



EFG EUROBANK ERGASIAS S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2006

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Company Registration No: 6068/06/B/86/07

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

Securitized

Eurobank launched its third residential mortgage backed securities program, Themelion 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.

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Independent auditor's report

To the Shareholders of EFG Eurobank Ergasias S.A.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of EFG Eurobank Ergasias (the "Company") and its subsidiaries (the "Group") set out on pages 6 to 45 which comprise the consolidated balance sheet as of 31 December 2006 and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal Requirements

In our opinion the content of Board of Directors' Report, as set out on pages 2 to 3 is consistent with the aforementioned financial statements.

Athens, 26 February 2007

The Certified Auditor-Accountant

Kyriacos Riris
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	Note	Year ended 31 December	
		2006 € million	2005 € million
Interest income	5	4,007	2,850
Interest expense	5	(2,410)	(1,478)
Net interest income		1,597	1,372
Banking fee and commission income		574	498
Banking fee and commission expense		(127)	(144)
Net banking fee and commission income	6	447	354
Net insurance income		37	36
Non banking services		20	30
Core income		2,101	1,792
Dividend income		9	4
Net trading income/(loss)		32	20
Gains less losses from investment securities		70	37
Other operating income		21	7
		132	68
Operating income		2,233	1,860
Operating expenses	7	(1,062)	(890)
Impairment losses on loans and advances	18	(344)	(309)
Profit from operations		827	661
Share of results of associates	21	5	15
Profit before tax		832	676
Income tax expense	9	(225)	(172)
Profit after tax		607	504
Minority interest		(6)	(3)
Net profit for the year attributable to shareholders		601	501
Net profit excluding one-off taxation on reserves	9	644	501
Earnings per share		€	€
- basic	11	1.47	1.29
- diluted	11	1.47	1.29
- excluding one-off taxation on reserves	11	1.59	1.29

	Note	At 31 December	
		2006 € million	2005 € million
ASSETS			
Cash and balances with central banks	12	2,654	1,755
Loans and advances to banks	14	2,938	2,993
Financial instruments at fair-value-through-profit-or-loss	15	807	1,209
Derivative financial instruments	16	518	311
Loans and advances to customers	17	34,046	26,624
Available-for-sale investment securities	19	10,936	10,024
Investments in associated undertakings	21	48	35
Intangible assets	22	354	154
Property, plant and equipment	23	974	827
Other assets	24	545	532
Total assets		53,820	44,464
LIABILITIES			
Due to other banks	25	10,923	10,781
Derivative financial instruments	16	709	736
Due to customers	26	23,914	19,255
Liabilities evidenced by paper	27	13,160	9,153
Other liabilities	28	1,490	1,140
Total liabilities		50,196	41,065
EQUITY			
Share capital	30	1,242	1,047
Share premium	30	176	482
Other reserves		1,239	994
Ordinary shareholders' equity		2,657	2,523
Preferred securities	31	786	762
Ordinary and Preferred shareholders' equity		3,443	3,285
Minority interest		181	114
Total		3,624	3,399
Total equity and liabilities		53,820	44,464

Note	Attributable to ordinary shareholders of the Bank					Preferred securities €million	Minority interest €million	Total €million
	Share capital €million	Share premium €million	Special reserves €million	Retained earnings €million	Total €million			
Balance at 1 January 2005	926	501	599	76	2,102	-	78	2,180
Cash flow hedges								
- net changes in fair value, net of tax	-	-	(2)	-	(2)	-	-	(2)
- transfer to net profit, net of tax	-	-	10	-	10	-	-	10
Available-for-sale securities								
- net changes in fair value, net of tax	-	-	167	-	167	-	1	168
- transfer to net profit, net of tax	-	-	(99)	-	(99)	-	-	(99)
- net changes in fair value, net of tax - associated undertakings	-	-	(7)	-	(7)	-	-	(7)
Currency translation differences	-	-	10	-	10	-	3	13
Net income/(expense) recognised directly in equity	-	-	79	-	79	-	4	83
Profit for the year	-	-	-	501	501	-	3	504
Total recognised income for the year ended 31 December 2005	-	-	79	501	580	-	7	587
Minority's share of capital increase of subsidiaries	-	-	-	-	-	-	66	66
Acquisitions	-	-	-	(9)	(9)	-	(36)	(45)
Issue of preferred securities	-	-	-	-	-	791	-	791
Purchase of preferred securities	-	-	-	-	-	(29)	-	(29)
Dividend for 2004	-	-	-	(132)	(132)	-	-	(132)
Interim dividend for 2005	-	-	-	(115)	(115)	-	-	(115)
Dividend paid by subsidiaries attributable to minority interest	-	-	-	-	-	-	(1)	(1)
Own shares dividend	-	-	-	0	0	-	-	0
Capitalisation of reserves	15	-	(15)	-	-	-	-	-
Purchase of treasury shares	(14)	(91)	-	-	(105)	-	-	(105)
Sale of treasury shares	8	52	8	-	68	-	-	68
Employee share option scheme:								
- Value of employee services	-	-	3	-	3	-	-	3
- Share capital increase due to share options exercised	0	0	-	-	-	-	-	-
Reserve transfers	-	-	239	(239)	-	-	-	-
Merger of Greek Progress Fund S.A.	112	20	-	(1)	131	-	-	131
	121	(19)	235	(496)	(159)	762	29	632
Balance at 31 December 2005	1,047	482	913	81	2,523	762	114	3,399
Balance at 1 January 2006	1,047	482	913	81	2,523	762	114	3,399
Cash flow hedges								
- net changes in fair value, net of tax	-	-	19	-	19	-	-	19
- transfer to net profit, net of tax	-	-	(6)	-	(6)	-	-	(6)
Available-for-sale securities								
- net changes in fair value, net of tax	-	-	(131)	-	(131)	-	(0)	(131)
- transfer to net profit, net of tax	-	-	99	-	99	-	-	99
Currency translation differences	-	-	25	-	25	-	4	29
Net income/(expense) recognised directly in equity	-	-	6	-	6	-	4	10
Profit for the year	-	-	-	601	601	-	6	607
Total recognised income for the year ended 31 December 2006	-	-	6	601	607	-	10	617
Issue of bonus shares by capitalisation of share premium	210	(210)	-	-	-	-	-	-
Expenses related to the issue of bonus shares	-	(3)	-	-	(3)	-	-	(3)
Distribution of free shares to executive directors, management and staff	2	19	-	-	21	-	-	21
Minority's share in subsidiaries' capital increase	-	-	-	-	-	-	38	38
Acquisitions/Changes in participating interests in subsidiary and associated undertakings	20	-	-	(25)	(25)	-	27	2
Merger of Intertrust Mutual Funds Co S.A.	-	-	(56)	56	-	-	-	-
Purchase of preferred securities	31	-	-	-	-	(28)	-	(28)
Sale of preferred securities	31	-	-	(2)	(2)	52	-	50
Preferred securities' dividend paid	-	-	-	(41)	(41)	-	-	(41)
Dividend for 2005	45	-	-	(171)	(171)	-	-	(171)
Interim dividend for 2006	45	-	-	(136)	(136)	-	-	(136)
Dividends paid by subsidiaries attributable to minority interest	-	-	-	-	-	-	(8)	(8)
Own shares dividend	-	-	-	0	0	-	-	0
Purchase of treasury shares	(25)	(158)	-	-	(183)	-	-	(183)
Sale of treasury shares	8	46	7	-	61	-	-	61
Employee share option scheme:								
- Value of employee services	-	-	6	-	6	-	-	6
- Share capital increase due to share options exercised	0	0	-	-	0	-	-	0
Reserve transfers	-	-	115	(115)	-	-	-	-
	195	(306)	72	(434)	(473)	24	57	(392)
Balance at 31 December 2006	1,242	176	991	248	2,657	786	181	3,624

Note 30

Note 30

Note 33

Note 31

Notes on pages 10 to 45 form an integral part of these consolidated financial statements

	Note	Year ended 31 December	
		2006 €million	2005 € million
Cash flows from operating activities			
Interest received and net trading receipts		3,203	2,078
Interest paid		(1,752)	(987)
Fees and commissions received		681	588
Fees and commissions paid		(111)	(117)
Dividends received		3	0
Other income received		26	39
Cash payments to employees and suppliers		(903)	(721)
Income taxes paid		(176)	(137)
Cash flows from operating profits before changes in operating assets and liabilities		971	743
Changes in operating assets and liabilities			
Net (increase)/decrease in cash and balances with central banks		(484)	(243)
Net (increase)/decrease in financial instruments at fair-value-through-profit-or-loss		410	962
Net (increase)/decrease in loans and advances to banks		(290)	(625)
Net (increase)/decrease in loans and advances to customers		(7,238)	(5,351)
Net (increase)/decrease in other assets		364	123
Net increase/(decrease) in due to other banks		121	5,413
Net increase/(decrease) in due to customers		4,014	804
Net increase/(decrease) in other liabilities		(26)	(323)
Net cash from operating activities		(2,158)	1,503
Cash flows from investing activities			
Purchases of property, plant and equipment		(270)	(77)
Proceeds from sale of property, plant and equipment		20	27
Purchases of available-for-sale investment securities	19	(6,560)	(7,527)
Proceeds from sale of available-for-sale investment securities	19	5,433	3,439
Acquisition of subsidiary undertakings net of cash acquired		(145)	(70)
Proceeds from sale/liquidation of subsidiary undertakings net of cash disposed		35	-
Acquisition of associated undertakings		-	49
Participation in capital increase of associated undertakings	21	(13)	(1)
Proceeds from sale of associated undertakings		14	4
Dividends from investment securities and associated undertakings		8	7
Net contributions by minority interest		73	65
Net cash from investing activities		(1,405)	(4,084)
Cash flows from financing activities			
Proceeds from liabilities evidenced by paper		11,940	5,565
Repayments of liabilities evidenced by paper		(7,959)	(2,170)
Proceeds from exercise of options		0	0
Proceeds from the issue of preferred securities	31	-	791
Purchases of preferred securities	31	(28)	(29)
Proceeds from sale of preferred securities	31	52	-
Preferred securities' dividend paid		(41)	-
Dividends paid	45	(304)	(242)
Issue of share capital		(3)	-
Purchases of treasury shares		(183)	(105)
Proceeds from sale of treasury shares		61	68
Net cash from financing activities		3,535	3,878
Effect of exchange rate changes on cash and cash equivalents		23	24
Net increase/(decrease) in cash and cash equivalents		(5)	1,321
Cash and cash equivalents at beginning of year	13	3,568	2,247
Cash and cash equivalents at end of year	13	3,563	3,568

1. General information

EFG Eurobank Ergasias S.A. (the "Company" or the "Bank") and its subsidiaries (the "Group") are active in retail, corporate and private banking, asset management, insurance, treasury, capital markets and other services. The Company is incorporated in Greece and its shares are listed on the Athens Stock Exchange. The Group operates mainly in Greece and in Central, Eastern and Southeastern Europe (New Europe).

These consolidated financial statements were approved by the Board of Directors on 26 February 2007.

2. Principal accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below:

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with both International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards issued by the IASB and in particular with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements.

The policies set out below have been consistently applied to the years 2005 and 2006. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

The Group intends to adopt IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures from the accounting period beginning on 1 January 2007.

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and of financial assets and financial liabilities (including derivative instruments) at fair-value-through-profit-or-loss.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The Group's presentation currency is the Euro (€) being the functional currency of the parent Company. Except as indicated, financial information presented in euro has been rounded to the nearest million.

(b) Consolidation

(i) Subsidiaries

Subsidiary undertakings are all entities over which the Group, directly or indirectly, has power to exercise control over the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the identifiable net assets of the subsidiary acquired (attributable to the Group) is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Increases of the Group's ownership interest in subsidiaries are recorded as equity transactions and any difference between the consideration and the share of the new net assets acquired is recorded directly in equity.

Gain or losses arising from disposals of ownership interest that do not result in loss of control by the Group are also recorded directly in equity.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

The Group sponsors the formation of special purpose entities, which may or may not be directly owned subsidiaries for the purpose of asset securitisation (see accounting policy (y) below). The entities may acquire assets directly from the Bank. These companies are bankruptcy-remote entities and are consolidated in the Group's Financial Statements when the substance of the relationship between the Group and the entity indicates that the entity is controlled by the Group.

Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A listing of the Company's subsidiaries is set out in note 20.

(ii) Associates

Investments in associated undertakings are accounted for by the equity method of accounting in the consolidated financial statements. These are undertakings over which the Group exercises significant influence but which are not controlled.

Equity accounting involves recognising in the income statement the Group's share of the associate's profit or loss for the year. The Group's interest in the associate is carried on the balance sheet at an amount that reflects its share of the net assets of the associate and any goodwill identified on acquisition net of any accumulated impairment losses. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses, unless it has incurred obligations or made payments on behalf of the associate. Where necessary the accounting policies used by the associate have been changed to ensure consistency with the policies of the Group.

A listing of the Group's associated undertakings, which are accounted for using the equity method, is shown in note 21.

(iii) Joint ventures

The Group's interest in jointly controlled entities are accounted for by the equity method of accounting in the consolidated financial statements and are treated as associates.

A listing of the Group's joint ventures is shown in note 21.

2. Principal accounting policies (continued)

(c) Foreign currencies

Assets and liabilities of foreign subsidiaries are translated using the closing exchange rate and income statement items at the exchange rates at the dates of the transactions (or at the average rate for the period when this is a reasonable approximation). All resulting exchange differences are recognised as a separate component of equity (cumulative translation adjustment).

Exchange differences arising from the retranslation of the net investment in foreign subsidiaries are taken to shareholders' equity until disposal of the net investments and then released to the income statement.

Assets and liabilities denominated in foreign currencies have been translated into the functional currency at the market rates of exchange ruling at the balance sheet date and exchange differences are accounted for in the income statement.

