ALPHA BANK

DIRECTORS' REPORT FOR THE YEAR 2006

ATHENS
FEBRUARY 27, 2007

World Economy

2006 remained a positive year for the global economy, despite the increase in interest rates, the prices of raw materials, and basic commodities prices. Economic growth reached 5.1% while the global trade increased significantly by 8.9%, contributing to the increase of the GDP of emerging and developing economies.

Inflation increased slightly as a result of the increase in the price of crude oil together with the basic commodities and raw materials, but the inflation pressures and the interest rates are kept under control despite the high economic growth.

More specifically, in the Eurozone GDP growth reached 2.7%. The positive result was mainly due to domestic consumption rather than exports.

In 2006 inflation reached 2.2% while structural inflation was around 1.6%. The decrease in the number of countries where the general government deficit is greater than 3.0% led to the improvement of public finances.

The expectations of the global economy for 2007 remain positive. The forecasted GDP growth is estimated at 4.9%, slightly lower compared to 2006. However, it continues to be above the long term average. The growth of the global trade is estimated to be over 7%. Inflation will fall compared to 2006 due to the containment of oil prices while a slight increase of the interest rates in the Eurozone and Japan is anticipated.

Greek Economy

During 2006, the Greek economy real growth rate remained high, at 4.3%, contributing to further real convergence with the developed countries of the Eurozone. This development was driven by high domestic demand and private consumption as well as the investment recovery. In addition there was a satisfactory increase in Greek exports of goods and services, but the higher increase of imports had a negative impact on GDP. Domestic consumption was based on low interest rates and rapid credit expansion, as well as on the rise of the disposable income and the employment, with average inflation standing at 3.2% and structural inflation at 2.9%

Public finances have improved significantly. The deficit decreased to 2.6% of GDP and the respective public debt to 104.1% of GDP. However, public debt remains extremely high because of the expected burden on public spending as a result of the ageing population. This situation requires the further improvement of public finances through the reforms of labour relations in the public sector and of the social security plans of the country.

Concerning the expectations for 2007, several positive factors result in an optimistic perspective for the growth rate, which is expected to exceed 3.8% again, as well as inflation (2.9%) and unemployment (8.2%).The external economic environment is favourable due to the expected high growth in Europe and especially in the Southeastern European countries after Romania and Bulgaria joining the European Union since 1.1.2007.

Banks

The positive developments of the Greek banking system continued in 2006. The stability of the banking sector improved further in 2006, profitability, capital adequacy and liquidity ratios reached higher levels compared to 2005.

The strengthening of the banking system is evidenced by the strong growth of Greek economy, the rapid credit expansion to households and enterprises, and the further expansion of banking services mainly in Southeastern Europe.

The favorable economic environment is expected to remain during 2007 in the domestic economy as well as in the Southeastern European countries.

Alpha Bank Group

The successful and profitable course of the Group continued in 2006 with an increase in net profit, excluding the tax on reserves, of 24.6%. The increased profitability was due to the successful promotion of our products to individuals and small enterprises and the rapid expansion of the activities in Southeastern Europe.

The ratios and the results for the year confirm the robust growth of the Group, which results in a return on equity of 26.9% in 2006 compared to 23.5% in 2005, and the cost / income ratio improving to 45.7% compared to 47.3% in 2005.

Net interest income increased by 16.4%, and as a percentage of total assets was 3.0% compared to 3.2% in 2005. Commissions increased by 13.6% primarily from a turnover increase in Alpha Finance and commissions from mutual funds, loans and credit cards.

The impairment losses relating to loans and advances amount to 0.8% of the average total loans and advances to customers (on annual basis), whereas the coverage of total loans and receivables is 2.9%.

The effective tax rate for the Group is 21.9%. The Bank's nominal tax rate for the year was 24% compared to 22% in 2005 which is 5% and 10% lower than the respective nominal rates, due to the merger with Delta Singular. In December 2006 the tax audit of the Bank relating to the years 2003 up to and including 2005 was completed, and additional taxes of EUR 10.6 million were assessed mainly arising from the disallowance of certain expenses.

In accordance with Greek tax law entities are permitted to form tax free reserves either from profits that were not previously taxed (for example gains from the sale of securities and mutual funds) or from income subject to taxation at the source where the payment of the tax extinguishes the legal entity's tax liability, but not of its shareholders (for example interest from Greek Government bonds).

These reserves are subject to tax when they are distributed or capitalized at the tax rate enacted at the time of distribution or capitalization.

In accordance with article 10 of Law 3513/2006 the above reserves formed up to 31.12.2005, by banks and branches of foreign banks established in Greece were subject to taxation, with tax rates 15% and 10% respectively.

The total tax on reserves paid by the Bank, amounted to € 73.9 million and was charged to the income statement of the year 2006. The payment of this tax extinguishes the Bank's tax liability as well as that of its shareholders. Therefore these reserves can be distributed or capitalized without any further tax liability.

