

PROTONBANK

PROTON BANK S.A.

FINANCIAL STATEMENTS

31 December 2006

In accordance with the International Financial Reporting Standards

The attached financial statements were approved by the Board of Directors of Proton Bank SA on 5 March, 2007 and they are available in the web site of Proton Bank at www.proton.gr

These financial statements were translated from the original statutory financial statements that have been prepared in the Greek language. In the event that differences exist between this translation and the original Greek language financial statements, the Greek language financial statements will prevail over this document

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Independent Auditors' Report
(Translated from the original in Greek)

To the Shareholders of
PROTON BANK AE

Report on the Financial Statements

We have audited the accompanying financial statements of PROTON BANK AE (the Bank) which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Greek Auditing Standards, which are based on 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 of 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 reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying Financial Statements give a true and fair view, of the financial position of the Bank 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, that have been adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion we draw attention to note 15 to the financial statements that explains that the tax obligations of the Bank for the years 2005 and 2006 have not yet been audited by the tax authorities and accordingly its tax obligations for these years are not considered final. The outcome of a tax audit cannot at present be determined.

Athens, 5 March 2007

KPMG Kyriacou Certified Auditors AE

Nick Tsiboukas
Certified Auditor Accountant
AM SOEL 17151

INCOME STATEMENT
(in thousands of euros)

| | Note | 1.1-31.12.06 | 1.1-31.12.05 |
|------------------------------------------------------|-------------|---------------------|---------------------|
| Interest and similar income | | 26.697 | 3.427 |
| Interest expense and similar charges | | <u>(12.635)</u> | <u>(2.811)</u> |
| Net interest income | 6 | 14.062 | 616 |
| Fee and commission income | | 20.174 | 3.684 |
| Fee and commission expense | | <u>(2.728)</u> | <u>(304)</u> |
| Net fee and commission income | 7 | 17.446 | 3.380 |
| Dividend income | 8 | 2.840 | 1.938 |
| Net trading income | 9 | 27.256 | 14.844 |
| Other operating income | 10 | <u>235</u> | <u>506</u> |
| Operating income | | 61.839 | 21.284 |
| Personnel expenses | 11 | (9.705) | (1.610) |
| Other administrative expenses | 12 | (11.976) | (3.350) |
| Depreciation expenses | 13 | (1.153) | (459) |
| Impairment losses on financial assets | 14 | <u>(1.475)</u> | <u>(3.304)</u> |
| Total operating expenses | | (24.309) | (8.723) |
| Negative goodwill | 42.2 | - | 10.301 |
| Profit before tax | | 37.530 | 22.862 |
| Income tax expense | 15 | <u>(4.879)</u> | <u>(2.043)</u> |
| Profit for the period | | 32.651 | 20.819 |
| Earnings per share (expressed in € per share) | | | |
| - Basic | 16 | 0,69 | 0,46 |
| - Diluted | 16 | - | - |

The notes on pages 9 to 49 are an integral part of these financial statements

BALANCE SHEET
(in thousands of euros)

| | Note | 31.12.2006 | 31.12.2005 |
|-------------------------------------------------------|-------------|-------------------------|-----------------------|
| ASSETS | | | |
| Cash and balances with the Central Bank | 17 | 36.671 | 2.250 |
| Loans and advances to banks | 18 | 93.394 | 47.860 |
| Financial assets at fair value through profit or loss | 19 | 251.694 | 110.107 |
| Derivative financial instruments | 20 | 2.611 | 7 |
| Loans and receivables | 21 | 947.338 | 66.643 |
| Investment securities: | | | |
| - Held-to-maturity | 22 | 6.646 | - |
| - Available-for-sale | 23 | 30.977 | 734 |
| Investments in subsidiaries and associates | 24 | 47.689 | 51.595 |
| Property, plant and equipment | 25 | 26.899 | 1.102 |
| Non-current assets held for sale | 26 | 64 | - |
| Intangible assets | 27 | 102.806 | 93 |
| Deferred tax assets | 33 | 3.162 | 419 |
| Other assets | 28 | 28.035 | 9.424 |
| Total assets | | <u>1.577.986</u> | <u>290.234</u> |
| LIABILITIES | | | |
| Due to banks | 29 | 90.460 | 6.106 |
| Due to customers | 30 | 1.064.599 | 45.366 |
| Derivative financial instruments | 20 | 6.319 | 1 |
| Current income tax liabilities | 31 | 945 | 1.880 |
| Other liabilities | 32 | 13.889 | 1.888 |
| Retirement benefit obligations | 34 | 897 | 96 |
| Total liabilities | | <u>1.177.109</u> | <u>55.337</u> |
| EQUITY | | | |
| Share capital | 35 | 281.450 | 202.660 |
| Share premium | 36 | 85.478 | - |
| Other reserves | 37 | 16.456 | 38.409 |
| Retained earnings / losses | | 17.493 | (6.172) |
| Total equity | | <u>400.877</u> | <u>234.897</u> |
| Total equity and liabilities | | <u>1.577.986</u> | <u>290.234</u> |

The notes on pages 9 to 49 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
(in thousands of euros)

| | Share capital | Share premium | Revaluation reserve | Tax free reserves | Statutory reserve | Retained earnings/losses | Total equity |
|----------------------------------------------------------------------------|----------------|---------------|---------------------|-------------------|-------------------|--------------------------|----------------|
| Balance at 1 January 2005 | 35.000 | - | 23.392 | 4.064 | 214 | (1.433) | 61.237 |
| Changes in equity for 2005: | | | | | | | |
| - Cost of acquisition (Arrow, Exelixi, Eurodynamiki) | 141.748 | | | | | | 141.748 |
| - Valuation surplus transferred to share capital | 25.652 | | | | | (25.652) | - |
| - Capitalization of reserves | 260 | | | (260) | | | - |
| - Other consolidation adjustments | | | | | | 94 | 94 |
| - Available-for-sale investments: valuation gains/(losses) taken to equity | | | 10.999 | | | | 10.999 |
| - Profit for the period | | | | | | 20.819 | 20.819 |
| Balance at 31 December 2005 | 202.660 | - | 34.391 | 3.804 | 214 | (6.172) | 234.897 |
| Balance at 1 January 2006 | 202.660 | - | 34.391 | 3.804 | 214 | (6.172) | 234.897 |
| Changes in equity for 2006: | | | | | | | |
| - Cost of acquisition (Omega Bank) | 78.771 | 85.478 | | | | | 164.249 |
| - Capitalization of reserves | 19 | | | | | (19) | - |
| - Available-for-sale investments: valuation gains/(losses) taken to equity | | | 538 | | | | 538 |
| - Net change in equity due to merger (Proton Securities) | | | (21.136) | 1.136 | 147 | 1.033 | (18.820) |
| - Dividend relating to 2005 | | | | (2.638) | | (10.000) | (12.638) |
| - Profit for the period | | | | | | 32.651 | 32.651 |
| Balance at 31 December 2006 | 281.450 | 85.478 | 13.793 | 2.302 | 361 | 17.493 | 400.877 |

The notes on pages 9 to 49 are an integral part of these financial statements

CASH FLOW STATEMENT

(in thousands of euros)

| | Note | 1.1-31.12.2006 | 1.1-31.12.2005 |
|-------------------------------------------------------------------------------------------------|------|-----------------|----------------|
| Cash flows from operating activities | | | |
| Profit before taxation | | 37.530 | 22.862 |
| Adjustments for: | | | |
| Add: impairment losses on loans | | 1.475 | 300 |
| Add: depreciation expense | | 1.153 | 459 |
| Add: provisions for retirement benefits | | 44 | - |
| Gains (-)/ losses (+) from revaluation of financial assets at fair value through profit or loss | | (5.470) | (10.135) |
| Negative goodwill | | - | (10.301) |
| Gains (-)/ losses (+) from investment activities | | (2.840) | 3.004 |
| Cash flows from operating activities before changes in operating assets and liabilities | | 31.892 | 6.189 |
| Changes in operating assets and liabilities | | | |
| Net (increase)/decrease in cash and balances with the Central Bank | | 4.197 | - |
| Net (increase)/decrease in loans and receivables | | (134.407) | (11.621) |
| Net (increase)/decrease in financial assets at fair value through profit or loss | | (106.799) | 2.570 |
| Net (increase)/decrease in other assets | | (3.022) | (829) |
| Net increase /(decrease) in due to banks | | 52.521 | (9.290) |
| Net increase /(decrease) in due to customers | | 101.287 | 56.300 |
| Net increase /(decrease) in other liabilities | | 4.022 | (8.605) |
| Net cash flow from operating activities before tax payment | | (82.201) | 28.525 |
| Income taxes paid | | (3.720) | - |
| Net cash flow from operating activities | | (54.029) | 34.714 |
| Cash flow from investing activities | | | |
| Purchase/proceeds from the sale of property, plant and equipment | | (1.111) | (296) |
| Purchase/proceeds from the sale of investments held-to-maturity | | (6.740) | - |
| Purchase/proceeds from the sale of available-for-sale financial assets | | - | (3.738) |
| Acquisition of "Omega Bank SA", net of cash acquired | 42 | 131.593 | (595) |
| Acquisition of "Arrow", "Exelixa" and "Eurodynamiki", net of cash acquired | | - | 3.003 |
| Cash payments for share capital increases in subsidiaries | | (2.305) | - |
| Dividends received from available-for-sale financial assets | | 19 | - |
| Dividends received from financial assets at fair value through profit or loss | | 2.821 | - |
| Net cash flow from investing activities | | 124.277 | (1.626) |
| Cash flow from financing activities | | | |
| Dividends paid | | (12.638) | - |
| Net cash flow from financing activities | | (12.638) | - |
| Net increase/(decrease) in cash and cash equivalents | | 57.610 | 33.088 |
| Cash and cash equivalents at beginning of period | 38 | 57.089 | 17.022 |
| Cash and cash equivalents at end of period | 38 | 114.699 | 50.110 |

The notes on pages 9 to 49 are an integral part of these financial statements

1. General information

PROTON BANK SA (the Bank) and its subsidiaries operate in the sectors of retail and investment banking, financial services, portfolio management, insurance and other services. The Bank is established in Greece and has a network of 21 branches.

The merger process between the Bank, Omega Bank SA and Proton Securities SA was completed on 29 September 2006 and the change in the trade name from "PROTON INVESTMENT BANK SA" to "PROTON BANK SA" was registered in the Societes Anonyme Register on 4 October 2006.

The Bank's shares have been listed since December 2005 on the Athens Stock Exchange, and apart from the General Index are included in the FTSE-40 index. The total number of common shares outstanding at 31 December 2006 was 62.683.822.

The number of personnel as of 31 December 2006 was 536.

1.1 Changes in the composition of the BoD

On 7 September 2006, the Extraordinary General Shareholders' Meeting elected a new Board of Directors and at the same time determined its assignments.

The BoD was elected for three years, starting on 7 September 2006. On 29 September 2006, the Board of Directors elected Mr. Loucas N.Valetopoulos as a new Non-Executive Member, in replacement of Mr. George P.Kintis who resigned from the BoD.

The members of the Board of Directors as of 31 December 2006 are the following:

| | |
|---------------------------|------------------------------------------------|
| Angeliki N. Frangou | Chairman and Non-Executive Member, |
| Anthony I. Athanassoglou | Vice-Chairman and Executive Member, |
| Elias G. Lianos | Managing Director and Executive Member, |
| Theodoros P. Mylonas | Deputy Managing Director and Executive Member, |
| Dimitrios G. Saramantis | Executive Member, |
| Hasdai V. Capon | Executive Member, |
| Loukas N. Valetopoulos | non-Executive Member, |
| George P. Minettas | non-Executive Member, |
| Markos A. Foros | non-Executive Member, |
| Alexandra G. Stavropoulou | Independent non-Executive Member, |
| Panagiotis D. Alexakis | Independent non-Executive Member |

2. Summary of significant accounting policies

The accounting policies adopted in the preparation of these financial statements are set out below and have been consistently applied to all the years presented.

The Bank's functional currency is the euro and the amounts included in the financial statements are presented in thousands of euros, unless otherwise stated in the relevant notes. Any differences in the arithmetical calculations in tables are due to roundings.

2.1 Basis of preparation.

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and their Interpretations as adopted by the European Union. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities held at fair value through profit or loss, and all derivative financial instruments.

These financial statements were approved by the Board of Directors on 5 March 2007.

2.2 Estimates and judgments

The preparation of financial statements in conformity with the IFRS, requires the use of certain estimates, and management to exercise its judgment which may affect the carrying amounts of the items in the financial statements. Estimates and assumptions are based on historical data and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Any changes in accounting estimates are recognized prospectively in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both current and future periods.

