NATIONAL BANK OF GREECE S.A.

Consolidated Financial Statements

31 December 2006

In accordance with
International Financial Reporting Standards

March 2007

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of the NATIONAL BANK OF GREECE S.A.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of National Bank of Greece S.A. ("the Bank") and its subsidiaries (on a consolidated basis "the Group"), which comprise the consolidated balance sheet as of 31 December 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.

We did not audit the financial statements of Finansbank Anonim Şirketi (a consolidated subsidiary acquired by the Bank on 18 August 2006) and its subsidiaries for the period from acquisition to 31 December 2006, which statements reflect total assets and total revenues constituting 13.78% and 12.17%, respectively, of the related consolidated totals for the year ended 31 December 2006. Those statements were audited by KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ, the Turkish member firm of KPMG International, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Finansbank Anonim Şirketi and its subsidiaries for the period from acquisition to 31 December 2006, is based solely on the report of KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ, the Turkish member firm of KPMG International.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. 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 consolidated 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 and the report of KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ, the Turkish member firm of KPMG International, are sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ, the Turkish member firm of KPMG International, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 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.

Report on Other Legal and Regulatory Requirements

The content of the Director's Report is consistent with the above consolidated financial statements.

Athens, 20 March 2007

The Certified Public Accountant Auditor

Nikolaos C. Sofianos
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Consolidated Income Statement

€ 000's	Note	Year ended 31.12.2006	31.12.2005
Continuing Operations			
Interest and similar income		3.503.182	2.426.266
Interest expense and similar charges		(1.372.078)	(830.506)
Net interest income	6	**2.131.104**	**1.595.760**
Fee and commission income		606.278	455.810
Fee and commission expense		(58.029)	(30.759)
Net fee and commission income	7	**548.249**	**425.051**
Earned premia net of reinsurance		671.957	551.990
Net claims incurred		(565.537)	(451.609)
Net premia from insurance contracts	8	**106.420**	**100.381**
Dividend income	9	9.646	13.760
Net trading income	10	18.791	67.522
Net result from investment securities	26	122.465	127.679
Other operating income	11	193.117	161.693
Total operating income		**3.129.792**	**2.491.846**
Personnel expenses	12&13	(1.048.535)	(877.307)
General & administrative expenses & other provisions	14	(427.795)	(335.512)
Depreciation, amortisation and impairment charges	15	(126.159)	(114.551)
Other operating expenses	16	(32.265)	(38.828)
Total operating expenses		**(1.634.754)**	**(1.366.198)**
Impairment losses on loans and advances	17	(267.197)	(226.259)
Share of profit of associates	28	40.462	43.700
Profit before tax		**1.268.303**	**943.089**
Tax expense	18	(221.101)	(221.157)
Tax on untaxed reserves	18	(100.607)	-
Profit for the period from continuing operations		**946.595**	**721.932**
Discontinued operations			
Profit for the period from discontinued operations	34	118.074	29.020
Profit for the period		**1.064.669**	**750.952**
Attributable to:			
Minority interests	44	74.617	23.590
NBG equity shareholders		990.052	727.362
Earnings per share- Basic & Diluted from continuing & discontinued operations	19	**€ 2,20**	**€ 1,96**
Earnings per share- Basic & Diluted from continuing operations	19	**€ 1,92**	**€ 1,87**
Earnings per share- Basic & Diluted from continuing operations excluding one-off tax on reserves	19	**€ 2,16**	**€ 1,87**

Athens, 15 March 2007

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER	THE DEPUTY CHIEF EXECUTIVE OFFICER	THE CHIEF FINANCIAL AND CHIEF OPERATING OFFICER	THE CHIEF ACCOUNTANT
EFSTRATIOS-GEORGIOS A. ARAPOGLOU	IOANNIS G. PECHLIVANIDIS	ANTHIMOS C. THOMOPOULOS	IOANNIS P. KYRIAKOPOULOS

The notes on pages 9 to 77 form an integral part of these consolidated financial statements

Consolidated Balance Sheet

€ 000's	Note	**31.12.2006**	**31.12.2005**
ASSETS			
Cash and balances with central banks	20	3.874.210	2.431.287
Treasury bills and other eligible bills	21	367.758	177.023
Due from banks (net)	22	4.781.215	4.085.204
Financial assets at fair value through P&L	23	12.684.410	13.667.471
Derivative financial instruments	24	371.074	309.030
Loans and advances to customers (net)	25	42.624.536	29.528.178
Investment securities	26	4.191.192	2.833.661
Investment property	27	123.373	126.506
Investments in associates	28	272.780	249.152
Goodwill & other intangible assets	29	2.515.257	65.911
Property & equipment	30	2.041.938	1.885.713
Deferred tax assets	31	262.209	217.417
Insurance related assets and receivables	32	741.448	637.916
Other assets	33	1.718.252	1.479.888
Assets classified as held for sale	34	-	2.732.203
Total assets		**76.569.652**	**60.426.560**
LIABILITIES			
Due to banks	35	6.232.438	5.060.850
Derivative financial instruments	24	404.572	302.698
Due to customers	36	53.233.724	43.350.120
Debt securities in issue	37	822.696	175.297
Other borrowed funds	38	2.197.387	956.988
Insurance related reserves and liabilities	39	1.953.618	1.734.249
Deferred tax liabilities	31	100.918	102.359
Retirement benefit obligations	13	212.568	207.725
Other liabilities	40	2.578.827	1.960.701
Liabilities classified as held for sale	34	-	2.259.165
Total liabilities		**67.736.748**	**56.110.152**
SHAREHOLDERS' EQUITY			
Share capital	42	2.376.436	1.696.347
Share premium account	42	2.263.725	-
Less: treasury shares	42	(26.826)	(22.680)
Reserves and retained earnings	43	1.983.890	1.450.163
Equity attributable to NBG shareholders		**6.597.225**	**3.123.830**
Minority Interest	44	610.554	109.997
Preferred securities	45	1.625.125	1.082.581
Total shareholders' equity		**8.832.904**	**4.316.408**
Total equity and liabilities		**76.569.652**	**60.426.560**

Athens, 15 March 2007

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER	THE DEPUTY CHIEF EXECUTIVE OFFICER	THE CHIEF FINANCIAL AND CHIEF OPERATING OFFICER	THE CHIEF ACCOUNTANT
EFSTRATIOS-GEORGIOS A. ARAPOGLOU	IOANNIS G. PECHLIVANIDIS	ANTHIMOS C. THOMOPOULOS	IOANNIS P. KYRIAKOPOULOS

The notes on pages 9 to 77 form an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

€ 000's	Attributable to equity holders of the parent company					Minority Interest & Preferred securities	Total
	Share capital	Share premium	Treasury shares	Reserves & Retained earnings	Total		
At 1 January 2005	**1.492.090**	**32.393**	**(210.128)**	**1.041.348**	**2.355.703**	**1.134.470**	**3.490.173**
Adoption of IAS 39 & IFRS 4……………....	-	-	-	(110.761)	**(110.761)**	(31.739)	**(142.500)**
At 1 January 2005 restated…………….…	**1.492.090**	**32.393**	**(210.128)**	**930.587**	**2.244.942**	**1.102.731**	**3.347.673**
Movement in the available for sale securities reserve, net of tax………………....	-	-	-	(81.930)	**(81.930)**	(3.435)	**(85.365)**
Currency translation differences…………...	-	-	-	(1.323)	**(1.323)**	20.576	**19.253**
Profit/(loss) recognised directly in equity..	-	-	-	(83.253)	**(83.253)**	17.141	**(66.112)**
Net profit/(loss) for the period……………....	-	-	-	727.362	**727.362**	23.590	**750.952**
Total……………....……………...……………...	-	-	-	644.109	**644.109**	40.731	**684.840**
Merger through absorption of subsidiaries	204.257	(32.393)	-	37.428	**209.292**	(209.292)	**-**
Issue of preferred securities………………....	-	-	-	(3.423)	**(3.423)**	230.000	**226.577**
Dividends paid to preferred securities…….	-	-	-	(45.999)	**(45.999)**	-	**(45.999)**
Share capital issue costs net of tax………..	-	-	-	(1.065)	**(1.065)**	(312)	**(1.377)**
Dividends paid to ordinary shareholders…	-	-	-	(193.230)	**(193.230)**	-	**(193.230)**
Acquisitions, disposals & share capital increases of subsidiaries/associates………..	-	-	-	(6.650)	**(6.650)**	28.695	**22.045**
Purchases/ disposals of treasury shares & preferred securities……………....…………...	-	-	187.448	88.406	**275.854**	25	**275.879**
Balance at 31 December 2005…………….	**1.696.347**	**-**	**(22.680)**	**1.450.163**	**3.123.830**	**1.192.578**	**4.316.408**
At 1 January 2006……………....…………...	**1.696.347**	**-**	**(22.680)**	**1.450.163**	**3.123.830**	**1.192.578**	**4.316.408**
Movement in the available for sale securities reserve, net of tax………....………	-	-	-	(20.406)	**(20.406)**	5.874	**(14.532)**
Currency translation differences………..…...	-	-	-	17.146	**17.146**	(18.797)	**(1.651)**
Cash flow hedges…………….….………….	-	-	-	(8.140)	**(8.140)**	-	**(8.140)**
Profit/(loss) recognised directly in equity...	-	-	-	(11.400)	**(11.400)**	(12.923)	**(24.323)**
Net profit/(loss) for the period………..…….	-	-	-	990.052	**990.052**	74.617	**1.064.669**
Total………...………...………...………...……	-	-	-	978.652	**978.652**	61.694	**1.040.346**
Share capital increase……………………..	678.539	2.321.960	(7.042)	-	**2.993.457**	-	**2.993.457**
Share capital issue costs net of tax……….		(64.064)	-		**(64.064)**	-	**(64.064)**
Stock options exercised…………….………..	1.550	5.829	-	-	**7.379**	-	**7.379**
Issue of preferred securities………………...	-	-	-	(3.323)	**(3.323)**	559.909	**556.586**
Dividends paid to preferred securities……	-	-	-	(70.905)	**(70.905)**	-	**(70.905)**
Dividends paid to ordinary and minority shareholders………...………...……….……...	-	-	-	(338.558)	**(338.558)**	-	**(338.558)**
Share based payments………...………...…...	-	-	-	6.383	**6.383**	-	**6.383**
Acquisitions, disposals & share capital increase of subsidiaries/associates………..	-	-	-	(38.696)	**(38.696)**	421.498	**382.802**
Purchases/ disposals of treasury shares & preferred securities………...………...………	-	-	2.896	174	**3.070**	-	**3.070**
Balance at 31 December 2006	**2.376.436**	**2.263.725**	**(26.826)**	**1.983.890**	**6.597.225**	**2.235.679**	**8.832.904**

Detailed analysis of the changes in equity is presented in notes 42 to 45 of these consolidated financial statements

The notes on pages 9 to 77 form an integral part of these consolidated financial statements

Consolidated Cash Flow Statement

€ 000's	Note	Year ended 31.12.2006	Year ended 31.12.2005
Cash flows from operating activities			
Profit for the period from continuing operations		946.595	721.932
Adjustments for:			
Non-cash items included in profit and other adjustments:		**249.605**	**214.084**
Depreciation, amortisation & impairment on fixed assets & invest. property		126.159	114.550
Share based payment		6.383	-
Impairment losses / (recoveries) on investments		(2.538)	664
Amortization of premiums / discounts of investment securities		10.654	10.109
Provisions for credit and other risks		304.803	257.614
Equity income of associates		(40.462)	(43.700)
Deferred tax expense / (benefit)		36.492	32.802
Dividend income from investment securities		(7.182)	(6.136)
Net (profit) / loss on sale of fixed assets & investment property		(64.777)	(23.476)
Net (income) / expense on investment securities		(119.927)	(128.343)
Net (increase) / decrease in operating assets:		**662.527**	**(4.153.541)**
Net due from / to banks		3.673.323	616.377
Financial assets & liabilities at fair value through P&L		1.064.925	(3.786.769)
Acquisition / Proceed of sale of treasury bills and other eligible bills		(95.987)	1.443
Net derivative financial instruments		95.675	(102.103)
Net loans and advances to customers / due to customers		(3.850.297)	(910.083)
Other assets		(225.112)	27.594
Net increase / (decrease) in operating liabilities:		**(46.211)**	**475.396**
Income taxes paid		(294.538)	(154.595)
Other liabilities		248.327	629.991
Net cash flow from / (used in) operating activities from continuing operations		**1.812.516**	**(2.742.129)**
Net cash flow from / (used in) operating activities from discontinued operations		**(2.268)**	**(348.793)**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		(2.419.746)	(12.470)
Disposals of subsidiaries, net of cash disposed		358.455	-
Acquisitions of associates, net of cash		(5.072)	(2.051)
Disposals of associates, net of cash		1.825	2.857
Dividends received from investment securities & associates		27.758	16.051
Purchases of fixed assets		(179.119)	(146.373)
Proceeds from sale of fixed assets		146.233	74.852
Purchases of investment property		(2.183)	(1.539)
Proceeds from sale of investment property		3.239	2.434
Purchases of investment securities		(8.216.444)	(4.043.969)
Proceeds from redemption and sale of investment securities		8.179.444	4.496.142
Net cash from / (used in) investing activities from continuing operations		**(2.105.610)**	**385.934**
Net cash from / (used in) investing activities from discontinued operations		**286**	**129.993**
Cash flows from financing activities			
Share capital increase		3.000.836	-
Proceeds from borrowed funds and debt securities		1.664.557	347.467
Repayments of borrowed funds and debt securities		(2.581.049)	-
Issuance of preferred securities		559.905	230.000
Proceeds from sale of treasury shares		72.793	327.966
Repurchase of treasury shares		(68.725)	(52.110)
Dividends to ordinary shareholders		(338.558)	(193.230)
Dividends to preferred securities		(70.905)	(45.999)
Minority interest		(9.255)	28.408
Share capital issue costs		(87.782)	-
Net cash from / (used in) financing activities from continuing operations		**2.141.817**	**642.502**
Effect of foreign exchange rate changes on cash and cash equivalents		(30.521)	129.581
Net increase/(decrease) in cash and cash equivalents		**1.816.220**	**(1.802.912)**
Cash and cash equivalents at beginning of period		3.127.261	4.930.173
Less: cash & cash equivalents at period end from discontinued operations		-	(62.515)
Cash and cash equivalents at end of period	47	**4.943.481**	**3.064.746**

The notes on pages 9 to 77 form an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

NOTE 1: General Information

National Bank of Greece S.A. (hereinafter the "Bank") was founded in 1841 and has been listed on the Athens Stock Exchange since 1880. The Bank has further listing in the New York Stock Exchange (since 1999), and in other major European stock exchanges. The Bank's headquarters are located at 86 Eolou Street, (Reg. 6062/06/B/86/01), tel.: (+30) 210 334 1000. By resolution of the Board of Directors the Bank can establish branches, agencies and correspondence offices in Greece and abroad. In its 166 years of operation the Bank has expanded on its commercial banking business by entering into related business areas. National Bank of Greece and its subsidiaries (hereinafter the "Group") provide a wide range of financial services including retail and commercial banking, asset management, brokerage, investment banking, insurance and real estate on a global level. The Group operates primarily in Greece, but also has operations in UK, SE Europe, Cyprus, Egypt, South Africa and recently in 2006 in Turkey.

The Board of Directors consists of the following members:

Executive Members

Efstratios (Takis) -Georgios A. Arapoglou	*Chairman - Chief Executive Officer*
Ioannis G. Pechlivanidis	*Vice Chairman- Deputy Chief Executive Officer*

Non-Executive Members

Achilleas D. Mylonopoulos	*Employees' representative*
John P. Panagopoulos	*Employees' representative*
Ioannis C. Yiannidis	*Professor, University of Athens Law School*

Independent Non-Executive Members

H.E. the Metropolitan of Ioannina Theoklitos	
Stefanos C. Vavalidis	*Member of the Board of Directors, European Bank for Reconstruction & Development*
Dimitrios A. Daskalopoulos	*Chairman and Managing Director, Delta S.A., Chairman, Federation of Greek Industrialists*
Nikolaos D. Efthymiou	*Chairman, Association of Greek Shipowners*
George Z. Lanaras	*Shipowner*
Stefanos G. Pantzopoulos	*Business Consultant, former Certified Auditor*
Constantinos D. Pilarinos	*Economist, General Manager of Finances and Technical Services, Church of Greece*
Drakoulis K. Fountoukakos-Kyriakakos	*Entrepreneur*
Ploutarchos K. Sakellaris	*Professor, University of Athens, and Chairman, Council of Economic Advisors.*
George I. Mergos	*Professor, University of Athens, Governor of IKA (Social Security Fund))*

Directors are elected by the shareholders at their general meeting for a term of three years and may be re-elected. The term of the above members expires in 2007. On 30 August 2006, the employees' representative, Mr. A. Mylonopoulos was elected as a non-executive BoD member in the position vacated by the resignation of Mr. G. Athanasopoulos. On 21 February 2007, Mr A. Stavrou was elected as a non-executive BoD member in the position of the deceased I. Vartholomeos. Furthermore, on 15 March 2007, Mr. G. Mergos was elected as a non-executive BoD member in the position of Mr A. Stavrou.

These consolidated financial statements have been approved for issue by the Bank's Board of Directors on 15 March 2007 and are subject to the approval by the Bank's shareholders at the Annual General Meeting.

NOTE 2: Summary of significant accounting policies

2.1 Basis of presentation

The consolidated financial statements of the Group (the "financial statements") are prepared in accordance with International Financial Reporting Standards and International Accounting Standards (collectively, IFRS), and are stated in Euro, rounded to the nearest thousand (unless otherwise stated). The financial statements have been prepared under the historical cost convention as modified by the revaluation of available for sale investment securities, financial assets and liabilities at fair value through profit and loss and all derivative contracts measured at fair value.

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 assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Use of available information and application of judgment are inherent in the formation of estimates in the following areas: valuation of OTC derivatives, unlisted securities, retirement benefits obligation, insurance reserves, impairment of loans and receivables, liabilities from open tax years and contingencies from litigation. Actual results in the future could differ from such estimates and the differences may be material to the financial statements.

2.2 Adoption of International Financial Reporting Standards (IFRS)

The Group adopted the requirements of IFRS for the first time for the purpose of preparing financial statements for the year ending 31 December 2005. Newly acquired subsidiaries that prior to their acquisition by the Group had been preparing their financial statements under local accounting principles (GAAPs), prepared their first IFRS financial statements for consolidation purposes by the Group, according to the IFRS 1 "First Time Adoption of IFRS".

New standards, amendments and interpretations to existing standards effective in 2006

The following standards and interpretations are mandatory for the accounting periods beginning on or after 1 January 2006:

- IAS 19 (Amendment), "Employee Benefits" (effective from 1 January 2006).
This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. The Group has not changed its accounting policy for the recognition of actuarial gains and losses and has not participated in any multi-employer plans.

- IAS 39 (Amendment), "Cash Flow Hedge Accounting of Forecast Intragroup Transactions" (effective from 1 January 2006). The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss. This amendment had a limited impact on the consolidated financial statements as of 31 December 2006.

- IAS 39 (Amendment), "The Fair Value Option" (effective from 1 January 2006). This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group has decided to apply this amendment for the annual period beginning 1 January 2005 (early adoption).

- IAS 39 and IFRS 4 (Amendment), "Financial Guarantee Contracts" (effective from 1 January 2006). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value and subsequently measured at the higher of: (a) the unamortized balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. This amendment did not have a significant impact on the Group's financial position.

- IAS 21 (Amendment) “The effect of changes in foreign exchange rates”. This amendment requires that when a monetary item forms part of a reporting entity’s net investment in a foreign operation and is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, the exchange differences that arise in the individual financial statements of both companies are reclassified to equity upon consolidation. This amendment did not have a significant impact on the Group’s financial position.

- IFRIC 4, “Determining whether an Arrangement contains a Lease” (effective from 1 January 2006). IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. This amendment did not have a significant impact on the Group’s financial position.

New standards, amendments and interpretations to existing standards that are not yet effective

The new standards, amendments and interpretations to existing standards that are mandatory for the Group’s accounting periods beginning on or after 1 January 2007 are as follows:

- IFRS 7, “Financial Instruments: Disclosures”, and a complementary amendment to IAS 1, “Presentation of Financial Statements – Capital Disclosures” (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, “Disclosures in the Financial Statements of Banks and Similar Financial Institutions”, and disclosure requirements in IAS 32, “Financial Instruments: Disclosure and Presentation”. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity’s capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group intends to apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

- IFRS 8 “Operating Segments” (effective from 1 January 2009). This standard changes the way the segment information is measured and disclosed and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity’s chief operating decision maker in order to allocate resources to the segments and to assess performance. The Group has decided to apply this standard for the annual period beginning on 1 January 2009, however there will be no significant impact on the Group’s financial reporting.

- IFRIC 8, “Scope of IFRS 2” (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 clarifies that IFRS 2 Share based payment will apply to any arrangement when equity instruments are granted or liabilities are incurred by the entity, when the identifiable consideration appears to be less than the fair value of the instruments given. It presumes that such cases are an indication that other consideration has been or will be received. The Group will apply this IFRIC from 2007, and its adoption will have no or insignificant impact on its financial statements.

- IFRIC 9, “Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). IFRIC 9 requires an entity to assess whether a contract contains an embedded derivative at the date the entity first becomes a party to the contract and prohibits reassessment unless there is as change to the contract that significantly modifies the cash flows. The Group will apply this IFRIC from 2007 and its adoption will have no significant impact on its financial statements.

- IFRIC 10, “Interim Financial Reporting and Impairment” (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 addresses an inconsistency between IAS 34 Interim Financial Reporting and the impairment relating to goodwill in IAS 36 Impairment of Assets and equity instruments classified as available for sale in IAS 39 Financial Instruments: Recognition and Measurement. This interpretation states that the specific requirements of IAS 36 and IAS 39 take precedence over the general requirements of IAS 34 and therefore, any impairment loss recognised for these assets in an interim period may not be reversed in subsequent periods. The Group will apply this IFRIC from 2007.

