# NATIONAL BANK OF GREECE S.A.

## Interim Financial Statements

## 30 September 2005

## In accordance with
## International Financial Reporting Standards

**November 2005**

## Table of Contents

# Income Statement

| € 000's | Note | From 1 January to 30.9.2005 | 30.9.2004 |
|---|---|---|---|
| Interest and similar income | | 1.566.355 | 1.386.964 |
| Interest expense and similar charges | | (592.760) | (524.468) |
| **Net interest income** | **5** | **973.595** | **862.496** |
| Fee and commission income | | 221.928 | 213.331 |
| Fee and commission expense | | (50.422) | (42.763) |
| **Net fee and commission income** | **6** | **171.506** | **170.568** |
| Dividend income | **7** | 31.301 | 59.343 |
| Net trading income/loss | **8** | (39.986) | 56.657 |
| Net result from investment securities | | 93.260 | (192) |
| Other operating income | **9** | 15.316 | 23.628 |
| **Total operating income** | | **1.244.992** | **1.172.500** |
| Personnel expenses | **10** | (454.499) | (496.600) |
| General & administrative expenses | **12** | (149.453) | (153.254) |
| Depreciation and amortization charges | **13** | (53.616) | (58.614) |
| Other operating expenses | **14** | (7.672) | (9.566) |
| **Total operating expenses** | | **(665.240)** | **(717.034)** |
| Impairment losses on loans and advances | | (138.967) | (100.720) |
| **Profit before tax** | | **440.785** | **353.746** |
| Tax expense | **15** | (111.130) | (104.746) |
| **Net Profit** | | **329.655** | **249.000** |
| **Earnings per share** | | | |
| Basic & Diluted | **34** | **€ 1.00** | **€ 0.75** |

Athens, 24 November 2005

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

# Balance Sheet

| € 000's | Note | 30.9.2005 | 31.12.2004 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with central banks | **16** | 1.888.323 | 817.612 |
| Treasury bills and other eligible bills | **-** | 63.806 | 118.674 |
| Due from banks (net) | **17** | 6.351.961 | 8.322.507 |
| Financial assets at fair value through P&L | **18** | 13.180.235 | 11.293.119 |
| Derivative financial instruments | **19** | 244.349 | - |
| Loans and advances to customers (net) | **20** | 25.547.211 | 23.096.956 |
| Investment securities - available for sale | **21** | 2.467.577 | 339.648 |
| - held to maturity | **21** | 30.403 | - |
| Investment property | **-** | 499 | 414 |
| Investments in subsidiaries | **-** | 1.645.686 | 1.528.646 |
| Investments in associates | **-** | 278.025 | 280.593 |
| Intangible assets | **22** | 28.249 | 28.717 |
| Property & equipment | **23** | 1.035.706 | 1.060.862 |
| Deferred tax assets | **24** | 156.452 | 41.156 |
| Other assets | **25** | 1.351.177 | 1.218.530 |
| **Total assets** | | **54.269.659** | **48.147.434** |
| | | | |
| **LIABILITIES** | | | |
| Due to banks | **26** | 6.657.595 | 5.748.858 |
| Derivative financial instruments | **19** | 438.177 | - |
| Due to customers | **27** | 40.969.353 | 37.174.565 |
| Other borrowed funds | **28** | 2.049.660 | 1.582.149 |
| Other liabilities | **29** | 1.209.003 | 862.978 |
| Current tax liabilities | **29** | 109.631 | 108.872 |
| Deferred tax liabilities | **24** | 90.320 | 4.348 |
| Retirement benefit obligations | **11** | 40.732 | 40.967 |
| **Total liabilities** | | **51.564.471** | **45.522.737** |
| | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | **30** | 1.492.090 | 1.492.090 |
| Share premium account | | 32.393 | 32.393 |
| Less: treasury shares | | (38.612) | (29.518) |
| Reserves and retained earnings | **31** | 1.219.317 | 1.129.732 |
| **Equity attributable to NBG shareholders** | | **2.705.188** | **2.624.697** |
| | | | |
| **Total liabilities and equity** | | **54.269.659** | **48.147.434** |

Athens, 24 November 2005

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

The notes on pages 8 to 35 are an integral part of these interim financial statements

# Statement of Changes in Equity

| € '000 | Share capital | Share premium | Treasury shares | Reserves & Retained earnings | **Total** |
|---|---|---|---|---|---|
| **Movement in equity from 01.01 to 30.09.2004** | | | | | |
| **Balance at 1 January 2004** | **1.147.761** | **32.393** | **(283)** | **1.403.520** | **2.583.391** |
| Issue of share capital | 344.329 | - | - | (344.329) | - |
| Currency translation differences | - | - | - | (43) | **(43)** |
| Profit/(loss) for the period | - | - | - | 249.000 | **249.000** |
| Purchases of treasury shares | - | - | (15.382) | - | **(15.382)** |
| Dividends | - | - | - | (165.783) | **(165.783)** |
| **Balance at 30 September 2004** | **1.492.090** | **32.393** | **(15.665)** | **1.142.365** | **2.651.183** |
| **Movement in equity from 01.10 to 31.12.2004** | | | | | |
| Currency translation differences | - | - | - | 43 | **43** |
| Profit/(loss) for the period | - | - | - | (12.676) | **(12.676)** |
| Purchases of treasury shares | - | - | (13.853) | - | **(13.853)** |
| **Balance at 31 December 2004** | **1.492.090** | **32.393** | **(29.518)** | **1.129.732** | **2.624.697** |
| Adoption of IAS 39 & IFRS 4 | | | | 2.696 | **2.696** |
| **At 1 January 2005 IFRS restated** | **1.492.090** | **32.393** | **(29.518)** | **1.132.428** | **2.627.393** |
| **Movement in equity from 01.01 to 30.09.2005** | | | | | |
| Movement in the AFS reserve, net of tax | - | - | - | (44.711) | **(44.711)** |
| Profit/(loss) for the period | - | - | - | 329.655 | **329.655** |
| Purchases of treasury shares | - | - | (9.094) | - | **(9.094)** |
| Dividends | - | - | - | (197.959) | **(197.959)** |
| Currency translation differences | - | - | - | (96) | **(96)** |
| **Balance at 30 September 2005** | **1.492.090** | **32.393** | **(38.612)** | **1.219.317** | **2.705.188** |

# Cash Flow Statement

| € 000's | Note | 30.9.2005 | 30.9.2004 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Net profit** | | **329.655** | **248.998** |
| Adjustments for: | | | |
| **Non-cash items included in net profit and other adjustments:** | | **(78.914)** | **117.327** |
| Depreciation, amortisation & impairment on fixed assets | | 53.616 | 58.614 |
| Credit loss expense / (recovery) | | 139.084 | 101.607 |
| Deferred tax expense / (benefit) | | 2.277 | 483 |
| Interest expense on debt securities and other borrowed funds | | 62.830 | 27.610 |
| Dividend income from investment securities | | (31.262) | (56.467) |
| Net (profit) / loss on sale of fixed assets | | (6.988) | (14.712) |
| Net realised (gains) / losses on available for sale securities | | (140.643) | 192 |
| **Net (increase) / decrease in operating assets:** | | **(1.253.556)** | **314.010** |
| Net due to/ from banks | | 1.537.310 | (4.362.312) |
| Trading securities | | (3.997.120) | 3.331.941 |
| Net proceeds/ (purchase) of treasury bills and other eligible bills | | 54.830 | (16.564) |
| Net derivative financial instruments | | 131.809 | - |
| Net loans and advances to customers / due from customers | | 1.188.544 | 1.142.499 |
| Other assets | | (168.929) | 218.446 |
| **Net increase / (decrease) in operating liabilities:** | | **248.270** | **(148.992)** |
| Other deposits | | (85) | 5 |
| Income taxes paid | | (104.236) | (114.874) |
| Other liabilities | | 352.591 | (34.123) |
| **Net cash flow from / (used in) operating activities** | | **(596.717)** | **531.343** |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiaries (net of cash acquired) | | (4.969) | (30.796) |
| Amounts paid for share capital increase of subsidiaries | | (96.447) | (3.158) |
| Dividends received from investment securities | | 31.262 | 56.467 |
| Purchase/disposal of fixed assets | | (28.453) | (32.922) |
| Net proceeds / purchases of investment securities – Available for sale | | 105 167 | 26 394 |
| Proceeds from sale of investment securities – held to maturity | | 21.413 | - |
| Proceeds from sale of other securities | | 1.776 | - |
| **Net cash from / (used in) investing activities** | | **29.749** | **15.985** |
| **Cash flows from financing activities** | | | |
| Proceeds from /(repayments of) borrowed funds and debt securities | | 404.681 | (40.351) |
| Net sales /(purchases) of treasury shares | | (9.094) | (15.382) |
| Dividends paid | | (197.463) | (163.057) |
| **Net cash from / (used in) financing activities** | | **198.124** | **(218.790)** |
| **fect of exchange rate changes on cash and cash equivalents** | | 97.581 | 26.636 |
| **Net increase/(decrease) in cash and cash equivalents** | | **(271.263)** | **355.174** |
| **Cash and cash equivalents at beginning of period** | | **4.270.439** | **5.310.092** |
| **Cash and cash equivalents at end of period** | 34 | **3.999.176** | **5.665.266** |

