

PROTONBANK

PROTON BANK GROUP

Consolidated 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

Index to the financial statements					
Note		Page	Note		Page
	Board of Directors' report	3	9	Dividend income	34
	Independent Auditors' report	5	10	Net trading income	35
	Consolidated income statement	7	11	Other operating income	35
	Consolidated balance sheet	8	12	Personnel expenses	35
	Consolidated statement of changes in equity	9	13	Other administrative expenses	35
	Cash flow statement	10	14	Depreciation expenses	35
	Notes to the financial statements:		15	Insurance claims	36
1.	General information	11	16	Impairment losses on financial and non financial assets	36
1.1	- The subsidiaries and participating interests	11	17	Income tax expense	36
1.2	- Changes in the composition of the BoD	12	18	Earnings per share	37
2	Summary of significant accounting policies	12	19	Cash and balances with the Central Bank	38
2.1	- Basis of preparation	12	20	Loans and advances to banks	38
2.2	- Estimates and judgments	12	21	Financial assets at fair value through profit or loss	38
2.3	- Comparatives	12	22	Derivative financial instruments	38
2.4	- Subsidiaries and associates	13	23	Loans and receivables	39
2.5	- Foreign currency transactions	13	24	Insurance receivables	40
2.6	- Interest income and expense	13	25	Securities held-to-maturity	40
2.7	- Fee and commission income	13	26	Securities available-for-sale	40
2.8	- Dividend income	13	27	Investments in associates	41
2.9	- Financial assets	13	28	Property, plant and equipment	41
2.10	- Offsetting	14	29	Investment property	42
2.11	- Fair value measurement	15	30	Non-current assets held for sale	42
2.12	- Impairment of financial assets	15	31	Intangible assets	43
2.13	- Derivative financial instruments and hedging accounting	15	32	Reinsurance contracts	43
2.14	- Sale and repurchase agreements	16	33	Other assets	44
2.15	- Cash and cash equivalents	16	34	Due to banks	44
2.16	- Intangible assets	17	35	Due to customers	44
2.17	- Property, plant and equipment	17	36	Dept securities in issue	45
2.18	- Non-current assets held for sale	18	37	Provisions for insurance contracts	45
2.19	- Leases	18	38	Other liabilities	46
2.20	- Financial liabilities	18	39	Deferred tax assets/ liabilities	46
2.21	- Share capital	18	40	Current income tax liabilities	46
2.22	- Fiduciary activities	19	41	Retirement benefit obligations	47
2.23	- Provisions	19	42	Share capital	47
2.24	- Employee benefits	19	43	Share premium	48
2.25	- Segment reporting	20	44	Other reserves	48
2.26	- Income Tax	20	44.1	- Statutory reserve	48
2.27	- Insurance contracts	20	44.2	- Tax free reserves	48
2.28	- New IFRSs	21	45	Cash and cash equivalents	48
3	Financial risk management	23	46	Dividends per share	49
3.1	- Credit risk	23	47	Contingent liabilities and commitments	49
3.2	- Market risk	23	47.1	- Legal proceedings	49
3.3	- Liquidity risk	23	47.2	- Letters of guarantee/ Irrevocable letters of credit	49
3.4	- Foreign exchange risk	25	47.3	- Pledged assets	49
3.5	- Interest rate risk	28	47.4	- Capital commitments	49
3.6	- Capital management and capital adequacy	30	47.5	- Share option plan	50
4	Critical accounting estimates and judgments	31	47.6	- Treasury shares	50
4.1	- Impairment losses on loans and advances to customers	31	48	Related party transactions	50
4.2	- Fair value of derivative financial instruments	31	49	Business acquisitions	51
4.3	- Impairment of available-for-sale financial assets	31	50	Development claim tables of automobile life	54
4.4	- Income taxes	31	51	Non-life insurance contract liabilities	54
4.4	- Provisions for insurance activities	31	52	Reclassifications	54
5	Segment analysis	32	53	Restatement of Cash flow statement of 31 st December 2005	56
6	Net interest income	34	54	Events after the balance sheet date	57
7	Net fee and commission income	34			
8	Net income from insurance activities	34			

**Board of Directors' report
for "PROTON BANK S.A."
for the year ended 31 December 2006**

Dear Shareholders,

The prospects of the world economy sound favourable for the upcoming year 2007, where the Greek economy is expected to achieve further expansion with growth rates perceptibly higher than those of the Eurozone. The Greek governmental policy in economics keeps on focusing in the establishment of a permanently constant macroeconomic environment, while the relevant rates of economic growth are achieved through the private consumption, the investments, and the structural changes. In addition, the domestic banking system operates and is defined within the restrictions of economy and market. The credit stretching and more specifically the range of financial services in commercial banking remains the major area whereas the Greek banking institution compete. The conditions of a such competition become continuously more intense, as this is clearly depicted in a further reduction in spreads of the weighted average interest rates on loans and deposits, and in the elimination of differences between public-controlled and private-owned banks. At the same time, a high degree of business concentration emerges in the Greek banking system where the focus on competition lies on profitability and market shares. Within this context, a significant advantage for niche, specialized banking institutions arises where they can offer quickly, effectively and flexible universal services covering the whole spectrum of the financing needs of their customers.

The year 2006 has been a period of significant business development for PROTON BANK and its Group. The merger by absorption with the OMEGA Bank and its Group together with the PROTON Securities, which was successfully completed on 29 September 2006, has expanded the PROTON's capital base, total shareholders' equity and net profits. As such, the improvement in performance enables us to immediately further the functional and operational infrastructures aiming mainly at quality and increased market shares.

With the merger by absorption with the OMEGA Bank, PROTON's is strengthening and deepening client relationships in businesses, such as: retail banking, credit cards, and bancassurance, where we did not have any presence at all before.

As of 31 December 2006, PROTON Bank serves its clients by utilizing a network of 21 branches. In addition, we continue to upgrade our products and services by establishing and operating business units in leasing and shipping banking.

Moreover, the Bank maintained its strong presence in investment banking, asset/wealth management and brokerage services, where solid track record and good reputation has already been gained.

Throughout the Group's effort towards growth and expansion, the issues of product/service quality, business excellence in client servicing, as well as job satisfaction of our personnel, which presently totalled to 640 people, have remained and definitely constitute among the management's top priority.

By reviewing growth and performance, our client satisfaction remains the fundamental indication in order to remain successful, which is unavoidably depicted in the market price of the PROTON Bank's share. Thus, our continued commitment to enhance competitive edge lies on a business vision and all-encompassing strategy by capitalizing on our shareholders' confidence and trust to enhance their own wealth.

Our key strategic goals for 2007 are:

- Expansion of our branch network with 11 new branches, totalled to 32 across Greece by the end of 2007, and the pursuance on increasing market share on small to medium-sized enterprises
- Strengthening of our client and product base, both through selective investment in South-eastern Europe and friendly cooperation with other banking institutions.
- Penetration in bancassurance through the acquisition of a 51% stake in International Life, Insurance Group. The phase of rationalisation and restructuring, through which the domestic insurance sector presently goes through, offers important business opportunities, which we intend to exploit, in terms of complementary business, cross selling, alternative distribution networks.
- Maintenance on its investment banking culture and emphasis on investment banking products and services, as our Bank has a competitive advantage.

Dear Shareholders,

The financial figures and the income statement as these are depicted in the Non-Consolidated and Consolidated Financial Statements reveal an accelerated pace of growth.

Consolidated total assets amount to € 1.584.575 thousands as at 31 December 2006, mainly due to merger by absorption with the OMEGA Group that took place on 29 September 2006.

Non-consolidated loans and receivables from customers amount to € 947.338 thousands, while an improvement in the quality of the Group's credit portfolio resulted to an increase of loan impairment provisions by € 39.298 thousands and of other credit risk provisions by € 5.014 thousands.

Non-consolidated net profits rose by 56,83% to € 32.651 thousands.

Consolidated net profits after minority interest rose by 54,17% to € 34.014 thousands.

Based on the satisfactory performance of the Bank and the Group as a whole, the Board of Directors decided to propose to the annual Regular General Meeting of Shareholders a dividend of 0,28 Euro per share, amounting to a total of 17.551 thousands euro, for 2006.

We aim to create a dynamic banking institution, being surrounded by participating interests which cover the whole spectrum of the financial sector, where the business is built on elements such as vision, trustworthiness, consistency, and high values. The operating performance results from diligence, persistence and stamina, and since the distribution of interests of PROTON Bank's shares shows a significant dispersion, the Board's commitment remains, through an efficient risk management, to improve profitability, to increase return on investments, and to raise the dividend payout ratio. Targeting, therefore, for its next performance cycle through further expansion and restructuring by directly interacting with the prospects and opportunities offered by a global business environment, information and innovative technologies, the PROTON Group seeks a dynamic, political self-balanced growth and expansion.