Foreign currency transactions are translated into the functional currency using 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 at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair-value-through-profit-or-loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(d) Derivative financial instruments and hedging

Derivative financial instruments, including foreign exchange contracts, forward currency agreements and interest rate options (both written and purchased), currency and interest rate swaps, and other derivative financial instruments, are initially recognised in the balance sheet at fair value on the date on which a derivative contract is entered into and subsequently are re-measured at their fair value. Fair values are obtained from quoted market prices, including recent market transactions, discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises gains or losses on the inception of the derivatives.

Certain derivatives, embedded in other financial instruments, are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments (fair value hedge); or, (2) hedges of the exposure to variability in cash flows of recognised assets or liabilities or highly probable forecasted transactions (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged item for which the effective interest method is not used remains until the disposal of the equity security.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

(iv) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 16.

2. Principal accounting policies (continued)

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(f) Income statement

(i) Interest income and expenses

Interest income and expenses are recognised in the income statement for all interest bearing instruments on an accruals basis, using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fees and commissions

Fees and commissions are generally recognised on an accruals basis. Commissions and fees relating to foreign exchange transactions, imports-exports, remittances, bank charges and brokerage activities are recognised on the completion of the underlying transaction.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment are periodically reviewed for impairment, with any impairment charge being recognised immediately in the income statement.

Depreciation is calculated on the straight-line method to write down the cost of property, plant and equipment, to their residual values over their estimated useful life as follows:

- Land: No depreciation
- Freehold buildings: 40-50 years
- Leasehold improvements: over the life of the lease contract or useful life if shorter
- Computer hardware and software: 4-10 years
- Other furniture and equipment: 4-20 years
- Motor vehicles: 5-7 years

Property held for rental yields and/or capital appreciation that is not occupied by the companies in the Group is classified as investment property. Investment property is carried at cost less accumulated depreciation and accumulated impairment losses.

(h) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. The cost of acquisition is adjusted for changes in the purchase consideration contingent on future events. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'. Negative goodwill is recognised in the income statement. The carrying amount of goodwill is re-assessed annually and if found to be impaired it is written down to its recoverable amount.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Computer software

Costs associated with the maintenance of existing computer software programmes are expensed as incurred. Development costs associated with the production of identifiable and unique products controlled by the Group, that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and are amortised using the straight-line method over 4 years except for core systems whose useful life may extend up to 10 years.

(iii) Other intangible assets

Other intangible assets are assets that are separable or arise from contractual or other legal rights and are amortised over their estimated useful lives. These include intangible assets acquired in business combinations.

(i) Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair-value-through-profit-or-loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair-value-through-profit-or-loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the entity upon initial recognition designates as at fair-value through profit-or-loss and those that the entity upon initial recognition designates as available-for-sale. They arise when the Group provides money, goods or services directly to a debtor.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

2. Principal accounting policies (continued)

(i) Financial Assets (continued)

(v) Accounting treatment and calculation

Purchases and sales of financial assets at fair-value-through-profit-or-loss, held-to-maturity and available-for-sale are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair-value-through-profit-or-loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair-value-through-profit-or-loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair-value-through-profit-or-loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

(j) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- a) significant financial difficulty of the issuer or obligor;
- b) a breach of contract, such as a default or delinquency in interest or principal payments;
- c) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- e) the disappearance of an active market for that financial asset because of financial difficulties; or
- f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

(i) Assets carried at amortised cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. 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 of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

2. Principal accounting policies (continued)

(j) Impairment of financial assets (continued)

(ii) Available-for-sale assets

In case of equity and debt investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity investments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

(k) Sale and repurchase agreements and securities lending

(i) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks or due to customers, as appropriate. Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the period of the repo agreements using the effective interest method.

(ii) Securities lending

Securities lent to counterparties are retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are 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.

(l) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

If the Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of a liability and the consideration paid is included in gains less losses from investment securities.

(m) Financial liabilities at fair-value-through-profit-or-loss

The Group classifies its financial liabilities in the following categories: financial liabilities held for trading and financial liabilities that are designated by the Group at the time of initial recognition as measured at fair-value-through-profit-or-loss.

From 1 January 2005, the Group has early adopted the amended version of IAS 39: Recognition and Measurement – the Fair Value Option to financial liabilities, or group of financial liabilities managed and evaluated on a fair value basis, in order to reduce accounting inconsistencies and complexities. Specifically, the following liabilities are designated as at fair-value-through-profit-or-loss :

- i) liabilities contractually linked to the performance of assets (unit-linked products) and
- ii) structured products (customer deposits and notes issued) containing embedded derivatives that are managed using a mix of derivative and non - derivative instruments.

Gains and losses arising from changes in the fair value of the fair-value-through-profit-or-loss liabilities are included in the income statement in the period in which they arise.

(n) Leases

(i) Accounting for leases as lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised 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 interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is 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 are retained by the lessor are classified as operating leases. 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.

(ii) Accounting for leases as lessor

Finance leases:

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating leases:

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(o) Deferred income tax

Deferred income tax is provided, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The expected effective tax rates are used to determine deferred income tax. The principal temporary differences arise from loan impairment, depreciation of fixed assets, pension and other retirement benefits obligations, and revaluation of certain financial assets and liabilities, including derivative instruments.

Deferred tax assets are only recognised to the extent that it is probable that they will crystallise in the future. Deferred tax related to changes in fair values of available-for-sale investments and cash flow hedges which are taken directly to equity is also charged or credited directly to equity, and is subsequently recognised in the income statement together with the deferred gain or loss.

Income tax payable on profits, based on the applicable tax law in each jurisdiction is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

2. Principal accounting policies (continued)

(p) Employee benefits

(i) Pension obligations

The Company participates in certain defined contribution pension plans under which the Group pays fixed contributions into a separate entity. The Group has no further payment obligations once the contributions have been paid.

The Group's contributions to defined contribution pension plans are recognised as employee benefit expense in the year to which they relate.

(ii) Standard legal staff retirement indemnity obligations (SLSRI)

In accordance with Greek labour legislation, if employees remain in the employment of a company until normal retirement age, they are entitled to a lump sum payment which is based on the number of years of service and the level of remuneration at the date of retirement. Provision has been made for the actuarial value of the lump sum payable on retirement (SLSRI) using the projected unit credit method. Under this method the cost of providing retirement indemnities is charged to the income statement so as to spread the cost over the period of service of the employees, in accordance with actuarial valuations which are performed every year. The SLSRI obligation is calculated as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses that arise in calculating the Group's obligation in respect of the SLSRI obligations are charged directly in the profit and loss for the year.

In addition, the Company has enhanced the above provision by taking into consideration potential separations before normal retirement based on the terms of previous voluntary separation schemes. The Company recognises separation indemnity when it is demonstrably committed to separations either according to detailed formal plans which are announced and cannot be withdrawn or as a result of mutually agreed termination terms. Benefits payable in more than 12 months from the balance sheet date are discounted to present value.

(iii) Performance-based cash payments

The Group's Management awards high performing employees with bonuses in cash, from time to time, on a discretionary basis. Cash payments requiring only Management approval are recognised as employee benefit expenses on an accrual basis. Cash payments requiring General Meeting approval as distribution of profits to staff are recognised as employee benefit expense in the accounting period that they are approved by the Company's shareholders.

(iv) Performance-based share-based payments

The Group's Management awards high-performing employees with bonuses in the form of shares and share options, from time to time, on a discretionary basis. The shares vest in the period granted. The fair value of the shares granted is recognised as an employee benefit expense with a corresponding increase in share capital (par value) and share premium.

Following vesting periods of 20 to 32 months, the options are exercisable on alternative dates within a 24 or 36 month period, only if the holders are still employed by the Group. The fair value of the options granted is recognised as an employee benefit expense with a corresponding increase in a non-distributable reserve over the vesting period, until exercised. The proceeds received net of any directly attributable transaction costs are credited to share capital (par value) and share premium when the options are exercised, with a transfer of the non distributable reserve to share premium.

(q) Insurance activities

(i) Revenue recognition

Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. For long term contracts, revenue is recognised upon issue / receipt. The matching expense is recognised together with the recognition of mathematical provisions. Interest income is recognised on an accrual basis.

(ii) Provision for insurance liabilities

Insurance provisions are classified as follows:

Mathematical provisions

Mathematical provisions represent insurance provisions for long-term life insurance contracts. They are calculated in accordance with actuarial techniques, after taking into account the technical assumptions imposed by supervisory authorities (mortality table and the technical interest rate in effect at the contract's inception), as the difference between the actuarial present value of the Group's liabilities and the present value of the premiums to be received.

Unearned premiums' provisions

Unearned premiums' provisions represent part of net premiums received, regarding contracts with annual commencement and termination dates, which differ from the Group's fiscal year, and they cover proportionately the period from the reporting date to the termination of the period covered by the respective premium.

Outstanding claims' provisions

Outstanding claims provisions concern liabilities on claims occurred and reported but not fully settled by the end of the reporting period. The specified liabilities are examined on a case-by-case basis by professional valuers, based on existing information (loss adjustors' reports, medical reports, court decisions etc). The Group recognises additional provisions regarding claims occurred but not reported (IBNR) by the end of the reporting period. The calculation of these provisions is based on statistical methodologies in order to estimate the average cost per claim and the number of claims.

(iii) Liability adequacy

At each reporting date, the Group performs tests to assess the adequacy of the recognised insurance provisions, after deducting deferred acquisition costs, in accordance with IFRS 4. In case the assessment results to inadequate provisions, the entire deficiency is recognised in Profit or Loss.

To assess the mathematical provisions for life insurance contracts, the Group compares the recognised provisions with the present values of the estimated liabilities regarding the specified group of contracts. To assess the adequacy of the outstanding claims provisions the triangulation methodology is used, based on statistical data of the last five years.

(iv) Reinsurance

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment at each reporting date. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement.

2. Principal accounting policies (continued)

(r) Repossessed properties

Land and buildings repossessed through an auction process to recover impaired loans are, except where otherwise stated, included in "Other Assets". Assets acquired from an auction process are held temporarily for liquidation and are valued at the lower of cost and net realisable value. Any gains or losses on liquidation are included in "Other operating income".

(s) Related party transactions

Related parties include associates, fellow subsidiaries, directors, their close families, companies owned or controlled by them and companies whose financial and operating policies they can influence. Transactions of similar nature are disclosed on an aggregate basis. All banking transactions entered into with related parties are in the normal course of business and on an arm's length basis.

(t) Provisions

Provisions are recognised when the Group 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 reliable estimates of the amount of the obligation can be made.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment. The Group is organised into five main business segments. Segment revenue, segment expenses and segment performance include transfers between business segments. Such transfers are accounted for at competitive prices in line with charges to unaffiliated customers for similar services.

(v) Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Dividend distribution on ordinary shares is recognised as a deduction in the Group's equity when approved by the Company's shareholders. Interim dividends are recognised as a deduction in the Group's equity when approved by the Board of Directors.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid including any directly attributable incremental costs (net of income taxes), is deducted from shareholders' equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(w) Preferred Securities

Callable non-voting preferred securities, which have no fixed redemption date and pay non-cumulative dividend are classified as equity.

Incremental costs directly attributable to the issue of new preferred securities are shown in equity as a deduction from the proceeds, net of tax.

Dividend distribution on preferred securities is recognised as a deduction in the Group's equity on the date it is due.

Where preferred securities, issued by the Group, are repurchased, the consideration paid including any directly attributable incremental costs (net of income taxes), is deducted from shareholders' equity. Where such securities are subsequently called or sold, any consideration received is included in shareholders' equity.

(x) Derecognition

The Group enters into transactions where it transfers assets recognised on its balance sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the Balance Sheet. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset, if control over the asset is lost.

(y) Securitisations

The Group securitises various financial assets, which generally results in the sale of the assets to special purpose entities (see accounting policy b (i) above), which, in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of subordinated tranches or other residual interests.

(z) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank drafts.

3. Critical accounting estimates and judgements in applying accounting policies

In the process of applying the Group's accounting policies, the Group's Management makes various judgments, estimates and assumptions that affect the reported amounts of assets and liabilities recognized in the financial statements within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment continuously. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered an impairment in accordance with the accounting policy stated in note 2 h(i). The recoverable amounts of cash-generating units are determined based on value in use calculations. These calculations are based on profitability and cash flow projections, which require the use of estimates such as growth rates for revenues and expenses and profit margins.

3. Critical accounting estimates and judgements in applying accounting policies (continued)

(c) Fair value of financial instruments

The fair value of financial instruments that are not quoted in an active market are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(d) Impairment of available-for-sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value of the equity investments below their cost. In determining what is significant or prolonged the Group's management exercises judgment. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(e) Securitizations and special purpose entities

The Group sponsors the formation of special purpose financing entities (SPEs) for various purposes including asset securitisation. The Group may or may not directly own the SPEs and consolidates those SPEs that it controls. In determining whether the Group controls an SPE, it makes judgements about its exposure to the risks and rewards related to the SPE and about its ability to make operational decisions for the SPE in question

(f) Income taxes

The Group is subject to income taxes in various jurisdictions and estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. Financial risk management

4.1 Use of financial instruments

By their nature the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers, at both fixed and floating rates, and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers within a range of credit standing. Such exposures include both on-balance sheet loans and advances and off-balance sheet guarantees and other commitments such as letters of credit.

The Group also trades in financial instruments where it takes positions in traded and over the counter instruments including derivatives, to take advantage of short-term market movements in the equity and bond markets and in currency and interest rates. The Board of Directors' Risk Committee (Eurobank Risk Committee - ERC) places trading limits on the level of exposure that can be taken in relation to overnight and intra-day market positions as well as limits in longer durations. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally concluded to hedge outstanding positions, thereby controlling the variability in the net cash amounts required to offset market positions

Fair value hedges

The Group hedges a proportion of its existing interest rate risk resulting from any potential decrease in the fair value of fixed rate available-for-sale bonds and any potential increase in the fair value of deposits denominated both in local and foreign currencies using interest rate and cross currency interest rate swaps. The net fair value of these swaps at 31 December 2006 was € 119 million liability (31 December 2005: € 351 million liability) (note 16).

