



EGNATIA BANK A.E.

Consolidated Financial Statements

31 December 2006

In accordance with International Financial Reporting Standards

The attached consolidated financial statements were approved by the Board of Directors of Egnatia Bank A.E. on 24 January 2007 and have been posted on the website www.egnatibank.gr.

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Auditor's Report

Consolidated Income Statement
For the year ended 31 December 2006
(In thousands of Euro)

	<u>Note</u>	<u>2006</u>	<u>2005</u>
Interest income		204.383	167.981
Interest expense		(100.946)	(72.661)
Net interest income	5	103.437	95.320
Fee and commission income		54.598	42.759
Fee and commission expense		(12.277)	(8.440)
Net fee and commission income	6	42.321	34.319
Net trading income	7	8.580	5.233
Gain / (losses) on sale non-trading financial transactions		568	175
Dividend income	8	166	175
Other operating income	9	3.869	5.389
Operating income		158.941	140.611
Impairment losses on loans and advances	18	(19.675)	(15.170)
Personnel expenses	10	(70.064)	(62.863)
Depreciation	21,22	(8.777)	(7.385)
Other operating expenses	11	(34.859)	(28.237)
Share of associates		0	(8)
Profit before tax		25.566	26.948
Income tax expense	12	(5.737)	(8.377)
Profit after tax		19.829	18.571
Attributable to:			
Equity holders of the Bank		18.382	18.085
Minority interest		1.447	486
		19.829	18.571
Earnings per share (Euro per share)	13		
Basic		0,20	0,21
Diluted		0,20	0,20

Thessaloniki 24 January 2007

The Chairman
of the Board of Directors

The Managing Director

The Manager
of the Finance Department

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A.D.T. S 231179/98

Lefteris A. Chiliadakis
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Notes on page 7 to 47 are considered a component of the consolidated financial statements for 31 December 2006.

<u>Assets</u>	<u>Note</u>	<u>2006</u>	<u>2005</u>
Cash and balances with Central Bank	14	183.318	130.481
Loans and advances to banks	15	553.960	587.872
Trading securities	16	16.417	18.326
Derivative financial instruments	17	937	499
Loans and advances to customers	18	2.742.114	2.366.668
Investment securities	19	242.119	137.239
Investments in associates	20	0	1.533
Intangible assets	21	7.606	8.345
Property and equipment	22	56.801	47.178
Deferred tax assets	23	7.937	8.194
Investment property		19.106	22.129
Other assets	24	59.171	65.178
Total assets		3.889.486	3.393.642
<u>Liabilities</u>			
Deposits from banks	25	330.655	23.989
Deposits from customers	26	2.829.634	2.656.051
Derivative financial instruments	17	2.331	2.135
Debt securities in issue and other borrowed funds	27	331.389	339.921
Employee benefits	28	8.886	9.496
Other provisions		0	5.700
Current tax liability		2.864	1.113
Deferred tax liabilities	23	687	917
Other liabilities	29	111.510	104.917
Total liabilities		3.617.956	3.144.239
<u>Equity</u>			
Share capital	30	109.145	107.840
Share premium	30	116.827	138.479
Reserves	31	19.397	17.833
Retained Earnings		15.996	(22.036)
Equity attributable to the Bank's equity holders		261.365	242.116
Minority interest		10.165	7.287
Total equity		271.530	249.403
Total liabilities and equity		3.889.486	3.393.642

Notes on page 7 to 47 are considered a component of the consolidated financial statements for 31 December 2006.

Consolidated Statement of Changes in Shareholders' Equity
For the year ended 31 December 2006
(In thousand of Euro)

	Share capital	Share premium	Reserves	Revaluation reserves for shares	Accumulated Deficit	Attributable to equity holders of the Bank	Minority interests	Total
Balance at 1 January 2005	99.893	124.786	17.990	(571)	(32.671)	209.427	7.065	216.492
Increase of share capital by converting bonds	7.947	13.693				21.640		21.640
Revaluation of available for sale portfolio				96		96	(31)	65
Allocation to reserves			318		(318)			
Dividends for 2004					(6.830)	(6.830)	(392)	(7.222)
Profit for the year					18.085	18.085	486	18.571
Other					(302)	(302)	159	(143)
Balance at 31 December 2005	107.840	138.479	18.308	(475)	(22.036)	242.116	7.287	249.403
Balance at 1 January 2006	107.840	138.479	18.308	(475)	(22.036)	242.116	7.287	249.403
Increase of share capital by converting bonds	1.305	1.991				3.296		3.296
Dividends for 2005					(4.462)	(4.462)	(343)	(4.805)
Allocation to reserves			1.604		(1.604)			
Revaluation of available for sale portfolio				854		854	28	882
Transfer of available for sale to trading				(894)		(894)		(894)
Profit for the year					18.382	18.382	1.447	19.829
Net off losses against reserves		(23.643)			23.643			
Net off losses against preference shares					2.745	2.745		2.745
Other					(672)	(672)	1.746	1.074
Balance at 31 December 2006	109.145	116.827	19.912	(515)	15.996	261.365	10.165	271.530

Notes on page 7 to 47 are considered a component of the consolidated financial statements for 31 December 2006.

Consolidated Cash Flow Statement
For the year ended 31 December 2006
(In thousands of Euro)

	2006	2005
Operating activities		
Profit before tax	25.567	26.949
Adjustments for non-cash items		
Depreciation	8.777	7.385
Impairment loans and advances	19.675	15.170
Employee benefit	1.178	1.561
Valuation trading portfolio	(2.932)	(905)
Transfer to investing activities	(5.918)	(4.563)
Transfer to financing activities	13.086	6.686
	59.433	52.283
Changes in operating assets		
Loans and advances to banks	8.715	(12.165)
Trading securities and derivatives	4.402	(577)
Loans and advances to customers	(355.614)	(306.576)
Other assets	9.287	(34.174)
Changes in operating liabilities		
Deposits from banks	306.666	4.071
Deposits from customers	173.584	178.610
Other liabilities	(33.952)	23.867
Net cash flow from operating activities before taxes	172.521	(94.661)
Tax paid	(11.123)	(7.986)
Net cash flow from operating activities	161.398	(102.647)
Investing activities		
Investments in subsidiaries and associates	1.533	107
Net (increase)/decrease in investments	(104.919)	(34.605)
Dividends received	73	175
Purchase of assets	(18.359)	(12.454)
Sale of assets	784	(35)
Other flows from investing activities	5.709	4.415
Cash flows from investing activities	(115.179)	(42.397)
Financing activities		
Dividends paid	(4.805)	(7.222)
Issue / (payment) of debt	(21.618)	251.449
Share capital increase	(20.346)	21.640
Other cash flows from financing activities	27.490	(174)
Cash flows from financing activities	(19.279)	265.693
Total cash flows	26.940	120.649
Foreign exchange difference	700	749
Net cash flow movement	27.640	121.398
Cash and cash equivalents, opening	704.621	583.223
Cash and cash equivalents, closing	732.261	704.621
Cash and cash equivalents consists of :		
Cash and cash balances with Central Bank	183.318	130.481
Due from banks	548.943	574.140
	732.261	704.621

Notes on page 7 to 47 are considered a component of the consolidated financial statements for 31 December 2006.