Athens, 5 March 2007

The Vice-Chairman and Executive Member of the Board of Directors

Anthony I. Athanassoglou



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

To the Shareholders of
PROTON BANK A.E.

Report on the consolidated Financial Statements

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

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and the fair presentation of these consolidated 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 consolidated 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 consolidated Financial Statements give a true and fair view, of the consolidated financial position of the Bank as of 31 December 2006, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that have been adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion we draw attention to note 17 to the consolidated financial statements that explains that the tax obligations of the Bank and its subsidiaries for certain years have not yet been audited by the tax authorities and accordingly their tax obligations for those years are not considered final. The outcome of the tax audits cannot at present be determined.

Report on Other Legal and Regulatory Requirements

The Board of Director's report is consistent with the accompanying consolidated Financial Statements.

Athens, 5 March 2007

KPMG Kyriacou Certified Auditors AE

Nick Tsiboukas
Certified Auditor Accountant
AM SOEL 17151

CONSOLIDATED INCOME STATEMENT
(in thousands of euros)

	Note	1.1-31.12.06	1.1-31.12.05
Interest and similar income		26.615	3.960
Interest expense and similar charges		(12.489)	(3.244)
Net interest income	6	14.126	716
Fee and commission income		22.533	12.096
Fee and commission expense		(2.748)	(132)
Net fee and commission income	7	19.785	11.964
Income from insurance activities		7.284	-
Expense from insurance activities		506	-
Net income from insurance activities	8	7.790	-
Dividend income	9	2.850	1.273
Net trading income	10	27.960	17.517
Other operating income	11	473	522
Operating income		72.984	31.992
Personnel expenses	12	(11.099)	(5.053)
Other administrative expenses	13	(15.263)	(8.546)
Depreciation expenses	14	(1.173)	(722)
Insurance claims	15	(4.968)	-
Impairment losses on financial and non financial assets	16	(1.475)	(3.304)
Total operating expenses		(33.978)	(17.625)
Negative goodwill	49.2	-	10.301
Share of profit of associates		240	-
Profit before tax		39.246	24.668
Income tax expense	17	(5.232)	(2.606)
Profit for the period		34.014	22.062
Attributable to:			
Equity holders of the Bank		33.944	22.091
Minority interest		70	(27)
Earnings per share (expressed in € per share)			
- Basic	18	0,72	0,48
- Diluted	18	-	-

The notes on pages 10 to 56 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
(amounts in thousands of euros)

	Note	31.12.2006	31.12.2005
ASSETS			
Cash and balances with the Central Bank	19	37.397	2.251
Loans and advances to banks	20	93.404	54.946
Financial assets at fair value through profit or loss	21	260.309	117.229
Derivative financial instruments	22	2.611	7
Loans and receivables	23	941.214	50.563
Insurance receivables	24	16.721	-
Investment securities:			
-Held-to-maturity	25	6.646	-
-Available-for-sale	26	31.331	734
Investments in associates	27	4.604	-
Property, plant and equipment	28	33.402	1.281
Investment property	29	50	-
Non-current assets held for sale	30	64	
Intangible assets	31	117.462	498
Reinsurance contracts	32	1.339	-
Deferred tax assets	39	3.200	451
Other assets	33	34.821	43.950
Total assets		<u>1.584.575</u>	<u>271.910</u>
LIABILITIES			
Due to banks	34	90.897	6.106
Due to customers	35	1.042.157	38.661
Derivative financial instruments	22	6.319	1
Debt securities in issue	36	1.500	-
Provisions for insurance contracts	37	34.093	-
Other liabilities	38	21.245	25.689
Current income tax liabilities	40	1.349	1.942
Retirement benefit obligations	41	1.228	200
Total liabilities		<u>1.198.788</u>	<u>72.599</u>
EQUITY			
Share capital	42	281.450	202.660
Share premium	43	85.478	-
Other reserves	44	3.628	5.183
Retained earnings / losses		14.544	(8.573)
Equity attributable to equity holders of the Bank		<u>385.100</u>	<u>199.270</u>
Minority interest		687	41
Total equity		<u>385.787</u>	<u>199.311</u>
Total equity and liabilities		<u>1.584.575</u>	<u>271.910</u>

The notes on pages 10 to 56 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings / losses	Statutory reserve	Attributable to equity holders of the Bank	Minority interest	Total equity
<i>(amounts in thousands of euros)</i>									
Balance at 1 January 2005	35.000	-	-	5.108	(5.074)	336	35.370	14	35.384
Changes in equity for 2005:									
- Cost of acquisition (ARROW, EURODYNAMIKI, EXELIXI)	141.748						141.748		141.748
- Valuation surplus transferred to share capital	25.652				(25.652)				-
- Change in minority interests due to acquisition (FGB)								55	55
- Capitalization of reserves	260			(260)					-
- Other consolidation adjustments					83		83		83
- Exchange differences on translating foreign operations					(21)		(21)	(1)	(22)
- Profit for the period					22.091		22.091	(27)	22.062
Balance at 31 December 2005	202.660	-	-	4.848	(8.573)	336	199.271	41	199.311
Balance at 1 January 2006	202.660	-	-	4.848	(8.573)	336	199.271	41	199.311
Changes in equity for 2006:									
- Cost of acquisition (OMEGA BANK)	78.771	85.478					164.249		164.249
- Capitalization of reserves	19				(19)		-		-
- Available-for-sale investments: valuation gains/(losses) taken to equity			(11)				(11)		(11)
- Transfer to reserves				123	(123)		-	-	-
- Net change in equity due to merger (Proton Securities)				825	(825)	146	146	(8)	138
- Change in minority interests due to acquisition (OMEGA)							-	587	587
- Dividend relating to 2005				(2.638)	(10.000)		(12.638)		(12.638)
- Purchases of treasury shares	(4.043)						(4.043)		(4.043)
- Sales of treasury shares	4.043				275		4.318	-	4.318
- Other consolidation adjustments				18	(173)		(155)	(1)	(156)
- Statutory reserve				(46)	4	46	4	2	6
Exchange differences on translating foreign operations				(19)	34		15	(4)	11
- Profit for the period					33.944		33.944	70	34.014
Balance at 31 December 2006	281.450	85.478	(11)	3.111	14.544	528	385.100	687	385.787

The notes on pages 10 to 56 are an integral part of these financial statements.

CASH FLOW STATEMENT
(amounts in thousands of euros)

	Note	1.1-31.12.2006	1.1-31.12.2005
Cash flows from operating activities			
Profit before taxation		39.246	24.669
Adjustments for:			
Add: impairment losses on loans and non financial assets		1.475	3.304
Add: depreciation expense		1.173	721
Add: provisions for retirement benefits		129	-
Gains (-) / losses (+) from revaluation of financial assets at fair value through profit or loss		(4.822)	(11.246)
Gains (-) / losses (+) from investment activities		(2.850)	
Negative goodwill		-	(10.301)
Cash flows from operating activities before changes in operating assets and liabilities		34.351	7.147
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 advances to banks		-	(2.061)
Net (increase)/ decrease in loans and receivables		(171.278)	(23.799)
Net (increase)/ decrease in financial assets at fair value through profit or loss		(98.169)	2.941
Net (increase)/ decrease in available-for-sale assets		(64)	-
Net (increase)/ decrease in insurance receivables		3.455	-
Net (increase)/ decrease in reinsurance contracts		302	-
Net (increase)/ decrease in other assets		28.015	(3.746)
Net increase/ (decrease) in due to banks		52.959	(9.290)
Net increase/ (decrease) in due to customers		116.193	92.017
Net increase/ (decrease) in provisions for insurance contracts		(1.243)	-
Net increase/ (decrease) in other liabilities		(23.324)	(9.652)
Net cash flows from operating activities before tax payment		(88.957)	46.410
Income taxes paid		(6.253)	-
Net cash flows from operating activities		(60.859)	53.557
Cash flows from investing activities			
Purchases / (proceeds) from the sale of property, plant & equipment and intangible assets		(818)	(487)
Purchases / (proceeds) from the sale held-to-maturity financial assets		(6.740)	
Purchases / (proceeds) from the sale available-for-sale financial assets		290	(3.738)
Acquisition of "Omega Bank SA", net of cash acquired	49.1.1.	131.836	3.002
Dividends received from available-for-sale financial assets		23	
Dividends received from financial assets at fair value through profit or loss		2.827	1.273
Net cash flows from investing activities		127.418	50
Cash flows from financing activities			
Sales of treasury shares		4.318	-
Dividends paid	46	(12.638)	-
Net cash flows from financing activities		(8.320)	-
Net increase/ (decrease) in cash and cash equivalents		58.239	53.607
Cash and cash equivalents at beginning of period	45	57.197	3.590
Cash and cash equivalents at end of period	45	115.436	57.197

The notes on pages 10 to 56 are an integral part of these financial statements.