- IFRIC 11, “ IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). This IFRIC requires arrangements whereby an employee is granted rights to an entity’s equity instruments to be accounted for as an equity-settled scheme by the entity even if:

- The entity chooses or is required to buy those equity instruments (e.g. treasury shares) from another party, or
- The shareholder(s) of the entity provide the equity instruments required

The Interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for schemes when their employees receive rights to equity instruments of the parent. In particular, it prescribes that:

- When the parent grants rights to equity instruments to the employees, they will be accounted for as equity settled scheme (as an equity contribution to the parent) when the parent accounts for it this way in the consolidated financial statements. When employees transfer between subsidiaries, each entity recognises compensation expense based on the proportion of the total vesting period for which the employee has worked for that subsidiary, measured at the fair value at the original grant date by the parent.
- When the subsidiary grants rights to equity instruments of its parent to its employees, it will be accounted for as a cash-settled scheme.

The Group will apply this IFRIC from 2008 however its adoption will have no significant impact on the Group's financial statements.

- IFRIC 12, "Service Concession Arrangements" (effective for annual periods beginning on or after 1 January 2008). The Group will apply this IFRIC from 2008 and is currently evaluating its impact on the Group's financial reporting.

2.3 Group accounts

Business combinations: All acquisitions are accounted for using the purchase method of accounting as set out in IFRS 3 from the date on which the Group effectively obtains control of the acquiree. The Group has incorporated into its income statement the results of operations of the acquiree and has also recognised in the balance sheet the assets and assumed the liabilities and contingent liabilities of the acquiree as well as any goodwill arising on the acquisition. Acquisitions are accounted for at cost, being the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for the control of the acquiree plus any costs directly attributable to the acquisition. For the allocation of the cost of acquisition, all recognised assets and liabilities are measured at their fair values as at the date of acquisition and any minority interests are stated at the minority's proportion of the fair values of the assets and liabilities recognised in accordance with IFRS 3.
The consolidated financial statements combine the financial statements of the Bank and all its subsidiaries, including certain special purpose entities where appropriate.

Business combinations achieved in stages: When the Group obtains control over a subsidiary in successive share purchases i.e. "step acquisition", each significant transaction is accounted for separately and the identifiable assets, liabilities and contingent liabilities acquired are stated at their fair value at the acquisition date which is the date when the control is obtained.

As with an acquisition achieved in a single transaction, minority interest is measured at the minority's proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities. Any share of the identifiable assets, liabilities and contingent liabilities acquired in previous transactions is revalued. The revaluation is calculated as the difference between the fair value of assets in excess of book values by the share portion previously acquired. This adjustment is recorded directly in equity and does not constitute a change in accounting policy.

Further acquisition after control is obtained: Changes in the parent's ownership interest in a subsidiary after control is obtained that do not result in a loss of control are accounted for as transactions between equity holders in their capacity as equity holders. No gain or loss is recognised in income statement on such changes. The carrying amount of the non-controlling interest is adjusted to reflect the change in the parent's interest in the subsidiary's net assets. Any difference between the amount by which the non-controlling interest is so adjusted and the fair value of the consideration paid or received, if any, is recognised directly in equity and attributed to equity holders of the parent. (Ref: par 30A Exposure Draft of Proposed Amendments to IAS 27 Consolidated and Separate Financial Statements). Legal mergers between entities under common control are also accounted for using the above method. Effective date of such transactions is considered the balance sheet as at the merger date.

Put options on minority interests
The Group has occasionally entered into arrangements as part of a business combination whereby the Group is committed to acquire the shares held by the minority interest in a subsidiary or whereby a minority interest holder can put its shares to the Group. In such cases, IAS 32 “Financial Instruments: Disclosure and Presentation” requires, in the consolidated financial statements, the put option to be accounted for as a liability. The recognition of the liability results in accounting as if the puttable instrument has already been exercised. Therefore, no minority interest is recognised for reporting purposes. The liability is measured at fair value, using different valuation techniques based on best estimates available to the management of the Group. The difference (if any), between the fair value of the liability and the legal minority interest’s share of net assets is recognised as part of the goodwill. Subsequent changes to the valuation of the put option will be recorded as changes to the liability and to goodwill, without any direct impact on the consolidated income statement.

Although there is no clear guidance in IFRS 3 on Business combinations and IAS 32 on Financial Instruments on how such options must be accounted for, and no specific IFRIC guidance has yet issued, the Group applies the provisions of IAS 32.23 while waiting for an interpretation from IASB and IFRIC.

Subsidiary undertakings: Subsidiary undertakings, which are those companies in which the Group directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over their financial and operating policies, have been fully consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised surpluses and deficits on transactions between Group companies are eliminated on consolidation. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Associated undertakings: Investments in associates are accounted for by applying the equity method of accounting. These are undertakings over which the Group has between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but which it does not control. Impairment charges are recognised for other than temporary declines in value.

Under the equity method of accounting, the investment is initially recorded at cost, and is increased or decreased by the proportionate share of the affiliate’s profits or losses after the date of acquisition. Goodwill arising on the acquisition of an associate is included in the cost of the investment (net of any accumulated impairment loss). Dividends received from the associate during the year reduce the carrying value of the investments. Investments in associates for which significant influence is intended to be temporary because such investments are acquired and held exclusively with a view to their subsequent disposal within twelve months from their acquisition, are recorded as assets held for sale. Unrealised gains and losses on transactions between the Group and its associated undertakings are eliminated to the extent of the Group’s interest in the associated undertaking. Where necessary, the accounting policies used by the associate have been changed to ensure consistency with the policies adopted by the Group.

2.4 Foreign currency translation

Items included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (“the functional currency”). The financial statements are presented in thousands of Euro (€), which is the functional currency of the Bank.

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on debt securities and other monetary financial assets re-measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary financial assets are a component of the change in their fair value. Depending on the classification of a non-monetary financial asset, translation differences are either recognised in the income statement (applicable for example for equity securities held for trading), or within shareholders’ equity, if non-monetary financial assets are classified as available for sale investment securities.

When preparing the financial statements, assets and liabilities of foreign entities are translated at the exchange rates prevailing at the balance sheet date, while income and expense items are translated at average rates for the

period. Differences resulting from the use of closing and average exchange rates and from revaluing a foreign entity's opening net asset balance at closing rate are recognised directly in foreign currency translation reserve within shareholders' equity.

When a monetary item forms part of a reporting entity's net investment in a foreign operation and is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, the exchange differences that arise in the individual financial statements of both companies are reclassified to equity upon consolidation. When a foreign entity is sold, such translation differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Regular way purchases and sales

In case of "regular way" purchases and sales of financial assets the Group uses "settlement date" accounting apart from trading and investment securities and derivative financial instruments, which are recognised at "trade date".

2.6 Derivative financial instruments and hedging

Derivative financial instruments including foreign exchange contracts, forward rate agreements, currency and interest rate swaps, interest rate futures, currency and interest rate options (both written and purchased) and other derivative financial instruments are initially recognised in the balance sheet at cost and subsequently are re-measured at their fair value. All derivatives are carried in assets when favourable to the Group and in liabilities when unfavourable to the Group. Fair values are obtained from quoted market prices, dealer price quotations, discounted cash flow models and options pricing models, as appropriate. Where the Group enters into derivative instruments used for trading purposes, realised and unrealised gains and losses are recognised in trading income.

A derivative may be embedded in another financial instrument, known as "host contract". In such combinations, the derivative instrument is separated from the host contract and treated as a separate derivative, provided that its risks and economic characteristics are not closely related to those of the host contract, the embedded derivative actually meets the definition of a derivative and the host contract is not carried at fair value with unrealised gains and losses reported in the income statement.

The Group also uses derivative instruments as part of its asset and liability management activities to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions. The Group applies either fair value or cash flow hedge accounting when transactions meet the specified criteria to obtain hedge accounting treatment. The Group's criteria for a derivative instrument to be accounted for as a hedge include:

- at inception of the hedge, there is formal designation and documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship;
- the hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the hedging period. A hedge is considered to be highly effective when the Group achieves offsetting changes in fair value between 80 percent and 125 percent for the risk being hedged; and
- the hedge is highly effective on an ongoing basis.

2.6.1 Fair value hedges

For qualifying fair value hedges, the change in fair value of the hedging derivative is recognised in the income statement along with the corresponding change in the fair value of the hedged asset or liability that is attributable to that specific hedged risk. If the hedge relationship is terminated for reasons other than the de-recognition of the hedged item, the difference between the carrying amount of the hedged item at that point and the value at which it would have been carried had the hedge never existed (the "unamortised fair value adjustment"), is, in the case of interest bearing financial instruments, amortised to the income statement over the remaining term of the original hedge, while for non-interest bearing instruments that amount is immediately recognised in the income statement. If the hedged instrument is derecognised, e.g. sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement.

2.6.2 Cash flow hedges

Fair value gains or losses associated with the effective portion of a derivative designated as a cash flow hedge are recognised initially in shareholders' equity. When the cash flows that the derivative is hedging (including cash flows from transactions that were only forecast when the derivative hedge was effected) materialize, resulting in income or expense, then the associated gain or loss on the hedging derivative is simultaneously transferred from shareholders' equity to corresponding income or expense line item.

If a cash flow hedge for a forecast transaction is deemed to be no longer effective, or the hedge relationship is terminated, the cumulative gain or loss on the hedging derivative previously reported in shareholders' equity remains in shareholders' equity until the committed or forecast transaction occurs, at which point it is transferred from shareholders' equity to trading income.

Certain derivative instruments transacted as effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated in the same way as derivative instruments held for trading purposes, i.e. fair value gains and losses are recognised in trading income.

The foreign currency risk of a highly probable forecast intragroup transaction is qualified as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss.

Notwithstanding the above, transactions entered into before the date of transition to IFRS, shall not be retrospectively designated as hedges.

2.7 Offsetting

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

2.8 Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing instruments on a time proportion basis, taking account of the principal outstanding and using the effective interest rate method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments.

The recognition of income on commercial and mortgage loans ceases when the recovery of principal and/or interest becomes doubtful of collection, such as when overdue by a maximum of 180 days, or when the borrower or securities' issuer defaults, if earlier than 180 days. Credit card loans, other non-secured personal credit lines and certain consumer finance loans are placed on non-accrual basis no later than the date upon which they become 90 days delinquent. In all cases, loans must be placed on non-accrual at an earlier date, if collection of principal and/or interest is considered doubtful. All interest accrued but not collected for loans that are placed on non-accrual or written off is excluded from interest income until received.

2.9 Fee and commission income

Fees and commissions are generally recognised on an accrual basis over the period the service is provided. Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as acquisition of loans, equity shares or other securities or the purchase or sale of businesses, are recognised upon completion of the underlying transaction.

2.10 Financial assets and liabilities at fair value through profit and loss

All financial assets, acquired principally for the purpose of selling in the short term or if so designated by the management, are classified under this category which has the following two sub-categories:

a) Trading securities

Trading securities are securities, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit making exists.

Trading securities are initially recognised at cost and subsequently re-measured at fair value. The determination of fair values of trading securities is based on quoted market prices, dealer price quotation and pricing models, as appropriate. Gains and losses realised on disposal or redemption and unrealised gains and losses from changes in the fair value of trading securities are included in net trading income. Interest earned whilst holding trading securities is reported as interest income. Dividends received are separately reported and included in dividend income. Trading securities may also include securities sold under sale and repurchase agreements.

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs.

Trading securities held are not reclassified out of the respective category. Respectively, investment securities are not reclassified into the trading securities category while they are held.

b) Financial assets at fair value through profit or loss

Upon initial recognition the Group may designate any financial asset as at fair value through profit or loss except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, when either:

(i) It eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

(ii) A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel, for example the board of directors and chief executive officer.

Interest income on financials assets at fair value through profit and loss is reported as interest income.

c) Financial liabilities at fair value through profit or loss

Financial liabilities designated at fair value through profit and loss are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition, financial liabilities at fair value through profit and loss are re-measured at fair value with unrealised gains and losses reported in net trading income. Interest expense on financials liabilities at fair value through profit and loss is reported as interest expense.

2.11 Sale and repurchase agreements

Securities sold subject to a linked repurchase agreement ('Repos') are retained in the financial statements as trading or investment securities and the counterparty liability is included in amounts due to banks, due to customers or other deposits, as appropriate. Securities purchased under agreement to resell ('Reversed Repos') are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of Repos (or Reverse Repos) agreement using the effective interest rate method.

2.12 Securities borrowing and lending

Securities borrowed and securities lent are recorded at the amount of cash collateral advanced or received, plus accrued interest. Securities borrowed and securities received as collateral under securities lending transactions are not recognised in the financial statements unless control of the contractual rights that comprise these securities transferred is gained or sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

Respectively, securities lent and securities provided as collateral under securities borrowing transactions are not derecognised from the financial statements unless control of the contractual rights that comprise these securities transferred is relinquished.
The Group monitors the market value of the securities borrowed and lent on a regular basis and provides or requests additional collateral in accordance with the underlying agreements. Fees and interest received or paid are recorded as interest income or interest expense, on an accrual basis.

2.13 Investment Securities

Investment securities are classified as either available for sale or held to maturity investment securities based on management intention on purchase date. Investment securities are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. All other purchases and sales, which do not fall within market convention are recognised as derivative forward transactions until settlement.

Available for sale investment securities are initially recorded at cost (including transaction costs) and subsequently re-measured at fair value based on quoted bid prices in active markets, dealer price quotations or discounted expected cash flows. Fair values for unquoted equity investments are determined by applying recognised valuation techniques such as price/earnings or price/cash flow ratios, refined to reflect the specific circumstances of the issuer. Unrealised gains and losses arising from changes in the fair value of available for sale investment securities are reported in shareholders' equity, net of taxes (where applicable), until such investment is sold, collected or otherwise disposed of, or until such investment is determined to be impaired.

Available for sale investment securities may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or equity prices. When an available for sale investment security is disposed of or impaired, the accumulated unrealised gain or loss included in shareholders' equity is transferred to the income statement for the period and reported as gains / losses from investment securities. Gains and losses on disposal are determined using the moving average cost method.

Held to maturity investment securities consist of securities with fixed or determinable payments, which the management has the positive intend and ability to hold to maturity. Held to maturity investment securities are carried at amortised cost using the effective interest rate method, less any provision for impairment. Amortised cost is calculated by taking into account any fees, points paid or received, transaction costs and any discount or premium on acquisition.

An investment security is considered impaired if its carrying amount exceeds its recoverable amount and there is objective evidence that the decline in price has reached a level that recovery of the cost value cannot be reasonably expected within the foreseeable future. The amount of the impairment loss for financial assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate. For quoted financial assets re-measured to fair value the recoverable amount is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset whereas for unquoted financial assets the recoverable amount is determined by applying recognised valuation techniques.

Interest earned while holding investment securities is reported as interest income. Dividends receivable are included separately in dividend income, when a dividend is declared.

2.14 Loans and receivables

Loans originated by the Group include loans where money is provided directly to the borrower, other than those that are originated with the intent to be sold (if any), in which case they are recorded as assets at fair value through profit and loss, available for sale investment securities or as held to maturity, as appropriate.

Loans originated by the Group are recognised when cash is advanced to borrowers. They are initially recorded at cost including any transaction costs, and are subsequently valued at amortised cost using the effective interest rate method.

Interest on loans originated by the Group is included in interest income and is recognised on an accrual basis. Fees and direct costs relating to a loan origination, financing or restructuring and to loan commitments are treated as part of the cost of the transaction and are deferred and amortised to interest income over the life of the loan using the effective interest rate method.

2.15 Impairment losses on loans and advances

A credit risk provision for loan impairment is established if there is objective evidence that the Group will be unable to collect all amounts due on a claim according to the original contractual terms. A "claim" means a loan, a commitment such as a letter of credit, guarantee or commitment to extent credit.

A provision for loan impairment is reported as a reduction of the carrying amount of a claim on the balance sheet, whereas for an off-balance sheet item such as a commitment, a provision for impairment loss is reported in other liabilities. Additions to provisions for loans impairment are made through bad and doubtful debts expense.

The Group assesses whether objective evidence of impairment exists for loans that are considered individually significant, i.e. all loans above €1 million, and collectively for loans that are not considered individually significant. A loan is subject to impairment test when interest and/or capital is in arrears for a period over 90 days and/or such qualitative indications exist, at the assessment date, which demonstrate that the borrower will not be able to meet his obligations. Usually such indications include but are not restricted to significant financial difficulty, deterioration of credit rating, probability of bankruptcy or other financial reorganization procedures.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the loans' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at a) the loan's original effective interest rate, if the loan bears a fixed interest rate, or b) current effective interest rate, if the loan bears a variable interest rate.

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

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics. Loans to corporates are grouped based on days in arrears, product type, economic sector, size of business, collateral type and other relevant credit risk characteristics. Mortgages and retail loans are also grouped based on days in arrears or product type. Those characteristics are relevant to the estimation of future cash flows for pools of loans by being indicative of the debtors' ability to pay all amounts due and together with historical loss experience for loans with credit risk characteristics similar to those in the pool form the foundation of the loan loss allowance computation. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects and conditions in the historical period that do not exist currently.

All impaired loans are reviewed and analysed at least annually and any subsequent changes to the amounts and timing of the expected future cash flows compared with the prior estimates result in a change in the provision for loans impairment and are charged or credited to impairment losses on loans and advances. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Subject to compliance with tax laws in each jurisdiction, a loan, which is deemed to be uncollectible or forgiven, is written off against the related provision for loans impairment. Subsequent recoveries are credited to impairment losses on loans and advances in the income statement. In the case of loans to borrowers in countries where there is an increased risk of difficulties in servicing external debt, an assessment of the political and economic situation is made, and additional country risk provisions are established if necessary.

2.16 Property and equipment

Property and equipment include land and buildings, leasehold improvements and transportation and other equipment, held by the Group for use in the supply of services or for administrative purposes. Property and equipment are initially recorded at cost, which includes all costs that are required to bring an asset into working condition.

Subsequent to initial recognition, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Costs incurred subsequent to the acquisition of an asset, which is classified as property and equipment are capitalised, only when it is probable that they will result in future economic benefits to the Group beyond those originally anticipated for the asset, otherwise they are expensed as incurred.

Depreciation of an item of property and equipment begins when it is available for use and ceases only when the asset is derecognised. Therefore, the depreciation of an item of property and equipment that is retired from active use does not cease unless it is fully depreciated. Property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Land	No depreciation
Buildings used in operation	Not exceeding 50 years
Buildings (other than those used in operation)	Not exceeding 50 years
Leasehold improvements	Residual lease term, not exceeding 10 years
Furniture and related equipment	Not exceeding 12 years
Motor vehicles	Not exceeding 10 years
Hardware and other equipment	Not exceeding 5 years

The Group periodically reviews land and buildings for impairment. Where the carrying amount on an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Foreclosed assets, which consist of properties acquired through foreclosure in full or partial satisfaction of a related loan, are initially measured at cost, which includes transaction costs, and reported under other assets. After initial recognition foreclosed assets are re-measured at the lower of their carrying amount and fair value less estimated costs to sell. Any gains or losses on liquidation of foreclosed assets are included in other operating income.

2.17 Investment property

Investment property includes land and buildings, owned by the Group (or held through a leasing agreement, either finance or operating) with the intention of earning rentals or for capital appreciation or both, and is initially recorded at cost, which includes transaction costs. A property interest that is held by the Group under an operating lease is classified and accounted for as investment property when a) the property would otherwise meet the definition of an investment property or b) the operating lease is accounted for as if it were a finance lease.

Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any accumulated impairment losses.

Investment property is depreciated on a straight-line basis over its estimated useful life, which approximates the useful life of similar assets included in property and equipment. Investment property is periodically reviewed for impairment.

2.18 Goodwill and other intangible assets

Intangible assets include goodwill, computer software and other intangible assets that comprise of separately identifiable intangible items arising from acquisitions.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired entity at the date of acquisition. Subsequent to initial recognition, goodwill is stated at cost less accumulated impairment losses. Management tests goodwill for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

Any excess, as at the date of the exchange transaction, of the acquirer's interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition, should be recognised as negative goodwill. Once it has been established that negative goodwill exists, the Group a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination and b) recognizes immediately in the income statement any profit or loss remaining after the reassessment.

Computer software includes costs that are directly associated with identifiable and unique software products controlled by the Group that are anticipated to generate future economic benefits exceeding costs beyond one year. Expenditure, which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

Computer software development costs recognised as assets, are amortised using the straight-line method over their useful lives, not exceeding a period of 10 years.

Expenditure on starting up an operation or branch, training personnel, advertising and promotion and relocating or reorganizing part or the entire Group is recognised as an expense when it is incurred.
At each balance sheet date, management reviews intangible assets and assesses whether there is any indication of impairment. If such indications exist an analysis is performed to assess whether the carrying amount of intangible assets is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

2.19 Insurance Operations

The Group classifies its insurance related products into insurance contracts and investment contracts depending on the level of insurance risk inherent in the products in accordance with IFRS 4 ("Insurance contracts"). As permitted by IFRS 4, the Group accounts for its insurance contracts in accordance with Greek accounting principles. Accordingly, overseas insurance liabilities are measured in accordance with the accounting and legal requirements in the countries concerned and as permitted by IFRS 4.

Assets and liabilities relating to investment contracts are classified and measured as appropriate under IAS 39, 'Financial Instruments: Recognition and Measurement'. The Group assesses whether its recognised insurance liabilities are adequate by applying a liability adequacy test ("LAT"), which meets the minimum requirements set forth in IFRS 4, at the end of each reporting period. Additional liabilities resulting from the LAT increase the carrying amount of insurance liabilities as determined in accordance with local laws and regulations and are charged off to the income statement. As at 1 January 2005, additional liabilities resulting from the first application of the LAT were charged off to equity.

2.20 Leases

a. A Group company is the lessee

Leases where the Group has substantially all the risks and rewards of ownership of the asset are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other liabilities. The interest element of the finance cost is charged to the income statement over the lease period. All assets acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership of the asset are retained by the lessor, are classified as operating leases. The total payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset.

b. A Group Company is the lessor

Finance leases: When assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Finance lease receivables are included in loans and advances to customers.

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

2.21 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, unrestricted balances held with central banks, amounts due from other banks and highly liquid financial assets with original maturities of less than three months from the date of acquisition such as treasury bills and other eligible bills, investment and trading securities which are subject to insignificant risk of changes to fair value and are used by the Group in the management of its short-term commitments.

2.22 Provisions

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

2.23 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.
A financial guarantee contract, other than those assessed as insurance contracts, is recognised initially at their fair value and subsequently measured at the higher of: (a) the unamortized balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date.

2.24 Employee benefits

Group companies operate various retirement benefit plans in accordance with local conditions and practices in their respective countries. Such plans are classified as pension plans or other post-retirement benefit plans.

