 | - | - | 131,578 |
| Deferred income tax assets | 64,841 | - | - | 64,841 |
| Other assets | 37,433 | 295 | 9 | 37,737 |
| Total assets | 3,706,002 | 100,985 | 32,712 | 3,839,699 |
| Liabilities | | | | |
| Due to banks | 828,046 | 22,439 | 2,932 | 853,417 |
| Due to customers | 2,370,194 | 73,636 | 187,778 | 2,631,608 |
| Derivative financial instruments | 5,894 | 84 | 30 | 6,008 |
| Subordinated debt | 125,201 | - | - | 125,201 |
| Provisions for staff benefits | 20,557 | - | - | 20,557 |
| Risks & charges provisions | 9,749 | - | - | 9,749 |
| Deferred income tax liabilities | 6,285 | - | - | 6,285 |
| Other liabilities | 54,978 | 4 | 4 | 54,986 |
| Total liabilities | 3,420,904 | 96,163 | 190,744 | 3,707,811 |
| Net on balance sheet position | 285,098 | 4,822 | (158,032) | 131,888 |
| Off balance sheet net notional position | 7,282 | (5,715) | 157,602 | 159,169 |
| Contingent liabilities and commitments (note 34) | 669,288 | 27,532 | 41,910 | 738,730 |

| | Year ended 31 December 2006 | | | |
|------------------------------|-----------------------------|--------------|----------------|----------------|
| | Euro € 000 | USD € 000 | Other € 000 | Total € 000 |
| Net currency position | 205,277 | (20) | 5,290 | 210,547 |

37. Interest rate risk

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

| | Year ended 31 December 2006 | | | | | | Total € 000 |
|--|-----------------------------|------------------------|-------------------------|-----------------------|--------------------------|--------------------------------------|------------------|
| | Up to 1 month € 000 | 1-3 months € 000 | 3-12 months € 000 | 1-5 years € 000 | Over 5 years € 000 | Non- interest bearing € 000 | |
| Assets | | | | | | | |
| Cash and balances with central bank | | | | | | 98,209 | 98,209 |
| Due from banks | 162,005 | 11,236 | 7,227 | - | - | 420 | 180,888 |
| Derivative financial instruments | - | - | - | - | - | 12,027 | 12,027 |
| Loans and advances to customers, net | 1,894,643 | 355,322 | 458,306 | 198,755 | 31,904 | 640 | 2,939,570 |
| Investment securities - available for sale | 334,516 | 15,468 | 504 | - | - | 10,763 | 361,251 |
| Investment in associate undertakings | | | | | | 743 | 743 |
| Intangible assets | | | | | | 12,855 | 12,855 |
| Property, plant and equipment | | | | | | 131,578 | 131,578 |
| Deferred income tax assets | | | | | | 64,841 | 64,841 |
| Other assets | | | | | | 37,737 | 37,737 |
| Total assets | 2,391,164 | 382,026 | 466,037 | 198,755 | 31,904 | 369,813 | 3,839,699 |
| Liabilities | | | | | | | |
| Due to banks | 418,279 | 243,977 | 186,846 | - | - | 4,315 | 853,417 |
| Due to customers | 2,232,216 | 260,545 | 134,612 | 62 | - | 4,173 | 2,631,608 |
| Derivative financial instruments | - | - | - | - | - | 6,008 | 6,008 |
| Subordinated debt | - | - | - | 125,000 | - | 201 | 125,201 |
| Provisions for staff benefits | - | - | - | - | - | 20,557 | 20,557 |
| Risks & charges provisions | - | - | - | - | - | 9,749 | 9,749 |
| Deferred income tax liabilities | - | - | - | - | - | 6,285 | 6,285 |
| Other liabilities | - | - | - | - | - | 54,986 | 54,986 |
| Total liabilities | 2,650,495 | 504,522 | 321,458 | 125,062 | - | 106,274 | 3,707,811 |
| Total interest sensitivity gap | (259,331) | (122,496) | 144,579 | 73,693 | 31,904 | 263,539 | |

37. Interest rate risk (continue)

| | Year ended 31 December 2005 | | | | | | |
|---------------------------------------|-----------------------------|---------------|----------------|--------------|-----------------|-----------------------------|-----------|
| | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Non- interest bearing | |
| | € 000 | € 000 | € 000 | € 000 | € 000 | € 000 | |
| Total assets | 2,123,473 | 346,155 | 536,246 | 140,508 | 35,591 | 319,365 | 3,501,338 |
| Total liabilities | 1,854,299 | 478,709 | 786,698 | 63,210 | - | 107,875 | 3,290,791 |
| Total interest sensitivity gap | 269,174 | (132,554) | (250,452) | 77,298 | 35,591 | 211,490 | |