1 General information

PROTON BANK SA (the "Bank") and its subsidiaries (the "Group") operate in the sectors of individual and corporate banking, financial services, portfolio management, insurance and other services. The entities of the Group operate mainly in Greece, Serbia and Switzerland. The Bank 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 640.

1.1 Subsidiaries and associates

The subsidiaries that are fully consolidated and the associate which is accounted for under the equity method are as follows:

Investments in subsidiaries at 31 December 2006

Name	Country	Participation %	Carrying amount
Proton Asset Management SA	Greece	99,90%	22.000
Proton Mutual Fund 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

Investments in subsidiaries at 31 December 2005

Name	Country	Participation %	Carrying amount
Proton Asset Management SA	Greece	99,90%	22.000
Proton Mutual Fund Management Co 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

Investments in associates at 31 December 2006

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

1.2 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 Group'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 respective notes. Any differences in the tables are due to rounding.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with 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 the consolidated financial statements in conformity with IFRS, requires the use of certain estimates, and management to exercise its judgment which may affect the carrying amounts of the items in these statements. The 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 the period of the change and future periods, if the change affects both.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates involving 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 52.

2.4 Subsidiaries and associates

2.4.1. 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.

2.4.2. Associates

Associates are all entities over which the Group 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.

2.4.3. Elimination of Intragroup transactions

Intragroup balances, unrealised gains or losses and income or expenses on transactions between group companies, are eliminated in preparing the consolidated financial statements. Gains or losses from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

Dividends are recognised in the income statement when the entity's right to receive payment is established.

2.9 Financial assets

The Group 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 in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. 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. They arise when the Group provides money, goods or services 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 Group has the intent and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(a) 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. Subsequently 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 Group 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.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or when the Bank has transferred 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 Group assesses from the date of transition to 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 hedging 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 recognised 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 Group 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 Group 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 Group 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 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 Group 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 Group 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 Group enters into agreements for the purchases (sales) of investments and to resell (repurchase) substantially the identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognized. The amounts paid are recognized in loans to either banks or customers. The receivables are shown as collateralized by the underlying security.

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

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

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 day 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.

All 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 are 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 commercial value of leased assets is depreciated over the lease period

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 Group 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 recognised as receivable from loans and receivables.

Lease payments reduce the receivable from leases and interest income is recognised 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 Group 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 recognised 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 Group 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 2.13.

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 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 Group 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 Group.

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

At each balance sheet date, the Group 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 expenses) 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 Group.

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 Insurance contracts

Since January 1st 2005 risk bearing contracts are separated into insurance contracts and financial contracts (IFRS 4). Group's insurance company issues only insurance contracts covering property and casualty risks up to one year of duration.

Insurance contracts are those contracts when the insurer has accepted significant risk from another party (the policyholders) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholders.

Gross earned recurring premiums are recognized as revenue when payable by the policyholder. Gross changes in the unearned premium provision are recorded against premiums.

Gross earned insurance premiums are recognized including corresponding commissions.

Property and casualty insurance contracts are separated in two categories:

(a) automobile third party liability

This category includes insurance contracts covering the risk of automobile third party liability

(b) non-automobile lines

This category includes insurance contracts covering the risk of fire and allied lines, marine, general liability, legal protection, road assistance, etc.

2.27.1. Deferred acquisition costs

Those direct (commissions) and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums.

2.27.2. Non-life insurance contract liabilities

Non-life insurance contract liabilities are recognized when contracts are entered into and premiums are charged. These liabilities are known as the unearned premiums reserves and the provisions for outstanding claims. Unearned premium reserves include the gross premium corresponding to the unexpired part of insurance contracts.

Provisions for outstanding claims are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs. The amount of provisions is estimated based on available information (adjuster reports, court decisions etc.) at the balance sheet date.

Provisions for outstanding claims include reserves for incurred claims, which are not reported to the company at the balance sheet date (I.B.N.R.). Provisions for outstanding claims are reported at the balance sheet date according to the requirements of regulatory authority legislation in force (law 400/1970). Specifically the automobile third party liability related claims reserves, are checked according to the K3-3975/11.10.1999 decision of The Ministry of Development, forming the greater possible reserve. I.B.N.R. provisions are estimated based on the K3-3974/11.10.1999 decision of The Ministry of Development.

Provisions for outstanding claims include reserves for incurred claims, which are not reported to the company at the balance sheet date (I.B.N.R.). Provisions for outstanding claims are reported at the balance sheet date according to the requirements of regulatory authority legislation in force (law 400/1970). Specifically the automobile third party liability related claims reserves, are checked according to the K3-3975/11.10.1999 decision of The Ministry of Development, forming the greater possible reserve. I.B.N.R. provisions are estimated based on the K3-3974/11.10.1999 decision of The Ministry of Development.

The difference in non-life insurance contract liabilities (increase/decrease) related to their previous assessment is transferred to the profit and loss accounts as far as the company's own retention, while the rest is transferred to the reinsurance accounts, according to the reinsurance agreements.

2.27.3. Liability adequacy tests

At each reporting date, the Group's Insurance Company performs a liability adequacy test according to IFRS 4, using updated estimates of future cash flows arising out of the insurance contracts and outstanding claims portfolio.

In the case that the adequacy test reveals insufficient reserves, provisions are adjusted accordingly.

The liability is derecognized when the contract expires, is discharged or is cancelled.

2.27.4. Reinsurance Contracts

The Group's insurance company benefits from reinsurance contracts are recognized as assets «reinsurance receivables». Liabilities towards reinsurers are reinsurance premiums due. An impairment review is performed at each reporting date against reinsurance receivables. Any impairment loss is reported in the profit and loss accounts.

2.28 New IFRSs

2.28.1. 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 Group 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 intragroup transactions

-IAS 39 (amendment), The fair value option

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

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

-IFRIC 4, Determining whether an arrangement contains a lease.

2.28.2 Standards, amendments and interpretations effective for 2006 but not relevant with the Group'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.

2.28.3 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 Group 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 Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

- IFRIC 8, Share-based payment
- IFRIC 10, Interim Financial Reporting and Impairment.

3 Financial risk management

This section of the notes provides information for the risks the Group is exposed to and a description of the methodologies used by management to control them. The most significant risks the Group 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 Group is exposed to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation when due. Provisions for credit losses are recognised 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 Group's portfolio might cause losses that exceed existing provisions, management therefore carefully manages its exposure to credit risk.

The Group 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 Group 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 Group 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 Group 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 Group calculates a VAR estimate for a 99% confidence level and a 10 day holding period.

The Group 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 Group's financing process and management of the open positions in the market. Liquidity risk is the risk that the Group 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 fulfil commitments to lend, and to liquidate its financial assets at fair value.

The Group 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 Group tries to balance the need between financing and flexibility, by maintaining a portfolio with different maturities. The Group 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 Group's financial assets and liabilities categorised 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	37.397					37.397
Loans and advances to banks	63.422	16.227	13.755			93.404
Financial assets at fair value through profit or loss	114.107	134.390	11.812			260.309
Derivative financial instruments	2.611					2.611
Loans and receivables	220.072	65.563	227.536	428.043		941.214
Insurance receivables			16.721			16.721
Investment securities:						
- Held-to-maturity				6.646		6.646
- Available-for-sale	5.884		354	93	25.000	31.331
Investments in associates					4.604	4.604
Property, plant and equipment					33.402	33.402
Investment property					50	50
Non-current assets held for sale			64			64
Intangible assets					117.462	117.462
Reinsurance contracts			1.339			1.339
Deferred tax assets				3.200		3.200
Other assets	2.703	2.484	10.400	1.203	18.031	34.821
Total assets	446.196	218.664	281.981	439.185	198.549	1.584.575
LIABILITIES						
Due to banks	33.934	6.165	35.235	15.563		90.897
Due to customers	90.379	399.953	398.922	152.903		1.042.157
Derivative financial instruments	6.319					6.319
Debt securities in issue					1.500	1.500
Provisions for insurance contracts			34.093			34.093
Other liabilities			7.356	13.889		21.245
Current tax liabilities			1.349			1.349
Retirement benefit obligations				1.228		1.228
Total liabilities	130.632	406.118	476.955	183.583	1.500	1.198.788
Liquidity gap	315.564	(187.454)	(194.974)	255.602	197.049	385.787
As at 31 December 2006						
Total assets	446.196	218.664	281.981	439.185	198.549	1.584.575
Total liabilities	130.632	406.118	476.955	183.583	1.500	1.198.788
Liquidity gap	315.564	(187.454)	(194.974)	255.602	197.049	385.787

