INVESTMENT BANK OF GREECE

Financial Statements for the Year 2006

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BOARD OF DIRECTORS REPORT

The Board of Directors presents the financial statements of the Bank INVESTMENT BANK OF GREECE S.A. for the financial year ending on 31 December 2006.

The financial year 2006 was the Bank's third year in its present form following its merger with "MARFIN HELLINIKI SECURITIES S.A." which was concluded in the end of 2003.

The services provided cover the whole range of investment needs of modern organizations and investors: stock exchange activities, access to foreign stock markets, analysis services, advisory services, (deposits, loans) with emphasis on the investment banking sector (Syndicated loans, Bond Loans, Project Finance, Bridge Financing etc.).

The Bank is a member of Athens Exchange S.A. and ranks among the leading companies in trading volumes and market share. The Bank is also a member of the Athens Derivatives Exchange and is a Market Maker of class B'. In 2006 the Bank held 1st place in several products based on trading volume.

RESULTS FOR THE FINANCIAL YEAR 2006

For 2006 the Bank achieved a substantial increase in its profitability by 202% from € 8,81 million in 2005 to € 26,62 million. in its net results for 2006.

The increase in the Bank's profitability for 2006 is the result of a dynamic growth in all profit centers as a result increasing the net results of the Bank by 159% reaching € 51,5 million compared to € 19,9 million in 2005.

Net interest income increased by 144% reaching € 7,8 million, net fee and commission income increased 199% reaching € 31,2 million and trading income increased 122% reaching € 11,1 million.

The positive developments for one more consecutive year are due to the Bank's leading position held in the Stock and Derivatives Markets as well as the expansion of the Bank's loan portfolio.

Loans to customers net of provisions reached € 303,5 million increased by 134% compared to the loans portfolio as at 31 December 2005.

It should be noted that special emphasis was given to the preservation of the loans portfolio high quality. Provisions for loan impairment remained at low levels representing 46 basis points compared to the total loans' balance as at 31 December 2005.

One of the most significant efficiency ratios in the financial sector is the ratio of cost to income. The specific ratio improved to 27,5% against 53,8% for 2005 and 81,4% for 2004.

To summarise, the main points explaining the Bank's increased profitability are the following:

- The increase in the Bank's loan portfolio by 134%
- The increase in fees and commissions by 199%
- The increase in trading income by 122%

The Bank would not have been able to achieve these results if its was not for the dedication and hard work of its personnel and management, our customers' preference as well as our shareholders' support.

DIVIDEND POLICY

The Bank's Board of Directors will propose to the Ordinary General Shareholder Meeting the distribution of € 4,7 per share. It should be noted that it is the first time that the Bank will distribute a dividend and this is a result of the last three successful years.

REGULATORY RATIOS

Despite the fact that the Bank's loans portfolio increased more than twice, its Solvency and Capital Adequacy ratios remained at very high levels, 32,01% and 27,69% respectively with a minimum requirement of 8%.

Furthermore the new liquidity ratios adopted according to Act 2560/1.4.2005 of the Governor of Bank of Greece, which refers to the framework of Bank of Greece's capital adequacy monitoring on banks, are sustained at satisfactory levels. The "available funds liquidity" ratio reached 27,4% with a minimum requirement of 20% whereas the "maturity gap assets-liabilities liquidity" ratio reached +3,5% with a minimum requirement of -20%.

MOST IMPORTANT EVENTS

The Board of Directors of INVESTMENT BANK OF GREECE S.A. and EGNATIA FINANCE S.A. (hereinafter "EGNATIA FINANCE"), resolved upon the merger through the absorption of the latter by INVESTMENT BANK OF GREECE S.A. with the balance sheet consolidation date on 30/06/2006. The two companies belong to the same Group and operate in the same sector. The consolidation and creation of a larger company, under common management, will set the available resources, in expressing a new and strong business activity. Significant economies of scale will be achieved by decreasing operating expenses which in turn will affect positively the profitability of the companies under consolidation.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of «INVESTMENT BANK OF GREECE S.A.»

Report on the Financial Statements

We have audited the accompanying financial statements of INVESTMENT BANK OF GREECE S.A (the "Bank") which comprise the separate and consolidated balance sheet as at 31 December 2006, and the income statements, statements of changes in equity, statements of recognized income and expense and cash flow statements 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, that have been 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 the Greek Auditing Standards that are harmonized 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 separate and consolidated financial statements present fairly, in all material respects, the financial position of the Bank of 31 December 2006 and the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards that have been adopted by the European Union.

Report on Other Legal and Regulatory Requirements

The information included in the Board of Directors' Report, set out in pages 1 to 3, is consistent with the accompanying financial statements.

Athens, 27 February 2007

Certified Chartered Accountant

Sotiris A. Constantinou

S.O.E.L Reg.No: 13671

Grant Thornton

Chartered Accountants

44, Vas.Constantinou Av.

116 35 Athens, Greece

S.O.E.L Reg.No:127

Income Statement for the Financial Year 2006

Amounts in Euro '000	Note	31st December 2006	31st December 2005
Interest and similar Income		16.843	5.594
Interest and similar expenses		(9.014)	(2.390)
Net interest income	24	**7.829**	**3.204**
Fee and commission income		50.000	20.016
Fee and commission expense		(18.718)	(9.578)
Net fee and commission income	25	**31.282**	**10.438**
Dividend income		762	484
Net trading income	26	11.191	5.109
Other operating income	27	446	648
		12.399	**6.241**
Total net income		**51.510**	**19.883**
Staff costs	28	(8.624)	(6.557)
Other operating expenses	29	(3.708)	(3.128)
Write-off of goodwill		(388)	(489)
Depreciation	30	(1.449)	(525)
Provisions for impairment losses on loans and advances		**(14.169)**	**(10.699)**
Total operating expenses			
Profit before tax		**37.341**	**9.184**
Less: Income tax	31	(10.712)	(369)
Profit after tax		**26.629**	**8.815**
Earnings per share			
- Basic		8,722	2,887

The accompanying notes form an integral part of the financial statements

Balance Sheet

Amounts in Euro '000	Note	31st December 2006	31st December 2005
ASSETS			
Cash and balances with Central Bank	7	3.265	5.506
Loans and advances to financial institutions	8	49.358	43.306
Trading portfolio and other financial instruments at fair value through Profit & Loss	9	60.686	53.959
Derivative financial instruments	10	8	1
Loans and advances to customers	11	303.524	129.964
Investment portfolio	12	3.985	15.203
Investment in associates	13	3.146	2.826
Property investment	14	5.308	5.460
Property, plant and equipment	14	15.962	15.945
Goodwill and other intangible assets	15	115	158
Deferred tax asset	16	764	731
Other assets	17	29.177	19.684
Total assets		**475.298**	**292.743**
EQUITY AND LIABILITIES			
Due to financial institutions	18	33.000	68.000
Due to customers	19	280.412	107.060
Derivative financial instruments	10	34	325
Retirement benefit obligations	20	215	262
Deferred tax	16	1.882	1.761
Other liabilities	21	48.886	31.135
Total liabilities		**364.429**	**208.543**
Shareholders equity			
Share capital	22	89.606	89.606
Revaluation reserve		(47)	(87)
Other reserves	23	2.136	2.215
Retained earnings	23	19.174	(7.534)
Total equity		**110.869**	**84.200**
Total liabilities and equity		**475.298**	**292.743**

The accompanying notes form an integral part of the financial statements

Statement of Changes in Equity for the Financial Year 2005

Amounts in Euro '000	Share capital	Revaluation reserve	Other reserves	Retained earnings	Total
Opening balance as at 1st January 2005	**89.606**	**0**	**2.215**	**(16.349)**	**75.472**
Changes in equity for the year 01/01 - 31/12/2005					
Gains from revaluation of subsidiaries and associates at fair value		(122)			(122)
Less: Tax		35			35
Profit for the year 01/01-31/12/2006				8.815	8.815
Equity balance as at 31st December 2005	**89.606**	**(87)**	**2.215**	**(7.534)**	**84.200**

The accompanying notes form an integral part of the financial statements

Statement of Changes in Equity for the Financial Year 2006

Amounts in Euro '000	Share capital	Revaluation reserve	Other reserves	Retained earnings	Total
Opening balance as at 1st January 2006	**89.606**	**(87)**	**2.215**	**(7.534)**	**84.200**
Changes in equity for the year 01/01 - 31/12/2006					
Gains from revaluation of subsidiaries and associates at fair value		60			60
Less: Tax		(20)			(20)
Less: Tax on non taxable reserves			(79)	79	0
Profit for the year 01/01-31/12/2006				26.629	26.629
Equity balance as at 31st December 2006	**89.606**	**(47)**	**2.136**	**19.174**	**110.869**

The accompanying notes form an integral part of the financial statements

Cash Flow Statement

Amounts in Euro '000	31st December 2006	31st December 2005
Cash flows from operating activities		
Profits before tax	**37.342**	**9.184**
Adjustments for:		
Depreciation	388	489
Share of profit / loss from measurement of financial assets at fair value through Profit & Loss	(736)	(1.003)
Interest and no cash expenses	1.149	
Profits / loss from revaluation of derivative financial instruments	(297)	(696)
Provision for employee benefit plan	9	55
Impairment loss from investments and loans	1.449	525
Profit / loss from disposal of fixed assets	(1)	
Profit / loss from disposal of fixed assets	152	
Cash flows from operating activities before changhes in working capital	*39.455*	*8.554*
Changes in working capital		
Trading portfolio	(6.237)	6.526
Loans and advances to customers	(174.857)	(80.491)
Other assets	(9.366)	(5.036)
Due to financial institutions	(35.000)	32.480
Due to customers	173.353	70.468
Other liabilities	7.425	15.101
Cash flows from operating activities before payment of income tax	*(5.227)*	*47.602*
Income tax paid in	(655)	0
Net cash flows from operating activities	**(5.882)**	**47.602**
Investing activities		
Portfolios available for sale and held to maturity	0	(13.210)
Purchase of fixed assets	(214)	(123)
Acquisition of subsidiaries and associates	(68)	(452)
Return of share capital of subsidiaries		108
Other investments	(149)	(35)
Proceeds from a.f.s. portfolio	10.123	600
Proceeds from sale of property, plant and equipment	1	
Net cash flow from investing activities	**9.693**	**(13.112)**
Financing activities		
Repayments of loans	0	0
Interest on borrowings		
Net cash flow from financing activities	**0**	**0**
Net increase / decrease in cash and cash equivalents	3.811	34.490
Cash and cash equivalents at the beginning of the financial year	48.812	14.322
Cash and cash equivalents at the end of the financial year	**52.623**	**48.812**

The accompanying notes form an integral part of the financial statements

1. Information on the Bank

1.1 General Information

"INVESTMENT BANK OF GREECE SOCIETE ANONYME", hereinafter INVESTMENT BANK OF GREECE (IBG) or "the Bank", incorporated by act 55401/18.1.2000 executed by Athens Notary Public Anna Tsafara, which was approved by resolution K2-881/24.1.2000 of the Minister of Development published in Government Gazette no. 533/26.1.2000 (SA & LTD Issue). It operates as a banking societe anonyme, according to the Greek legislation and in particular according to the provisions of law 2190/1920 on societes anonymes, as it stands.