1. General Information on the Group

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

The Group has 1,751 employees that are employed in the financial sector out of which 1,370 are employed by the Bank. The Bank's primary activities are in Greece, but it also has subsidiaries that operate in Romania and Cyprus.

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

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

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

There were two changes in the shareholder structure in 2006. Marfin Group purchased the control of the Bank on 29 March 2006. Control was obtained originally by purchasing 34.45% of ordinary shares and obtaining the majority in voting rights and the management in several boards of the Bank. During the year, Marfin Group increased its participation to 44.95%. In December 2006, Marfin Popular Bank Public Company Ltd (formerly Popular Bank Cyprus Ltd) made a public offer to acquire 100% of ordinary and preference shares of the Bank and Marfin Group proceeded in selling its investment. First on 13 December 2006 it sold 14,08% to institutional investors and on 21 December 2006, 30.86% of the Bank shares were exchanged with Marfin Popular Bank shares.

As a result of the public offer the Bank as at 29 December 2006 is considered a subsidiary of Marfin Popular Bank Public Company Ltd and holds 86.44% of ordinary shares and 84.31% of preference shares. Therefore the results for the period from 29 March 2006 to 21 December 2006 are included in the consolidated financial statements of Marfin Financial Group A.E. whereas its assets, liabilities and net worth is included in the consolidated financial statements of Marfin Popular Bank Public Company Ltd.

The Boards of Marfin Bank ATE, Egnatia Bank A.E. and Laiki Bank (Hellas) A.E. wholly owned subsidiaries of Marfin Popular Bank Public Company Ltd decided to proceed in the legal merger of Marfin Bank ATE and Laiki Bank (Hellas) A.E. with Egnatia Bank. The transition date is 31 December 2006.

The members of the Board of Egnatia Finance Brokers and Investment Bank of Greece decided to proceed in the legal merger of the two companies. The transition date was set on 30 June 2006. The merger has not been completed up to the date that these financial statements were approved.

2. Basis of preparation

2.1 Statement of compliance

The financial statements for the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Standards Board (IASB) as adopted by the European Union.

The consolidated financial statements were approved by the Board on 24 January 2007.

2.2 Basis of presentation

The financial statements are presented in euro rounded to the nearest thousand. They are prepared on a historic cost basis except that the following assets and liabilities are stated at their fair value:

- financial instruments classified as available-for-sale securities,
- financial instruments held for trading,
- derivative financial instruments and investment property.

2.3 Estimates

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

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

2.4 Basis of consolidation

(a) Subsidiaries

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

(b) Associates

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

(c) Joint ventures

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

3. Basic Accounting Principles

The basic accounting principles that were adopted are:

3.1 Foreign currency**(a) Foreign currency transactions**

Transactions in foreign currencies are translated to euro the reporting currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, at the balance sheet date are translated to euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to euro using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at foreign exchange rates ruling at the dates the fair value was determined.

(b) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to euro at foreign exchange rates ruling at the balance sheet date.

The revenues and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to euro at rates approximating to the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising on retranslation on recognized directly in a separate component of equity.

3.2 Financial instruments

(a) Classification

Instruments at fair value through profit or loss. This category has two sub categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. These include derivative contracts that are not designated and effective hedging instruments.

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

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

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

(b) Recognition

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

(c) Measurement

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

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

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

(d) Fair value measurement principles

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

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

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

(e) Gains and losses on subsequent measurement

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

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

3.3 Hedge accounting

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

A hedging relationship exists where:

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

The fair value of derivative hedging instruments is calculated in the same way as the fair value of trading instruments (see accounting principle 3.2d).

When a derivative financial instrument hedges the exposures to changes in the fair value of a recognized asset or liability, the hedged item is at fair value in respect of the risk being hedged. Gains and losses on remeasurement of both the hedging instrument and the hedged items are recognized in the income statement. These amounts are included in gains less losses from non-trading instruments.

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

3.4 Repurchase agreements

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

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

3.5 Property and equipment

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

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

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

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

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

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

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

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

3.6 Investment property

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

3.7 Intangible assets

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

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

3.8 Cash and cash equivalents

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

3.9 Impairment

(a) Assets carried at amortized cost

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

- (i) significant financial difficulty of the issuer or obligator;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- (iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (v) the disappearance of an active market for that financial asset because of financial difficulties; or

- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
- adverse changes in the payment status of borrowers in the group; or
 - national or local economic conditions that correlate defaults on the assets in the groups.

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

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

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

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

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

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

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

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

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

(b) Assets carried at fair value

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

3.10 Financial liabilities

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

3.11 Employee benefits

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

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

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

3.12 Provisions

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

3.13 Leases

(a) A Group company in the lessee

- **Operating lease**

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

- **Finance lease**

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

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

(b) A Group company in the lessor

- **Operating lease**

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

- **Finance lease**

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

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

3.14 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legal enforceable right to set off recognized amounts and the transactions are intended to be settled on a net basis. Income and expense items may be offset if they are part of a Group transaction.

3.15 Derecognition

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

3.16 Interest income and expense

Interest income and expense is recognized in the income statement as it accrues, taking into account the effective yield of the instrument or an applicable floating rate. The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts the future cash payments or receipts through the expected life of the financial instrument.