Cash flow hedges

The Group hedges a proportion of its existing interest rate risk resulting from any cash flow variability associated with future interest rate changes on variable rate assets or liabilities or unrecognised highly probable forecast transactions using interest rate swaps. The net fair value of these swaps at 31 December 2006 was € 8 million liability (31 December 2005: € 17 million liability) (note 16).

4.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. The Group's overall risk management policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance, financial position and cash flows.

4.2.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are recognised for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review. The level of credit risk by product, industry sector and by country are reviewed quarterly by the ERC. The exposure to any one borrower including banks and brokers is further restricted by sub limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored on a daily basis.

The Group is active in the corporate and retail lending markets. Credit risk is well spread over a diversity of personal and commercial customers. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing the lending limits where appropriate. The Group reduces its credit risk associated with loans and advances to customers by entering into collateralised arrangements. The types of collateral that the Group obtains are cash deposits and other cash equivalents, real estate, receivables, securities, vessels and bank guarantees. The value of collateral that the Group has as at 31 December 2006 amounts to 27% (31 December 2005: 30%) of the total aggregate amount of the gross loans and advances to customers.

Economic sector risk concentrations within the Group's customer loan portfolio are analysed in note 17.

4. Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

(a) Derivatives

The Group maintains control limits on net open derivative positions i.e., the difference between purchase and sale contracts, by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e., derivatives with a positive fair value) which in relation to derivatives is only a small proportion of the contract notional amount used to express the volume of instruments outstanding. The credit risk exposure is managed as part of the overall lending limits with customers together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties. Further details of the Group's derivative instruments are provided in note 16.

(b) Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk is reduced by a master netting agreement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

(c) Credit related commitments

The primary purpose of credit related commitments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans since they represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are secured by the underlying shipment of goods to which they relate and therefore carry less risk than a loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter-term commitments.

(d) Geographical concentration of assets, liabilities and off balance sheet items

An analysis of the geographical concentration of assets, liabilities and off-balance sheet items to illustrate the concentrations of credit risk in relation to geographical areas is shown in note 34.

Geographical sector risk concentrations within the Group's customer loan portfolio are analysed in note 17.

4.2.2 Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Bank applies a 'value at risk' (VaR) methodology to estimate the market risk of positions held and the potential economic loss based upon a number of assumptions for various changes in market conditions.

The VaR that the Bank measures is an estimate, with a confidence level set at 99%, of the potential loss that might arise if the current positions were to be held unchanged for a 10-day horizon (holding period). The measurement is structured so that within a 10-day horizon losses exceeding the VaR figure should occur, on average, not more than once every 4 years. Actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation.

Since VaR constitutes an integral part of the Bank's market risk control regime, VaR limits have been established for all (trading and banking book) operations and actual exposure is reviewed daily by management. The average daily VaR for the Bank during the year ended 31 December 2006 for a one day holding period was € 12.9 million. The average daily VaR for the Bank during the year ended 31 December 2005 for one day holding period was € 8.3 million. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

(a) Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The ERC sets limits on the level of exposures which are monitored daily. The table in note 38 summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2006 and 31 December 2005. Included in the table are the Group's assets and liabilities at carrying amounts categorised by currency.

(b) Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The ERC sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table in note 39 summarises the Group's exposure to interest rate risk. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

The yearly average effective interest rates for monetary financial instruments are summarised in note 39.

4. Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees and from margin and other calls on cash-settled derivatives. The Group maintains cash resources to meet all of these needs. The ERC sets liquidity limits to ensure that sufficient funds are available to meet such calls.

The table in note 40 analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the Management of the Group. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

4.3 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. However market prices are not available for a significant number of financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no market price is available, the fair values of financial assets and liabilities are estimated using present value or other estimation and valuation techniques based on current prevailing market conditions.

The values derived using these techniques are significantly affected by underlying assumptions concerning both the amounts and timing of future cash flows and the discount rates used. The following methods and assumptions indicate that the fair values of financial assets and liabilities approximate their carrying amounts:

- a) trading assets, derivatives and other transactions undertaken for trading purposes as well as treasury bills, available-for-sale securities and assets and liabilities designated at fair-value-through-profit-or-loss are measured at fair value (see notes 15, 16, 19, 26, 27 and 28) by reference to quoted market prices when available. If quoted market prices are not available, then the fair values are estimated using valuation techniques based on observable market data.
- b) substantially all of the Group's other financial assets and liabilities are at floating rates of interest, which re-price at frequent intervals. Therefore the Group has no significant exposure to fair value fluctuations and the carrying value of the financial assets and liabilities is substantially equivalent to their fair values, unless otherwise stated.

4.4 Fiduciary activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties. This involves the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

5. Net interest income

	2006 €million	2005 €million
Interest income		
Banks and customers	3,525	2,518
Trading securities	50	37
Other securities	432	295
Total interest income	4,007	2,850
Interest expense		
Banks and customers	(2,058)	(1,264)
Liabilities evidenced by paper	(352)	(214)
Total interest expense	(2,410)	(1,478)
Net interest income	1,597	1,372

Derivative financial instruments contribute €1,077 million (2005: € 630 million) to interest income and € 1,123 million (2005: € 684 million) to interest expense.

6. Net banking fee and commission income

	2006 €million	2005 €million
Mutual Funds and Assets under management related fees	148	138
Capital Markets related fees	117	73
Lending related fees and commissions	93	69
Other fees	89	74
Net banking fee and commission income	447	354

7. Operating expenses

	2006 €million	2005 €million
Staff costs (note 8)	589	486
Administrative expenses	306	255
Amortisation and impairment of intangible assets (note 22)	13	5
Depreciation and impairment of property, plant and equipment (note 23)	86	92
Operating lease rentals	68	52
	1,062	890

8. Staff costs

	2006 €million	2005 €million
Wages, salaries and staff bonuses	420	334
Social security costs	82	72
Additional pension and other post employment costs	27	17
Other	60	63
	589	486

The average number of employees of the Group during the year was 17,115 (2005: 14,887).

9. Income tax expense

	2006 €million	2005 €million
Current tax	204	176
Deferred tax (note 10)	6	(10)
Overseas taxes	15	6
Total tax charge	225	172

The Greek corporate rate of tax in 2006 is 29% (2005: 32%). In accordance with special incentives for mergers, the parent company tax rate for 2006 is 24% (2005: 27%). The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2006 €million	2005 €million
Profit before tax	832	676
Tax at the applicable tax rates of 29% (2005: 32%)	241	216
Tax effect of:		
- Parent company benefit from reduced tax rate in 2006 of 24% (2005: 27%)	(32)	(27)
- income and expenses not subject to tax	(33)	(23)
- effect of different tax rates in different countries	(19)	(3)
- other	25	9
	182	172
- one-off taxation on non-taxed reserves (see below)	43	-
Income tax expense	225	172

Following L.3513 that was enacted in November 2006, the non-taxed reserves of the Bank that had been accounted for and presented in the financial statements for the year-ended 31 December 2005, which would be taxable on distribution and which have not been distributed or capitalised, were subject to one-off taxation at a rate of 10% or 15% based on the tax status of the respective reserves. As a result the Bank paid the amount of € 43.3 million, accompanied by a specific statement questioning the proper applicability of the law on legal grounds. The resolution of the legal dispute is expected to be lengthy.

10. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using the expected effective tax rate of 25% (2005: 25%).

The movement on the deferred income tax account is as follows:

	2006 € million	2005 € million
At 1 January	76	60
Income statement credit / (charge)	(6)	10
Available for sale securities:		
- fair value measurement (note 19)	78	(10)
- transfer to net profit (note 19)	(7)	19
- fair value hedges (note 19)	(48)	(7)
Cash flow hedges	(5)	(3)
Other	-	7
At 31 December	<u>88</u>	<u>76</u>

Deferred income tax assets / liabilities are attributable to the following items:

Valuation temporary differences accounted directly to special reserves	(10)	(34)
Valuation temporary differences accounted through the income statement	10	11
Cash flow hedges	(5)	(1)
Fixed assets temporary differences	6	13
Pensions and other post retirement benefits	25	27
Loan impairment	51	68
Unused tax losses	8	1
Other temporary differences	15	3
Deferred income tax assets (note 24)	<u>100</u>	<u>88</u>
Deferred income tax liabilities (note 28)	<u>12</u>	<u>12</u>
Net deferred income tax	<u>88</u>	<u>76</u>

The deferred income tax (credit) / charge in the income statement comprises the following temporary differences:

Valuation temporary differences	(1)	7
Fixed assets temporary differences	8	(42)
Pensions and other post retirement benefits	(2)	11
Loan impairment	12	17
Other temporary differences	(11)	(3)
Deferred income tax (credit) / charge	<u>6</u>	<u>(10)</u>

11. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has one category of dilutive potential ordinary shares: share options. In order to adjust the weighted average number of shares for the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Bank's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is added to the weighted average number of ordinary shares in issue in order to determine the weighted average number of ordinary shares used for the calculation of the diluted earnings per share.

	2006	2005
Net profit for year attributable to ordinary shareholders (after deducting dividend attributable to preferred securities holders)	€ million 558	487
Weighted average number of ordinary shares in issue	Number of shares 379,236,544	377,429,824
Weighted average number of ordinary shares for diluted earnings per share	Number of shares 380,222,121	377,771,662
Basic earnings per share	€ 1.47	1.29
Diluted earnings per share	€ <u>1.47</u>	<u>1.29</u>
Earnings per share excluding one-off taxation on reserves (note 9)		
Basic and diluted earnings per share	€ <u>1.59</u>	<u>1.29</u>

Basic and diluted earnings per share for 2005 have been adjusted to be comparable due to the distribution of free shares in accordance with the decision of the Annual General Shareholders' Meeting held on 3 April 2006.

12. Cash and balances with central banks

	2006 €million	2005 €million
Cash in hand	556	382
Balances with central banks	2,098	1,373
	<u>2,654</u>	<u>1,755</u>
of which:		
Mandatory deposits with central banks	<u>1,295</u>	<u>774</u>

Mandatory deposits with central banks represent the minimum level of average monthly deposits which the Group is required to maintain. Balances with central banks can be withdrawn at any time provided the average monthly minimum deposits are maintained.

13. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprises the following balances with less than 90 days maturity:

	2006 €million	2005 €million
Cash and balances with central banks	1,359	981
Loans and advances to banks	2,048	2,386
Financial instruments at fair-value-through-profit-or-loss	156	201
	<u>3,563</u>	<u>3,568</u>

14. Loans and advances to banks

	2006 €million	2005 €million
Items in course of collection from other banks	1,131	748
Placements with other banks	1,807	2,245
	<u>2,938</u>	<u>2,993</u>

Included in loans and advances to banks are unsubordinated amounts due from:

- fellow subsidiary and associated undertakings	0	0
- settlement balances with banks	153	1,116
- pledged deposits with banks	<u>553</u>	<u>606</u>

15. Financial instruments at fair-value-through-profit-or-loss (including trading)

	2006 €million	2005 €million
Trading portfolio		
Issued by public bodies:		
- government	281	900
- other public sector securities	0	-
	<u>281</u>	<u>900</u>
Issued by other issuers:		
- banks	114	59
- other	226	116
	<u>340</u>	<u>175</u>
Total trading portfolio	<u>621</u>	<u>1,075</u>
Other financial assets at fair-value-through-profit-or-loss		
- unit linked products	125	134
- hedge funds	61	-
Other portfolios	<u>186</u>	<u>134</u>
Total	<u>807</u>	<u>1,209</u>
Equity securities	113	112
Treasury bills	20	290
Other debt securities	488	673
Other financial assets at fair-value-through-profit-or-loss	<u>186</u>	<u>134</u>
	<u>807</u>	<u>1,209</u>
Pledged with central banks	<u>101</u>	<u>526</u>

16. Derivative financial instruments

The Group utilises the following derivative instruments for both hedging and non-hedging purposes:

Currency forwards represent commitments to purchase or sell foreign and domestic currency. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates or to buy or sell foreign currency or a financial instrument on a future date at a specified price established in an organized financial market. Since future contracts are collateralised by cash or marketable securities and changes in the futures contract value are settled daily with the exchange, the credit risk is negligible.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). Except for certain currency swaps, no exchange of principal takes place. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities and/or marks to market with bilateral collateralisation agreements over and above an agreed threshold.

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. In consideration for the assumption of foreign exchange or interest rate risk, the seller receives a premium from the purchaser. Options may be either exchange-traded or negotiated between the Group and a customer (OTC). The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following table:

	31 December 2006			31 December 2005		
	Contract/ notional amount € million	Fair values		Contract/ notional amount € million	Fair values	
		Assets € million	Liabilities € million		Assets € million	Liabilities € million
Derivatives held for trading						
<i>OTC currency derivatives</i>						
- Currency forwards	1,273	22	19	501	13	11
- Currency swaps	1,933	32	21	4,015	41	28
- OTC currency options bought and sold	1,870	22	21	3,656	66	61
		76	61		120	100
<i>OTC interest rate derivatives</i>						
- Interest rate swaps	25,494	323	342	11,819	140	204
- Cross-currency interest rate swaps	517	19	70	555	26	27
- Forward Rate Agreements	4,465	1	1	-	-	-
- OTC interest rate options	14,131	26	33	1,121	0	0
		369	446		166	231
Exchange traded interest rate futures	657	2	2	2,085	1	3
Exchange traded interest rate options	982	1	1	2,954	3	5
		372	449		170	239
<i>Other derivatives</i>						
OTC index options bought and sold	54	5	5	131	11	11
Forward security contracts	4	0	0	458	1	1
Other derivative contracts (see below)	517	1	3	725	1	2
		6	8		13	14
<i>Other trading liabilities</i>						
- Securities sold not yet repurchased		-	0		-	7
Total derivative assets/liabilities held for trading		454	518		303	360
Derivatives designated as fair value hedges						
Interest rate swaps	3,912	52	169	5,379	7	335
Cross-currency interest rate swaps	129	5	7	152	-	23
		57	176		7	358
Derivatives designated as cash flow hedges						
Interest rate swaps	1,615	7	15	690	1	18
Total derivatives assets/liabilities used for hedging purposes		64	191		8	376
Total derivatives assets / liabilities		518	709		311	736

Other derivative contracts include credit default swaps, exchange traded index futures, exchange traded index options bought and sold and commodity swaps.