The Bank initially was domiciled in the Municipality of Athens and after the Shareholders Meeting on 27 November 2001 was relocated to the Municipality of Amaroussion, Attica. The Bank operates in Greece and Employs 153 people. The Supervisory Credit Division of Bank of Greece is the regulatory authority according to L.2076/1972 for financial institutions domiciled in Greece, which defines regulatory requirements as set by Act 2563/2005 of the Governor of Bank of Greece.

On 29 December 2003 during the General Shareholder Meeting, a resolution was made concerning the merger of the Bank with the absorption of the company "MARFIN-ELLINIKI INVESTMENT COMPANY S.A.", according to the provisions of law 2190/1920, law 2515/1997 and law 2199/1993 and modified Balance Sheets as at 30 June 2003. The aforementioned merger was approved by resolution 2/2369/27.2.2004 of the Prefecture of Athens.

The term of the company is defined to ninety nine (99) years and its objective, according to its articles of association, is the carrying out, on its own behalf or on behalf of third parties, of all banking operations permitted by the law The services provided cover the entire range of investment needs of modern enterprises and investors:

- Stock Exchange Services at the Athens Exchange.
- Access to Foreign Markets.
- Analyst Services.
- Corporate Finance Advisory
- Corporate Banking

The financial statements as at 31.12.2005, were approved by the Board of Directors on 27/02/2007 and are subject to final approval from the General Shareholders Meeting, and available to the investing public at the Bank's head office (24B Kifissias Avenue, Maroussi) and on the website (www.marfingroup.gr), where they will be accessible for at least two years, according to par. 1 article 2 of P.D. 360/1985, as it stands after its amendment by 3301/2004.

It should be notes that due to rounding, the actual sums of the amounts depicted in the condensed financial statements, might differ from the sums depicted in the financial statements (full notes), the same applies for the percentages presented.

Branches operating in Greece:
1. Central Branch : 24 Kifissias Avenue, Maroussi
2. Thessalonika : 20 Mitropoleos Street, Thessaloniki
3. Chios : 25 Aplotarias Street, Chios

2. Basis of Financial Statement Preparation

2.1 Statement of compliance

The Company's consolidated financial statements for the financial year ending 31st December 2006 have been prepared according to the International Financial Reporting standards (IFRS), which were published by the International Accounting Standards Board (IASB) and according to their interpretations, which have been published by the International Financial Reporting Interpretations Committee (IFRIC) and have been adopted by the European Union.

The Bank applies all the International Accounting Standards, International Financial Reporting Standards and their interpretations which apply to the Bank's activities. The relevant accounting policies, a summary of which is presented in section 3, have been applied efficiently in all periods presented, except if otherwise stated.

2.2 Basis of Measurement

The Bank's financial Statements have been prepared according to the principle of historical cost as modified for the fair value readjustment of the items to follow:

- Financial assets and liabilities at fair value through Profit & Loss (derivatives included),
- Financial assets available for sale, and
- Property investments

2.3 Presentation Currency

The current financial statements are presented in Euros, the Bank's functional currency, i.e. the currency of the primary financial environment, in which the Company as well as its subsidiaries operate.

All amounts are presented in Euro thousands unless mentioned otherwise. It is essential to mention that due to rounding, numbers presented throughout the condensed separate and consolidated financial statements, may not add up precisely to the totals provided in the financial statements, the same applies for percentages.

2.4 Use of Estimates

The preparation of the financial statements according to IFRS requires the use of estimates and judgements on applying the Company's accounting policies. Opinions, assumptions and Management estimations affect the valuation of several asset and liability items, the amounts recognised during the financial year regarding specific income and expenses as well as the presented estimates and contingent liabilities.

The assumptions and estimates are assessed on a continuous basis and according to experience and other factors, include expectations on future event outcomes which are considered as logical given the current conditions. The estimates and assumptions regard the future having as a consequence that the actual results may deviate from the accounting calculations.

The aspects that require the highest degree of judgement as well as the aspects which are mostly influenced in the financial statements, are presented in section 4.

2.5 Adoption of New and Amended IFRS

As of the 1st of January 2006 the Bank adopted all new and amended IFRS as well as new interpretations, which are related to the Bank's activities and require compulsory application. The adoption of the new and amended standards and interpretations did not cause a significant influence on the financial statements, except from the following points mentioned below:

(a) IAS 39 (Amendment): The Fair Value Option

With the amendment of IAS 39 mentioned above some constraints are introduced as to the selection of financial assets to be valued at fair value though Profit & Loss (referred to as "fair value option"). In specific, initially the option of selecting fair value as the basis for the valuation of any financial instrument depends on whether the fair value of the specific financial asset or liability can be reliably estimated. With the amended fair value option an additional requirement has been introduced whereby choosing fair value will lead to a more relevant view. The revised provisions stand necessarily for the financial years commencing as of 01/01/2006.

The Bank, applying the amended provisions of the standard, on 01/01/2006, transferred investments amounting to € 39.897 thous. from the financial assets at fair value through profit & loss portfolio temporarily to the available for sale portfolio and on 29/03/2006 to the investments in subsidiaries portfolio.

(b) IAS 39 and IFRS 4 (Amendment): Financial Guarantee Contracts

With this amendment, provisions of IAS 39 are introduced regarding subsequent valuation of financial guarantee contracts. The revised provisions stand necessarily for the financial years as of 01/01/2006. In the context of its recurring activities, the Bank provides guarantees to its customers. However, the adoption of the aforementioned amendment does not affect significantly the Bank's financial statements, as its previous accounting policy is not severely modified.

(c) IAS 19 (Amendment): Employee Benefits

With this amendment, which is compulsory for the financial years commencing as of 01/01/2006, an additional method is introduced for the recognition of actuarial gains or losses. Furthermore, it imposes, in some instances, additional requirements for recognition of benefit programmes in which multiple employers participate. Lastly, it imposes additional disclosures. The Bank did not alter its accounting policy for recognition of actuarial gains and losses, nor did it participate in multiple employer programmes. Therefore, the adoption of the amended standard affects only the structure and extent of the disclosures provided.

The amended standards below as well as the new interpretations require compulsory application for the financial year presented, but do not have any effect on the Bank's financial statements as they are not relevant to its activities:

- IAS 21 (Amendment), Net Investment in a Foreign Operation,
- IAS 39 (Amendment), Cash flow Hedge Accounting of Forecast Intragroup Transactions
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards
- IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources
- IFRIC 4, Determining whether an Arrangement contains a Lease
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and electronic Equipment

2.6 New Standards and Interpretations

On the date of approval of the consolidated financial statements, the standards and interpretations to follow were published which are not however applied in these financial statements:

a) IFRS 7 Financial Instruments: Disclosures (effective from 1st January 2007):

IFRS 7 introduces new disclosures for the improvement of information provided regarding financial instruments. It replaces IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" as well as all the provisions of IAS 32 which refer to disclosures, which is renamed to IAS 32 "Financial Instruments: Recognition". The new standard requires two disclosure categories, the first being disclosures on the financial instruments the Company uses and their effects on the financial statements and the second being disclosures on financial risk. It introduces new disclosures for qualitative and quantitative information on risk exposure deriving from the financial instruments, such as minimum disclosure requirements on credit risk, liquidity risk as well as a sensitivity analysis on market risk.

The new standard is applied by the Bank as of the 1st of January 2007 and is expected to modify significantly the structure and extent of information provided on financial risk. No effects are expected on the financial condition of the Bank as the new standard exclusively refers to disclosure provisions.

(b) IAS 1 Presentation of Financial Statements: Disclosures relating to Capital (effective from 1st January 2007):

IAS 1 introduces new disclosures regarding the usage and amount of the Company's capital. The Bank applies the specific amendment, which affects only the extent of the disclosures, as of the 1st of January 2007.

(c) IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on 1st March 2006):

The specific interpretation is not applicable on the Bank's activities.

(d) (e) IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on 1st May 2006):

The specific interpretation is not expected to be applicable on the Bank's activities.

(e) IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on 1st June 2006):

According to this interpretation, an entity, generally, after the date of initial recognition is prohibited from reexamining its estimate if an embedded derivative should or should not be separated from the primary contract.

The bank has been applying the specific interpretation as of 1st January 2007. It is not expected to affect significantly the financial statements.

(f) IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on 1st November 2006):

This interpretation requires that impairment losses on goodwill or investments valued at cost and which had been recognized in preceding interim periods of the same year cannot be reversed. The Bank has been applying this interpretation since 1st January 2007.

(g) IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on 1st January 2008)

The specific interpretation is not applicable on the Bank's activities.

3. Summary of General Accounting Policies

3.1 Consolidation

The Bank is not listed in the Athens Exchange and is a subsidiary of MARFIN BANK S.A. by 90,99% which in turn is a wholly owned subsidiary of MARFIN FINANCIAL GROUP HOLDINGS S.A. According to IAS 27 (amended in 2003) the Bank is exempted from compiling consolidated financial statements as its separate financial statements and its subsidiaries' financial statements are consolidated with the purchase method in the consolidated financial statementys of MARFIN FINANCIAL GROUP HOLDINGS S.A. which in turn compiles consolidated financial statements according to IFRS and which are available to the investing publlic.

3.2 Financial Instruments

A financial instrument is defined as an agreement which creates either a financial asset in a company and a financial liability or a shareholding in another company.

3.2.1 Initial Recognition

The financial assets and liabilities are recognized as of the date of transaction which is the date during which the Bank becomes a compatible part of the financial instrument.
The financial assets and liabilities are initially measured at fair value adding the corresponding transaction costs except from the financial assets and liabilities at fair value through profit and loss.

3.2.2 Classification and Measurement of Financial Assets

The Bank's financial instruments are classified in the categories depicted below according to the designation of the contract.
i) Financial Assets at Fair Value through Profit & Loss
This category refers to those financial assets that satisfy the following criteria or presumptions:
1) Financial assets that are held for trading purposes. These assets are securities purchased with the objective of realizing profits from short-term changes in price, including derivatives, except from those that are designated and qualify as hedges.
2) Financial assets and liabilities that are classified in the specific category during initial recognition because:
a) They are elements that, according to the Bank's strategy, are managed, assessed and monitored at fair value
In essence, they are venture capital investments or
b) This selection decreases significantly the accounting imbalance which would have appeared in a different situation,
or
c) instruments including embedded derivatives which differentiate the cash flows of the primary contract and the Bank decides to classify the compound financial instrument in this category.