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	2.251					2.251
Loans and advances to banks	54.854	92				54.946
Financial assets at fair value through profit or loss	81.508			35.721		117.229
Derivative financial instruments	7					7
Loans and receivables	7.672	2.297	23.468	17.126		50.563
Investment securities:						
- Held-to-maturity						
- Available-for-sale					734	734
Investments in associates						
Property, plant and equipment					1.281	1.281
Intangible assets					498	498
Deferred tax assets				451		451
Other assets	34.526		5.954		3.470	43.950
Total assets	180.818	2.389	29.422	53.298	5.983	271.910
LIABILITIES						
Due to banks	6.106					6.106
Due to customers	14.979	10.244	843	12.595		38.661
Derivative financial instruments	1					1
Current tax liabilities				1.942		1.942
Other liabilities	23.863		346	1.480		25.689
Retirement benefit obligations				200		200
Total liabilities	44.949	10.244	1.189	16.217		72.599
Liquidity gap	135.869	(7.855)	28.233	37.081	5.983	199.311
As at 31 December 2005						
Total assets	180.818	2.389	29.422	53.298	5.983	271.910
Total liabilities	44.949	10.244	1.189	16.217		72.599
Liquidity gap	135.869	(7.855)	28.233	37.081	5.983	199.311

3.4 Foreign exchange risk

The Group 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 summarizes the Group's exposure to foreign currency exchange risk at 31 December. Included in the table are the Group'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	37.257	129	9		2	37.397
Loans and advances to banks	79.589	6.932	2.466	835	3.582	93.404
Financial assets at fair value through profit or loss	249.698	7.504	650		2.457	260.309
Derivative financial instruments	2.542	69				2.611
Loans and receivables	849.089	58.168	9		33.948	941.214
Insurance receivables	16.721					16.721
Investment securities:						
- Held-to-maturity	6.646					6.646
- Available-for-sale	31.107	224				31.331
Investments in associates	4.550				54	4.604
Property, plant and equipment	33.402					33.402
Investment property	50					50
Non-current assets held for sale	64					64
Intangible assets	117.462					117.462
Reinsurance contracts	1.339					1.339
Deferred tax assets	3.200					3.200
Other assets	32.115	2.338	227	(38)	179	34.821
Total assets	1.464.831	75.364	3.361	797	40.222	1.584.575
LIABILITIES	EUR	USD	GBP	JPY	Other	Total
Due to banks	70.016	20.881				90.897
Due to customers	811.020	50.825	3.535	175.636	1.141	1.042.157
Derivative financial instruments	6.312	7				6.319
Debt securities in issue	1.500					1.500
Provisions for insurance contracts	34.093					34.093
Other liabilities	20.967	551		(16)	(257)	21.245
Current income tax liabilities	1.349					1.349
Retirement benefit obligations	1.228					1.228
Total liabilities	946.485	72.264	3.535	175.620	884	1.198.788
Net on-balance sheet financial position	518.346	3.100	(174)	(174.823)	39.338	385.787
As at 31 December 2006						
Total assets	1.464.831	75.364	3.361	797	40.222	1.584.575
Total liabilities	946.485	72.264	3.535	175.620	884	1.198.788
Net on-balance sheet financial position	518.346	3.100	(174)	(174.823)	39.338	385.787

Foreign exchange risk

As at 31 December 2005						
ASSETS	EUR	USD	GBP	JPY	Other	Total
Cash and balances with the Central Banks	2.246	1			4	2.251
Loans and advances to banks	47.195	7.129	344	23	255	54.946
Financial assets at fair value through profit or loss	105.693	5.049	542		5.945	117.229
Derivative financial instruments	7					7
Loans and receivables	50.421	153		68	(79)	50.563
Investment securities:						
- Held-to-maturity						0
- Available-for-sale	734					734
Investments in associates	0					0
Property, plant and equipment	1.281					1.281
Intangible assets	498					498
Deferred tax assets	451					451
Other assets	43.773	133	3	40	1	43.950
Total assets	252.299	12.465	889	131	6.126	271.910
LIABILITIES	EUR	USD			Other	Total
Due to banks	6.047	59				6.106
Due to customers	36.137	2.106	389	11	18	38.661
Derivative financial instruments	1					1
Current income tax liabilities	1.942					1.942
Other liabilities	25.674	15				25.689
Retirement benefit obligations	200	0				200
Total liabilities	70.001	2.180	389	11	18	72.599
Net on-balance sheet financial position	182.298	10.285	500	120	6.108	199.311
As at 31 December 2005						
Total assets	252.299	12.465	889	131	6.126	271.910
Total liabilities	70.001	2.180	389	11	18	72.599
Net on-balance sheet financial position	182.298	10.285	500	120	6.108	199.311

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 summarises the Group's exposure interest rate risks. It includes the Group'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 months	3 - 12 months	1 - 5 years	> 5 years	Non-interest bearing	Total
Cash and balances with the Central Bank	15.776					21.621	37.397
Loans and advances to banks	63.412	16.227	13.765				93.404
Financial assets at fair value through profit or loss			3.197	66.026	68.364	122.722	260.309
Derivative financial instruments						2.611	2.611
Loans and receivables	116.712	437.380	240.513	146.609			941.214
Insurance receivables						16.721	16.721
Investment securities:							
- Held-to-maturity					6.646		6.646
- Available-for-sale				447	25.000	5.884	31.331
Investments in associates						4.604	4.604
Property, plant and equipment						33.402	33.402
Investment property						50	50
Non-current assets held for sale						64	64
Intangible assets						117.462	117.462
Reinsurance contracts						1.339	1.339
Deferred tax assets						3.200	3.200
Other assets						34.821	34.821
Total assets	195.900	453.607	257.475	213.082	100.010	364.501	1.584.575
LIABILITIES							
Due to banks	34.371	6.165	34.798	15.563			90.897
Due to customers	768.154	155.005	86.150	32.848			1.042.157
Derivative financial instruments						6.319	6.319
Debt securities in issue					1.500		1.500
Provisions for insurance contracts						34.093	34.093
Other liabilities						21.245	21.245
Current tax liabilities						1.349	1.349
Retirement benefit obligations						1.228	1.228
Total liabilities	802.525	161.170	120.948	48.411	1.500	64.234	1.198.788
Interest sensitivity gap	(606.625)	292.437	136.527	164.671	98.510	300.267	385.787
As at 31 December 2006							
Total assets	195.900	453.607	257.475	213.082	100.010	364.501	1.584.575
Total liabilities	802.525	161.170	120.948	48.411	1.500	64.234	1.198.788
Interest sensitivity gap	(606.625)	292.437	136.527	164.671	98.510	300.267	385.787

Interest rate risk
As at 31 December 2005

ASSETS	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non- interest bearing	Total
Cash and balances with the Central Bank	2.251						2.251
Loans and advances to banks	54.854	92					54.946
Financial assets at fair value through profit or loss	117.212	6			11		117.229
Derivative financial instruments						7	7
Loans and receivables	36.771	9.903	3.889				50.563
Investment securities:							
- Held-to-maturity							
- Available-for-sale						734	734
Investments in associates							
Property, plant and equipment						1.281	1.281
Intangible assets						498	498
Deferred tax assets						451	451
Other assets	40.480					3.470	43.950
Total assets	251.568	10.001	3.889	-	11	6.441	271.910
LIABILITIES							
Due to banks	6.106						6.106
Due to customers	30.525	7.207	929				38.661
Derivative financial instruments						1	1
Current tax liabilities						1.942	1.942
Other liabilities	23.863					1.826	25.689
Retirement benefit obligations						200	200
Total liabilities	60.494	7.207	929	-	-	3.969	72.599
Interest sensitivity gap	191.074	2.794	2.960	-	11	2.472	199.311
As at 31 December 2005							
Total assets	251.568	10.001	3.889		11	6.441	271.910
Total liabilities	60.494	7.207	929			3.969	72.599
Interest sensitivity gap	191.074	2.794	2.960	-	11	2.472	199.311

3.6 Capital management and capital adequacy

The Group'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 Group operates;
- To safeguard the Group'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 Group'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 Group'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 Group'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 Group 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	-
Minority interest	687	41
Other reserves	3.103	-
Less: Intangible assets	(117.462)	(498)
Less: Proposed dividend	(17.551)	(12.638)
Retained earnings	15.069	(3.389)
	250.774	186.176
Tier 2 Capital		
Less: Equity investments on financial institutions > 10%	(13.792)	(3.914)
Less: Double gearing loans	(4.470)	(27.716)
Regulatory capital	232.512	154.546
Risk-weighted assets	1.581.224	338.209
Capital adequacy ratio	14,70%	45,70%

The current capital adequacy ratio for the Group is estimated to be 14,70%, which is significantly higher than the agreed minimum of 8% as set by the directives of the Bank of Greece.