38. Maturity of assets and liabilities

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

| | Year ended 31 December 2006 | | | | | |
|--|-----------------------------|------------------|-----------------|----------------|------------------|------------------|
| | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| | € 000 | € 000 | € 000 | € 000 | € 000 | € 000 |
| Assets | | | | | | |
| Cash and balances with central bank | 98,209 | | | | | 98,209 |
| Due from banks | 162,221 | 11,365 | 7,280 | - | 22 | 180,888 |
| Derivative financial instruments | 903 | 47 | 73 | 1,829 | 9,175 | 12,027 |
| Loans and advances to customers, net | 1,216,110 | 239,917 | 282,660 | 506,422 | 694,461 | 2,939,570 |
| Investment securities - available for sale | 104,379 | 9,957 | 6,846 | 6,330 | 233,739 | 361,251 |
| Investment in associate undertakings | | | | | 743 | 743 |
| Intangible assets | | | | | 12,855 | 12,855 |
| Property, plant and equipment | | | | | 131,578 | 131,578 |
| Deferred income tax assets | | | 3,130 | 37,872 | 23,839 | 64,841 |
| Other assets | 37,737 | | | | | 37,737 |
| Total assets | 1,619,559 | 261,286 | 299,989 | 552,453 | 1,106,412 | 3,839,699 |
| Liabilities | | | | | | |
| Due to banks | 420,293 | 243,993 | 189,131 | - | - | 853,417 |
| Due to customers | 2,233,962 | 261,719 | 135,865 | 62 | - | 2,631,608 |
| Derivative financial instruments | 3,900 | 1,810 | - | 168 | 130 | 6,008 |
| Subordinated debt | - | - | 201 | 125,000 | - | 125,201 |
| Provisions for staff benefits | - | - | 1,290 | 5,171 | 14,096 | 20,557 |
| Risks & charges provisions | - | - | - | 9,749 | - | 9,749 |
| Deferred income tax liabilities | - | - | (516) | - | 6,801 | 6,285 |
| Other liabilities | 54,986 | - | - | - | - | 54,986 |
| Total liabilities | 2,713,141 | 507,522 | 325,971 | 140,150 | 21,027 | 3,707,811 |
| Net liquidity gap | (1,093,582) | (246,236) | (25,982) | 412,303 | 1,085,385 | |

| | Year ended 31 December 2005 | | | | | |
|--------------------------|-----------------------------|----------------|----------------|----------------|-----------------|-----------|
| | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| | € 000 | € 000 | € 000 | € 000 | € 000 | € 000 |
| Total assets | 872,718 | 612,375 | 575,869 | 467,694 | 972,682 | 3,501,338 |
| Total liabilities | 2,453,797 | 278,068 | 317,943 | 210,307 | 30,676 | 3,290,791 |
| Net liquidity gap | (1,581,079) | 334,307 | 257,926 | 257,387 | 942,006 | |

Financial leases operations of the Group are included in Loans and advances to customers and are analysed in maturity groupings as follows.

| | Present value of minimum lease payments | | Present value of minimum lease payments | |
|---|---|----------------|---|----------------|
| | 2006 | 2005 | 2006 | 2005 |
| | - not later than one year | 29,204 | 21,912 | 24,076 |
| - later than one year and not later than five years | 69,700 | 50,395 | 53,739 | 40,276 |
| - later than five years | 79,832 | 60,775 | 71,383 | 56,116 |
| Total | 178,736 | 133,082 | 149,198 | 115,371 |
| Less future finance charges | 45,654 | - | 33,827 | - |
| Present value of minimum lease payments | 133,082 | 133,082 | 115,371 | 115,371 |

39. Post balance sheet events

There are no post balance sheets events for the reporting period.

40. Reclassification

Certain figures of the previous period have been reclassified for comparability.

41. Related parties transactions

Parent and ultimate controlling party

The ultimate controlling party of the Group is Societe Generale S.A. which is incorporated in France. Societe Generale Group holds 52,32% of the ordinary shares of the Bank.

| | Year ended 31 December | |
|-----------------------------------|---------------------------|----------------|
| | 2006 | 2005 |
| | € 000 | € 000 |
| Related party transactions | | |
| Assets | | |
| Due from banks | 21,793 | 156,634 |
| Derivative financial instruments | 5,155 | 3,514 |
| Total | 26,948 | 160,148 |
| Liabilities | | |
| Due to banks | 729,062 | 311,030 |
| Subordinated Debt | 125,201 | - |
| Total | 854,263 | 311,030 |
| Income | | |
| Interest and similar income | 1,913 | 1,183 |
| Total | 1,913 | 1,183 |
| Expenses | | |
| Interest and similar expenses | 18,739 | 1,463 |
| Total | 18,739 | 1,463 |

Guarantees issued to related parties as 31.12.2006 were amounting to € 79,827 thousands.

Guarantees received by related parties as 31.12.2006 were amounting to € 8,665 thousands.

41. Related parties transactions (continued)**Transactions with key management personnel**

The remuneration of the Board of Directors (BoD) members and General Managers of the Bank for the period ended 31 December 2006 amounted to € 940 thousand.

There were no outstanding loans granted to BoD members or to General Managers of the Bank; their deposits amounted to € 262 thousand as at 31 December 2006

42. Regulatory ratios

| | <u>2006</u> | <u>2005</u> |
|------------------------|-------------|-------------|
| Capital adequacy ratio | 5.89% | 10.77% |
| Liquidity ratio | n/a | n/a |

The liquidity ratio of the Bank is 15.40% (2006).

The Bank will proceed to a share capital increase for complying with all statutory and regulatory ratios.

43. Board of directors

The Board of Directors of the Bank is the following:

| | |
|----------------------|----------------------------------|
| Koutalidis Tryfon | Chairman (Non Executive) |
| Rokas Meletios | Vice chairman (Non Executive) |
| Jacques Tournebize | Chief Executive Officer |
| Patrick Couste | Deputy Chief Executive Officer |
| Patrick Debaene | Executive Director |
| Jean Didier Reigner | Non Executive |
| Marc Breillout | Non Executive |
| Jean Louis Mattei | Non Executive |
| Kalyvas Elias | Non Executive |
| Akkas Christos | Independent Non-Executive Member |
| Gouloussis Dimitrios | Independent Non-Executive Member |

In the absence of the Chairman of the Board of Directors, the
Managing Director

The Deputy Managing Director

Head of Financial Services Division

JACQUES C. TOURNEBIZE

PATRICK COUSTE

EVAGELLOS E. SKALIDIS