Specifically, the Bank acquires significant holding percentages of the share capital of other companies. These investments are a part of the venture capital portfolio which the Bank holds. According to the Bank's strategy, Management monitors the portfolio daily on a fair value basis.

The assets in this portfolio are measured at fair value and the changes in fair value are recognized in the Income Statement for the financial year as a trading result. The financial assets of this category, in the Bank's balance sheet, are included in the account "Trading portfolio and other financial assets at fair value through profit and loss".

ii) Loans and Claims

Include non-derivative financial assets with fixed or determinable payments, which are not traded in an active market and which the Bank does not plan to sell in the short-term.
Loans and claims are carried at amortised cost using the effective interest method.

iii) Investments Held-to-Maturity

These include non-derivative financial assets with fixed or determinable payments and specified maturity date for which the Bank has the ability and intention to hold these investments up to maturity.
The Held-to-Maturity portfolio, which is kept up to the maturity date, is carried at amortised cost using the effective interest method, less any accumulated impairment in value.
If part of the Held-to-Maturity portfolio is sold or reclassified before the maturity date (unless IAS 39 criteria are met), firstly the whole portfolio is transferred to the available for sale portfolio and secondly the Bank is prohibited from classifying any financial assets as Held-to-Maturity for the next 2 years.

In the Bank Balance Sheet the Held-to-Maturity portfolio is included in the "Investment Portfolio" account.

iv) Available for Sale Portfolio

This portfolio includes non-derivative financial assets, which are either classified in this category or cannot be classified in any of the portfolios mentioned above. The available for sale portfolio is the portfolio of assets for which it has not been specified for how long it will be held and may be sold either according to liquidity needs or changes in interest rates or prices.

Financial assets of the available for sale portfolio are initially recognised at fair value and the relevant profits and losses are recognized in an equity reserve until these assets are sold are impaired. On sale or impairment of the assets the profits or losses are transferred to the Income Statement.

Interest income from the available for sale portfolio is recognized in the income statement using the effective interest rate method. Dividends from assets available for sale are recognized in the Income Statement when the Bank has the right to earn dividends. Foreign currency differences are recognized in the Income Statement.

3.2.3 Measurement of Financial Liabilities

The Bank's financial liabilities include mostly customer deposits and interbank deposits. Financial liabilities are initially measured at their fair value, i.e. the of amount cash offered or other financial assets. After their initial recognition, they are measured at amortized cost using the effective rate method. Interest expenses are recognised in the Income Statement for the year under consideration.

3.2.4 Derivative Financial Instruments and Hedging

The Bank holds derivative financial instruments both for its own interests, particularly for profit making or hedging purposes, and for the service of its clients' needs.

The Bank incurs transactions in derivative products, which include Interest Rate Swaps, Stock futures, FX Futures, Index Futures, Equity Options, FX Options and Forward Rate Agreements.

The Bank classifies derivatives in the following categories:

i i) Derivatives Held for Trading Purposes

All derivatives held for trading purposes are measured on each balance sheet date at fair value. Derivatives created for the purpose of hedging but which do not fulfill the criteria for hedging are also included in this category.

Changes in the fair values of derivative financial instruments are included in the "Net trading income" account. The derivatives are presented as assets when their estimated fair value is positive and when their estimated fair value is negative these derivatives are presented as liabilities.

ii) Derivatives Held for Hedging Purposes

The Bank also uses derivative financial instruments for hedging risks that arise from the changes of interest rates, stock prices and exchange rates. The Bank applies fair value hedge accounting or cash flow hedge accounting to those derivatives that meet relevant criteria. As for the derivatives that do not meet the criteria for hedge accounting, any profit or loss that arises from the changes in fair value is recorded in the income statement.

There is a hedge relationship for the purposes of applying hedge accounting when:

(a) Upon commencement of the hedge there is documentation on the hedging relationship and the Bank's intention regarding risk management and its strategy applied for undertaking the hedge.

(b) The hedge is expected to be extremely effective for offsetting fair value or cash flow changes attributed to the hedged risk, pursuant to the documented risk management strategy for the said hedge relationship.

(c) As for the forecasted cash flow hedges, it is quite possible that the anticipated transaction being the subject to the hedge may also be exposed to the risk of a cash flow change that could affect the results.

(d) The effectiveness of the hedge can be evaluated reliably.

(e) The hedge is evaluated as extremely effective throughout the year.

The derivatives that are held for hedging are measured on each balance sheet at fair value. The accounting treatment of changes in fair value depends on the type of hedge.

a) Fair Value Hedging

As for fair value hedges that meet the criteria for hedge accounting, any profit or loss from the revaluation of the derivative at fair value is recognized in the Profit and Loss Statement. Any profit or loss of the hedged instrument that is due to the hedged risk, readjusts the book value of the hedged instrument and is recognised in the income statement, irrespective of the classification of the financial instrument (e.g. AFS financial instruments).

Hedge accounting is discontinued when the hedging instrument expires or is sold, is terminated or exercised, or when the hedge does no longer meet the criteria for hedge accounting. If there is any adjustment in the book value of the hedged instrument for which the effective interest rate is used, the adjustment is transferred partially to the income statement as a part of a recalculated effective rate for the remaining life of the instrument.

(b) Cash Flow Hedging

For cash flow hedges that meet the criteria for hedge accounting, the part of the profit or loss from the derivative that is designated as an active hedge is recognised directly in the "reserves" account, and the part that is designated as a inactive hedge is recognised in the income statement. Any profit or loss that had been recognised directly in the reserves account is transferred to the income statement for the same period when the hedged transaction affects the results.

Hedge accounting is discontinued when the hedging instrument expires or is sold, is terminated or exercised, or when the hedge does no longer meet the criteria for hedge accounting. The accumulated profit or loss which has been directly recognized in equity up the date in question remains in the equity reserve until the hedged instrument affects the income statement. If a hedged transaction is not expected anymore to take place, the net accumulated profits or losses which had been recognized in the equity reserves are transferred immediately to the income statement.

3.2.5 Embedded Derivatives

An embedded derivative is a constituent element of a hybrid (composite) financial instrument, which also includes a non-derivative main contract. A derivative is considered as embedded in a main financial instrument when it cannot be transferred independently from the said instrument. The Bank's embedded derivatives include mainly corporate bonds with an embedded option for conversion into shares.

An embedded derivative is separated from the main contract only on the condition that the following requirements are met:

(a) The composite instrument is not classified as a financial asset at fair value though profit and loss,

(b) The financial attributes and risks of the embedded derivative are not closely linked to the financial attributes and risks of the main contract,
(c) A special financial instrument having the same terms as the embedded derivative would meet the definition of a derivative.

In that case, the derivative financial instrument is measured at its fair value, with the profit or loss being recognized in the Income Statement, whereas the main financial instrument is accounted for depending on the category to which it has been classified (e.g. Available for sale financial instruments).

3.2.6 Fair Value Measurement Methods

The fair values of financial assets and liabilities that are traded in active markets are determined by the current bid prices without subtracting the transaction costs. As for non-traded financial assets and liabilities, the fair values are determined by the application of evaluation techniques such as an analysis of recent transactions, comparable assets which are traded, derivative valuation models and discounted cash flows.

The Bank uses generally accepted valuation methods for the measurement of fair values such as interest rate swaps and FX swaps. The data used is based upon relevant market measurements (interest rates, share prices, etc.) on the closing date of the balance sheet. Valuation techniques are also used for the valuation of non-traded securities as well as for derivatives on non-traded securities. In this case, the techniques used are more complex and apart from market data, they embed assumptions and estimates for the future cash flows of the security. The estimated future cash flows are based upon Management's best estimates and the discount rate is the market rate for an instrument having the same attributes and risks. In some cases, the valuations derived from the generally accepted methods for security valuation are adjusted to reflect factors which are taken into consideration by the market in order to value a security, such as business risk and marketability risk.

3.2.7 Impairment of Financial Instruments

Financial assets, except from those classified in the "financial assets at fair value through profit and loss" category, are reviewed on each balance sheet date in order to determine whether there is any significant evidence that an asset or a group of assets has been impaired.
An asset is considered as having been impaired when its book value is higher than its anticipated recoverable amount.
Such objective evidence that an asset (including equity instruments) has been impaired includes the following:
i. A significant financial difficulty on the part of the borrower
ii. A breach of the terms of the loan agreement (e.g. default or delay in interest or principal payments)
iii. The Bank, for financial or legal reasons associated with the borrower's financial difficulty, grants to the latter a concession that the Bank would not consider under different circumstances

iv. There is a possibility that the borrower will file bankruptcy or other financial reorganization
v. An equity instrument would cease trading in an organized market
vi. Observable data that indicate the existence of a measurable decrease in the estimated future receivables from a group of loans in relation to the amount provided, even if the said decrease cannot be identified yet with the individual loan in the group, including: – Adverse changes in the balance payment status of the borrowers in the group (e.g. an increase in the number of overdue payments due to problems in the sector) or – Financial conditions on a national or local scale that are related to a delay in payments for the loans in the group (e.g. increased unemployment rates in a certain geographical area of borrowers, decreased value of real estate taken as security in the same area, or adverse operating conditions in a certain sector, which have an impact on the borrowers included in the said group).

A provision for impairment of loans or other debt securities is recognized if there is evidence that he Bank will not receive all amounts owed as stated in the contractual terms of the loans. The amount of provision for the impairment of a financial asset valued at amortised cost (such as bonds and loans) is the difference between book value and its recoverable amount, which is calculated as the present value of the expected future cash flows of the security discounted based on the effective rate of the security. The relative difference is recognized in the income statement for the period.

The identification of impairment is performed on an individual borrower basis for the loans that the Bank considers significant, and on a group of borrowers' basis for those loans it does not consider significant. The loans that have been evaluated on a borrower basis without any evidence of impairment, significant or not, are classified in groups of assets that have similar credit risk attributes and are evaluated on a collective basis. For the estimation of provisions for impairment on a collective basis, historical data is taken into consideration as current estimates regarding the probability of breach of the terms stated in the loan agreement by the borrower, the receipt of loan payments and the time required for receipt of payments.

If in a subsequent period the amount of the provision formed is decreased and the said decrease is associated with objective events that have taken place after the formation of the provision, such as an improvement in the borrower's credit rating, then the provision is decreased by recognizing the difference in the Income Statement.

Impairment provisions are recognized for financial assets as well (debt and equity instruments) which are measured at fair value and are classified as available for sale. In this case, the decrease in an asset's fair value which has been recognized in equity is transferred to the income statement. The amount of impairment loss is the difference between the security's acquisition cost and its fair value. Subsequent reversal of a equity instrument's impairment loss cannot be carried out through the income statement. On the contrary, if the fair value of a debt instrument, on a subsequent date, has increased and is related to subjective events that took place after the formation of the provision, then the reversal of the impairment provision is recognized in the income statement.