Group's Insurance Company has covered its requirements for reserves and capital stemming from the balance sheet as of 31.12.2005.

4 Critical accounting estimates and judgments

The Group 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 advances to customers

The Group 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 recognised 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 health of the investee.

4.4 Income taxes

The Group is subject to income tax according to the tax legislation in Greece. The Group'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 Group 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 recognised in the period they are finalized and incurred.

4.5 Provisions for insurance activities

Reserve adequacy test was performed with the link ratio methodology, using last six years data. Said methodology assumes persistence of accumulated losses ratios (paid and outstanding claims).

5 Segment analysis
5.1 Business segment
At 31 December 2006

	Investment Banking	Retail Banking	Bancassurance and other financial services	Total
Interest and similar income	3.487	23.126	2	26.615
Interest and similar expense	-	(12.450)	(39)	(12.489)
Net interest income	3.487	10.676	(37)	14.126
Fee and commission income	10.334	12.204	(5)	22.533
Fee and commission expense	(2.197)	(551)	-	(2.748)
Net fee and commission income	8.137	11.653	(5)	19.785
Income from insurance activities	-	-	7.284	7.284
Expense from insurance activities	-	-	506	506
Net income from insurance activities	-	-	7.791	7.790
Net trading income	27.256	634	70	27.960
Dividend income	2.840	4	6	2.850
Other operating income	-	309	164	473
Operating income	41.720	23.276	7.989	72.984
Other administrative expenses	(14.627)	(8.383)	(3.352)	(26.362)
Depreciation expenses	(778)	(355)	(40)	(1.173)
Insurance claims	-	-	(4.968)	(4.968)
Impairment losses on financial and non financial assets	1.221	(2.696)	-	(1.475)
Total operating expenses	(14.184)	(11.434)	(8.360)	(33.978)
Share of profit of associates	240	-	-	240
Profit before tax	27.776	11.842	(372)	39.246
Income tax expense	-	-	-	(5.232)
Profit for the period	-	-	-	34.014
Total assets	905.794	505.359	173.422	1.584.575
Total equity and liabilities at 31 December 2006	661.475	533.216	389.884	1.584.575

At 31 December 2005	Investment Banking	Retail Banking	Total
Interest and similar income	969	2.991	3.960
Interest and similar expense	(866)	(2.378)	(3.244)
Net interest income	103	613	716
Fee and commission income	11.129	967	12.096
Fee and commission expense	(99)	(33)	(132)
Net fee and commission income	11.030	934	11.964
Net trading income	17.455	62	17.517
Dividend income	1.273	-	1.273
Other operating income	-	522	522
Operating income	29.861	2.131	31.992
Negative goodwill	10.301	-	10.301
Other administrative expenses	(10.304)	(4.017)	(14.321)
Impairment losses on financial and non financial assets	(3.304)	-	(3.304)
Total operating expenses	(13.608)	(4.017)	(17.625)
Profit before tax	26.554	(1.886)	24.668
Income tax expense			(2.606)
Profit for the period			22.062
Total assets	142.846	129.064	271.910
Total equity and liabilities at 31 December 2006	218.446	53.464	271.910

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 Group mainly operates in Greece, and therefore no results per geographical area are presented. It also operates in Serbia and Switzerland, but since IAS 14 disclosure requirements criteria are not met, not geographical segments presented.

	1.1-31.12.06	1.1-31.12.05
6 Net interest income		
Interest and similar income		
Loans and advances to banks	2.586	236
Investment securities	3.487	365
Loans and receivables	20.443	2.082
Other interest and similar income	99	1.277
Total	26.615	3.960
Interest and similar expense		
Due to banks	(152)	(416)
Due to customers	(9.946)	(1.947)
Contributions(Law N. 128)	(1.553)	(363)
Other interest and similar expense	(838)	(518)
Total	(12.489)	(3.244)
Net interest income	14.126	716
7 Net fee and commission income		
Fee and commission income		
Loans and receivables	1.132	201
Letters of guarantee	304	167
Imports-exports	106	-
Credit cards	676	-
Foreign currency transactions	86	-
Securities brokerage	10.786	10.481
Remittance	39	19
Asset management	910	494
Investment activities	5.653	-
Other services	2.841	734
Total	22.533	12.096
Fee and commission expense		
Commercial banking	(531)	(131)
Securities brokerage	(2.217)	(1)
Total	(2.748)	(132)
Net fee and commission income	19.785	11.964
8 Net income from insurance activities		
Income from insurance activities	7.284	-
Expenses from insurance activities	506	-
Total	7.790	-
9 Dividend income		
From available-for-sale securities	23	-
From trading securities	2.827	1.273
Total	2.850	1.273

10 Net trading income	1.1-31.12.06	1.1-31.12.05
From trading securities:		
Foreign exchange translation and transaction (gains less losses)	14	
Transaction gains less losses	22.877	7.020
Valuation of securities	13.231	11.246
From other financial assets at fair value through profit or loss:		
Foreign exchange translation and transaction (gains less losses)	177	108
Derivative financial instruments	(8.409)	(857)
Unwind of discount	70	-
Total	27.960	17.517
11 Other operating income from:	1.1-31.12.06	1.1-31.12.05
Rentals	20	71
Non-banking activities	392	-
Proceeds from sale of fixed assets	2	-
Other income	59	451
Total	473	522
12 Personnel expenses	1.1-31.12.06	1.1-31.12.05
Salaries	(9.232)	(4.206)
Social security costs	(1.683)	(713)
Pension and retirement costs	(19)	(134)
Other employee costs	(165)	-
Total	(11.099)	(5.053)
13 Other administrative expenses	1.1-31.12.06	1.1-31.12.05
Operating lease rentals	(1.571)	(253)
Maintenance costs	(545)	(279)
Promotion and advertising expenses	(449)	(240)
Telephone – posting expenses	(670)	(218)
Third party fees	(2.348)	(4.559)
Utilities	(166)	(104)
Contribution to Hellenic Deposit Guarantee Fund	(277)	(12)
Subscriptions and other contributions	(3.679)	(1.724)
Insurance costs	(95)	(40)
Consumables	(294)	(56)
Taxes and duties	(1.099)	(466)
Insurance agency costs	(1.994)	-
Other expenses	(2.076)	(595)
Total	(15.263)	(8.546)
14 Depreciation expenses	1.1-31.12.06	1.1-31.12.05
Property, plant and equipment	(851)	(528)
Intangible assets	(322)	(194)
Total	(1.173)	(722)

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.

15 Insurance claims	1.1-31.12.06	1.1-31.12.05
Automobile casualty claims	(1.838)	-
Other casualty claims	<u>(3.130)</u>	<u>-</u>
Total	(4.968)	-

16 Impairment losses on financial and non financial assets	1.1-31.12.06	1.1-31.12.05
Loans and receivables	(858)	(300)
Investment securities	(595)	(3.004)
Other assets	<u>(22)</u>	<u>-</u>
Total	(1.475)	(3.304)

17 Income tax expense	1.1-31.12.06	1.1-31.12.05
Current tax	(4.571)	(2.405)
Deferred tax	<u>(661)</u>	<u>(201)</u>
Total	(5.232)	(2.606)

Further information about deferred tax income is presented in note 39. The reconciliation between income tax expense and taxable profit for the period has as follows:

Income tax expense charged to the income statement	1.1-31.12.06	1.1-31.12.05
Profit before tax	<u>39.246</u>	<u>24.668</u>
Income tax calculated at a 24% tax rate (22% for 2005)	(9.419)	(5.813)
Income not subject to tax	8.214	5.618
Non-deductible expenses	(19)	(36)
Supplementary tax 3% on real estate	(11)	(15)
Tax on income from absorbed companies and losses carried forward	-	(1.931)
Tax on tax free reserves	(2.453)	-
Tax on dividends paid	(883)	(229)
Deferred tax charge to the income statement	<u>(661)</u>	<u>(200)</u>
Total income tax	(5.232)	(2.606)

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 merger or absorb other entities (Law 2992/2002), and defined the amount of income tax based on the tax rate in effect, reduced by 5 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 subsidiary and associate undertakings of the Group calculated their income tax for 2006 based on the tax rates that are strictly prescribed by the Greek Tax Legislation. The Group's companies have been audited by the Local Tax Authorities unless otherwise stated in the following table:

Proton Bank SA:	2005, 2006
Proton Asset Management SA:	2005, 2006
Proton Mutual Fund Management Co SA :	2005, 2006
Omega Mutual Funds SA :	2006
Omega Insurance SA:	2006
Omega Brokerage SA:	2006
Omega Real Estate SA:	2006

According to the method where tax liabilities are settled in Greece, the Management of the Group remains liable against any additional taxes or penalties imposed for all the unaudited tax years.