2.24.1 Pension plans

a. Defined benefit plans
A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. For defined benefit plans, the pension liability is the present value of the defined benefit obligation at the balance sheet date minus the fair value of the plan assets, including any adjustments for unrecognised actuarial gains/losses and past service costs. The Group follows the “corridor” approach of IAS 19 “Employee Benefits” according to which a certain amount of actuarial gains and losses remains unrecognised and is amortised over the average remaining service lives of the employees participating in the plan.

The defined benefit obligation is calculated by independent actuaries on an annual basis using the projected unit credit method. The present value of the defined obligation is determined by the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability. Pension costs are charged or credited to the income statement over the service lives of the related employees.

b. Defined contribution plans
A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees’ benefits relating to employee service in the current and prior periods. Group contributions to defined contribution plans are charged to the income statement in the year to which they relate and are included in staff costs.

2.24.2 Other post-retirement benefit plans
Group employees participate in plans, which provide for various health benefits including post-retirement healthcare benefits. Such plans are all defined contribution and Group contributions are charged to the income statement in the year to which they relate and are included in staff costs.

2.24.3 Share based payment transactions
The Bank has a Group-wide stock option plan for the executive members of the Board of Directors, management and staff of the Group. The fair value of the employee services received in exchange for the grant of the options is measured by reference to the fair value of the options at the date on which they are granted and is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair

value of the share options granted. Fair value is determined using an option-pricing model that takes into account the stock price at the grant date, the exercise price, the expected life of the option, the expected volatility of the underlying stock and the expected dividends on it, and the risk-free interest rate over the expected life of the option.

When the options are exercised and new shares are issued, the proceeds received net of any transaction costs are credited to share capital (par value) and the surplus to share premium.

2.25 Income taxes

Income tax payable on profits, based on the applicable tax laws in each jurisdiction, is recognised as an expense in the period in which profits arise.

Deferred income tax is fully provided, using the liability method, on all temporary differences arising between the carrying amounts of assets and liabilities in the consolidated balance sheet and their amounts as measured for tax purposes.

The principal temporary differences arise from insurance reserves, provisions for pensions and revaluation of certain assets. Deferred tax assets relating to the unused tax losses carried forward are recognised to the extent that it is probable that sufficient taxable profits will be available against which these losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the balance sheet date.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that, it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax, related to fair value changes of available for sale investment securities and cash flow hedges, which are charged or credited directly to shareholders' equity, is also credited or charged directly to shareholders' equity where applicable and is subsequently recognised in the income statement together with the deferred gain or loss.

2.26 Borrowings

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

2.27 Share capital and treasury shares

Share issue costs: Incremental external costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income tax benefit.

Dividends on ordinary shares: Dividends on ordinary shares are recognised as a liability in the period in which they are approved by the Bank's Shareholders at the Annual General Meeting.

Treasury shares: NBG shares held by the Group are classified as treasury shares and the consideration paid including any attributable incremental external costs, net of income taxes, is deducted from total shareholders' equity until they are cancelled, reissued or resold. Treasury shares do not reduce the number of shares issued but affect the number of outstanding shares used in the calculation of earnings per share. Treasury shares held by the Bank are not eligible to receive cash dividends. Any difference between acquisition cost and ultimate proceeds from subsequent resale (or reissue) of treasury shares is included in shareholders' equity and is therefore not to be considered a gain or loss to be included in the income statement.

2.28 Segment reporting

The Group is organised on a worldwide basis into six business segments and provides products or services that are subject to risks and returns that are different from those of other business segments. This organizational structure is the basis upon which the Group reports its primary segment information.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.29 Assets and liabilities held for sale and discontinued operations

Assets (or disposal groups) are classified as held for sale if their carrying amount is recovered principally through a sale transaction rather than through continuing use. Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is effected in accordance with the applicable IFRS's. Upon initial classification as assets held for sale, they are measured at their lower of carrying amount and fair value less costs to sell and are classified separately from other assets in the balance sheet. Offsetting of assets and liabilities is not permitted.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is classified as held for sale or is a subsidiary acquired exclusively with a view to resale. Classification as discontinued operations occurs upon disposal or when the operations meet the criteria to be classified as held for sale. Discontinued operations are presented on the face of the income statement.

2.30 Related party transactions

Related parties include entities, which the Bank has the ability to exercise significant influence in making financial and operating decisions. Related parties include, directors, their close relatives, companies owned or controlled by them and companies over which they can influence the financial and operating policies. All banking transactions entered into with related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and do not involve more than a normal amount of risk.

2.31 Fiduciary and trust activities

The Group provides fiduciary and trust services to individuals and other institutions, whereby it holds and manages assets or invests funds received in various financial instruments at the direction of the customer. The Group receives fee income for providing these services. Trust assets are not assets of the Group and are not recognised in the financial statements. The Group is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

2.32 Earnings per share

A basic earnings per share (EPS) ratio is calculated by dividing the net profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

A diluted earnings per share ratio is computed using the same method as for basic EPS, but the determinants are adjusted to reflect the potential dilution that could occur if convertible debt securities, options, warrants or other contracts to issue ordinary shares were converted or exercised into ordinary shares.

NOTE 3: Critical accounting policies, estimates & judgments

3.1 Critical accounting policies and estimates

The preparation of financial statements in accordance with International Financial Reporting Standards (IFRS) requires management to make a number of judgments, estimates and assumptions that affect the reported amount of assets, liabilities, income and expense in the Group's Consolidated Financial Statements and accompanying notes. The Group believes that the judgments, estimates and assumptions used in the preparation of the Consolidated Financial Statements are appropriate given the factual circumstances as of 31 December 2006.

Various elements of the Group's accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. In particular, the Group has identified nine accounting policies which, due to the judgments, estimates and assumptions inherent in those policies, and the sensitivity of the financial statements to those judgments, estimates and assumptions, are critical to an understanding of the financial statements.

Recognition and measurement of financial instruments at fair value

Assets and liabilities that are trading instruments are recorded at fair value on the balance sheet date, with changes in fair value reflected in net trading income. For exchange traded financial instruments, fair value is based on quoted market prices for the specific instrument. Where no active market exists, or where quoted prices are not otherwise available, the Group determines fair value using a variety of valuation techniques. These include present value methods, models based on observable input parameters, and models where some of the input parameters are unobservable.

Valuation models are used primarily to value derivatives transacted in the over-the-counter market. All valuation models are validated before they are used as a basis for financial reporting, and periodically reviewed thereafter, by qualified personnel independent of the area that created the model. Wherever possible, the Group compares valuations derived from models with quoted prices of similar financial instruments, and with actual values when realised, in order to further validate and calibrate its models. A variety of factors are incorporated into the Group's models, including actual or estimated market prices and rates, such as time value and volatility, and market depth and liquidity.

The Group applies its models consistently from one period to the next, ensuring comparability and continuity of valuations over time, but estimating fair value inherently involves a significant degree of judgment. Management therefore establishes valuation adjustments to cover the risks associated with the estimation of unobservable input parameters and the assumptions within the models themselves.

Although a significant degree of judgment is, in some cases, required in establishing fair values, management believes the fair values recorded in the balance sheet and the changes in fair values recorded in the income statement are prudent and reflective of the underlying economics, based on the controls and procedural safeguards we employ.

Fair value option

The Group adopted revised IAS 32 and revised IAS 39 at 1 January 2005. The Group has applied the exception provided in IFRS 1 not to restate the comparative prior year. Revised IAS 39 permits an entity to designate any financial asset or financial liability as held at fair value and to recognize fair value changes in profit and loss. The Group applies the fair value option primarily to debt instruments since this option presents more relevant information by eliminating or significantly reducing measurement inconsistency (an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on a different basis.

Recognition of deferred Day 1 Profit and Loss

The Group has entered into transactions, some of which will mature after more than ten years, where it determines fair value using valuation models for which not all inputs are market observable prices or rates. The Group initially recognize a financial instrument at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. Such a difference between the transaction price and the model value is commonly referred to as "Day 1 profit and loss". In accordance with applicable accounting literature, the Group does not recognize that initial difference, usually a gain, immediately in profit and loss. While applicable accounting literature prohibits immediate recognition of Day 1 profit and

loss, it does not address when it is appropriate to recognize Day 1 profit in the income statement. It also does not address subsequent measurement of these instruments.

Decisions regarding recognizing deferred Day 1 profit and loss are based on the principle of prudence and are made after careful consideration of facts and circumstances to ensure the Group does not prematurely release a portion of the deferred profit to income. For each transaction, the Group determines individually the appropriate method of recognizing the Day 1 profit and loss amount in the income statement. Deferred Day 1 profit and loss is amortised over the life of the transaction, deferred until fair value can be determined using market observable inputs, or realised through settlement. In all instances, any unrecognised Day 1 profit and loss is immediately released to income if fair value of the financial instrument in question can be determined either by using market observable model inputs or by reference to a quoted price for the same product in an active market.

After entering into a transaction, the Group measures the financial instrument at fair value, adjusted for the deferred Day 1 profit and loss. Subsequent changes in fair value are recognised immediately in the income statement without reversal of deferred Day 1 profits and losses.

Goodwill and Equity method investments

The Group regularly reviews goodwill and equity method investments for possible impairment indications. If the impairment indicators are identified, the Group makes an assessment about whether the carrying amount of such assets remains fully recoverable. When making this assessment the Group compares the carrying value to market value, if available, or a fair value determined by a qualified evaluator or pricing model. Determination of a fair value by a qualified evaluator or pricing model requires management to make assumptions and use estimates.

The Group believes that the assumptions and estimates used are reasonable and supportable in the existing market environment and commensurate with the risk profile of the assets valued. However, different ones could be used which would lead to different results.

Allowance for loan losses

The amount of the allowance set aside for loan losses is based upon management's ongoing assessments of the probable estimated losses inherent in the loan portfolio. Assessments are conducted by members of management responsible for various types of loans employing a methodology and guidelines which are continually monitored and improved. This methodology has two primary components: specific allowances and collective allowances. The Group assesses whether objective evidence of impairment exists for loans that are considered individually significant, i.e. all loans above €1 million, and collectively for loans that are not considered individually significant.

A loan is subject to impairment test when interest and/or capital is in arrears for a period over 90 days and/or such qualitative indications exist, at the assessment date, which demonstrate that the borrower will not be able to meet his obligations. Usually such indications include but are not restricted to significant financial difficulty, deterioration of credit rating, probability of bankruptcy or other financial reorganization procedures.

The specific counterparty component applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows which are expected to be received. In estimating these cash flows, management makes judgments about a counterparty's financial situation and the net realizable value of any underlying collateral or guarantees in our favour. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently reviewed. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made both to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances and provisions we make depends on how well we estimate future cash flows for specific counterparty allowances and provisions and the model assumptions and parameters used in determining collective allowances. While this necessarily involves judgment, management believes that the allowances and provisions are reasonable and supportable.

Allowances for loan losses made by our foreign subsidiaries are estimated by the subsidiary using similar criteria as the Bank uses in Greece. As the process for determining the adequacy of the allowance requires subjective and complex judgment by management about the effect of matters that are inherently uncertain, subsequent evaluations of the loan portfolio, in light of the factors then prevailing, may result in changes in the allowance for loan losses.

Insurance reserves
Insurance reserves for life insurance operations (long-duration contracts) are estimated using approved actuarial methods that include assumptions about future investment yields, mortality, expenses, options and guarantees, morbidity and terminations. Insurance reserves for property and casualty insurance operations (short-duration contracts) are determined using loss estimates, which rely on actuarial observations of loss experience for similar historic events. Assumptions and observations of loss experience are periodically adjusted, with the support of qualified actuaries, in order to reflect current conditions. Any additional future losses anticipated from the revision of assumptions and estimations is charged to the income statement.

We continue to monitor potential for changes in loss estimates in order to ensure that our recorded reserves in each reporting period reflect current conditions.

Net periodic benefit cost
The net periodic benefit cost is actuarially determined using assumed discount rates, assumed rates of compensation increase and the expected return on plan assets. These assumptions are ultimately determined by reviewing the Group's salary increases each year. The expected long-term return on plan assets represents management's expectation of the average rate of earnings on the funds invested to provide for the benefits included in the projected benefit obligation. To determine the expected long-term rate of return assumption the Group and its advisors make forward-looking assumptions in the context of historical returns and volatilities for each asset class as well as correlations among asset classes. The expected long-term rate of return assumption is annually adjusted based on revised expectations of future investment performance of the overall capital markets, as well as changes to local regulations affecting investment strategy.

Useful lives of depreciable assets
The Group's management determines the estimated useful lives and related depreciation charges for its property and other equipment. The Group's estimate is based on the projected operating life cycle of its buildings and the other depreciable assets such as furniture and other equipment, motor vehicles, hardware and other equipment. Such estimates are not expected to change significantly, however, management modifies depreciation charge rates wherever useful lives turn out to be different than previously estimated and it writes down or writes off technically obsolete assets.

Stock Options granted to employees
The Group grants options over shares in NBG to its employees under a stock option program. Employee services received, which are charged to the P&L, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments as at the date of grant, excluding the impact of non-market vesting conditions. Fair value of stock options is estimated by using the Black Scholes model on the date of grant based on the assumptions described in note 12, which include among others the exercise price, the dividend yield, the risk free interest rate and share price volatility.

3.2 Critical accounting judgments

Impairment of available-for-sale financial assets
The Group follows the guidance of IAS 39 on determining when an investment is other than temporarily impaired. This determination requires judgment and the Group evaluates the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

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

Put options on minority interests
Put options as part of a business combination under IAS 32 “Financial Instruments: Disclosure and Presentation” are accounted for as a liability. The liability is recognised as if the puttable instrument has already been exercised, therefore, no minority interest is recognised for reporting purposes, and subsequently is measured at fair value, using different valuation techniques based on best estimates available to the management. The difference (if any), between the fair value of the liability and the legal minority interest’s share of net assets is recognised as part of the goodwill. Subsequent changes to the valuation of the put option will be recorded as changes to the liability and to goodwill, without any direct impact on the consolidated income statement. Since there is no clear guidance in IFRS 3 on Business combinations and IAS 32 on Financial Instruments on how such options must be accounted for and no specific IFRIC guidance has yet issued, the Group applies the provisions of IAS 32.23 while waiting for an interpretation from IASB and IFRIC.

NOTE 4: Financial risk management

4.1 Credit risk

The credit risk process is conducted separately by the Bank and each of its subsidiaries. The Group has implemented systematic controls and monitoring of credit risk and market risk and has formed a Risk Management Council to establish consistent risk management policies throughout the Group. Each of the credit risk procedures established by the subsidiaries is coordinated by the Group Risk Management Division.

The Bank. The credit risk process for the Bank is managed centrally by the Group Risk Management Division, which works closely with centralised underwriting units responsible for particular type of loans. Under the Bank's facility risk rating system, corporate exposures are grouped into eight risk classes. Low risk borrowers are often offered more favourable terms, while loans to high-risk borrowers generally require third party guarantees and additional collateral. The bank also uses a number of obligor rating systems, assigning a borrower rating to each counterparty, whether large, medium corporate or small business. This rating is based primarily upon quantitative criteria (mostly liquidity, profitability, capital structure and debt service ratios) as well as qualitative factors such as management quality, reputation with customers and employees and company standing. In addition, all Bank's rating systems consider the borrower's industry risk and its relative position within its peer group. As the Banks prepares for compliance with Basel II IRB methods, corporate borrower ratings are mapped to probabilities of default and will take precedence over the existing eight-grade facility rating, to be replaced in the near future by specific expected loss estimates per obligor.

The Bank's credit exposure to each borrower is subject to a detailed risk review at least annually, or semi-annually in case of high-risk borrowers, with all outstanding facilities being reviewed. Interim reviews are also undertaken throughout the year and on an ongoing basis, either following a late payment, or if there are issues which may affect the borrower's course of business, or changes relevant to the borrower's creditworthiness. In case of term loans, exposures to borrowers engaged in start-up projects and those posing special risks as a result of company or industry difficulties or otherwise, are generally subject to more frequent reviews. These reviews are undertaken by the loan officers responsible for the customer and are monitored by the Group's Risk Management Division. Credit reviews include consideration of the customer's historical and projected business performance, balance sheet strength and cash flow generation capability, as well as relevant industry trends. These matters are considered in relation to the size, structure and maturity of the Bank's exposure to its client, in conjunction with the nature of any security held. When the Bank determines, as a result of this process, that a borrower poses a risk, it takes appropriate action to limit its exposure as well as to downgrade all outstanding facilities of the borrower. For example, the Bank may increase its collateral level, reset the interest rate at a higher level or decrease its facility line. In addition, credit officers responsible for the customer will intensify the monitoring of its other exposures. When the review process results in the migration of the facility into a higher risk class, either the outstanding facility is restructured or future lending and renewals of existing lines are rejected. With respect to the facility risk rating categorization, a coefficient Expected Loss analysis is applied to all commercial and corporate loans and its results are taken into consideration during the formulation of the Bank's provisioning policy.

Since the beginning of the year, the Bank has implemented and currently enforces both Obligor limits and Sector limits. These are based on relative risk analyses of the existing commercial portfolio and are reviewed annually. Trends in the loan portfolio, including business development, asset quality and provisions for bad and doubtful debts, are reported regularly to the Board of Directors. The Bank also maintains an internal watch list of commercial loans, whose principal and interest payments are in arrears for up to three months, and have not yet been classified as non-performing loans. Credit officers responsible for customers on this watch list must take action in order to prevent the relevant loans from becoming non-performing and must report monthly on their progress.

With respect to mortgage loans, the underwriting process is centralised under the Mortgage Credit Division. All mortgage applications are rated using a bespoke application scorecard. Centralised underwriting ensures segregation of duties and uniform enforcement of underwriting standards. Loan security is typically in the form of a Mortgage Pre-notation on a property for 120% of the loan amount. Maximum loan amount usually does not exceed the 75% of the market value, but this may infrequently evolve up to 100% according to various factors and specific circumstances, which deal with the applicant's credit profile, type of ownership, location of the asset, type of the financed property etc.

For Personal Loans and Credit cards, the credit approval process is carried out through the use of bespoke credit scorecards. The Group Risk Management Division carries out among other reports, vintage analyses by period of disbursement, issuing channel, and product type for various delinquency definitions, thus continuously ensuring strict monitoring of the scorecards' efficiency and separation power. Exposures are pooled by application score and delinquency bucket to produce estimates of default probabilities.

The credit granting processes and procedures are centralised. The rational behind this organizational structure is three-fold:

- To ensure correct application of credit policy
- To effectively channel the applications through the business pipeline, thus speeding up the decision making process, while ensuring accuracy and consistency
- To effectively monitor the client information input process

Finally, through the development of portfolio models, Risk Management is able to calculate, evaluate and monitor expected and unexpected losses for all portfolio asset classes and segments.

The recently established Retail Banking Collection Division carries the responsibility of monitoring and collecting past due amounts of the entire retail portfolio. The Division's objectives are mainly focused on reducing loan portfolio delinquency rates, facilitating early awareness of defaulted loans, ensuring proactive remedial management of defaulted loans and reducing costs, minimizing losses and increasing the retail business portfolio overall profitability.

The Bank's subsidiaries

Finansbank. The Credit Risk Management Committee is responsible for managing credit risk at Finansbank. Total amount of credits granted to a group is subject to certain credit risk limits. According to the decision taken by the Board of Directors, the maximum amount of the loan to be granted to a group (cash and non-cash) is limited with the calculation of certain percentages of the shareholders' equity based on the rating of the group. Furthermore, concentration risk is monitored on monthly basis in terms of industry, rating, top 20 group and top 50 corporate customers.

Loan limits of the loan customers are revised periodically in line with the Bank's procedures. The Bank analyses the credibility of the loans within the framework of its loan policies and obtains collaterals for loans and other receivables to reduce credit risk. Evaluation of restructured and rescheduled loans is based in the Bank's current rating system.

United Bulgarian Bank (UBB). Outstanding business loans to large corporations are reviewed monthly by the responsible credit officers and by UBB's Credit Portfolio Review Committee, which is responsible for reviewing general categories of risk and implementing risk guidelines. Loans to small to medium sized enterprises (SMEs) are also reviewed on a monthly basis. All loans are reclassified monthly according to a risk assessment based on a four-point risk-rating system. In addition, UBB's auditors carry out a separate review of loans representing approximately 70% of the loan portfolio on an annual basis. The review is focused on the largest and most recently granted loans and a random sample of other loans. Interim reviews are undertaken during semi-annual audit reviews. Reports related to the status of loans are submitted regularly to the Credit Committee by UBB's Credit Portfolio Review Committee. At least once a year, UBB's executive management presents a full report on the quality of UBB's loan portfolio to its Board of Directors.

Stopanska Banka. Stopanska applies a five-point risk rating system for classifying loans. Loans are rated from A to E, with E being the riskiest (i.e. non performing). Loans are classified depending mainly on the length of time they have been in arrears. Loans in class A have been in arrears for less than 30 days, while those in class E have been in arrears for over 365 days.

NBG Cyprus. NBG Cyprus has adopted the Bank's risk rating system. A special Credit Provisions Committee presents a report annually to NBG Cyprus' Executive Credit Committee on the quality of the bank's credit portfolio.

Banca Romaneasca. Banca Romaneasca applies a five-point credit rating system. The credit category assigned to a loan is determined by three factors: risk rating, debt service and initiation of legal proceedings and is re-assessed on a monthly basis. A debtor's financial performance and risk rating are measured by a combination of quantitative and qualitative criteria, such as the debtor's quantitative financial performance as well as his general

background. Banca Romaneasca evaluates these factors and, after receiving the client's annual and semi-annual financial statements, re-assesses risk rating twice a year (in April and August). The initiation of legal proceedings results in automatically classifying the loan in the lowest credit category regardless its risk rating and debt service factors.

The South African Bank of Athens (SABA). SABA focuses on working capital facilities and asset based finance for small-to-medium sized enterprises and all facilities are reviewed on an annual basis in light of the most recent financial statements for such corporate clients. During this review period SABA analyses the client's entire business and looks for opportunities to add value by either providing business advice or restructuring/ increasing facilities.

Geographical concentration of the Group's loan portfolio and credit commitments is summarised in the following table.