# Notes to the Interim Financial Statements

## NOTE 1: General Information

National Bank of Greece S.A. (hereinafter the "Bank") was founded in 1841 and has been listed on the Athens Stock Exchange since 1880. The Bank has a further listing in the New York Stock Exchange (since 1999), and in other major European stock exchanges. The Bank's headquarters are located at 86 Eolou street, (Reg. 6062/06/B/86/01), tel.: (+30) 210 334 1000. By resolution of the Board of Directors the Bank can establish branches, agencies and correspondence offices in Greece and abroad. In its 164 years of operations the Bank has expanded on its commercial banking business by entering into related business areas. National Bank of Greece provides a wide range of financial services including retail and commercial banking, asset management, brokerage, investment banking, and bank assurance services. The Bank is also diversified and organized on a worldwide basis into SE Europe, European Union and Africa. The Bank is managed by the Board of Directors, which has fifteen members. These interim financial statements have been approved for issue by the Bank's Board of Directors on 24 November 2005.

The Board of Directors consists of the following members:

| | |
|---|---|
| **Executive Members** | |
| Efstratios-Georgios (Takis) A. Arapoglou | Chairman—Chief Executive Officer |
| Ioannis G. Pechlivanidis | Deputy Chief Executive Officer |
| | |
| **Independent Non-Executive Members** | |
| George M. Athanasopoulos | Employees' representative |
| John P. Panagopoulos | Employees' representative |
| Ioannis C. Yiannidis | Professor, University of Athens Law School |
| H.E. the Metropolitan of Ioannina Theoklitos | |
| Stefanos C. Vavalidis | Member of the Board of Directors, European Bank for Reconstruction & Development |
| Dimitrios A. Daskalopoulos | Chairman and Managing Director, Delta S.A., Vice Chairman, Federation of Greek Industrialists |
| Nikolaos D. Efthymiou | Chairman, Association of Greek Shipowners |
| George Z. Lanaras | Shipowner |
| Stefanos G. Pantzopoulos | Business consultant, former certified auditor |
| Constantinos D. Pilarinos | Economist, General Manager of Finances and Technical Services, Church of Greece |
| Drakoulis K. Fountoukakos-Kyriakakos | Entrepreneur, Chairman of Athens Chamber of Commerce and Industry |
| Ioannis Vartholomeos | Professor, University of Piraeus, Governor of IKA (Social Security Fund) |
| Ploutarchos K. Sakellaris | Professor, University of Athens, and Chairman, Council of Economic Advisors. |

The Bank is audited by certified auditors. Deloitte was appointed to act as the Bank's certified auditors by the Bank's Board of Directors on 17 May 2005. A review of the Bank's September 2005 financial statements by certified auditors is not required and has not been carried out.

## NOTE 2: Summary of significant accounting policies

### *2.1 Basis of presentation*

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

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Use of available information and application of judgment are inherent in the formation of estimates in the following areas: valuation of unlisted derivatives and securities, retirement benefits obligation, impairment of loans and receivables, open tax years and litigation. Actual results in the future could differ from such estimates and the differences may be material to the financial statements.

### *2.2 Adoption of International Financial Reporting Standards (IFRS)*

The Bank adopts the requirements of IFRS for the first time for the purpose of preparing financial statements for the year ending 31st December 2005. In accordance with the transitional provisions set out in IFRS 1 "First-time Adoption of International Financial Reporting Standards" and other relevant standards, the Bank has applied IFRS expected to be in force and endorsed (or where there is reasonable expectation of endorsement) by the European Union (EU) as of 31st December 2005 in its financial reporting with effect from 1st January 2004 with the exception of the standards relating to financial instruments and insurance contracts (IAS 32, 39 and IFRS 4).

The Bank has used the transitional provisions of IFRS 1 with respect to the aforementioned standards in arriving at appropriate opening balances and therefore has not applied these standards to the 2004 comparatives. The impact of these standards is reflected through further adjustments to shareholders' equity as at 1st January 2005. In 2004 comparatives, financial instruments and insurance contracts are included using the respective measurement bases and the disclosure requirements under Greek GAAP.

The possibility exists that these interim financial statements may require adjustment before their inclusion in the final IFRS consolidated financial statements for the year ended 31 December 2005, because of subsequent revisions or changes to the IFRS, or guidance and consensus on the application or interpretation of IFRS.

The impact of the transition to IFRS on the financial position and the comparatives as previously reported under Greek generally accepted accounting principles ("Greek GAAP") is summarised in Note 36.

### *2.3 Foreign currency translation*

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

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

When preparing the financial statements, assets and liabilities of foreign entities are translated at the exchange rates prevailing at the balance sheet date, while income and expense items are translated at average rates for the period. Differences resulting from the use of closing and average exchange rates and from revaluing a foreign entity's opening net asset balance at closing rate are recognized directly in foreign currency translation reserve within shareholders' equity.

### *2.4 Regular way purchases and sales*

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

### *2.5 Derivative financial instruments and hedging* *(Applicable for the Bank from January 1, 2005)*

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

The Bank occasionally purchases or issues financial instruments containing embedded derivatives. The embedded derivative is separated from the host contract and carried at fair value if the economic characteristics of the derivative are not clearly and closely related to the economic characteristics of the host contract.

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

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

#### *2.5.1 Fair value hedges*

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

### *2.5.2 Cash flow hedges*

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

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

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

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

Notwithstanding the above, in accordance with par. 30 of IFRS 1, transactions entered into before the date of transition to IFRS, shall not be retrospectively designated as hedges.

### *2.6 Offsetting*

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

### *2.7 Interest income and expense*

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

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

### *2.8 Fee and commission income*

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

### *2.9 Trading securities* *(Applicable for the Bank from January 1, 2005)*

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

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

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

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

### *2.10 Sale and repurchase agreements*

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

### *2.11 Securities borrowing and lending* *(Applicable for the Bank from January 1, 2005)*

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

Respectively, securities lent and securities provided as collateral under securities borrowing transactions are not derecognised from the financial statements unless control of the contractual rights that comprise these securities transferred is relinquished.

The Bank monitors the market value of the securities borrowed and lent on a regular basis and provides or requests additional collateral in accordance with the underlying agreements. Fees and interest received or paid are recorded as interest income or interest expense, on an accrual basis.

### *2.12 Investment Securities (Applicable for the Bank from January 1, 2005)*

Investment securities are classified as either available for sale or held to maturity investment securities based on management intention on purchase date. Investment securities are recognized at trade date, which is the date that the Bank commits to purchase or sell the asset. All other purchases and sales are recognized as derivative forward transactions until settlement.

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

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

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

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

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

### *2.13 Loans and receivables (Applicable for the Bank from January 1, 2005)*

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

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

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

### *2.14 Impairment losses on loans and advances (Applicable for the Bank from January 1, 2005)*

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

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

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

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

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

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

All impaired loans are reviewed and analysed at least annually and any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates result in a change in the provision for loans impairment and are charged or credited to impairment losses on loans and advances.

The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

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

### *2.15 Property and equipment*

Property and equipment include land and buildings, leasehold improvements and transportation and other equipment, held by the Bank for use in the supply of services or for administrative purposes.

Property and equipment are initially recorded at cost, which includes all costs that are required to bring an asset into working condition. In accordance with the transitional provisions set out in IFRS 1, the Bank has adopted the carrying values of all items of property and equipment on the date of transition under Greek GAAP as their deemed cost, rather than either reverting to historical cost or carrying out a valuation at the date of transition.

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

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

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

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

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

### *2.16 Investment property*

Investment property includes land and buildings, owned by the Bank (or held through a leasing agreement, either finance or operating) with the intention of earning rentals or for capital appreciation or both, and is initially recorded at cost, which includes transaction costs. A property interest that is held by the Bank under an operating lease is classified and accounted for as investment property when a) the property would otherwise meet the definition of an investment property or b) the operating lease is accounted for as if it were a finance lease. In accordance with the transitional provisions set out in IFRS 1, the Bank has adopted the carrying amounts of all investment properties on the date of transition under Greek GAAP as their deemed cost rather than carrying out a valuation at the date of transition.

