



**EFG EUROBANK ERGASIAS SA**  
**DIRECTORS' REPORT FOR THE YEAR 2006**

## Business Outlook

In 2006, the Greek economy grew much faster than the European average growth rate, as real GDP growth in Greece exceeded 4%. Macroeconomic prospects and banking sector developments were positive, as evidenced by the fundamentals and results. In the new era of transformation and development of the Greek economy, domestic banks assumed a leading role in providing valuable assistance to private enterprise, both in Greece, and in the greater region.

2006 was a year of new major achievements, international acclaim and wide recognition for Eurobank. In the domestic market, Eurobank has established itself as the leading banking group, steadily strengthening and differentiating itself from its competitors. Abroad, the Bank implements a visionary and disciplined development strategy, turning into a powerful regional player with a major role in the markets of Central, Eastern and Southeastern Europe (New Europe). Eurobank now addresses a market of more than 200 million residents, providing comprehensive coverage for all their needs for banking services and products.

## Acquisitions in Greece

In March 2006, the Group increased its shareholding in Global Fund Management S.A. to 72% from 44.44%; as a result the company has been transferred from investments in associated undertakings to subsidiary undertakings.

## Disposals in Greece

Eurobank and Intracom Holdings concluded the share transfer of the 100% of the share capital of Hellas on Line from Eurobank EFG to Intracom Holdings in January 2006.

During the same month, Eurobank agreed to transfer its LogicDIS stake to the Greek Information Technology Holdings S.A. (GIT Holdings). In addition, Eurobank agreed to transfer the convertible bond issued by LogicDIS to a company indicated by GIT Holdings. Conversion of this bond would increase GIT Holdings participation in LogicDIS to 42.7%.

## Funding Program

### Securitizations

Eurobank launched its third residential mortgage backed securities program, Themeleion III, in June 2006. The total size amounted to €1,000 million at an average funding cost of 3-month Euribor + 16 bps and a 7-year effective maturity. The bonds were rated by rating agencies Standard & Poors, Moody's and Fitch. Specifically, the amount of €900 million received the highest possible rating of AAA/Aaa/AAA (with coupon three month Euribor + 14bps), the amount of €40 million was rated at AA/Aa2/AA- (with coupon three month Euribor + 21 bps), the amount of €20 million was rated at A/A2/A (with coupon three month Euribor + 30 bps) and the amount of €40 million was rated at BBB/Baa2/BBB+ (with coupon three month Euribor + 58bps).

Eurobank securitized €2.25bn of its portfolio of small business loans in October 2006. The securities were rated by the rating agencies Standard & Poor's and Moody's. Specifically, the €1,750 million Class A Notes received the highest possible rating of AAA/Aaa (with coupon three month Euribor + 17bps); the €150million Class B Notes were rated A/A1 (with coupon three month Euribor + 40bps); the €125million Class C Notes were rated BBB/Baa1 (with coupon three month Euribor + 75bps) and the €225million Class D Notes were rated BB/Ba2 (with coupon three month Euribor + 250bps). This was the first small business loans securitisation transaction originated by a Greek bank and, at the same time, the largest ever securitization of assets in Greece. The proceeds from the securitization were used to cover part of the bank's funding needs.

### Liabilities evidenced by paper

Additionally the Bank increased its Liabilities Evidenced by paper by €2.5bn in 2006. The outstanding medium term and short-term notes under the Euro Medium Term Note (EMTN) and Euro Commercial Paper (ECP) programs reached €7.3bn and €1.8bn respectively on December 31, 2006.

## Regional Expansion

The Group increased its stake in Bancpost S.A. to 77.56% from 77.31% in February 2006.

The Group participated in the share capital increase of Bulgarian Post Bank A.D. and its shareholding increased to 99.66% from 98.70% in February 2006.

Eurobank entered the Polish market in February 2006 and on the following month started offering its products and services to its clients through its Polbank EFG branches in Warsaw and the phone banking center Polbank24.

Eurobank became the 100% share owner of Nacionalna štedionica Banka in Serbia (NSB), following the signing of an Agreement with the Serbian Government to acquire an additional 37.7% of the shares of NSB held by the Republic of Serbia in March 2006. The merger of NSB and EFG Eurobank A.D. Beograd was completed in October 2006. The merged entity changed its name to Eurobank EFG Stedionica A.D. Beograd. The new bank will focus on retail and corporate banking activities for small, medium and large-sized companies. As at 31 December 2006 the Group owns 99.96% of the bank's shareholding.