17. Loans and advances to customers

	2006 €million	2005 € million
Lending to medium size and large corporate entities	12,635	10,285
Consumer lending	8,211	6,811
Mortgage lending	8,527	6,262
Small business lending	5,534	4,027
Gross loans and advances to customers	34,907	27,385
Less: Provision for impairment losses (note 18)	(861)	(761)
	34,046	26,624
	0	8
	5,542	2,293

The loans and advances to customers include the following amounts:

- due from associated undertakings, unsubordinated
- securitised loans

Loans and advances to customers include securitised assets. Analysis of Group's securitisation is presented in note 27.

Loans and advances to customers include finance lease receivables as detailed below:

	2006 €million	2005 € million
Gross investment in finance leases receivable:		
Not later than 1 year	350	238
Later than 1 year and not later than 5 years	1,342	567
Later than 5 years	287	653
	1,979	1,458
Unearned future finance income on finance leases	(464)	(301)
Net investment in finance leases	1,515	1,157
Less: provision for impairment losses	(25)	(20)
	1,490	1,137
	274	180
	1,136	430
	105	547
	1,515	1,157
	(25)	(20)
	1,490	1,137

The net investment in finance leases is analysed as follows:

- Not later than 1 year
- Later than 1 year and not later than 5 years
- Later than 5 years

Less: provision for impairment losses

Economic sector risk concentration within the Group's customer loan portfolio were as follows:

	2006 %	2005 %
Commerce and services	32	32
Private individuals	48	48
Manufacturing	11	11
Shipping	1	2
Construction	4	4
Other	4	3
	100	100

Geographic sector risk concentration within the Group's customer loan portfolio were as follows:

	2006 %	2005 %
Greece	87	92
Other Western European countries	1	1
New European countries	12	7
	100	100

18. Provision for impairment losses on loans and advances to customers

	2006 €million	2005 € million
Balance at 1 January	761	603
Arising from acquisitions	5	3
Impairment losses on loans and advances charged in the year	344	309
Amounts recovered during the year	18	34
Loans written off during the year as uncollectible	(267)	(188)
Balance at 31 December	861	761

19. Available-for-sale investment securities

	2006 €million	2005 €million
Issued by public bodies:		
- government	7,659	8,269
- other public sector	40	167
	<u>7,699</u>	<u>8,436</u>
Issued by other issuers:		
- banks	706	241
- other	2,531	1,347
	<u>3,237</u>	<u>1,588</u>
Total	<u>10,936</u>	<u>10,024</u>
Listed	10,214	9,455
Unlisted	722	569
	<u>10,936</u>	<u>10,024</u>
Equity	507	383
Debt	10,429	9,641
	<u>10,936</u>	<u>10,024</u>
Unamortised discounts and premiums included above	46	168
Pledged securities with stock market clearing houses	7	1
Credit facility with central banks secured by the above	2,296	546
	<u>2,296</u>	<u>546</u>
	<u>10,936</u>	<u>10,024</u>
The movement in the account is as follows:		
Net book value at 1 January	10,024	5,485
Arising from acquisitions	54	122
Exchange adjustments	(108)	101
Additions	6,560	7,527
Disposals and redemptions	(5,433)	(3,439)
Reclassification to / from associates	0	0
Amortisation of discounts / premiums and interest	48	50
Net gains / (losses) from changes in fair value for the year	(209)	178
Net book value at 31 December	<u>10,936</u>	<u>10,024</u>

Equity reserve : revaluation of the available-for-sale investments

Gains and losses arising from the changes in the fair value of available-for-sale investments are recognised in a revaluation reserve for available for sale financial assets in equity. The movement of the reserve is as follows:

	2006 €million	2005 €million
At 1 January	171	103
Net gains / (losses) from changes in fair value	(209)	178
Deferred income taxes	78	(10)
Minority share of changes in fair value	0	(1)
	<u>(131)</u>	<u>167</u>
Net (gains) / losses transferred to net profit on disposal	(49)	(113)
Impairment losses transferred to net profit	14	13
Deferred income taxes	(7)	19
	<u>(42)</u>	<u>(81)</u>
Net losses / (gains) transferred to net profit from fair value hedges	189	(11)
Deferred income taxes	(48)	(7)
	<u>141</u>	<u>(18)</u>
Balance at 31 December	<u>139</u>	<u>171</u>

20. Shares in subsidiary undertakings

The following is a listing of the Group's subsidiaries at 31 December 2006:

<u>Name</u>	<u>Note</u>	<u>Percentage Holding</u>	<u>Country of incorporation</u>	<u>Line of business</u>
EFG Business Services S.A.		100.00	Greece	Payroll and advisory services
EFG Eurobank Asset Management S.A.		100.00	Greece	Asset management
EFG Eurobank Ergasias Leasing S.A.		100.00	Greece	Leasing
EFG Eurobank Securities S.A.		100.00	Greece	Capital markets and investment services
EFG Eurolife General Insurance S.A.		100.00	Greece	Insurance services
EFG Eurolife Life Insurance S.A.		100.00	Greece	Insurance services
EFG Factors S.A.		100.00	Greece	Factoring
EFG Insurance Services S.A.		100.00	Greece	Insurance brokerage
EFG Internet Services S.A.		100.00	Greece	Internet and electronic banking
EFG Mutual Funds Management Company S.A.		100.00	Greece	Mutual fund management
EFG Telesis Finance S.A.		100.00	Greece	Investment banking
Eurobank Cards S.A.		100.00	Greece	Credit card management
Eurobank Fin and Rent S.A.	g	100.00	Greece	Vehicle leasing and rental
Eurobank Properties R.E.I.C.	d	55.23	Greece	Investment Services
Eurobank Property Services S.A.		100.00	Greece	Real estate services
Financial Planning Services S.A.	f	100.00	Greece	Receivables collection
Global Fund Management S.A.	c	72.00	Greece	Investment advisors
OPEN 24 S.A.		100.00	Greece	Sundry services
Be-Business Exchanges S.A.		71.04	Greece	Business-to business e-commerce
Best Direct S.A.	b	100.00	Greece	Sundry services
Bulgarian Post Bank A.D.	h	99.66	Bulgaria	Banking
Bulgarian Retail Services A.D.		100.00	Bulgaria	Credit card management
DZI Bank A.D.	i	91.29	Bulgaria	Banking
EFG Auto Leasing E.O.O.D.		100.00	Bulgaria	Vehicle leasing and rental
EFG Leasing E.A.D.		100.00	Bulgaria	Leasing
EFG Property Services Sofia A.D.		80.00	Bulgaria	Real estate services
EFG Hellas (Cayman Islands) Ltd		100.00	Cayman Islands	Special purpose financing vehicle
GFM Levant Capital (Cayman) Ltd	j	72.50	Cayman Islands	Fund management
Berberis Investments Limited		100.00	Channel Islands	Holding company
EFG Hellas Funding Limited		100.00	Channel Islands	Special purpose financing vehicle
CEH Balkan Holdings Ltd		100.00	Cyprus	Holding company
Eurocredit Retail Services Ltd		100.00	Cyprus	Credit card management
Aristolux Investment Fund Management Company S.A.		98.40	Luxembourg	Investment fund management
EFG Private Bank (Luxembourg) S.A.		100.00	Luxembourg	Banking
Eurobank EFG Fund Management Company, (Luxembourg) S.A.	k	100.00	Luxembourg	Fund management
Eurobank EFG Holding (Luxembourg) S.A.	l	100.00	Luxembourg	Holding company
EFG New Europe Funding B.V.	m	100.00	Netherlands	Finance company
Polbank Dystrybucja Sp. z o.o.	n	100.00	Poland	Sundry services
Bancpost S.A.	o	77.56	Romania	Banking
EFG Eurobank Securities S.A.	s	100.00	Romania	Stock brokerage
EFG Eurobank Finance S.A.		100.00	Romania	Investment banking
EFG Eurobank Leasing S.A.		100.00	Romania	Leasing
EFG Eurobank Mutual Funds Management Romania S.A.I. S.A.	q	95.76	Romania	Mutual fund management
EFG Eurobank Property Services S.A.		80.00	Romania	Real estate services
EFG IT Shared Services S.A.	r	100.00	Romania	Informatics data processing
EFG Retail Services IFN S.A.	p	95.48	Romania	Credit card management
EFG Leasing A.D. Beograd	v	99.98	Serbia	Leasing
EFG Property Services D.o.o. Beograd		80.00	Serbia	Real estate services
Eurobank EFG Stedionica A.D. Beograd	u	99.96	Serbia	Banking
EFG Retail Services A.D. Beograd		100.00	Serbia	Credit card management
EFG Istanbul Holding A.S.		100.00	Turkey	Holding company
EFG Istanbul Menkul Degerler A.S.		100.00	Turkey	Capital market services
Anaptyxi 2006-1 Plc.	y	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi APC Ltd.	y	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi Holdings Ltd	y	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi Options Ltd	y	-	United Kingdom	Special purpose financing vehicle (SIC 12)
EFG Hellas Plc.		100.00	United Kingdom	Special purpose financing vehicle
Karta 2005 -1 Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta APC Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta Holdings Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta LNI 1 Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta Options Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion II Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion III Mortgage Finance Plc	x	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion III Holdings Limited	x	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Eurobank EFG Ukraine Distribution LLC	ab	100.00	Ukraine	Sundry services

(a) Hellas on Line S.A.

In January 2006, the Group disposed of its 100% holding in Hellas on Line S.A. The subsidiary was sold for a defined consideration of € 19 million plus consideration contingent on future services. The initial gain on disposal of € 15.1 million excludes the contingent consideration and is included in other operating income. The net cash inflow on disposal after deducting cash in the subsidiary disposed was € 18.1 million.

20. Shares in subsidiary undertakings (continued)

- (b) **Best Direct S.A.**
In March 2006, the Group, through its 100% subsidiary Open 24 S.A., acquired 100% of the share capital of Best Direct S.A., a company providing sundry services.
- (c) **Global Fund Management S.A.**
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 and is consolidated using the full consolidation method.
- (d) **Eurobank Properties R.E.I.C.**
Following an initial public offering of 7.3% (1,780,000) existing shares and 22.58% (5,510,066) new shares, the shares of Eurobank Properties R.E.I.C. were listed in April 2006 on the Athens Stock Exchange and the Group's shareholding was reduced to 54.88% from 70.88%. Since then, the Group acquired an additional 0.35% of the company's share capital increasing its shareholding to 55.23%.
- (e) **Intertrust Mutual Funds Co. S.A.**
The absorption by the Bank of its 100% subsidiary Intertrust Mutual Funds Co. S.A., approved in November 2005, was completed on 11 April 2006.
- (f) **Financial Planning Services S.A.**
In July 2006, the Group established, as a 100% subsidiary, Financial Planning Services S.A., a receivables collection company operating in Greece.
- (g) **Eurobank Fin and Rent S.A. (formerly Autorental S.A.)**
In August 2006, Autorental S.A. changed its name to Eurobank Fin and Rent S.A.
- (h) **Bulgarian Post Bank A.D., Sofia**
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%.
- (i) **DZI Bank A.D., Sofia**
In December 2006, the Group acquired 91.29% of the share capital of DZI Bank A.D., which operates in Bulgaria.
Post balance sheet event
In February 2007, the Group increased its participation in the company to 94.2% as a result of a tender offer through the Bulgarian Stock Exchange.
- (j) **GFM Levant Capital (Cayman) Ltd**
In June 2006, the Group established GFM Levant Capital (Cayman) Ltd, a fund management company operating in Cayman Islands. The shareholding in the company is at 72.50%.
- (k) **Eurobank EFG Fund Management Company, (Luxembourg) S.A.**
In April 2006, the Group established, as a 100% subsidiary, Eurobank EFG Fund Management Company, (Luxembourg) S.A., a fund management company operating in Luxembourg.
- (l) **Eurobank EFG Holding (Luxembourg) S.A.**
In July 2006, the Group established, as a 100% subsidiary, Eurobank EFG Holding (Luxembourg) S.A., a holding company based in Luxembourg.
- (m) **EFG New Europe Funding B.V., Amsterdam**
In October 2006, the Group established, as a 100% subsidiary, EFG New Europe Funding B.V., a finance company based in the Netherlands.
- (n) **Polbank Dystrybucja Sp. z o.o., Warsaw (formerly EFG Express Kredit Spolca Z Organiczna Odpowiedzialnoscia) and Branches in Poland**
In March 2006, EFG Express Kredit Spolca Z Organiczna Odpowiedzialnoscia changed its name to Polbank Dystrybucja Sp. z o.o. The Group commenced operations in Poland in February 2006 through branches of the parent company under the brand name Polbank EFG.
- (o) **Bancpost S.A., Bucharest**
In February 2006, the share capital increase of Bancpost S.A. was finalised and the Group's shareholding increased to 77.56% from 77.31%.
- (p) **EFG Retail Services IFN S.A., Bucharest**
Following the increase in shareholding of Bancpost S.A., the Group increased its shareholding in Euroline Retail Service S.A. to 95.48% from 95.43%. In August 2006, Euroline Retail Service S.A. changed its name to EFG Retail Services IFN S.A..
- (q) **EFG Eurobank Mutual Funds Management Romania S.A.I. S.A., Bucharest**
Following the increase in shareholding of Bancpost S.A., the Group increased its shareholding in EFG Eurobank Mutual Funds Management Romania S.A.I. S.A. to 95.76% from 95.71%.
- (r) **EFG IT Shared Services S.A., Bucharest**
In August 2006, the Group established, as a 100% subsidiary, EFG IT Shared Services S.A., an informatics data processing company operating in Romania.
- (s) **EFG Eurobank Securities S.A., Bucharest (formerly Capital Securities S.A.)**
In May 2006, Capital Securities S.A. changed its name to EFG Eurobank Securities S.A.
- (t) **Nacionalna Stedionica Banka A.D., Beograd**
In March 2006, the Group acquired the remaining 37.7% shareholding in Nacionalna Stedionica Banka A.D., Beograd, held by the Republic of Serbia. In October 2006, the company was absorbed by EFG Eurobank A.D. Beograd (see below).
- (u) **Eurobank EFG Stedionica A.D. Beograd (formerly EFG Eurobank A.D. Beograd)**
In June and September 2006, the Group participated in share capital increases of EFG Eurobank A.D. Beograd and its shareholding increased to 99.21% from 97.99%.
In October 2006, the absorption of Nacionalna Stedionica Banka A.D. by EFG Eurobank A.D. Beograd with a local reference date 30 June 2006, was completed. The merged entity changed its name to Eurobank EFG Stedionica A.D. Beograd. In December 2006 the Group participated in a share capital increase and its shareholding increased to 99.96%.
- (v) **EFG Leasing A.D., Beograd**
In June 2006, the Group established EFG Leasing A.D., Beograd, a leasing company operating in Serbia. The shareholding in the company stood at 99.44%. By December, following the increases in shareholding of Eurobank EFG Stedionica A.D. Beograd in September, October and December, the Group increased its shareholding to 99.98%.
- (w) **Tekfenbank A.S., Istanbul**
In May 2006, the Bank announced the agreement for the acquisition of 70% of the share capital of Tekfenbank A.S., which operates in Turkey. Closing of the transaction is subject to regulatory approvals and is expected to occur in the first quarter of 2007. As part of the agreement, Tekfenbank A.S. will acquire EFG Istanbul Menkul Degerler A.S., in 2007.