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

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

### *2.17 Intangible assets*

Intangible assets are recognized if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Bank; and, the cost of the asset can be measured reliably. Intangible assets include computer software and other separately identifiable intangible assets. Computer software includes costs that are directly associated with identifiable and unique software products controlled by the Bank that are anticipated to generate future economic benefits exceeding costs beyond one year. Expenditure, which enhances or extends the performance of computer software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of the software. Computer software development costs recognized as assets, are amortized using the straight-line method over their useful lives, not exceeding a period of 5 years.

Expenditure on starting up an operation or branch, training personnel, advertising and promotion and relocating or reorganizing part or the entire Bank is recognized as an expense when it is incurred.

At each balance sheet date, management reviews intangible assets and assesses whether there is any indication of impairment. If such indications exist an analysis is performed to assess whether the carrying amount of intangible assets is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

***2.18 Leases***

*a. The Bank is the lessee*

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

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

*b. The Bank is the lessor*

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

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

***2.19 Cash and cash equivalents***

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 3 months maturity from the date of acquisition and consist of cash and balances with central banks, treasury bills and other eligible bills, amounts due from other banks, investment securities and trading securities.

***2.20 Provisions***

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

### *2.21 Employee benefits*

The Bank operates various retirement benefit plans. Such plans are classified as pension plans or other post-retirement benefit plans.

#### *2.21.1 Pension plans*

a. Defined benefit plans

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. For defined benefit plans, the pension liability is the present value of the defined benefit obligation at the balance sheet date minus the fair value of the plan assets, including any adjustments for unrecognised actuarial gains/losses and past service costs. The Bank follows the "corridor" approach of IAS 19 "Employee Benefits" according to which a certain amount of actuarial gains and losses remains unrecognised and is amortized over the average remaining service lives of the employees participating in the plan. The Bank on the transition date to IFRS has elected to use the exemption provided in paragraph 20 of IFRS 1 in respect of employee benefits and has recognized all cumulative actuarial gains and losses from the inception of such plans until the date of transition to IFRS.

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

b. Defined contribution plans

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

#### *2.21.2 Other post-retirement benefit plans*

Group employees participate in plans, which provide for various health benefits including post-retirement healthcare benefits. Such plans are also classified as either defined contribution or defined benefit plans. Obligations under other defined benefit post-retirement plans are valued annually by independent qualified actuaries.

### *2.22 Income taxes*

Income tax payable on profits is recognized as an expense in the period in which profits arise.

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

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

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

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

### *2.23 Borrowings*

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

### *2.24 Share capital and treasury shares*

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

**Dividends on ordinary shares**: Dividends on ordinary shares are recognized as a liability in the period in which they are approved by the Annual General Meeting of the Shareholders of the Bank.

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

### *2.25 Related parties transactions*

Related parties include entities, which the Bank has the ability to control or exercise significant influence in making financial and operating decisions. Related parties include, directors, their close relatives, companies owned or controlled by them and companies over which they can influence the financial and operating policies.

All banking transactions entered into with related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and do not involve more than a normal amount of risk.

### *2.26 Fiduciary and trust activities*

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

### *2.27 Earnings per share*

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

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

## NOTE 3: Financial risk management

### *3.1 Interest Rate Risk*

The Bank is subject to various types of interest rate risk, which arise in the Bank's activities outlined below. Management characterizes these types as fixed interest rate risk, repricing (or gap) risk, and credit spread risk.

*Principal activities*

The Bank is the principal market maker in Greek government bonds, which are denominated in various major currencies in both the primary and the secondary markets. It carries a large inventory of Greek government bonds in its trading book in order to facilitate its market making activity and the distribution of Greek government bonds to retail and institutional investors in Greece and abroad.

The Bank is also active in the interbank deposit market (denominated in euro and all other major currencies) as well as foreign exchange forward transactions with maturities up to a year.

The Bank routinely enters into asset swaps of non-euro denominated debt issued by the Hellenic Republic for the purpose of servicing institutional clients.

*Interest rate exposure management*

The principal source of interest rate risk exposure arises from Greek government bonds trading activity. The Bank enters into futures contracts on medium-and long-term German government bonds in order to provide an economic hedge of fixed interest rate exposure arising from its position in fixed-rate Greek government bonds. As a result of this economic hedging activity, fixed rate exposure is converted into a credit-spread exposure over the yield of medium-and long-term German government bonds. As a secondary means of hedging the trading portfolio of Greek government bonds, the Bank also uses the swap market to convert part of the fixed rate exposure to a floating rate exposure in order to reduce earnings volatility in periods of volatile interest rates. The derivatives business is subject primarily to credit risk, counterparty and Greek sovereign risk as it carries Greek government bonds as hedges to the swap portfolio. The money market business is geared towards lending the excess liquidity of the Bank for short maturities to the interbank market.

The fixed interest rate risk due to the bond as well as the swaps portfolio, together with their economic hedged instruments, is monitored by converting the notional amount positions into constant maturity positions (i.e., ten-year equivalent positions). Furthermore, a breakdown of the fixed interest risk into maturing buckets is performed and a Value at Risk (VAR) report is produced daily taking into account the sum of all our trading positions in all currencies for the Treasuries of the Bank.

*Repricing risk*

The floating rate portfolio of securities is matched primarily against the Bank's deposit base. The portfolio of floating Greek government bonds reprices annually and is funded by the Bank's retail deposit base with an average duration of one month. The difference of the volatility in short-term euro interest rates between one month and one year has been minimal.

*Spread risk*

Spread and basis risk arises from the hedging of Greek government bonds with futures contracts on euro-denominated German government bonds, as well as with interest rate and cross currency swaps. Since the drachma joined the euro zone, the hedging of Greek government bonds with future contracts on German government bonds, results in a spread which exhibits a very low volatility. With respect to the hedging of Greek government bonds with interest rate and cross currency swaps, the fixed rate risk is converted into floating rate risk, as the floating feature of the related swaps is indexed to the European Interbank Offered Rate, commonly known as EURIBOR. Again this asset swap spread of the Greek sovereign debt is subject to very low volatility since the entry of the Greek drachma into the Eurozone.

The Bank also carries an inventory of foreign currency fixed and floating rate eurobonds issued by the Hellenic Republic, which behave in the same manner as the asset swap positions mentioned above.

### *3.2 Liquidity risk*

The Bank operates a network of 582 branches and sub-branches, and its domestic customer deposit base accounts for 31% of the Greek deposit market (savings and sight accounts) as at 30 June 2005. This provides with sufficient euro and foreign currency liquidity to fund the Banks operations and treasury positions. Strategically, the Bank maintains a high proportion of liquid assets to enable it to service customer loans expeditiously as well as to take advantage of market opportunities.

### *3.3 Foreign exchange risk*

The Bank trades in all major currencies against the euro. In the normal course of business, it holds short-term positions, which arise from and are used for servicing its institutional, corporate, domestic and international client base.

The Bank's strategy is to hold minimal open foreign exchange risk but at a level sufficient to service its client base. In this context, the non-euro denominated Eurobond positions are funded by customer and interbank deposits in the respective currencies. The Bank's open foreign exchange position is limited to the capital contributed to the overseas operations (branches and subsidiaries) with the associated foreign exchange risk. In addition, because non-euro denominated expenses are largely offset by non-euro denominated revenues, the foreign exchange risk is low.

The Bank files standard foreign exchange position reports on a regular basis which enables the central bank to monitor its foreign exchange risk. VAR limits are set according to the guidelines of the Bank's Risk Management Council and monitored by the Internal Audit Division.

## NOTE 4: Segment reporting

The Bank manages its business through the following business segments:

- **Retail banking**

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

- **Corporate & Investment banking**

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

- **Global Markets and Asset management**

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

- **International**

  The Bank's international banking activities include a wide range of traditional commercial banking services, such as extensions of commercial and retail credit, trade financing, and foreign exchange.

