

Directors Report 2007

First full fiscal year following integration into the Crédit Agricole Group concludes with return to profitability for Emporiki Bank.

KEY BUSINESS DEVELOPMENTS IN 2007

➤ BUSINESS PLAN 2007-2011

Emporiki's 5-year business plan, which was presented on April 27, 2007, aims at transforming the Bank into a modern banking institution and recapturing its 'natural' market share (10.5%-11% on average). This process is based on three sources of growth: i).The sustained growth of the Greek Economy, ii).The transformation potential of the Bank and iii). The further development prospects in SE Europe, where Emporiki will serve as a regional "hub" for Crédit Agricole.

➤ TRANSFORMATION PROGRAM

During 1Q 2007 Emporiki completed important rationalization steps, such as the Joining Forces program, which aligned the Bank's operating and governance model to the standards of Crédit Agricole and a program to improve sales effectiveness at the branch network.

The execution of the Transformation Program -a key business tool for the implementation of the 5-year Business Plan- was rolled out as of the beginning of 2Q 2007. The Transformation projects evolve at a pace faster than anticipated, already delivering positive results. In particular, as part of the Program:

- A number of key operating procedures were redesigned and centralized, resulting in significant productivity gains in the retail branch network, allowing the staff to better serve the customer.
- The Retail Network as well as the Corporate & Investment Banking Organizational Structure were fully redesigned.
- A new model for the Retail Banking Clientele Segmentation has been implemented as of September 30, 2007.
- A nation-wide SME's network was launched; since October 2007 12 business centers are operating and the network will be expanded to reach a total of 21 BCs in the first semester of 2008.

- Significant progress has been made in restructuring the processes relating to the selection, training, development, reward, recognition and elevation of the Bank's human resources, a determining factor for the implementation of its business objectives.

➤ **RATIONALIZATION OF ACTIVITY PORTFOLIO**

• **Discontinuation of the Group's German subsidiary operations**

On February 8 2007, the Board of Directors of Emporiki decided to discontinue the operation of the Group's subsidiary Emporiki Bank Germany GmbH and commenced its liquidation process.

• **Purchase of shares of Emporiki Bank Cyprus**

On March 27 2007, Emporiki announced the purchase of 9.99% of the total share capital of the subsidiary company EMPORIKI BANK CYPRUS. Consequently, Emporiki Bank of Greece owns the 91.18% of the share capital of EMPORIKI BANK CYPRUS.

• **Sale of Phoenix Metrolife Insurance Company**

On June 29 2007, Emporiki announced that it signed the final agreement with Groupama SA for the sale of 100% of the share capital of Phoenix Metrolife Insurance SA, for a total amount of €96.3 million, resulting in a net profit of €47.7 million in consolidated results for Emporiki's Group.

➤ **MARKET PRESENCE**

A main goal of the Bank achieved during 2007 was to regain commercial momentum; very competitive products (mortgage and consumer loans, deposits and investment products) were designed and offered to customers, supported by strong advertising campaigns.

The superior expertise in a number of critical banking market fields is a key competitive edge secured for Emporiki following its entrance to the group of Crédit Agricole. Exploiting this advantage, Emporiki started to introduce significant innovations in the market as of the end of 2007 (business deal with the Carrefour Group in consumer credit).

In light of Emporiki's 100 years of uninterrupted operations (1907-2007) and in order to celebrate 2008 as the first of the Bank's next 100 years, a large corporate advertising campaign was launched at Christmas 2007, with the key message: «Emporiki bank 2008: Year of Creativity, Year of Renaissance».

➤ **RISK METHODOLOGY**

In 2007 Emporiki adopted for the first time a stricter default definition as well as more advanced contagion rules. With these measures, Emporiki's risk methodologies have fully integrated the requirements of Basel II, earlier than the timeframe set by the competent regulatory authorities, thus fulfilling the Management's commitment for a full alignment with Basel II standards, Crédit Agricole's prudential policies and (for financial reporting purposes) with the IFRS impairment rules for loans.