Geographical concentration of loan portfolio (net) and credit commitments

	Loan portfolio				**Credit commitments**			
	31.12.2006		**31.12.2005**		**31.12.2006**		**31.12.2005**	
Greece..	30.550.645	72%	25.537.683	87%	17.113.091	57%	13.338.814	95%
Turkey..	6.685.209	16%	-	-	12.184.558	40%	-	-
SE Europe..................................	3.769.855	9%	2.681.630	9%	930.622	3%	482.805	4%
West European Countries………..	1.558.044	3%	1.246.687	4%	49.553	-	150.159	1%
South Africa...............................	60.783	-	62.178	-	12.528	-	14.417	-
Total..	**42.624.536**		**29.528.178**		**30.290.352**		**13.986.195**	

4.2 Market Risk

The Bank takes on exposure to market risk. Market risk is the risk of loss attributed to adverse changes in the market value and the liquidity level of the Bank's portfolio due to unfavourable movements in interest rates, foreign exchange rates and equity prices / indices.

Since 2003, the Bank applies the "Value at Risk- (VaR)" model, in order to estimate the worst expected loss for 1-day holding period and a confidence interval of 99%. The Bank currently implements the VaR model taking into account the positions of both trading and available for sale (AFS) portfolios, through the most advanced software developed by the company Algorithmics. It should be noted that the Bank of Greece, as well as internal and external advisors, have certified the aforementioned methodology.

The Bank has established a framework of VaR limits in order to control and manage more efficiently the risks to which it is exposed. These limits have been determined upon the worldwide best practices; they refer not only to specific types of market risk - such as interest rate risk, foreign exchange risk and equity risk - but also to the overall market risk of the Bank' s trading and available for sale portfolios. In 2006, the Total VaR estimate (with 1-day holding period and 99% confidence interval) of the Bank's portfolio varied from €1.5 million to €10.6 million, with an average estimate of €5 million.

The Bank conducts a back-testing program on the positions of the trading portfolio on a daily basis, in order to evaluate and assess the accuracy of the VaR model. Back-testing compares the one-day VaR calculated by the internal model, with the change in the value of the portfolio due to the actual movements of the relevant risk factors. During 2006, there were only 3 cases out of 251 days where the actual change in the value of the portfolio exceeded the VaR estimates. Supplementary to the VaR model, the Bank conducts stress testing on a weekly basis, on both the trading and the available for sale portfolios, based on specific scenarios. The aim of stress testing is to evaluate the gains or losses that may occur under extreme market conditions.

4.3 Interest Rate Risk

For 2006, interest rate risk remained the most significant risk to which the Bank was exposed, due to the worldwide fluctuations of interest rates. The principal source of interest rate risk exposure arises from the Bank's bond portfolio, which mainly consists of Greek government bonds, for which the Bank is the principal market maker, in both the primary and the secondary markets. Its relatively large inventory facilitates its market-making activity and the distribution of Greek government bonds to retail and institutional investors in Greece and abroad. The Bank enters into futures contracts on medium-and long-term German government bonds in order to provide an economic hedge of fixed interest rate exposure arising from its position in fixed-rate Greek government bonds.

As a result of this economic hedging activity, fixed rate exposure is converted into a credit-spread exposure over the yield of medium-and long-term German government bonds, which is characterised by moderate moves resulting in lower volatility. As a secondary means of hedging the trading portfolio of Greek government bonds, the Bank also uses the swap market to convert part of the fixed rate exposure to a floating rate exposure in order to reduce earnings volatility in periods of volatile interest rates. The Bank is also active in the interbank deposit market.

Finansbank. The major funding sources of Finansbank are customer deposits and funds borrowed from abroad. The customer deposits are with fixed rates and have an average maturity of 1 month. Funds borrowed from abroad are generally with floating rates and are repriced at an average period of three and six months. The Bank diverts its placements to assets with high return, low risk and sufficient collaterals.

Besides customer deposits, the Bank funds its long term fixed interest rate YTL loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Bank changes the foreign currency liquidity obtained from the international markets to YTL liquidity with long term swap transactions (fixed YTL interest rate and floating FC interest rate). Therefore, the Bank not only funds its long term fixed interest rate loans with YTL but also hedges economically itself against fair value risk.

Both swaps contracts and fixed rate long-term loans, mainly mortgages, are fair valued in order to reduce measurement inconsistency.

Interest sensitivity of Group's assets and liabilities is summarised as follows:

At 31 December 2006

ASSETS	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 yrs	Over 5 yrs	Non interest bearing	Total
Cash and balances with central banks	2.129.305	13.594	11.389	-	-	1.719.922	**3.874.210**
Treasury bills and other eligible bills	170.865	11.992	136.678	38.172	8.819	1.232	**367.758**
Due from banks	3.394.650	692.386	513.841	26.790	-	153.548	**4.781.215**
Financial assets at fair value through P&L	398.468	218.683	7.025.260	2.919.999	2.017.004	104.996	**12.684.410**
Loans and advances to customers (net)	23.708.661	5.892.620	6.817.968	4.331.638	1.745.619	128.030	**42.624.536**
Investment securities - available for sale	560.649	678.278	653.334	800.044	680.568	818.319	**4.191.192**
Other assets	479.345	5.077	9.289	6.971	7	7.545.642	**8.046.331**
Total assets	**30.841.943**	**7.512.630**	**15.167.759**	**8.123.614**	**4.452.017**	**10.471.689**	**76.569.652**

LIABILITIES	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 yrs	Over 5 yrs	Non interest bearing	Total
Due to banks	5.289.207	457.914	354.548	99.477	8.133	23.159	**6.232.438**
Due to customers	44.448.280	3.721.697	3.336.083	198.165	82.534	1.446.965	**53.233.724**
Debt securities in issue & other borrowed funds	245.950	1.737.872	356.216	510.156	158.316	11.573	**3.020.083**
Other liabilities	182.260	31.960	2.138	1.559	-	5.032.586	**5.250.503**
Total liabilities	**50.165.697**	**5.949.443**	**4.048.985**	**809.357**	**248.983**	**6.514.283**	**67.736.748**
Total interest sensitivity gap	**(19.323.754)**	**1.563.187**	**11.118.774**	**7.314.257**	**4.203.034**	**3.957.406**	**8.832.904**

At 31 December 2005

ASSETS	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 yrs	Over 5 yrs	Non interest bearing	Total
Cash and balances with central banks	1.544.004	5.405	10.816	-	5.474	865.588	**2.431.287**
Treasury bills and other eligible bills	46.344	7.232	79.858	40.072	3.517	-	**177.023**
Due from banks	1.473.378	994.755	1.332.919	35.374	46	248.732	**4.085.204**
Financial assets at fair value through P&L	385.217	409.216	6.854.226	3.910.960	1.872.960	234.892	**13.667.471**
Loans and advances to customers (net)	18.433.563	2.230.189	6.182.311	1.516.189	977.298	188.628	**29.528.178**
Investment securities - available for sale	132.006	244.122	473.509	493.715	890.505	578.937	**2.812.794**
- held to maturity	8.659	-	12.208	-	-	-	**20.867**
Other assets	1.148.267	4.749	12.831	12.491	394	3.792.801	**4.971.533**
Total assets (excl. assets held for sale)	**23.171.438**	**3.895.668**	**14.958.678**	**6.008.801**	**3.750.194**	**5.909.578**	**57.694.357**

LIABILITIES	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 yrs	Over 5 yrs	Non interest bearing	Total
Due to banks	3.929.433	874.376	215.526	16.386	9.243	15.886	**5.060.850**
Due to customers	38.005.072	2.133.071	2.714.023	196.387	1.668	299.899	**43.350.120**
Debt securities in issue & other borrowed funds	2.726	511.005	154.551	166.606	293.915	3.482	**1.132.285**
Other liabilities	713.088	24.751	3.594	264	4.956	3.561.079	**4.307.732**
Total liabilities (excl. liabilities held for sale)	**42.650.319**	**3.543.203**	**3.087.694**	**379.643**	**309.782**	**3.880.346**	**53.850.987**
Total interest sensitivity gap	**(19.478.881)**	**352.465**	**11.870.984**	**5.629.158**	**3.440.412**	**2.029.232**	**3.843.370**

4.4 Liquidity risk

Liquidity risk is defined as the risk of a financial institution not to be able to meet its obligations as they become due, because of lack of the required liquidity.

The Group's principal sources of liquidity are its deposit base and, to a lesser extent, interbank borrowings. The Bank operates a network of 567 branches in Greece, and its domestic customer deposit base accounts for 29% of the Greek deposit market (savings and sight accounts) as of 31 December 2006. This provides the Bank with sufficient euro and foreign currency liquidity to fund its operations as well as its portfolio holdings. The Group also derives liquidity from the results of its operations and disposals of securities and other assets. In recent years, the Group has generally been in a position of excess liquidity due to its large domestic deposit base. Deposits have funded the securities portfolio, loans to customers and reserve balances held at the central bank. Although the Bank was required to deposit a high proportion of foreign currency with the central bank pursuant to reserve requirements, the Group was able to fund foreign currency assets, including foreign currency loans to domestic customers, through its foreign currency deposit base. The Group participates in the interbank deposit market (denominated in euro and all major currencies) and enters into foreign exchange forward transactions with maturities up to a year. The net open positions carried are small and largely offset against the deposit base in the respective currency.

Liquidity risk management seeks to ensure that, even under adverse conditions, the Group has access to the funds necessary to cover customer needs, maturing liabilities and the capital requirements of the Group's operations. Liquidity risk arises in the general funding of the Group's financing, trading and investment activities and in the management of positions. This risk involves both the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates, and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

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

At 31 December 2006

ASSETS	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 yrs	Over 5 yrs	Total
Cash and balances with central banks	3.850.398	6.149	11.563	-	6.100	**3.874.210**
Treasury bills and other eligible bills	170.996	11.992	136.985	38.923	8.862	**367.758**
Due from banks	3.502.824	718.112	525.562	34.631	86	**4.781.215**
Financial assets at fair value through P&L	156.164	27.583	65.100	3.518.572	8.916.991	**12.684.410**
Derivative financial instruments	27.580	43.572	17.557	114.094	168.271	**371.074**
Loans and advances to customers (net)	3.902.839	3.911.910	8.519.007	13.044.537	13.246.243	**42.624.536**
Investment securities - available for sale	110.007	95.099	208.730	1.754.486	2.022.870	**4.191.192**
Other assets	856.651	1.028.785	252.350	442.287	5.095.184	**7.675.257**
Total assets	**12.577.459**	**5.843.202**	**9.736.854**	**18.947.530**	**29.464.607**	**76.569.652**
LIABILITIES						
Due to banks	4.838.572	752.509	392.918	236.545	11.894	**6.232.438**
Derivative financial instruments	98.097	23.868	35.274	44.966	202.367	**404.572**
Due to customers	45.612.410	3.762.364	3.581.976	241.456	35.518	**53.233.724**
Debt securities in issue & Other borrowed funds	32.151	90.205	1.026.284	1.463.714	407.729	**3.020.083**
Other liabilities	970.336	1.002.780	1.311.848	571.837	989.130	**4.845.931**
Total liabilities	**51.551.566**	**5.631.726**	**6.348.300**	**2.558.518**	**1.646.638**	**67.736.748**
Net liquidity gap	**(38.974.107)**	**211.476**	**3.388.554**	**16.389.012**	**27.817.969**	**8.832.904**

At 31 December 2005

ASSETS	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 yrs	Over 5 yrs	Total
Cash and balances with central banks	2.369.737	5.405	10.818	-	45.327	**2.431.287**
Treasury bills and other eligible bills	46.344	7.231	79.859	40.072	3.517	**177.023**
Due from banks	1.743.051	992.379	1.307.597	42.044	133	**4.085.204**
Financial assets at fair value through P&L	209.508	74.881	623.703	4.449.347	8.310.032	**13.667.471**
Derivative financial instruments	50.547	7.002	31.596	39.971	179.914	**309.030**
Loans and advances to customers (net)	3.034.077	1.987.594	5.292.226	9.338.265	9.876.016	**29.528.178**
Investment securities - available for sale	91.216	63.268	94.228	490.832	2.073.250	**2.812.794**
- held to maturity	-	-	20.867	-	-	**20.867**
Other assets	1.454.724	467.905	34.349	67.773	2.637.752	**4.662.503**
Total assets (excl. assets held for sale)	**8.999.204**	**3.605.665**	**7.495.243**	**14.468.304**	**23.125.941**	**57.694.357**
LIABILITIES						
Due to banks	3.801.693	878.918	212.762	151.242	16.235	**5.060.850**
Derivative financial instruments	29.749	9.940	31.082	51.660	180.267	**302.698**
Due to customers	37.887.643	2.123.956	2.696.792	639.733	1.996	**43.350.120**
Debt securities in issue & Other borrowed funds	-	-	1.000	912.685	218.600	**1.132.285**
Other liabilities	640.572	1.367.014	599.563	2.671	1.395.214	**4.005.034**
Total liabilities (excl. liabilities held for sale)	**42.359.657**	**4.379.828**	**3.541.199**	**1.757.991**	**1.812.312**	**53.850.987**
Net liquidity gap	**(33.360.453)**	**(774.163)**	**3.954.044**	**12.710.313**	**21.313.629**	**3.843.370**

4.5 Foreign exchange risk

The Bank trades in all major currencies holding mainly short-term positions, which arise from and are used for servicing its institutional, corporate, domestic and international clientele.

The Bank operates within relatively conservative VAR limits for foreign exchange risk. In this context, the non-euro denominated Eurobond positions are funded by customer and interbank deposits in the respective currencies. The Bank's structural open foreign exchange position is mainly comprised by the capital contributed to the overseas operations (branches and subsidiaries) with the associated foreign exchange risk. In addition, because non-euro denominated expenses are largely offset by non-euro denominated revenues, the foreign exchange risk associated with overseas operations is relatively low.

The Bank files standard foreign exchange position reports on a regular basis, which enables the Central Bank to monitor its foreign exchange risk. VAR limits are set according to the guidelines of the Group's Risk Management Council and monitored by the Internal Audit Division. The Group's exposure to foreign exchange risk is as follows:

At 31 December 2006

ASSETS	EURO	USD	GBP	JPY	CHF	TRY	Other	Total
Cash and balances with central banks	2.705.630	486.271	12.995	199	2.780	358.139	308.196	**3.874.210**
Treasury bills and other eligible bills	168.652	-	-	-	-	-	199.106	**367.758**
Due from banks (net)	2.941.931	1.033.799	243.545	18.011	9.434	324.696	209.799	**4.781.215**
Financial assets at FV through P&L	12.354.458	133.755	-	138.110	-	11.882	46.205	**12.684.410**
Derivative financial instruments	208.668	24.272	1.828	52	287	119.851	16.116	**371.074**
Loans and advances to customers (net)	33.452.919	2.809.351	178.416	17.201	156.454	4.161.666	1.848.529	**42.624.536**
Investment securities - available for sale	2.948.515	207.384	127.041	98.156	-	754.352	55.744	**4.191.192**
Investment property	11.881	-	-	-	-	-	111.492	**123.373**
Investments in associates	264.346	-	2.459	-	-	134	5.841	**272.780**
Goodwill & other intangible assets	2.010.281	1.784	134.466	-	-	346.995	21.731	**2.515.257**
Property & equipment	1.515.742	915	64.074	-	-	137.905	323.302	**2.041.938**
Other assets, including insurance	2.055.069	104.702	259.453	34.306	2.868	211.351	54.160	**2.721.909**
Total assets	**60.638.092**	**4.802.233**	**1.024.277**	**306.035**	**171.823**	**6.426.971**	**3.200.221**	**76.569.652**
LIABILITIES								
Due to banks	5.177.545	720.407	125.974	17	2.624	24.145	181.726	**6.232.438**
Derivative financial instruments	269.004	36.211	4.482	35.697	1.202	57.321	655	**404.572**
Due to customers	40.544.877	6.087.835	523.364	430.890	41.910	2.389.892	3.214.956	**53.233.724**
Debt securities in issue & Other borrowed funds	1.038.251	1.513.798	795	191.169	134	209.417	66.519	**3.020.083**
Other liabilities including insurance	2.769.485	136.027	191.786	58.931	11.567	395.318	1.070.249	**4.633.363**
Retirement benefit obligations	182.715	-	-	-	-	7.334	22.519	**212.568**
Total liabilities	**49.981.877**	**8.494.278**	**846.401**	**716.704**	**57.437**	**3.083.427**	**4.556.624**	**67.736.748**
Net on balance sheet position	**10.656.215**	**(3.692.045)**	**177.876**	**(410.669)**	**114.386**	**3.343.544**	**(1.356.403)**	**8.832.904**

At 31 December 2005

ASSETS	EURO	USD	GBP	JPY	CHF	Other	Total
Cash and balances with central banks	2.159.550	37.500	11.970	192	1.138	220.937	**2.431.287**
Treasury bills and other eligible bills	68.052	-	-	-	-	108.971	**177.023**
Due from banks (net)	3.171.050	561.194	147.909	5.987	43.728	155.336	**4.085.204**
Financial assets at FV through P&L	13.500.084	124.921	-	-	-	42.466	**13.667.471**
Derivative financial instruments	244.965	51.417	487	4.325	2.332	5.504	**309.030**
Loans and advances to customers (net)	26.828.367	1.018.796	127.003	16.957	126.871	1.410.184	**29.528.178**
Investment securities - available for sale	2.324.655	90.025	100.877	268.580	-	28.657	**2.812.794**
- held to maturity	20.867	-	-	-	-	-	**20.867**
Investment property	121.590	165	-	-	-	4.751	**126.506**
Investments in associates	248.900	-	-	-	-	252	**249.152**
Goodwill & other intangible assets	47.171	2.246	246	-	-	16.248	**65.911**
Property & equipment	1.717.674	10	82.429	-	-	85.600	**1.885.713**
Other assets, including insurance	1.798.303	111.601	334.950	34.515	608	55.244	**2.335.221**
Total assets (excl. assets held for sale)	**52.251.228**	**1.997.875**	**805.871**	**330.556**	**174.677**	**2.134.150**	**57.694.357**
LIABILITIES							
Due to banks	4.574.888	281.503	49.503	8	7.124	147.824	**5.060.850**
Derivative financial instruments	177.266	68.702	1.777	53.299	258	1.396	**302.698**
Due to customers	35.848.273	3.915.153	444.368	370.113	45.762	2.726.451	**43.350.120**
Debt securities in issue & Other borrowed funds	844.692	5.831	-	215.983	30	65.749	**1.132.285**
Other liabilities including insurance	3.293.965	96.584	221.467	51.807	2.469	131.017	**3.797.309**
Retirement benefit obligations	188.691	-	-	-	-	19.034	**207.725**
Total liabilities (excl. liabilities held for sale)	**44.927.775**	**4.367.773**	**717.115**	**691.210**	**55.643**	**3.091.471**	**53.850.987**
Net on balance sheet position	**7.323.453**	**(2.369.898)**	**88.756**	**(360.654)**	**119.034**	**(957.321)**	**3.843.370**

4.6 Fair values of financial assets and liabilities

Management uses its best judgment in estimating the fair value of the Group's unlisted financial instruments (OTC), however, there are inherent weaknesses in any estimation technique. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Group's disclosures and those of other companies may not be meaningful.

	31 December 2006		**31 December 2005**	
Financial assets	Carrying amount	Fair value	Carrying amount	Fair value
Cash and balances with central banks	3.874.210	3.874.210	2.431.287	2.431.287
Due from banks	4.781.215	4.779.713	4.085.204	4.063.244
Loans and advances to customers (net)	42.624.536	43.710.521	29.528.178	30.188.757
Investment securities - held to maturity	-	-	20.867	20.867
Financial liabilities	Carrying amount	Fair value	Carrying amount	Fair value
Due to banks	6.232.438	6.224.646	5.060.850	5.063.434
Due to customers	53.233.724	53.176.176	43.350.120	43.348.501
Debt securities in issue	822.696	837.180	175.297	177.363
Other borrowed funds	2.197.387	2.188.644	956.988	972.898

4.7 *Capital adequacy and Credit ratings*

The Bank is subject to various regulatory capital requirements administered by the central bank. Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios determined on a risk-weighted basis, capital (as defined) to assets, certain off-balance sheet items, and the notional credit equivalent arising from the total capital requirements against market risk, of at least 8%. At least half of the required capital must consist of ‘‘Tier I’’ capital (as defined), and the rest of ‘‘Tier II’’ capital (as defined). The framework applicable to Greek banks conforms to European Union requirements, in particular the Own Funds, the Solvency Ratio and the Capital Adequacy Directives. However, under the relevant European legislation, supervisory authorities of the member-states have some discretion in determining whether to include particular instruments as capital guidelines and to assign different weights, within a prescribed range, to various categories of assets.

Capital adequacy (amounts in € million)

	31.12.2006	31.12.2005
Capital:		
Upper Tier I capital	6.634	2.844
Lower Tier I capital	1.254	1.083
Deductions	(2.510)	(72)
Tier I capital	**5.378**	**3.855**
Upper Tier II capital	328	(49)
Lower Tier II capital	1.085	965
Deductions	(13)	(14)
Total capital	**6.778**	**4.757**
Risk weighted assets:		
On Balance sheet (investment book)	37.316	27.864
Off Balance sheet (investment book)	4.220	2.083
Trading portfolio	1.976	1.360
Total risk weighted assets	**43.512**	**31.307**
Ratios:		
Tier I	**12,4%**	**12,3%**
Total BIS	**15,6%**	**15,2%**

As at 31 December 2006, based on IFRS balances and in accordance the rules of Bank of Greece (BoG), the capital base of the NBG Group was €6.778 million. Therefore the capital base surplus, over the 8% of risk-weighted assets required by the BoG rules was €3.297 million.

Credit Ratings

The table below sets forth the credit ratings that have been assigned to the Bank by Moody’s Investors Service Limited (referred to below as ‘‘Moody’s’’), Standard and Poor’s Rating Services (referred to below as ‘Standard and Poor’s’’), Fitch Ratings Ltd. (referred to below as ‘‘Fitch’’) and Capital Intelligence Ltd. (referred below as (Capital Intelligence). All credit ratings have been recently affirmed and/or upgraded.

Rating Agency	**Long term**	**Short term**	**Financial strength/ individual**	**Outlook**
Moody’s	A2	P-1	C	Stable
Standard & Poor’s	BBB+	A-2	-	Stable
Fitch	A-	F2	B/C	Stable
Capital Intelligence	A	A1	A	Positive

NOTE 5: Segment reporting

NBG Group manages its business through the following business segments:

- **Retail banking**
  Retail banking includes all individuals (retail banking) customers of the Bank, professionals, small-medium and small sized companies (companies with annual turnover of up to 2,5 million euros). The Group, through its extended network of branches, offers to its retail customers a number of types of deposit and investment products as well as a wide range of traditional services and products.