- **Other**

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

| Breakdown by business segment | | | | | | |
|---|---|---|---|---|---|---|
| '000 EURO | Retail Banking | Corporate & Investment Banking | Global markets & Asset Management | Inter-national activies | Other | **Total** |
| **From 1 January to 30.9.2005** | | | | | | |
| Net interest income …….……………….…….. | 801.714 | 151.192 | 116.706 | 614 | (96.631) | **973.595** |
| Net fee & commission income…………………. | 92.172 | 37.142 | 40.279 | 3.324 | (1.411) | **171.506** |
| Other operating income………………………… | 34.890 | (18.196) | 18.902 | 756 | 63.539 | **99.891** |
| **Total operating income** ………………….……. | **928.776** | **170.138** | **175.887** | **4.694** | **(34.503)** | **1.244.992** |
| Direct costs….…………………………..……… | (372.586) | (25.403) | (28.455) | (22.924) | (21.866) | **(471.234)** |
| Allocated costs & provisions …………………... | (245.559) | (64.280) | (14.366) | (7.357) | (1.411) | **(332.973)** |
| **Profit Before Tax** ……..……………………… | **310.631** | **80.455** | **133.066** | **(25.587)** | **(57.780)** | **440.785** |
| Taxes ……..………………………………….….. | (83.871) | (21.723) | (20.044) | 6.907 | 7.601 | **(111.130)** |
| **Profit After Tax**…... | **226.760** | **58.732** | **113.022** | **(18.680)** | **(50.179)** | **329.655** |
| Segment assets as at 30.9.2005………………… | **22.643.845** | **9.654.211** | **15.999.096** | **828.510** | **5.143.997** | **54.269.659** |
| Segment liabilities & equity as at 30.9.2005… | **37.457.595** | **1.395.645** | **9.191.041** | **1.370.268** | **4.855.110** | **54.269.659** |
| **From 1 January to 30.9.2004** | | | | | | |
| Net interest income …….……………………... | 695.569 | 138.319 | 123.956 | (9.684) | (85.664) | **862.496** |
| Net fee & commission income…………………. | 97.235 | 34.042 | 34.464 | 4.675 | 152 | **170.568** |
| Other orating income……………..………….… | 47.235 | (17.994) | 17.268 | 8.821 | 84.106 | **139.436** |
| **Total operating income** ……………………..…. | **840.039** | **154.367** | **175.688** | **3.812** | **(1.406)** | **1.172.500** |
| Direct costs ………………………………………. | (388.210) | (33.955) | (34.808) | (17.812) | (39.602) | **(514.387)** |
| Allocated costs & provisions …………………... | (220.435) | (52.408) | (13.435) | (5.897) | (12.192) | **(304.367)** |
| **Profit Before Tax** ……..……………………… | **231.394** | **68.004** | **127.445** | **(19.897)** | **(53.200)** | **353.746** |
| Taxes ……..………………………………….….. | (80.988) | (23.801) | (25.540) | 6.964 | 18.619 | **(104.746)** |
| **Profit After Tax** | 150.406 | 44.203 | 101.905 | (12.933) | (34.581) | **249.000** |
| Segment assets as at 30.9.2004……..…………. | **14.953.633** | **8.802.173** | **20.282.346** | **1.423.387** | **3.828.680** | **49.290.219** |
| Segment liabilities & equity as at 30.9.2004…. | **35.904.403** | **1.097.187** | **7.998.219** | **2.273.933** | **2.016.477** | **49.290.219** |

| NOTE 5: Net Interest Income | 30.9.2005 | 30.9.2004 |
|---|---|---|
| Interest earned on: | | |
| Amounts due from banks | 222.730 | 169.989 |
| Securities | 306.424 | 357.102 |
| Loans and advances to customers | 1.030.664 | 823.876 |
| Other interest earning assets | 6.537 | 35.997 |
| **Interest and similar income** | **1.566.355** | **1.386.964** |
| Interest payable on: | | |
| Amounts due to banks | (178.569) | (181.317) |
| Amounts due to customers | (342.300) | (285.265) |
| Debt securities in issue | - | - |
| Other borrowed funds | (62.830) | (27.610) |
| Other interest paying liabilities | (9.061) | (30.276) |
| **Interest expense and similar charges** | **(592.760)** | **(524.468)** |
| **Total** | **973.595** | **862.496** |

| NOTE 6: Net Fee and Commission Income | 30.9.2005 | 30.9.2004 |
|---|---|---|
| Custody, brokerage & investment banking | 19.892 | 17.318 |
| Retail loan fees | 16.469 | 12.873 |
| Corporate lending fees | 49.793 | 44.750 |
| Banking fees & similar charges | 69.581 | 81.698 |
| Fund management fees | 15.771 | 13.929 |
| **Total** | **171.506** | **170.568** |

| NOTE 7: Dividend Income | 30.9.2005 | 30.9.2004 |
|---|---|---|
| Trading securities | 39 | 2.876 |
| Available for sale securities | 2.387 | 3.594 |
| NBG Group securities | 21.439 | 45.194 |
| Other securities | 7.436 | 7.679 |
| **Total** | **31.301** | **59.343** |

| NOTE 8: Net Trading Income / Loss | 30.9.2005 | 30.9.2004 |
|---|---|---|
| Foreign exchange | 5.723 | 19.842 |
| Fixed income securities | (53.894) | 17.122 |
| Equities | 8.185 | 19.693 |
| **Total** | **(39.986)** | **56.657** |

| NOTE 9: Other Operating Income | 30.9.2005 | 30.9.2004 |
|---|---|---|
| Real estate gains & rentals | 11.987 | 19.749 |
| Other income | 3.329 | 3.879 |
| **Total** | **15.316** | **23.628** |

| NOTE 10: Personnel Expenses | 30.9.2005 | 30.9.2004 |
|---|---|---|
| Wages and salaries | 302.683 | 318.836 |
| Social security costs & defined contribution plans | 136.808 | 145.719 |
| Pension costs: defined benefit plans | 2.793 | 3.486 |
| Other staff related benefits | 12.215 | 28.559 |
| **Total** | **454.499** | **496.600** |

The average number of employees employed by the Bank during the period to 30 September 2005 was 13.569 (2004: 14.728).

## NOTE 11: Retirement benefit obligations

### Defined Contribution Plans

*National Bank of Greece Pension Plan*
The Bank's employees' Pension Plan provides for defined contributions to be made by the Bank at a rate of 26,50% of the employee's salary, for employees who joined any social security fund prior to 1.1.1993. The corresponding rate for employees insured by any social security fund after that date is 13,33%. Employee contributions are 11% of the employee's salary, for employees insured by any social security fund prior to 1.1.1993. The corresponding rate for employees insured by any social security fund after that date is 6,67%. Plan contributions are determined by years of service with the Bank and the employee's final salary level.

*National Bank of Greece Auxiliary Pension Plan*
The Bank's employees' Auxiliary Pension Plan provides for defined contributions to be made by the Bank at a rate of 9% of the employee's salary. Employees contribute at a rate of 3,50% of their salary. Benefits paid are determined by years of service with the Bank and the employee's final pensionable pay.

*Defined contribution health plans*
Contributions by the Bank to the National Bank of Greece Health Plan (T.Y.P.E.T.) amount to 6,25% of employees' salaries. Employees' contributions amount to 2,50% of their salaries. Additional contributions are paid for insured members of the employees' families and amount up to 2% for three or more protected members (spouse that does not work and children), and are increased further in the event that the insured spouse is employed or that members of the paternal family are also insured. Contributions of retired employees amount to 4% of their pensions and additional contributions equal to those paid by employees in service, are paid for other insured members of their families. T.Y.P.E.T. offers health benefits to employees before and after their retirement, and to insured members of their families.

### Defined Benefit Plans

*Youth account benefit plan*
The Bank sponsors a Youth account benefit plan under which children and former employees are entitled to a lump sum benefit at age 25 if their parents have chosen to make contributions. The benefit is 25% of 1.65 of the parents' basic monthly pay for every year of contributory service. Under the rules of the plan benefits are paid under several circumstances.

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

| | 30.9.2005 | 30.9.2004 |
|---|---|---|
| Current service cost | 2.380 | 2.301 |
| Interest cost on obligation | 3.566 | 3.496 |
| Expected return on plan assets | (3.153) | (2.311) |
| **Pension costs - defined benefit plans** | **2.793** | **3.486** |

The weighted average assumptions used to determine the net periodic pension costs for the years 2005 and 2004 are :

| | 2005 | 2004 |
|---|---|---|
| Discount rate | 5,2% | 5,2% |
| Expected return on plan assets | 6,3% | 6,3% |
| Rate of compensation increase | 4,1% | 4,1% |
| Pension increase | 2,3% | 2,3% |

The aggregated funding status recognized in the balance sheet is reconciled below as follows for the periods ended:

| | 30.9.2005 | 31.12.2004 |
|---|---|---|
| Present value of funded obligations | 104.941 | 98.994 |
| Fair Value of plan assets | (70.779) | (64.597) |
| Unrecognized actuarial losses | 6.570 | 6.570 |
| **Total** | **40.732** | **40.967** |

## NOTE 12: General & administrative expenses

| | 30.9.2005 | 30.9.2004 |
|---|---|---|
| Duties and taxes | 17.147 | 17.180 |
| Utilities and rentals | 83.500 | 88.509 |
| Other administrative expenses | 48.806 | 47.565 |
| **Total** | **149.453** | **153.254** |

## NOTE 13: Depreciation and amortisation charges

| | 30.9.2005 | 30.9.2004 |
|---|---|---|
| Investment property | 12 | 12 |
| Intangible assets | 9.758 | 13.332 |
| Property & equipment | 43.846 | 45.270 |
| **Total** | **53.616** | **58.614** |