20. Shares in subsidiary undertakings (continued)

(x) Themeleion III, UK

In June 2006, the Group established Themeleion III Mortgage Finance Plc and Themeleion III Holdings Ltd, special purpose entities, as part of the third securitisation of mortgage loans.

(y) Anaptyxi, UK

In September 2006, the Group established Anaptyxi APC Ltd, Anaptyxi 2006-1 Plc, Anaptyxi Holdings Ltd and Anaptyxi Options Ltd special purpose entities, as part of the securitisation of small business banking loans.

(z) EFG Eurobank Ergasias International (C.I.) Ltd, Channel Islands

In December 2006, the liquidation of the 100% subsidiary EFG Eurobank Ergasias International (C.I.) Ltd was completed. The net cash inflow from the liquidation was € 16.8 million.

(aa) Universal Bank OJSC, Kiev

In July 2006, the Group reached an agreement to acquire 99.34% of Universal Bank OJSC, a bank which operates in Ukraine. Closing of the transaction is subject to regulatory approvals and is expected to occur in the first quarter of 2007.

(ab) Eurobank EFG Ukraine Distribution LLC, Kiev

In November 2006, the Group established as a 100% subsidiary Eurobank EFG Ukraine Distribution LLC, a company providing sundry services based in Ukraine.

Post balance sheet event

(ac) Prospera Securities A.D. Beograd

In January 2007, the Group announced the agreement for the acquisition of 74.16% of the share capital of Prospera Securities A.D. Beograd, a capital markets and investment services company operating in Serbia. Closing of the transaction is subject to regulatory approvals and is expected to occur in the second quarter of 2007.

21. Investments in associated undertakings

	2006 € million	2005 € million
At 1 January	35	57
Additions	6	37
Disposal of associated undertakings	(7)	(3)
Transfer to subsidiaries fully consolidated / absorbed	(3)	(69)
Dividends collected	(1)	(3)
Share capital increase	13	1
Share of results for the year	5	15
Balance at 31 December	<u>48</u>	<u>35</u>

The following is a listing of the Group's associates and joint ventures as at 31 December 2006:

Name	Notes	Country of Incorporation	Line of business	Percentage Holding	Assets € million	Liabilities € million	Share of Net Assets € million	Profit / (loss) € million
Cardlink S.A.		Greece	POS administration	50.00	1	1	0	(0)
Dias S.A.	c	Greece	Closed-end investment fund	42.24	87	6	35	14
Filoxenia S.A.		Greece	Hotelier	22.00	-	-	-	-
Sofitel Athens Airport S.A.	d	Greece	Hotelier	50.50	29	22	3	(2)
Tefin S.A.		Greece	Motor vehicle sales financing	50.00	7	1	4	(2)
Unitfinance S.A.		Greece	Financing company	40.00	31	25	2	3
					<u>155</u>	<u>55</u>	<u>44</u>	<u>13</u>

As at 31 December 2006, all of the Group's associates are unlisted except for Dias S.A. (31 December 2005: Dias S.A. and LogicDIS S.A.). The fair value of the investments in the Group's associates that are listed based on quoted market prices as at 31 December 2006 was € 30 million (31 December 2005: € 15 million).

Tefin S.A., Cardlink S.A. and Unitfinance S.A are Group's joint ventures.

(a) Logic Data Information Systems S.A.

In January 2006, the Group disposed of its 28.4% stake in its associated undertaking, LogicDIS. The provisional gain on disposal is € 3.5 million and is included in other operating income.

(b) Global Finance S.A.

In April 2006, Berberis Investment Limited (100% subsidiary of the Group) completed the sale of 30% of Global Finance S.A. Following the transaction, the Group's participation in Global Finance S.A. decreased to 19.9% and the investment has been transferred from investments in associated undertakings to available-for-sale investment securities.

(c) Dias S.A.

In 2006, the Group participated in a share capital increase in Dias S.A. and its shareholding increased to 42.24% from 42.04%.

(d) Sofitel Athens Airport S.A.

In the 3rd quarter of 2006, the Group increased its shareholding in Sofitel Athens Airport S.A. to 50.50 % from 20.20%. Due to legal restrictions, the Group does not exercise control over the company and therefore it is accounted for by the equity method.

(e) Propindex S.A.

In 2006, the Group did not participate in the share capital increase of Propindex S.A. This resulted in a decrease of the Group's shareholding in Propindex S.A. from 22.58% to 18.42% and the investment has been transferred from investments in associated undertakings to available-for-sale investment securities.

22. Intangible assets

	Goodwill €million	Other intangible assets €million	Total intangible assets €million
Cost:			
Balance at 1 January 2005	51	17	68
Arising from acquisition of subsidiaries	59	1	60
Additions	-	26	26
Adjustment to goodwill	4	-	4
Balance at 31 December 2005	<u>114</u>	<u>44</u>	<u>158</u>
Accumulated impairment / amortisation:			
Balance at 1 January 2005	-	(0)	-
Amortisation charge for the year	-	(5)	(5)
Exchange adjustments	-	1	1
Balance at 31 December 2005	<u>-</u>	<u>(4)</u>	<u>(4)</u>
Cost:			
Balance at 1 January 2006	114	44	158
Arising from acquisition of subsidiaries (note 42)	176	1	177
Additions	-	30	30
Disposals and write - offs	-	(1)	(1)
Exchange adjustments	-	1	1
Adjustment to goodwill (see below)	(5)	11	6
Balance at 31 December 2006	<u>285</u>	<u>86</u>	<u>371</u>
Accumulated impairment / amortisation:			
Balance at 1 January 2006	-	(4)	(4)
Arising from acquisition of subsidiaries	-	(1)	(1)
Amortisation charge for the year	-	(13)	(13)
Disposals and write - offs	-	1	1
Exchange adjustments	-	(0)	-
Balance at 31 December 2006	<u>-</u>	<u>(17)</u>	<u>(17)</u>
Net book value at 31 December 2006	<u>285</u>	<u>69</u>	<u>354</u>
Net book value at 31 December 2005	<u>114</u>	<u>40</u>	<u>154</u>

The adjustment to goodwill for 2005 relates to contingent purchase consideration in accordance with the provisions of the acquisition agreements for Intertrust Mutual Funds Co S.A. and Bancpost S.A.

Following the finalisation of the cost of acquisition of 62% of the share holding of Nacionalna Stedionica Banka A.D., intangible assets amounting to € 11 million which relate to contractual agency agreements and the customer deposit base of the acquiree are included in other intangible assets. Goodwill for 2006 was adjusted for the Group's share by € 6.6 million and for contingent purchase consideration and fair value adjustments in accordance with the provisions of the acquisition agreements for Intertrust Mutual Funds Co S.A. (€ 3 million reduction) and EFG Istanbul Menkul Degerler A.S. (€ 4.4 million).

The estimated useful lives of the intangible assets arising from the acquisitions range from 6 to 11 years.

22. Intangible assets (continued)

Impairment testing of goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash - generating units (CGUs) that are expected to benefit from that business combination and form part of the Group's primary business segments. The carrying amount of goodwill is allocated as follows:

	2006 € million	2005 € million
Asset Management, Private Banking & Insurance (AM, PB & INS)	46	47
New Europe (NE)	239	67
Total goodwill	285	114

Goodwill arising from business combinations that were effected during the period is based on provisional values since the determination of the subsidiaries' identifiable assets, liabilities or contingent liabilities, or the cost of the combinations has not been finalized.

During the year ended 31 December 2006, no impairment losses of the CGUs to which goodwill has been allocated, arise.

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and cash flow projections based on financial budgets approved by Management covering a 5-year period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on respective market growth forecasts. Cash flows beyond the 5-year period are extrapolated using growth rates of future changes in the market.

(i) AM, PB & INS segment

The pre-tax discount rate applied to cash flow projections is 10%. The growth rate used to extrapolate cash flows beyond the 5-year period is 3% and does not exceed the average long-term growth rate for the relevant markets.

(ii) New Europe segment

The pre-tax discount rate applied to cash flow projections are 14% for Bancpost S.A. and Eurobank EFG Stedionica A.D. Beograd, 17% for EFG Eurobank Finance S.A. and EFG Eurobank Securities S.A. Romania, and 21% for EFG Istanbul Holding A.S. and EFG Istanbul Menkul Degerler A.S. The growth rate used to extrapolate cash flows beyond the 5-year period is 3.5% and does not exceed the average long-term growth rate for the relevant markets.

23. Property, plant and equipment

	Land, buildings, leasehold improvements € million	Furniture, equipment motor vehicles € million	Computer hardware, software € million	Investment Property € million	Total fixed assets € million
Cost:					
Balance at 1 January 2005	439	174	361	214	1,188
Arising from acquisition of subsidiaries	5	2	3	-	10
Transfers	(2)	0	4	(2)	0
Additions	84	26	41	27	178
Disposals and write - offs	(15)	(5)	(10)	(24)	(54)
Impairment	(1)	-	-	(0)	(1)
Exchange adjustments	14	5	3	-	22
Balance at 31 December 2005	524	202	402	215	1,343
Accumulated depreciation:					
Balance at 1 January 2005	(97)	(103)	(233)	(14)	(447)
Arising from acquisition of subsidiaries	(1)	(1)	(1)	-	(3)
Transfers	4	-	(1)	0	3
Disposals and write-offs	13	3	7	6	29
Charge for the year	(19)	(19)	(51)	(2)	(91)
Exchange adjustments	(5)	(1)	(1)	-	(7)
Balance at 31 December 2005	(105)	(121)	(280)	(10)	(516)
Cost:					
Balance at 1 January 2006	524	202	402	215	1,343
Arising from acquisition of subsidiaries	12	7	2	-	21
Transfers	(7)	(0)	0	7	-
Additions	114	38	62	24	238
Disposals and write - offs	(19)	(15)	(41)	(2)	(77)
Impairment	(0)	(0)	-	-	(0)
Exchange adjustments	10	5	4	-	19
Balance at 31 December 2006	634	237	429	244	1,544
Accumulated depreciation:					
Balance at 1 January 2006	(105)	(121)	(280)	(10)	(516)
Arising from acquisition of subsidiaries	(2)	(4)	(1)	-	(7)
Transfers	(1)	(1)	1	0	(0)
Disposals and write-offs	5	10	27	2	44
Charge for the year	(21)	(21)	(41)	(3)	(86)
Exchange adjustments	2	(3)	(4)	-	(5)
Balance at 31 December 2006	(122)	(140)	(298)	(11)	(570)
Net book value at 31 December 2006	512	97	131	233	974
Net book value at 31 December 2005	419	81	122	205	827

23. Property, plant and equipment (continued)

Leasehold improvements relate to premises occupied by the Group for its own activities.

Included in the above as at 31 December 2006 is € 46 million (31 December 2005: € 11 million) relating to assets under construction.

The net book value of finance leases included in property, plant and equipment as at 31 December 2006 was € 40 million (31 December 2005: € 42 million)

Investment property

Investment property is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight line method over a period of 40-50 years. The fair value of investment property as at 31 December 2006 was € 304 million (31 December 2005: € 267 million). The fair values are open-market values provided by professionally qualified valuers.

During the year ended 31 December 2006 an amount of € 16.4 million (31 December 2005: € 15.1 million) was recognised as rental income from investment property in non banking services. There were no capital commitments in relation to investment property as at 31 December 2006 (31 December 2005: € nil).

24. Other assets

	2006 € million	2005 € million
Prepaid expenses and accrued income	78	115
Deferred tax asset (note 10)	100	88
Repossessed properties	62	56
Other assets	305	273
	<u>545</u>	<u>532</u>

25. Due to other banks

	2006 € million	2005 € million
Items in course of collection	484	65
Deposits from other banks	10,439	10,716
	<u>10,923</u>	<u>10,781</u>
Included in the amounts due to other banks are amounts due to:		
- fellow subsidiary and associated undertakings	509	25
- settlement balances with banks	162	1,132

26. Due to customers

	2006 € million	2005 € million
Savings and current accounts	10,626	9,452
Term deposits and repurchase agreements	12,709	9,454
Unit linked products	579	349
	<u>23,914</u>	<u>19,255</u>
Included in the amounts due to customers are amounts due to:		
- parent undertaking	53	1
- fellow subsidiary and associate undertakings	275	295

The carrying amount of structured deposits and liabilities of unit-linked products classified as at fair-value-through-profit-or-loss at 31 December 2006 is €698 million (31 December 2005: € 540 million). The fair value change as at 31 December 2006 amounts to € 18 million loss (31 December 2005: € 30 million gain), which is attributable to changes in market conditions (changes in fair value attributable to credit risk are immaterial).

The changes in the fair value of structured deposits and liabilities of Unit-linked products are offset in the income statement against changes in the fair value of structured derivatives and assets classified as at fair-value-through-profit-or-loss, respectively.