- **Corporate & Investment banking**
  Corporate & Investment banking includes lending to all large and medium-sized companies, shipping finance and investment banking activities. The Group offers its corporate customers a wide range of products and services, including financial and investment advisory services, deposit accounts, loans (denominated in both euro and foreign currency), foreign exchange and trade service activities.

- **Global Markets and Asset management**
  Global Markets and Asset management includes all treasury activities, private banking, asset management (mutual funds and closed end funds), custody services and brokerage.

- **Insurance**
  The Group offers a wide range of insurance products through its subsidiary company, Ethniki Hellenic General Insurance Company and its subsidiaries in Greece and SE Europe.

- **International**
  The Group's international banking activities include a wide range of traditional commercial banking services, such as extensions of commercial and retail credit, trade financing, foreign exchange and taking of deposits. In addition, the Group offers shipping finance, investment banking and brokerage services through certain of its foreign branches and subsidiaries. In 2005 comparatives, the assets and liabilities classified as held for sale of Atlantic Bank and NBG Canada are included in this segment.

- **Turkish Operations**
  Following Finansbank acquisition, the Group's banking activities in Turkey include a wide range of traditional commercial banking services, such as extensions of commercial and retail credit, trade financing, foreign exchange and taking of deposits.

- **Other**
  Includes proprietary real estate management, hotel and warehousing business as well as unallocated income and expense of the Group (interest expense of subordinate debt, loans to NBG personnel etc)

NBG Group is also diversified and organised on a worldwide basis into the following geographical regions: Greece, SE Europe (includes, Bulgaria, FYROM, Romania, Serbia and Albania), Turkey, and rest of world (includes UK, Luxembourg, Cyprus, Egypt and South Africa), as well as North America (includes United States and Canada as discontinued operations). Segment income and expenses include transfers between business segments and transfers between geographical regions. Such transfers are conducted at arm's length.

Breakdown by business segment								
	Retail Banking	Corporate & Investment Banking	Global markets & Asset Management	Insurance	Inter-national	Turkish Operations	Other	**Group**
Year ended 31 December 2006								
Continuing Operations								
Net interest income …….……...	1.348.145	225.231	193.171	31.704	210.816	257.144	(135.107)	2.131.104
Net fee & commission income.	199.208	78.793	124.294	2.685	71.889	76.416	(5.036)	548.249
Other …………….…………….	77.307	(22.693)	119.588	132.883	30.113	22.565	90.676	450.439
Total operating income……...	**1.624.660**	**281.331**	**437.053**	**167.272**	**312.818**	**356.125**	**(49.467)**	**3.129.792**
Direct costs….…………………...	(599.437)	(49.698)	(58.692)	(160.284)	(182.516)	(148.692)	(119.020)	(1.318.339)
Allocated costs & provisions ...	(458.249)	(63.123)	(17.241)	(760)	(30.181)	(9.556)	(4.502)	(583.612)
Share of profit of associates…..							40.462	40.462
Profit before tax …….……...	**566.974**	**168.510**	**361.120**	**6.228**	**100.121**	**197.877**	**(132.527)**	**1.268.303**
Taxes …….……………….……...	(166.686)	(48.855)	(91.473)	(5.740)	(8.070)	(34.373)	33.489	(321.708)
Profit for the period from continuing operations………..	**400.288**	**119.655**	**269.647**	**488**	**92.051**	**163.504**	**(99.038)**	**946.595**
Discontinued operations								
Profit for the period from discontinued operations……….	-	-	-	-	118.074	-	-	**118.074**
Profit for the period………….	400.288	119.655	269.647	488	210.125	163.504	(99.038)	1.064.669
Minority interest …….…………			(11.486)	432	(2.451)	(64.033)	2.921	(74.617)
Profit attributable to NBG shareholders…………………...	**400.288**	**119.655**	**258.161**	**920**	**207.674**	**99.471**	**(96.117)**	**990.052**
Segment assets………………...	22.147.994	11.527.271	19.297.884	2.241.084	8.044.423	10.806.127	2.017.455	**76.082.238**
Segment liabilities ……………	41.104.354	546.755	6.925.188	2.074.286	6.565.961	8.423.099	1.772.486	**67.412.129**
Other Segment items								
Depreciation, amortisation & impairment charges……………	24.419	927	2.614	9.911	20.651	20.832	46.805	**126.159**
Provision for loans impairment& advances.……..…	209.487	29.455	-	-	23.454	9.556	(4.755)	**267.197**

Following Finansbank acquisition, Turkish operations became a significant business segment of the NBG Group.

	Retail Banking	Corporate & Investment Banking	Global markets & Asset Management	Insurance	Inter-national	Other	**Group**
Year ended 31 December 2005							
Continuing Operations							
Net interest income ……..……..	1.138.543	211.057	169.991	25.471	176.790	(126.092)	1.595.760
Net fee & commission income.	190.790	64.483	96.058	4.330	65.499	3.891	425.051
Other ……………..………………	54.614	(23.693)	161.108	150.505	33.834	94.667	471.035
Total operating income……...	**1.383.947**	**251.847**	**427.157**	**180.306**	**276.123**	**(27.534)**	**2.491.846**
Direct costs…..………………….	(566.052)	(45.812)	(57.155)	(138.153)	(186.341)	(59.960)	(1.053.473)
Allocated costs & provisions...	(402.711)	(56.839)	(19.885)	-	(44.401)	(15.148)	(538.984)
Share of profit of associates…..	-	-	-	-	-	43.700	43.700
Profit before tax ……..……...	**415.184**	**149.196**	**350.117**	**42.153**	**45.381**	**(58.942)**	**943.089**
Taxes ……..…………………...	(134.613)	(49.415)	(74.326)	(16.329)	(998)	54.524	(221.157)
Profit for the period from continuing operations………...	**280.571**	**99.781**	**275.791**	**25.824**	**44.383**	**(4.418)**	**721.932**
Discontinued operations							
Profit for the period from discontinued operations……….	-	-	-	-	29.020	-	29.020
Profit for the period………….	280.571	99.781	275.791	25.824	73.403	(4.418)	750.952
Minority interest …….…………	-	-	(14.273)	(5.598)	(4.578)	859	(23.590)
Profit attributable to NBG shareholders…………………...	**280.571**	**99.781**	**261.518**	**20.226**	**68.825**	**(3.559)**	**727.362**
Segment assets………………...	19.046.755	9.904.970	19.114.543	2.048.829	4.261.255	2.920.660	**57.297.012**
Segment liabilities ……………	37.779.524	630.873	6.923.410	1.603.432	4.089.460	2.537.432	**53.564.131**
Other Segment items							
Depreciation, amortisation & impairment charges……………	29.843	1.162	4.158	9.368	35.287	34.733	**114.551**
Provision for loans impairment& advances.……….	164.262	22.095	-	-	34.674	5.228	**226.259**

Breakdown by location						
Year ended 31 December 2006	Greece	SE Europe	Turkey	Rest of World	**Total Continuing operations**	*N. America* ***Discontinued operations***
Continuing Operations						
Net interest income ……..………..	1.662.337	194.308	257.144	17.315	2.131.104	17.061
Net fee & commission income…	379.011	62.911	76.416	29.911	548.249	1.726
Other ………………………………	396.997	16.792	22.565	14.085	450.439	122.155
Total income …………………..…	**2.438.345**	**274.011**	**356.125**	**61.311**	**3.129.792**	**140.942**
Direct costs ……………………...	(975.587)	(140.814)	(148.692)	(53.246)	(1.318.339)	(12.304)
Allocated provisions for loans impairment and advances………..	(543.876)	(17.530)	(9.556)	(12.650)	(583.612)	575
Share of profits of associates……	40.462	-			40.462	-
Profit Before Tax ……..…………	**959.344**	**115.667**	**197.877**	**(4.585)**	**1.268.303**	**129.213**
Taxes ……..………………………...	(275.826)	(13.672)	(34.373)	2.163	(321.708)	(11.139)
Profit for the period from |continuing operations………….	**683.518**	**101.995**	**163.504**	**(2.422)**	**946.595**	
Profit for the period from discontinued operations………….	-	-	-	-	-	**118.074**
Profit for the period…………….	**683.518**	**101.995**	**163.504**	**(2.422)**	**946.595**	
Minority interest ……..…………....	(8.133)	(2.431)	(64.033)	(20)	(74.617)	
Profit attributable to NBG shareholders………………	**675.385**	**99.564**	**99.471**	**(2.442)**	**871.978**	**118.074**
Assets by location………………...	**57.188.481**	**5.076.968**	**10.806.127**	**3.010.662**	**76.082.238**	**-**
Total assets………………………..						**76.082.238**
Other items						
Capital expenditure………………	125.380	28.385	20.620	5.220	**179.605**	
Depreciation, amortisation & impairment charges…………...	84.612	18.937	20.832	1.778	**126.159**	*1.351*
Provision for loans impairment & advances ……………………….	234.187	13.472	9.556	9.982	**267.197**	*575*

Following Finansbank acquisition, operations in Turkey became a significant geographical segment of the NBG Group.

Year ended 31 December 2005	Greece	SE Europe	Rest of World	**Total Continuing operations**	*N. America* ***Discontinued operations***
Continuing Operations					
Net interest income …….………..	1.418.398	150.403	26.959	**1.595.760**	91.275
Net fee & commission income…	347.925	54.767	22.359	**425.051**	11.206
Other ………………………………	436.492	22.540	12.003	**471.035**	10.905
Total income …………………..…	**2.202.815**	**227.710**	**61.321**	**2.491.846**	**113.386**
Direct costs ….…………………...	(859.170)	(128.019)	(66.283)	**(1.053.472)**	(70.112)
Allocated provisions for loans impairment and advances………..	(494.584)	(26.601)	(17.800)	**(538.985)**	4.506
Share of profits of associates……	43.700	0	0	**43.700**	-
Profit Before Tax …….…………	**892.761**	**73.090**	**(22.762)**	**943.089**	**47.780**
Taxes …….………………………...	(218.480)	(4.992)	2.315	**(221.157)**	(18.760)
Profit for the period from |continuing operations………….	674.281	68.098	(20.447)	**721.932**	-
Profit for the period from discontinued operations………….	-	-	-	-	**29.020**
Profit for the period…………….	**674.281**	**68.098**	**(20.447)**	721.932	
Minority interest …….…………...	(19.012)	(4.577)	(1)	(23.590)	
Profit attributable to NBG shareholders………………	**655.269**	**63.521**	**(20.448)**	**698.342**	**29.020**
Assets by location………………...	**52.987.962**	**3.072.981**	**1.236.069**	57.297.012	**2.732.203**
Total assets………………………..					**60.029.215**
Other items					
Capital expenditure………………	105.453	16.976	871	**123.300**	*2.106*
Depreciation, amortisation & impairment charges…………...	75.215	17.879	21.457	**114.551**	*7.576*
Provision for loans impairment & advances …………………….	191.584	20.640	14.035	**226.259**	-

NOTE 6: Net interest income	31.12.2006	31.12.2005
Interest earned on:		
Amounts due from banks	435.505	309.920
Securities	665.153	380.915
Loans and advances to customers	2.389.435	1.726.288
Other interest earning assets	13.089	9.143
Interest and similar income	**3.503.182**	**2.426.266**
Interest payable on:		
Amounts due to banks	(344.408)	(257.546)
Amounts due to customers	(895.939)	(532.566)
Debt securities in issue	(22.008)	(3.113)
Other borrowed funds	(81.467)	(27.311)
Other interest paying liabilities	(28.256)	(9.970)
Interest expense and similar charges	**(1.372.078)**	**(830.506)**
Net interest income	**2.131.104**	**1.595.760**

NOTE 7: Net fee and commission income	31.12.2006	31.12.2005
Custody, brokerage & investment banking	84.537	66.535
Retail lending fees	140.779	105.885
Corporate lending fees	108.595	76.147
Banking fees & similar charges	151.943	137.248
Fund management fees	62.395	39.236
Total	**548.249**	**425.051**

NOTE 8: Net premia from insurance contracts	31.12.2006	31.12.2005
Gross Written Premia	733.324	616.525
Less: Premia ceded to reinsurers	(77.974)	(74.347)
Net written premia	**655.350**	**542.178**
Change in unearned premium reserve	(15.793)	(4.602)
Reinsurers' share of change in unearned premium reserve	11.097	(5.366)
Change in unearned premium reserve – Group share	**(4.696)**	**(9.968)**
Net earned premia	**650.654**	**532.210**
Other (incl. net gains on unit-linked assets)	21.303	19.780
Income from insurance operations	**671.957**	**551.990**
Claims and benefits paid	(347.020)	(324.809)
Less: Claim recoveries from reinsurers	38.990	38.779
Claims and benefits paid – Group share	**(308.030)**	**(286.030)**
Change in outstanding claims reserve and other P&C reserves	(38.589)	(38.194)
Less: Change in reinsurance asset of outstanding claims and other P&C reserves	3.673	82
Change in outstanding claims reserve – Group share	**(34.916)**	**(38.112)**
Change in actuarial and other life reserves	(145.480)	(57.020)
Less: Change in reinsurance asset of actuarial and other life reserves	2.500	(791)
Change in actuarial and other life reserves – Group share	**(142.980)**	**(57.811)**
Commission expense	(78.872)	(73.496)
Commission income from reinsurers	13.053	9.258
Net commission expense	**(65.819)**	**(64.238)**
Other (incl. net return to DAF contract holders)	(13.792)	(5.418)
Expenses relating to insurance operations	**(565.537)**	**(451.609)**
Earned premia net of claims and commissions	**106.420**	**100.381**

NOTE 9: Dividend income	31.12.2006	31.12.2005
Trading securities	2.464	7.624
Available for sale securities	7.182	6.136
Total	**9.646**	**13.760**

NOTE 10: Net trading income	31.12.2006	31.12.2005
Foreign exchange	24.891	42.811
Interest rate instruments	(35.579)	(42.404)
Equity securities	29.479	67.115
Total	**18.791**	**67.522**

NOTE 11: Other operating income	31.12.2006	31.12.2005
Non-banking income:		
Real estate rentals	14.774	9.287
Real estate gains	64.837	26.871
Hotel income	26.846	24.303
Warehouse fees	10.989	13.210
Total non-banking income	**117.446**	**73.671**
Private equity: Group share in investee entities and results from disposals	49.613	64.258
Other income	26.058	23.764
Total	**193.117**	**161.693**

NOTE 12: Personnel expenses	31.12.2006	31.12.2005
Wages and Salaries	623.590	547.685
Performance related compensation	46.446	40.720
Social security costs & defined contribution plans	245.168	225.208
Pension costs: defined benefit plans (Note 13)	54.918	29.267
Share based payment transactions	6.383	-
Other staff related benefits	72.030	34.427
Total	**1.048.535**	**877.307**

The average number of employees employed by the Group during the year ended 31 December 2006 was 24.187 (2005: 21.033 continuing operations). Bonuses to employees are accrued for in the period the related service is provided.

Share based payments

On 22 June 2005, at a General Meeting of Shareholders, a stock options program (the Program) was approved for the executive members of the Board of Directors (BoD), management and staff of the Group. The Program shall last for five years and expires in 2010. The Bank's BoD may decide to grant the options one-off or in parts at any time at its discretion. The maximum number of shares to issue under the Program shall be 3,5 million. The strike price shall be within the range of € 5 to 70% of the average price thereof within the time period from 1 January of the year the options are granted until the date they can be exercised.

At the repeat General Meeting of Shareholders on June 1, 2006, a new Group-wide stock option program was approved for the Bank's executive members of the Board of Directors, managers and employees of the Bank and its affiliates. The program provided that a maximum number of 3,5 million new ordinary shares should be issued

at a price floating within a range of a minimum price which is the nominal value of € 5 per share to a maximum price which is 70% of the average market price thereof within the time period from the date following the date of the General Meeting (i.e. June 1, 2006) until the date the options can be exercised for the first time. The stock option program expires in 2011. No options have yet been issued under this program.

On 29 November 2006, the Board of Directors approved the issue of 2.992.620 share options under the first program. The exercise price was set at €23,8 per share. The vesting conditions are as follows:

- 15% of the options: None, vest immediately
- 35% of the options: after 1 year
- 50% of the options: after 2 years

The vested options are exercisable between 6 and 15 December for 2006 and between 1 and 10 December for each subsequent year until 2010. After that date the unexercised options are cancelled. The options are forfeited if the employee leaves the Group before the options vest.

Between 6 and 15 December 2006, 310.043 out of a maximum 448.893 vested share options were exercised. The balance of 138.850 vested share options has not been exercised by 31 December 2006.

Details of the share options outstanding during the year are as follows:

Stock options	2006
Outstanding at 1 January	-
Granted during the year	2.992.620
Exercised during the year	(310.043)
Outstanding at 31 December	**2.682.577**
Vested but not exercised at 31 December	138.850

The exercised price per option was € 23,8 and the remaining contractual life is 4 years.

The estimated fair value of the options granted is €10,91 for each option. This fair value was calculated using the Black-Scholes option-pricing model. The inputs into the model were as follows:

Option-pricing model –Inputs	2006
Share price (average December 2006)	€34,62
Exercise price	€23,80
Exercise period (years)	1,96
Expected volatility	20%
Risk free rate	3,9%
Expected dividend yield	2,7%

The weighted average expected volatility was determined by calculating the historical volatility of the Bank's share price over the last 24 months. Also, expected future volatility has been taken into account.

According to the terms of the program the vested options are recognised in the income statement whereas the outstanding options that will vest in future periods will affect income statement on a pro-rata basis. The total expense recognised during the period amounted to € 6.383.

NOTE 13: Retirement benefit obligations

I. Defined Contribution Plans

National Bank of Greece Pension Plan

The Bank's employees' Pension Plan provides for defined contributions to be made by the Bank at a rate of 26,5% of the employee's salary, for employees who joined any social security fund prior to 1.1.1993. The corresponding rate for employees insured by any social security fund after that date is 13,33%. Employee contributions are 11% of the employee's salary, for employees insured by any social security fund prior to 1/1/1993. The corresponding rate for employees insured by any social security fund after that date is 6,67%.

National Bank of Greece Auxiliary Pension Plan

The Bank's employees' Auxiliary Pension Plan provides for defined contributions to be made by the Bank at a rate of 9% of the employee's salary. Employees contribute at a rate of 3,5% of their salary. Benefits paid are determined by years of service with the Bank and the employee's final pensionable pay.

Ethniki Hellenic General Insurance Company Benefit Plan

The Group's insurance company contributes to a benefit plan ("T.A.P.E."), which provides for a monthly pension. The benefit structure, as relates to the pension, is similar to that provided under the Bank's pension plan. Accrued benefits are also paid on an earlier date in the event of death or disability.

Other Defined Contribution Pension Plans

The London branch of the Bank and Group companies among which UBB, SABA, Diethniki, NBGI and NBGI PE also make contributions to other defined contribution pension plans and funds for their employees.

Defined contribution health plans

Contributions by the Bank to the National Bank of Greece Health Plan (T.Y.P.E.T.) amount to 6,25% of employees' salaries. Employees' contributions amount to 2,5% of their salaries. Additional contributions are paid for insured members of the employees' families and amount up to 2% for three or more protected members (spouse that does not work and children), and are increased further in the event that the insured spouse is employed or that members of the paternal family are also insured. Contributions of retired employees amount to 4% of their pensions and additional contributions equal to those paid by employees in service, are paid for other insured members of their families. T.Y.P.E.T. offers health benefits to employees before and after their retirement, and to insured members of their families.

Ethniki Hellenic General Insurance Company Benefit Plan, in addition to pension benefits also offers health benefits to employees and to insured members of their families.

The total contributions paid to defined contribution plans for 2006 and 2005 were €171,7 million and €161,4 million respectively.

II. Plans that the Bank does not contribute to

National Bank of Greece Lump Sum Benefit Plan

The Group does not pay contributions to the aforementioned plan. National Bank of Greece has granted a loan to the plan, the outstanding balance of which as at 31 December 2006 was €63,4 million (2005: €68 million) maturing in 2020 and bearing interest at three-month Euribor and was fully collateralised

III. Defined Benefit Plans

The Bank and certain of its subsidiaries sponsor defined benefit post-retirement plans for their employees. The plans vary in their specific features, but most are contributory, final pay and accumulated years of service-based defined benefit plans. The funding policies vary slightly but typically include employee and employer monthly contributions. Some companies within the Group also provide termination indemnities.

Net periodic costs for these defined benefit plans and termination indemnities include the following components which are recognised in the income statement for the periods ended:

	31.12.2006	31.12.2005
Current service cost	11.774	11.623
Interest cost on obligation	15.309	17.730
Expected return on plan assets	(8.739)	(7.521)
Amortisation of unrecognised actuarial losses	959	563
Amortisation of unrecognised prior service cost	393	53
Losses on curtailments and settlements	34.665	5.131
Other losses	557	1.688
Pension costs – defined benefit plans	**54.918**	**29.267**

Included in losses on curtailments and settlements are costs of voluntary retirement schemes of Group companies: National Management and Organization Company ("Ethnokarta") €12,5 million, Ethniki Insurance €11,3 million and ASTIR Palace Vouliagmenis €10,6 million, as well as small costs of additional payments to employees by Group banks UBB and Stopanska (2005: Additional costs of voluntary retirement schemes of NBG Cyprus €2,8 million, Ethniki Insurance €2 million and small amounts in UBB and Stopanska banks).

The net liability in the Balance Sheet includes the following components as at the years ended:

	31.12.2006	31.12.2005	31.12.2004	01.01.2004
Present value of funded obligations	327.105	315.889	328.049	296.610
Fair value of plan assets	(146.402)	(141.170)	(156.266)	(135.087)
	180.703	**174.719**	**171.783**	**161.523**
Present value of unfunded obligations	65.001	56.220	72.088	51.464
Unrecognised actuarial losses	(32.667)	(22.467)	(20.624)	-
Unrecognised prior service cost	(469)	(747)	(800)	-
Net liability in balance sheet	**212.568**	**207.725**	**222.447**	**212.987**

Movement in net liability:

	2006	2005
Net liability at the beginning of the period	207.725	222.447
Acquisition of subsidiaries	8.763	-
Discontinued operations	-	(852)
Disposal of subsidiary	(409)	-
Actual contributions paid by the Group	(24.141)	(11.039)
Benefits paid directly	(34.144)	(32.370)
Total expense recognised in the income statement	54.918	29.267
Foreign exchange rate changes	(144)	272
Net liability in balance sheet	**212.568**	**207.725**

The contributions expected to be paid by the Group to funded plans in 2007 are approximately €13 million.