## NOTE 14: Other operating expenses

| | 30.9.2005 | 30.9.2004 |
|---|---|---|
| Maintenance and other related expenses | 4.025 | 3.771 |
| Other provision charges | 117 | 887 |
| Other expenses | 3.530 | 4.908 |
| **Total** | **7.672** | **9.566** |

## NOTE 15: Tax expense

| | 30.9.2005 | 30.9.2004 |
|---|---|---|
| Current tax | 94.341 | 96.055 |
| Deferred tax | 2.277 | 482 |
| Prior year taxes | 10.924 | 4.505 |
| Other taxes | 3.588 | 3.704 |
| **Total** | **111.130** | **104.746** |

| NOTE 16: Cash and balances with Central Bank | 30.9.2005 | 31.12.2004 |
|---|---|---|
| Cash in hand | 459.551 | 480.786 |
| Balances with Central Bank | 1.428.772 | 336.826 |
| **Total** | **1.888.323** | **817.612** |

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

BoG is the primary regulator of depository institutions in Greece. BoG requires all banks established in Greece to maintain deposits with BoG equal to 2% of total customer deposits as these are defined by the European Central Bank ("ECB"). As of January 1, 2001 these deposits bear interest at the refinancing rate as set by the ECB (2% at 30 September 2005).

| NOTE 17: Due from banks (net) | 30.9.2005 | 31.12.2004 |
|---|---|---|
| Sight deposits with banks | 135.062 | 104.068 |
| Time deposits with banks | 1.993.096 | 4.590.346 |
| Securities purchased under agreements to resell | 4.099.395 | 3.621.608 |
| Other | 124.408 | 6.485 |
| **Total** | **6.351.961** | **8.322.507** |

| NOTE 18: Financial assets at fair value through P&L | 30.9.2005 | 31.12.2004 |
|---|---|---|
| Government bonds and other sovereign obligations | 12.810.208 | 9.433.073 |
| Other public sector bonds | 34.590 | 48.972 |
| Other debt securities | 275.192 | 1.528.902 |
| Equity securities | 60.245 | 65.185 |
| Mutual funds units | - | 216.987 |
| **Total** | **13.180.235** | **11.293.119** |

| NOTE 19: Derivative financial instruments (assets / liabilities) | | 30.9.2005 | |
|---|---|---|---|
| | **Notional Amount** | **Fair values** | |
| | **Contract** | **Assets** | **Liabilities** |
| **Derivatives held for trading:** | | | |
| Interest rate derivatives | 23.710.210 | 155.073 | 420.528 |
| Foreign exchange derivatives | 4.189.233 | 75.552 | 4.865 |
| Other types of derivatives | 83.690 | 3.294 | 7.634 |
| Interest rate derivatives - Exchange traded | 14.589.828 | 10.430 | 5.150 |
| **Total** | **42.572.961** | **244.349** | **438.177** |

| NOTE 20: Loans & advances to customers (net) | 30.6.2005 | 31.12.2004 |
|---|---|---|
| Mortgages | 10.452.276 | 8.838.687 |
| Consumer loans | 2.588.930 | 2.254.079 |
| Credit cards | 1.489.653 | 1.416.820 |
| Entrepreneur's lending | 1.352.544 | 1.228.700 |
| Small Business lending | 478.973 | 466.000 |
| **Retail lending** | **16.362.376** | **14.204.286** |
| Corporate lending | 10.178.367 | 9.828.399 |
| **Total** | **26.540.743** | **24.032.685** |
| Less: Allowance for impairment on loans & advances to customers | (993.532) | (935.729) |
| **Total** | **25.547.211** | **23.096.956** |
| Movement in allowance for impairment on loans and advances: | | |
| **Balance at 1 January** | **935.729** | **859.335** |
| IAS 39 adjustments | 17.106 | - |
| **Balance at 1 January (as restated)** | **952.835** | **859.335** |
| Provision for loan impairment | 138.967 | 137.679 |
| Loans written off | (102.569) | (59.845) |
| Exchange differences | 4.299 | (1.440) |
| **Balance at 30.9.2005** | **993.532** | **935.729** |

| NOTE 21: Investment securities & investments in subsidiaries and associates | 30.9.2005 | 31.12.2004 |
|---|---|---|
| **Available-for-sale investment securities:** | | |
| Greek Government bonds | 920.271 | - |
| Debt securities issued by other governments and public entities | 307.034 | 24 |
| Corporate bonds incorporated in Greece | 317.472 | 265.704 |
| Corporate bonds incorporated outside Greece | 247.040 | - |
| Debt securities issued by Greek financial institutions | 73.617 | - |
| Debt securities issued by foreign financial institutions | 264.438 | - |
| Other debt instruments issues | - | 9.531 |
| **Debt securities** | **2.129.872** | **275.259** |
| Equity securities | 104.677 | 64.482 |
| Mutual funds units | 233.852 | - |
| Provision for impairment | (824) | (93) |
| **Total available-for-sale investment securities** | **2.467.577** | **339.648** |
| **Held-to-maturity investment securities (at amortized cost):** | | |
| Corporate bonds incorporated in Greece | 20.867 | **-** |
| Corporate bonds issued by other issuers | 9.536 | **-** |
| **Total held-to-maturity investment securities** | **30.403** | **-** |
| **Total investment securities** | **2.497.980** | **339.648** |

## NOTE 22: Intangible assets

| Cost | Goodwill | Software | Other | Total |
|---|---|---|---|---|
| **At 1.1.2005** | 38 | 137.572 | 15.673 | 153.283 |
| Additions, disposals and write-offs | (38) | 388 | 6.754 | **7.104** |
| **At 30.9.2005** | - | 137.960 | 22.427 | **160.387** |
| **Accumulated amortization and impairment** | | | | |
| **At 1.1.2005** | - | (123.115) | (1.453) | **(124.568)** |
| Additions, disposals and write-offs | - | 1.977 | 211 | **2.188** |
| Amortization charge for the period | - | (8.199) | (1.559) | **(9.758)** |
| **At 30.09.2005** | - | (129.337) | (2.801) | **(132.138)** |
| **Net book amount at 30.09.2005** | **-** | **8.623** | **19.626** | **28.249** |

## NOTE 23: Property & equipment

| Cost | Land | Buildings | Vehicles & equipment | Leasehold improvements | Assets under construction | Total |
|---|---|---|---|---|---|---|
| **At 1.1.2005** | 563.169 | 604.251 | 361.501 | 49.957 | 20.537 | 1.599.415 |
| Additions, disposals and write-offs | (5.108) | 3.424 | 8.110 | 5.460 | 3.923 | **15.809** |
| Exchange differences | - | 115 | 231 | - | - | **346** |
| **At 30.9.2005** | **558.061** | **607.790** | **369.842** | **55.417** | **24.460** | **1.615.570** |
| **Accumulated amortisation and impairment** | | | | | | |
| **At 1.1.2005** | - | (221.469) | (281.107) | (35.976) | - | (538.552) |
| Additions, disposals & write-offs | - | 1.082 | 2.845 | (1.393) | - | 2.534 |
| Depreciation charge for the period | - | (13.972) | (26.605) | (3.269) | - | (43.846) |
| **At 30.9.2005** | **-** | **(234.359)** | **(304.867)** | **(40.638)** | **-** | **(579.864)** |
| **Net book amount at 30.9.2005** | **558.061** | **373.431** | **64.975** | **14.779** | **24.460** | **1.035.706** |