Interest income and expense includes the amortization of any premium or discount or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

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

3.17 Fee and commission income

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

3.18 Net trading income

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

3.19 Dividend income

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

3.20 Income Tax

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

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

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

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

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

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

3.21 Share capital

(a) Share issues costs

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

(b) Dividends on ordinary shares

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

(c) Repurchase of share capital

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

3.22 Segment reporting

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

3.23 New standards

A number of new standards, amendments to standards and interpretations adopted by the European Union are not yet effective for the year ended 31 December 2006, and have not been applied in these financial statements:

- IFRS 7 *Disclosures in Financial Instruments*, which becomes mandatory for the 2007 financial statements, is not expected to have any impact on the Group's net position.
- IFRS 8 *Operating Segments*, which becomes mandatory from 1 January 2009 is not expected to have any impact on the Group's net position.
- IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*, which was issued 1 March 2006 is not expected to have any impact on the financial statements.
- IFRIC 8 *Scope of IFRS 2 Share-based Payment*, which was issued 1 May 2006 is not expected to have any impact on the financial statements.
- IFRIC 9 *Reassessment of Embedded Derivatives*, which was issued 1 June 2006 is not expected to have any impact on the financial statements.
- IFRIC 10 *Interim Financial Reporting and Impairment*, which was issued 1 November 2006 will become mandatory for the 2007 financial statements.
- IFRIC 11 *Group and Treasury Share Transactions*, which is applicable from 1 March 2007 is not expected to have any impact on the financial statements.
- IFRIC 12 *Service Concession Agreements*, which is applicable from 1 January 2008 is not expected to have any impact on the financial statements.

4. Sector analysis

Geographical segments

The Group's activities are basically in Greece. The branch network of the Group's 86 branches, 78 in Greece and 8 in Romania. Income in Greece represent 89% of total income and assets comprises 93% of Group.

Business segments

The Group has the following business segments:

- a) Investment and corporate banking
- b) Retail
- c) Asset management
- d) Treasury and money market
- e) Investments

31 December 2006

Amounts in thousands of Euro	Investment and corporate banking	Retail	Asset management	Treasury and money market	Investments	Total
Operating income	21.206	103.170	19.418	14.025	1.122	158.941
Profit before tax	5.741	6.779	5.457	10.802	(3.213)	25.566
Tax	-	-	-	-	-	(5.737)
Profit after tax	-	-	-	-	-	19.829
Total assets	736.341	2.296.426	62.736	784.675	9.308	3.889.486
Total liabilities	449.070	2.328.405	117.788	720.211	2.482	3.617.956
Additions	1.406	8.951	618	43	7.341	18.359
Depreciation	807	5.612	1.999	215	144	8.777
Impairment loss	1.469	18.205	-	-	-	19.675

31 December 2005

Amounts in thousands of Euro	Investment and corporate banking	Retail	Asset management	Treasury and money market	Investments	Total
Operating income	12.888	98.833	13.504	14.120	1.266	140.611
Profit before tax	1.357	12.834	3.207	10.754	(1.204)	26.948
Tax	-	-	-	-	-	(8.377)
Profit after tax	-	-	-	-	-	18.571
Total assets	625.148	1.967.283	66.229	731.582	3.400	3.393.642
Total liabilities	333.699	2.272.470	68.514	467.673	1.883	3.144.239
Additions	472	11.495	358	60	69	12.454
Depreciation	636	5.442	828	341	138	7.385
Impairment loss	1.973	13.197	-	-	-	15.170

5. Net interest income

(In thousands of Euro)

	2006	2005
Interest income		
Securities	5.951	5.134
Loans and advances to customers	174.985	149.165
Loans and advances to financial institutions	21.476	11.072
Other interest income	1.971	2.610
	204.383	167.981
Interest expense		
Customers deposits	(83.256)	(64.987)
Deposits from banks	(3.876)	(276)
Debt securities	(11.525)	(5.775)
Other interest expense	(2.289)	(1.623)
	(100.946)	(72.661)
Net interest income	103.437	95.320

6. Net commission income

(In thousands of Euro)

	2006	2005
Fee and commission income		
Loans	7.660	7.680
Letters of guarantees	2.019	1.796
Credit cards	5.275	6.460
Consumer credit	1.698	1.459
Custodian	3.867	2.618
Working capital	2.286	2.077
Imports – Exports	855	1.043
Stock brokerage activities	21.182	13.101
Other	9.756	6.525
	54.598	42.759
Fee and commission expense		
Credit cards	(739)	(1.618)
Other	(11.538)	(6.822)
	(12.277)	(8.440)
Net fee and commission income	42.321	34.319

7. Net trading income

(In thousands of Euro)

	2006	2005
Foreign exchange differences	5.291	4.746
Gain from the sale and revaluation of trading securities	3.121	1.293
Gain/(loss) from derivative financial instruments	168	(806)
Net trading income	8.580	5.233

8. Dividend income

(In thousands of Euro)

	2006	2005
Trading securities	73	97
Available-for-sale securities	93	78
Dividend income	166	175

9. Other operating income

(In thousands of Euro)

	2006	2005
Investment property	79	67
Other	3.790	5.322
Other income	3.869	5.389

10. Personnel expenses

(In thousands of Euro)

	2006	2005
Wages and salaries	(52.918)	(48.609)
Social security contributions	(11.941)	(10.888)
Defined benefit plan expense (note 27)	(1.701)	(1.288)
Other costs	(3.504)	(2.078)
Personnel expenses	(70.064)	(62.863)

The number of staff at the end of the year was 1 751 (2005 : 1.692)

11. Other operating expenses

(In thousands of Euro)

	2006	2005
Rent (operating leases)	(9.328)	(8.795)
Taxes, stamp and duties	(2.374)	(1.861)
Repairs and maintenance	(2.082)	(1.346)
Third party fees (legal, engineers etc)	(4.300)	(4.643)
Telephone and postage	(3.178)	(3.212)
Other expenses	(13.597)	(8.380)
Other operating expenses	(34.859)	(28.237)

12. Income tax expense

(In thousands of Euro)

	2006	2005
Current tax expense	4.565	6.817
Deferred tax expense	27	1.560
Tax on reserves	313	0
Prior year taxes	832	0
Income tax expense	5.737	8.377

Further information about deferred tax is provided in note 23. The reconciliation of the effective tax rate is as follows:

	%	2006	%	2005
Profit before tax		25.566		26.948
Income tax	29%	7.414	32%	8.623
Non-deductible expense	5%	1.244	12%	3.320
Tax exempt revenues	(3%)	(746)	(12%)	(3.164)
Prior years taxes	3%	832	0%	0
Tax on reserve	1%	313	0%	0
Other	(8%)	(2.063)	(1%)	(402)
Effect from applying different tax rates in foreign operations	(5%)	(1.257)	(0%)	0
Income tax expense	22%	5.737	31%	8.377

In Greece, the results reported to the tax authorities by an entity are provisional and subject to revision until such time as the tax authorities examine the books and records of the entity and the related tax returns are accepted as final. Therefore, entities remain contingently liable for additional taxes and penalties, which may be assessed upon such examination. In 2006, the tax authorities completed their audit for the Bank from 1999 to 2004 for Egnatia Insurance Brokers or 2003 and 2004 and from 2000 to 2004 for Egnatia Leasing. Based on their audits an amount of EUR 6 531 thousand in additional penalties and taxes was assessed. The Group used an amount of EUR 5 700 thousand and EUR 831 thousand was recorded in the income statement.

The tax authorities have not audited the Bank and the subsidiaries for the following years:

Egnatia Bank S.A.	1999-2006
Egnatia Finance S.A.	2002-2006
Egnatia AEDAK	2003-2006
Egnatia Brokers	2003-2006
Eurocambio S.A.	2003-2006
Egnatia FIN S.A.	1999-2006
Egnatia Leasing S.A.	2000-2006
Egnatia Bank Travel Ltd.	2006
Egnatia Consumer Services	2006

Because of the method under which the tax obligations are ultimately concluded in Greece, the Bank and its subsidiaries remains contingently liable for additional taxes and penalties for their open tax years.

13. Earnings per share

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

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

	2006	2005
Basic earnings per share		
Profit attributable to shareholders of the Bank (in thousands of Euro)	18.382	18.085
Weighted average number of outstanding ordinary shares (In thousands)	93.057	87.430
Basic earnings per share	0,20	0,21

Diluted earnings per share

Profit attributable to shareholders of the Bank (in thousands of Euro)	18.462	18.901
Weighted average number of outstanding ordinary shares (in thousands)	93.558	93.558
Diluted earnings per share	0,20	0,20

14. Cash and balances with Central Bank

(In thousands of Euro)

	2006	2005
Cash	28.470	24.489
Other placements with the Central Bank	55.212	34.829
Obligatory reserve deposits with the Central Bank	99.636	71.163
Cash and balances with Central Bank	183.318	130.481

15. Loans and advances to banks

(In thousands of Euro)

	2006	2005
Current accounts	30.765	19.009
Loans to banks	5.000	12.715
Placements with banks	518.195	556.148
Loans and advances to banks	553.960	587.872

16. Trading securities

(In thousands of Euro)

	2006	2005
Fixed rate Greek Government bonds	-	9.980
Floating rate Greek Government bonds	-	3.999
Floating rate foreign corporate bonds	3.997	-
Bonds	3.997	13.979
Equity securities listed on the Athens Stock Exchange	2.669	1.625
Equity securities listed on the foreign Stock Exchange	83	-
Mutual funds units	9.668	2.722
Trading securities	16.417	18.326

During 2006 an amount of EUR 5.431 thousand was transferred to trading securities from available-for-sale . As a result an amount of EUR 894 thousand (gain) was recorded in the income statement.

17. Derivative financial instruments

(In thousands of Euro)

31 December 2006

	Notional Amount	Fair Value	
		Assets	Liabilities
Deposits in index options	815	49	49
Currency forwards	138.866	223	2.282
Futures	12.692	665	-
	152.373	937	2.331

31 December 2005

	Notional Amount	Fair Value	
		Assets	Liabilities
Options	-	453	528
Futures	-	12	7
Swaps	114.473	34	1.600
	114.473	499	2.135

18. Loans and advances to customers

(In thousands of Euro)

	2006	2005
Retail customers:		
Customer	667.145	642.354
Credit cards	105.357	108.318
Housing	320.202	190.083
Other	19.714	12.884
	1.112.418	953.639
Corporate customers:		
Construction	144.574	84.766
Industrial	184.283	157.460
Commercial	506.394	409.056
Manufacturing	76.626	89.551
Service companies	234.909	174.995
Shipping	197.649	266.050
Factoring	49.255	46.521
Leasing	181.048	121.367
Other	129.045	157.181
	1.703.783	1.506.947
	2.816.201	2.460.586
Impairment	(74.087)	(93.918)
	2.742.114	2.366.668

Movement in Impairment	2006	2005
Balance at 1 January	93.918	95.539
Provision for impairment	19.675	15.170
Write offs	(39.506)	(16.791)
At 31 December	74.087	93.918

The net amount of financial leases outstanding as at 31 December 2006, 2005 mature as follows:

Up to 1 month	13.594	5.957
1-3 months	6.070	988
3-12 months	27.152	6.403
1-5 years	79.802	52.703
Over 5 years	54.430	55.316
Total	181.048	121.367

19. Investment Securities

(In thousands of Euro)

	2006	2005
Available for sale		
Mutual fund units – local	-	5.537
Mutual fund units – abroad	37.965	-
Listed shares in the ASE	-	2.057
Listed shares in the abroad	124	327
Non-listed shares	463	885
Greek Government bonds – fixed	19.888	-
Greek Government bonds – float	8.644	-
Other Government bonds – fixed	36.490	26.331
Corporate bonds – fixed	23.164	-
Corporate bonds – float	25.715	-
	152.453	35.137
Held to maturity		
Greek Government bonds – fixed	44.288	53.818
Greek Government bonds – float	10.000	10.000
Corporate bonds abroad – fixed	5.833	8.731
Corporate bonds abroad - float	29.545	29.553
	89.666	102.102
Investment securities	242.119	137.239

20. Investments in associates

(In thousands of Euro)

	Country	2006	2005
Egnatia Financial Services LTD	Cyprus	-	1.533
		-	1.533

21. Intangible assets

(In thousands of Euro)

Cost

Balance at 1 January 2005	17.998
Additions	3.300
Disposals	(148)
Balance at 31 December 2005	21.150

Balance 1 January 2006	21.150
Additions	1.468
Disposals	(243)
Balance at 31 December 2006	22.375

Amortization

Balance at 1 January 2005	11.714
Amortization for the year	1.242
Disposals	(151)
Balance at 31 December 2005	12.805