3.2.8 Derecognition

A financial asset is derecognized when the Bank loses control over the contractual interests included in the said asset. This happens when the said interests expire or are transferred and the Bank has actually transferred all the risks and rewards that arise from ownership thereof.

Financial liabilities are derecognized when the Bank's commitment to make payments in cash or other financial instruments is cancelled or is eliminated.

3.2.9 Offsetting

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when the Bank has a legally enforceable right and intends to realize the asset and settle the liability simultaneously on a net amount basis.

Income and expenses are offset if such an act is permitted by the standards or when they refer to gains or losses that arose from a group of similar transactions such as trading portfolio transactions.

3.2.10 Repurchase Agreements and Security Lending

The Bank makes purchases (sales) of investments based on repurchase (resale) agreements of the same investments at a specific price in the future at a fixed price.

The same investments sold on condition of repurchase (repos) are not written-off from the balance sheet, but continue to be valued depending on their classification (trading portfolio or available for sale). The amounts received are recognized as a liability in the balance sheet and are measured at their amortised cost based on the effective rate method.

The securities purchased, on condition that they will be resold in the future (reverse repos), are not recognized. The amounts paid for purchase thereof are recognized as Loans and Advances to Financial Institutions or Customers respectively and are measured at their amortised cost based on the effective rate.

3.2.11 Financial Guarantees

Financial guarantees (letters of guarantee) are contracts based on which the Bank takes the responsibility of compensating the holder for the loss to be probably suffered because the primary debtor will not pay his debts in a timely manner.

Commissions from financial guarantee contracts are initially recognized as a liability (considered as the fair value of the liability) and are gradually transferred to the income statement throughout the whole duration of the guarantee.

On each balance sheet date, the Bank examines the possibility of whether the guarantees will default in which case the liability to be recognized, in such occurrence, will be the highest amount between the present value o the amount to be paid and the amortised amount of the commissions to be received.

Liabilties from financial guarantees appear in the other liabilities account.

3.3 Conversion into Foreign Currency

The consolidated financial statements are presented in Euro, which is the functional currency and the Bank's reporting currency.

Transactions in foreign currency are converted into the base currency with use of the exchange rates which are applicable on the dates of the transactions in question. The currency elements of the Banks' assets and liabilities expressed in foreign currency are converted into the Bank's functional currency on the balance sheet date using the closing exchange rate on the date in question. Profits and losses from translation differences which are derived from the clearance of such transactions during the financial year and from the conversion of currency elements which are expressed in foreign currency with the exchange rates on the balance sheet date are recognized in the Income Statement. The non-currency related assets and liabilities which are expressed in foreign currency and are measured at fair value are converted into thee Bank's functional currencuy using the exchange rate applicable on the date on which fair value is being measured. Translation differences from non-currency items which are measured at fair value are considered as a part of fair value and are recognized where differences from revaluation are recognized. In the case of effective hedging for non-currency related elements which are valued as available for sale, the part of the change in fair value which is due to the change in currency, is recognized in the Income Statement for the financial year.

3.4 Tangible Fixed Assets

Tangible assets are recognised in the financial statements at cost, less, firstly, the accumulated depreciation and secondly, any potential impairment. The acquisition cost includes all the direct costs stemming from the acquisition of the assets.

Subsequent expenses are recorded as an increase in the book value of tangible assets or as a separate asset only to the degree that the said expenses increase the future financial gains anticipated from the use of the fixed asset and their cost can be measured reliably. The cost of repair and maintenance works is recognised in the income statement when the said works are carried out.

Depreciation of other tangible assets (excluding land, which is not depreciated) is calculated based on the straight-line method over their estimated useful life as follows:

Buildings	30-50 έτη
Vehicles	9-10 έτη
Mechanical - Other equipment	4-7 έτη

The balance values and useful lives of tangible assets are subject to review on each balance sheet date. When the book values of tangible assets are higher than their recoverable value, then the difference (impairment) is recognized directly as an expense in the income statement.

Upon sale of tangible assets, the differences between the sale price and their book value are recognized as profit or loss in the income statement.

3.5 Property Investment

The Bank owns land and buildings, which it holds for investment purposes (e.g. rent). Property Investments are measured at fair values, as these are calculated by independent estimators which use acceptable methods. Any profit and loss that arises from changes in fair value is recognized in the income statement.

The methods normally applied for the determination of fair value of property are as follows:

i) Comparison method or Property market data: Based on the said method, the value ascribed to the property being estimated is determined by comparing the values of other property having similar attributes.

ii) Investment method: The said method is aimed at calculating the capital value of an investor's right to collect a yearly income from certain property.

3.6 Intangible Assets

Intangible assets include mainly software licenses, website development costs.

Intangible assets are measured at cost less depreciation. Depreciation is recorded based on the straight-line method during the useful life of the said assets, which ranges from 4 to 5 years.

The maintenance of software programs is recognized as an expense when it is incurred. On the contrary, the costs incurred for the improvement or prolongation of the efficiency of software programs beyond their initial technical specifications, or respectively the costs incurred for the modification of software, are incorporated into the acquisition cost of the intangible asset, on the necessary condition that they can be measured reliably.

3.7 Impairment of Non-Financial Assets

The assets that have an indefinite useful life are not depreciated and are subject to an impairment test on a yearly basis, as well as when there is certain evidence that their book value may not be recoverable. The assets that are depreciated are subject to an impairment test when there is evidence that their book value will not be recovered.

An impairment loss is recognized when the book value of an asset or a CGU (Cash Generating Unit) exceeds their recoverable amount. A CGU is the smallest asset unit which can produce cash flows irrespective of other elements of the Bank. The recoverable value is the highest amount between the net fair value (after deducting transaction costs) and the value of usage. The usage value is the present value of the expected cash flows which are to flow into the entity from the utilization of an asset and from its disposal at the end of its useful life. The asset's book value decreases to the amount of its recoverable value. In the case of a CGU, the impairment loss is first deducted from the amount of goodwill which has been recognized for the said unit and after that from the rest of the assets on a proportional basis.

Impairment losses are recognized in the financial year's income statement. An impairment test is carried out on the rest of the assets, on each balance sheet date, in order to examine whether there are indications that the impairment loss has decreased. An impairment loss can be reversed if there is a change in the recoverable amount's estimate. Following the reversal of the impairment loss, the book value cannot exceed the book value (net of depreciation) as it would have been presented had the impairment loss not been recognized.

3.8 Leased Agreements

Bank Undertaking as the Lessee: Leases of fixed assets where all the risks and rewards related to the ownership of an asset have been transferred to the Bank, irrespective of whether the title of the said asset is finally transferred or not, are classified as finance leases. The said leases are capitalized at inception of the lease at the lowest between the fair value of the fixed asset and 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 fixed rate on the remaining financial liability. The corresponding rental obligations, net of finance charges, are included in liabilities. The part of the finance charge related to financial leases is recognized in the income statement over the lease term. The fixed assets acquired under finance leases are depreciated over the shortest between the useful life of the fixed assets or the lease term thereof.

Leases where the lessor transfers the right to use an asset for an agreed period of time, without transferring the risks and rewards of ownership thereof, are classified as operating leases. Payments made under operating leases (net of any incentives offered by the lessor) are recognized in the income statement proportionally over the lease term.

Bank Undertaking as the Lessor: When assets are leased out under a capital lease, the present value of the lease payments is recognized as a claim. The difference between the gross amount of the claim and the present value of the claim is recognized as unearned financial income. Lease income is recognized in the income statement over the lease term using the net investment method, which reflects a constant periodic rate of return.

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

3.9 Cash and Cash Equivalents to the Central Bank

The cash and cash equivalents account includes balances with a maturity date up to three months from the first day of possession thereof (initial term) such as: cash in hand, cash and balances with Central Banks and loans and advances to financial institutions.

Cash balances are valued at amortised cost on the balance sheet date.

3.10 Share Capital

Share capital issuing expenses: Expenses for share capital increase are subtracted from equity after calculating the corresponding income tax.

3.11 Income Tax and Deferred Tax

The income tax charge involves current taxes, deferred ones and the differences of preceding financial years' tax audit.

Income tax is recognized in the financial year's income statement, except for the tax on transactions recognized directly in equity, in which case it is recognized accordingly to equity. To assess the annual tax charge, all the required adjustments on the accounting result are taken into account in order to establish the final taxable income.

The current income taxes include short-term liabilities or claims vis-à-vis fiscal authorities pertaining to the payable taxes on the year's taxable income and any additional income taxes regarding previous financial years.

Current taxes are measured on the basis of tax rates and fiscal regulations in force during the corresponding financial years, based on the yearly taxable profit.

Deferred taxes are the taxes or the tax relieves from the financial encumbrances or benefits of the financial year in question, which have been allocated or shall be allocated to different financial years by tax authorities.

Deferred income tax is determined by the liability method deriving from the temporary differences between the book value and the assets and liabilities tax base. There is no deferred income tax if it derives from the initial identification of an asset or liability in transaction outside a business combination and which identification did not affect neither the accounting nor the tax profit or loss.

Deferred tax assets and liabilities are assessed in accordance with the tax rates set to be in effect in the financial year during which an asset or a liability shall be settled, taking into account tax rates (and fiscal regulations) which have been and practically are in force until the Balance Sheet date. In case it is not possible to clearly determine the time needed to invert the temporary differences, the tax rate to be applied is the one in force on the financial year after the balance sheet date.

Deferred tax assets are identified to the extent in which a future taxable profit shall exist for the use of the temporary difference which creates the deferred tax asset.
Deferred income tax is identified for the temporary differences deriving from investments in subsidiaries and associates, except for the cases whereby temporary differences inversion is controlled by the Bank and is probable that they shall not be inverted in the foreseeable future.
Most of the changes in the deferred tax assets or liabilities are identified as a part of tax charges in the income statement. Only the changes in assets and liabilities affecting the temporary differences are reflected directly in the Bank's equity, such as property value revaluation, and as a result, the relative change in the deferred tax assets or liabilities is debited to the relative equity account.
Tax audit differences regard additional income taxes and additional charges on behalf of the fiscal authorities due to the Bank taxable income redenomination in the framework of the ordinary or extraordinary tax audit.