## NOTE 24: Deferred tax assets & liabilities

| | 30.9.2005 | 31.12.2004 |
|---|---|---|
| **Deferred tax assets:** | | |
| Securities and derivatives | 114.122 | - |
| Tangible and intangible assets | 9.283 | 10.109 |
| Pension and other post retirement benefits | 10.087 | 10.147 |
| Other temporary differences | 22.960 | 20.900 |
| **Deferred tax assets** | **156.452** | **41.156** |
| **Deferred tax liabilities:** | | |
| Securities and derivatives | 82.894 | 1 |
| Tangible and intangible assets | 7.402 | 4.347 |
| Other temporary differences | 24 | - |
| **Deferred tax liabilities** | **90.320** | **4.348** |

| NOTE 25: Other assets | 30.9.2005 | 31.12.2004 |
|---|---|---|
| Accrued interest and commissions | 620.991 | 542.076 |
| Tax prepayments and other recoverable taxes | 118.072 | 175.567 |
| Trade receivables | 12.266 | 12.791 |
| Assets acquired through foreclosure proceedings | 81.767 | 76.249 |
| Prepaid expenses | 8.474 | 9.641 |
| Other | 509.607 | 402.206 |
| **Total** | **1.351.177** | **1.218.530** |

| NOTE 26: Due to banks | 30.7.2005 | 31.12.2004 |
|---|---|---|
| Demand deposits due to credit institutions | 159.038 | 157.906 |
| Time deposits due to credit institutions | 308.255 | 800.449 |
| Interbank deposits | 1.046.047 | 721.840 |
| Amounts due to Central Bank | 5.014 | 4.765 |
| Securities sold under agreement to repurchase | 5.104.089 | 4.023.229 |
| Other | 35.152 | 40.669 |
| **Total** | **6.657.595** | **5.748.858** |

| NOTE 27: Due to customers | 30.9.2005 | 31.12.2004 |
|---|---|---|
| **Deposits:** | | |
| Individuals. | 31.214.599 | 30.281.674 |
| Corporates | 4.166.659 | 2.750.302 |
| Government and agencies | 4.184.251 | 1.728.840 |
| **Total deposits** | **39.565.509** | **34.760.816** |
| Securities sold to customers under agreement to repurchase | 1.022.116 | 2.168.797 |
| Other due to customers | 381.728 | 244.951 |
| **Amounts due to customers** | **40.969.353** | **37.174.565** |

## NOTE 28: Other borrowed funds

- NBG Finance plc, α wholly owned subsidiary of the Bank, issued:

a) In June 2002, € 750 million subordinated floating rate notes guaranteed fully by the Bank due in June 2012. The notes are redeemable at the option of the Bank in or after June 2007. The notes carry interest at EURIBOR (2,175% at December 31, 2004) plus 80 bps to June 2007 and EURIBOR plus 210 bps thereafter, which is paid quarterly. The subordinated loan is carried at amortized cost. The commissions and other costs related to the issuance of those notes are amortized as interest expense on a constant yield basis over the period from the placement to the first redemption option.

b) In June 2005, JPY 30 billion (Euro 224 000 thousand) callable subordinated fixed rate notes guaranteed on a subordinated basis by the Bank due in June 2035 under the €1 billion Global Medium Term Note Programme. The new deal was launched on June 24, 2005 with settlement on June 28, 2005. The notes may be redeemed at the option of the Bank in or after June 2015. The notes carry fixed rate interest of 2,755% which is payable semi-annually in arrears. The subordinated loan is carried at amortized cost. The commissions and other costs related to the issuance of those notes are amortized as interest expense on constant yield basis over the period from the placement to the first redemption option.

The proceeds of the above Notes issued by NBG Finance are lent to the Bank under loan agreements with the same terms as each one of the Notes referred to above.

- NBG Funding Ltd, a wholly owned subsidiary of the Bank, issued:

  a) In July 2003, € 350 million Series A Floating Rate Non – Cumulative Non Voting Preferred Securities guaranteed irrevocably and unconditionally by the Bank. They are perpetual and may be redeemed after July 2013 by NBG Funding on any dividend date subject to the consent of the Bank. The notes carry interest at the 3-month EURIBOR plus 175 bps up until July 11, 2013 and EURIBOR plus 275 bps thereafter, which is paid quarterly.

  b) In November 2004, € 350 million Series B and USD 180 million Series C Constant Maturity Swap ("CMS") Linked Non-Cumulative non-voting preferred securities guaranteed on a subordinate basis by the Bank. The notes are perpetual and may be redeemed by NBG Funding, in whole but not in part in November 2014 or any dividend date falling thereafter subject to the consent of the Bank. The preferred dividend rate for series B is 6,25% the first year and then is determined as the 10 year CMS mid swap rate plus 12.5bps reset every six months and capped at 8% and for series C is 6,75% the first year and then is determined as the 10 year USD CMS mid swap rate plus12,5 bps reset every six months and capped at 8,5%.

  c) In February 2005, € 230 million Series D Constant Maturity Swap ("CMS") Linked Non-Cumulative non-voting preferred securities guaranteed on a subordinate basis by the Bank. The notes are perpetual and may be redeemed by NBG Funding, in whole but not in part in February 2015 or any dividend date falling thereafter subject to the consent of the Bank. The preferred dividend rate for series D is 6,00% for the first five years and then is determined as the difference of 10-year CMS mid swap rate minus 2-year mid swap rate multiplied by four on annual basis capped at 10% and floored at 3,25%.

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

| **NOTE 29: Other liabilities** | **30.9.2005** | **31.12.2004** |
|---|---|---|
| Accrued interest and commissions | 329.298 | 186.188 |
| Creditors and suppliers | 195.178 | 243.762 |
| Amounts due to government agencies | 271.963 | 113.814 |
| Other provisions | 34.395 | 40.248 |
| Taxes payable - other than income taxes | 6.168 | 28.572 |
| Accrued expenses and deferred income | 42.530 | 33.678 |
| Payroll related accruals | 3.284 | 26.372 |
| Dividends payable | 13.229 | 12.734 |
| Other | 312.958 | 177.610 |
| **Other liabilities** | **1.209.003** | **862.978** |
| Current tax liabilities | 109.631 | 108.872 |
| **Total** | **1.318.634** | **971.850** |

**NOTE 30: Share capital, share premium and treasury shares**

The total number of authorised, issued and fully paid ordinary shares as at 30 June 2005 was 331.575.511 (31.12.2004: 331.575.511) with a nominal value of €4,50 per share.

The weighted average number of shares for the first half of 2005 and 2004 was 329.934.611 and 331.357.909 respectively. Earnings per share for the first half of 2005 and 2004 was Euro 0,99 and Euro 0,75 respectively.

The Bank has in place a programme to purchase up to 5.000.000 own shares, at a price of no less than €4,50 and no more than €37,00 per share between 6 September and 31 December 2005. This purchase will be carried out by virtue of BoD resolution of 1 September 2005, in implementation of the resolution of the Annual General

Meeting of Shareholders of 17 May 2005 regarding the purchase, by 31 May 2006, of own shares up to an amount equal to 5% of total stock, including stock owned by the Bank from time to time, in accordance with article 16, par. 5 of Companies' Act 2190/1920. At 30.9.2005 the Bank held 1.792.310 shares with a total cost of €38,6 million.

**Stock Option Program:** On June 22, 2005 at a General Meeting of Shareholders a stock options program (the Program) was approved for the executive members of the Board of Directors (BoD), management and staff of the Group. The Program shall last for five years and expire in 2010. The Bank's BoD may decide to grant the options one-off or in parts at any time at its discretion. The maximum number of shares to issue under the Program shall be 2,5 million. The strike price shall be within the range of € 4,50 to 70% of the average price thereof within the time period from 1 January of the year the options are granted until the date they are first exercised. All other details of the Program shall be decided by the BoD at a later date.

| NOTE 31: Reserves & Retained Earnings | 30.9.2005 | 31.12.2004 |
|---|---|---|
| Statutory reserve | 189.628 | 189.628 |
| Revaluation reserve- available for sale securities | 60.442 | - |
| Revaluation reserve - fixed assets | 27.984 | 27.984 |
| Non-taxable reserves | 550.604 | 550.604 |
| Taxed reserve | 78.464 | 78.464 |
| General banking reserve | 5.768 | 5.768 |
| **Total reserves** | **912.890** | **852.448** |
| Retained earnings | 306.427 | 277.284 |
| **Total** | **1.219.317** | **1.129.732** |

## NOTE 32: Dividends per share

On 17 May 2005 at the annual General Meeting of the Shareholders of the Bank, the shareholders approved a dividend of Euro 0.60 for every share (2004:0.65) which was paid on 30 June 2005.

## NOTE 33: Cash and cash equivalents

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

| | 30.9.2005 | 31.12.2004 |
|---|---|---|
| Cash and balances with central banks | 1.076.537 | 506.341 |
| Due from banks | 2.922.639 | 3.764.098 |
| **Total** | **3.999.176** | **4.270.439** |

| NOTE 34: Earnings per share | 30.9.2005 | 30.9.2004 |
|---|---|---|
| Net profit attributable to NBG ordinary shareholders | 329.655 | 249.000 |
| Weighted average number of ordinary shares outstanding | 329 934 611 | 331 357 909 |
| **Earnings per share** | **1.00** | **0.75** |

## NOTE 35: Related –party transactions

The nature of the related party relationships for those related parties with whom the Bank entered into significant transactions or had significant balances outstanding at 30 September 2005 and 31 December 2004 are presented below. Transactions were entered into with related parties during the course of business at market rates.

***a. Transactions with management***
The Bank entered into a number of banking transactions with members of the Board of Directors ("BoD") and General Managers of the Bank in the normal course of business. The list of the members of the Board of Directors is shown under Note 1 General Information.