Balance at 31 December 2006	12.805
Amortization for the year	1.971
Disposals	(7)
Balance at 31 December 2005-6	14.769

Carrying amounts

At 1 January 2005	6.284
At 31 December 2005	8.345

At 1 January 2006	8.345
At 31 December 2006	7.606

22. Property and equipment

(In thousands of Euro)

	Land	Buildings	Leasehold improvements	Furniture and equipment	Other	Total
Cost						
Balance at 1 January 2005	10.508	15.500	25.607	33.516	4.509	89.640
Additions	1.646	1.846	872	1.778	3.012	9.154
Disposals	-	-	(11)	(699)	(149)	(859)
Balance at 31 December 2005	12.154	17.346	26.468	34.595	7.372	97.935
Balance at 1 January 2006	12.154	17.345	26.469	34.596	7.372	97.936
Additions	608	7.044	3.119	5.306	815	16.892
Disposals	-	-	(2.471)	(1.028)	(207)	(3.706)
Balance at 31 December 2006	12.762	24.389	27.117	38.874	7.980	111.122
Depreciation						
Balance at 1 January 2005	-	4.006	15.086	24.036	2.378	45.506
Depreciation charge for the year	-	402	1.623	3.321	797	6.143
Disposals	-	-	(11)	(855)	(26)	(892)
Balance at 31 December 2005	-	4.408	16.698	26.502	3.149	50.757
Balance at 1 January 2006	-	4.408	16.699	26.503	3.149	50.759
Depreciation charge for the year	-	431	1.700	3.321	1.355	6.807
Disposals	-	-	(2.457)	(664)	(124)	(3.245)
Balance at 31 December 2006	-	4.839	15.942	29.160	4.380	54.321
Carrying amounts						
At 1 January 2005	10.508	11.494	10.521	9.481	2.131	44.135
At 31 December 2005	12.154	12.938	9.770	8.093	4.223	47.178
At 1 January 2006	12.154	12.938	9.770	8.093	4.223	47.178
At 31 December 2006	12.762	19.550	11.175	9.714	3.600	56.801

23. Deferred tax

(In thousands of Euro)

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2006	2005
Deferred tax assets		
Intangible assets	149	231
Employee benefits obligation	2.019	1.955
Impairment loans and advances	1.673	3.467
Impairment of investments	1.397	35
Deferred income	969	431
Preference shares	227	-
Other items	1.503	2.075
	7.937	8.194
Deferred tax liabilities		
Property and equipment	127	917
Intangible	303	-
Other	257	-
	687	917

Movement in temporary differences during the year

	Balance 1 January 2005	Recognized in income	Balance 31 December 2005
Intangible assets	429	(198)	231
Employee benefits obligation	1.880	75	1.955
Impairment loans	4.102	(635)	3.467
Impairment of investments	35	-	35
Deferred income	219	211	430
Property and equipment	(876)	(41)	(917)
Other	3.048	(973)	2.076
	8.837	(1.561)	7.277

	Balance 1 January 2006	Recognized in income	Balance 31 December 2006
Intangible assets	231	(412)	(181)
Employee benefits obligation	1.955	590	2.544
Impairment loans and advances	3.467	(1.591)	1.876
Impairment of investments	35	1.362	1.397
Deferred income	430	253	684
Preference shares	-	227	227
Property and equipment	(917)	(29)	(947)
Other	2.076	(426)	1.650
	7.277	(27)	7.250

24. Other assets

(In thousands of Euro)

	2006	2005
Brokerage transaction guarantees	10.204	8.715
Tax advances	6.660	862
Prepayments	2.028	3.256
Accrued income	12.574	8.755
Other	27.705	43.590
Other assets	59.171	65.178

25. Deposits from banks

(In thousands of Euro)

	2006	2005
Central Banks	55.000	-
Current	9.592	6.826
Term	19.651	4.392
Money markets	210.781	436
Loans	35.631	12.335
Due to Banks	330.655	23.989

26. Deposits from customers

(In thousands of Euro)

	2006	2005
Retail customers:		
Current accounts	86.325	80.127
Saving accounts	488.595	472.727
Term deposits	1.351.375	1.316.200
	1.926.295	1.869.054
Corporate customers:		
On demand	219.752	186.275
Term	656.642	571.100
	876.394	757.375
Government entities		
On demand	23.162	7.690
Term	3.783	21.932
	26.945	29.622
Cheques and orders	2.829.634	2.656.051

Included in term deposits are funds that the Bank has raised by selling Greek governments bond, under agreements to repay their funds by repurchasing the bonds of future dates at the same price plus interest at a pre-determined rate. At 31 December 2006 the funds received amounted to EUR 6 thousand (2005: EUR 61 069 thousand). The majority of the repurchase agreements expiry within one month of the balance sheet date and the total interest expense on repurchase agreements for 2006 was EUR 891 thousand (2005: EUR 1 734 thousand).

27. Debt securities in issue and other borrowed funds

(In thousands of Euro)

	2006	2005
Preference shares	13.026	12.522
Share premium on preference shares	15.130	17.036
Convertible subordinated debt maturity- 2013	852	5.783
Subordinated debt maturity 2015	80.000	80.000
Subordinated debt (5 year)	22.537	24.834
Subordinated debt (2008)	199.844	199.746
Debt securities in issue and other borrowed funds	331.389	339.921

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

The decrease in share premium of EUR 1 906 thousand was from offsetting losses of EUR 2 745 thousand and increase from converting 839 thousand of bonds.

Convertible subordinated debt holders have the right to exchange one note for one share. As at 31 December 2005 convertible debt holders had the right to exchange 1 387 770 notes and 463 030 preference shares. The par value of these notes is 3.20 Euro per note.