During 2006 the tax audits of Ionian Hotel Enterprises A.E. for the years 2003-2005, Alpha Astika Akinita for the years 2000-2005 and Alpha Insurance for the years 2002-2005 were completed and the additional taxes assessed amounted to € 188 thousand (in the form of the reduction of tax losses that can be carried forward), € 208 thousand and € 2,4 million respectively.

On 16 October 2006, the Bank announced that it has signed an agreement for the sale of 99.57% shares of its subsidiary Alpha Insurance A.E. to international recognized French insurance company AXA, which is the worldwide leader in financial protection.

Alpha Bank and AXA have also signed a long-term exclusive bancassurance agreement for the distribution of AXA insurance products through extensive branch network of the Bank.

With this agreement the Bank focuses its activity on the distribution of insurance products, while the production and insurance risk is undertaken by one of the largest and strongest insurance companies worldwide. The completion of the agreement is subject to regulatory approvals. For this reason the Group classified Alpha Insurance A.E. as a discontinued operation in 31.12.2006 financial statements.

As at 31 December 2006 the total assets of the Group amounted to € 50 billion, a 13% increase compared to the previous year. Loans and advances to customers amounted to € 32.2 billion, an increase of 18%. Deposits and repos amounted to € 23.4 billion, an increase of 9%. The total equity as at 31.12.2006 amounted to € 3.6 billion.

Included in the equity of the Group is the gain on the sale of 21,250,000 treasury shares (5.2% of share capital) from the treasury shares reserve acquired during the fiscal years 2004, 2005 and part of 2006 (until 6/11/2006) with price of € 22.75 per share. The profit from the sale of treasury shares amounted to € 92.6 million and was recognized directly to retained earnings.

As at 31 December 2006 bank's total number of treasury shares is 801,719 (0.20% of share capital) of total cost of € 14.5 million (€ 18.04 per share).
The continued development of retail banking, consumer loans and mortgages, small enterprises loans and client's capital accumulation represents the main goal of the last years. For the achievement of this goal, the Group has made during 2006 further reorganization plans, as well as branch's network developments and technology upgrades.

Alpha Bank continued its successful course succeeding in a mortgage loan increase of 27%. The intense branch network activation in cooperation with third parties networks like construction companies and real estate agencies, where over 20% of new mortgage loans comes from, in additional to new flexible products led to these positive effects.

All the Bank's products were supported by successful marketing campaigns and other promotions, for instance letters to several customer categories offering alternative solutions to each loan category. Simultaneously, in 2006 the incorporation of several branches in centralized approvement procedure and mortgage loans operational support was completed in order to achieve a united and effective management.

Consumer loans reached € 2.4 billion an increase of 20.5%. Despite the intense competition in the market, the bank has managed to double its consumer loan portfolio in the last two years. It should be mentioned that the high growth has been achieved while at the same time the quality of the portfolio remains at high levels.

In accordance with this strategy the applications for consumer loans that are rejected increased to 45% and 55% are accepted compared to 65% in 2005. For the evaluation of retail loan application (consumer loans and credit cards) the bank uses an advanced credit scoring model with 10 score cards, which are confirmed every six months.

The Group's positive results were backed by the continued promotion of a very successful loan and credit cards transfer program "Alpha all in 1". The respective program created new terms in the market, in which Alpha Bank has a leading position.

In 2006 financing through credit cards continued. Responding to the special needs of modern times, Alpha Bank offers a full set of credit cards for all the market sections.

Corporate loans reached € 20.6 billion an increase of 15%. Alpha Bank created the specialized "Small Business Loans" division in order to support the Bank's development in their specific market, while the Bank's management coordination of the large enterprises in Greece and abroad is performed successfully by the Bank's Corporate Banking division, which manages 150 groups with 1,400 companies, while the first business center operates in the medium enterprises market with a prospect to create 10 centers of this kind in 2007.

In the deposits' side, the increase of key interest rates by ECB from 2% to 3.5% (December 2006) led the majority of conservative investors to invest in saving products with guaranteed return such as fixed interest rate bonds and term deposits. This development is reflected in Bank's figures with current and saving accounts remain unchanged while term deposits have increased by 34%.

The Bank has a strong client deposit of approximately 3,000,000 individuals and enterprises.

On 31.12.2006 the numbers of personnel was 12,069 compared to 11,484 on 31.12.2005 and the branch network in Greece was 370 branches. After a period of restructuring of the branch network in Greece, which followed the merger with Ionian Bank, the Group strategy is concentrated on developing new branches in order to enhance the Bank's policy of expanding the retail banking business. In 2006, 9 new branches were established in Greece, while for the following years the branch network is expected to expand faster.