***b. Other related party transactions***
Receivables, payables income and expenditure and other memo account balances with associated companies, as of 30 September 2005 amount to € 1.362 mil., € 2.717 mil., € 40 mil., € 132 mil. και € 113 mil. respectively.

## NOTE 36: Post balance sheet events

### 1. Mergers

**1.1 National Bank of Greece and National Investment Company**
Following the announcement of the Boards of Directors of National Bank of Greece (the "Bank") and National Investment Company in June 2005, regarding the proposed merger through absorption of the latter by the former, the Bank's second repeat General Meeting of its Shareholders held on 3 November 2005, passed the following resolutions:

a) The merger through absorption of National Investment Company S.A. by the Bank, and specifically approved the relevant Draft Merger Agreement (dated 2/6/2005), the individual and, in view of the absorption, combined pro-forma transformation balance sheet and income statement of the Bank as at31/5/2005, Emporiki Bank's valuation report as to the fairness and reasonableness of the share exchange ratio, PricewaterhouseCoopers chartered auditors' reports certifying the book value of the Bank's fixed assets as at the transformation date (31/5/2005) and the fairness and reasonableness of the share exchange ratio (i.e. 12 shares of the absorbed company to 1 share of the absorbing), and the Bank's BoD report on the Draft Merger Agreement.

b) Cancellation, pursuant to Companies' Act 2190/1920, of National Investment Company's shares owned by the absorbing Bank.

c)Increase in the share capital of the Bank by €123,6 million approximately in total through the issue of 5.023.534 new shares of nominal value of €4,80 to be distributed to the remaining shareholders, other than the absorbing Bank, of the absorbed National Investment Company S.A., and through an increase in the nominal value of the existing shares by equivalent capitalization of the share premium account from €4,50 to €4,80.

Pursuant to the above and following completion of the merger, the Bank's share capital shall amount to €1.615.675.416 divided into 336.599.045 common registered shares of a nominal value of €4,80 each.

**1.2 National Bank of Greece and National Real Estate**
The Boards of Directors of the Bank and National Real Estate, further to their decisions (dated 29.7.2005) regarding the merger of the two companies through absorption of the latter by the Bank, decided to propose to the General Meetings of their Shareholders the following share exchange ratio: 2 shares of the absorbing National Bank for 15 shares of the absorbed National Real Estate. The merger shall be effected subject to due observance of legal procedures and to all corporate resolutions. Approval by regulatory authorities obtained in October 2005 (Greek Government Gazette issue 11146/21.10.2005).

PricewaterhouseCoopers and KPMG were appointed as auditors in order to certify the book value of National Bank of Greece's and National Real Estate's assets, respectively, as at the transformation balance sheets date (31.7.2005). They will also review the draft merger agreement and provide an opinion as to the fairness and reasonableness of the share exchange ratio.

On completion of the merger, subject to the above conditions, and cancellation of National Real Estate shares owned by National Bank, the Bank's total number of shares will increase by 2.670.367 shares which, added to existing shares pursuant to completion of its merger with National Investment Company (i.e. 336.599.045), will raise the total number of the Bank's shares to 339.269.412.

### 2. Acquisitions & Disposals

2.1 In October 2005, the Bank's subsidiary Ethniki Hellenic General Insurance, signed an agreement for the acquisition of the 100% of Alpha Insurance Romania and the 95% of the Alpha Insurance Brokerage, from the Alpha Bank Group.

2.2 In November 2005, the Bank signed an agreement for the acquisition of a majority stake (70%) of the share capital of the Romanian leasing company EURIAL Leasing.

2.3 In October 2005 the Bank announced the signing of the agreement for the sale of its subsidiary Atlantic Bank of New York to New York Community Bancorp, Inc. the holding company for New York Community Bank. The purchase price amounts to 400 million dollars payable in cash.

2.4 In November 2005, the Bank announced the signing of the agreement for the sale of its subsidiary National Bank of Greece (Canada) to Scotiabank.

**3. Sale of own shares**

In October 2005, National Bank of Greece ("NBG") and Ethniki Kefaleou announced the successful sale of 9.169.970 shares of NBG via an accelerated book build to international and domestic institutional investors via a private placement. The final offering price was fixed at €32,90 per share.

**4. Participation in share capital increase**

The Extraordinary Shareholders' General Meeting of Ethniki Hellenic General Insurance held on November 2, 2005, approved the share capital increase of the company in the form of a rights share issue by the amount of €129,1 million (including share premium) through the issue of 43.035.600 new shares of a par value of €2,50 each and issue price of €3,00. Existing shareholders may exercise the preemption right in terms of 5 new shares for every 10 old shares held between 21 November 2005 till 5 December 2005.

## NOTE 37: Effects from transition to IFRS

### Reconciliation of Equity: Greek GAAP to IFRS

| € 000's | | 31.12.2004 | 31.12.2003 |
|---|---|---|---|
| **Total shareholders' equity, as previously reported under Greek GAAP ....** | | **2.652.164** | **2.544.282** |
| **Transition adjustments due to adoption of IFRS:** | | | |
| Defined benefit plans: recognition of unfunded deficits ……………………… | **1** | (50.438) | (26.207) |
| Commission income deferral. …………………………………………………… | **2** | (32.861) | (20.453) |
| Re-measurement of fixed assets and intangibles ……………………………… | **3,7** | (17.382) | (6.402) |
| Securities revaluation ………………………………………………………… | **9** | (131.098) | (62.109) |
| Recognition of tax related provisions ………………………………………… | **4** | (5.795) | (18.558) |
| Recognition of impairment losses on loans and advances …………………… | **5** | (13.301) | (11.528) |
| Profit distribution recognised on cash basis ………………………………… | **6** | 228.121 | 180.833 |
| Other ……………………………………………………………………… | | (4.713) | 3.533 |
| **Total adjustments** ……………………………………………………… | | **(27.467)** | **39.109** |
| **Equity reported under IFRS** | | **2.624.697** | **2.583.391** |

### Income Statement under Greek GAAP and IFRS for the year ended 31.12.2004

| € 000's | IFRS | GrGAAP | Variation |
|---|---|---|---|
| Interest and similar income ………………………………………… | 1.871.113 | 2.314.689 | (443.576) |
| Interest expense and similar charges …………………………… | (712.699) | (1.108.924) | 396.225 |
| **Net Interest income**…………………………………………… | **1.158.414** | **1.205.765** | **(47.351)** |
| Fee and commission income………………………………………... | 286.910 | 325.083 | (38.173) |

| | | | |
|---|---|---|---|
| Fee and commission expense…… | (57.081) | (106.822) | 49.741 |
| **Net Fee and commission income**…… | **229.829** | **218.261** | **11.568** |
| Dividend income…… | 80.101 | 80.101 | - |
| Net trading income…… | 73.876 | 63.714 | 10.162 |
| Net result from investment securities…… | (352) | - | (352) |
| Other operating income…… | 44.949 | 46.122 | (1.173) |
| **Total operating income**…… | **1.586.817** | **1.613.963** | **(27.146)** |
| Personnel expenses…… | (781.709) | (746.025) | (35.684) |
| General & Administrative expenses …… | (208.882) | (207.028) | (1.854) |
| Depreciation and amortization charges …… | (79.720) | (89.192) | 9.472 |
| Other operating expenses…… | (30.257) | (33.585) | 3.328 |
| **Total operating expenses**…… | **(1.100.568)** | **(1.075.830)** | **(24.738)** |
| Impairment losses on loans and advances…… | (137.679) | (126.906) | (10.773) |
| **Profit before tax**…… | **348.570** | **411.227** | **(62.657)** |
| Tax expense …… | (112.246) | (116.373) | 4.127 |
| **Net Profit**…… | **236.324** | **294.854** | **(58.530)** |