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

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

28. Employee benefits

(In thousand of Euro)

	2006	2005
Present value of unfunded obligations	9.743	8.476
Present value of funded obligations	820	907
Total present value	10.563	9.383
Fair value of plan assets	(565)	(550)
Past service costs	(1.029)	-
Unrecognised actuarial gains and losses	(756)	(1.411)
Recognized liability for defined benefit obligations	8.213	7.422
Provision for vacation not taken	631	1.154
Provision for employee bonus	-	643
Salaries due	42	277
Employee benefits	8.886	9.496
Movement in plan assets:		
Opening balance	550	600
Expected return	22	26
Contributions received	167	153
Contributions paid	(173)	(223)
Amounts in income statement	(2)	(1)
Actuarial (loss)/gain	2	(4)
Closing balance	566	551
	2006	2005
Net liability for defined benefit obligations at 1 January	7.421	6.756
Contributions received	(153)	(134)
Benefits paid	(757)	(488)
Expense recognized in the income statement	1.701	1.289
Net liability for defined benefit obligations at 31 December	8.212	7.423
Expense recognized in the income statement		
	2006	2005
Current service costs	795	632
Expected return on plan assets	(22)	(26)
Actuarial loss recognition	36	-
Termination cost	521	334
Interest on obligation	371	348
	1.701	1.288

Principal actuarial assumptions used for 2006 and 2005 were as follows:

	2006	2005
Discount rate	4.20%	4.00%
Expected return on plan assets	4.20%	4.00%
Future salary increases	4.50%	4.50%

29. Other liabilities

(In thousands of Euro)

	2006	2005
Taxes and duties (non income tax)	3.671	2.667
Due to social security funds	2.450	2.360
Suppliers and other creditors	12.750	12.774
Amounts collected on behalf and due to third parties	635	13.575
Deferred income	16.221	12.957
Accrued expenses	6.246	13.526
Due to clients and Stock Exchange from stock transactions	22.435	21.662
Cheques and orders payable	32.130	21.950
Other liabilities	14.972	3.446
Other liabilities	111.510	104.917

30. Share capital, share premium

	2006	2005
Number of ordinary shares (per value of € 1.17 per share)	93.286.729	92.170.669
Share capital paid (in thousands of Euro)	109.145	107.840
Share premium (in thousands of Euro)	116.827	138.479

The Bank's share capital was reduced by EUR 26.389 thousand to offset losses and an equivalent increase from reserves and share premium reserve of EUR 23.643 thousand and 2.746 preference share (note 27). In addition the share premium reserve increased by ERU 1.991 thousand after converting bonds.

31. Reserves

(In thousands of Euro)

	2006	2005
Statutory reserve	8.899	8.134
Untaxed reserves	1.001	3.218
Extraordinary reserves	10.012	6.956
Revaluation reserve available-for-sale securities	(515)	(475)
Reserves	19.397	17.833

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

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

In 2006 after legislation issued, the Bank paid an amount of EUR 313 thousand as 15% tax on tax free reserves of EUR 2,087 thousand. These reserves are now free of tax and may be distributed or capitalized.

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

32. Contingent liabilities

32.1 Litigation

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

32.2 Credit commitments

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

	2006	2005
Letters of guarantees	219.320	196.115
Letters of credit	5.634	3.643

32.3 Operating lease

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

	2006	2005
Up to 1 year:	106	2.243
1 to 5 years:	13.246	4.344
Over 5 years:	38.333	32.416

33. Related parties

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

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

Board of Directors and Management	2006	2005
Customer loans and advances	251	422
Deposits from customers	23.994	6.669
Income		
Interest and commission income	16	76
Expense		
Interest and commission expense	751	127

Other related parties	2006	2005
Assets		
Loans and advances to customers	23.441	26.976
Due from Banks	66.365	0
Other assets	459	0
Fixed assets	1.552	1.082
Total assets	91.817	28.058

Liabilities		
Deposits from customers	57.106	4.905
Due to Banks	176.201	0
Other liabilities	1.362	613
Total liabilities	234.669	5.518

Income		
Interest and similar income	2.937	917
Fee and commission income	176	81
Total income	3.113	998

Expenses		
Interest and similar expenses	2.775	1.584
Other expenses	958	788
Total expenses	3.733	2.372

The fees paid to the Board of Directors, which have been recorded to staff costs, amount to EUR 3 556 thousand (2005: EUR 2 794 thousand).

34. Fair value

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

	2006		2005	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Loans and advances to banks	553,960	554,477	587,872	590,429
Loans and advances to customers	2,742,114	2,757,866	2,366,668	2,377,988
Investment securities held-to-maturity	89,666	89,306	102,102	102,436
Investment in associates	-	-	1,533	1,533
Financial liabilities				
Deposits from banks	330,655	330,877	23,989	23,995
Deposits from customers	2,829,634	2,838,629	2,656,051	2,647,331
Debt securities in issue and other borrowed funds	331,389	333,405	339,921	339,921

35. Risk Management

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

35.1 Interest rate risk

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

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

The Bank applies the Static Repricing Gap that separates products by maturity (fixed) or next repricing (floating) and calculates the gap each period and also to measure sensitivity. The Bank uses IRS to hedge interest risk.

31 December 2006	Non- interest	Up to 1 month	1-3 months	3-6 months	6-12 months	1 to 5 years	Over 5 years	Total
Assets								
Cash and balances with Central Bank	30.715	152.602	1	-	-	-	-	183.318
Loans and advances to banks	6.578	530.992	11.390	5.000	-	-	-	553.960
Trading securities	9.124	1.005	6.288	-	-	-	-	16.417
Derivative financial instruments	937	-	-	-	-	-	-	937
Loans and advances to customers	(45.437)	2.043.792	386.834	75.645	50.358	169.980	60.942	2.742.114
Investment securities	38.553	41.943	38.400	26.042	2.479	64.142	30.560	242.119
Intangible assets	7.606	-	-	-	-	-	-	7.606
Property and equipment	56.801	-	-	-	-	-	-	56.801
Deferred tax assets	7.937	-	-	-	-	-	-	7.937
Investment property	19.106	-	-	-	-	-	-	19.106
Other assets	52.144	477	-	-	-	6.550	-	59.171
Total assets	184.064	2.770.811	442.913	106.687	52.837	240.672	91.502	3.889.486
Liabilities								
Cash and balances with Central Bank	2.770	284.902	7.968	-	-	35.015	-	330.655
Loans and advances to banks	66.516	2.042.040	463.330	174.892	72.514	10.119	223	2.829.634
Trading securities	2.331	-	-	-	-	-	-	2.331
Derivative financial instruments	28.157	852	279.843	-	22.537	-	-	331.389
Employee benefits	8.886	-	-	-	-	-	-	8.886
Current tax	2.864	-	-	-	-	-	-	2.864
Deferred tax assets	687	-	-	-	-	-	-	687
Other liabilities	105.188	6.134	-	-	-	188	-	111.510
Total liabilities	217.399	2.333.928	751.141	174.892	95.051	45.322	223	3.617.956
Interest sensitivity gap	(33.335)	436.883	(308.228)	(68.205)	(42.214)	195.350	91.279	271.530
Hedge item	-	(247)	6.569	(253)	(253)	(5.817)	-	-
Total gap	(33.335)	436.636	(301.659)	(68.458)	(42.467)	189.533	91.279	271.530