In addition, the strategy of the Group to strengthen its position in Southeastern Europe also requires an expansion of the branch network in this region.
In particular, in Romania, Bulgaria and Serbia three countries which are key markets due to size and prospects 40, 30 and 14 new branches were established respectively. On 31.12.2006 the branch network in Southeastern Europe amounted to 270 branches compared to 176 in 2005 and the personnel reached 3,681 from 3,207 in 2005. For 2007 the branch network will be reinforced with the opening of an even bigger number of new branches.

Apart from the establishment of new branches, an intensive program of branch refurbishments, expansion and relocations, not only in Greece but also abroad is in progress. During 2006, 23 such programs were completed in Greece and 35 in Serbia. Moreover, the general refurbishment of the neoclassic building of ex-Laiki Bank was completed, and the construction of the Head office buildings in Nicosia and Bucharest are in progress.

A "Foreign Retail Banking" division was established in order to strengthen the Group's presence in Southeastern Europe and to facilitate the transfer of experience, products and organization of Greece in the area.

Apart from the organic growth in Southeastern Europe on 23 November 2006 Alpha Bank announced that an agreement has been reached with Anadolu Group to create a strong financial group in the fast developing Turkish financial sector. In accordance with this agreement the Bank will acquire 50% of a holding company which will include the medium sized bank Abank (Alternatifbank) and the leasing company Alease (Alternatiflease). The Anadolu Group is a leading group in Turkey and a main shareholder of Abank. The Alpha Bank know-how of combined products with the extensive presence of Anadolu group in the Turkish market will ensure that Abank will be transformed into a bank offering a variety of high quality financial products and services for enterprises and individuals. The Bank targets a network of over 100 branches over the medium term, concentrated mainly in the largest cities of the country.

According to the reorganization plan of the Group in 2006 the following took place:

- On 1 February 2006 the Bank transferred its subsidiary Alpha Private Investment Services AEPEY to another subsidiary Alpha Bank London Ltd.

- The legal procedure of the merger by absorption of the subsidiary Alpha Equity Fund by Alpha Ventures, which is also a subsidiary, became effective on 31 May 2006.

- On 31 May 2006 the merger by absorption of the Bank's Belgrade branch by Jubanka a.d. Beograd, Bank's new acquisition in 2005 was completed, which was re-named on 9 October 2006 to Alpha Bank Srbija A.D.
- The legal merger by absorption of the subsidiary Alpha Asset Management AEPEY by Alpha Mutual Fund Management A.E., which is also a subsidiary, became effective on 19 September 2006. The new company was renamed to Alpha Asset Management AEDAK.

- On 18 October 2006, the Bank acquired 100% of the Cyprus company "Alpha Group Investments Ltd", which will be used as a holding company for the Group's development strategy in Southeastern Europe.

The Group uses all modern techniques to manage capital adequacy. It has issued hybrid and subordinated debts which are included in the calculation of regulatory funds. The cost of these types of debt is lower than share capital and therefore it adds value to the shareholders.
The current capital ratios (Tier I ratio and capital adequacy ratio) are much higher 10.2% and 12.9% respectively than the regulatory limits set by the Bank of Greece directive (4% and 8% respectively) and the capital base is capable to support the business growth of the Group in all areas for the next years.

ALCO Committee has enacted exposure limits and maximum loss (stop loss) from trading portfolio. More specifically exposure limits have been enacted for:

- Foreign exchange rate risk for spot and forwards

- Interest rate risk for bonds, interest rate swaps, interest futures, interest options

- Credit risk for shares, index futures και options

- Credit risk for inter-bank deals, corporate and government bonds.

During the day these products are monitored and controlled for possible transgressions of limits. Foreign Exchange rate risk is undertaken from group companies. Limits for the foreign exchange position are set from General Management –overnight- as well as the daily foreign exchange position –daylight-.

To manage credit risk, management has established limits in relation to individual borrowers or groups of borrowers.

The limits established are constantly monitored and are subject to a regular review by the responsible (based on the amount of the limit) approval body. Limits relating to specific credit products, industries and countries are examined and approved by the ALCO and Executive Committee.

The exposure to credit risk is managed by an analysis of the ability of the borrowers to meet their obligations using internal credit rating systems and methodologies.

In the instances of borrowers who have obtained facilities from other Group companies, the total exposure on a Group basis is taken into account in determining the credit risk. In addition, Group companies use procedures and credit rating systems adapted to their products.

Based on net profit of the year and the achievement of the goals, the management of the Bank will propose to the Annual General Shareholders' Meeting a dividend of € 0.75 per share versus the € 0.60 per share (adjusted dividend) for 2005, increase of 25%.

Athens, 27 February 2007

THE CHAIRMAN
OF THE BOARD OF DIRECTORS

YANNIS S. COSTOPOULOS

The above Directors' Report, which consists of 6 pages is the Directors' Report mentioned in the audit report dated on 27 February 2007.

Athens, 27 February 2007

KPMG KYRIACOU CERTIFIED AUDITORS S.A.

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