Judgments made by management in the application of the IFRS that have a significant effect on the financial statements, and estimates with significant risk of material adjustments in future periods, are disclosed in note 4.

2.3 Comparatives

As described in note 42, the Bank acquired Omega Bank SA and absorbed Proton Securities SA on 29 September 2006. Therefore, the items in these financial statements are not comparable with the respective items of the prior year.

Additionally, where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. The effect of these adjustments are described in note 43.

2.4 Subsidiaries and Associates

(a) Subsidiaries

Subsidiaries are all entities controlled by the Bank. Control is the power to govern directly or indirectly the financial and operating policies of the entities. The existence of potential voting rights that are currently exercisable are considered when assessing whether the Bank controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Bank and are no longer consolidated from the date that control ceases to exist.

(b) Associates

Associates are all entities over which the Bank has significant influence but not control. Investments in associates are accounted for by applying the equity method of accounting from the date on which significant influence is obtained until the date that the influence ceases to exist. When the Group's share in the post acquisition net assets of the investee equals or exceeds the cost of investment, the Group ceases to recognize any further losses, unless the Group has a legal or constructive commitment for all or part of the liabilities of the associate.

2.5 Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency (euro) using the exchange rates prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at that date. Translation differences from monetary items are recognized in the income statement. Translation differences arising from non-monetary assets and liabilities which are stated at historical cost, are recognized in the income statement. Translation differences on non-monetary items carried at fair value through profit or loss, are reported as part of their fair value gain or loss. Translation differences on non-monetary items classified as available-for-sale financial assets and qualifying cash flow hedges are included in the fair value reserve in equity.

2.6 Interest income and expense

Interest income and expense are recognized in the income statement on an accrual basis using the effective interest rate. Interest income and expense includes the amortization of any discount or premium, transaction costs or other differences between the initial cost of an interest bearing financial asset and the amount to be received or paid at maturity using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of the financial asset or financial liability and of allocating the interest income or expense over the relevant period.

The effective interest rate is the rate that exactly discounts the future cash receipts or payments through the expected life of the financial instrument.

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

2.7 Fee and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Commissions and fees arising from third party transactions are recognized in the income statement on completion of the underlying transaction. Portfolio management fees and other advisory and service fees are recognized in the income statement based on the applicable service contracts, usually on a time-apportionate basis.

2.8 Dividend income

Dividend income is recognized in the income statement when the entity's right to receive payment is established.

2.9 Financial assets

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

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held-for-trading if it is acquired principally for the purpose of selling or repurchasing in the near term. Derivatives are also categorized as held for trading unless they are designated as hedging instruments.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at amortized cost. They arise when the Bank provides money directly to a debtor with no intention of trading the receivable.

Loans and receivables are carried at amortized cost using the effective interest rate method.

(c) Financial assets held-to-maturity

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity. When the Bank has the intention to sell other than an insignificant amount of held-to-maturity assets, the entire category is tainted and reclassified as available-for-sale.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any other categories. They include investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Financial assets of this category are initially recognized at fair value plus transaction costs. Thereafter they are measured at fair value with changes recognized in a separate component of equity until they are sold or impaired. When they are impaired, any cumulative loss that had been previously recognized directly in equity is removed from equity and recognized in profit or loss. Furthermore, the fair value of investments in equity instruments that do not have a quoted market price is based on valuation techniques, taken under consideration assumptions and references to the current fair value of another instrument that is substantially the same and discounted cash flow analysis.

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity, and available-for-sale are recognized at trade date; the date on which the Bank commits to purchase or sell the asset. Loans are recognized when cash is advanced to the borrowers.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

2.9.1 Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets expires or when the Bank transfers substantially all the risks and rewards of ownership.

2.10 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 offset the recognized amounts and there is an intention to settle on a net basis.

Income and expenses are offset only when permitted by the accounting standards or for gains and losses arising from a group of similar transactions.

2.11 Fair value measurement

The determination of fair value of financial assets and liabilities is based on quoted market prices for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques which is not materially different from the values presented in the financial statements. More specifically:

For investments traded in active markets, fair value was based on quoted market prices at the balance sheet date.

For investments in financial instruments that do not have a quoted price, fair value was determined by using valuation techniques such as discounted cash flow models, comparison to similar instruments for which market observable prices are available, and valuation models.

The fair value of derivative financial instruments for which quoted prices are not available is based on valuation models. Although these models are based on market inputs, they require assumptions and estimates about volatility and other inputs which are periodically reviewed when market conditions change.

2.12 Impairment of financial assets

(a) Assets carried at amortized cost

For the measurement of impairment on loans, the Bank assesses from the date of transition to the IFRS, and at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. The assumptions and the methodology used are regularly reviewed in order for any deviations between actual and estimated losses to be insignificant.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

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

(b) Financial assets at fair value

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. If such an evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value less any impairment loss on the financial asset previously recognized in profit or loss is removed from equity and recognized in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

2.13 Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received).

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

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Bank designates certain derivatives as either:

- (1) hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedge);
- (2) hedges of highly probable future cash flows attributable to a recognized asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

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

Fair value hedge :

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

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

Cash flow hedge :

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

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged items will affect profit or loss.

When a hedging instrument expires or it is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The Bank has entered into the following derivative financial instruments:

1. Interest rate swaps
2. Futures
3. Credit default swaps
4. Options
5. Forwards

When using derivatives for hedging, the Bank documents at the inception of the transaction, the relationship between hedged items and hedging instruments, and whether the hedging transactions are highly effective in offsetting fair values or cash flows of hedged items at each balance sheet date.

Changes in the fair value of derivatives that do not qualify for hedge accounting under IAS 39, are immediately recognized in the income statement.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2.14 Sale and repurchase agreements

The Bank enters into agreements to purchase (sale) and to resell (repurchase) investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognized. The amounts paid are recognized as loans and receivables to other banks or customers. The receivables are collateralized by the underlying security.

Investments sold under repurchase agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for either assets held for trading or available-for-sale as appropriate. The proceeds from the sale of the investments are recognized as liabilities to other banks or customers.

The difference between the sale and repurchase price is recognized as interest on an accrual basis over the life of the agreement.

2.15 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include monetary assets with less than three months to maturity from the date of acquisition, including cash and non-restricted balances with central bank, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

2.16 Intangible assets

Intangible assets include goodwill arising from acquisitions as well as software which is carried at amortized cost less accumulated amortization.

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the Bank's interest in the fair value of the net identifiable assets of the acquired subsidiary or associate at the date of the acquisition.

Negative goodwill is recognized immediately as a gain in the income statement.

Goodwill is tested annually for impairment.

Goodwill is allocated to cash-generating units on the date of acquisition. When the allocation can only be provisionally determined, the process can be extended but not beyond twelve months from the date of acquisition.

(b) Software

Amortization is charged over the estimated useful life, which the Bank has defined to five years.

Expenditures incurred to maintain software programs are recognized in the income statement when incurred. On the contrary, expenditures incurred to enhance or improve the performance of the software as well as expenditures incurred for conversion of the software, are included in the carrying amount of the asset provided that these can be measured reliably.

2.17 Property, plant and equipment

This category includes land, head offices, lease hold improvements and office equipment.

Property, plant and equipment are stated at historical cost less depreciation, except land and buildings which are carried at fair value.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Repair and maintenance expenses are charged to the income statement when incurred.

Depreciation on buildings and other tangible assets is calculated using the straight line method to allocate their cost or fair value to their residual values over their estimated useful lives.

Land is not depreciated, but is reviewed for impairment.

The carrying amount of impaired assets are written down to their recoverable amounts. Gains and losses from disposals are recognized in the income statement.

Depreciation is calculated using the straight-line method to allocate their cost or fair value to their residual values over their estimated useful lives as follows:

- Land: not depreciated
- Buildings: 50 years.
- Lease hold improvements: over the lease period
- Computers: 3 years
- Vehicles: 5-7 years
- Furniture and equipment: 10 years.

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

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's

carrying amount is greater than its estimated recoverable amount. The recoverable amount is higher of the asset's fair value less costs to sell and value in use.

Gain and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.18 Non-current assets held for sale

This category includes the cost of property and other assets that have been acquired through auctions and there is an intention to be sold within 12 months. Their carrying amount will be recovered principally through sale rather than continuing use.

Non-current-assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Assets held for sale are not depreciated but are subject to impairment.

Gains and losses from disposals are recognized in the income statement.

2.19 Leases

2.19.1 The Bank is the lessor

(a) Financial leases:

When assets are held subject to a finance lease and the risks and rewards of ownership are transferred to the lessee, the present value of the lease payments is recognized as receivable from loans and receivables.

Lease payments reduce the receivable from leases and interest income is recognized on an accrual basis over the lease term.

Receivables from financial leases are reviewed for impairment, according to the applicable procedure for loans and receivables as described in note 2.12.

(b) Operating leases:

When assets are held subject to an operating lease, they are recognized in the balance sheet and are depreciated over their useful life. The lease payments are recognized as interest income on an accrual basis over the lease term.

2.19.2 The Bank is the lessee

Lease agreements that the risks and rewards of ownership are not substantially transferred by the lessor are classified as operating leases. In these cases, the leased asset is not recognized as a separate asset. Lease payments are recognized as an expense on a straight line basis over the lease term.

2.20 Financial liabilities

Financial liabilities are treated as held for trading if:

- a) acquired principally for the purpose of selling or repurchasing them in the near term
- b) a derivative financial instrument (except for a designated and effective hedging instrument)

Financial liabilities are initially recognized at fair value. Subsequently any changes in their fair value are recognized in the income statement.

The Bank has classified in this category derivative financial instruments not held or qualifying for hedging purposes.

Derivative financial liabilities that are part of a hedging relationship are measured at fair value. Subsequently, any changes in their fair value are subject to principles described in note 2.9.

Liabilities not included in the above categories are carried at amortized cost using the effective interest rate method.

2.21 Share capital

(a) Share issue costs

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

(b) Dividends on ordinary shares

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

(c) Treasury shares

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

2.22 Fiduciary activities

The Bank provides custody services to individuals and financial institutions. These assets and income (interest, dividends) arising thereon are excluded from these financial statements, as they are not assets of the Bank.

2.23 Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.24 Employee benefits

(a) Defined contribution plans

The Bank's personnel is insured for its main pension to publicly administered pension insurance funds (i.e Social Security Foundation and other) depending on their specialty. The contributions paid by the Bank are included in "personnel expenses". The Bank's personnel is also insured for medical care in multiemployer funds. In these funds, there no separate accounts for each Bank, hence accounting for defined contribution is followed. Once the contribution has been paid, the Bank has no further payment obligations.

(b) Defined benefit plans

Provisions for employee retirement, such as compensation defined under Law 2112/20, is determined actuarially using the projected unit credit method.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited income over the employee's expected average remaining working lives. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Actuarial gains and losses arising from experience and changes in actuarial assumptions in excess of the greater of 10% of the fair value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employee's expected average remaining working lives. Actuarial gains or losses below the 10% corridor are not recognized.

(c) Share-based compensation

The Bank rewards key management executives, according to their efficiency with options on its own shares.

At each balance sheet date, the Bank revises its estimates of the number of options that are expected to become exercisable.

The fair value of the employee services received in exchange for the grant of the options is recognized as an expense (personnel expense) with a corresponding increase in equity during the grant date and exercise date.

The proceeds received are credited to share capital and share premium when the options are exercised.

2.25 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments of the Bank.

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.

2.26 Income tax

Income tax expense includes current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity in which case it is recognized in equity.

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

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets or liabilities for financial reporting purposes and the amounts used for tax purposes. For the following temporary differences, deferred taxes are not accounted for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable differences. The amount of deferred tax is determined using tax rates enacted or substantively enacted at the balance sheet date.

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

After tax results are temporarily, until the books and records are reviewed by the tax authorities. Consequently, the companies are liable to additional taxes and penalties that may be imposed as a result of such review.

2.27 New IFRSs

2.27.1. Amendments to published standards and interpretations effective 1 January 2006:

-IAS 19 (amendment), Employee benefits

This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new recognition and disclosure requirements for multiemployer plans. The Bank does not intend to change the accounting policy adopted for recognition of actuarial gains and losses.