## Balance Sheet under Greek GAAP and IFRS as at 31.12.2004

| € 000's | IFRS | GrGAAP | Variation |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with central banks…… | 817.612 | 813.769 | 3.843 |
| Treasury bills and other eligible bills…… | 118.674 | 118.689 | (15) |
| Due from banks (net)…… | 8.322.507 | 8.564.022 | (241.515) |
| Trading portfolio assets …… | 11.293.119 | 11.311.257 | (18.138) |
| Loans and advances to customers (net) …… | 23.096.956 | 23.212.219 | (115.263) |
| Investment securities - available for sale …… | 339.648 | 323.332 | 16.316 |
| Investment property …… | 414 | - | 414 |
| Investments in subsidiaries…… | 1.528.646 | 744.456 | 784.190 |
| Investments in associates…… | 280.593 | 1.287.772 | (1.007.179) |
| Intangible assets …… | 28.717 | 76.453 | (47.736) |
| Property & equipment …… | 1.060.862 | 1.018.441 | 42.421 |
| Deferred tax assets …… | 41.156 | - | 41.156 |
| Other assets …… | 1.218.530 | 831.668 | 386.862 |
| **Total assets** …… | **48.147.434** | **48.302.078** | **(154.644)** |
| **LIABILITIES** | | | |
| Due to banks …… | 5.748.858 | 5.747.299 | 1.559 |
| Due to customers …… | 37.174.565 | 37.175.074 | (509) |
| Debt securities in issue…… | - | 10.862 | (10.862) |
| Subordinated liabilities…… | 1.582.149 | 1.582.149 | - |
| Other liabilities …… | 862.978 | 1.030.570 | (167.592) |
| Current tax liabilities …… | 108.872 | 103.960 | 4.912 |
| Deferred tax liabilities …… | 4.348 | - | 4.348 |
| Retirement benefit obligations …… | 40.967 | - | 40.967 |
| **Total liabilities** …… | **45.522.737** | **45.649.914** | **(127.177)** |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital …… | 1.492.090 | 1.492.090 | - |

| | | | |
|---|---|---|---|
| Share premium account | 32.393 | 32.393 | - |
| Less: treasury shares | (29.518) | (29.518) | - |
| Reserves and retained earnings | 1.129.732 | 1.157.199 | (27.467) |
| **Equity attributable to NBG shareholders** | **2.624.697** | **2.652.164** | **(27.467)** |
| **Total equity and liabilities** | **48.147.434** | **48.302.078** | **(154.644)** |

## Income Statement under Greek GAAP and IFRS for the year ended 30.9.2004

| € 000's | IFRS | GrGAAP | Variation |
|---|---|---|---|
| Interest and similar income | 1.386.964 | 1.694.154 | (307.190) |
| Interest expense and similar charges | (524.468) | (808.380) | 283.912 |
| **Net Interest income** | **862.496** | **885.774** | **(23.278)** |
| Fee and commission income | 213.331 | 237.574 | (24.243) |
| Fee and commission expense | (42.763) | (77.297) | 34.534 |
| **Net Fee and commission income** | **170.568** | **160.277** | **10.291** |
| Dividend income | 59.343 | 59.160 | 183 |
| Net trading income | 56.657 | 52.989 | 3.668 |
| Net result from investment securities | (192) | - | (192) |
| Other operating income | 23.628 | 29.338 | 5.710 |
| **Total operating income** | **1.172.500** | **1.187.538** | **(15.038)** |
| Personnel expenses | (496.600) | (480.850) | (15.750) |
| General & Administrative expenses | (153.254) | (152.561) | (693) |
| Depreciation and amortization charges | (58.614) | (66.671) | 8.057 |
| Other operating expenses | (9.566) | (16.366) | 6.800 |
| **Total operating expenses** | **(718.034)** | **(716.448)** | **(1.586)** |
| Impairment losses on loans and advances | (100.720) | (101.224) | 504 |
| **Profit before tax** | **353.746** | **369.866** | **(16.120)** |
| Tax expense | (104.746) | (96.755) | (7.991) |
| **Net Profit** | **249.000** | **273.111** | **(24.111)** |

## Balance Sheet under Greek GAAP and IFRS as at 30.09.2004

| € 000's | IFRS | GrGAAP | Variation |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with central banks……………………………… | 2.336.766 | 2.333.443 | 3.323 |
| Treasury bills and other eligible bills…………………………….. | 91.581 | 91.581 | - |
| Due from banks (net)……………………………………………….. | 7.911.059 | 7.921.439 | (10.380) |
| Trading portfolio assets ……………………………………………. | 12.705.454 | 12.979.943 | (274.489) |
| Loans and advances to customers (net) …………..………………. | 21.827.512 | 21.946.157 | (118.645) |
| Investment securities - available for sale …………..…………….. | 370.817 | 354.541 | 16.276 |
| Investment property ………..……………………………………... | 439 | - | 439 |
| Investments in subsidiaries….……………………………………... | 1.524.106 | 759.636 | 764.470 |
| Investments in associates….……………………………………….. | 280.592 | 1.289.849 | (1.009.257) |
| Intangible assets ….…………………………… | 16.735 | 58.157 | (41.422) |
| Property & equipment ….………………………………………….. | 1.068.399 | 1.024.506 | 43.893 |
| Deferred tax assets ….……………………………………………… | 41.720 | - | 41.720 |
| Other assets ….……………………………………………………. | 1.115.039 | 521.889 | 521.889 |
| **Total assets** ….………………………………………………… | **49.290.219** | **49.281.141** | **9.078** |
| **LIABILITIES** | | | |
| Due to banks ….…………………………………………………….. | 5.235.442 | 5.237.076 | (1.634) |
| Due to customers ……………………….………………………….. | 39.326.936 | 39.324.325 | 2.611 |
| Debt securities in issue | - | 11.158 | (11.158) |
| Subordinated liabilities.…………………………………………... | 1.100.000 | 1.100.000 | - |
| Other liabilities …………………………………………………... | 830.960 | 572.766 | 258.194 |
| Current tax liabilities ……………………………………………. | 100.589 | 96.755 | 3.834 |
| Deferred tax liabilities …………………………..……………….. | 4.624 | - | 4.624 |
| Retirement benefit obligations ……………………………………. | 40.485 | - | 40.485 |
| **Total liabilities** ……………………………………………………... | **46.639.036** | **46.342.080** | **296.956** |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital ……………..…………………….………………… | 1.492.090 | 1.492.090 | - |
| Share premium account …………………………….…………… | 32.393 | 32.393 | - |
| Less: treasury shares ……………………………………………. | (15.665) | (15.665) | - |
| Reserves and retained earnings …………………………….……… | 1.142.365 | 1.430.243 | (287.878) |
| **Equity attributable to NBG shareholders** ……………………. | **2.651.183** | **2.939.061** | **(287.878)** |
| **Total equity and liabilities** ………………………………………. | **49.290.219** | **49.281.141** | **9.078** |

**1.Defined benefits plans (IAS 19)**
All unfunded liabilities arising from defined benefit pension plans were recognised as a liability. Under Greek GAAP provisions were based on labour law for staff retirement only.

**2.Loan related fees and costs (IAS 18 & IAS 39)**
All interest, interest-related fees and costs recognised at a constant rate to the expected maturity date. Under Greek GAAP all fees were accounted for as commission income when incurred.

**3.Tangible and intangible assets (IAS 16, IAS 38 & IFRS 1)**
For tangible and intangible assets, the Bank applies the historic cost method of accounting. Under previous GAAP, following Greek tax rules, property was revalued every 4 years based on indexed amounts. Such revaluation, for Greek GAAP purposes, took place on 31.12.2004.
Property and equipment are depreciated on straight-line basis over their estimated useful lives. Under Greek GAAP, depreciation was based on tax rates, which in general did not reflect the useful lives of tangible assets.
Intangible assets are recognised only when it is probable that future economic benefits will flow to the Bank. Under Greek GAAP various costs and expenses were capitalised.

**4.Tax provisions (IAS 37)**
Tax provisions were raised for tax open years where the outflow was probable and an estimate could be made. Under previous GAAP no such provisions were raised for these outflows.

**5.Loans and receivables impairment (IAS 36)**
Sundry receivables with indications of impairment were written off.

**6.Dividends (IAS 10)**
Dividends are accounted for when declared (approved by the shareholders). Under Greek GAAP dividends were accounted for when proposed.

**7.Investment property (IAS 40)**
Investment property owned by the Bank (or held through a leasing agreement, either finance or operating) is accounted for at cost and it is depreciated on straight-line basis over its estimated useful life. Under Greek GAAP, property that was held for investment purposes, was presented under own-used fixed assets.

**8.Deferred taxes (IAS 12)**
Under IAS 12, deferred income tax is fully provided by the Bank, using the liability method, on all temporary differences arising between the carrying amounts of its assets and liabilities and their amounts as measured for tax purposes. Under previous GAAP, there were no provisions for deferred taxes.

**Adoption of IAS 32, 39 & IFRS 4**

**9.Financial instruments**

***Securities (excluding derivatives)***
Under IAS 39, securities are initially recognized at cost, including transaction costs. Subsequent to their initial recognition, trading and available for sale securities are measured at fair value, with fair value gains and losses recorded in income statement and equity respectively, whereas securities held to maturity are carried at amortized cost. Under previous GAAP, all securities were initially accounted for at cost and re-measured on an aggregate basis at the lower of their cost or market value. In addition, the Bank, under IAS 39, recognizes all securities on trade date, whereas under previous GAAP securities were recognized when settled.

**10.Derivatives**
In accordance with IAS 39, all derivatives are carried at fair value. Under previous GAAP, listed derivatives were accounted for at fair value whereas all over-the-counter derivatives were carried at cost.