27. Liabilities evidenced by paper

	2006 € million	2005 € million
Short-term debt		
- Commercial Paper (ECP)	1,783	1,394
Long-term debt		
- Medium-term notes (EMTN)	7,254	5,059
- Subordinated	592	643
- Securitised	3,531	2,057
	<u>11,377</u>	<u>7,759</u>
Total	<u>13,160</u>	<u>9,153</u>

Included above is the carrying amount of structured notes classified as at fair-value-through-profit-or-loss at 31 December 2006 amounting to € 2,210 million (31 December 2005: € 1,296 million). The fair value change as at 31 December 2006 amounts to € 8 million loss (31 December 2005: € 24 million loss), which is attributable to changes in market conditions (changes in fair value attributable to credit risk are immaterial). The changes in the fair value of structured notes are offset in the income statement against changes in the fair value of structured derivatives.

27. Liabilities evidenced by paper (continued)

The Group's funding consists of the following:

Residential Mortgage Backed Securities (RMBS)

In June 2004, the Group proceeded with the securitisation of mortgage loans through the transfer of the loans to Themeleion Mortgage Finance Plc, a special purpose entity, which in turn issued residential mortgage backed securities to investors. The total size of the issue amounts to € 750 million at an average funding cost of Euribor plus 19 basis points for seven years. The transaction has been accounted for as collateralised borrowing. The mortgage loans are retained on the balance sheet and the corresponding liability is included within liabilities evidenced by paper.

In June 2005, the Group proceeded with the second securitisation of mortgage loans through the transfer of the loans to Themeleion II Mortgage Finance Plc, a special purpose entity, which in turn issued residential mortgage backed securities to investors. The total size of the issue amounts to € 750 million at an average funding cost of three month Euribor plus 17.5 basis points for seven years. The transaction has been accounted for as collateralised borrowing. The mortgage loans are retained on the balance sheet and the corresponding liability is included within liabilities evidenced by paper.

In June 2006, the Group proceeded with the third securitisation of mortgage loans through the transfer of the loans to Themeleion III Mortgage Finance Plc, a special purpose entity, which in turn issued residential mortgage backed securities to investors. The total size of the issue amounts to € 1,000 million at an average funding cost of three month Euribor plus 16 basis points for seven years. The transaction has been accounted for as collateralised borrowing. The mortgage loans are retained on the balance sheet and the corresponding liability is included within liabilities evidenced by paper.

Credit Card Asset Backed Securities

In July 2005, the Group proceeded with the securitisation of part of the credit card loan portfolio and the issue of credit card asset backed securities to investors by Karta 2005-1 Plc, a special purpose entity registered in the United Kingdom. The total size of the issue amounts to € 750 million at an average funding cost of three month Euribor plus 21.7 basis points. The transaction was accounted for as collateralised borrowing where the credit card loans were retained on the consolidated balance sheet and the corresponding liability is included within liabilities evidenced by paper.

Small Business Loan Asset Backed Securities

In October 2006, the Group launched the securitisation of part of its portfolio of loans to small business borrowers through the issuance of small business loan asset-backed securities to investors by Anaptyxi 2006-1 PLC, a special purpose entity incorporated in the United Kingdom. The total size of the issue amounts to € 2,250 million, with €1,000 million of the Class A notes having been placed to international investors at par with a coupon of 3-month Euribor plus 0.17%. The Group retained the remaining €750 million Class A notes and all subordinated notes (€150 million Class B notes, €125 million Class C notes and €225 million Class D notes). The transaction was accounted for as a collateralised borrowing with the small business loans being retained on the consolidated balance sheet and the €1,000 million liability is included within liabilities evidenced by paper.

Lower Tier-II

In June 2004 the Group issued € 400 million unsecured subordinated floating rate notes through its subsidiary EFG Hellas Plc. The notes have a ten year maturity with a call provision after five years. The notes pay floating rate interest quarterly based on a coupon of 3-month Euribor plus 0.50% for the first five years. The notes qualify as lower tier II capital for the Group and are listed on the Luxembourg Stock Exchange.

In May 2005 the Group issued € 216 million unsecured subordinated fixed rate notes through its subsidiary EFG Hellas Plc. The notes have a thirty year maturity with a call provision after ten years. The notes pay fixed rate interest on a semester basis on a coupon of 2.76% per annum. The notes qualify as Lower Tier-II capital for the Group and are listed on the Luxembourg Stock Exchange.

In October 2005 the Group issued € 29 million unsecured subordinated fixed rate notes through its subsidiary EFG Hellas Plc, which is consolidated and form a single series with the existing Lower Tier-II of € 216 million issued in May 2005.

EMTN and ECP

The Group issued medium term and short-term notes through its subsidiaries EFG Hellas Plc and EFG Hellas (Cayman Islands) Ltd under its Euro Medium Term Note (EMTN) and Euro Commercial Paper (ECP) programs respectively.

27. Liabilities evidenced by paper (continued)

The following tables analyse the liabilities evidenced by paper by contractual maturity and also into fixed and floating rate.

	31 December 2006			Total € million
	Within 1 year € million	1 - 5 years € million	Over 5 years € million	
EMTN				
Fixed rate	345	477	403	1,225
Accrued interest	28	-	-	28
Floating rate	1,755	3,864	356	5,975
Accrued interest	26	-	-	26
ECP				
Fixed rate	1,772	-	-	1,772
Accrued interest	11	-	-	11
Subordinated				
Fixed rate	-	-	192	192
Accrued interest	1	-	-	1
Floating rate	-	-	399	399
Accrued interest	0	-	-	-
Securitised				
Fixed rate	-	15	-	15
Accrued interest	0	-	-	-
Floating rate	-	731	2,754	3,485
Accrued interest	31	-	-	31
Total liabilities evidenced by paper	3,969	5,087	4,104	13,160

	31 December 2005			Total € million
	Within 1 year € million	1 - 5 years € million	Over 5 years € million	
EMTN				
Fixed rate	49	307	573	929
Accrued interest	27	-	-	27
Floating rate	1,024	2,929	139	4,092
Accrued interest	11	-	-	11
ECP				
Fixed rate	1,388	-	-	1,388
Accrued interest	6	-	-	6
Subordinated				
Fixed rate	-	-	244	244
Accrued interest	1	-	-	1
Floating rate	-	-	398	398
Accrued interest	0	-	-	0
Securitised				
Fixed rate	10	15	-	25
Accrued interest	1	-	-	1
Floating rate	-	750	1,277	2,027
Accrued interest	4	-	-	4
Total liabilities evidenced by paper	2,521	4,001	2,631	9,153

Post balance sheet event

In January 2007, the Group issued CHF 250 million senior fixed rate notes maturing in 2011, through its subsidiary EFG Hellas (Cayman Islands) Ltd, under its Euro Medium Term Note (EMTN) program.

28. Other liabilities

	2006 €million	2005 €million
Current tax liabilities	42	75
Acquisition obligations	14	47
Deferred income and accrued expenses	105	45
Standard legal staff retirement indemnity obligations (note 29)	68	58
Insurance liabilities	429	302
Trading liabilities	205	-
Deferred tax liabilities (note 10)	12	12
Other liabilities	615	601
	<u>1,490</u>	<u>1,140</u>

29. Standard legal staff retirement indemnity obligations

	2006 €million	2005 €million
Movement in the liability for standard legal staff retirement indemnity obligations		
Liability for staff retirement indemnity obligations at 1 January	58	50
Cost for the year (see below)	17	8
Benefits paid	(7)	(0)
Liability for staff retirement indemnity obligations at 31 December	<u>68</u>	<u>58</u>
Expense recognised in profit or loss		
Current service cost	4	2
Interest cost	3	2
Additional cost	8	4
Actuarial gains / losses	2	-
Total included in staff costs (note 8)	<u>17</u>	<u>8</u>
Actuarial assumptions		
Principal actuarial assumptions (expressed as weighted averages)	%	%
Discount rate	4.25	4.5
Future salary increases	3.5	4.0
Inflation rate	2.5	3.0

30. Share capital, share premium and treasury shares

The par value of the Bank's shares is € 3.30 per share. All shares are fully paid. The movement of share capital, share premium and treasury shares is as follows:

	Ordinary share capital €million	Treasury shares €million	Net €million	Share premium €million	Treasury shares €million	Net €million
At 1 January 2005	927	(1)	926	503	(2)	501
Share capital issued to Greek Progress Fund S.A. shareholders (exchanged for 1:7.9 shares) for fair value of assets acquired and increase of nominal value of shares from €2.95 to €3.26	112	-	112	24	-	24
Reduction of share premium and write off of consolidation difference related to absorption of Greek Progress Fund S.A.	-	-	-	(4)	-	(4)
Capitalisation of fixed assets revaluation reserves for rounding purposes related to the absorption of Greek Progress Fund S.A.	2	-	2	-	-	-
Increase of the nominal value of each ordinary share from €3.26 to € 3.30 by capitalisation of special reserves relating to revaluation of fixed assets.	13	-	13	-	-	-
Share capital increase due to exercise of share options issued to executives directors, managements and staff	0	-	0	0	-	0
Share capital increase expenses due to options exercised	-	-	-	(0)	-	(0)
Purchase of treasury shares	-	(14)	(14)	-	(91)	(91)
Sale of treasury shares	-	8	8	-	52	52
At 31 December 2005	1,054	(7)	1,047	523	(41)	482
At 1 January 2006	1,054	(7)	1,047	523	(41)	482
3 April 2006:						
- Distribution of free shares to executive directors, management and staff	2	-	2	19	-	19
- Bonus issue of 2 shares for every 10 held	211	(1)	210	(211)	1	(210)
- Expenses related to the above	-	-	-	(3)	-	(3)
17 April 2006:						
- Cancellation of Treasury shares	(3)	3	-	(15)	15	-
Share capital increase due to exercise of share options issued to executives directors, managements and staff	0	-	0	0	-	0
Purchase of treasury shares	-	(25)	(25)	-	(158)	(158)
Sale of treasury shares (see below)	-	8	8	-	46	46
At 31 December 2006	1,264	(22)	1,242	313	(137)	176

30. Share capital, share premium and treasury shares (continued)

The following is an analysis of the movement in the number of shares issued by the Bank:

	Number of shares		
	Issued	Treasury shares	Net
At 1 January 2005	314,009,537	(186,899)	313,822,638
Share capital issued to Greek Progress Fund S.A. shareholders (exchanged for 1:7.9 shares) for fair value of assets acquired	5,264,571	-	5,264,571
Share capital increase due to exercise of share options issued to executives directors, management and staff	47,343	-	47,343
Purchase of treasury shares	-	(4,192,785)	(4,192,785)
Sale of treasury shares	-	2,494,160	2,494,160
At 31 December 2005	319,321,451	(1,885,524)	317,435,927
At 1 January 2006	319,321,451	(1,885,524)	317,435,927
3 April 2006:			
- Distribution of free shares to executive directors, management and staff	655,000	-	655,000
- Bonus issue of 2 shares for every 10 held	63,995,291	(471,295)	63,523,996
17 April 2006:			
- Cancellation of Treasury shares	(786,000)	786,000	-
Share capital increase due to exercise of share options issued to executives directors, management and staff	2,366	-	2,366
Purchase of treasury shares	-	(7,447,838)	(7,447,838)
Sale of treasury shares (see below)	-	2,306,250	2,306,250
At 31 December 2006	383,188,108	(6,712,407)	376,475,701

The sale of 2,000,000 treasury shares was part of the agreed consideration for the acquisition of DZI Bank.

Post Balance sheet event

- On 6 February 2007, the Board of Directors decided to propose to the Annual General Meeting to adjust the par value of the ordinary shares from € 3.30 to € 2.75 and distribute 2 bonus shares for every 10 held.

- On 23 February 2007, the Bank sold 7,451,005 treasury shares at a price of € 29.40 per share.

Treasury shares special scheme

In accordance with Greek Company Law, a company may acquire its own shares in order to support the share price of the company. As expressly stated under this specific section of Greek law, this type of action is only allowed when the trading price of the stock, given the prevailing market conditions, the financial standing and the future prospects of the company, is substantially below management's share valuation. This specific section of Greek Company Law is not intended to deal with the reduction of shareholders' equity. Shares acquired should be sold back to investors through the stock market, or may be distributed to employees as part of a bonus programme within three years from the time of their acquisition. Shares still held by the company after the three-year period expires must be cancelled, subject to a General Meeting approval.

In April 2006, the Annual General Meeting approved the renewal of the treasury shares special scheme for one year within the price range of € 5.00 to € 33.33 per share for a total of up to 5% of the Bank's shares.

31. Preferred securities

On 18 March 2005, the Group, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 200 million preferred securities which represent Lower Tier 1 capital for the Group. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 18 March 2010 and annually thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative annual dividend of 6.75% for the first two years and non-cumulative annual dividends that are determined based on the ten year EURO swap rate plus a spread of 0.125% capped at 8% thereafter. The preferred dividends may be declared by the directors of the issuer at their sole discretion and paid out of funds legally available to the issuer. The preferred dividend must be declared and paid if the Bank declares a dividend. The preferred securities are listed on the Luxembourg and Frankfurt Stock Exchanges.

On 2 November 2005, the Group, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 400 million preferred securities which represent Lower Tier 1 capital for the Group. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 2 November 2015 and quarterly thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative annual dividend of 4.565% for the first ten years and non-cumulative annual dividends that are determined based on the 3month Euribor plus a spread of 2.22% thereafter. The preferred dividends may be declared by the directors of the issuer at their sole discretion and paid out of funds legally available to the issuer. The preferred dividend must be declared and paid if the Bank declares dividend, other than as legally required. The preferred securities are listed on the London Stock Exchange.

On 9 November 2005, the Group, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 150 million preferred securities which represent Lower Tier 1 capital for the Group. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 9 January 2011 and quarterly thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative dividend on a quarterly basis at a rate of 6% per annum. The preferred dividends may be declared by the directors of the issuer at their sole discretion and paid out of funds legally available to the issuer. The preferred dividend must be declared and paid if the Bank declares dividend, other than as legally required. The preferred securities are listed on the London, Frankfurt and Euronext Amsterdam Stock Exchanges.