Moreover, through the implementation of a more efficient recovery process, Emporiki has significantly reduced the level of regular provisions at the Bank level, while **for the first time in years**, it has written-off non performing loans, which were considered uncollectible, amounting to €310 million.

ANALYSIS OF 2007 RESULTS

Full year 2007 results are in line with the new 5-year business plan. The application of risk methodologies compliant with Basel II requirements had an impact on the results of the Bank for the last quarter as well. The cost of the Transformation Program is slightly lower than anticipated, whereas operating costs are under tight control.

Net banking income: €948.8 million, +0.5%

- **Net interest income** was €759.4 million, up 6.5%.
- **Net fee and commission income** decreased by 3.6% to €153.3 million due to low activity in mutual funds and bank-assurance products.
- **Other operating income** in total stood at €36.1 million, lower by 50% compared to FY 06, when gains from venture capital disposals and AFS portfolio positively impacted results. The trading income of 2007 was affected by the current market conditions.

Operating expenses declined by 2.3% to €616.5 – significant improvement on a quarterly basis (Q4 07 -12.6% vs. Q4 06)

- **Staff expenses** decreased by 2.3% (Q4 07 significantly decreased by 9.6% vs. Q4 06).
- **Other operating expenses** also lower by 1% (Q4 07 significantly decreased by 13.3% vs. Q4 06).

Gross Operating Income went up by 5.9% to €332.3 million.

Transformation expenses amounted to €47.9 million.

Regular Provisions (Impairment losses) and Other Provisions reached €160.7 million. The implementation of the new recovery process that has already started, is gradually lowering the cost of risk (Q4 07 -20% vs. Q307 & -31.2% vs. Q4 06). Compliance with Basel II requirements was completed by the end of the year and had an impact on the results of Q3 and Q4 2007 (total exceptional provisions 2007: €73 million).

ANALYSIS OF FY07 BALANCE SHEET

In FY 2007 the annual YoY growth rate of **mortgage loans** of the Bank stood at 24.9% resulting in outstanding balances of €6,802 million. New mortgage loan disbursements stood at €1,974 million, roughly at the same level as last year, resulting in an enhanced competitive position (average annual market share of 9.8% or +50 bps versus 2006).

In **consumer loans (including Credicom)** annual growth rate stood at 25.5% driving total outstanding balances to €2,968 million. Credicom continued its notable growth with balances standing at €941 million in December 31, 2007, increased by €319.5 million since year-end 2006. Taking into account consumer loans originating from both Emporiki's branch network and Credicom, Emporiki Group has a market share in consumer loans of 10.8% (average for 2007).

Loans to **SMEs** increased by 11% YoY, with balances standing at €5,814 million, enhanced heavily during Q4 07, with the launch of the Business Centers' network.

Deposits of the Bank increased by 8.1% to €17,563 million, with the average market share for 2007 remaining unchanged at 8.6%.

The Bank's **provisioning coverage ratio** (i.e. loan loss reserves as a percentage of Non-Performing Loans) was 102.9% on 31/12/2007 and improved even further after write-offs, to 103.9%.

Equity at the consolidated Group level stood at € 888.6 million.

As to the information provided by the articles 43a and 107 of Codified Law 2190/1920 in relation to:

- the Bank's targets and policies, regarding the financial risk management, including the policy for the hedging of any type of forecasted transaction for which hedge accounting is applied and
- the Bank's exposure to the market risk, the credit risk and the liquidity risk
- any significant event that occurred from the balance sheet date to the date of issuing this report,

detailed information is provided in the notes of the Financial Statements.

Athens, 28 February 2008

Chairman of the
Board of Directors

Chief Executive Officer

JEAN-FREDERIC DE LEUSSE

ANTONIOS N. KRONDIRAS

We confirm that the above Directors' report, which consists of five pages, is the one referred to in our audit report dated 28 February 2008.

Athens, 28 February 2008

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