-IAS 21 (amendment), Net investment in a foreign operation

-IAS 39 (amendment), Cash flow hedge accounting of forecast intra-group transactions

-IAS 39 (amendment), The fair value option

-IAS 39 and IFRS 4 (amendment), Financial guarantee contracts

-IFRS 1 (amendment), First time adoption of International Financial Reporting Standards, and IFRS 6 (amendment) Exploration for and mineral resources

-IFRIC 4, Determining whether an arrangement contains a lease

2.27.2 Standards, amendments and interpretations effective for 2006 but not relevant with the Bank's activities:

-IFRIC 5, Rights to interests arising from decommissioning, restoration and environmental and rehabilitation funds

-IFRIC 6, Liabilities arising from participating in a specific market-waste and electronic equipment

2.27.3 Standards, amendments and interpretations not yet effective or early adopted by the Bank:

-IFRS 7, Financial instruments: Disclosures and amendments to IAS 1 Presentation of financial statements-Capital disclosures (effective 1.1.2007)

IFRS 7 introduces additional disclosures with the aim to improve financial information regarding financial assets. It requires qualitative and quantitative disclosures for risks arising from financial instruments. Specifically, it requires minimum disclosures regarding credit risk, liquidity risk and market risk (sensitivity analysis to market risk). IFRS 7 supersedes IAS 30 and the disclosures requirements of IAS 32 and is effective for all entities preparing financial statements according to IFRS. The amendment to IAS 1 introduces capital disclosures. The Bank assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main disclosures will be the sensitivity analysis to market risk and capital disclosures. The Bank will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning on 1 January 2007.

3 Financial risk management

This section of the notes provides information for the risks the Bank is exposed to and a description of the methodologies used by management to control them. The most significant risks the Bank is exposed to are: credit risk, liquidity risk and market risk. Market risk includes foreign currency risk, interest rate risk and fair value risk.

3.1 Credit risk

The Bank is exposed to credit risk, which is the risk that a counterparty will cause a financial loss for the Bank by failing to discharge an obligation when due. Provisions for credit losses are recognized when it is estimated that they exist at the balance sheet date. Significant changes in the economy or in business sector representing a material part of the Bank's portfolio might cause losses that exceed existing provisions, management therefore carefully manages its exposure to credit risk.

The Bank mitigates the level of credit risk it takes by setting acceptable risk levels for each counterparty or group in each business and geographical segment. The risks are periodically reviewed and adjusted. Limits have been placed on a product and sector level.

The undertaken risk for each borrower including banks, is furthermore reduced by placing sub-limits on and off balance sheet items. Loan balances are compared to credit limits on a daily basis.

The Bank controls its exposure to credit risk with regular reviews on the borrowers capability to satisfy their interest and principal obligations by adjusting credit limits when necessary. Credit risk is partially covered with acceptable collaterals.

3.2 Market risk

The Bank takes on exposure to market risks. Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes. The Bank applies modern methodologies, such as "value at risk", to measure market risk.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the maximum amount the Bank might lose, but only to a certain level of confidence over a certain period. The method does not estimate the potential loss extreme market movements (non normal). The Bank calculates a VAR estimate for a 99% confidence level and a 10 day holding period.

The Bank regularly applies on a daily basis a back testing program to control the VAR estimates, by comparing the actual changes in the portfolio with the respective VAR measures.

3.3 Liquidity risk

Liquidity risk arises from the Bank's financing process and management of the open positions in the market. Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with financing liabilities when they fall due and to replace funds when are withdrawn. The consequence may be the failure, to meet obligations to repay depositors, to fulfill commitments to lend, and to liquidate its financial assets at fair value.

The bank uses a large financing base which is achieved through a wide range of products including, deposits, debt securities and equity. This improves its financing capability, reduces the dependence from a single source, and generally lowers its borrowing cost. The bank tries to balance the need between financing and flexibility, by maintaining a portfolio

with different maturities. The Bank continually assesses liquidity risk by controlling and monitoring the required changes in order to meet its business goals in the frame of its strategy.

The table below analyses the Bank's financial assets and liabilities categorized by their remaining maturity.

Maturity of assets and liabilities
As at 31 December 2006

| ASSETS | Up to 1 month | 1 – 3 months | 3 - 12 months | 1 - 5 years | > 5 years | Total |
|-------------------------------------------------------|----------------------|---------------------|----------------------|--------------------|---------------------|------------------|
| Cash and balances with the Central Bank | 36.671 | | | | | 36.671 |
| Loans and advances to banks | 63.412 | 16.227 | 13.755 | | | 93.394 |
| Financial assets at fair value through profit or loss | 114.107 | 134.390 | 3.197 | | | 251.694 |
| Derivative financial instruments | 2.611 | | | | | 2.611 |
| Loans and receivables | 220.072 | 65.563 | 227.536 | 434.167 | | 947.338 |
| Investment securities: | | | | | | |
| -Held-to-maturity | | | | 6.646 | | 6.646 |
| -Available-for-sale | 5.884 | | | 93 | 25.000 | 30.977 |
| Investment in subsidiaries and associates | | | | | 47.689 | 47.689 |
| Property, plant and equipment | | | | | 26.899 | 26.899 |
| Non-current assets held for sale | | | 64 | | | 64 |
| Intangible assets | | | | | 102.806 | 102.806 |
| Deferred tax assets | | | | 3.162 | | 3.162 |
| Other assets | 2.703 | 2.484 | 3.614 | 1.203 | 18.031 | 28.035 |
| Total assets | 445.460 | 218.664 | 248.166 | 445.271 | 220.425 | 1.577.986 |
| LIABILITIES | | | | | | |
| Due to banks | 33.934 | 6.165 | 34.798 | 15.563 | | 90.460 |
| Due to customers | 112.821 | 399.953 | 398.922 | 152.903 | | 1.064.599 |
| Derivative financial instruments | 6.319 | | | | | 6.319 |
| Current tax liabilities | | | 945 | | | 945 |
| Other liabilities | | | | 13.889 | | 13.889 |
| Retirement benefit obligations | | | | 897 | | 897 |
| Total liabilities | 153.074 | 406.118 | 434.665 | 183.252 | | 1.177.109 |
| liquidity gap | 292.386 | (187.454) | (186.499) | 262.019 | 220.425 | 400.877 |

As at 31 December 2006

| | | | | | | |
|----------------------|----------------|------------------|------------------|----------------|----------------|----------------|
| Total assets | 445.460 | 218.664 | 248.166 | 445.271 | 220.425 | 1.577.986 |
| Total liabilities | 153.074 | 406.118 | 434.665 | 183.252 | | 1.177.109 |
| liquidity gap | 292.386 | (187.454) | (186.499) | 262.019 | 220.425 | 400.877 |

Maturity of assets and liabilities
As at 31 December 2005

| ASSETS | Up to 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 years | > 5 years | Total |
|-------------------------------------------------------|----------------------|---------------------|----------------------|--------------------|---------------------|----------------|
| Cash and balances with the Central Bank | 2.250 | | | | | 2.250 |
| Loans and advances to banks | 47.768 | 92 | | | | 47.860 |
| Financial assets at fair value through profit or loss | 74.386 | | | 35.721 | | 110.107 |
| Derivative financial instruments | 7 | | | | | 7 |
| Loans and receivables | 7.672 | 2.297 | 39.548 | 17.126 | | 66.643 |
| Investment securities: | | | | | | |
| -Held-to-maturity | | | | | | |
| -Available-for-sale | | | | | 734 | 734 |
| Investment in subsidiaries and associates | | | | | 51.595 | 51.595 |
| Property, plant and equipment | | | | | 1.102 | 1.102 |
| Intangible assets | | | | | 93 | 93 |
| Deferred tax assets | | | | 419 | | 419 |
| Other assets | | | 5.954 | | 3.470 | 9.424 |
| Total assets | 132.083 | 2.389 | 45.502 | 53.266 | 56.994 | 290.234 |
| LIABILITIES | | | | | | |
| Due to banks | 6.106 | | | | | 6.106 |
| Due to customers | 21.684 | 10.244 | 843 | 12.595 | | 45.366 |
| Derivative financial instruments | 1 | | | | | 1 |
| Current income tax liabilities | | | | 1.880 | | 1.880 |
| Other liabilities | | | 346 | 1.542 | | 1.888 |
| Retirement benefit obligations | | | | 96 | | 96 |
| Total liabilities | 27.791 | 10.244 | 1.189 | 16.113 | | 55.337 |
| liquidity gap | 104.292 | (7.855) | 44.313 | 37.153 | 56.994 | 234.897 |
| As at 31 December 2005 | | | | | | |
| Total assets | 132.083 | 2.389 | 45.502 | 53.266 | 56.994 | 290.234 |
| Total liabilities | 27.791 | 10.244 | 1.189 | 16.113 | | 55.337 |
| liquidity gap | 104.292 | (7.855) | 44.313 | 37.153 | 56.994 | 234.897 |

3.4 Foreign exchange risk

The Bank takes on foreign exchange risk arising from the exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summaries the Bank's exposure to foreign currency exchange risk at 31 December. Included in the table are the Bank's financial assets and liabilities categorized by currency.

| Foreign exchange risk | | | | | | |
|-------------------------------------------------------|------------------|---------------|--------------|------------------|------------------------|----------------|
| As at 31 December 2006 | | | | | | |
| ASSETS | EUR | USD | GBP | JPY | Other | Total |
| Cash and balances with the Central Bank | 36.531 | 129 | 9 | | 2 | 36.671 |
| Loans and advances to banks | 79.579 | 6.932 | 2.466 | 835 | 3.582 | 93.394 |
| Financial assets at fair value through profit or loss | 241.083 | 7.504 | 650 | | 2.457 | 251.694 |
| Derivative financial instruments | 2.542 | 69 | | | | 2.611 |
| Loans and receivables | 855.213 | 58.168 | 9 | | 33.948 | 947.338 |
| Investment securities: | | | | | | |
| -Held-to-maturity | 6.646 | | | | | 6.646 |
| -Available-for-sale | 30.753 | 224 | | | | 30.977 |
| Investment in subsidiaries and associates | 47.635 | | | | 54 | 47.689 |
| Property, plant and equipment | 26.899 | | | | | 26.899 |
| Non-current assets held for sale | 64 | | | | | 64 |
| Intangible assets | 102.806 | | | | | 102.806 |
| Deferred tax assets | 3.162 | | | | | 3.162 |
| Other assets | 25.329 | 2.338 | 227 | (38) | 179 | 28.035 |
| Total assets | 1.458.242 | 75.364 | 3.361 | 797 | 40.2221.577.986 | |
| LIABILITIES | EUR | USD | GBP | JPY | Other | Total |
| Due to banks | 69.579 | 20.881 | | | | 90.460 |
| Due to customers | 833.462 | 50.825 | 3.535 | 175.636 | 1.141 | 1.064.599 |
| Derivative financial instruments | 6.312 | 7 | | | | 6.319 |
| Current income tax liabilities | 945 | | | | | 945 |
| Other liabilities | 13.611 | 551 | | (16) | (257) | 13.889 |
| Retirement benefit obligations | 897 | | | | | 897 |
| Total liabilities | 924.806 | 72.264 | 3.535 | 175.620 | 8841.177.109 | |
| Net on-balance sheet financial position | 533.436 | 3.100 | (174) | (174.823) | 39.338 | 400.877 |
| As at 31 December 2006 | | | | | | |
| Total assets | 1.458.242 | 75.364 | 3.361 | 797 | 40.2221.577.986 | |
| Total liabilities | 924.806 | 72.264 | 3.535 | 175.620 | 8841.177.109 | |
| Net on-balance sheet financial position | 533.436 | 3.100 | (174) | (174.823) | 39.338 | 400.877 |

Foreign exchange risk
As at 31 December 2005

| ASSETS | EUR | USD | GBP | JPY | Other | Total |
|-------------------------------------------------------|----------------|---------------|------------|------------|--------------|----------------|
| Cash and balances with the Central Bank | 2.250 | | | | | 2.250 |
| Loans and advances to banks | 40.109 | 7.129 | 344 | 23 | 255 | 47.860 |
| Financial assets at fair value through profit or loss | 98.571 | 5.049 | 542 | | 5.945 | 110.107 |
| Derivative financial instruments | 7 | | | | | 7 |
| Loans and receivables | 66.501 | 153 | | 68 | (79) | 66.643 |
| Investment securities: | | | | | | |
| -Held-to-maturity | | | | | | |
| -Available-for-sale | 734 | | | | | 734 |
| Investment in subsidiaries and associates | 51.030 | | | | 565 | 51.595 |
| Property, plant and equipment | 1.102 | | | | | 1.102 |
| Intangible assets | 93 | | | | | 93 |
| Deferred tax assets | 419 | | | | | 419 |
| Other assets | 9.287 | 133 | 3 | | 1 | 9.424 |
| Total assets | 270.103 | 12.464 | 889 | 91 | 6.687 | 290.234 |
| LIABILITIES | EUR | USD | GBP | JPY | Other | Total |
| Due to banks | 6.047 | 59 | | | | 6.106 |
| Due to customers | 42.842 | 2.106 | 389 | 11 | 18 | 45.366 |
| Derivative financial instruments | 1 | | | | | 1 |
| Current income tax liabilities | 1.880 | | | | | 1.880 |
| Other liabilities | 1.873 | 15 | | | | 1.888 |
| Retirement benefit obligations | 96 | | | | | 96 |
| Total liabilities | 52.739 | 2.180 | 389 | 11 | 18 | 55.337 |
| Net on-balance sheet financial position | 217.364 | 10.284 | 500 | 80 | 6.669 | 234.897 |

As at 31 December 2005

| | | | | | | |
|------------------------------------------------|----------------|---------------|------------|-----------|--------------|----------------|
| Total assets | 270.103 | 12.464 | 889 | 91 | 6.687 | 290.234 |
| Total liabilities | 52.739 | 2.180 | 389 | 11 | 18 | 55.337 |
| Net on-balance sheet financial position | 217.364 | 10.284 | 500 | 80 | 6.669 | 234.897 |

3.5 Interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fluctuations in market interest rates affect significantly the present value of expected future cash flows from investments and liabilities.