Deferred tax charged to the income statement is attributable to:	1.1-31.12.06	1.1-31.12.05
Allowances for impairment losses on loans and receivables	(522)	-
Staff bonuses	(195)	-
Loans and receivables – effective interest rate	(214)	(35)
Other assets	(43)	(21)
Derivatives listed on the Athens Derivatives Exchange	(31)	-
Financial assets	(13)	(2)
Retirement benefit obligations	2	4
Financial liabilities	20	-
Revaluation on OTC forwards	128	-
Property, plant & equipment and intangible assets	207	(147)
Total deferred tax	(661)	(201)

18. Earnings per share	1.1-31.12.06	1.1-31.12.05
Profit attributable to the equity holders of the Bank	33.944	22.091
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 and diluted earnings per share (expressed in € per share)	0,72	0,48

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 and held as treasury shares.

Diluted

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

19 Cash and balances with the Central Bank	31.12.2006	31.12.2005
Cash in hand and items in course of collection	10.014	2.224
Cheques receivable	12.018	27
Included in cash and cash equivalents (note 45)	22.032	2.251
Mandatory reserve deposits with the Central Bank	15.365	-
Total	37.397	2.251

20 Loans and advances to banks	31.12.2006	31.12.2005
Placements with other banks	44.150	48.931
Interbank deposits	47.877	6.015
Cheques receivable	1.377	0
Included in cash and cash equivalents (note 45)	93.404	54.946

21 Financial assets at fair value through profit or loss	31.12.2006	31.12.2005
Government bonds	18.441	6.774
Corporate bonds	119.146	6.228
Mutual fund shares	23.996	14.475
Equity securities	98.726	89.752
Total	260.309	117.229

22 Derivative financial instruments
At 31 December 2006

Derivative financial instruments held-for-trading

a) Exchange traded

	Contractual/Notional amounts	Fair values	
		Assets	Liabilities
- 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 amounts	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 recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, to the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

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

23 Loans and receivables	31.12.2006	31.12.2005
Individuals:		
Mortgages	51.810	-
Consumer/personal	88.372	41.312
Credit cards	28.197	-
Total loans and receivables to individuals	168.379	41.312
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	202.202	-
Transportation	93.514	-
Services	36.954	-
Other entities	328.720	4.852
Total loans and receivables to corporate entities	800.745	9.842
Finance lease (1)	11.388	
Gross loans and receivables	980.512	51.154
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	1.163	-
Total allowances for individuals	(16.271)	(138)
Corporate entities:		
Balance at 1 January 2006	(453)	-
Acquisitions (accumulated allowances of Omega Bank)	(21.214)	-
Fair value adjustments of acquired loans (Omega Bank)	(1.900)	(453)
Impairment charges for the year	(456)	-
Write offs	996	-
Total allowances for corporate entities	(23.027)	(453)
Total allowances at 31 December 2006	(39.298)	(591)
Net loans and receivables	941.214	50.563

(1) 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	<u>(5.797)</u>	<u>-</u>
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	<u>6.511</u>	<u>-</u>
Total	11.388	-

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

24 Insurance receivables	31.12.2006	31.12.2005
Receivables from contract holders	8.498	-
Due from contract holders	1.248	-
Cheques receivable postdated	7.520	-
Notes receivable and other	<u>110</u>	<u>-</u>
	17.376	-
Less: impairment provision	<u>(655)</u>	<u>-</u>
Total	16.721	-

25 Securities held-to-maturity	31.12.2006	31.12.2006
Government bonds	<u>6.646</u>	<u>-</u>
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.

26 Securities available-for-sale	31.12.2006	31.12.2005
Corporate bonds	28.458	3.004
Other investments	345	131
Equity securities	5.502	603
Mutual fund shares	<u>30</u>	<u>-</u>
	34.335	3.738
Less: allowance for impairment	<u>(3.004)</u>	<u>(3.004)</u>
Total	31.331	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	31.024	-	31.024
Additions	214	6.768	6.982
Disposals	(652)	-	(652)
Gains / (losses) from changes in fair value	11	(122)	(111)
Balance at 31 December 2006	31.331	6.646	37.977

27 Investments in associates

	31.12.2006	31.12.2005
Omega Portfolio Investment Co. SA	4.604	-
Total	4.604	-

The investments in associates in the Bank's separate financial statements, 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

28 Property, plant and equipment

	Land	Buildings	Machinery	Vehicles	Furniture	Total
At 1 January 2006						
Cost	-	1.246	23	169	2.212	3.650
Accumulated depreciation	-	(454)	(19)	(56)	(1.840)	(2.369)
Net book value	-	793	4	113	372	1.281
Year ended 31 December 2006						
Opening net book value	-	793	4	113	372	1.281
Acquisitions (Omega Group – Note 49)	11.151	13.515	37	50	7.267	32.020
Exchange differences	-	-	-	-	9	9
Additions	-	533	3	-	473	1.009
Disposals – cost at acquisition	-	-	-	-	(36)	(36)
Disposals - accumulated depreciation	-	-	-	-	27	27
Impairment - cost	-	-	-	-	(223)	(223)
Impairment - accumulated depreciation	-	-	-	-	16	16
Depreciation charge	-	(311)	(5)	(27)	(516)	(859)
Accumulated depreciation written off	-	-	-	-	157	157
Closing net book value	11.151	14.530	39	136	7.547	33.402
At 31 December 2006						
Cost	11.151	15.294	62	219	9.863	36.588
Accumulated depreciation	-	(764)	(24)	(84)	(2.314)	(3.186)
Net book value	11.151	14.529	38	136	7.547	33.402

	Land	Buildings	Machinery	Vehicles	Furniture	Total
At 1 January 2005						
Cost		1.206	23	166	1.924	3.318
Accumulated depreciation		(312)	(15)	(31)	(1.255)	(1.613)
Net book value		893	8	135	669	1.705
Year ended 31 December 2005						
Opening net book value		893	8	135	669	1.705
Additions		42	1	3	288	333
Disposals		-	-	-	-	-
Depreciation charge		(142)	(5)	(25)	(585)	(757)
Closing net book value		792	4	113	372	1.281
At 31 December 2005						
Cost		1.246	23	169	2.212	3.650
Accumulated depreciation		(454)	(19)	(56)	(1.840)	(2.369)
Net book value		792	4	113	372	1.281

29 Investment property

	31.12.2006	31.12.2005
Cost	50	-
Total	50	-

30 Non-current assets held for sale

	31.12.2006	31.12.2005
Land	64	-
Total	64	-

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

31 Intangible assets

	Preliminary goodwill	Software	Total
At 1 January 2006			
Cost	-	1.154	1.154
Acquisitions (FGB)	334	-	334
Accumulated depreciation	-	(990)	(990)
Net book value	334	164	498
Year ended 31 December 2006			
Accumulated depreciation at beginning of year	-	165	165
Exchange differences	-	2	2
Additions	-	132	132
Acquisitions (Omega Group)	114.211	3.383	117.594
Impairment (FGB)	(334)	-	(334)
Impairment	-	(109)	(109)
Depreciation charge	-	(322)	(322)
Closing net book value	114.211	3.251	117.462
At 31 December 2006			
Cost	114.211	4.563	118.774
Accumulated depreciation	-	(1.312)	(1.312)
Net book value	114.211	3.251	117.462

The preliminary goodwill, at the acquisition date, represents the excess of the cost of acquisition over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of OMEGA Bank and its subsidiaries, as it is thoroughly presented in the note 49.

	Preliminary goodwill	Software	Total
At 1 January 2005			
Cost	-	1.093	1.093
Accumulated depreciation	-	(786)	(786)
Net book value	-	307	307
Additions		1.154	1.154
Accumulated acquisitions (FGB)	334		334
Cumulative depreciation and impairment		(990)	(990)
Closing net book value	334	164	498

32 Reinsurance contracts

	31.12.2006	31.12.2005
Due from reinsures	1.332	-
Claims from reinsurance activities	7	-
Total	1.339	-

	31.12.2006	31.12.2005
33 Other assets		
Advances to employees	26	80
Advances to third parties	50	-
Contributions to Co-Guarantee Fund and Supplementary Fund	4.901	3.665
Guarantees	7.698	108
Receivables from transactions for third parties	68	-
Receivables from brokerage	8	36.559
Credit card receivables	2.095	-
Greek state, prepaid taxes	3.946	1.033
Other debtors	16.840	2.505
Bad debts, other than loans and receivables	1.199	162
	<u>36.831</u>	<u>44.112</u>
Less: Allowances for impairment	(2.010)	(162)
Total	34.821	43.950

	31.12.2006	31.12.2005
34 Due to banks		
Deposits from other banks	33.933	6.106
Short-term loans	438	-
Repurchase agreements (Repos)	56.526	-
Total	90.897	6.106

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

	31.12.2006	31.12.2005
35 Due to customers		
Individuals:		
Saving accounts	64.497	-
Current accounts	1.122	-
Time deposits	586.410	4.953
	<u>652.029</u>	<u>4.953</u>
Corporate entities:		
Current accounts	72.104	15.392
Time deposits:		
Corporate entities	134.417	14.164
Public organizations	7.788	-
Public corporations	4.565	-
Other time deposits	84.401	592
Repurchase agreements (Repos)	920	3.560
	<u>304.195</u>	<u>33.708</u>
Blocked deposits	29	-
Pledged deposits	50.361	-
Margin accounts	35.543	-
Total	1.042.157	38.661

The total of the repurchase agreement (Repos) mature within one month from the balance sheet date. The total interest expense arising from repurchase agreement on bonds for the year 2006 amounted to 767 thousands euros.