On 21 December 2005, the Group, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 50 million preferred securities which is consolidated and form a single series with the existing € 150 million preferred securities issued on 9 November 2005.

The movement of preferred securities issued by the Group through its Special Purpose Entity, EFG Hellas Funding Limited, is as follows:

	Series A €million	Series B €million	Series C €million	Total €million
At 1 January 2006	178	397	187	762
Purchase of preferred securities	(19)	(4)	(5)	(28)
Sale of preferred securities	35	3	14	52
At 31 December 2006	194	396	196	786

As at 31 December 2006, the dividend attributable to preferred securities holders amounts to € 43 million (31 December 2005: € 14 million).

32. Share options

The Group grants share options to executive directors, management and employees. All options are equity-settled and may be exercised wholly or partly and converted into shares, at their owners' option provided that the vesting requirements are met.

The movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

	31 December 2006		31 December 2005	
	Exercise price in € per share	Number of share options	Exercise price in € per share	Number of share options
At 1 January	17.98	1,527,455	7.76	89,522
Adjustment for corporate actions				
2005	-	-	5.99	67
2006	4.68	75	5.50	3
2007	7.64	354	8.98	107
2010	15.32	266,776	-	-
Granted	15.00	1,200,000	18.00	1,525,000
Exercised	7.64	(2,366)	8.89	(47,343)
Expired and cancelled	4.68	(510)	5.99	(39,901)
Balance at 31 December and average exercise price per share	15.19	2,991,784	17.98	1,527,455

Share options outstanding and exercisable at the end year have the following expiry dates and exercise prices:

Expiry date - 31 December

2006	-	5.50	435
2007	7.64	8	2,020
2010	15.32	1,791,776	1,525,000
2011	15.00	1,200,000	-
	15.19	2,991,784	1,527,455

On 18 April 2005, the shareholders General Meeting approved the issue of 1,525,000 options on the Bank's shares to the Group's executive directors, management and staff employed by the Group on 31.12.2004. Provided that the holders are still employed by the Group, the options can be exercised in December of 2007, 2008, 2009 and 2010 at € 18 per share.

In April 2006, the Annual General Meeting approved the establishment of an umbrella share options programme allowing the Board of Directors (through the Board's Remuneration Committee) to issue share options within the next 5 years (i.e. until the Annual General Meeting of the year 2011) totalling up to 3% of the Bank's shares within the defined framework similar to the share options issued in the past.

32. Share options (continued)

Following the above approval, 1,200,000 share options were granted with a strike price of € 15.00 per share (adjusted for the issue of free shares in accordance with the decision of the Annual General Shareholders' Meeting), which may be exercised in December of 2008, 2009, 2010 and 2011 if the option holder is still employed by the Group.

The fair value of options granted is determined using the Monte Carlo valuation method, which simulates the share price path taking into account the terms and conditions upon which the options were granted. The fair value measurement is based on the assumption that the options will be exercised by the employees on the first possible occasion the options are in-the money.

The fair value of the options granted for the year ended 31 December 2006 was € 10.7 (2005: € 6.7). The significant inputs into the model were share price of € 25.92 (2005: € 24.7) at the grant date, exercise price shown above, dividend yield of 3.5%, expected average volatility of 25% (2005: 23%), expected option life of 3 years, and risk-free interest rate equal to the swap rate corresponding to the expected option life. The expected volatility is measured at the grant date of the options and is based on the average historical volatility of the share price over the last 2 to 4 years.

33. Special reserves

	Statutory reserves €million	Non-taxed reserves €million	IAS 39 equity €million	Treasury shares reserve €million	Other reserves €million	Total €million
Balance at 1 January 2005	134	152	104	117	92	599
Reserve transfers	17	434	-	(117)	(95)	239
Available-for-sale securities						
- net changes in fair value net of tax	-	-	167	-	-	167
- transfer to net profit net of tax	-	-	(99)	-	-	(99)
- net changes in fair value net of tax - associated undertakings	-	-	(7)	-	-	(7)
Cash flow hedges						
- net changes in fair value net of tax	-	-	(2)	-	-	(2)
- transfer to net profit net of tax	-	-	10	-	-	10
Capitalisation of reserves	-	-	-	-	(15)	(15)
Currency translation differences	-	-	-	-	10	10
Value of employee services	-	-	-	-	3	3
Profit/(loss) from sale of treasury shares	-	8	-	-	-	8
At 31 December 2005	<u>151</u>	<u>594</u>	<u>173</u>	<u>-</u>	<u>(5)</u>	<u>913</u>
Balance at 1 January 2006	151	594	173	-	(5)	913
Reserve transfers	86	4	-	-	25	115
Legal Mergers	0	10	-	-	(66)	(56)
Available-for-sale securities						
- net changes in fair value net of tax	-	-	(131)	-	-	(131)
- transfer to net profit net of tax	-	-	99	-	-	99
Cash flow hedges						
- net changes in fair value net of tax	-	-	19	-	-	19
- transfer to net profit net of tax	-	-	(6)	-	-	(6)
Currency translation differences	-	-	-	-	25	25
Value of employee services	-	-	-	-	6	6
Profit/(loss) from sale of treasury shares	-	7	-	-	-	7
At 31 December 2006	<u>237</u>	<u>615</u>	<u>154</u>	<u>-</u>	<u>(15)</u>	<u>991</u>

The Treasury shares reserve was recognised in accordance with the Law 2190/1920 up to 2005. Upon implementation of the IFRSs in 2005, the previous mentioned provision was no longer applicable and as a result all the treasury shares reserve was transferred to other categories of reserves.

Statutory reserves are not distributable. Non-taxed reserves are taxed when distributed. IAS39 reserves are not distributable.

Included in Other reserves as at 31 December 2006 is € 36 million (31 December 2005: € 11 million) relating to currency translation reserve. Included in IAS39 equity reserve as at 31 December 2006 is € 15 million (31 December 2005: € 1 million) relating to Cash flow hedging reserve.

Non-taxed reserves include an amount of € 289 million which following L3513 were subject to one-off taxation amounted to € 43.3 million (see note 9).

34. Geographical concentration of assets, liabilities and off-balance sheet items

	31 December 2006			
	Total assets € million	Total liabilities € million	Credit commitments € million	Capital expenditure € million
Greece	38,242	33,351	1,220	19
Western European countries	6,451	11,842	519	-
Canada and USA	621	150	0	-
South Eastern European countries	6,851	4,495	323	2
Other European countries	1,401	100	6	-
Other countries	254	258	22	-
	53,820	50,196	2,090	21

	31 December 2005			
	Total assets € million	Total liabilities € million	Credit commitments € million	Capital expenditure € million
Greece	33,028	28,691	1,032	10
Western European countries	6,216	10,171	394	-
Canada and USA	691	114	0	-
South Eastern European countries	3,967	1,935	92	-
Other European countries	473	12	-	-
Other countries	89	142	2	-
	44,464	41,065	1,520	10

35. Operating lease commitments

Leases as lessee - Non-cancellable operating lease rentals are payable as follows:

	31 December 2006		31 December 2005	
	Land and buildings € million	Furniture, equipment, vehicles € million	Land and buildings € million	Furniture, equipment, vehicles € million
Not later than one year	43	3	43	2
Later than one year and no later than five years	26	7	10	6
Later than five years	17	-	1	-
	86	10	54	8

The total of future minimum sublease payments to be received under non-cancellable subleases at the balance sheet date is € 26 million (31 December 2005: € 27 million).

Leases as lessor - Non-cancellable operating lease rentals are receivable as follows:

	31 December 2006		31 December 2005	
	Land and buildings € million	Furniture, equipment, vehicles € million	Land and buildings € million	Furniture, equipment, vehicles € million
Not later than one year	14	0	13	-
Later than one year and no later than five years	36	-	35	-
Later than five years	37	-	31	-
	87	0	79	-

36. Contingent liabilities and commitments

	2006	2005
	€ million	€ million
Contingent liabilities :		
Guarantees		
- guarantees and standby letters of credit	1,396	920
- other guarantees	590	528
	1,986	1,448
Commitments :		
Documentary credits	104	72
Capital expenditure	21	10
	125	82
	2,111	1,530

As at 31 December 2005 a letter of guarantee that the Bank issued in favour of EFG Ora Funding Limited II amounting to € 361 million is included, for which the ultimate parent company of the Bank has guaranteed unconditionally and without the right of cancellation.

The above amounts as at 31 December 2006 include the letter of guarantee that the Bank issued in favour of EFG Ora Funding Limited II amounting to € 377 million and for which the ultimate parent company of the Bank has guaranteed unconditionally and without the right of cancellation.

Legal proceedings

There were a number of legal proceedings outstanding against the Group as at the period end. The Group's management and its legal advisors believe that the outcome of existing lawsuits will not have a significant impact on the Group's financial statements.

37. Business segments

The Group is organised into five main business segments:

- Retail - incorporating customer current accounts, savings, deposits and investment savings products, credit and debit cards, consumer loans, small business banking and mortgages.
- Corporate - incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products to corporate entities.
- Asset Management, Private Banking and Insurance (AM, PB & INS) - incorporating private banking services, including total wealth management, to medium and high net worth individuals, insurance, mutual fund and investment savings products, and institutional asset management.
- Global and Capital Markets - incorporating investment banking services including corporate finance, merger and acquisitions advice, custody, equity brokerage, financial instruments trading and institutional finance to corporate and institutional entities, as well as, specialised financial advice and intermediation to private and large retail individuals as well as small and large corporate entities.
- New Europe - incorporating operations in Romania, Bulgaria, Serbia, Cyprus, Poland and Turkey.

Other operations of the Group comprise mainly of investing activities, including property management and investment, electronic commerce, the management of unallocated capital and, in 2005, the closed-end funds which have been absorbed by the Bank. Transactions between the business segments are on normal commercial terms and conditions. With the exception of Greece no other individual country contributed more than 10% of consolidated income or assets.

Information on geographical concentration of assets, liabilities and off balance sheet items is presented in note 34.

	31 December 2006							Total € million
	Retail € million	Corporate € million	AM, PB & INS € million	Global & Capital Markets € million	Other € million	New Europe € million	Elimination Center € million	
External revenue	1,151	263	202	276	28	313	-	2,233
Inter-segment revenue	49	43	(47)	(34)	8	0	(19)	-
Total revenue	1,200	306	155	242	36	313	(19)	2,233
Operating expenses	(533)	(99)	(52)	(66)	(25)	(306)	19	(1,062)
Impairment losses on loans and advances	(274)	(33)	-	(0)	-	(37)	-	(344)
Profit from operations	393	174	103	176	11	(30)	-	827
Profit before tax	393	174	103	176	16	(30)	-	832
Income tax expense								(225)
Group Profit after tax								607
Minority interest								(6)
Net profit attributable to shareholders								601
Segment assets	20,119	10,882	748	13,885	1,964	6,174		53,772
Associates	6	-	-	-	42	-		48
	20,125	10,882	748	13,885	2,006	6,174		53,820
Segment liabilities	11,373	4,612	3,639	17,133	10,028	3,411		50,196

	31 December 2005							Total € million
	Retail € million	Corporate € million	AM, PB & INS € million	Global & Capital Markets € million	Other € million	New Europe € million	Elimination Center € million	
External revenue	993	236	151	226	39	215	-	1,860
Inter-segment revenue	51	33	(24)	(45)	2	(0)	(17)	-
Total revenue	1,044	269	127	181	41	215	(17)	1,860
Operating expenses	(475)	(91)	(46)	(53)	(54)	(188)	17	(890)
Impairment losses on loans and advances	(239)	(55)	-	-	-	(15)	-	(309)
Profit from operations	331	123	80	128	(12)	11	-	661
Profit before tax	332	123	80	128	2	11	-	676
Income tax expense								(172)
Group Profit after tax								504
Minority interest								(3)
Net profit attributable to shareholders								501
Segment assets	16,179	9,349	559	9,535	5,843	2,964		44,429
Associates	6	-	-	-	29	-		35
	16,185	9,349	559	9,535	5,872	2,964		44,464
Segment liabilities	10,328	2,942	2,805	13,596	9,693	1,701		41,065

38. Currency risk

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2006 and 31 December 2005. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by currency.

	31 December 2006			
	€ million			Total
	Euro	USD	Other	
Assets				
Cash and balances with central banks	2,117	14	523	2,654
Loans and advances to banks	1,878	709	351	2,938
Financial instruments at fair-value-through-profit-or-loss	627	31	149	807
Derivative financial instruments	442	48	28	518
Loans and advances to customers	30,208	823	3,015	34,046
Available-for-sale investment securities	8,532	1,200	1,204	10,936
Investments in associated undertakings	48	-	-	48
Intangible assets	324	-	30	354
Property, plant and equipment	719	-	256	975
Other assets	462	28	54	544
Total assets	45,357	2,853	5,610	53,820
Liabilities				
Due to other banks	7,462	1,998	1,463	10,923
Derivative financial instruments	840	(549)	418	709
Due to customers	17,411	3,502	3,001	23,914
Liabilities evidenced by paper	11,920	868	372	13,160
Other liabilities	4,817	(2,808)	(519)	1,490
Total liabilities	42,450	3,011	4,735	50,196
Net balance sheet position	2,907	(158)	875	3,624
Off balance sheet net notional position	(196)	205	(90)	(81)
Contingent liabilities and commitments (note 36)	1,636	26	449	2,111

	31 December 2005			
	€ million			Total
	Euro	USD	Other	
Assets				
Cash and balances with central banks	1,434	11	310	1,755
Loans and advances to banks	2,634	272	87	2,993
Financial instruments at fair-value-through-profit-or-loss	1,065	74	70	1,209
Derivative financial instruments	196	100	15	311
Loans and advances to customers	24,493	804	1,327	26,624
Available-for-sale investment securities	8,046	1,082	896	10,024
Investments in associated undertakings	35	-	-	35
Intangible assets	138	-	16	154
Property, plant and equipment	647	-	180	827
Other assets	488	12	32	532
Total assets	39,176	2,355	2,933	44,464
Liabilities				
Due to other banks	8,864	985	932	10,781
Derivative financial instruments	2,763	(1,791)	(236)	736
Due to customers	14,040	3,359	1,856	19,255
Liabilities evidenced by paper	8,379	410	364	9,153
Other liabilities	2,128	(528)	(460)	1,140
Total liabilities	36,174	2,435	2,456	41,065
Net balance sheet position	3,002	(80)	477	3,399
Off balance sheet net notional position	(122)	55	120	53
Contingent liabilities and commitments (note 36)	1,444	79	7	1,530

39. Interest rate risk

The table below summarises the Group's exposure to interest rate risk. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The carrying amounts of derivative financial instruments, which are principally used to reduce the Group's exposure to interest rate movements, are reported under the heading 'Non-interest bearing'.