The table below summarizes the Bank's exposure interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

| Interest rate risk | | | | | | | |
|-------------------------------------------------------|----------------------|------------------|--------------------|--------------------|---------------------|-----------------------------|------------------|
| As at 31 December 2006 | | | | | | | |
| ASSETS | Up to 1 month | 1-3 month | 3 -12 month | 1 - 5 years | > 5 years | Non-interest bearing | Total |
| Cash and balances with the Central Bank | 15.776 | | | | | 20.895 | 36.671 |
| Loans and advances to banks | 63.412 | 16.227 | 13.755 | | | | 93.394 |
| Financial assets at fair value through profit or loss | | | 3.197 | 66.026 | 68.364 | 114.107 | 251.694 |
| Derivative financial instruments | | | | | | 2.611 | 2.611 |
| Loans and receivables | 116.712 | 437.380 | 240.513 | 152.733 | | | 947.338 |
| Investment securities: | | | | | | | |
| -Held-to-maturity | | | | | 6.646 | | 6.646 |
| -Available-for-sale | | | | 93 | 25.000 | 5.884 | 30.977 |
| Investment in subsidiaries and associates | | | | | | 47.689 | 47.689 |
| Property, plant and equipment | | | | | | 26.899 | 26.899 |
| Non-current assets held for sale | | | | | | 64 | 64 |
| Intangible assets | | | | | | 102.806 | 102.806 |
| Deferred tax assets | | | | | | 3.162 | 3.162 |
| Other assets | | | | | | 28.035 | 28.035 |
| Total assets | 195.900 | 453.607 | 257.465 | 218.852 | 100.010 | 352.152 | 1.577.986 |
| LIABILITIES | | | | | | | |
| Due to banks | 33.934 | 6.165 | 34.798 | 15.563 | | | 90.460 |
| Due to customers | 790.596 | 155.005 | 86.150 | 32.848 | | | 1.064.599 |
| Derivative financial instruments | | | | | | 6.319 | 6.319 |
| Current income tax liabilities | | | | | | 945 | 945 |
| Other liabilities | | | | | | 13.889 | 13.889 |
| Retirement benefit obligations | | | | | | 897 | 897 |
| Total liabilities | 824.530 | 161.170 | 120.948 | 48.411 | | 22.050 | 1.177.109 |
| interest sensitivity gap | (628.630) | 292.437 | 136.517 | 170.441 | 100.010 | 330.102 | 400.877 |
| As at 31 December 2006 | | | | | | | |
| Total assets | 195.900 | 453.607 | 257.465 | 218.852 | 100.010 | 352.152 | 1.577.986 |
| Total liabilities | 824.530 | 161.170 | 120.948 | 48.411 | | 22.050 | 1.177.109 |
| interest sensitivity gap | (628.630) | 292.437 | 136.517 | 170.441 | 100.010 | 330.102 | 400.877 |

Interest rate risk
As at 31 December 2005

| ASSETS | Up to 1 month | 1-3 month | 3 -12 month | 1 - 5 Years | > 5 years | Non- interest bearing | Total |
|-------------------------------------------------------|--------------------------|----------------------|------------------------|------------------------|-------------------------|--------------------------------------|----------------|
| Cash and balances with the Central Bank | 2.250 | | | | | | 2.250 |
| Loans and advances to banks | 47.768 | 92 | | | | | 47.860 |
| Financial assets at fair value through profit or loss | 110.090 | 6 | | | 11 | | 110.107 |
| Derivative financial instruments | | | | | | 7 | 7 |
| Loans and receivables | 52.851 | 9.903 | 3.889 | | | | 66.643 |
| Investment securities: | | | | | | | |
| -Held-to-maturity | | | | | | | - |
| -Available-for-sale | | | | | | 734 | 734 |
| Investment in subsidiaries and associates | | | | | | 51.595 | 51.595 |
| Property, plant and equipment | | | | | | 1.102 | 1.102 |
| Intangible assets | | | | | | 93 | 93 |
| Deferred tax assets | | | | | | 419 | 419 |
| Other assets | 5.954 | | | | | 3.470 | 9.424 |
| Total assets | 218.913 | 10.001 | 3.889 | - | 11 | 57.420 | 290.234 |
| LIABILITIES | | | | | | | |
| Due to banks | 6.106 | | | | | | 6.106 |
| Due to customers | 37.230 | 7.207 | 929 | | | | 45.366 |
| Derivative financial instruments | | | | | | 1 | 1 |
| Current income tax liabilities | | | | | | 1.880 | 1.880 |
| Other liabilities | | | | | | 1.888 | 1.888 |
| Retirement benefit obligations | | | | | | 96 | 96 |
| Total liabilities | 43.336 | 7.207 | 929 | - | | 3.865 | 55.337 |
| interest sensitivity gap | 175.577 | 2.794 | 2.960 | - | 11 | 53.555 | 234.897 |
| As at 31 December 2005 | | | | | | | |
| Total assets | 218.913 | 10.001 | 3.889 | | 11 | 57.420 | 290.234 |
| Total liabilities | 43.336 | 7.207 | 929 | | | 3.865 | 55.337 |
| interest sensitivity gap | 175.577 | 2.794 | 2.960 | - | 11 | 53.555 | 234.897 |

3.6 Capital management and capital adequacy

The Bank’s objectives when managing capital, which is a broader concept than the “equity” on the face of the balance sheets, are:

- To comply with the capital requirements set by the regulators of the Banking markets where the Bank operates;
- To safeguard the Bank’s ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank’s management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the Bank of Greece. The required information is filed with the Authority on a quarterly basis.

The bank’s capital adequacy is calculated according to the relevant directive by the Bank of Greece (2397/96), which is an enforcement of the directive of the European Union for the capital adequacy of financial institutions and investment funds.

The Bank’s regulatory capital as managed by the Treasury Department is divided into two tiers:

- Tier 1 capital
- Tier 2 capital

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with-each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarizes the composition of regulatory capital of the Bank for the years ended 31 December 2006 and 2005 respectively.

| | 31.12.2006 | 31.12.2005 |
|--------------------------------------------------------------------|-------------------|-------------------|
| Tier 1 Capital | | |
| Share capital | 281.450 | 202.660 |
| Share premium | 85.478 | - |
| Statutory reserves | 361 | 214 |
| Other reserves | 16.095 | 38.195 |
| Less: Intangible assets | (102.806) | (93) |
| Less: Revaluation reserve (available-for-sale investments) | (13.793) | (34.392) |
| Less: Proposed dividend | (17.551) | (12.638) |
| Retained earnings | 17.493 | (6.171) |
| | 266.727 | 187.775 |
| Tier 2 Capital | | |
| Adjustment on revaluation reserve (available-for-sale investments) | 6.205 | 15.476 |
| Less: Equity investments on financial institutions > 10% | (13.792) | (3.914) |
| Less: Double gearing loans | (4.470) | (27.716) |
| Regulatory capital | 254.670 | 171.621 |
| Risk-weighted assets | 1.593.079 | 359.120 |
| Capital adequacy ratio | 15,99% | 47,790% |

The current capital adequacy ratio for the Bank is estimated to be 15,99%, which is significantly higher than the agreed minimum of 8% as set by the directives of the Bank of Greece.

4 Critical accounting estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

4.1 Impairment losses on loans and receivables

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. If such evidence exists, the recoverable amount of the financial asset or group of financial assets is calculated and an impairment provision is accounted. The impairment is charged to the income statement. The methodology and assumptions used are reviewed regularly in order for any deviations between loss estimates and actual loss experience are minimized.

4.2 Fair value of derivative financial instruments

The fair value of derivative financial instruments that are not quoted in active markets are determined by using valuation techniques. Those models even though are dependent on measurable data, they require estimates and judgments (i.e. to determine volatility and credit risk). Those estimates and judgments are regularly assessed and whenever market conditions change. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4.3 Impairment of available-for-sale financial assets

The available-for-sale portfolio is measured at fair value with any changes in fair value recognized in a fair value reserve. Available-for-sale equity investments are impaired when there has been a significant or prolonged decline in fair value below its cost. When the declines in fair value are considered significant or prolonged, the fair value reserve is transferred to the income statement. Furthermore, estimates are used to determine the fair value of equity investments which are not quoted in active markets. For those investments, the fair value is determined by using valuation techniques taking under consideration assumptions about industry and sector performances as well as the financial position of the investee.

4.4 Income taxes

The Bank is subject to income tax according to the tax legislation in Greece. The Bank's tax obligations are considered to be finalized after the completion of the review by the tax authorities.

Due to the method according to which the tax liabilities are settled in Greece, the Bank remains contingently liable for any additional taxes and penalties for the un-audited tax periods. No relevant provision was taken according to IFRS since the outcome could not be estimated reliably at the present. The differences that may accrue from tax reviews will be recognized in the period they are finalized and incurred.

5 Segment analysis
5.1 Business segment

| At 31 December 2006 | Retail Banking | Investing Banking | Total |
|---------------------------------------------------------|---------------------------|------------------------------|------------------|
| Interest and similar income | 23.210 | 3.487 | 26.697 |
| Interest charges and similar charges | (12.635) | - | (12.635) |
| Net interest income | 10.575 | 3.487 | 14.062 |
| Fee and commission income | 9.840 | 10.334 | 20.174 |
| Fee and commission charges | (531) | (2.197) | (2.728) |
| Net fee and commission income | 9.309 | 8.137 | 17.446 |
| Net trading income | - | 27.256 | 27.256 |
| Dividend income | - | 2.840 | 2.840 |
| Other operating income | 235 | - | 235 |
| Operating income | 20.119 | 41.720 | 61.839 |
| Other administrative expenses | (7.054) | (14.627) | (21.681) |
| Depreciation expenses | (375) | (778) | (1.153) |
| Impairment losses on financial assets | (254) | (1.221) | (1.475) |
| Profit before tax | 12.436 | 25.094 | 37.530 |
| Income tax expense | | | (4.879) |
| Profit for the period | | | 32.651 |
| Total assets | 1.043.753 | 534.233 | 1.577.986 |
| Total equity and liabilities at 31 December 2006 | 1.232.622 | 345.364 | 1.577.986 |

| At 31 December 2005 | Retail Banking | Investing Banking | Total |
|---------------------------------------------------------|---------------------------|------------------------------|----------------|
| Interest and similar income | 2.991 | 436 | 3.427 |
| Interest charges and similar charges | (2.378) | (433) | (2.811) |
| Net interest income | 613 | 3 | 616 |
| Fee and commission income | 287 | 3.397 | 3.684 |
| Fee and commission expense | (77) | (227) | (304) |
| Net fee and commission income | 210 | 3.170 | 3.380 |
| Net trading income | 20 | 14.824 | 14.844 |
| Dividend income | - | 1.938 | 1.938 |
| Other operating income | 506 | - | 506 |
| Operating income | 1.349 | 19.935 | 21.284 |
| Negative goodwill | - | 10.301 | 10.301 |
| Other administrative expenses | (1.492) | (3.468) | (4.960) |
| Depreciation expenses | (138) | (321) | (459) |
| Impairment losses on financial assets | - | (3.304) | (3.304) |
| Profit before tax | (281) | 23.143 | 22.862 |
| Income tax expense | - | - | (2.043) |
| Profit for the period | - | - | 20.819 |
| Total assets | 139.095 | 151.139 | 290.234 |
| Total equity and liabilities at 31 December 2005 | 57.956 | 232.278 | 290.234 |

As mentioned in note 2.3, the revenues and results per segment for the years ending at 31 December 2006 and 2005 respectively are not comparable.