31 December 2005	Non- interest	Up to 1 month	1-3 months	3-6 months	6-12 months	1 to 5 years	Over 5 years	Total
Assets								
Cash and balances with Central Bank	26.312	104.169	-	-	-	-	-	130.481
Loans and advances to banks	-	575.157	-	12.715	-	-	-	587.872
Trading securities	-	4.730	3.000	10.004	-	-	592	18.326
Derivative financial instruments	499	-	-	-	-	-	-	499
Loans and advances to customers	(80.194)	1.805.482	326.498	62.583	42.678	149.405	60.216	2.366.668
Investment securities	-	28.657	35.080	14.226	2.276	56.980	20	137.239
Investment in subsidiaries and associates	1.533	-	-	-	-	-	-	1.533
Intangible assets	8.345	-	-	-	-	-	-	8.345
Property and equipment	47.178	-	-	-	-	-	-	47.178
Deferred tax assets	8.194	-	-	-	-	-	-	8.194
Investment property	22.129	-	-	-	-	-	-	22.129
Other assets	55.785	1.284	-	1.333	-	6.776	-	65.178
Total assets	89.781	2.519.479	364.578	100.861	44.954	213.161	60.828	3.393.642
Liabilities								
Cash and balances with Central Bank	-	17.990	5.999	-	-	-	-	23.989
Loans and advances to banks	20.405	1.864.177	487.561	207.417	72.423	4.068	-	2.656.051
Trading securities	2.135	-	-	-	-	-	-	2.135
Derivative financial instruments	29.558	5.669	279.860	24.834	-	-	-	339.921
Employee benefits	9.496	-	-	-	-	-	-	9.496
Other provisions	5.700	-	-	-	-	-	-	5.700
Current tax	1.113	-	-	-	-	-	-	1.113
Deferred tax assets	917	-	-	-	-	-	-	917
Other liabilities	82.608	21.950	-	-	-	79	280	104.917
Total liabilities	151.932	1.909.786	773.420	232.251	72.423	4.147	280	3.144.239
Total gap	(62.151)	609.693	(408.842)	(131.390)	(27.469)	209.014	60.548	249.403

35.2 Liquidity risk

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

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

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

31 December 2006	Up to 1 month	1-3 months	3-6 months	6-12 months	1 to 5 years	Over 5 years	Total
Assets							
Cash and balances with Central Bank	181.185	2.133	-	-	-	-	183.318
Loans and advances to banks	536.942	11.679	-	-	5.321	18	553.960
Trading securities	16.417	-	-	-	-	-	16.417
Loans and advances to customers	937	-	-	-	-	-	937
Investment securities	653.517	60.091	621.726	138.875	680.366	587.539	2.742.114
Investment in associates	41.332	30.325	48.446	8.272	86.710	27.034	242.119
Intangible assets	-	-	-	-	-	7.606	7.606
Property and equipment	-	-	-	-	-	56.801	56.801
Deferred tax assets	-	-	-	-	7.937	-	7.937
Investment property	-	-	-	-	19.106	-	19.106
Other assets	14.702	3.567	11.189	568	11.353	17.792	59.171
Total assets	1.445.032	107.795	681.361	147.715	810.793	696.790	3.889.486
Liabilities							
Deposits from banks	320.522	10.113	-	-	18	2	330.655
Deposits from customers	1.462.856	463.633	174.892	72.511	655.519	223	2.829.634
Derivative financial instruments	2.331	-	-	-	-	-	2.331
Current tax liability	-	-	-	4.000	299.232	28.157	331.389
Employee benefits	-	-	-	-	8.415	471	8.886
Other liabilities	-	-	2.864	-	-	-	2.864
Deferred tax liabilities	-	-	-	-	687	-	687
Debt securities in issue and other borrowed funds	86.077	10.689	2.257	1.559	10.146	782	111.510
Total liabilities	1.871.786	484.435	180.013	78.070	974.017	29.635	3.617.956
Net liquidity gap	(426.754)	(376.640)	501.348	69.645	(163.224)	667.155	271.530

31 December 2005	Up to 1 month	1-3 months	3-6 months	6-12 months	1 to 5 years	Over 5 years	Total
Asset							
Cash and balances with Central Bank	129.481	-	-	1.000	-	-	130.481
Loans and advances to banks	574.314	825	-	12.715	-	18	587.872
Trading securities	18.173	-	-	-	153	-	18.326
Derivative financial instruments	50	446	3	-	-	-	499
Loans and advances to customers	610.688	63.017	581.176	140.186	636.990	334.611	2.366.668
Investment securities	25.712	13.533	4.226	2.300	63.416	28.052	137.239
Investment in associates	-	-	-	-	-	1.533	1.533
Intangible assets	-	-	-	-	-	8.345	8.345
Property and equipment	-	-	-	-	-	47.178	47.178
Deferred tax assets	-	-	-	-	8.194	-	8.194
Investment property	-	-	-	-	22.129	-	22.129
Other assets	31.679	2.132	1.920	1.176	12.093	16.178	65.178
Total asset	1.390.097	79.953	587.325	157.377	742.975	435.915	3.393.642
Liabilities							
Deposits from banks	23.920	65	-	-	2	2	23.989
Deposits from customers	1.273.276	486.737	204.801	73.167	617.964	106	2.656.051
Derivative financial instruments	1.637	193	305	-	-	-	2.135
Debt securities in issue and other borrowed funds	-	-	-	2.500	307.863	29.558	339.921
Employee benefits	-	-	-	-	-	9.496	9.496
Other provisions	-	-	-	-	-	5.700	5.700
Current tax liability	-	-	1.113	-	-	-	1.113
Deferred tax liabilities	-	-	-	-	917	-	917
Other liabilities	70.098	7.718	1.715	698	13.533	11.155	104.917
Total liabilities	1.368.931	494.713	207.934	76.365	940.279	56.017	3.144.239
Net liquidity gap	21.166	(414.760)	379.391	81.012	(197.304)	379.898	249.403

35.3 Market risk

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

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

The measurement of the value at risk is an estimate of the change in value of the portfolio at a specific confidence level in a specified period of time. The Group uses the Variance-Covariance methodology in estimating VaR. It is measured with a confidence level of 99% assumes and a one holding day period.