3.12 Employee Benefits

Short-term Benefits: Short-term benefits to personnel (except for termination of employment benefits) in cash and kind are recognised as an expense when considered accrued. Any unpaid amount is recognised as a liability, whereas in case the amount already paid exceeds the benefits' amount, the entity identifies the excessive amount as an asset (prepaid expense) only to the extent that the prepayment shall lead to a future payments' reduction or refund.
Retirement Benefits: Benefits following termination of employment include lump-sum severance grants, pensions and other benefits paid to employees after termination of employment in exchange for their service. The Bank's liabilities for retirement benefits cover both defined contribution schemes and defined benefit plans.
The defined contribution scheme accrued cost is recognised as an expense in the financial year in question. Pension plans adopted by the Bank are partly financed through payments to insurance companies or state social security funds.

i) Defined Contribution Scheme

Defined contribution schemes regard contribution payment to Social Security Organizations (e.g Social Security Fund (IKA)) and therefore, the Bank does not have any legal obligation in case the State Fund is incapable of paying a pension to the insured person. The employer's obligation is limited in paying the employer's contributions to the Funds. The payable contribution by the Bank in a defined contribution scheme is identified as a liability after the deduction of the paid contribution, while accrued contributions are identified as expenditure in the results.

ii) Defined Benefit Plan

The Bank's defined benefit plan regards the legal commitment to pay lump-sum severance grant, pursuant to L. 2112/1920. To found participation right in these plans is conditional upon the employee's work experience until retirement. Part of the Bank's obligation is financed through contribution payment to insurance companies.

The liability recognized in the balance sheet for defined benefit plans is the present value of the liability for the defined benefit less the plan assets' fair value (reserve from payments to an insurance company), the changes deriving from any actuarial profit or loss and the service cost. The defined benefit commitment is calculated on an annual basis by an independent actuary with the use of the projected unit credit method. Long-term Greek bonds' rate is used for discounting.

Actuarial profits and losses form part of the Company's commitment to grant the benefit and of the expense which shall be recognized in the income statement. The adjustments' outcome based on historical data, if below or above a 10% accumulated liability margin, is recognized in the income statement within the expected insurance period of the plan's participants. The service cost is directly recognized in the income statement except for the case where plan's changes depend on employees' remaining years of service. In such a case, the service cost is recognized in the income statement using the fixed method during the maturity period.

Employment Termination Benefits: Benefits due to employment termination are paid when employees step down prior to the retirement date. The Bank recognizes these benefits upon committing itself that it terminates employees' employment according to a detailed plan for which there is no withdrawal possibility.

3.13 Provisions

Provisions are recognized when the Bank has present legal or imputed liabilities as a result of past events; their liquidation is possible through resources' outflow and the exact liability amount may be estimated in a reliable way. On the balance sheet drafting date provisions are examined and adapted accordingly to reflect the present value of the expense expected to be necessary for the liability settlement. Restructuring provisions are identified only if there is a thorough restructuring plan and if Management has informed the affected parties on the plan's key points.

Contingent liabilities are not recognized in the financial statements but simply disclosed unless the possibility of resources' outflow embodying financial benefits is minimal. Contingent claims are not recognized in the financial statements but are quoted, provided there is a possible inflow of financial benefits.

3.14 Revenues-Expenses Recognition

The Bank's revenues mainly include interest from loans and interest bearing securities, portfolio management commissions, letters of guarantee, foreign currency trading and other banking transactions, dividend income and other revenues. Intercompany income within the Bank is totally eliminated.

Revenue recognition is carried out as follows:

i) Interest

Interest income and expenses refer to interest bearing instruments in the balance sheet and are recognized on an accrued basis using the effective rate method. The effective rate is the one equalizing discounted estimated future cash flows to be collected or paid during the estimated life cycle of the financial instrument with its net book value The effective rate is calculated at the initial financial instrument recognition or liability recognition and is not reviewed afterwards. Any paid or collected fees, transaction charges or any additional premium or discount being an integral part thereof is taken into account for the calculation.

Interest income includes revenues from securities of the investment or trading portfolio as well as interest from loans and short-term deposits.

Interest expenses include interest on customers and financial institutions deposits ad well as bond loan interest.

ii) Fees and Commissions

Commission income mainly refers to securities transactions commissions, investment banking commissions and asset management commissions. Fee and commission income is recognized depending on the transaction completion in order to be linked to the cost of services provided, while those revenues linked to credit risk exposure are recognized in the income statement during the risk period.

Commissions payable refer to securities transactions commissions and are recognized in the income statement during the time the corresponding service is provided.

iii) Dividend Income

Dividends are registered as income upon establishing their collection entitlement.

3.15 Dividend Distribution

Dividend distribution amongst the Company's shareholders is recognized as a liability in the consolidated financial statements on the date the distribution is approved by the General Shareholders Meeting.

4. Assessments and Evaluations

Drawing up financial statements according to IFRS requires assessments and evaluations upon applying the Bank's accounting policies. When applying the Bank's accounting policies, Management is required to evaluate the following categories:

(1) Financial Instruments Classification

The Bank's accounting policies require financial assets and liabilities classification, when created, in different categories:

- Investments held to maturity. In this category, Management is stating the Bank's intention and examines the Bank's capacity to hold these investments until their maturity.
- Financial instruments for trading purposes include Investments and derivatives held to achieve short-term profit.

(2) Hedge Accounting

To determine an effective hedging relationship, the Bank is required to declare its strategy on hedging and to foresee, on the other hand, that the hedging will be effective throughout the hedging instrument (derivative) duration.

The categories whereby assessments and admissions have the highest impact on financial statements are presented herein:

1) Credit Risk Provisions

The financial assets measured at amortised cost are subject to impairment testing on each balance sheet date, according to section 3.2.7. For the claims examined on a case by case basis the impairment test is based on the Management's assessment for the present value of cash flows set to inflow from the loan servicing by the debtor and from any cover liquidation. Calculating these cash flows, Management makes assessments on the counter-party's financial position, on the possibility of a settlement and on the net value of any guarantees. With regard to loans monitored on a collective basis, the necessary provision depends on assessments regarding each loan group credit risk, the market's economic factors, and the inherent portfolio risks. The parameters required are defined based on historical data and present economic conditions. Provisions' accuracy is determined by how well future cash flows of specific counterparties have been estimated and how well all hypotheses and parameters have been used to define all the provisions.

2) Financial Instrument Fair Value Measurement

Financial assets and liabilities fair value calculation for which there are no published market prices requires the use of specific measurement techniques. Fair value calculation calls for various kinds of assessments. The most important ones involve assessment of various risks an instrument is subject to, such as business risk, liquidity risk etc. and businesses profitability future perspectives assessment in case of equity instrument measurement.

3) Goodwill Impairment Test

The Bank tests for impairment of goodwill on acquired subsidiaries on an basis. In order to ascertain whether there is evidence for impairment, the value in use and the fair value of a business unit need to be calculated. Usually the methods used are the cash flows present value method, future dividends present value method and measurement on the basis of similar entity indicators. To apply the specific methods, Management needs to use data, such as the subsidiary's estimated future profitability, business plans and market data, such as interest rates.

5. Changes in the Bank's Structure during Financial Year

During the financial year the following changes took place in the Bank's structure:

1) On 06/11/2006 the shareholding of "MARFIN FINANCIAL GROUP HOLDINGS S.A." in the Bank (which following consecutive acquisitions of minority percentages during the year reached 74,92%), was transferred to its subsidiary "MARFIN BANK S.A.". The Bank now is a 90,99% subsidiary of "MARFIN BANK S.A.", which is a wholly owned subsidiary of "MARFIN FINANCIAL GROUP HOLDINGS S.A."
2) On 31/01/2006 the subsidiary "EUROLINE S.A." (hereinafter "EUROLINE") absorbed the associate "MARFIN GLOBAL INVESTMENTS S.A.". As a result of the merger, the Bank's shareholding over EUROLINE S.A. decreased to 1,16% from 1,61%.
3) The Board of Directors of INVESTMENT BANK OF GREECE S.A. and EGANTIA FINANCE S.A. (hereinafter EGNATIA FINANCE) resolved upon the commencement of the merger through the absorption of the latter by INVESTMENT BANK OF GREECE S.A. with balance sheet consolidation date set on 30/06/2006.
4) The Board of Directors of MARFIN FINANCIAL GROUP HOLDINGS S.A. resolved upon, during its meeting held on 10/01/2007, the transfer pf all banking and similar activities of the Bank to its Parent Company MARFIN POPULAR BANK.

6. Risk Management

As all other financial institutions, the Bank is exposed to several risks. These risks are continually monitored with various methods so that the concentration of unreasonable risks is avoided. The nature of these risks and the ways they are dealt with are explained below.

6.1 Credit Risk

Credit risk is the possibility of non-promptly repayment of existing and contingent obligations of the Bank's counterparties resulting in the loss of funds. Credit risk management focuses on ensuring a disciplined risk culture, risk transparency and intelligent risk-taking.

A fundamental principle of the Bank's Credit Policy is to undertake carefully selected and calculated credit risks against an expected return, in order to optimise the investment of the available funds and to protect the interests of its depositors and shareholders.

In order to achieve this goal, Bank Management focuses on the proper management of credit risk, having first set the right infrastructure and procedures.

Bank customers are businesses (large-, medium- and small-size) of the private and public sectors, as well as retail customers with business activities.
The methods for evaluating the credit ability of counterparties (credit rating) are differentiated depending in which of the above categories the customer belongs to and are based both on quantitative and qualitative characteristics.

The Bank has developed a system for rating credit facilities (facility risk rating), in which both the credit ability of the counterparty, as well as the quality and sufficiency of the securities offered are measured. This rating is the outcome of the combination of the customer's credit ability (credit rating) and the result of a second model which calculates the credit risk of every customer / limit, based on the recovery given default ratio.
In addition, the Bank offers a wide range of standardized loan products, which are addressed both to retail customers (mortgages, overdraft accounts, personal loans), as well as to freelance businessmen (working capital, business premises loans and business equipment loans). For the credit rating of this customer type a Credit Scoring model has been developed and used.

The total credit risk undertaken, categorized by customer, by customer type, by customer economic group and by credit facility / product type is being monitored by the Bank's Credit Division.

Counterparty Banks' Risk

The Bank runs the risk of loss of funds due to the possible untimely repayment of existing and future obligations by counterparty banks.

Within its daily operations, the Bank is transacting with banks and other financial organisations in Cyprus and abroad. By conducting these transactions, the Bank is running the risk of losing funds due to the possible untimely repayment to the Bank of the existing and future obligations of the counterparty banks.

The counterparty risk is monitored on a Bank basis. The responsibility for approving limits has been delegated to the Risk Management Committee, which approves relevant limits per counterparty and per product further to the proposals of the Treasury and the Risk Management Units of MARFIN Group. The methodology and the level of relevant limits is based mostly on the credit worthiness of each counterparty as well as the relevant limits set by regulators.

The classification of the approved limits is undergone with the responsibility of the Bank's Risk Management Unit which has daily the responsibility of monitoring the limits with respect to the total risk exposure per counterparty, as well as informing Management on the level of the Bank's risk exposure.

Country Risk

The Bank is exposed to the risk of losing funds due to probable political, financial and other events in a specific country where the Bank's funds or cash balances have been placed or invested in several regional banks and financial institutions.

For purposes of risk management there does not exist a system for country risk assessment as this kind of risk is embedded in Counterparty banks risk / issuer risk and is examined during assessing the counterparty's credibility.