5.2 Geographical segment

The Bank mainly operates in Greece and therefore no results per geographical area are presented.

| | 1.1-31.12.06 | 1.1-31.12.05 |
|----------------------------------------------------------------|---------------------|---------------------|
| 6 Net interest income | | |
| Interest and similar income | | |
| Loans and advances to banks | 2.587 | 236 |
| Investment securities | 3.487 | 365 |
| Loans and receivables | 20.527 | 2.760 |
| Other interest and similar income | 96 | 66 |
| Total | 26.697 | 3.427 |
| Interest expense and similar charges | | |
| Due to banks | (146) | (213) |
| Due to customers | (10.137) | (2.233) |
| Contributions (Law N.128) | (1.553) | (363) |
| Other interest and similar expense | (799) | (2) |
| Total | (12.635) | (2.811) |
| Net interest income | 14.062 | 616 |
| | | |
| 7 Net fee and commission income | 1.1-31.12.06 | 1.1-31.12.05 |
| Fee and commission income | | |
| Loans and receivables | 1.132 | 202 |
| Letters of guarantee | 304 | 167 |
| Imports-exports | 106 | - |
| Credit cards | 676 | - |
| Foreign currency transactions | 86 | - |
| Securities brokerage | 10.334 | 789 |
| Remittance | 39 | 19 |
| Asset management | 485 | 107 |
| Investment activities | 5.653 | 1.310 |
| Other services | 1.359 | 1.090 |
| Total | 20.174 | 3.684 |
| Fee and commission expense | | |
| Commercial banking | (531) | (131) |
| Securities brokerage | (2.197) | (173) |
| Total | (2.728) | (304) |
| Net fee and commission income | 17.446 | 3.380 |
| | | |
| 8 Dividend income | 1.1-31.12.06 | 1.1-31.12.05 |
| Available-for-sale securities | 19 | - |
| Trading securities | 2.821 | 1.938 |
| Total | 2.840 | 1.938 |
| | | |
| 9 Net trading income | 1.1-31.12.06 | 1.1-31.12.05 |
| Held for trading financial assets: | | |
| Transaction gains less losses | 21.539 | 7.382 |
| Valuation of securities | 13.879 | 10.128 |
| Other financial assets at fair value | | |
| Foreign exchange translation and transaction (gains less loss) | 177 | 108 |
| Derivative financial instruments | (8.409) | (2.774) |
| Unwind of discount | 70 | - |
| Total | 27.256 | 14.844 |

| | | |
|----------------------------------|---------------------|---------------------|
| 10 Other operating income | 1.1-31.12.06 | 1.1-31.12.05 |
| Rentals | 72 | 398 |
| Non-banking activities | 50 | 103 |
| Other income | 113 | 5 |
| Total | 235 | 506 |

| | | |
|------------------------------|---------------------|---------------------|
| 11 Personnel expenses | 1.1-31.12.06 | 1.1-31.12.05 |
| Salaries | 8.144 | 1.358 |
| Social security costs | 1.440 | 197 |
| Pension and retirement costs | 44 | 55 |
| Other employee costs | 77 | - |
| Total | 9.705 | 1.610 |

| | | |
|-------------------------------------------------|---------------------|---------------------|
| 12 Other administrative expenses | 1.1-31.12.06 | 1.1-31.12.05 |
| Subscriptions and other contributions | 3.306 | 214 |
| Other expenses | 1.954 | 172 |
| Third party fees | 1.742 | 1.265 |
| Operating lease rentals | 1.507 | 650 |
| Taxes and duties | 985 | 414 |
| Maintenance costs | 674 | 83 |
| Telephone – posting expenses | 567 | 103 |
| Promotion and advertising expenses | 430 | 202 |
| Contribution to Hellenic Deposit Guarantee Fund | 277 | 12 |
| Consumables | 262 | 36 |
| Utilities | 153 | 178 |
| Insurance costs | 119 | 21 |
| Total | 11.976 | 3.350 |

| | | |
|---------------------------------|---------------------|---------------------|
| 13 Depreciation expenses | 1.1-31.12.06 | 1.1-31.12.05 |
| Property, plant and equipment | 782 | 404 |
| Intangible assets | 371 | 55 |
| Total | 1.153 | 459 |

During the period the Bank readjusted where necessary the estimated useful life of tangible and intangible assets. As a result, depreciation and amortization expense for the period was higher by 9 thousands of euros. The change in accounting estimate was recognized prospectively in the income statement according to IAS 8. The effect of the change in future periods was impracticable to be determined in the present stage.

| | | |
|-------------------------------------------------|---------------------|---------------------|
| 14 Impairment losses on financial assets | 1.1-31.12.06 | 1.1-31.12.05 |
| Loans and receivables | 858 | 300 |
| Investment securities | 595 | 3.004 |
| Other financial assets | 22 | - |
| Total | 1.475 | 3.304 |

| | | |
|------------------------------|---------------------|---------------------|
| 15 Income tax expense | 1.1-31.12.06 | 1.1-31.12.05 |
| Current tax | 4.231 | 1.880 |
| Deferred tax | 648 | 163 |
| Total | 4.879 | 2.043 |

Further information about deferred income tax is presented in note 33.

The reconciliation between income tax expense and taxable profit for the year has as follows:

| Income tax expense charged to the income statement | 1.1-31.12.06 | 1.1-31.12.05 |
|------------------------------------------------------------------|---------------------|---------------------|
| Profit before tax | 37.530 | 22.862 |
| Income tax calculated at a tax rate of 24% (22% for 2005) | (9.008) | (5.030) |
| Income not subject to tax | 8.093 | 4.869 |
| Non-deductible expenses | (19) | (28) |
| Supplementary tax 3% on real estate | (11) | (12) |
| Tax on income from absorbed companies and losses carried forward | - | (1.679) |
| Tax on tax free reserves | (2.453) | - |
| Tax on dividends paid | (833) | - |
| Deferred tax charge to the income statement | (648) | (163) |
| Income tax expense | (4.879) | (2.043) |

The effective tax rate for 2006 is 13% (2005: 8,9%). The tax rate for Greek legal entities, in accordance with the articles of the Greek tax legislation was reduced to 29% for the year 2006 and 25% for the years 2007 and thereafter.

The Bank made use of the tax incentives granted to companies that merge or absorb other entities (Law. 2992/2002), and defined the amount of income tax based on the tax rate in effect , reduced by five (5) percentage points, namely 24%. Taxable profits for the year 2007 will be taxed on a 20% tax rate, since the reduction in the tax rate is limited to five (5) percentage points as like year 2006.

The Bank has been reviewed by the tax authorities for the years up to and including 2004, while the absorbed companies "Omega Bank SA" and "Proton Securities SA" have been reviewed by the tax authorities and finalized their liabilities up to March 31st 2006. Due to method according to which tax liabilities are settled in Greece, the Bank remains contingently liable to additional taxes and penalties for un-audited periods.

| 16 Earnings per share | 1.1-31.12.2006 | 1.1-31.12.2005 |
|------------------------------------------------------------|-----------------------|-----------------------|
| • Basic | | |
| Profit attributable to the equity holders of the Bank | 32.651 | 20.819 |
| Number of ordinary shares in issue at the end of period | 62.683.822 | 45.135.892 |
| Weighted average number of ordinary shares in issue | 47.395.488 | 45.135.892 |
| Basic earnings per share (expressed in € per share) | 0,69 | 0,46 |

Basic earnings per share is calculated by dividing the net profit attributable to the equity holders of the Bank by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

• **Diluted**

Basic and diluted earnings per share remain the same since the Bank doesn't hold any dilutive potential ordinary shares.

| 17 Cash and balances with the Central Bank | 31.12.2006 | 31.12.2005 |
|--------------------------------------------------------|-------------------|-------------------|
| Cash in hand and items in course of collection | 9.287 | 2.250 |
| Cheques receivable | 12.018 | - |
| Included in cash and cash equivalents (note 38) | 21.305 | 2.250 |
| Mandatory reserve deposits with the Central Bank | 15.366 | - |
| Total | 36.671 | 2.250 |

| 18 Loans and advances to banks | 31.12.2006 | 31.12.2005 |
|--------------------------------------------------------|-------------------|-------------------|
| Placements with other banks | 44.140 | 47.857 |
| Interbank deposits | 47.877 | - |
| Cheques receivable | 1.377 | 3 |
| Included in cash and cash equivalents (note 38) | 93.394 | 47.860 |

| 19 Financial assets at fair value through profit or loss | 31.12.2006 | 31.12.2005 |
|-----------------------------------------------------------------|-------------------|-------------------|
| Government bonds | 18.441 | 6.732 |
| Corporate bonds | 119.146 | 6.228 |
| Mutual fund shares | 15.883 | 14.006 |
| Equity securities | 98.224 | 83.141 |
| Total | 251.694 | 110.107 |

20 Derivative financial instruments
At 31 December 2006

| Derivative financial instruments held-for-trading | Contractual/Notional amount | Fair values | |
|---------------------------------------------------------|-----------------------------|--------------|----------------|
| | | Assets | liabilities |
| (a) Exchange traded | | | |
| - Options | 12.648 | 224 | (100) |
| - Futures | 335.751 | - | - |
| | 348.399 | 224 | (100) |
| (b) OTC | | | |
| - Interest rate swaps | 594.452 | 1.992 | (2.427) |
| - Options | 3.037 | 28 | (7) |
| - Currency forwards | 281.187 | - | (3.753) |
| - Credit default swaps | 13.417 | 42 | (32) |
| - Total return swaps | 10.000 | 325 | - |
| | 902.093 | 2.387 | (6.219) |
| Total recognized derivative assets/(liabilities) | 1.250.492 | 2.611 | (6.319) |

At 31 December 2005

| Derivative financial instruments held-for-trading | Contractual/Notional amount | Fair values | |
|---------------------------------------------------------|-----------------------------|-------------|-------------|
| | | Assets | liabilities |
| - Options | 16.276 | 3 | 1 |
| - Interest rate swaps | 1.000 | 4 | - |
| Total recognized derivative assets/(liabilities) | 17.276 | 7 | 1 |

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

The Bank does not apply hedge accounting as described in IAS 39, therefore the gains and losses arising on derivative financial instruments are recognized in the income statement.

| | 31.12.2006 | 31.12.2005 |
|----------------------------------------------------------|-------------------|-------------------|
| 21 Loans and receivables | | |
| Individuals: | | |
| Mortgages | 51.810 | 1.345 |
| Consumer/personal | 88.372 | 39.968 |
| Credit cards | <u>28.197</u> | <u>-</u> |
| Total loans and receivables to individuals | 168.379 | 41.313 |
| Corporate entities: | | |
| Agricultural | 5.259 | - |
| Mining | 1.149 | - |
| Manufacture | 42.373 | - |
| Small industry | 14.957 | - |
| Building /construction | 73.454 | 4.990 |
| Energy | 2.163 | - |
| Commercial /Insurance | 208.325 | - |
| Transportation | 93.516 | - |
| Services | 36.954 | 16.080 |
| Other entities | <u>328.719</u> | <u>4.851</u> |
| Total loans and receivables to corporate entities | 806.869 | 25.921 |
| Finance lease (1) | 11.388 | - |
| Gross loans and receivables | 986.636 | 67.234 |
| Less: allowance for impairment | | |
| Individuals: | | |
| Balance at 1 January 2006 | (138) | - |
| Acquisitions (accumulated allowances of Omega Bank) | (8.889) | (138) |
| Fair value adjustments of acquired loans (Omega Bank) | (8.068) | - |
| Impairment charges for the year | (339) | - |
| Write offs | <u>1.163</u> | <u>-</u> |
| Total allowances for individuals | (16.271) | (138) |
| Corporate entities: | | |
| Balance at 1 January 2006 | (453) | (453) |
| Acquisitions (accumulated allowances of Omega Bank) | (21.214) | - |
| Fair value adjustments of acquired loans (Omega Bank) | (1.900) | - |
| Impairment charges for the year | (456) | - |
| Write offs | <u>996</u> | <u>-</u> |
| Total allowances for corporate entities | (23.027) | (453) |
| Total allowances at 31 December 2006 | (39.298) | (591) |
| Net loans and receivables | 947.338 | 66.643 |

The net investment from finance lease contracts on leased equipment was determined as follows:

| Finance lease | 31.12.2006 | 31.12.2005 |
|--------------------------------|-------------------|-------------------|
| Gross investment in the lease | 17.185 | - |
| Less: unearned finance income | (5.797) | - |
| Net investment in lease | 11.388 | - |

Present value of minimum lease payments receivable at 31 December 2006 :

| | | |
|---------------------------------------------|---------------|---|
| No later than 1 year | 1.143 | - |
| Later than 1 year and no later than 5 years | 3.734 | - |
| Later than 5 years | 6.511 | - |
| Total | 11.388 | - |

The receivable for 2005 is nil because leasing activities were initiated during 2006.

| 22 Securities held-to-maturity | 31.12.2006 | 31.12.2005 |
|---------------------------------------|-------------------|-------------------|
| Government bonds | 6.646 | - |
| Total | 6.646 | - |

Mainly include Greek Government bonds, that are held from the issue date and for which the Bank intends to hold until maturity. The fair value of the above mentioned bonds as of 31 December 2006 is 6.648 thousands of euros.

| 23 Securities available-for-sale | 31.12.2006 | 31.12.2005 |
|-----------------------------------------|-------------------|-------------------|
| Corporate bonds | 28.142 | 3.004 |
| Other investments | 345 | 131 |
| Equity securities | 5.494 | 603 |
| | 33.981 | 3.738 |
| less: allowance for impairment | (3.004) | (3.004) |
| Total | 30.977 | 734 |

All available-for-sale securities are carried at fair value.