The Group established Eurobank EFG Fund Management Co. (Luxembourg) S.A., a 100% owned fund management company in Luxembourg in April 2006.

Eurobank agreed to acquire 70% of Tekfenbank in Turkey in May 2006. Tekfenbank is a universal bank that provides a complete range of banking products and services in Turkey. The bank has an efficient network of 30 branches which covers the most affluent areas of the country. Tekfenbank is focused on small and medium sized business customers (SMEs).

The Group established EFG Leasing A.D., Beograd in Serbia in June 2006. The initial stake in EFG Leasing A.D. was 99.44% but, following an increase in the shareholding in EFG Eurobank A.D. Beograd, the Group increased its stake in EFG Leasing A.D. to 99.98% as at December 2006.

Eurobank reached an agreement with private shareholders of Universal Bank in Ukraine to acquire shares representing 99.34% of the bank's share capital in July 2006. Universal Bank is a medium-sized bank, operating a network of 32 branches which offers a wide range of retail and wholesale banking products. The bank focuses on Western Ukraine and Kiev. The acquisition of Universal Bank allows Eurobank to enter this attractive market and expand to achieve strong nationwide coverage in the Ukrainian market.

The Group established Eurobank EFG Holding (Luxembourg) S.A., a holding company based in Luxembourg. The company is a 100% subsidiary of the Group in July 2006.

Eurobank reached an agreement with DZI Life Insurance A.D. and other shareholders of DZI Bank in Bulgaria to acquire shares representing 74.26% of the bank's share capital in September 2006. DZI Bank is a medium-sized Bulgarian bank listed on the Bulgarian Stock Exchange and operates a network of 131 branches and 43 micro-branches. DZI Bank is particularly strong in corporate and commercial banking, deposit gathering and card issuing. Eurobank acquired control of over 90% of DZI Bank in Bulgaria in December 2006.

**Share capital changes**

Following the distribution of free shares to staff, 655.000 new ordinary shares with a nominal value of €3.30 each, were listed on the Athens Stock Exchange on May 4, 2006. As a result, the total number of shares of the Bank was raised to 319,976,451, while the Bank's share capital amounted to €1,055,922,288.30.

The Bank's Annual General Meeting of April 3, 2006, authorized a share capital increase of €211,184,460.30, through (i) capitalization of an equal amount of the share premium account, and (ii) the issue of 63,995,291 new free common registered shares, of nominal value €3.30 each, in a ratio of 2 new free shares for every 10 outstanding. Trading of the new shares commenced on the Athens Stock Exchange on May 24, 2006. Following this, the Bank's share capital amounted to €1,267,106,748.60, divided in 383,971,742 shares, each of a nominal value €3.30.

Following a relevant decision of the A' Repeat AGM of April 17th, 2006 786,000 treasury shares were cancelled and trading of these shares seized on July 5, 2006. Following this, the Bank's share capital amounted to €1,264,512,948.60, divided in 383,185,742 shares, of a nominal value €3.30 each.

Due to the exercise of stock option rights, the share capital increased by a total amount of €7,807.80 and 2,366 new ordinary registered shares commenced trading on the Athens Stock Exchange on January 24, 2007. After the above increase, the Bank's share capital amounted to €1,264,520,756.40 divided into 383,188,108 ordinary registered shares, of a nominal value of €3.30 each.

**Financial results review and proposed dividend distribution**

Total Assets stood at €53.8bn, rising by 21% at the end of 2006. Balance sheet expansion mainly reflects robust growth in business volumes in Greece and in the region of Central, Eastern and Southeastern Europe. Specifically, Eurobank increased its gross loans in Greece by 20.8% to €31.1bn. Taking into account loans in New Europe, gross loans on a consolidated basis amounted to €34.9bn, increasing by 27.4%. Customer Funds under Management expanded by 21% to €44.6bn., including total deposits of €23.9bn, up 24.2% y-o-y.

Consolidated net profit increased by 28.6% to €644.5m (excluding one off taxation of €43.3m). Based on the group's satisfactory profitability, the directors propose to the Annual General Meeting the payment of a dividend of €0.92 per share to shareholders, which includes the interim dividend of €0.36 per share distributed in December 2006.