	31 December 2006					Total € million
	Up to 3 months € million	3 - 12 months € million	1 - 5 years € million	Over 5 years € million	Non-interest bearing € million	
Assets						
Cash and balances with central banks	2,372	-	-	-	282	2,654
Loans and advances to banks	2,492	255	2	-	189	2,938
Financial instruments at fair-value-through-profit-or-loss	229	43	91	143	301	807
Derivative financial instruments	-	-	-	-	518	518
Loans and advances to customers	27,524	1,877	3,200	1,210	235	34,046
Available-for-sale investment securities	1,897	1,281	2,483	4,239	1,036	10,936
Investments in associated undertakings	-	-	-	-	48	48
Intangible assets	-	-	-	-	354	354
Property, plant and equipment	-	-	-	-	974	974
Other assets	-	-	-	-	545	545
Total assets	34,514	3,456	5,776	5,592	4,482	53,820
Liabilities						
Due to other banks	9,987	656	17	38	225	10,923
Derivative financial instruments	-	-	-	-	709	709
Due to customers	21,554	662	169	455	1,074	23,914
Liabilities evidenced by paper	11,467	1,033	399	252	9	13,160
Other liabilities	-	-	-	-	1,490	1,490
Total liabilities	43,008	2,351	585	745	3,507	50,196
Interest sensitivity gap	(8,494)	1,105	5,191	4,847	975	3,624

	31 December 2005					Total € million
	Up to 3 months € million	3 - 12 months € million	1 - 5 years € million	Over 5 years € million	Non-interest bearing € million	
Assets						
Cash and balances with central banks	1,604	0	-	-	151	1,755
Loans and advances to banks	2,977	1	0	-	15	2,993
Financial instruments at fair-value-through-profit-or-loss	201	200	164	392	252	1,209
Derivative financial instruments	-	-	-	-	311	311
Loans and advances to customers	21,924	2,121	1,565	851	163	26,624
Available-for-sale investment securities	885	804	2,184	5,562	589	10,024
Investments in associated undertakings	-	-	-	-	35	35
Intangible assets	-	-	-	-	154	154
Property, plant and equipment	-	-	-	-	827	827
Other assets	-	-	-	-	532	532
Total assets	27,591	3,126	3,913	6,805	3,029	44,464
Liabilities						
Due to other banks	10,303	399	26	21	32	10,781
Derivative financial instruments	-	-	-	-	736	736
Due to customers	18,530	295	21	215	194	19,255
Liabilities evidenced by paper	7,970	624	145	410	4	9,153
Other liabilities	-	-	-	-	1,140	1,140
Total liabilities	36,803	1,318	192	646	2,106	41,065
Interest sensitivity gap	(9,212)	1,808	3,721	6,159	923	3,399

The table below summarises the yearly average effective interest rate for monetary financial instruments:

	2006	2005
Assets		
Loans and advances to banks	4.0%	2.5%
Financial instruments at fair-value-through-profit-or-loss	4.1%	2.6%
Loans and advances to customers	7.3%	7.0%
Available-for-sale investment securities	3.9%	3.0%
Liabilities		
Due to other banks	3.4%	2.1%
Due to customers	2.4%	1.7%
Liabilities evidenced by paper	3.5%	2.6%

40. Maturity of assets and liabilities

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for term accounts and expected maturity date (Bank of Greece guidelines) for sight accounts.

	31 December 2006					Total € million
	Up to 1 month € million	1-3 months € million	3 - 12 months € million	1 - 5 years € million	Over 5 years € million	
Assets						
Cash and balances with central banks	2,651	3	-	-	-	2,654
Loans and advances to banks	2,312	289	247	14	76	2,938
Financial instruments at fair-value-through-profit-or-loss	170	5	82	192	358	807
Derivative financial instruments	35	41	47	75	320	518
Loans and advances to customers	7,847	1,189	9,809	6,598	8,603	34,046
Available-for-sale investment securities	577	75	1,081	2,817	6,386	10,936
Investments in associated undertakings	-	-	-	-	48	48
Intangible assets	-	-	-	-	354	354
Property, plant and equipment	-	-	-	-	974	974
Other assets	185	30	93	56	181	545
Total assets	13,777	1,632	11,359	9,752	17,300	53,820
Liabilities						
Due to other banks	7,527	2,653	635	23	85	10,923
Derivative financial instruments	16	55	59	110	469	709
Due to customers	12,419	1,701	1,559	7,765	470	23,914
Liabilities evidenced by paper	1,238	959	1,772	5,087	4,104	13,160
Other liabilities	638	118	92	29	613	1,490
Total liabilities	21,838	5,486	4,117	13,014	5,741	50,196
Net liquidity gap	(8,061)	(3,854)	7,242	(3,262)	11,559	3,624

	31 December 2005					Total € million
	Up to 1 month € million	1-3 months € million	3 - 12 months € million	1 - 5 years € million	Over 5 years € million	
Assets						
Cash and balances with central banks	1,750	-	5	-	-	1,755
Loans and advances to banks	2,818	175	0	-	-	2,993
Financial instruments at fair-value-through-profit-or-loss	284	15	168	202	540	1,209
Derivative financial instruments	37	55	42	47	130	311
Loans and advances to customers	4,486	1,981	4,845	6,765	8,547	26,624
Available-for-sale investment securities	290	316	450	2,488	6,480	10,024
Investments in associated undertakings	-	-	-	-	35	35
Intangible assets	-	-	-	-	154	154
Property, plant and equipment	-	-	-	-	827	827
Other assets	171	16	48	40	257	532
Total assets	9,836	2,558	5,558	9,542	16,970	44,464
Liabilities						
Due to other banks	6,050	4,244	414	25	48	10,781
Derivative financial instruments	24	77	25	141	469	736
Due to customers	9,562	1,198	719	7,445	331	19,255
Liabilities evidenced by paper	883	418	1,220	4,001	2,631	9,153
Other liabilities	285	50	164	5	636	1,140
Total liabilities	16,804	5,987	2,542	11,617	4,115	41,065
Net liquidity gap	(6,968)	(3,429)	3,016	(2,075)	12,855	3,399

41. Post balance sheet events

Details of significant post balance sheet events are provided in the following notes:

- Note 20: Shares in subsidiary undertakings
- Note 27: Liabilities evidenced by paper
- Note 30: Share capital, share premium and treasury shares
- Note 45: Dividends

42. Acquisition of subsidiaries

Details of acquisitions of subsidiaries during the year ended 31 December 2006 that gave rise to goodwill are as follows:

	Fair value of net assets acquired € million	Consi- deration € million	Goodwill € million
Global Fund Management S.A.	1	2	1
Best Direct S.A.	(1)	0	1
DZI A.D.	29	203	174
Total	29	205	176

The above acquisitions have been accounted for by the purchase method of accounting. The acquired companies contributed a net gain of € 0.04 million to the Group during the period from the date of their acquisition to 31 December 2006. If the acquisitions had been completed on 1 January 2006, the acquired companies would have contributed revenue of € 46 million and net gain of € 0.59 million for the year ended 31 December 2006.

Included in the € 29 million of fair value of net assets acquired are € 115 million of cash and cash equivalents.

The acquisition of the remaining 37.69% of the share capital of Nacionalna Stedionica Banka A.D., Beograd on 27 March 2006 is accounted for as equity transaction, with any difference between the consideration and the share of the additional net assets acquired recorded directly in equity, in accordance with the Group's accounting policies. Changes in participating interests of subsidiary undertakings that have been recognised directly in equity also include Eurobank Properties R.E.I.C., Bancpost S.A., Bulgarian Post Bank A.D., EFG Eurobank A.D. Beograd and EFG Eurobank Leasing Beograd.

The initial accounting for the business combinations that were effected during the period is presented provisionally since the determination of the subsidiaries' identifiable assets, liabilities or contingent liabilities, or the cost of the combinations has not been yet finalised.

Adjustments to the provisional values of previous year acquisitions

With respect to the acquisitions of 62.31% of the share capital of Nacionalna Stedionica Banka A.D., Beograd, and 100% of the share capital of EFG Istanbul Holding A.S. effected and presented provisionally in 2005, total goodwill has decreased by € 2.2 million as a result of adjustments that increased the provisional values of net assets acquired by € 6.6 million, and adjustments that increased total acquisition cost by € 4.4 million, mainly due to the execution of agreed contingent considerations.

43. Related party transactions

The Bank is a member of the EFG Group, the ultimate parent company of which is EFG Bank European Financial Group, a bank incorporated in Switzerland, which owns 41% of the ordinary shares. The remaining 59% of the shares are widely held. All the voting rights in EFG Bank European Financial Group are held by the Latsis family, the ultimate controlling party of the Group.

A number of banking transactions are entered into with related parties in the normal course of business and are conducted on an arms length basis. These include loans, deposits, letters of guarantee and derivatives. In addition, as part of its normal course of business in investment banking activities, the Group at times may hold positions in debt and equity instruments of related parties. The volume of related party transactions and outstanding balances at the year-end are as follows:

	31 December 2006			31 December 2005		
	EFG Group € million	Key management personnel € million	Other € million	EFG Group € million	Key management personnel € million	Other € million
Loans and advances to banks	0	-	-	-	-	-
Available for sale investment securities	62	-	51	30	-	25
Loans and advances to customers	-	10	5	-	6	128
Other assets	0	0	4	0	0	2
Due to other banks	509	-	-	25	-	-
Due to customers and liabilities evidenced by paper	304	41	174	290	21	114
Derivative financial instruments liabilities	-	2	-	-	-	-
Other liabilities	2	-	0	0	-	0
Net Interest income/(expense)	(17)	(1)	(2)	(7)	(0)	3
Net banking fee and commission income/(expense)	0	0	2	1	-	3
Operating expenses	(4)	-	(0)	(4)	-	-
Letters of guarantee issued	378	-	3	365	-	2
Letters of guarantee received	411	-	-	517	-	-

Key management personnel includes directors and key management personnel of the Group and its parent, and their close family members.

43. Related party transactions (continued)

No provisions have been recognised in respect of loans given to related parties (2005: nil).

Based on agreements the Group provides the following services to associated undertakings:

- (a) Dias S.A. - portfolio management, custodian and share registry services.
- (b) The Greek Progress Fund SA - advisory services on investment analysis and management, custodian and share registry services, until 31 October 2005.

Key management compensation (including directors)

Key management personnel are entitled to compensation in the form of short-term employee benefits €12 million (31 December 2005: € 7 million) and long-term employee benefits € 2 million (31 December 2005: € 2 million).

44. Board of Directors

Other as noted below, the Board of Directors of the Bank since the Bank's Annual General Meeting of 5 April 2004 is the following:

X. C. Nickitas	Chairman	
G. C. Gondicas	Honorary Chairman (non executive)	
Ms A.M.L. Latsis	1st Vice Chairman (non executive)	
L. D. Efraimoglou	2nd Vice Chairman (non executive)	
N. C. Nanopoulos	Chief Executive Officer	
B. N. Ballis	Deputy Chief Executive Officer	
N. B. Karamouzis	Deputy Chief Executive Officer	
H. M. Kyrkos	Executive	
N. K. Pavlidis	Executive	
F. S. Antonatos	Non Executive	
A. K. Bibas	Non Executive	
E. L. C. Bussetil	Non Executive	
S. J. Latsis	Non Executive	
P. P. Petalas	Non Executive	
S. P. Fafalios	Independent Non Executive	Until 31 October 2005
P. K. Lambropoulos	Independent Non Executive	
P. V. Tridimas	Independent Non Executive	From 31 October 2005

The Board of Directors' term expires at the next Annual General Meeting which will take place on 3 April 2007

45. Dividends

Final dividends are not accounted for until they have been ratified by the Annual General Meeting. On 31 October 2006, the Board of Directors declared the distribution of an interim dividend of € 0.36 per share, amounting to € 136 million, which was paid on 8 December 2006 as part of the dividend for the fiscal year 2006. The dividend proposed by the Board of Directors for 2006, with its decision on 6 February 2007, is subject to the approval of the upcoming Annual General Meeting of Shareholders and totals € 0.92 per share.

The Annual General Meeting on 3 April 2006 approved a dividend in respect of 2005 of € 0.75 per share (as adjusted following the bonus issue of 2 shares for every 10 held) amounting to a total dividend of € 286 million. Out of this approved dividend an interim dividend of € 0.30 per share (as adjusted following the bonus issue of 2 shares for every 10 held) amounting to € 115 million was paid in December 2005 in accordance with the decision of the Board of Directors on 23 November 2005. The remaining dividend of € 0.54 per share (equivalent to € 0.45 per share following the bonus issue of 2 shares for every 10 held) amounting to € 171 million was paid in April 2006 and has been accounted for in shareholders' equity as an appropriation of retained earnings during the period from 1 April 2006 to 30 June 2006.

CHAIRMAN OF THE BOARD OF DIRECTORS
Xenophon C. Nickitas
I.D. No Θ - 914611

CHIEF EXECUTIVE OFFICER
Nicholas C. Nanopoulos
I.D. No Σ - 237468

CHIEF FINANCIAL OFFICER
Paula Hadjisotiriou
I.D. No T - 005040

HEAD OF GROUP FINANCIAL SERVICES
Diomidis E. Nikolettopoulos
I.D. No Φ-123387