The movement in the investment securities portfolio had as follows:

| | Available for sale | Held to maturity | Total |
|-------------------------------------------|---------------------------|-------------------------|---------------|
| Balance at 1 January 2006 | 734 | - | 734 |
| Acquisitions | 30.661 | - | 30.661 |
| Additions | 214 | 6.768 | 6.982 |
| Disposals | (643) | - | (643) |
| Gains/(losses) from changes in fair value | 11 | (122) | (111) |
| Balance at 31 December 2006 | 30.977 | 6.646 | 37.623 |

| 24 Investment in subsidiaries and associates | 31.12.2006 | 31.12.2005 |
|-----------------------------------------------------|-------------------|-------------------|
| Investments in subsidiaries | 43.911 | 51.595 |
| Investments in associates | 3.778 | - |
| Total | 47.689 | 51.595 |

In the Bank's separate financial statements, investments in subsidiaries and associates are carried at fair value according to IAS 39, as available for sale financial assets measured at fair value with changes in fair value recognized in equity.

24.1 Investments in subsidiaries

At 31 December 2006

| Name | Country | Participation % | Carrying amount |
|--------------------------------------|----------------|------------------------|------------------------|
| Proton Asset Management SA | Greece | 99,90% | 22.000 |
| Proton Mutual Funds Management Co SA | Greece | 99,90% | 2.000 |
| First Global Brokers SA | Serbia | 82,49% | - |
| Omega Mutual Funds SA | Greece | 93,07% | 2.125 |
| Omega Brokerage SA | Greece | 66,00% | 1.458 |
| Omega Insurance SA | Greece | 82,78% | 15.957 |
| Omega Real Estate SA | Greece | 100,00% | 317 |
| Omega Kahn Financial Services SA | Switzerland | 80,00% | 54 |
| Intellectron Systems SA | Greece | 55,64% | - |
| | | | 43.911 |

At 31 December 2005

| Name | Country | Participation % | Carrying amount |
|----------------------------|----------------|------------------------|------------------------|
| Proton Asset Management SA | Greece | 99,90% | 22.000 |
| Proton Mutual Funds SA | Greece | 99,90% | 2.000 |
| First Global Brokers SA | Serbia | 82,49% | 595 |
| Proton Securities SA | Greece | 99,90% | 27.000 |
| Arrow Asset Finance SA | Greece | 99,90% | - |
| | | | 51.595 |

24.2 Investments in associates

At 31 December 2006

| Name | Country | Participation % | Carrying amount |
|-----------------------------------|----------------|------------------------|------------------------|
| Omega Portfolio Investment Co. SA | Greece | 28,75% | 3.778 |

During the period the following changes took place in the Bank's portfolio of investments in subsidiaries and associates:

| | |
|-----------------------------------------------------------|-----------------|
| Balance at 1 January 2006 | 51.595 |
| Acquisitions of minority interests (Proton Securities SA) | 10 |
| Write off due to merger (Proton Securities) | (27.010) |
| Acquisitions (Note 42) | 20.821 |
| Participation in capital increase (Omega Insurance SA) | 2.306 |
| Gains from changes in fair value of associate | 555 |
| Transfers due acquisitions | 7 |
| Impairment (First Global Brokers SA) | (595) |
| Balance at 31 December 2006 | 47.689 |

(a) On 30 September 2006, the dissolution of "Arrow Asset Finance SA" was completed, as the Extraordinary General Meeting of the company's shareholders, approved the start up and liquidation balance sheet according to the article 47 of Law 2190/20 and 35 of the company's Articles of Association.

The dissolution and liquidation of the company had no material effect on the Bank's net assets, since the investment in the particular subsidiary with a cost of 369 thousands of euros was written off. The impairment loss of 369 thousands of euros was charged against the income statement of the year 2005.

(b) The impairment testing of the investment in the subsidiary company "First Global Brokers SA", with a cost of 595 thousands of euros, resulted in an impairment loss, as the carrying amount of investment was below its recoverable amount as determined according to the provisions of IAS 36 "Impairment of Assets".

The recoverable amount was deemed as the higher of its fair value less cost to sell and value in use, for the computation of which, valuations of comparable companies, future cash flows based on management best estimate and the company's current condition were taken into account.

The loss of 595 thousands of euros was charged against the income statement of the year (investment banking segment).

c) As described in note 42, the merger by absorption of "Omega Bank SA" and "Proton Securities SA" was completed on 29 September 2006.

d) As listed in the Athens stock exchange, "Omega Portfolio Investment Co. SA", has been measured at its market value of 31 December 2006. The Bank's share of equity at 31 December 2006 was 3.959 thousands of euros.

25 Property, plant and equipment

| | Land | Buildings | Machinery | Vehicles | Furniture | Total |
|------------------------------------------------------------|--------------|---------------|-----------|------------|--------------|---------------|
| At 1 January 2006 | | | | | | |
| Cost | - | 1.194 | 23 | 169 | 1.533 | 2.919 |
| Accumulated depreciation | - | (438) | (19) | (56) | (1.304) | (1.817) |
| Net book value | - | 756 | 4 | 113 | 229 | 1.102 |
| Year ended 31 December 2006 | | | | | | |
| Opening net book value | - | 756 | 4 | 113 | 229 | 1.102 |
| Absorption (Proton Securities SA) – Cost of acquisition | - | 59 | - | - | 326 | 385 |
| Absorption (Proton Securities SA)–Accumulated depreciation | - | (24) | - | - | (262) | (286) |
| Acquisitions (note 42) | 8.313 | 10.120 | 37 | 14 | 7.032 | 25.516 |
| Additions | - | 521 | 2 | - | 447 | 970 |
| Disposals - cost of acquisition | - | - | - | - | (33) | (33) |
| Disposals - accumulated depreciation | - | - | - | - | 27 | 27 |
| Depreciation charge | - | (290) | (5) | (26) | (461) | (782) |
| Closing net book value | 8.313 | 11.142 | 38 | 101 | 7.305 | 26.899 |
| At 31 December 2006 | | | | | | |
| Cost | 8.313 | 11.894 | 62 | 183 | 9.305 | 29.757 |
| Accumulated depreciation | - | (752) | (24) | (82) | (2.000) | (2.858) |
| Net book value | 8.313 | 11.142 | 38 | 101 | 7.305 | 26.899 |
| At 1 January 2005 | | | | | | |
| Cost | - | 1.153 | 23 | 166 | 1.336 | 2.678 |
| Accumulated depreciation | - | (300) | (15) | (31) | (837) | (1.183) |
| Net book value | - | 853 | 8 | 135 | 499 | 1.495 |
| Year ended 31 December 2005 | | | | | | |
| Opening net book value | - | 853 | 8 | 134 | 500 | 1.495 |
| Additions | - | 42 | - | 3 | 197 | 242 |
| Depreciation charge | - | (138) | (5) | (25) | (467) | (635) |
| Closing net book value | - | 757 | 3 | 112 | 230 | 1.102 |
| At 31 December 2005 | | | | | | |
| Cost | - | 1.195 | 23 | 168 | 1.533 | 2.919 |
| Accumulated depreciation | - | (438) | (20) | (56) | (1.303) | (1.817) |
| Net book value | - | 757 | 3 | 112 | 230 | 1.102 |

| | | |
|--------------------------------------------|-------------------|-------------------|
| 26 Non-current assets held for sale | 31.12.2006 | 31.12.2005 |
| Land | 64 | - |

The account includes land acquired from foreclosure and auctions. According to IFRS 5, the Bank must sell any assets of this category within twelve months from the date of acquisition.

27 Intangible assets

| | Preliminary goodwill | Software | Total |
|--------------------------|-------------------------|-----------|-----------|
| At 1 January 2006 | | | |
| Cost | - | 470 | 470 |
| Accumulated depreciation | - | (377) | (377) |
| Net book value | - | 93 | 93 |

Year ended 31 December 2006

| | | | |
|--------------------------------------------------------------|---------------|--------------|----------------|
| Opening net book value | - | 93 | 93 |
| Absorption (Proton Securities SA) - Cost of acquisition | - | 578 | 578 |
| Absorption (Proton Securities SA) - Accumulated depreciation | - | (564) | (564) |
| Acquisitions (note 42) | 98.576 | 4.321 | 102.897 |
| Additions | | 173 | 173 |
| Depreciation charge | | (371) | (371) |
| Closing net book value | 98.576 | 4.230 | 102.806 |

At 31 December 2006

| | | | |
|--------------------------|---------------|--------------|----------------|
| Cost | 98.576 | 5.542 | 104.118 |
| Accumulated depreciation | - | (1.312) | (1.312) |
| Net book value | 98.576 | 4.230 | 102.806 |

| | Preliminary Goodwill | Software | Total |
|--------------------------|-------------------------|------------|------------|
| At 1 January 2005 | | | |
| Cost | - | 433 | 433 |
| Accumulated depreciation | - | (325) | (325) |
| Net book value | - | 108 | 108 |

Year ended 31 December 2005

| | | | |
|--------------------------------------|----------|-----------|-----------|
| Opening net book value | - | 108 | 108 |
| Additions | - | 48 | 48 |
| Disposals – cost | - | (10) | (10) |
| Disposals – accumulated depreciation | - | 2 | 2 |
| Depreciation charge | - | (55) | (55) |
| Closing net book value | - | 93 | 93 |

At 31 December 2005

| | | | |
|--------------------------|----------|-----------|-----------|
| Cost | - | 469 | 469 |
| Accumulated depreciation | - | (376) | (376) |
| Net book value | - | 93 | 93 |

The preliminary goodwill was created from the acquisition of Omega Bank and refers to the difference between the cost of acquisition and the fair value of the net assets acquired, as described in note 42.

| | 31.12.2006 | 31.12.2005 |
|-----------------------------------------------------------|-------------------|-------------------|
| 28 Other assets | | |
| Other debtors | 10.707 | 8.855 |
| Guarantees | 7.689 | 108 |
| Contributions to Co-Guarantee Fund and Supplementary Fund | 4.430 | - |
| Greek state, prepaid taxes | 3.648 | 382 |
| Credit card receivables | 2.095 | - |
| Bad debts, other than loans and receivables | 1.199 | 289 |
| Short term receivables from subsidiaries other than loans | 125 | - |
| Receivables from transactions for third parties | 68 | - |
| Advances to third parties | 50 | - |
| Advances to employees | 26 | 79 |
| Receivables from brokerage | 8 | - |
| | 30.045 | 9.713 |
| Less: allowances for impairment | (2.010) | (289) |
| Total | 28.035 | 9.424 |

| | 31.12.2006 | 31.12.2005 |
|-------------------------------|-------------------|-------------------|
| 29 Due to banks | | |
| Deposits from other banks | 33.934 | 6.106 |
| Repurchase agreements (repos) | 56.526 | - |
| Total | 90.460 | 6.106 |

The total of the repurchase agreements (repos) mature within one month from the balance sheet date.

| | 31.12.2006 | 31.12.2005 |
|---------------------------------------|-------------------|-------------------|
| 30 Due to customers | | |
| Individuals: | | |
| Savings accounts | 64.497 | - |
| Current accounts | 1.122 | - |
| Time deposits | 586.410 | 4.953 |
| | 652.029 | 4.953 |
| Corporate entities: | | |
| Current accounts | 80.117 | 15.392 |
| Time deposits: | | |
| Corporate entities | 148.846 | 24.663 |
| Public organizations | 7.788 | - |
| Public corporations | 4.565 | - |
| Other time deposits | 84.401 | 357 |
| Sale and repurchase agreement (repos) | 920 | - |
| | 326.637 | 40.412 |
| Blocked deposits | 29 | - |
| Pledged deposits | 50.361 | - |
| Margin accounts | 35.543 | 1 |
| Total | 1.064.599 | 45.366 |

The total of the repurchase agreements (repos) mature within one month from the balance sheet date.