6.2 Interest Rate Risk

Interest rate risk is the risk of the decrease in the value of financial instruments and in the Bank's net interest income as a result of adverse changes in the market interest rates. Interest rate risk arises from holding assets and liabilities, on and off-balance sheet positions, with different maturity dates or repricing dates.

The Bank monitors interest rate risk systematically, on a consolidated basis, according to the guidelines of regulatory authorities as well as the internally set regulations.

In order to assess the exposure to interest rate risk the Static Repricing Gap methodology has been set in place. According to the specific methodology, all interest bearing assets and liabilities are classified in maturity bands per currency, according to their remaining time to maturity (fixed interest rate assets/liabilities) or their next repricing (floating rate assets/liabilities) and their difference is the gap which is calculated for every time band. The Static Repricing Gap is used in order to assess the level of sensitivity of all assets and liabilities of the Banks (on and off balance sheet).

In addition, the Bank uses a variety of derivative instruments for hedging any interest rate risks that arise from balance sheet management. Specifically, they use Interest Rate Swaps, in order to hedge future interest rate cash flows arising from long-term deposits and long term loans.

The following tables summarise the Bank's exposure to interest rate risks. Included in the tables are the Bank's assets and liabilities at carrying amounts categorised by contractual reprising date for floating rate items and maturity date for fixed rate items.

Amounts in Euro '000	Up to 1 month	1-3 months	3-12 months	1-2 years	2-5 years	Over 5 years	Non-interest bearing	Total
At 31st December 2006								
Assets								
Cash and balances with Central Bank	2.833						432	3.265
Loans and advances to credit institutions	34.414	14.944						49.358
Trading portfolio and other financial instruments at fair value through P&L		7.982	9.044				43.668	60.693
Loans and advances to customers	61.138	180.783	58.204				3.400	303.524
Investment portfolio			3.950				35	3.985
Other assets							54.473	54.473
Total assets	**98.385**	**203.708**	**71.198**	**0**	**0**	**0**	**102.008**	**475.298**
Liabilities								
Due to credit institutions	5.000	28.000						33.000
Due to customers	152.882	43.006	84.524				1	280.412
Other liabilities							51.017	51.017
Total liabilities	**157.882**	**71.006**	**84.524**	**0**	**0**	**0**	**51.018**	**364.429**
Total interest sensitivity gap	**(59.497)**	**132.702**	**(13.326)**	**0**	**0**	**0**	**50.990**	**110.869**
At 31st December 2005								
Total assets	74.092	79.546	38.732	4.605	10.677	0	85.091	292.743
Total liabilities	121.297	23.750	30.015	0	0	0	33.481	208.543
Net liquidity gap	**(47.205)**	**55.796**	**8.717**	**4.605**	**10.677**	**0**	**51.610**	**84.200**

Geographical Risk

The Bank operates mainly in Greece.The Banks' branch network consists of 3 branches.

6.3 Currency Risk

Currency risk relates to the risk of fluctuations in the value of financial instruments and assets and liabilities due to changes in exchange rates. Currency risk arises from an open position, either positive or negative, in a foreign currency, creating exposure to a change in the relevant exchange rate. This may arise from the holding assets in one currency funded by liabilities in another currency or from an FX spot or contracts or derivatives including options.

The Bank enters into foreign exchange transactions in order to accommodate customer needs and for hedging its own exposure. The Bank's Treasury enters into mainly FX spot transactions in the spectrum of predefined and approved limits as well as derivative products at a lower degree.

The Bank uses exposure calculations and associated limit structures for monitoring:

a) Open position by currency – net long / short position of each currency.
b) Total net short position – sum of short positions in all currencies
c) Maximum loss limits – maximum level of losses resulting from foreign exchange fluctuations on a daily / monthly / yearly basis.

The Bank calculates the maximum potential loss for the open positions in different currencies by working on crisis simulation scenarios. These scenarios assume large fluctuations in all currencies in a way that could adversely affect the three Bank's profitability.

The following tables summarise the Bank's exposure to currency risk. Included in the tables are the Bank's assets and liabilities at carrying amounts, categorised by currency. The tables also present the notional amount of foreign exchange derivatives, which are used to reduce the Bank's exposure to currency movements, categorised by currency.

Amounts in Euro '000	**EUR**	**USD**	**GBP**	**CHF**	**JPY**	**Other currencies**	**Total**
As at 31st December 2006							
Foreign exchange risk for assets							
Cash and balances with Central Bank	3.244	7	4	0	0	10	**3.265**
Loans and advances to credit institutions	35.513	10.542	1.048	615	22	1.617	**49.358**
Derivative financial instruments	8						**8**
Trading portfolio and other financial assets at fair value through Profit & Loss	60.686						**60.686**
Loans and advances to customers	303.512	12					**303.524**
Investment portfolio	35	3.950					**3.985**
Participations in associates	3.146						**3.146**
Goodwill and other intangible assets	115						**115**
Property, plant and equipment	21.270						**21.270**
Other assets	27.566	2.211	79	0	6	79	**29.941**
Total assets	**455.095**	**16.723**	**1.131**	**615**	**27**	**1.706**	**475.298**

Foreign exchange risk of liabilities	**EUR**	**USD**	**GBP**	**CHF**	**JPY**	**Other currencies**	**Total**
Due to credit institutions	33.000						
Due to customers	271.525	8.738	143		6		**33.000**
Derivative financial instruments	(568)	401	201				**280.412**
Other liabilities	42.305	7.466	524	469	3	1	**34**
Retirement benefit obligations	215						**50.768**
Total liabilities	**346.477**	**16.605**	**868**	**469**	**9**	**1**	**364.429**
Net on-balance sheet position	**108.618**	**118**	**263**	**146**	**18**	**1.705**	**110.869**

As at 31st December 2005							
Total assets	267.288	21.934	796	2.366	336	23	292.743
Total liabilities	183.255	22.008	791	2.194	292	3	208.543
Net on-balance sheet position	**84.033**	**(74)**	**5**	**172**	**44**	**20**	**84.200**

6.4 Liquidity Risk

Liquidity risk is defined as the risk that the Bank might not have sufficient financial resources available to enable it to meet immediate obligations as they fall due or in order for this to happen the Bank has to incur a severe financial cost.

The Bank recognises the nature of liquidity risk and manages the risk through a well-developed liquidity management structure comprising of a diverse range of controls, procedures and limits. The Bank has to comply with liquidity ratios set by both foreign and local banking regulators, as well as, with internal limits.

The Bank monitors and manages liquidity risk through the use of the following set of controls:

a) Balance in the Minimum Reserve Account as set by the local regulators.
b) Mismatch ratios between maturing assets and liabilities for time periods up to one month.
c) Ratio of liquid assets over total customer deposits.

A substantial portion of the Bank's assets is funded with customer deposits and bonds issued by the banks. Savings and sight deposits cover immediate cash needs while long-term investment needs are usually covered by the issue of bonds and time deposits.

Although deposits may be withdrawn on demand with no advance notice, the large spread by number and type of depositors helps to ensure against unexpected fluctuations and constitutes a stable deposit base.

The following tables analyse assets and liabilities of the Bank into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date.

Amounts in Euro '000	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
At 31st December 2006							
Asset liquidity							
Cash and balances with Central Bank	3.265						**3.265**
Loans and advances to credit institutions	35.177	14.181					**49.358**
Derivative financial instruments							**0**
Trading portfolio and other financial assets at fair value through Profit & Loss	46.668			10.291		3.735	**60.693**
Loans and advances to customers	9.428	10.058	37.919	94.073	20.408	131.639	**303.524**
Investment portfolio			3.985				**3.985**
Investments in associates						3.146	**3.146**
Other assets	17.029	52	6.504	968		26.773	**51.326**
Total assets	**111.566**	**24.291**	**48.408**	**105.332**	**20.408**	**165.292**	**475.298**

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
Liability liquidity							
Due to credit institutions	5.000	28.000					**33.000**
Derivative financial instruments	34						**34**
Due to customers	173.488	84.524		22.400			**280.412**
Other liabilities	198	33.993	14.695	1.882		215	**50.983**
Total liabilities	**178.720**	**146.517**	**14.695**	**24.282**	**0**	**215**	**364.429**
Net liquidity gap	**(67.154)**	**(122.226)**	**33.713**	**81.050**	**20.408**	**165.077**	**110.869**
At 31st December 2005							
Total assets	156.466	11.250	9.063	14.738	26.521	74.705	292.743
Total liabilities	138.479	24.724	32.427	11.249	0	1.664	208.543
Net liquidity gap	**17.987**	**(13.474)**	**(23.364)**	**3.489**	**26.521**	**73.041**	**84.200**

6.5 Fair Value of Assets and Liabilities

The fair value represents the amount at which an asset could be exchanged, or a liability settled, in an arm's length transaction. Differences therefore can arise between carrying values and fair values. The definition of fair value assumes that the Bank is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Generally accepted methods of determining fair value include reference to quoted market prices or to prices prevailing for similar financial instruments.

With reference to the above, the carrying value of the Bank's assets and liabilities is not materially different from their fair value with the exception of held-to-maturity financial assets.

(a) Loans and Advances to other Financial Institutions

Loans and advances to other financial institutions include interbank placements and items in the course of collection. The fair value of floating as well as fixed rate placements closely approximates their carrying value since their average maturity is approximately within one month.

(b) Advances to Customers

Advances to customers are net of provisions for impairment. The vast majority of advances earn interest at floating rates and hence its fair value approximates carrying value.

(d) Deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed as well as floating interest bearing deposits closely approximates their carrying value since their average maturity is less than one year.

7. Cash and Balances with Central Bank

The cash and balances with Central Bank account is analysed as follows:

Amounts in Euro '000	**31st December 2006**	**31st December 2005**
Cash in hand	432	270
Balances with Central Bank	2.833	5.236
Total	**3.265**	**5.506**

The minimum requirement reserve that the Bank's banks are obligated to sustain with the Central Banks for 31/12/2006 amounts to thous.

8. Loans and advances to credit institutions

The Bank's claims regarding deposits and transactions with other banks are analysed as follows:

Amounts in Euro '000	**31st December 2006**	**31st December 2005**
Loans to financial institutions	30.354	30.000
Nostro accounts in foreign banks	8.029	10.120
Nostro accounts in local banks	10.975	3.186
Total	**49.358**	**43.306**

9. Trading Portfolio and Other Financial Assets at Fair Value through Profit & Loss

The trading portfolio is analysed as follows:

Amounts in Euro '000	**31st December 2006**	**31st December 2005**
Fixed Income Securities		
Greek Government treasury bills	8.309	8.586
Other government treasury bills	4.982	5.106
Bank bonds	3.735	7.308
	17.026	*21.000*
Shares & other non-fixed income securities		
Shares listed in Athens Exchange	41.018	31.627
Shares listed in foreign stock exchanges	1.310	46
Mutual funds	1.332	1.286
	43.660	*32.959*
Trading portfolio	**60.686**	**53.959**

The book values of the aforementioned securities are classified as follows:

Amounts in Euro '000	**31st December 2006**	**31st December 2005**
Held for trading	60.686	40.959
Measured at fair value through profit and loss upon initial recognition		13.000
	60.686	**53.959**

The amount of € 13.000 thous. regards government bonds designated for collaterals.