36 Debt securities in issue	31.12.2006	31.12.2005
Convertible bonds	1.500	-
Total	1.500	-

The Managing Director in order to participate in the placement of the convertible bond issued by Omega Insurance S.A., has entered into an equal-amount loan agreement with Omega Bank. Basic characteristics of the convertible bond are the following:

Issue date: June 27, 2006

Par value: 1.500 thousands of euros

Coupon rate: 5%

Title form and number: 500.000 coupon bonds with par value 3 euro each, can be formed in a single or multiple cumulative title.

Duration: Perpetuity with five-year notice of prepayment from the issuer, or relevant decision of the general assembly of bondholders.

Conversion ratio: One (1) bond is convertible to one (1) ordinary share of stock with par value 3 euro.

Use of funds: Strengthening of capital requirements.

Value of conversion rights is estimated to equal corresponding liability. If conversion rights are exercised to their full effect, the bondholder will become shareholder of 43,62% of equity capital, taking into consideration the outstanding shares as of December 31st 2006.

37 Provisions for insurance contracts

<u>Movement of provisions for insurance contracts</u>	31.12.2006	31.12.2005
Provisions for insurance contracts at 31 December 2004	14.875	-
Unearned premiums 1.1-31.12.2005	4.464	-
Reported claims 1.1-31.12.2005	5.809	-
Total provisions for insurance contracts at 31 December 2005	25.148	-
Unearned premiums 1.1-31.12.2006	(723)	-
Reported claims 1.1-31.12.2006	9.668	-
Total provisions for insurance contracts at 31 December 2006	34.093	-

38 Other liabilities	31.12.2006	31.12.2005
Taxes and duties payable:		
Taxes and duties from salaries	510	266
Taxes from interest on deposits	253	61
Other taxes and duties payable	2.317	318
Taxes and duties relating to prior years from tax reviews	1.320	-
Payables to social security funds	859	188
Other liabilities:	12	-
Dividends payable	34	-
Due from collections on behalf of third parties	2	-
Salaries payable	311	150
Due to foreign derivative brokerage customers	13.782	-
Due from settlement of brokerage transactions	74	22.672
Due from settlement of brokerage transactions – Cyprus stock exchange	31	-
Suppliers and other liabilities	1.740	2.034
Total	21.245	25.689

39 Deferred tax assets/(liabilities)	31.12.2006	31.12.2005
Deferred tax assets:		
Retirement benefit obligations	392	50
Financial liabilities	242	-
Staff bonuses	216	-
Property, plant and equipment & intangible assets	118	384
Deferred income	-	17
Tax loss	276	-
Fair value adjustment on acquired assets (Omega Bank)	2.492	-
Deferred tax liabilities:		
Financial assets	(6)	-
Allowances for impairment on loans	(37)	-
Derivative listed on the Athens Derivatives Exchange	(10)	-
Accrued interest – loans commissions	(440)	-
Finance leases	(43)	-
Total	3.200	451

40 Current income tax liabilities	31.12.2006	31.12.2005
Income tax expense	1.349	1.942
Total	1.349	1.942

	31.12.2006	31.12.2005
41 Retirement benefit obligations		
Amounts recognized in the balance sheet:		
Present value of defined benefit obligations	1.382	200
Unrecognized actuarial losses	<u>(154)</u>	<u>-</u>
Total liabilities at end of year	1.228	200
Amounts recognized in the income statement:		
Current service cost	106	26
Interest cost	10	4
Curtailements/ Settlements	12	-
Net actuarial losses recognized	<u>1</u>	<u>-</u>
Total	129	30
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	200	172
Increase due to business combinations (absorption of Proton Securities SA)		
Increase due to business combinations (acquisition of Omega Bank SA)	1.086	0
Charge in the income statement	129	30
Benefits paid	<u>(187)</u>	<u>(2)</u>
Total	1.228	200
42 Share capital	31.12.2006	31.12.2005
Paid up share capital at beginning of period	202.660	35.000
Increase due to acquisition of Omega Bank SA/ closed-end funds	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	45.136	14.000
Share issue (note 49)	<u>17.548</u>	<u>31.136</u>
Total number of ordinary shares outstanding	62.684	45.136

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 Shareholders Meeting, 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.

43 Share premium	31.12.2006	31.12.2005
Balance at 1 January 2006	-	-
Increase due to acquisition of Omega Bank SA	85.478	-
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.

44 Other reserves	31.12.2006	31.12.2005
Available-for-sale reserve:		
Balance at 1 January 2006	-	-
Gains form change in fair value	(11)	-
Total available-for-sale reserve	(11)	-
Other reserves :		
Balance at 1 January 2006	5.184	-
Tax free reserve distribution	(2.638)	4.847
Transfer from retained earnings to statutory reserves	192	336
Exchange differences	(20)	-
Change due to business combinations (absorption of Proton Securities SA)	921	-
Total other reserves	3.639	5.183
Total	3.628	5.183

44.1 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 share capital. The reserve is not distributable but it may be applied to extinguish accumulated losses.

44.2 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.

45 Cash and cash equivalents	31.12.2006	31.12.2005
Cash and balances with the Central Bank (note 19)	22.032	2.251
Loans and advances to banks (note 20)	93.404	54.946
Total	115.436	57.197

46 Dividend 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.

47 Contingent liabilities and commitments

47.1 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 Group.

47.2 Letters of guarantee/Irrevocable letters of credit

The off balance sheet items which represent the Group's commitment to extend credit to its customers are analyzed as follows (amounts in thousands of euros):

	2006	2005
Letters of guarantee	85.172	38.364
Irrevocable letters of credit	2.804	-
Total	87.976	38.364

47.3 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.

47.4 Capital commitments

a) The Group as a lessee, has signed non cancellable operating lease agreements with a value of 1.049 thousands of euros.

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

	31.12.2006	31.12.2005
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	39.969	722
Total	59.887	3.840

Monthly lease payment	309	43
Guarantees that will be offset at lease termination	1.123	-

c) The Group 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 recognised in the income statement during the period: 101 thousands of euros.

	31.12.2006	31.12.2005
No later than 1 year	204	70
Later than 1 year and no later than 5 years	309	146
Later than 5 years	-	-
Total	513	216

d) As of 31 December 2006, the Group 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.

47.5 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 euro 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.

47.6 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.

48. Related party transactions

Related parties include: a) Members of the Board of Directors, b) close members of the families and of the above c) subsidiaries and associates companies of the Group.

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

I. Associated companies	2006	2005
Deposits	6.574	-
Other receivables	<u>11</u>	<u>-</u>
Total	6.585	-
Income/Expense		
Interest and similar expense	28	-
Other operating income	<u>26</u>	<u>-</u>
Total	54	-
II. Directors and key management personnel	2006	2005
Loans	8.100	11.854
Letters of guarantee	127	117
Deposits	34.868	1.533
Other assets	375	-
Other liabilities	<u>216</u>	<u>1</u>
Total	43.686	13.505
Salaries and other benefits	2.282	1.595
Interest and similar income	212	452
Interest and similar expense	314	32
Other operating income	1.405	3
Other operating expense	<u>1.119</u>	<u>-</u>
Total	5.332	2.082

49. Business acquisitions

49.1 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 IFRS 3 "Business Combinations" were followed which apply for all business combinations on or after 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 of 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.

49.1.1 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 the consolidated assets and liabilities by 1.077.559 thousands of euros and 1.026.333 thousands of euros respectively.