The total interest expense from repurchase agreements on bonds with the Bank's customers for the year 2006 amounted to 767 thousands of euros.

31 Current income tax liabilities

| | 31.12.2006 | 31.12.2005 |
|--------------------|-------------------|-------------------|
| Income tax expense | 945 | 1.880 |
| Total | 945 | 1.880 |

32 Other liabilities

Taxes and duties payable:

| | 31.12.2006 | 31.12.2005 |
|-----------------------------------------------------------|-------------------|-------------------|
| Taxes and duties from salaries | 444 | 144 |
| Taxes from interest on deposits | 253 | 25 |
| Other taxes and duties payable | 176 | 248 |
| Taxes and duties relating to prior years from tax reviews | 1.321 | - |
| Payables to social security funds | 732 | 78 |

Other liabilities:

| | | |
|-----------------------------------------------------------------------|---------------|--------------|
| Dividends payable | 34 | - |
| Due from collections on behalf of third parties | 2 | - |
| Salaries payable | 296 | 112 |
| Due to foreign derivative brokerage customers | 3.695 | - |
| Due from settlement of brokerage transactions | 1.304 | - |
| Due from settlement of brokerage transactions – Cyprus stock exchange | 744 | - |
| Suppliers and other liabilities | 4.888 | 1.281 |
| Total | 13.889 | 1.888 |

33 Deferred tax assets/liabilities

Deferred tax assets:

| | 31.12.2006 | 31.12.2005 |
|-------------------------------------------------------|-------------------|-------------------|
| Retirement benefit obligations | 315 | 24 |
| Financial liabilities | 241 | (2) |
| Staff bonuses | 257 | 375 |
| From tax losses | 275 | 3 |
| Fair value adjustment on acquired assets (Omega Bank) | 2.492 | - |

Deferred tax liabilities:

| | | |
|-------------------------------------------------------|--------------|------------|
| Financial assets | (6) | - |
| Allowances for impairment losses on loans | (37) | - |
| Derivatives listed on the Athens Derivatives exchange | (10) | - |
| Accrued interest – loans commissions | (440) | 19 |
| Property, plant and equipment –Intangible assets | 118 | - |
| Finance leases | (43) | - |
| Total | 3.162 | 419 |

The movement in the deferred taxes during the year had as follows:

| | |
|-------------------------------------------------------|--------------|
| Balance at 1 January 2006 | 419 |
| Increase due to absorption (Proton Securities SA) | 20 |
| Increase due to acquisition (Omega Bank SA – note 42) | 1.056 |
| Retirement benefit obligations | 7 |
| Financial assets | (13) |
| Financial liabilities | 20 |
| Allowances for impairment on loans | (493) |
| Derivative listed on the Athens Derivatives exchange | (66) |
| Loans and receivables – effective interest rate | (298) |
| Interest expense – effective interest rate | 220 |
| Staff bonuses | 128 |
| Property, plant & equipment and Intangible assets | (287) |
| Finance leases | (43) |
| Fair value adjustment on acquired assets (Omega Bank) | 2.492 |
| Balance at 31 December 2006 | 3.162 |

| | | |
|-------------------------------------------------|-------------------|-------------------|
| 34 Retirement benefit obligations | 31.12.2006 | 31.12.2005 |
| Amounts recognized in the balance sheet: | | |
| Present value of defined benefit obligations | 1.012 | 133 |
| Unrecognized actuarial losses | (115) | (37) |
| Total liabilities at end of the year | 897 | 96 |

| | | |
|----------------------------------------------------|-----------|-----------|
| Amounts recognized in the income statement: | | |
| Current service cost | 35 | - |
| Interest cost | 7 | 16 |
| Net actuarial losses recognized | 2 | 3 |
| Total | 44 | 19 |

| | | |
|-----------------------------------------|-------|-------|
| Principal actuarial assumptions: | | |
| Discount rate | 4,10% | 3,72% |
| Future salary increases | 4,70% | 4,70% |
| Expected return on plan assets | 4,10% | 3,72% |

| | | |
|-------------------------------------------------------------------------------------|------------|-----------|
| The movement in the defined benefit obligation over the year has as follows: | | |
| Balance at 1 January 2006 | 96 | 79 |
| Increase due to business combinations (absorption of Proton Securities SA) | 69 | - |
| Increase due to business combinations (acquisition of Omega Bank SA) | 772 | - |
| Charge in the income statement | 44 | 19 |
| Benefits paid | (84) | (2) |
| Total | 897 | 96 |

| | 31.12.2006 | 31.12.2005 |
|--------------------------------------------------------------------------|-------------------|-------------------|
| 35 Share capital | | |
| Paid up share capital at beginning of period | 202.660 | 35.000 |
| Increase due to acquisition of Omega Bank SA/ closed-end funds (note 42) | 78.771 | 141.748 |
| Capitalization of reserves | <u>19</u> | <u>25.912</u> |
| Total | 281.450 | 202.660 |

Ordinary shares (number of shares):

| | | |
|----------------------------------------------------|-------------------|-------------------|
| At 1 January 2006 | 45.135.892 | 14.000.000 |
| Share issue (note 42) | <u>17.547.930</u> | <u>31.135.892</u> |
| Total number of ordinary shares outstanding | 62.683.822 | 45.135.892 |

On 7 September 2006, the Extraordinary General Shareholders' Meeting of the Bank (the acquirer) approved the merger with "Omega Bank SA" and "Proton Securities SA". According to the Merger Contract, which was approved by the General Meeting of Shareholders, the exchange share ratio was 1 share of Omega Bank SA for 0,90 shares of the acquirer. As the Bank held 100% of the shares of Proton Securities SA, there was no exchange ratio. Additionally, the General Meeting decided the amendment of article 5 of its Articles of Association in order for the Bank's share capital to rise after the merger, to a total amount of 281.450.360,78 euro divided into 62.683.822 common voting shares of nominal value 4,49 euro each. The merger was completed on 29 September 2006.

| | 31.12.2006 | 31.12.2005 |
|----------------------------------------------|-------------------|-------------------|
| 36 Share premium | | |
| Balance at 1 January 2006 | - | - |
| Increase due to acquisition of Omega Bank SA | <u>85.478</u> | <u>-</u> |
| Total | 85.478 | - |

The share premium was created on the acquisition of Omega Bank SA and represents the difference between the market value and nominal value of exchanged shares for the acquisition.

| | 31.12.2006 | 31.12.2005 |
|--------------------------------------------------------------------------|-------------------|-------------------|
| 37 Other reserves | | |
| Available-for-sale reserve: | | |
| Balance at 1 January 2006 | 34.391 | 34.391 |
| Gains form change in fair value | 538 | - |
| Change due to business combinations (absorption of Proton Securities SA) | <u>(21.136)</u> | <u>-</u> |
| Total available-for-sale reserve | 13.793 | 34.391 |
| Other reserves : | | |
| Balance at 1 January 2006 | 4.018 | 4.063 |
| Distribution of tax free reserves | <u>(2.638)</u> | <u>-</u> |
| Transfer from retained earnings to statutory reserves | 147 | 214 |
| Change due to business combinations (absorption of Proton Securities SA) | <u>1.136</u> | <u>(259)</u> |
| Total other reserves | 2.663 | 4.018 |
| Total | 16.456 | 38.409 |

37.1 Statutory reserve

According to the article 44, Law 2190/1920, at least 5% of the annual profits after tax are transferred to form the statutory reserve. The obligation ceases until this reserve amounts represents one third of the Bank's share capital. The reserve is not distributable but it may be applied to extinguish accumulated losses.

37.2 Tax free reserves

The tax free reserves have been formed according to the provisions of the Greek tax law and stem from tax exempt revenue. In the event that these reserves are distributed or capitalized they will be taxed at the rate applicable on the date of distribution or capitalization.

According to the articles of recent tax law, the current period was charged with an additional tax of 15% that was imposed on the tax free reserves of Banks. The amount of tax from the taxation of tax free reserves amounted to 2.453 thousands of euros, and was fully paid in 2006. The total of tax free reserves amounting to 16.354 thousands of euros, can be distributed or capitalized without any additional tax charges since they have been taxed.

| 38 Cash and cash equivalents | 31.12.2006 | 31.12.2005 |
|---------------------------------------------------------------|-------------------|-------------------|
| Cash and balances with the Central Bank (note 17) | 21.305 | 2.250 |
| Loans and advances to banks (note 18) | <u>93.394</u> | <u>47.860</u> |
| | 114.699 | 50.110 |
| Cash and cash equivalents at beginning (Proton Securities SA) | <u>-</u> | <u>6.979</u> |
| Total | 114.699 | 57.089 |

The beginning balance of cash and cash equivalents include the respective balance from "Proton Securities SA" which was absorbed by the Bank, consequently, as mentioned in note 2.3, the balance of cash and cash equivalents of the previous year is not comparable.

39 Dividends per share

The annual Regular General shareholders' Meeting of the Bank on 14 April 2006, approved a dividend amounting to a total of euro 12.638.049,76 (euro 0,28 per share). The dividend relates to profits of year 2005 and an appropriation of prior year reserves. The dividend was paid on 4 May 2006.

The Board of Directors decided on the meeting of 5 March 2007 and will propose to the annual Regular General shareholders' Meeting of the Bank the distribution of dividends relating to 2006 amounting to a total of euro 17.551.470,16 (euro 0,28 per share). These financial statements do not include a provision for the proposed dividend, except for the tax relating to the proposed dividend.

40 Contingent liabilities and commitments

40.1 Legal proceedings

There are some receivables and legal actions against the bank in the ordinary course of business. No provision in relation to these claims has been recognized, after the consultation with legal counsel, the final sentence judgment and their settlement are not expected to have a material impact on the financial statements of the Bank.

40.2 Letters of guarantee/Irrevocable letters of credit

The off balance sheet items which represent the Bank's commitment to extend credit to its customers are analyzed as follows:

| | 31.12.2006 | 31.12.2005 |
|-------------------------------|-------------------|-------------------|
| Letters of guarantee | 84.585 | 38.299 |
| Irrevocable letters of credit | <u>2.804</u> | <u>-</u> |
| Total | 87.389 | 38.299 |

40.3 Pledged assets

Greek Government bonds with a nominal value of 5.500 thousands of euros, have been assigned to HELEX.

The rights on bonds issued by Halcyon and GBG Finance with a nominal value of 2.500 thousands of euros and 8.000 thousands of euros respectively have been assigned to Hypo Real Estate Dublin.

40.4 Capital commitments

(a) The Bank as a lessee, has signed non cancelable operating lease agreements with a value of 1.049 thousands of euros

(b) The Bank leases for its operating purposes, offices for head quarters and branches. The future minimum lease payments under non cancellable operating leases, have as follow:

| | 2006 | 2005 |
|---------------------------------------------|---------------|--------------|
| No later than 1 year | 3.712 | 520 |
| Later than 1 year and no later than 5 years | 16.206 | 2.598 |
| Later than 5 years | <u>39.969</u> | <u>722</u> |
| Total | 59.887 | 3.840 |

| | | |
|------------------------------------------------------|-------|----|
| Monthly lease payments | 309 | 43 |
| Guarantees which will be offset at lease termination | 1.123 | - |

(c) The Bank leases vehicles for private use. The future minimum lease payments for cars under non cancellable operating lease arrangements have as follows:

Leased tangible assets: vehicles for private use

Lease term: 4 years per leased vehicle.

Lease guarantees offset at the end of the lease : 14 thousands of euros

Accrued lease payments recognized in the income statement during the period: 101 thousands of euros.

| | 2006 | 2005 |
|---------------------------------------------|-------------|-------------|
| No later than 1 year | 195 | 70 |
| Later than 1 year and no later than 5 years | 303 | 146 |
| Later than 5 years | <u>-</u> | <u>-</u> |
| Total | 498 | 216 |

(d) As of 31 December 2006, the Bank as a lessor, had signed non cancelable lease agreements for the acquisition of equipment for finance lease purposes amounting to 3.935 thousands of euros for which no payment had been made.