Reconciliation of defined benefit obligation:

	2006	2005
Defined benefit obligation at the beginning of the period	372.109	400.137
Acquisition of subsidiaries	8.763	-
Discontinued operations	-	(26.923)
Disposal of subsidiary	(675)	-
Current service cost	11.774	11.623
Interest cost on obligation	15.309	17.730
Employee contributions	6.128	6.451
Benefits paid from the Fund	(33.773)	(42.016)
Benefits paid directly by the Group	(34.144)	(20.964)
Losses (gains) on curtailments and settlements	26.763	(8.652)
Other adjustments	557	1.722
Past service cost arising over the last period	259	-
Actuarial loss	19.210	32.705
Foreign exchange rate differences	(174)	296
Defined benefit obligation at end of period	**392.106**	**372.109**

Reconciliation of plan assets:

	2006	2005
Market value at the beginning of the period	141.170	156.266
Discontinued operations	-	(24.612)
Disposal of subsidiary	(158)	-
Expected return on plan assets	8.739	7.521
Company contributions	24.141	11.039
Employee contributions	6.128	6.451
Fund Benefits	(33.773)	(42.016)
Asset gain	155	26.521
Fair value of plan assets at end of period	**146.402**	**141.170**

The actual return on plan assets for the year ended 31 December 2006 was €8.892 (2005: €34.043).

The weighted average assumptions used to determine the net periodic pension costs for the years ended 31 December 2006 and 31 December 2005 are:

	2006	2005
Discount rate	4,7%	4,4%
Expected return on plan assets	7,4%	6,6%
Rate of compensation increase	4,6%	4,1%
Pension increase	2,5%	2,2%

To set the expected long-term rate of return assumptions the Group, in consultation with its advisors, uses forward-looking assumptions in the context of historical returns and volatilities of each asset class as well as correlations among asset classes. The expected long-term rate of return assumption is annually adjusted based on revised expectations of future investment performance of the overall capital markets, as well as changes to local regulations affecting investment strategy.

The allocation of plan assets is as follows:

	2006	2005
Equity securities	75%	66%
Debt securities	15%	13%
Real estate	5%	2%
Cash and cash equivalents	-	14%
Other	5%	5%

Equity securities include common stock of the Bank in the amount of €103,2 million (70,5% of total plan assets) (2005: €90,6 million – 38,9%).

NOTE 14: General & administrative expenses & other provisions	31.12.2006	31.12.2005
Duties and taxes	45.901	35.961
Utilities and rentals	177.683	146.071
Other administrative expenses & other provisions	204.211	153.480
Total	**427.795**	**335.512**

NOTE 15: Depreciation, amortisation and impairment charges	31.12.2006	31.12.2005
Investment property (Note 27)	3.544	3.158
Goodwill & other intangible assets (Note 29)	29.572	23.102
Property & equipment (Note 30)	93.043	88.291
Total	**126.159**	**114.551**

NOTE 16: Other operating expenses	31.12.2006	31.12.2005
Maintenance and other related expenses	16.822	9.859
Other	15.443	28.969
Total	**32.265**	**38.828**

NOTE 17: Impairment losses on loans and advances	31.12.2006	31.12.2005
Due from banks (Note 22)	126	5
Loans and advances to customers (Note 25)	267.071	226.254
Total	**267.197**	**226.259**

NOTE 18: Tax expense	31.12.2006	31.12.2005
Current tax	304.188	188.355
Deferred tax (Note 31)	17.520	32.802
Total	**321.708**	**221.157**
Profit before tax	**1.268.303**	**943.089**
Tax calculated based on the current tax rate of 29% (2005: 32%)	367.808	301.788
Tax on untaxed reserves Law 3513/06	100.609	-
Effect of tax rate reduction (5%) due to merger activity	(42.004)	(31.143)
Effect of different tax rates in other countries	(39.275)	(12.637)
Income not subject to taxation	(103.630)	(111.884)
Expenses not deductible for tax purposes	65.777	35.823
Utilisation of previously unrecognised tax losses	(4.925)	(1.868)
Tax differences	(22.652)	41.078
Income tax expense	**321.708**	**221.157**
Effective tax rate for the period	25,4%	23,5%

The domestic corporate tax rate for 2006 is 29% and for 2005 was 32%. However, the Bank's statutory tax rate is reduced by 5% for 2006 and 2005 as a result of the merger with the National Investment Company. Furthermore, the 24% tax rate is reduced, due to the ratio of the untaxed and special tax revenues to the total Bank revenues. On 22 November 2006, a new tax law (Law 3513/2006) was enacted whereby the non-taxed and the specially taxed banking reserves that have been accounted for and presented in the Financial Statements for

the year-ended before 1 January 2006 and have not been distributed or capitalized up until the law was published, were subject to one-off taxation at a rate of 15% or 10% based on the tax status of the respective reserves. The bank paid € 100,6 million tax on €672 million non-taxed and specially taxed reserves. These reserves can be distributed or capitalized without any further tax.

NOTE 19: Earnings per share	31.12.2006	31.12.2005
Net profit attributable to equity holders of the parent	990.052	727.362
Less: dividends paid to preferred securities	(70.905)	(45.999)
Net profit attributable to NBG ordinary shareholders	919.147	681.363
Weighted average number of ordinary shares outstanding	417.874.690	348.339.859
Potential dilutive ordinary shares under stock options	77.942	-
Weighted average number of ordinary shares for dilutive EPS	417.952.632	348.339.859
Earnings per share - Basic and diluted from continuing and discontinued operations	**€ 2,20**	**€ 1,96**

The weighted average number of 327.292.080 ordinary shares outstanding as at 31 December 2005 has been adjusted with a number of 21.047.779 ordinary shares based on a factor of 1,07 to incorporate to the earnings per share the discount price of the recent rights issue in June 2006 (see note 42 Share capital). Basic and diluted earnings per share from continuing and discontinued operations are €2,20 per share (2005: €1,96 whereas previously reported at €2,08).

Basic and diluted earnings per share from continuing operations are €1,92 per share (2005: €1,87 whereas previously reported at €1,99). Basic and diluted earnings per share from continuing operations excluding tax on reserves i.e. € 100.607 is € 2,16.

The potential dilutive ordinary shares result from the Bank's share option plan. On 29 November 2006, the BoD granted 2.992.620 stock options of which 310.043 were exercised (see note 12 Personnel expenses). The weighted average number of ordinary shares in calculating the basic earnings per share has been increased by the amount of 77.942 potential dilutive ordinary shares to arrive at the weighted average number of ordinary shares for calculating the diluted earnings per share.

NOTE 20: Cash and balances with central banks	31.12.2006	31.12.2005
Cash in hand	796.305	612.713
Balances with central banks	3.077.905	1.818.574
Total	**3.874.210**	**2.431.287**

The Bank is required to maintain a current account with the Bank of Greece to facilitate interbank transactions with the central bank, its member banks, and other financial institutions through the Trans-European Automated Real-Time Gross Settlement Express Transfer system (TARGET).

The central bank is the primary regulator of depository institutions in Greece. The central bank requires all banks established in Greece to maintain deposits with the central bank equal to 2% of total customer deposits as these are defined by the European Central Bank ("ECB"). From 1 January 2001 these deposits bear interest at the refinancing rate as set by the ECB (3,5% at 31 December 2006).

NOTE 21: Treasury bills and other eligible bills	31.12.2006	31.12.2005
Treasury bills	229.097	129.841
Other eligible bills	138.661	47.182
Total	**367.758**	**177.023**

NOTE 22: Due from banks (net)	31.12.2006	31.12.2005
Sight deposits with banks	189.631	284.906
Time deposits with banks	1.963.839	1.133.082
Securities purchased under agreements to resell	2.398.118	2.495.733
Other	239.081	171.962
	4.790.669	4.085.683
Less: Allowance for losses on amounts due from banks	(9.454)	(479)
Total	**4.781.215**	**4.085.204**

Movement in allowance for losses on amounts due from banks:

Balance at 1 January	479	473
Acquisitions of subsidiaries	8.852	-
Provision for impairment	126	5
Foreign exchange differences	(3)	1
Balance at 31 December	**9.454**	**479**

NOTE 23: Financial assets at fair value through P&L	31.12.2006	31.12.2005
Assets at fair value through profit and loss	5.307.946	5.104.757
Trading Securities:		
Government Bonds	6.690.711	7.965.644
Other public sector bonds	3	12.555
Other debt securities	572.330	349.723
Equity securities	91.910	233.613
Mutual funds units	21.510	1.179
Total	**12.684.410**	**13.667.471**

NOTE 24: Derivative financial instruments

At 31 December 2006	**Contract/notional amount**	**Fair values Assets**	**Fair values Liabilities**
Derivatives held for trading:			
Interest rate derivatives - OTC	24.321.989	290.888	287.419
Foreign exchange derivatives- OTC	9.162.858	45.070	108.780
Other types of derivatives - OTC	167.640	4.083	890
Interest rate derivatives - Exchange traded	7.035.202	31.033	7.483
Foreign exchange derivatives - Exchange traded	29.467	-	-
Total	**40.717.156**	**371.074**	**404.572**

At 31 December 2005	**Contract/notional amount**	**Fair values Assets**	**Fair values Liabilities**
Derivatives held for trading:			
Interest rate derivatives - OTC	25.229.010	216.515	260.730
Foreign exchange derivatives- OTC	6.187.045	57.484	25.496
Other types of derivatives OTC	233.613	2.817	4.657
Interest rate derivatives - Exchange traded	12.695.204	32.214	11.815
Total	**44.344.872**	**309.030**	**302.698**

NOTE 25: Loans & advances to customers (net)	**31.12.2006**	**31.12.2005**
Mortgages	15.360.225	11.820.277
Consumer loans	4.694.107	3.238.495
Credit cards	2.533.064	1.535.989
Small Business lending	2.951.892	2.040.700
Retail lending	**25.539.288**	**18.635.461**
Corporate lending	18.577.555	11.978.675
Total	**44.116.843**	**30.614.136**
Less: Allowance for impairment on loans & advances to customers	(1.492.307)	(1.085.958)
Total	**42.624.536**	**29.528.178**

Movement in allowance for impairment on loans and advances:	**2006**	**2005**
Balance at 1 January	**1.085.958**	**1.076.140**
IAS 39 adjustments	-	32.688
Balance at 1 January as restated	**1.085.958**	**1.108.828**
Less: allowance from discontinued operations	-	(15.654)
Increase / (decrease) from subsidiaries acquired / disposed	411.928	147
Provision for loans impairment – continuing operations	267.072	226.254
Loans written off	(287.552)	(247.119)
Amounts recovered	20.241	7.059
Foreign exchange differences	(5.340)	6.443
Balance at 31 December	**1.492.307**	**1.085.958**

Loans and advances to customers include finance lease receivables:

	31.12.2006	**31.12.2005**
Not later than 1 year	417.283	216.750
Later than 1 year but not later than 5 years	764.253	362.925
Later than 5 years	344.459	181.191
	1.525.995	**760.866**
Unearned future finance income on finance leases	(298.027)	(121.658)
Net investment in finance leases	**1.227.968**	**639.208**

The net investment in finance leases may be analysed as follows:

Not later than 1 year	329.715	186.015
Later than 1 year but not later than 5 years	612.242	304.134
Later than 5 years	286.011	149.059
	1.227.968	**639.208**

NOTE 26: Investment securities

	31.12.2006	31.12.2005
Available-for-sale investment securities:		
Greek Government bonds	1.185.906	973.438
Debt securities issued by other governments and public entities	1.619.126	531.053
Corporate bonds incorporated in Greece	118.951	206.914
Corporate bonds incorporated outside Greece	71.535	239.830
Debt securities issued by Greek financial institutions	11.985	43.546
Debt securities issued by foreign financial institutions	318.904	239.076
Other debt instruments issues	12.012	-
Debt securities	**3.338.419**	**2.233.857**
Equity securities	371.561	198.464
Mutual funds units	493.406	385.938
Provision for impairment	(12.194)	(5.465)
Total available-for-sale investment securities	**4.191.192**	**2.812.794**
Held-to-maturity investment securities (at amortised cost):		
Corporate bonds incorporated in Greece	-	20.867
Total held-to-maturity investment securities	**-**	**20.867**
Total Investment securities	**4.191.192**	**2.833.661**

Net result from investment securities consists of:	31.12.2006	31.12.2005
Net gain / (loss) from debt instruments	83.855	80.221
Net gain / (loss) from equity instruments	34.090	29.233
Net gain / (loss) from mutual fund units	1.982	18.889
(Impairment charges) / reversal of impairment on available-for-sale investments	2.538	(664)
Total	**122.465**	**127.679**

The movement of investment securities may be summarised as follows:

Investment securities - available for sale	2006	2005
Balance at 1 January	**2.812.794**	**2.382.941**
- IAS 39 first time adoption adjustments & reclassifications(*)	-	2.050.732
- Discontinued operations	-	(1.192.543)
- Acquisitions – newly consolidated subsidiaries	1.244.196	-
- Additions within the period	8.216.444	3.982.553
- Disposals (sale and redemption) within the period	(8.137.698)	(4.485.384)
- Gains / (losses) from changes in fair value	66.110	84.604
- Amortisation of premiums / discounts	(10.654)	(10.109)
Balance at 31 December	**4.191.192**	**2.812.794**

Investment securities - held to maturity		
Balance at 1 January	**20.867**	-
-Additions within the period	**-**	41.734
-Disposals (sale and redemption) within the period	(20.867)	(20.753)
-Amortisation of premiums and discounts	**-**	(114)
Balance at 31 December	**-**	**20.867**

(*) Prior to adopting IAS 39, investment securities were accounted for and reported under local GAAP provisions.

NOTE 27: Investment property

Cost	Land	Buildings	Total
At 1 January 2005	**55.632**	**86.234**	**141.866**
Foreign exchange differences	6	67	**73**
Acquisition of subsidiary	3.408	151	**3.559**
Transfers	212	1.477	**1.689**
Additions	-	1.480	**1.480**
Disposals and write offs	(402)	(454)	**(856)**
At 31 December 2005	**58.856**	**88.955**	**147.811**
Accumulated depreciation & impairment			
At 1 January 2005	-	**(18.124)**	**(18.124)**
Foreign exchange differences	**-**	(12)	**(12)**
Transfers	**-**	(94)	**(94)**
Disposals and write offs	**-**	83	**83**
Depreciation charge for the period	-	(2.744)	**(2.744)**
Impairment charge		(414)	**(414)**
At 31 December 2005	**-**	**(21.305)**	**(21.305)**
Net book amount at 31 December 2005	**58.856**	**67.650**	**126.506**

Cost	Land	Buildings	Total
At 1 January 2006	**58.856**	**88.955**	**147.811**
Foreign exchange differences	(2)	(8)	**(10)**
Transfers	1	(1)	**0**
Additions	27	2.167	**2.194**
Disposals and write offs	(483)	(1.933)	**(2.416)**
At 31 December 2006	**58.399**	**89.180**	**147.579**
Accumulated depreciation & impairment			
At 1 January 2006	**-**	**(21.305)**	**(21.305)**
Disposals and write offs	-	643	**643**
Depreciation charge for the period	-	(2.948)	**(2.948)**
Impairment charge	(105)	(491)	**(596)**
At 31 December 2006	**(105)**	**(24.101)**	**(24.206)**
Net book amount at 31 December 2006	**58.294**	**65.079**	**123.373**

The impairment charge refers to land (€ 105) and building (€ 295) of Ethniki Kefalaiou the operations of which are reported under Other segment whereas the remaining impairment charge of buildings (€ 196) refers to Stopanska Bank the operations of which are reported under Retail banking segment.

NOTE 28: Investments in associates	2006	2005
At 1 January:	**249.152**	**219.671**
Additions	5.071	2.079
Disposals/transfers	(1.329)	(6.284)
Share of results (after tax)	40.462	43.700
Dividends	(20.576)	(10.014)
At 31 December	**272.780**	**249.152**

The Group's associates are as follows:

Name of associate		% of participation 31.12.2006	31.12.2005
Social Securities Funds Management	Greece	40,00%	40,00%
Phosphate Fertilizers Industry S.A	Greece	24,23%	24,23%
Larco S.A.	Greece	36,43%	36,43%
Siemens Entreprise Communications S.A	Greece	30,00%	30,00%
Eviop Tempo S.A.	Greece	21,21%	21,21%
Teiresias S.A	Greece	39,34%	39,34%
Hellenic Countryside S.A.	Greece	20,23%	20,23%
AGET Heracles Cement Co. S.A	Greece	26,00%	26,00%
Pella S.A	Greece	20,89%	20,89%
Planet S.A	Greece	31,18%	31,72%
AGRIS S.A. (disposed off on 17 October 2006)	Greece	-	29,34%
Kariera S.A.	Greece	35,00%	35,00%
Zymi S.A.	Greece	32,00%	32,00%
Europa Insurance Co. SA	Greece	23,02%	23,02%
UBB AIG Insurance and Reinsurance Company	Bulgaria	52,99%	-
UBB AIG Life Insurance Company	Bulgaria	52,99%	-

The Group's investment in associates for the year ended 31 December 2006 was €272.780 (2005: €249.152) while its share of associates' profits, net of tax in 2006, was €40.462 (2005: €43.700).

The fair value of investment in AGET Heracles Cement Co S.A. based on 31 December 2006 stock price was €300,1 million (2005: €184,8 million).

On 22 February 2006, Group companies Ethniki Insurance and United Bulgarian Bank ("UBB"), agreed with American International Group Inc ("AIG") to jointly establish a Life Insurance Company and a Property and Casualty insurance company in Bulgaria. Ethniki Insurance and UBB each hold 30% of the share capital of the two new companies, while the remaining 40% to be held by American Life Insurance Company ("ALICO") and AIG Central Europe & CIS Insurance Holdings Corporation, which exercise the management of the new companies. Although the Group holds the majority of the voting rights on these two companies, shareholders' agreement exists under which all significant decisions require the consent of all venturers. Thus, the Group has applied equity method of accounting in accordance with par. 38 of IAS 31.

NOTE 29: Goodwill & other intangible assets

Cost	Goodwill	Software	Other	Total
At 1 January 2005	**15.658**	**200.140**	**21.807**	**237.605**
Effect of IAS 29	-	(267)	(16.003)	**(16.270)**
Acquisition of subsidiaries	8.790	11	-	**8.801**
Foreign exchange differences	1	357	207	**565**
Transfers	(38)	1.029	(2.530)	**(1.539)**
Additions	-	13.720	6.869	**20.589**
Disposals	(26)	(1.330)	(29)	**(1.385)**
At 31 December 2005	**24.385**	**213.660**	**10.321**	**248.366**
Accumulated amortisation and impairment				
At 1 January 2005	**-**	**(160.007)**	**(4.835)**	**(164.842)**
Discontinued operations	-	134	2.918	**3.052**
Foreign exchange differences	**-**	(214)	9	**(205)**
Transfers	**-**	1.199	163	**1.362**
Disposals	**-**	1.251	29	**1.280**
Amortisation charge for the period	**-**	(22.294)	(808)	**(23.102)**
At 31 December 2005	**-**	**(179.931)**	**(2.524)**	**(182.455)**
Net book amount at 31 December 2005	**24.385**	**33.729**	**7.797**	**65.911**

Cost	Goodwill	Software	Other	Total
At 1 January 2006	**24.385**	**213.660**	**10.321**	**248.366**
Acquisition of subsidiaries	2.098.723	4.485	348.935	2.452.143
Foreign exchange differences	(23)	345	(1.764)	(1.442)
Transfers	-	3.439	(1.056)	2.383
Additions	-	14.863	13.857	28.720
Disposals	-	(5.060)	(25)	(5.085)
At 31 December 2006	**2.123.085**	**231.732**	**370.268**	**2.725.085**
Accumulated amortisation and impairment				
At 1 January 2006	**-**	**(179.931)**	**(2.524)**	**(182.455)**
Foreign exchange differences	-	865	(91)	774
Transfers	-	(2.449)	(385)	(2.834)
Disposals	-	4.234	25	4.259
Amortisation charge for the period	-	(18.361)	(11.211)	(29.572)
At 31 December 2006	**-**	**(195.642)**	**(14.186)**	**(209.828)**
Net book amount at 31 December 2006	**2.123.085**	**36.090**	**356.082**	**2.515.257**

Other intangibles acquired through business combinations include indefinite useful life brand names of Finansbank Group companies of € 162 million and other finite useful life assets like core deposits and customer relationships of €188 million (including foreign exchange differences) as reflected in note 49. Useful lives span from 6 to 8 years.

The goodwill arisen from prior years acquisitions was tested for impairment and no adjustment to its carrying amount is required. There was no indication of impairment for the remaining intangibles assets.

The useful life of certain software has been extended of up to 10 years. The effect of change in accounting estimate on the Group's income statement was determined to € 2,2 million.