If the acquisition had occurred on 1 January 2006, total consolidated net revenues and after tax profit of the acquirer for the period ending 31 December 2006 would be 134.671 thousands of euros and 18.767 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	155.982		155.982
Loans and receivables	766.608		756.641
Insurance receivables	20.176	(9.967)	20.176
Financial assets at fair value through profit or loss	40.276		40.276
Available-for-sale financial assets	31.024		31.024
Derivative financial instruments (assets)	368		368
Investments in associates	4.356		4.356
Property, plant and equipment	32.632		32.020
Investment property	50	(612)	50
Intangible assets	3.384		3.384
Reinsurance contracts	1.641		1.641
Other assets	16.860		16.860
Deferred tax assets	1.120	2.492	3.612
Due to banks			
	(95.417)		(95.417)
Derivative financial instruments (liabilities)			
	(2.128)		(2.128)
Debt securities in issue			
	(1.500)		(1.500)
Due to customers			
	(877.363)		(877.363)
Provisions for insurance contracts			
	(35.336)		(35.336)
Other liabilities		513	
	(13.978)		(13.465)
Retirement benefit obligations		268	
	(1.392)		(1.124)
Fair value of net identifiable assets acquired	58.532		51.226
		(7.306)	
Less: Minority Interest			(587)
Fair value of net identifiable assets acquired attributable to the equity holders of the Bank			50.639

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	155.982
- eliminations of cash equivalents between Proton Bank and Omega Bank	(23.545)
Net inflow	131.836

49.1.2 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 the 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	(50.639)
Preliminary goodwill	114.211

49.1.3 Proforma consolidated financial statements

For comparison reasons, if the acquisition had occurred on 31 December 2005, the consolidated balance sheet would have been as follows:

BALANCE SHEET

<i>(in thousands of euros)</i>	Balance sheet 31.12.2006	Proforma Balance sheet 31.12.2005
ASSETS		
Cash and balances with the Central Bank	37.397	50.675
Loans and advances to banks	93.404	191.165
Financial assets at fair value through profit or loss	260.309	155.826
Derivative financial instruments	2.611	260
Loans and receivables	941.214	856.142
Insurance receivables	16.721	16.182
Investment securities:		
- Held to maturity	6.646	6.629
- Available for sale	31.331	32.458
Investments in associates	4.604	5.793
Property, plant and equipment	33.402	33.846
Investment property	50	50
Non-current assets held for sale	64	-
Intangible assets	117.462	74.160
Reinsurance contracts	1.339	1.887
Deferred tax assets	3.200	2.778
Other assets	34.821	40.186
Total assets	1.584.575	1.468.037
LIABILITIES		
Due to banks	90.897	65.873
Due to customers	1.042.157	987.644
Derivative financial instruments	6.319	4.185
Debt securities in issue	1.500	-
Provisions for insurance contracts	34.093	25.148
Other liabilities	21.245	47.371
Current income tax liabilities	1.349	1.942
Retirement benefit obligations	1.228	1.205
Total liabilities	1.198.788	1.131.426

EQUITY

Share capital		281.450	281.450
Share premium		85.478	58.435
Other reserves		3.628	5.184
Retained earnings / losses		14.544	(9.483)
Equity attributable to the equity holders of the Bank		385.100	335.586
Minority interest		687	1.025
Total equity		385.787	336.611
Total equity and liabilities		1.584.575	1.468.037

No comparison is attempted for the consolidated income statement since any proforma consolidated income statement for the year 2006 would not include financial figures for the very first nine (9) months of the year 2006 for the Omega Group.

49.2 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.

50 Development claim tables of automobile line

						Cumulative payments to date	Estimates of claims costs	Reported reserves	Run-Off
2001				923		922	1	1	
2002				1.706		1.589	116	126	
2003			5.991	5.958		5.441	517	640	
2004		7.652	7.538	7.497		6.204	1.293	1.435	
2005	15.658	15.685	15.453	15.367		9.211	6.156	5.433	
2006	21.384	22.863	22.903	22.563	22.439	7.982	14.457	11.673	2.066
	21.384	38.521	46.240	51.545	53.890	31.349	22.540	19.308	2.066

50.1 Development claim tables of other lines

						Cumulative payments to date	Liability recognized
2001				673		673	0,30
2002				1.396		1.443	(47)
2003			1.068	1.032		1.061	(29)
2004		2.305	2.269	2.192		2.183	9
2005	3.336	3.266	3.215	3.106		3.215	(109)
2006	3.860	3.669	3.592	3.536	3.416	2.604	812
	3.860	7.005	9.163	10.088	11.815	11.179	636
							1.929

51 Non-life insurance contract liabilities

**TECHNICAL RESERVES FISCAL YEAR 2006
OWN RETENTION – REINSURER’S SHARE**

UNEARNED PREMIUM AND POLICY FEE RESERVES PROVISIONS FOR OUTSTANDING CLAIMS

Line of business	Own retention	Reinsurer’s share	Total	Own retention	Reinsurer’s share	Total	Total Ovn retention	Total Reinsurer’s share	Grand Total
CASUALTY	99	401	500	73	286	359	172	687	859
HEALTH	1	-	1	-	-	-	1	-	1
MOTOR-OTHER	1.714	-	1.714	1.135	-	1.135	2.849	-	2.849
PLEASURE YACHT	1	10	11	-	-	-	1	10	11
MARINE CARGO	11	14	25	9	6	15	20	21	41
FIRE AND ALLIED PERILS	245	367	612	138	176	314	383	542	925
MISCELLANEOUS	36	71	107	5	12	17	41	84	124
YACHT THIRD PARTY LIABILITY	2	21	23	-	-	-	2	21	23
GENERAL LIABILITY	14	90	105	11	24	35	25	114	140
MONEY & SECURITIES	0	1	1	-	-	-	-	1	2
LEGAL ASSISTANCE	332	-	332	80	-	80	412	-	412
ROAD ASSISTANCE	139	-	139	-	-	-	139	-	139
TOTAL	2.594	975	3.570	1.451	504	1.955	4.045	1.480	5.526
AUTOMOBILE THIRD PARTY LIABILITY	7.150	-	7.150	21.347	70	21.417	28.497	70	28.567
GRAND TOTAL	9.744	975	10.720	22.798	574	23.372	32.542	1.550	34.093

* Reserves and provisions are reported according to the requirements of regulatory authority legislation in force.

52 Reclassifications

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

Balance sheet accounts	Note	As reported	Reclassifications	Restated
Loans and receivables	i	85.868	(35.305)	50.563
Other assets		8.386	35.564	43.950
Total assets		271.650	35.564	271.909
Due to customers	ii	61.333	(22.672)	38.661
Other liabilities		4.699	22.932	27.631
Total liabilities		72.339	(22.672)	72.599

- (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”

53 Restatement of Cash flow statement of 31st December 2005

The consolidated cash flow statement of 31st 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
(amounts in thousands of euros)	Note	1.1-31.12.2005	1.1-31.12.2005
Cash flows from operating activities			
Profit before income taxation		24.669	24.669
Adjustments for:			
Add: impairment losses on loans		3.304	3.304
Add: depreciation expense		721	721
Gains (-)/ losses (+) from revaluation of financial assets at fair value through profit or loss	(1)	(11.246)	(11.246)
Negative goodwill		(10.301)	-
Cash flows from operating activities before changes in operating assets and liabilities		7.147	17.448
Changes in operating assets and liabilities:			
Net (increase)/ decrease in loans and advances to banks	(2)	(2.061)	(36.484)
Net (increase)/ decrease in loans and receivables		(23.799)	(23.799)
Net (increase)/ decrease in financial assets at fair value through profit or loss	(1)	2.941	(50.867)
Net (increase)/ decrease in other assets	(1)	(3.746)	(2.929)
Net increase/ (decrease) in due to banks		(9.290)	(9.290)
Net increase/ (decrease) in due to customers	(1)	92.017	(32.219)
Net increase/ (decrease) in other liabilities	(1)	(9.652)	(717)
Net cash flows from operating activities before tax payment		46.410	(156.305)
Net cash flows from operating activities		53.557	(138.857)
Cash flows from investing activities			
Purchases / proceeds from the sale of property, plant & equipment and intangible assets (1)		(487)	(491)
Purchases / proceeds from the sale of available-for-sale financial assets		(3.738)	(3.738)
Acquisition of "Arrow", "Exelixa" and "Eurodynamiki", net of cash acquired		3.002	
Dividends received from financial assets at fair value through profit or loss		1.273	-
Net cash flow from investing activities		50	(4.229)
Cash flows from financing activities			
Cash received from share capital increase	(1)	-	141.748
Net cash flow from financing activities		-	141.748
Net increase in cash and cash equivalents	(2)	53.607	(1.338)
Cash and cash equivalents at beginning of period		3.590	3.590
Cash and cash equivalents at end of period	(2), 45	57.197	2.252

(1) : change due to merger

(2) : loans and advances to banks presented in cash and cash equivalents

54 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 6 to 56, 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 5th of 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