10. Derivative Financial Instruments

As at 31/12/2006 the derivatives traded by the Bank are analysed below:

Amounts in Euro '000	31st December 2006 Notional amount	Fair value Assets	Liabilities	31st December 2005 Notional amount	Fair value Assets	Liabilities
Index / equity derivatives						
Futures	602			15.517	1	2
		0	**0**		**1**	**2**
Derivatives designated as fair value hedges						
Futures	38.707			23.625		
Options	42	8	34	8.075		322
Index futures	14.589			18.531		
Other				6.222		1
		8	**34**		**0**	**323**
Total		**8**	**34**		**1**	**325**

11. Loans and Advances to Customers

The loans portfolio at a Bank level is analysed as foilows:

Amounts in Euro '000	31st December 2006	31st December 2005
Consumer loans	258	255
Loans to individuals	34.002	28.810
Corporate loans	222.990	96.528
Loans to public entities & municipalities	59.081	15.886
	316.331	141.479
Less: allowance for losses (impairment) on loans and advances to customers	(12.806)	(11.515)
Total	**303.524**	**129.964**

Past due loans are loans on which no interest has been paid for 6 months. Interest on past due loans is recognised off-balance sheet.

Amounts in Euro '000	31st December 2006	31st December 2005
Off-balance sheet past due interest account	**4.142**	**2.011**

The movements in the provisions account is as follows:

Amounts in Euro '000	**31st December 2006**	**31st December 2005**
Balance at beginning of period	(11.515)	(11.040)
Expense for the period	(1.297)	(525)
Loans written-off	6	50
Balance at end of period	**(12.806)**	**(11.515)**

12. Investment Portfolio

The Bank's investment portfolio consists of financial assets available for sale.

Amounts in Euro '000	**31st December 2006**	**31st December 2005**
Available for sale portfolio (at fair value)		
Greek Government bonds		
Corporate entity bonds	3.950	4.605
Bank bonds	0	8.483
Non-negotiable entity bonds	0	2.080
Total fixed income securities	*3.950*	*15.168*
Shares listed in Athens Exchange		
Shares listed in foreign stock exchanges		
Non-listed domestic shares	35	35
Total non-fixed income securities	*35*	*35*
Total available for sale securities	**3.985**	**15.203**

The movement in the investment portfolio for the financial year ending 31/12/2006 was as follows:

Amounts in Euro '000	**Financial assets available for sale**
Balance as at 1st January 2006	15.203
Additions	0
Disposals – write-offs	(10.123)
Exchange differences	5
Amortisation of premium	
Changes in fair value	54
Balance as at 31st December 2006	**3.985**

13. Bank's Investments in Associates

The participations in other companies' capital with a shareholding higher than 10% are analysed as follows:

Company Name	% Shareholding 31/12/2006	Country	Activity
IBG CAPITAL S.A.	99,99%	Greece	Venture Capital Societe Anonyme
IBG MANAGEMENT S.A.	50,00%	Greece	Mutual Fund Management Societe Anonyme
IBG INVESTMENT COMPANY S.A.	79,31%	Greece	Investment Services and Reception Societe Anonyme
EUROLINE S.A.	1,16%	Greece	Portofolio Management Services Societe Anonyme
MARFIN SECURITIES CYPRUS	97,14%	Cyprus	Securities Transaction in Cyprus Stock Exchange
MARFIN MUTUAL FUND MANAGEMENT S.A.	47,18%	Greece	Mutual Fund Management Societe Anonyme
IBG INVESTMENTS S.A.	90,00%	British Virgin Islands	Investment Services

The financial statements of the Bank's aforementioned subsidiaries, except from "IBG Investment Company S.A." which is under liquidation, are consolidated with the purchase method in the financial statements of MARFIN FINANCIAL GROUP HOLDINGS S.A.

The movement in the investment in associates account for the financial year 2006 was as follows:

Amounts in Euro '000	**31st December 2006**	**31st December 2005**
Balance at beginning of period	2.826	2.482
Additions		
- Acquisition of shares	252	
- Return of share capital of subsidiaries		(108)
- Increase of shares in investments in associates	68	452
Balance at end of period	**3.146**	**2.826**

14. Property Investment and Property, Plant and Equipment

The changes in the PP&E account at a Bank level were as follows:

Amounts in Euro '000	**Land-buildings**	**Mechanical equipment & transport**	**Furniture & other equipment**	**Total**	**Investment in property**
Acquisition cost on 1st December 2005	15.615	12	3.206	18.833	5.460
Less: Accumulated depreciation	(202)	(2)	(2.684)	(2.888)	0
Carrying amount on 1st December 2005	**15.413**	**10**	**522**	**15.945**	**5.460**
				0	
		0	0	0	(152)
Additions	120	0	214	334	
Write-off – disposals	0		(7)	(7)	
Depreciation for the period	(90)	(1)	(225)	(316)	
Depreciation attributed to disposed-written-off	0	0	6	6	
Acquisition cost on 31st December 2006	15.735	12	3.413	19.160	5.308
Less accumulated depreciation	(292)	(3)	(2.903)	(3.198)	0
Carrying amount on 31st December 2006	**15.443**	**9**	**510**	**15.962**	**5.308**

Income from rent on Bank property amounted to € 597 thous. and € 638 thous. for 2006 and 2005 respectively.

15. Other intangible assets

The changes in the account at other intangible assets a Bank level were as follows:

Amounts in Euro '000	**Software and sundry expenses**	**Other intangibles**	**Total**
Acquisition on 1st January 2006	2.321		2.321
Less: Accumulated depreciation	(2.163)		(2.163)
Carrying amount on 1st January 2005	**158**	**0**	**158**
Additions	29		29
Write-off – disposals	0		0
Depreciation for the period	(72)		(72)
Acquisition cost on 31st December 2006	2.350		2.350
Less: Accumulated depreciation	(2.235)		(2.235)
Carrying amount on 31st December 2006	**115**	**0**	**115**

16. Deferred Tax

Deferred tax has been calculated based on the nominal tax rate applicable for the financial years in which a temporary taxable and deductible difference reversal is expected.

As for deferred tax assets and liabilities, they are to be offset if the law provides for an applicable statutory offset possibility of current tax assets against current tax liabilities and if deferred income taxes fall under the same tax authority. The amounts offset are the following:

Amounts in Euro '000	31/12/2006 Def. tax asset	31/12/2006 Def. tax liability	31/12/2005 Def. tax asset	31/12/2005 Def. tax liability
Assets or liabilities				
Investments in property and property, plant and equipment		1.250		1.391
Intangible fixed assets	22		130	
Trading portfolio and other financial assets at fair value through profit & loss		632		405
Available for sale portfolio	15		35	
Derivative financial instruments			245	
Employment benefit obligations	9		24	
Derivative financial instruments				
Other short-term liabilities	718		332	
Total	764	1.882	766	1.796
Off-setting			(35)	(35)
Total	**764**	**1.882**	**731**	**1.761**

Deferred tax movements in the income statement are as follows:

Amounts in Euro '000	**31st December 2006**	**31st December 2005**
Investments in property and property, plant and equipment	(141)	(31)
Intangible fixed assets	107	316
Trading portfolio and other financial assets at fair value through profit & loss	227	(32)
Derivative financial instruments		250
Employment benefit obligations	15	(15)
Other short-term liabilities	(141)	(332)
Tax losses to be offset against future taxable income		213
Total	**67**	**369**

17. Other Assets

The other assets account is analysed as follows:

Amounts in Euro '000	31st December 2006	31st December 2005
Other debtors	5.180	1.640
Guarantee deposit funds	3.100	3.100
Complementary A.S.E. members guarantee fund	6.421	5.883
Clearing accounts for securities transactions of ASE, ADEX and foreign stock exchanges	9.836	6.955
Claims from the Greek State	288	44
Margin derivative trading account	2.662	932
Interest and other receivable income	1.720	971
Expenses in forthcoming periods	63	60
Guarantees	111	107
Advances		44
Total	29.381	19.736
Less: Provisions	(204)	(52)
Total	**29.177**	**19.684**

18. Due to Financial Institutions

The due to financial institutions account is analysed as follows:

Amounts in Euro '000	31st December 2006	31st December 2005
Amounts due to Central Bank	5.000	5.000
Interbank deposits	28.000	63.000
Total	**33.000**	**68.000**

19. Due to Customers

The due to customers account is analysed as follows:

Amounts in Euro '000	31st December 2006	31st December 2005
Sight deposits	71.753	58.559
Savings account	9.872	1.065
Time deposits	167.525	36.482
Blocked deposits	31.262	10.954
Total	**280.412**	**107.060**

20. Retirement Benefit Obligations

The Bank's retirement benefit obligations to personnel regard a lump-sum indemnity to its retiring employees. In detail:

Amounts in Euro '000	31st December 2006	31st December 2005
Recognition in balance sheet:		
Lump sum pension indemnity		
- Funded		0
- Non-funded	215	262
	215	**262**

	31st December 2006	31st December 2005
Recognition in profit & loss		
Lump sum pension indemnity		
- Funded		
- Non-funded	10	55
	10	**55**

Lump sum indeminity on retirement

The amounts recognised are disclosed on the Balance Sheet as follows:

Amounts in Euro '000	31st December 2006	31st December 2005
Present value of non-funded obligations	312	276
Unrecognised actuarial profits / (losses)	(97)	(14)
Unrecognised cost of services rendered		
	215	262
Liability recognized in the balance sheet	**215**	**262**

The amounts resognised in the Income Statement are described below:

Amounts in Euro '000	31st December 2006	31st December 2005
Current service cost	44	46
Cost	10	9
Net actuarial gains/(losses) regognized during the reriod	(44)	
Total included in staff costs	**10**	**55**

Change in liabilities:

Amounts in Euro '000	31st December 2006	31st December 2005
Opening book amount	262	207
Total amount debited in Income Statement	10	55
Contributions paid	(57)	
Closing year end account	**215**	**262**

The major actuarial assumptions used are described below:

	31st December 2006	31st December 2005
Discount rate	4,10%	4,15%
Expected return on plan assets	4,10%	4,15%
Future salary increases	4,00%	4,00%

21. Other Liabilities

The other liabilities account is analysed as follows:

Amounts in Euro '000	31st December 2006	31st December 2005
Other creditors	2.344	8.955
Checks Payable	3.218	33
Due to customers from securities transactions of ASE, ADEX and foreign stock exchanges	29.005	20.067
Liabilities arising from taxes	10.996	511
Interest and other related expenses	3.041	1.326
Insurance companies	282	243
Total	**48.886**	**31.135**

22. Share Capital

The changes in share capital for the year are presented bellow:

	Number of shares	Nominal value	Share capital	Share premium	Total
1st January 2006	3.053.000	€ 29,35	89.605.550	0	89.605.550
31st December 2006	3.053.000	€ 29,35	89.605.550	0	89.605.550

23. Other Reserves and Retained Earings

The other reserves and retained earnings accounts are analysed as follows:

Amounts in Euro '000	Legal reserve	Tax free and special reserves	Total	Retained earnings' balance
Balance as at 1st January 2006	**1.788**	**427**	**2.215**	**(7.534)**
Tax on reserves		(79)	(79)	79
Results of the period 1/1 – 31/12/2006				26.629
Balance as at 31st December 2006	**1.788**	**348**	**2.136**	**19.174**

1) An amount of € 1.048 thous. from the Bank's retained earnings balance will be used to form a compulsory legal reserve.
2) The Bank's Board of Directors will propose to the Ordinary General Shareholder Meeting the distribution of € 4,7 per share.