NOTE 30: Property & equipment

Cost	Land	Buildings	Vehicles & equipment	Leasehold improvements	Assets under construction	Total
At 1 January 2005	**1.028.315**	**917.818**	**639.412**	**63.979**	**66.943**	**2.716.467**
Discontinued operations	(2.955)	(39.113)	(24.979)	(6.112)	(51)	**(73.210)**
Foreign exchange differences	289	1.558	788	368	53	**3.056**
Acquisition of subsidiaries	-	67	20.404	-	-	**20.471**
Transfers	(10.898)	16.036	6.651	3.083	(29.215)	**(14.343)**
Additions	3.619	25.843	34.287	5.019	33.943	**102.711**
Disposals and write offs	(6.656)	(15.852)	(41.910)	(559)	-	**(64.977)**
At 31 December 2005	**1.011.714**	**906.357**	**634.653**	**65.778**	**71.673**	**2.690.175**
Accumulated depreciation and impairment						
At 1 January 2005	**-**	**(289.390)**	**(421.254)**	**(46.171)**	**-**	**(756.815)**
Discontinued operations	-	7.551	17.929	5.315	-	**30.795**
Foreign exchange differences	-	(108)	(539)	(151)	-	**(798)**
Acquisition of subsidiaries	-	(8)	-	-	-	**(8)**
Transfers	-	151	(128)	(1.371)	-	**(1.348)**
Disposals and write offs	-	5.673	6.316	14	-	**12.003**
Depreciation charge for the period	-	(26.956)	(56.250)	(5.085)	-	**(88.291)**
At 31 December 2005	**-**	**(303.087)**	**(453.926)**	**(47.449)**	**-**	**(804.462)**
Net book amount at 31.12.2005	**1.011.714**	**603.270**	**180.727**	**18.329**	**71.673**	**1.885.713**
Cost						
At 1 January 2006	**1.011.714**	**906.357**	**634.653**	**65.778**	**71.673**	**2.690.175**
Foreign exchange differences	(81)	116	66	283	228	**612**
Acquisition of subsidiaries	5	106.845	50.358	27.192	2.155	**186.555**
Transfers	(1.005)	1.351	4.782	1.799	(13.625)	**(6.698)**
Additions	2.057	26.285	66.698	10.878	44.967	**150.885**
Disposals and write offs	(31.233)	(53.214)	(17.006)	(1.343)	(20.167)	**(122.963)**
At 31 December 2006	**981.457**	**987.740**	**739.551**	**104.587**	**85.231**	**2.898.566**
Accumulated depreciation and impairment						
At 1 January 2006	**-**	**(303.087)**	**(453.926)**	**(47.449)**	**-**	**(804.462)**
Foreign exchange differences	-	(68)	926	(216)	-	**642**
Transfers	-	426	3.936	(106)	-	**4.256**
Disposals and write-offs	-	19.569	15.066	1.344	-	**35.979**
Depreciation and impairment charge for the period	-	(29.093)	(57.315)	(6.635)	-	(93.043)
At 31 December 2006	**-**	**(312.253)**	**(491.313)**	**(53.062)**	**-**	**(856.628)**
Net book amount at 31.12.2006	**981.457**	**675.487**	**248.238**	**51.525**	**85.231**	**2.041.938**

There is no indication of impairment of fixed assets at the balance sheet date.

NOTE 31: Deferred tax assets & liabilities	31.12.2006	31.12.2005
Deferred tax assets:		
Securities and derivatives	104.640	108.092
Tangible and intangible assets	11.047	12.404
Pension and other post retirement benefits	15.894	20.758
Insurance reserves	42.316	49.039
Other temporary differences	88.312	27.124
Deferred tax assets	**262.209**	**217.417**

Deferred tax liabilities:	**31.12.2006**	**31.12.2005**
Securities and derivatives	65.265	76.720
Tangible and intangible assets	22.569	15.533
Other temporary differences	13.084	10.106
Deferred tax liabilities	**100.918**	**102.359**

Deferred tax charge in the income statement:	**31.12.2006**	**31.12.2005**
Securities and derivatives	2.790	1.851
Tangible and intangible assets	(6.664)	(6.543)
Pension and other post retirement benefits	(4.287)	(3.604)
Other temporary differences	(9.359)	(24.506)
Deferred tax charge in the income statement-continuing operations	**(17.520)**	**(32.802)**
Deferred tax charge in the income statement-discontinued operations	-	(327)
Deferred tax through equity	**63.753**	**84.082**
Net deferred tax movement	**46.233**	**50.953**

NOTE 32: Insurance related assets & receivables	31.12.2006	31.12.2005
Investments on behalf of policyholders who bear the investment risk (Unit linked)	388.768	320.396
Insurance business receivables	198.276	182.272
Amounts receivable from reinsurers	95.083	78.821
Reinsurance business receivables	2.407	1.314
Deferred Acquisition Costs (DAC)	56.914	55.113
Total	**741.448**	**637.916**

NOTE 33: Other assets	31.12.2006	31.12.2005
Accrued interest and commissions	504.355	591.806
Tax prepayments and other recoverable taxes	225.238	163.491
Private equity: investees assets	126.835	112.661
Trade receivables	45.617	88.923
Assets acquired through foreclosure proceedings	173.459	153.520
Prepaid expenses	53.795	40.693
Other	588.953	328.794
Total	**1.718.252**	**1.479.888**

Other assets as at 31.12.2006 include an amount of € 83.687 relating to unsettled balances from securities transactions.

NOTE 34: Assets and liabilities held for sale and discontinued operations

The Group's North America segment was sold following the signing of respective agreements for the sale of the two subsidiaries comprising this segment, namely Atlantic Bank of New York (ABNY) and NBG Canada to Community Bank of New York and Scotia Bank respectively. NBG Canada was sold in February 2006 while the sale of ABNY was concluded in April 2006 (see note 49 "Acquisitions, disposals and other capital transactions").

The results of the operations for the years ended 31 December 2006 and 31 December 2005 have been reclassified under profit from discontinued operations and are summarised as follows:

Disposal of North America segment	**2006**
Consideration received	371.006
Less: cost of investment / net consolidated assets disposed	(250.172)
Profit on disposal	120.834
Tax thereon	(7.660)
Net Profit on disposal	**113.174**

The results of the operations for NBG Canada and ABNY for the period up to their disposal and the gain on sale of the North America segment have been reclassified under profit from discontinued operations and are summarised as follows:

Discontinued operations	**31.12.2006**	**31.12.2005**
Net interest income	17.061	91.275
Net fee and commission income	1.726	11.206
Net trading income	(393)	2.402
Net result from investment securities	249	(502)
Other operating income	1.465	9.006
Personnel expenses	(7.037)	(40.065)
General & administrative expenses	(3.916)	(22.396)
Depreciation, amortisation and impairment charges	(1.351)	(7.576)
Other operating expenses	-	(76)
Impairment losses / recoveries on loans and advances	575	4.506
Gain on sale of discontinued operations	120.834	-
Profit before tax	**129.213**	**47.780**
Tax expense (including capital gain tax on disposal, see above)	(11.139)	(18.760)
Profit for the reporting period from discontinued operations	**118.074**	**29.020**

The classes of assets and liabilities comprising the disposal group classified as held for sale are as follows (31 December 2006: nil, 31 December 2005: ABNY and NBG Canada):

Assets classified as held for sale	**31.12.2006**	**31.12.2005**
Cash and balances with central banks	-	40.990
Due from banks (net)	-	35.663
Loans and advances to customers (net)	-	1.444.732
Investment securities	-	1.064.138
Goodwill & other intangible assets	-	11.920
Property & equipment	-	42.733
Deferred tax assets	-	16.230
Other assets	-	75.797
Total assets	**-**	**2.732.203**
Liabilities classified as held for sale		
Due to banks	-	580.357
Due to customers	-	1.651.595
Deferred tax liabilities	-	7.192
Other liabilities	-	20.021
Total liabilities	**-**	**2.259.165**
Assets less liabilities of disposal group	**-**	**473.038**

NOTE 35: Due to banks	**31.12.2006**	**31.12.2005**
Demand deposits due to credit institutions	237.499	121.574
Time deposits due to credit institutions	424.357	170.220
Interbank deposits and amounts due to ECB	2.422.371	2.142.931
Amounts due to Central Bank	5.382	21.154
Securities sold under agreements to repurchase	2.957.239	2.479.469
Other	185.590	125.502
Total	**6.232.438**	**5.060.850**

NOTE 36: Due to customers	**31.12.2006**	**31.12.2005**
Deposits:		
Individuals	41.539.928	35.470.034
Corporates	8.614.527	5.142.454
Government and agencies	2.443.183	2.116.340
Total deposits	**52.597.638**	**42.728.828**
Securities sold to customers under agreements to repurchase	81.762	247.348
Other	554.324	373.944
Total	**53.233.724**	**43.350.120**

Included in due to customers are deposits, which contain one or more embedded derivatives. The Group has designated these deposits as financial liabilities at fair value through profit and loss. The net accumulated loss on these deposits as of 31 December 2006, was approximately 4.143 thousand.

NOTE 37: Debt securities in issue	% Interest rate	31.12.2006	31.12.2005
Mortgage bonds	6,7%	21.088	20.295
Corporate bonds – fixed rate	4,8%	311.490	140.223
Corporate bonds- floating rate	5,3%	2.035	2.999
Securitisation notes-Fixed rate	6,0%	95.613	-
Securitisation notes Floating rate	7,2%	392.470	-
Other		-	11.780
Total.		**822.696**	**175.297**

On 23 November 2004, Finansbank obtained a loan via a special purpose entity, which issued Series 2004-A Notes USD 225 million at three-month LIBOR plus 235 bps. and USD 125 million Series 2004-B at 6,1014% Notes secured on Finansbank's Diversified Payment Rights. The notes have a five-year maturity and interest is paid quarterly, with no principal repayment for two years. Series 2004-A Notes were repaid in November 2006.

On 15 March 2005, Finansbank obtained a loan via a special purpose entity, which issued USD 500 million Series 2005-A Floating Rate Notes secured on Finansbank's Diversified Payment Rights. The notes have a seven-year maturity and interest is paid quarterly, with no principal repayment for three years. Interest on the Series 2005-A Notes is determined as the three-month LIBOR plus 180 bps.

On 24 March 2006, Finansbank obtained a loan via a special purpose entity, which issued USD 110 million bonds with five-year maturity and USD 110 million bonds with a maturity of 7 years. Interest is paid semi-annually and it is 6,25% and 6,5% respectively.

NOTE 38: Other borrowed funds	31.12.2006	31.12.2005
Subordinated notes - fixed rate	335.965	215.983
Subordinated notes – floating rate	749.619	741.005
Syndication loans	548.411	-
Secured loans	161.860	-
Other	401.532	-
Total.	**2.197.387**	**956.988**

In June 2002, NBG Finance plc, a wholly owned subsidiary of the Bank, issued € 750 million Subordinated Callable Floating Rate Notes guaranteed on a subordinated basis by the Bank due in June 2012. The notes are redeemable at the option of the Bank in or after June 2007. The notes carry interest at EURIBOR plus 80 bps to June 2007 and EURIBOR plus 210 bps thereafter, which is paid quarterly. The subordinated loan is carried at amortised cost. The commissions and other costs related to the issuance of those notes are amortised as interest expense on a constant yield basis over the period from the placement to the first redemption option.

In June 2005, NBG Finance plc, a wholly owned subsidiary of the Bank, issued JPY30 billion Subordinated Callable Fixed Rate Notes guaranteed on a subordinated basis by the Bank due in June 2035. The notes may be redeemed at the option of the Bank in or after June 2015. The notes carry fixed rate interest of 2,755% which is payable semi-annually in arrears. The subordinated loan is carried at fair value since it has been designated as a financial liability at fair value through profit and loss and the net accumulated gain on this loan is approximately € 8.161 thousand in 2006.

On 7 October 2004, Finansbank obtained a subordinated loan via a special purpose entity, which issued USD 200 million Subordinated Callable Notes, with a 10-year maturity, the proceeds of which were lent to Finansbank. Interest, paid annually, is 9% for the first 5 years and steps up to 11,79% thereafter and there is a repayment option at the end of the fifth year.

On 31 March 2006, Finansbank raised TRY 300 million through a credit card secured non-amortising loan, with a five-year maturity. Interest is fixed at 11,94% and paid quarterly.

On 1 December 2006, Finansbank raised USD 700 million through a term loan facility in two tranches and specifically USD 479 million with a two year maturity and interest paid quarterly at LIBOR + 42,5 bps and USD 221 million with a three year maturity and interest paid quarterly at LIBOR + 60 bps.

Other mainly include bilateral borrowings of Finansbank amounting to € 28,8 million, USD 145,9 million and TRY 48,2 million and borrowings of Finans Leasing amounting to € 146 million and USD 105,8 million

In October 2006 Finansbank repaid a syndicated loan of USD 580 million raised in November 2005 and updated in June 2006.

NOTE 39: Insurance related reserves & liabilities	**31.12.2006**	**31.12.2005**
Insurance reserves		
Life		
Mathematical reserve	775.539	688.668
Outstanding claims reserve	35.644	33.943
Other	7.932	7.063
Property and Casualty		
Unearned premia reserve	161.260	146.800
Outstanding claims reserve	364.039	339.574
Other	384	684
Insurance provisions for policies where the holders bear the investment risk (Unit linked)	388.768	320.396
Total Insurance reserves	**1.733.566**	**1.537.128**
Other Insurance liabilities		
Liabilities relating to deposit administration funds (DAF)	152.557	141.393
Amounts payable to brokers, agents and sales partners	29.775	37.980
Amounts payable to reinsures	37.678	16.772
Liabilities arising from reinsurance operations	42	976
Total insurance related reserves & liabilities	**1.953.618**	**1.734.249**

Movement in Life Insurance Reserves	**2006**	**2005**
Balance at beginning of the year	**1.050.070**	**927.804**
Effect IFRS 4	-	25.140
Adjusted balance	**1.050.070**	**952.944**
Increase in reserves	301.293	229.595
Paid claims	(143.480)	(132.469)
Balance at the end of the year	**1.207.883**	**1.050.070**

Reinsurers' share of life insurance reserves if less than 0.5% of total reserve as at 31.12.2006 and 31.12.2005.

Movement of P&C Insurance Reserves (2006)	**Total**	**Reinsures' share**	**Group share**
As at the beginning of the year	487.058	89.728	397.330
Incurred claims	228.321	39.695	188.626
Paid claims and other movements	(204.156)	(37.500)	(166.656)
Movement in Unearned premium reserve	14.460	12.914	1.546
Balance at end of year	**525.683**	**104.837**	**420.846**

Movement of P&C Insurance Reserves (2005)	Total	Reinsures' share	Group share
As at the beginning of the year	413.343	91.873	321.470
Effect of IFRS 4	63.000	10.000	53.000
Adjusted balance	**476.343**	**101.873**	**374.470**
Incurred claims	189.626	24.645	164.981
Paid claims	(187.993)	(32.184)	(155.809)
Movement in Unearned premium reserve	9.082	(4.606)	13.688
Balance at end of year	**487.058**	**89.728**	**397.330**

Outstanding claims reserve (2006)	Total	Reinsures' share	Group share
Reported claims	353.954	68.424	285.530
IBNR	10.469	812	9.657
Total	**364.423**	**69.236**	**295.187**

Outstanding claims reserve (2005)	Total	Reinsures' share	Group share
Reported claims	329.143	66.084	263.059
IBNR	10.431	957	9.474
Total	**339.574**	**67.041**	**272.533**

The Group performs a liability adequacy test at the end of each reporting period to assess the adequacy of its insurance liabilities, which are estimated according to the provisions of local insurance law.

The process followed for the liability adequacy test performed as at 31 December 2006 and the results of this test are set out below:

a. Life business

Life business comprises of the following four main categories:

i. Individual traditional policies (whole life, endowment, pure endowment, term, pension plans):
The test was based on an analysis of the sensitivity of liabilities to changes in mortality, lapses, interest rate and expenses for the expected remaining term of insurance contracts. No additional liabilities resulted from the above process.

ii. Unit-linked contracts
Analysis considered both risks associated to parameters (mortality, lapses, interest rate, expenses) and risks associated to guaranteed return at the end of the contract terms. No additional liabilities resulted from the above process.

iii. Pension beneficiaries that stem from Deposit Administration Funds ("DAF")
The process followed was similar to that of individual traditional policies (the only difference being that expenses were not a factor). The test produced a liability that exceeded reserves.

iv. Hospitalisation riders
The test was based on assumptions for future lapses, premiums increase, average incurred claim, and medical inflation. The premium increase rate was increased by 0,5% as compared to 2005.

b. Property and Casualty business

As regards the motor branch, historical data was examined on a per claim basis for each accident year over the most recent five years. Claims are split into three main categories: motor TPL – property damage, motor TPL – bodily injury and motor own vehicle damage. Individual bodily injury claims exceeding €300 thousand were

examined separately. Projections of paid claims, incurred claims and average incurred claims were performed for each group.

The process took into account the increase in reserves for specific claim files, which resulted from revising outstanding claims on a case per case basis, in accordance with local insurance law, during 2005 and 2006. The outcome was that a larger part of the total liability estimated with the liability adequacy test was covered by the reserves estimated in accordance to local law, hence rendering the additional liability lower than the additional liability as at 1 January 2006.

NOTE 40: Other liabilities	**31.12.2006**	**31.12.2005**
Accrued interest and commissions	258.090	285.790
Creditors and suppliers	278.512	247.074
Amounts due to government agencies	331.609	357.166
Private equity: liabilities of investee entities	199.425	192.874
Other provisions	187.827	43.103
Taxes payable - other than income taxes	81.372	53.171
Current tax liabilities	226.825	177.302
Accrued expenses and deferred income	105.912	45.581
Payroll related accruals	64.967	47.948
Dividends payable	12.892	13.108
Other	831.396	497.584
Total other liabilities	**2.578.827**	**1.960.701**

The movement of provisions may be summarised as follows:

	2006	**2005**
Balance at 1 January	**43.103**	**53.789**
Acquisition of subsidiaries	166.480	100
Foreign exchange differences	(2.230)	12
Provisions charged/ (released) to income statement during the year	(17.720)	980
Provisions utilised during the year	(1.806)	(11.778)
Balance 31 December	**187.827**	**43.103**

Other liabilities as at 31.12.2006 include an amount of €95 million relating to unsettled balances from securities transactions and liabilities from puttable instruments of € 361 million.

NOTE 41: Contingent liabilities and commitments

a. Legal proceedings

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 consolidated financial position of the Group.

b. Pending Tax audits

The tax authorities have not yet audited all subsidiaries for certain financial years and accordingly their tax obligations for those years may not be considered final. Additional taxes and penalties may be imposed as a result of such tax audits; although the amount cannot be determined at present, it is not expected to have a material effect on Group's net assets. The Bank has been audited by the tax authorities up to 2004 inclusive.

c. Capital Commitments

In the normal course of business, the Group enters into a number of contractual commitments on behalf of its customers and is a party to financial instruments with off-balance sheet risk to meet the financing needs of its customers. These contractual commitments consist of commitments to extend credit, commercial letters of credit and standby letters of credit and guarantees. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of the conditions established in the contract. Commercial letters of credit ensure payment by a bank to a third party for a customer's foreign or domestic trade transactions, generally to finance a commercial contract for the shipment of goods. Standby letters of credit and financial guarantees are conditional commitments issued by the Group to guarantee the performance of a customer to a third party. All of these arrangements are related to the normal lending activities of the Group. The Group's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and commercial and standby letters of credit is represented by the contractual notional amount of those instruments. The Group uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

	31.12.2006	**31.12.2005**
Commitments to extend credits	23.407.253	11.101.650
Commercial letters of credit	733.752	152.911
Standby letters of credit and financial guarantees written	6.149.347	2.731.634
Total	**30.290.352**	**13.986.195**

d. Assets pledged	**31.12.2006**	**31.12.2005**
Assets pledged as collaterals	**2.909.822**	**1.585.916**

e. Operating lease commitments	**31.12.2006**	**31.12.2005**
No later than 1 year	50.705	23.398
Later than 1 year and no later than 5 years	177.787	65.215
Later than 5 years	116.683	69.826
	345.175	**158.439**

NOTE 42: Share capital, share premium and treasury shares

Share capital	No of shares	€'000s
At 1 January 2005	**331.575.511**	**1.492.090**
Merger through absorption of subsidiaries:		
Share capital authorised, issued and fully paid on merger with National Investment Company	5.023.534	123.585
Share capital authorised, issued and fully paid on merger with National Real Estate	2.670.367	80.672
At 31 December 2005	**339.269.412**	**1.696.347**
Increase of share capital	135.707.764	678.539
Share options exercised	310.043	1.550
At 31 December 2006	**475.287.219**	**2.376.436**

The total number of ordinary shares as at 31 December 2005 was 339.269.412 with a nominal value of €5 per share .The total number of ordinary shares as at 31 December 2006 was 475.287.219 with a nominal value of €5 per share.
The movement is as follows:
On 1 June 2006 the 2nd Repeat General Meeting of the Bank's shareholders approved the share capital increase of € 3 billion through a rights issue to existing shareholders at a ratio of 4 new shares to 10 existing at a price of €22,11 for each new share. The share capital increase was completed and fully subscribed on 5 July 2006 and was authorized by Approval K2-10274/7.7.2006 of the Ministry of Development. Consequently, the Bank's share capital was increased by €678.539 with the issue of 135.707.764 new shares. The difference from the issue of shares above par value of a total amount of €2.321.960 less the share capital issue costs net of tax of € 64.064 was credited to the "share premium account".
On 21 December 2006, following the Bank's stock option program the share capital was increased by €1.550 with the issue of 310.043 shares.

Share Premium	31.12.2006	31.12.2005
At 1 January	-	**32.393**
Merger through absorption of National Investment	-	13.100
Merger through absorption of National Real Estate	-	(45.493)
Increase of share capital above par value	2.321.960	-
Share options exercised	5.829	-
Share capital issue costs net of tax	(64.064)	-
At 31 December	**2.263.725**	**-**

Treasury Shares	No of shares	€'000s
At 1 January 2005	**9.401.898**	**210.128**
Purchases of treasury shares	1.543.523	32.933
Sales of treasury shares	(10.251.461)	(220.381)
At 31 December 2005	**693.960**	**22.680**
Purchases of treasury shares	2.265.820	75.767
Sales of treasury shares	(2.077.220)	(71.621)
At 31 December 2006	**882.560**	**26.826**

The Bank's Annual Ordinary General Meeting of its Shareholders held on 27 April 2006, approved an own shares buy-back programme pursuant to Article 16 par. 5 et seq. of Codified Law 2190/1920, providing for the purchase, by the Bank, of own shares up to 10% of its total shares at a minimum price of €5 and a maximum of €60 per share from 2 May 2006 through 27 April 2007.

At 31 December 2006 the Bank and certain subsidiaries held 882.560 NBG shares as part of their investment activity representing 0,19% of the issued share capital (2005: 0,20% of the issued share capital).

NOTE 43: Reserves & Retained Earnings	31.12.2006	31.12.2005
Statutory reserve	306.475	252.594
Available for sale securities reserve	21.809	42.215
Currency translation differences reserve	6.247	13.737
Other reserves and retained earnings	1.649.359	1.141.617
Total reserves and retained earnings	**1.983.890**	**1.450.163**

Before paying dividends, the Bank, in accordance with its Articles of Association and Greek corporate law (codified law 2190/20) must allocate between 5% & 20% of its net profits to the statutory reserve until this reserve equals at least one-half of the Bank's share capital. Tax exempt reserves until their capitalisation or distribution (untaxed reserves) are included in other reserves and retained earnings and represent profits made on the sale of shares, property, bonds and other similar assets taxed at special rates such as interest earned on treasury bills and bonds.

