



**EFG EUROBANK ERGASIAS S.A.
REPORT OF THE BOARD OF DIRECTORS ON THE FINANCIAL STATEMENTS
FOR THE YEAR 2004**

**REPORT OF THE BOARD OF DIRECTORS
OF EFG EUROBANK ERGASIAS SA
TO THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS
ON THE STAND ALONE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

Dear Shareholders,

The Board of Directors presents the annual report on the stand-alone and consolidated financial statements of EFG Eurobank Ergasias S.A. for the year ended 31.12.04.

Acquisition of Intertrust Fund Management Co

The bank acquired 100% of Intertrust Fund Management Co in an agreement with Novabank and Eureko, parent group of Interamerican Insurance Co. The deal was announced on June 9, 2004 and concluded on October 26, 2004. EFG AEDAK, the fund management company of the Group assumed the management of Intertrust funds in November 2004.

Intertrust with approximately €1.8 billion assets under management at year-end 2003 was the fifth largest mutual fund management company in Greece, offering a variety of equity, bond and money market funds.

The deal further enhanced the already top position held by EFG Eurobank Group in asset management in Greece and allows for a broader cooperation in the future between Eurobank and Interamerican in the distribution of financial products and selected insurance products both in Greece and Southeastern Europe.

Funding Program

RMBS

In June 2004 the bank securitised €750m of Residential Mortgages through the SPV Themelion Mortgage Finance plc with an average funding cost of Euribor plus 0.19bps for seven years. The notes mature in 2036 but are callable as of 2011. Moody's and Fitch rated the bonds in three categories with the largest pool (€693.5 mil) being rated Aaa/AAA.

The issue provides long-term funding for the bank in order to support the strong lending growth and competitive product offerings.

Lower Tier-II

The bank issued €400 million unsecured subordinated floating rate notes through its London subsidiary EFG Hellas PLC in June 2004. The notes have a 10-year maturity



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with a call provision after 5 years. The notes pay floating rate interest quarterly based upon a coupon of 3-month Euribor plus 0.50% for the first five years.

The notes qualify as lower tier II capital for the Bank and are listed on the Luxembourg Stock Exchange. This note issue enhanced the regulatory capital base of EFG Eurobank Ergasias in anticipation of expected expansion in its operations in Greece and abroad.

EMTN & ECP

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

Regional expansion

Participation in Banc Post SA, Romania

EBRD and IFC each acquired a 7.28% stake in Romania's Banc Post by converting debt into shares in October 2004. The transaction, combined with a \$10 million capital increase approved by Banc Post's annual general meeting of shareholders, intended to strengthen Banc Post's position as a leading Romanian financial services provider. As a result Banc Post's capital increased by \$26 million.

EFG Eurobank Ergasias concluded an agreement with the SOCIETATEA DE INVESTITII FINANCIERE MUNTENIA S.A. (SIF Muntenia) related to the purchase of shares representing the 5.13% of the share capital of Banc Post S.A. in Romania on December 21st, 2004. As a result of the above changes, the participation of the Bank in Banc Post reached 55.3%.

EFG Eurobank Ergasias also signed a put and call arrangement with the EBRD and IFC with respect to their share in Banc Post, exercisable between 2006 and 2008. EFG Eurobank Ergasias holds an option to acquire shares currently owned by GE Capital that amount to 7.48%.

These acquisitions are an integrated part of EFG Eurobank Ergasias regional strategy to increase its participation in its affiliates in Southeastern Europe.

Participation in Post Bank (Bulgaria)

In July 2004 EFG Eurobank Ergasias acquired 50% of the share capital of the Cyprus-based ALICO/CEH Balkan Holdings Ltd (ACBH) from ALICO (American Life Insurance Company), and thus now controls 100% of its share capital. Currently ACBH holds 96.74% of Bulgarian Post Bank (BPB) share capital after having acquired a 5.03% share from DSK in June 2004.

ALICO's cooperation with Bulgarian Post Bank will continue in the insurance products area, since BPB will continue to offer insurance products provided by ALICO.