VAR for the trading portfolio as at 31 December 2006 amounted to EUR 137 thousand (31 December 2005 EUR 446 thousand), whereas the total limit is EUR 800 thousand.

35.4 Currency risk

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

31 December 2006	EUR	USD	GBP	CHF	JPY	Other	Total
Asset							
Cash and balances with Central Bank	151.064	1.965	1.626	248	115	28.300	183.318
Loans and advances to banks	293.506	216.450	12.892	628	336	30.148	553.960
Trading securities	16.334	-	-	-	-	83	16.417
Derivative financial instruments	792	145	-	-	-	-	937
Loans and advances to customers	2.588.576	115.204	-	6.426	7.048	24.860	2.742.114
Investment securities	170.798	71.321	-	-	-	-	242.119
Investments in associates	7.533	-	-	-	-	73	7.606
Intangible assets	52.793	-	-	-	-	4.008	56.801
Property and equipment	7.937	-	-	-	-	-	7.937
Investment property	19.106	-	-	-	-	-	19.106
Other assets	53.503	351	9	16	7	5.285	59.171
Total asset	3.361.942	405.436	14.527	7.318	7.506	92.757	3.889.486
Liabilities							
Deposits from banks	303.059	322	116	-	-	27.158	330.655
Deposits from customers	2.279.504	413.086	13.812	879	83.490	38.863	2.829.634
Derivative financial instruments	2.331	-	-	-	-	-	2.331
Debt securities in issue and other borrowed funds	331.389	-	-	-	-	-	331.389
Employee benefits	8.886	-	-	-	-	-	8.886
Current tax liability	2.864	-	-	-	-	-	2.864
Deferred tax liabilities	687	-	-	-	-	-	687
Other liabilities	106.397	1.785	103	14	23	3.188	111.510
Total liabilities	3.035.117	415.193	14.031	893	83.513	69.209	3.617.956
Net on balance sheet position	345.948	(12.941)	566	6.402	(76.011)	7.567	271.531
Forwards	(74.066)	12.344	321	(6.110)	76.032	(10.578)	(2.057)
Total position	(93.187)	15.526	251	(6.087)	76.036	5.402	(2.059)

31 December 2005	EUR	USD	GBP	CHF	JPY	Other	Total
Asset							
Cash and balances with Central Bank	118.466	5.653	717	285	18	5.342	130.481
Loans and advances to banks	414.533	152.768	13.324	2.972	596	3.679	587.872
Trading securities	18.326	-	-	-	-	-	18.326
Derivative financial instruments	499	-	-	-	-	-	499
Loans and advances to customers	2.131.916	199.710	4.701	4.346	6.481	19.514	2.366.668
Investment securities	101.101	30.731	-	327	-	5.080	137.239
Investments in associates	1.533	-	-	-	-	-	1.533
Intangible assets	8.301	-	-	-	-	44	8.345
Property and equipment	43.968	-	-	-	-	3.210	47.178
Deferred tax assets	8.194	-	-	-	-	-	8.194
Investment property	22.129	-	-	-	-	-	22.129
Other assets	61.770	1.822	7	1	7	1.571	65.178
Total asset	2.930.736	390.684	18.749	7.931	7.102	38.440	3.393.642
Liabilities							
Deposits from banks	21.537	1.234	90	-	-	1.128	23.989
Deposits from customers	2.138.304	394.613	11.931	1.201	91.935	18.067	2.656.051
Derivative financial instruments	2.135	-	-	-	-	-	2.135
Debt securities in issue and other borrowed funds	339.921	-	-	-	-	-	339.921
Employee benefits	9.496	-	-	-	-	-	9.496
Other provision	5.700	-	-	-	-	-	5.700
Current tax liability	1.113	-	-	-	-	-	1.113
Deferred tax liabilities	917	-	-	-	-	-	917
Other liabilities	98.202	3.791	853	3	20	2.048	104.917
Total liabilities	2.617.325	399.638	12.874	1.204	91.955	21.243	3.144.239
Net off balance sheet position	313.411	(8.954)	5.875	6.727	(84.853)	17.197	249.403
Forwards	(91.387)	8.359	(3.901)	(4.912)	84.828	(330)	(7.343)
Total gap	222.024	(595)	1.974	1.815	(25)	16.867	242.060

35.5 Credit risk

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

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

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

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

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

36. Reclassifications to prior year figures

	Published 31/12/2005	Previously 31/12/2006	Reclassification
<u>Income statement</u>			
Interest income	167.147	167.981	833
Interest expense	(72.547)	(72.661)	(114)
Commission income	42.796	42.759	(37)
Commission expense	(7.336)	(8.440)	(1.105)
Net trading results	5.727	5.408	(320)
Other income	6.545	5.389	(1.155)
Personnel expenses	(63.321)	(62.863)	459
Other administrative expense	(29.562)	(28.236)	1.325
Tax	(8.491)	(8.377)	114
<u>Assets</u>			
Loans to customers	2.392.513	2.366.668	(25.845)
Other assets	69.656	95.501	25.845
<u>Liabilities</u>			
Due to customers	2.700.022	2.656.051	(43.971)
Provisions	16.730	15.196	(1.534)
Other liabilities	61.442	106.947	45.505

Reclassifications made were done in order to have a fair presentation.



INDEPENDENT AUDITOR'S REPORT

(Translation from Greek to English)

To the Shareholders of
EGNATIA BANK A.E

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of EGNATIA BANK A.E, which comprise the consolidated balance sheet as at 31 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 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 misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Greek Auditing Standards, which are based on 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 consolidated financial statements give a true and fair view of the consolidated financial position of EGNATIA BANK A.E. as of 31 December 2006, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion we draw attention to note 12 to the consolidated financial statements that explains that the tax obligations of the Bank and its subsidiaries have not yet been audited by the tax authorities and accordingly its tax obligations for those years are not considered final. The outcome of a tax audit cannot presently be determined.

Report on Other Legal and Regulatory Requirements

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

Athens, 20 February 2007

KPMG Kyriacou Certified Auditors A.E.

Nick Vouniseas
Certified Auditor Accountant
AM SOEL 18701