The movement in the available for sale securities reserve may be summarised as follows:

Available for sale securities reserve	Continuing operations	Discontinued operations	Total
At 1 January 2005			
IAS 39 adjustments	132.770	(8.140)	124.630
Net gains / (losses) from changes in fair value of AFS investments	51.942	(9.549)	42.393
Net (gains) / losses transferred to income statement	(125.472)	-	(125.472)
Impairment losses on AFS investments	664	-	664
At 31 December 2005	**59.904**	**(17.689)**	**42.215**
At 1 January 2006	**59.904**	**(17.689)**	**42.215**
Net gains / (losses) from changes in fair value of AFS investments	70.307	(3.498)	66.809
Net (gains) / losses transferred to income statement	(108.629)	(143)	(108.772)
Net additions / disposals from disposed subsidiaries	-	21.330	21.330
Impairment losses on AFS investments	227	-	227
At 31 December 2006	**21.809**	**-**	**21.809**

The movement in the currency translation differences reserve may be summarised as follows:

Currency translation differences reserve	**31.12.2006**	**31.12.2005**
At 1 January	**13.737**	**(3.968)**
Currency translation differences arising during the year	(7.490)	17.705
At 31 December	**6.247**	**13.737**

Other reserves and retained earnings include an amount of € (8.140) representing the effective portion of cash flow hedging instruments used to hedge the currency risk associated with forecast transactions denominated in TRY.

NOTE 44: Minority Interest	**31.12.2006**	**31.12.2005**
Balance at 1 January	**109.997**	**270.582**
Acquisitions /disposals	421.498	28.695
Merger through absorption of subsidiaries	-	(209.292)
Share of net profit of subsidiaries	74.617	23.590
Movement in the available for sale securities reserve	5.874	(3.722)
Exchange differences	(1.432)	144
Balance at the end of the reporting period	**610.554**	**109.997**

NOTE 45: Preferred securities	**31.12.2006**	**31.12.2005**
Innovative preferred securities	350.000	350.000
Non-innovative preferred securities	1.275.125	732.581
Total	**1.625.125**	**1.082.581**

Innovative preferred securities:

In July 2003, NBG Funding Ltd, a wholly owned subsidiary of the Bank, issued € 350 million Series A Floating Rate Non – Cumulative Non Voting Preferred Securities guaranteed on a subordinated basis by the Bank. The securities are perpetual and may be redeemed by NBG Funding, in whole but not in part in July 2013 or on any dividend date falling thereafter subject to the consent of the Bank. The preferred dividend rate is the three-month EURIBOR plus 175 bps until 11 July 2013 and EURIBOR plus 275 bps thereafter, which is paid quarterly.

Non- innovative preferred securities:

In November 2004, NBG Funding Ltd issued € 350 million Series B and USD 180 million Series C Constant Maturity Swap (“CMS”) Linked Subordinate Callable Notes. The notes are perpetual and may be redeemed by NBG Funding, in whole but not in part in November 2014 or any dividend date falling thereafter subject to the consent of the Bank. The preferred dividend rate for series B is 6,25% the first year and then is determined as the 10 year EUR CMS mid swap rate plus 12,5bps reset every six months and capped at 8% paid semi-annually and for series C is 6,75% the first year and then is determined as the 10 year USD CMS mid swap rate plus 12,5bps reset every six months and capped at 8,5% paid semi-annually.

In February 2005, NBG Funding Ltd issued € 230 million Series D Constant Maturity Swap (“CMS”) Linked Subordinate Callable Notes. The notes are perpetual and may be redeemed by NBG Funding, in whole but not in part on 16 February 2015 or any dividend date falling thereafter subject to the consent of the Bank. The preferred dividend rate for series D is 6% until 16 February 2010 and thereafter is determined as the difference of 10-year EUR CMS mid swap rate minus the 2-year mid swap rate multiplied by four subject to a minimum rate of 3,25% and capped at 10% paid annually.

The proceeds of the instruments issued by NBG Funding were lent to NBG Finance through Eurobond issues and ultimately lent to the Bank under loan agreements with the same terms as each one of the instruments referred to above but with a 30 year maturity.

On 8 November 2006, NBG Funding Limited issued £375 million Series E Fixed/Floating Rate Non-cumulative Guaranteed Non-voting Preferred Securities. The securities are perpetual and may be redeemed by NBG Funding, in whole but not in part on November 2016 or on any dividend date falling thereafter subject to the consent of the Bank. The preferred dividend rate for series E is fixed at a rate of 6,2889% per annum until 8 November 2016 and thereafter three month LIBOR plus 2,08%. The dividends are payable annually in arrear on

8 November in each year, until 8 November 2016, following which quarterly in arrear on 8 February, 8 May, 8 August and 8 November in each year.

NOTE 46: Dividend per share

Dividends are not accounted for until they have been ratified by the Bank's Annual Ordinary General Meeting.

The Bank's Annual Ordinary General Meeting of its Shareholders held on 27 April 2006 approved the payment of a €1 dividend per share for the financial year 2005. Entitled to the dividend were the holders of Bank's shares as at the closing of the Athens Exchange session of 2 May 2006. As of 3 May 2006 the Bank's shares are traded ex-2005 dividend. The dividend was paid on 11 May 2006.

The dividend proposed by the Board of Directors for 2006 is subject to the approval of the upcoming Annual Ordinary General Meeting and amounts to €1 per share.

NOTE 47: Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalent consist of the following balances with less than three months maturity from the acquisition date.

	31.12.2006	31.12.2005
Cash and balances with central banks	1.752.376	1.323.340
Treasury bills	58.248	28.066
Due from banks	3.127.039	1.705.231
Trading securities	2.416	-
Investment securities	3.402	8.109
Total	**4.943.481**	**3.064.746**

NOTE 48: Related –party transactions

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2006 and 31 December 2005 are presented below. Transactions were entered into with related parties during the course of business at market rates.

a. Transactions with management

The Group entered into banking transactions with members of the Board of Directors and key management of the Bank and other Group companies, as well as with the close members of family and entities controlled or jointly controlled by those persons, in the normal course of business. The list of the members of the Board of Directors of the Bank is shown under Note 1 General Information. As at 31 December 2006, loans, other receivables, deposits and letters of guarantee amounted to €34 million, €4 million, €315 million and €26 million respectively. Total compensation including salaries, bonuses and other short-term benefits, post employment and other long-term benefits, and termination benefits amounted to €24,4 million including amounts from newly acquired subsidiaries (2005: €14,5 million). Related parties of the Group were also granted 1.453.020 options under the stock option program approved by the General Meeting of the Shareholders on 22 June 2005 (see note 12).

b. Other related party transactions

Transactions between the Bank and its subsidiaries, which are related parties of the Bank have been eliminated on consolidation and are not disclosed in this note. Details of transaction between the Group and associated companies are disclosed below.

Transactions with associated companies	**31.12.2006**	**31.12.2005**
Assets.		
Loans and advances to customers	54.325	41.520
Liabilities		
Due to customers	45.561	35.839
Letters of guarantee	46.798	58.448
Income Statement		
Interest and commission income	3.758	4.477
Interest and commission expense	5.646	5.120

NOTE 49: Acquisitions, disposals and other capital transactions

1. Acquisitions and disposals

I. In January 2006, following its Board of Directors decision on 20 December 2005, the Bank participated in the share capital increase of its subsidiary Banca Romaneasca. The share capital increase was concluded in February 2006. Ultimately, 122,5 million new shares were issued and the Bank currently controls 194,4 million shares (98,88%).

II. In January 2006, the Bank concluded the sale of its subsidiary ASTIR Alexandroupolis. The total consideration received was €6,5 million.

III. On 3 February 2006, the Bank concluded the agreement for the sale of its subsidiary National Bank of Greece (Canada) to Scotiabank. The total consideration received was CAD 71,3 million.

IV. On 15 February 2006, National Insurance completed the acquisition of 100% of the share capital of Alpha Insurance Romania for a consideration of €2,7 million. The fair value of net assets acquired amounted to €2 million resulting in goodwill of €0,7 million. The company has been renamed to “NBG Asigurari S.A.” and has a cooperation agreement with Alpha Bank Romania to offer its products for the following five years.

V. On 22 February 2006, Group companies Ethniki Insurance and United Bulgarian Bank, agreed with American International Group Inc (“AIG”) to jointly establish a Life Insurance Company and a Property and Casualty insurance company in Bulgaria. Ethniki Insurance and United Bulgarian Bank will each hold 30% of the share capital of the two new companies, with the remaining 40% to be held by American Life Insurance Company (“ALICO”) and AIG Central Europe & CIS Insurance Holdings Corporation, which will also exercise the management of the new companies. The authorized share capital was set for the Life insurance company to BGN 6 million (equivalent €3,1 million) and for the Property and Casualty insurance company to BGN 5,4 million (equivalent €2,8 million).

VI. On 28 April 2006, NBG International Holdings BV sold for USD 400 million in cash, before incurred expenses, its subsidiary Atlantic Bank of New York.

VII. On 18 August 2006, NBG acquired from FIBA Group, 46% of Finansbank ordinary shares and 100% of the Founder Shares for a consideration of USD 2.323 million and USD 451 million respectively. The sellers, FIBA Group retain a residual stake of 9,68% in the ordinary share capital of Finansbank, which is subject to put and call agreements, as provided for in the shareholders’ agreement between the Bank and the Sellers, exercisable for a two year period commencing two years after closing of the Acquisition at a multiple of between two and a half and three and a half times the book value of the Finansbank’s share, subject to certain performance criteria. From the Mandatory Offer which lasted from 8 January to 29 January 2007, the Bank acquired a further 43,44% holding of the share capital. Therefore, the total participation in ordinary share capital of Finansbank amounts to 89,44%.

The fair values of the identified assets and liabilities assumed are as follows:

Balances as at (in €'000 translated from TRY using the EURO/TRY 1,8546 rate)	**18.08.2006**
Cash and balances with central banks and other banks	3.178.637
Trading securities, derivative instruments and investment securities	1.383.522
Loans and advances to customers	5.844.047
Fixed and Intangible Assets excluding ppa intangibles	139.360
Purchase price allocation- Intangibles:	
-Trade names	161.910
-Customer relationships	133.104
-Core deposits	38.739
-Software	14.900
Other assets	168.761
Total Assets	**11.062.980**
Due to other banks	438.599
Derivative Financial Instruments	37.029
Due to customers	6.006.994
Debt securities in issue and other borrowed funds	2.803.601
Founder shares	356.043
Other liabilities	461.162
Total liabilities	**10.103.428**
Net assets as at 18.08.2006	**959.552**
Minority interest in subsidiaries of Finansbank	**(46.146)**
	913.406
% acquired (including put option agreements)	55,7%
Net assets acquired	**508.576**
Consideration given (including expenses and put option agreements)	2.176.607
Goodwill recognized	**1.668.031**

Cash and cash equivalents acquired were €116 million and include cash and balances from banks and trading securities. Consideration given comprises USD 2.323 million for 46% share capital, estimated fair value for put option on 9,68% sellers interest and transaction expenses. The accounting treatment followed for put option agreements reflects the Group accounting policy as outlined in note 2.3.

VIII. On 12 September 2006, the National Bank of Greece ("NBG") and the Republic of Serbia entered into a definitive agreement for the acquisition of 99,4% of the share capital of Vojvodanska Banka a.d. NoviSad (Vojvodanska) by NBG. NBG paid to the Republic of Serbia on the closing of the transaction €360 million in cash for the acquisition of 99,4% of Vojvodanska's share capital. A further €25 million has also been deposited by NBG in a escrow account until December 2007. The escrow is set against certain expected recoveries from Vojvodanska's fully provided non-performing loan portfolio and would be released to NBG on a € to € basis against any shortfall in the recoveries.

The Balance Sheet as at the acquisition date of 31 December 2006 based on the provisionally determined fair values, is as follows:

Balances as at (in €'000 translated from RSD using the EURO/RSD 78,99 rate)	**31.12.2006**
Cash and balances with central banks and other banks	147.377
Trading securities and investment securities	117.773
Loans and advances to customers	223.441
Fixed and Intangible Assets	55.662
Other assets	5.301
Total Assets	**549.554**
Due to other banks	34.166
Due to customers	428.449
Debt securities in issue and other borrowed funds	3
Other liabilities	28.146
Total liabilities	**490.764**
Net assets as at 31.12.2006	**58.790**
% acquired	99,43%
Net assets acquired	**58.454**
Consideration given (including transaction expenses)	362.369
Goodwill recognized	**303.915**

Cash and cash equivalents acquired were €48 million and include cash and balances from banks and trading and investment securities.

It is noted that the determination of the fair values of the assets acquired and the liabilities and contingent liabilities assumed is in process, therefore upon completion of the purchase price allocation, any changes in fair values will adjust the goodwill recognised appropriately. The provisional amount of goodwill will be finalised within 12 months from the acquisition date.

IX. On 6 October 2006, the share capital of Finansbank Malta Ltd was increased by 2.250.000 ordinary shares which were fully subscribed, allotted and taken up by Finansbank A.Ş

X. On 17 October 2006, NBG Greek Fund Ltd sold its investment in AGRIS AE for €2,5 million.

XI. On 19 October 2006 NBG and the shareholders of P&K Investment Services SA signed the SPA, whereby NBG will acquire 100% of P&K Investment Services SA. The consideration agreed upon amounted to €48,7 million. The main part of the consideration will be paid to the sellers upon closing. The remaining part will be released to the sellers three years after the acquisition, conditional on the attainment of key targets set out in the pre-agreed business plan. The transaction is expected to close within the 1st quarter of 2007, subject to obtaining all regulatory approvals.

XII. From 11 through to 25 December 2006, the Bank via a Mandatory Tender Offer acquired 191,2 million shares of Finans Leasing, corresponding to 2,55% of its share capital and 72,3 million shares of Finans Investment Trust, corresponding to 5,3% of its share capital. The total consideration paid amounted to €4,2 million and €0,6 million respectively. This acquisition was accounted for as an "acquisition after control is obtained", as described in Note 2.3.

2. Mergers through absorption

National Bank of Greece and National Real Estate

The Boards of Directors of the Bank and National Real Estate, further to their decisions (dated 29/7/2005) regarding the merger of the two companies through absorption of the latter by the Bank, proposed to the General Meetings of their Shareholders the following share exchange ratio: 2 shares of the absorbing National Bank for 15 shares of the absorbed National Real Estate. Approval by regulatory authorities to initiate the merger procedures was obtained in October 2005 (Greek Government Gazette issue 11146/21.10.2005). PricewaterhouseCoopers and KPMG were engaged as auditors to certify the book value of National Bank of

Greece's and National Real Estate's assets respectively, as at the merger balance sheet date (31/7/2005) and give opinion on the fairness of the share swap ratio. Pricewaterhousecoopers and KPMG issued their fairness opinion on the share swap ratio. On 3 February 2006, the second repeat General Meeting of the Bank’s Shareholders approved the above merger under the terms proposed by the Board of Directors.

On 31 March 2006, the Ministry of Development approved the aforementioned merger and as of the same date the National Real Estate was permanently deregistered from the Registrar Of Companies (Ref. Of Merger Approval: K2-4813. Ref. Of Deregistration: K2-744).

On completion of the merger and cancellation of National Real Estate shares owned by National Bank, the Bank’s total number of shares increased by 2.670.367 shares which, added to existing shares (i.e. 336.599.045), raised the total number of the Bank’s shares to 339.269.412.

NOTE 50: Group consolidated companies

Name	Country of incorporation	% Participation 31.12.2006	31.12.2005
National Securities S.A.	Greece	100,00%	100,00%
Ethniki Kefalaiou S.A.	Greece	100,00%	100,00%
Diethniki Mutual Fund Management	Greece	100,00%	100,00%
National Management & Organization Co SA-ETHNOKARTA	Greece	100,00%	100,00%
Ethniki Leasing S.A	Greece	100,00%	100,00%
National Mutual Fund Management	Greece	100,00%	100,00%
NBG Venture Capital S.A	Greece	100,00%	100,00%
NBG Balkan Fund Ltd.	Cyprus	-	100,00%
NBG Greek Fund Ltd.	Cyprus	100,00%	100,00%
ETEBA Emerging Markets Fund Ltd.	Cyprus	100,00%	100,00%
ETEBA Estate Fund Ltd	Cyprus	100,00%	100,00%
ETEBA Venture Capital Management Co Ltd	Cyprus	100,00%	100,00%
NBG Bancassurance S.A.	Greece	100,00%	100,00%
Atlantic Bank of N.Y.	U.S.A.	-	100,00%
NBG Canada	Canada	-	100,00%
S.A.B.A.	S. Africa	99,50%	99,50%
NBG Cyprus Ltd	Cyprus	100,00%	100,00%
National Securities Co (Cyprus) Ltd	Cyprus	100,00%	100,00%
NBG Management Services Ltd.	Cyprus	100,00%	100,00%
Stopanska Banka A.D-Skopje(*)	FYROM	92,25%	71,20%
United Bulgarian Bank AD-Sofia (UBB)	Bulgaria	99,91%	99,91%
NBG International Ltd	United Kingdom	100,00%	100,00%
NBG International Inc. (NY)	U.S.A.	100,00%	100,00%
NBGI Private Equity Ltd.	United Kingdom	100,00%	100,00%
NBG Finance plc	United Kingdom	100,00%	100,00%
Interlease E.A.D.	Bulgaria	100,00%	87,50%
ETEBA Bulgaria A.D.	Bulgaria	100,00%	100,00%
ETEBA Romania S.A	Romania	100,00%	100,00%
ETEBA Advisory SRL	Romania	-	100,00%
NBG Luxembourg Holding S.A.	Luxembourg	100,00%	100,00%
NBG Luxfinance Holding S.A.	Luxembourg	100,00%	100,00%
Innovative Ventures S.A (I-Ven)	Greece	100,00%	100,00%
NBG Funding Ltd	United Kingdom	100,00%	100,00%
Banca Romaneasca S.A(*)	Romania	98,88%	97,14%
Ethniki Hellenic General Insurance	Greece	76,74%	76,65%
ASTIR Palace Vouliagmenis S.A	Greece	78,06%	78,06%
ASTIR Alexandroupolis S.A	Greece	-	100,00%
Grand Hotel Summer Palace S.A	Greece	100,00%	100,00%
NBG Training Center S.A	Greece	100,00%	100,00%
Ethnodata S.A.	Greece	100,00%	100,00%
KADMOS S.A.	Greece	100,00%	100,00%
DIONYSOS S.A	Greece	99,91%	99,91%
EKTENEPOL Construction Company S.A.	Greece	100,00%	100,00%
Mortgage, Touristic PROTYPOS S.A	Greece	100,00%	100,00%
Hellenic Touristic Constructions	Greece	77,76%	77,76%

NOTE 50: Group consolidated companies (continued…)

Name	Country of incorporation	% Participation	
		31.12.2006	31.12.2005
Ethnoplan S.A	Greece	100,00%	100,00%
Ethniki Ktimatikis Ekmetalefsis S.A.	Greece	100,00%	100,00%
NBGI Private Equity Funds	United Kingdom	100,00%	100,00%
NBG International Holdings BV	Netherlands	100,00%	100,00%
Eurial Leasing SRL	Romania	70,00%	70,00%
Ethniki Insurance (Cyprus) Ltd	Cyprus	79,27%	79,19%
Ethniki General Insurance (Cyprus) Ltd	Cyprus	79,27%	79,19%
S.C. Garanta Asigurari S.A.	Romania	71,57%	71,49%
Audatex Hellas SA	Greece	53,72%	53,65%
National Insurance Brokerage SA	Greece	72,90%	72,82%
NBG Asigurari S.A.	Romania	76,73%	-
Finansbank SA(*)	Turkey	55,68%	-
Finans Malta(*)	Malta	55,68%	-
Finans Leasing(*)	Turkey	35,55%	-
Finans Invest(*)	Turkey	55,72%	-
Finans Portfolio Management(*)	Turkey	55,73%	-
Finans Investment Trust(*)	Turkey	47,61%	-
IB Tech(*)	Turkey	55,12%	-
Vojvodjanska Banka A.D Novisad	Serbia	99,43%	-

(*) % of participation includes the effect of put and call option agreements

NOTE 51: Post balance sheet events

Acquisitions & Disposals

From 8 January through to 29 January 2007, the Bank acquired via the Mandatory Tender Offer 5.430 million shares of Finansbank, corresponding to 43,44% of its share capital. The total consideration paid amounted to €1.733 million. Therefore, the total participation in share capital of Finansbank amounts to 89,44%.

On 24 January 2007, the Bank and International Finance Corporation (IFC) signed an agreement by which IFC will acquire shares of Finansbank of up to 5% of its share capital after the completion of the Mandatory Tender Offer. The price per share to IFC was determined to be the price per share paid by the Bank to the Finansbank shareholders during the Mandatory Tender Offer.

From 1 February up to 14 March 2007, the Bank acquired 858.429 shares of Finansbank for the consideration of €2,6million (TRY 4,8 million).

NOTE 52: Reclassifications

Certain amounts in prior periods have been reclassified to conform to the current presentation.

Consolidated Income Statement	31.12.2005		
	Continuing Operations		Reclassifications
	As restated	As previously reported	
Personnel expenses…………………………………………………..	(877.307)	(877.307)	-
General & administrative expenses & other provisions………..	(335.512)	(334.532)	980
Depreciation & amortisation charges………..……………….. ….	(114.551)	(114.551)	-
Other operating expenses………..………………………………….	(38.828)	(39.808)	(980)
Total operating expenses………..………………..………………..	**(1.366.198)**	**(1.366.198)**	**-**

NOTE 53: Foreign exchange rates

From	To	Fixing at 31.12.2006	Average 1.1 - 31.12.2006
ALL	EUR	0,00807	0,00854
BGN	EUR	0,51130	0,51387
CAD	EUR	0,65441	0,70284
CYP	EUR	1,72951	1,74133
EGP	EUR	0,13157	0,14085
GBP	EUR	1,48920	1,46725
MKD	EUR	0,01635	0,01669
RON	EUR	0,29555	0,28480
TRY	EUR	0,53648	0,53491(*)
USD	EUR	0,75930	0,79703
RSD	EUR	0,01266	0,01223
ZAR	EUR	0,10855	0,11893

(*) TRY average rates refer to the period from 18/8/2006 to 31/12/2006