24. Net Interest Income

Net interest income is analysed as follows:

Amounts in Euro '000	31st December 2006	31st December 2005
Interest income		
Interest from fixed income securities	4.304	1.045
Interest received from loans	10.780	4.292
Interest received from interbank transactions	1.475	255
Other interest related income	284	2
Total	**16.843**	**5.594**
Interest expense		
Customer deposits	(4.330)	(979)
Interbank transactions	(3.458)	(942)
Bond loan issuance	(1.217)	0
Other interest related expenses	(9)	(469)
Total	**(9.014)**	**(2.390)**
Net interest income	**7.829**	**3.204**

25. Net Fee and Commission Income

Net fee and commission income is analysed as follows:

Amounts in Euro '000	31st December 2006	31st December 2005
Net fees and commission income from Commercial Banking	1.415	458
Net fees and commission income from Investment Banking	9.849	903
Net fees and commission income from Securities transactions	20.018	9.075
Other		2
Net fees and commission income	**31.282**	**10.438**

26. Net Trading Income

Net trading income is analysed as follows:

Amounts in Euro '000	31st December 2006	31st December 2005
Net result from shares, mutual funds, and share hedging	9043	5341
Net result from FX and FX hedging	64	89
Net result from bonds and bonds hedging	2.119	(333)
Net result from derivatives held for trading	(35)	12
Total	**11.191**	**5.109**

27. Other Income

The other income account of the Company is analysed as follows:

Amounts in Euro '000	31st December 2006	31st December 2005
Buildings rentals	598	638
Mobile	0	9
Buildings value	(152)	
Extraordinary income		1
	446	**648**

28. Employee Benefits and Remuneration

The total charge in the income statement for the financial year is analysed as follows:

Amounts in Euro '000	31st December 2006	31st December 2005
Wages and salaries	7.556	5.573
Social insurance contribution	832	750
Pension plan costs	0	46
Other staff costs	236	188
Total	**8.624**	**6.557**

The number of staff is given below:+

	31st December 2006	31st December 2005
Number of employees	153	152

29. Other Operating Expenses

The analysis of the other operating expenses account is given below:

Amounts in Euro '000	31st December 2006	31st December 2005
Fees relating to lawyers, advisory, auditors etc.	224	233
IT expenses	239	195
Subsciptions	469	415
Building and set-up expenses	931	938
Advertising expenses, sponsorship etc.	43	38
Miscellaneous operating expenses	1.802	1.309
Total	**3.708**	**3.128**

30. Provisions for Impairment of Loans and Other Investments

The results for the financial year have been charged by the following amounts:

Amounts in Euro '000	31st December 2006	31st December 2005
Provisions for loan impaiment	1.297	525
Provisions for impaiment of other receivables	152	0
Total	**1.449**	**525**

31. Income Tax

The tax charge for the financial year is analysed below:

Amounts in Euro '000	31st December 2006	31st December 2005
Income Statement		
Tax for the financial Year	10.268	
Deferred tax	68	369
From reversal of temporary differences	79	
Tax differences from inspection of previous financial years	297	
Σύνολο	**10.712**	**369**

The reconciliation between tax based on the tax rate and income tax recognized in the income statement for the financial year is indicated next:

Amounts in Euro '000	31st December 2006	31st December 2005
Profits before tax		
Tax rate applicable	37.341	9.184
Income tax based on applicable tax rate	29%	32%
	10.829	**2.939**
Tax corresponding to non-taxable income		
Dividends	(218)	(155)
Non taxable reserves	(174)	
Tax corresponding to non-taxable expenses		
Other non-deductible expenses	41	22
Tax deduction from offsetting of losses from previous financial years		(2.330)
From reversal of temporary differences	79	
Tax differences from inspection of previous financial years	297	
Supplementary tax on land and building	21	
Adjustment for change in tax rate	(162)	(107)
Tax expense in Income Statement for the financial year	**10.712**	**369**

32. Cash and Cash Equivalents

For purposes of preparing the cash flow statement of the Bank the short-term placements in other financial institutions, which are either immediately available or available within 90 days, were included in the cash account.

Amounts in Euro '000	31st December 2006	31st December 2005
Cash and balances with Central Bank	3.265	5.506
Immediately available and short-term deposits made to other banks	49.358	43.306
Total	**52.623**	**48.812**

The Bank's cash flows from operating activities include acquisitions and sales of its trading portfolio. Acqquisitions and sales of its investment portfolio are included in the cash flows from investing activities.

33. Commitments, Contingent Assets and Liabilities on a Consolidated Basis

a) Contingent Liabilities from Guarantees

Book values of contingent liabilities are analysed as follows:

Amounts in Euro '000	31st December 2006	31st December 2005
Contingent Liabilities from guarantees		
Guarantees from income		
Letters of Guarantee (Bid and Performance books)	162	162
Letters of Guarantee (Advance Payment, Retention of Tenths, Prompt Payment)	14.852	16.362
Total	**15.014**	**16.524**

b) Contingent Tax Liabilities

The Bank has been tax audited up to and including the financial year 2005.

c) Contingent Legal Liabilities

As at 31 December 2006, the Bank does not have unsettled legal disputes that may substantially affect its financial position.

34. Balances with Related Parties

34.1 Transactions with the MARFIN BANK S.A. - MARFIN FINANCIAL GROUP HOLDINGS S.A. - MARFIN POPULAR BANK)

Amounts in Euro '000

a) Asset accounts	**31st December 2006**	**31st December 2005**
Loans and advances to financial institutions	34.415	301
Investment portfolio	0	2.080
Other amounts due	14	1.387
Total	**34.429**	**3.768**

b) Liability accounts	**31st December 2006**	**31st December 2005**
Due to financial institutions	28.000	60.000
Deposits		
Other Liabilities		
Total	**88.277**	**110.042**

c) Income	**31st December 2006**	**31st December 2005**
Interest and similar income	1.098	164
Fee and commission income	3.817	792
Net trading income	9	
Other operating income	30	29
Total	**4.954**	**985**

d) Expenses	31st December 2006	31st December 2005
Interest and similar expenses	3.936	640
Fee and commission expenses	1.242	264
Other Expenses	19	29
Total	**5.197**	**933**

The aforementioned balances regard the Bank's Parent Company MARFIN BANK S.A. as well as MARFIN FINANCIAL GROUP HOLDINGS S.A., which is MARFIN BANK S.A.'s Parent and MARFIN POPULAR BANK which is the Parent of MARFIN FINANCIAL GROUP HOLDINGS S.A.

34.2 Transactions with Management and Members of the Board of Directors

Management personnel and members of the Board of Directors

Amounts in Euro '000

a) Asset accounts	31st December 2006	31st December 2005
Loans		14
Total	**14**	**28**

b) Liability accounts	31st December 2006	31st December 2005
Deposits	4.085	2
Total	**4.085**	**2**

c) Income	31st December 2006	31st December 2005
Fee and commission income	174	113
Total	**174**	**113**

d) Expenses	31st December 2006	31st December 2005
Interest and similar expenses	103	
Total	**103**	**0**

34.3 Management and Board of Directors Remuneration

Management personnel and members of the Board of Directors

Amounts in Euro '000

	31st December 2006	31st December 2005
Fees to members of the BoD	779	717
Salaries	273	1.484
Total	**1.052**	**2.201**

34.4 Transactions between Companies included in Consolidation

Transactions with companies included in consolidation

Amounts in Euro '000

a) Asset accounts	31st December 2006	31st December 2005
Loans and advances to financial institutions	172	
Loans and advances to customers	8.333	11.759
Other amounts due	404	676
Total	**8.909**	**12.435**

b) Liability accounts	31st December 2006	31st December 2005
Due to financial institutions		
Deposits	2.166	7.022
Other liabilities	1.604	1.631
Total	**3.770**	**8.653**

c) Income	31st December 2006	31st December 2005
Interest and similar income	821	194
Fee amd commission income	521	699
Other income	310	284
Total	**1.652**	**1.177**

d) Expenses	31st December 2006	31st December 2005
Interest and similar expenses	226	50
Fee and commission expense	758	635
Other expenses		
Total	**984**	**685**

"Other related parties" regard subsidiaries of the Group of MARFIN POPULAR BANK a part of which is the Group of MARFIN FINANCIAL GROUP, EGNATIA BANK Group and LAIKI BANK (HELLAS) Group.

35. Earnings per Share

Earnings per Share	**31st December 2006**	**31st December 2005**
Basic Earnings per share		
Earnings attributable to shareholders in € '000	26.629	8.815
Weighted number of shares outstanding	3.053.000	3.053.000
Basic Earnings per share (€ per share)	8,722	2,887

36. Post Balance Sheet Events

On 20 20/02/2007 INVESTMENT BANK OF GREECE announced that it concluded a substantial investment banking deal with "Louis PLC" and "Clin Company Ltd" for the acquisition of 64,28% of the share capital of the company "The Cyprus Tourism Development Public Company Ltd", who is the owner of the Hilton Cyprus hotel in Nicossia.

The agreement sees that the final acquirers will be between the companies of MARFIN POPULAR BANK Group or companies of its major shareholders however the agreement cannot be assumed to be conclusive as the legal and tax due diligence etc. as well as approvals from regulatory authorities should be consummated.

Apart from the aforementioned information there no other events following the bal;ance sheet date regarding the Company which according to the IFRS have to mentioned.

Amaroussion, 23 February 2007

The Vice Chairman of the Board of directors	**The Chief Executive Officer**	**Financial Management**	
Iraklis Kounadis	**Kiriakos Magiras**	**Stavroula Markouli**	**Spyros Agelopoulos**