40.5 Share option plan

The Extraordinary General shareholders’ Meeting of the Bank on 24 November 2006 approved a share option plan for the members of the Board of Directors, key management, its employees and the Bank’s related companies in the form of stock options according to the article 13 of Law 2190/1920 after the proposition of the Board of Directors and the Compensation Committee. The program has a contractual term of six years ending at December 2012. According to the plan, if all share options will be exercised, then a number of up to 6.268.382 shares will be issued on behalf of the plan beneficiaries. The exercise price will be 10, 46 euros per share and the options are exercisable for a three year period from the grand date. In the event that not all shares are exercised and the share capital increase is not fully covered, then according to the provisions of the article 13 §1 of Law 2190/1920, the share capital will increase up to the amount of coverage. The above program has not been implemented yet, since the final details of the program have not been set by the Compensation Committee and approved by the Board of Directors.

40.6 Treasury shares

The Extraordinary General shareholders’ Meeting of the Bank on 24 November 2006 approved the acquisition of up to 10% of the Bank’s shares (6.268.382), for a price range from five (5) to fifteen (15) euros per share for the twelve month period starting from the date of approval by the General Meeting of shareholders. There were no changes in the Bank’s equity as a result of the above decision, since no acquisitions of treasury shares took place during the period.

41 Related party transactions

Related parties include: a) Members of the Board of Directors, b) close members of the family and financial dependant of the above c) subsidiaries and associate companies of the Group.

The balances and transactions of the Bank with its related parties are as follow:

| | 2006 | 2005 |
|--------------------------------------|---------------|-------------------|
| I. Subsidiaries | | |
| Assets | | |
| Loans | 6.123 | 16.080 |
| Other assets (receivables) | <u>173</u> | <u> </u> |
| Total | 6.296 | 16.080 |
| Liabilities | | |
| Deposits | <u>22.441</u> | <u>8.901</u> |
| Total | 22.441 | 8.901 |
| | | |
| Income | | |
| Interest and similar income | 84 | 627 |
| Other operating income | <u>165</u> | <u>1.515</u> |
| Total | 249 | 2.142 |
| | | |
| Expenses | | |
| Interest expense and similar charges | 191 | 157 |
| Administrative expenses | <u>226</u> | <u>1.059</u> |
| Total | 417 | 1.216 |
| | | |
| Letters of guarantee | 1.036 | 37.932 |

| II. Associated companies | 2006 | 2005 |
|---------------------------------|--------------|-------------|
| Deposits | 6.574 | |
| Other receivables | 11 | |
| Total | 6.585 | - |

Income/expenses

| | | |
|--------------------------------------|-----------|----------|
| Interest expense and similar charges | 28 | |
| Other operating income | 26 | - |
| Total | 54 | - |

III. Directors and key management personnel

| | 2006 | 2005 |
|--------------------------------------|-------------|-------------|
| Loans | 6.600 | 12.323 |
| Letters of guarantee | 127 | 117 |
| Deposits | 34.868 | 1.558 |
| Salaries and other remuneration | 1.054 | 932 |
| Interest and similar income | 131 | 469 |
| Interest expense and similar charges | 314 | 32 |

42 Business acquisitions

42.1 Acquisition of Omega Bank SA and Proton Securities SA

The merger (absorption) of "Omega Bank SA" and "Proton Securities SA" by the Bank was completed on 29 September 2006. For the above merger, the provisions of the IFRS 3 "Business Combinations" were followed which apply for all business combinations on or after the 31 March 2004.

Specifically, according to IFRS 3, the above combination was accounted for by applying the purchase method. The fair value of the price given by the acquirer for the acquisition of the absorbed companies' net assets was considered as the cost of acquisition. The date when control was transferred to the acquirer was assumed as the acquisition date. According to the Draft Merger Contract, the merger is considered to be completed and control is transferred to the Bank, when the approving decision by the authorities will be recorded in the registry of Societes Anonymes. The above merger was approved by the General Shareholders' Meeting on 7 September 2006, and recorded in the registry of Societes Anonymes on 29 September 2006.

For the merger of the Bank with "Proton Securities SA", the assets, liabilities and equity of the two companies were simply summed up, since the Bank held a 100% interest in "Proton Securities SA" and the business combination was out of the scope of IFRS 3.

42.1.1 Financial effect of acquisition on the acquirer

The acquisition (absorption) of "Omega Bank SA" by the Bank on the date of acquisition resulted in an increase of assets and liabilities by 1.056.874 thousands of euros and 990.600 thousands of euros respectively.

If the acquisition had occurred on 1 January 2006, total net revenues and after tax profit of the acquirer for the period ending 31 December 2006 would be 135.994 thousands of euros and 27.257 thousands of euros respectively.

The identifiable assets and liabilities acquired on the date of acquisition are as follows:

| | Book value | Fair value adjustments | Fair value |
|-------------------------------------------------------|-------------------|-------------------------------|-------------------|
| Cash and balances with the Central Bank | 11.169 | | 11.169 |
| Cash and cash equivalents | 155.739 | | 155.739 |
| Loans and receivables | 772.731 | | 762.764 |
| Financial assets at fair value through profit or loss | 30.889 | (9.967) | 30.889 |
| Available-for-sale financial assets | 30.661 | | 30.661 |
| Derivative financial instruments (assets) | 368 | | 368 |
| Investment in subsidiaries and associates | 20.821 | | 20.821 |
| Property, plant and equipment | 26.127 | | 25.515 |
| Intangible assets | 4.322 | (612) | 4.322 |
| Other assets | 11.078 | | 11.078 |
| Deferred tax assets | 1.056 | 2.492 | 3.548 |
| Due to Banks | (85.417) | | (85.417) |
| Derivative financial instruments (liabilities) | (2.128) | | (2.128) |
| Due to customers | (897.699) | | (897.699) |
| Other liabilities | (5.059) | 513 | (4.546) |
| Retirement benefit obligations | (1.078) | 268 | (810) |
| Fair value of net identifiable assets acquired | 73.580 | (7.306) | 66.274 |

The fair value of the above identifiable assets and liabilities was determined from discounted cash flow models. The fair value estimation process of the identifiable intangible assets is under way. According to the provisions of IFRS 3 the adjustments to the initial accounting must be completed within twelve months from the date of acquisition. After the final determination of the fair value of the identifiable intangible assets, the acquirer will allocate the preliminary goodwill recognizing the intangible assets at their fair values. The remaining difference that is not allocated, will be included in intangible assets and recognized as goodwill and will be subject to impairment test annually.

(Outflow)/inflow to acquire business:

| | |
|-----------------------------------------------------------------------|----------------|
| - cash consideration (costs directly attributable to the acquisition) | (601) |
| - cash and cash equivalents acquired | 155.739 |
| - eliminations of cash equivalents between Proton Bank and Omega Bank | (23.545) |
| Net inflow | 131.593 |

42.1.2 Cost of acquisition-Goodwill

The cost of acquisition amounted to 164.850 thousands of euros and was determined by the market value of the Bank's shares on 29 September 2006, and is analyzed as follows:

| | |
|----------------------------------------------------------------------------|----------------|
| Fair value of equity instruments exchanged (17.547.930 x 9,36 € per share) | 164.249 |
| Direct costs attributable to the acquisition | 601 |
| Total cost of acquisition | 164.850 |
| Fair value of net identifiable assets acquired | (66.274) |
| Preliminary goodwill | 98.576 |

42.2 Business acquisitions in 2005

The merger process by absorption of the three Closed End Funds "Arrow", "Eurodynamiki" and "Exelixa" by the Bank was completed on 30 December 2005. From the above business combination, a negative goodwill amounting to 10.301 thousands of euros was created (as presented in detail in note 35 of the published annual financial statements of the Bank for the year ended 31 December 2005) and recognized in the income statement of year 2005 in accordance with IFRS 3.

43 Reclassifications

The reclassifications mentioned in note 2.3 refer to the reclassification of balance sheet items for the year ended at 31 December 2006 which had no effect in the Bank's equity and are presented below:

| Balance sheet accounts | note | As reported | Reclassifications | | Restated |
|-------------------------------|-------------|--------------------|--------------------------|---------|-----------------|
| Loans and receivables | i | 72.338 | | (5.695) | 66.643 |
| Other assets | | 3.470 | 5.954 | | 9.424 |
| Total assets | | 289.974 | 5.955 | (5.695) | 290.234 |
| Due to customers | ii | 45.451 | (85) | | 45.366 |
| Other liabilities | | 3.423 | | 345 | 3.768 |
| Total liabilities | | 55.077 | (85) | 345 | 55.337 |

(i) the above transfer refers to receivables by the Bank from margin accounts from derivative stock exchanges

(ii) refers to the transfer of cheques receivable to "other receivables".

44 Restatement of cash flow statement of 31 December 2005

The cash flow statement of 31 December 2005 has been restated in order to be comparable with the respective cash flow statement of the current year.

Because the merger between the Bank and the three Closed End Funds was accomplished on 29 December 2005, the cash flow statement of 2005 should not include any changes in operating assets and income from the above business combination. The reported and restated cash flow statement at 31 December 2005 have as follow:

| Cash flow statement | Restated | As reported |
|-------------------------------------------------------------------------------------------------|----------------------------|-----------------------|
| (in thousands of euros) | Note 1.1-31.12.2005 | 1.1-31.12.2005 |
| Cash flows from operating activities | | |
| Profit before income taxation | 22.862 | 22.862 |
| Adjustments for: | | |
| Add: impairment losses on loans | 300 | 300 |
| Add: depreciation expense | 459 | 459 |
| Gains (-)/ losses (+) from revaluation of financial assets at fair value through profit or loss | (10.135) | (10.135) |
| Negative goodwill | (1) (10.301) | - |
| Gains (-)/ losses (+) from investment activities | 3.004 | 3.004 |
| Cash flows from operating activities before changes in operating assets and liabilities | 6.189 | 16.490 |
| Changes in operating assets and liabilities | | |
| Net (increase)/decrease in loans and advances to banks | (2) - | (34.423) |
| Net (increase)/decrease in loans and receivables | (11.621) | (11.621) |
| Net (increase)/decrease in financial assets at fair value through profit or loss | (1) 2.570 | (51.238) |
| Net (increase)/decrease in other assets | (1) (829) | (1.285) |
| Net increase /(decrease) in due to banks | (9.290) | (9.290) |
| Net increase /(decrease) in due to customers | (1) 56.300 | (47.413) |
| Net increase /(decrease) in other liabilities | (1) (8.605) | 331 |
| Net cash flow from operating activities before tax payment | 28.525 | (154.939) |
| Net cash flow from operating activities | 34.714 | (138.449) |
| Cash flows from investing activities | | |
| Purchase/proceeds from the sale of property, plant and equipment | (1) (296) | (301) |
| Purchase/proceeds from the sale of available-for-sale financial assets | (3.738) | (3.738) |
| Acquisitions of "FGB", net of cash acquired | (595) | (595) |
| Acquisition of "Arrow", "Exelixa" and "Eurodynamiki", net of cash acquired | 3.003 | - |
| Net cash flow investing activities | (1.626) | (4.634) |
| Cash flows from financing activities | | |
| Cash received from share capital increase | (1) - | 141.748 |
| Net cash flow financing activities | - | 141.748 |
| Net increase in cash and cash equivalents | (2) 33.088 | (1.335) |
| Cash and cash equivalents at beginning of period | 17.022 | 3.585 |
| Cash and cash equivalents at end of period | (2), 38 50.110 | 2.250 |

(1) : change due to merger

(2) : Loans and advances to Banks presented in cash and cash equivalents

45 Events after the balance sheet date

On 31 January 2007, the Bank and the majority shareholders of the insurance company "International Life SA Life Insurance" agreed to the purchase of 51% of the shares of International Life by the Bank in cash. The agreement provides for the purchase price to be equal to 1,55 the book value of International Life as of 31 December 2006 times the percentage to be acquired. The completion of this agreement is subject to the due diligence on the companies belonging to the International Life Group and the approval of the relevant regulatory authorities. The transaction is expected to be completed within three (3) months by 30 April 2007.

Beside the aforesaid, there were no significant events subsequent to the balance sheet date which are required to be mentioned.

The financial statements of the Bank presented from pages 5 to 49, were prepared according to the International Financial Reporting Financial Reporting Standards as adopted by the European Union, approved for issue by the Board of Directors at 5 March 2007 and signed by:

The Vice Chairman of the BoD

The Managing Director of the BoD

The General Manager

Anthony I.Athanassoglou

Elias G.Lianos

Athanassios I.Papaspiliou

The Financial Managers

Georgios S.Nikiforakis

Polychronis V.Karachalios