Obtaining full control of BPB was part of EFG Eurobank Ergasias strategy to expand and further support its presence and activities in Southeastern Europe, a strategy aligned with the significant development potential in these countries.

New CEOs in Banc Post SA, Romania and Post Bank (Bulgaria)

Mr. **George Michelis** and Mr. **Anthony Hassiotis** were appointed as CEOs at Banc Post Romania and at Post Bank Bulgaria respectively in July 2004.

The presence of new executives with significant banking experience at the top positions of the two subsidiary banks of EFG Eurobank Ergasias should contribute in strengthening the leading position of these two banks.

Share capital changes

On January 20, 2004, a total of 933,952 new ordinary shares with a nominal value of € 2.95 each, were listed on the Athens Stock Exchange, following the exercise of existing share options, which were issued to directors, executives and staff. As a result, the total number of shares of the Bank was raised to 315,484,837.

On May 18, 2004 a total of 900,000 new ordinary shares with a nominal value of € 2.95 each, were listed on the Athens Stock Exchange. As a result, the total number of shares of the Bank was raised to 316.384.837. The shares resulted from the capitalization of retained earnings, as approved by the Annual General Meeting of the Bank's shareholders held on April 5, 2004.

The Annual General Shareholders Meeting on April 5, 2004 approved the cancellation of 6,000,000 treasury shares of a €17,700,000 total nominal value, which had already been acquired by the Bank under the buy-back program, resulting to an equivalent reduction of the share capital. Trading of the 6,000,000 shares seized on June 25, 2004 and the total number of shares was reduced to 310,384,837.

The Extraordinary General Meeting (EGM) on November 29, 2004 approved the distribution of 700,000 free shares to staff. The EGM also amended the April 04, 2004 General Meeting resolution regarding stock options in order to allow for stock options on 1,550,000 shares from the 2005-2007 stock option plan to be exercised in December 2004 at an extra cost of € 0.30 per share, i.e. at €9.30 per share. In total options on

2,924,700 shares were exercised in December 2004 from four different personnel option plans, so the number of shares increased to 310,384,837.

Review of the stand-alone financial statements of the Bank for the year ended 31.12.04 – in accordance with Greek GAAP

Balance Sheet

Total Assets of the Bank reached € 29,773 million at the end of 2004 versus € 26,215 million at the end of 2003, recording an increase of 13.6%. Specifically, Loans and advances to customers increased by 28.8% reaching € 19,259 million, while customer Deposits increased by 15.8% and reached € 21,253 million. Shareholders' equity reached € 1,928 million and remains among the highest in the Greek market.

Profit and Loss Account

Net Interest Income in 2004 increased by 16.7% reaching € 899 million, from € 770.6 million, as a result of the loan growth and sustaining of net interest margin. Net commission income increased by 9.9% to € 144.6 million, while income from securities decreased from € 44.5 million to € 34.9 million. Finally, trading results increased from € 25.1 million to € 48.7 million. As a result, Total Operating Income increased by 16.5% reaching € 1,145.6 million compared to € 983.4 million in 2003.

The effort to contain operating costs in 2004 resulted in a modest increase of general administrative expenses by 6.5% to € 436.8 million.

Consequently, Net Profit before tax amounted to € 422 million recording a 27.8% increase, while Net Profit after tax reached € 315.1 million, increasing by 22.8% compared to 2003.

Review of the consolidated financial statements for the year ended 31.12.04 – in accordance with Greek GAAP

Balance Sheet

In 2004, Total Assets of the Group increased by 13.9% reaching € 31.9 billion, from € 28 billion at the end of 2003. Specifically, loans and advances to customers increased by 29.3% at Group level (on a comparable basis, i.e. including € 692 million of securitised mortgage loans in the published figures for 2004), and 28.2% in Greece, compared to 16.4% for the local market. Household lending increased by 43% and reached € 9.8 billion, from € 6.9 billion, while lending to enterprises increased by 19.9% to € 11.9 billion, from € 9.9 billion at the end of 2003.

Customer Deposits of the Group recorded an annual increase of 5.2%, reaching € 18.2 billion. Total funds under management, including customer deposits, repos, mutual funds and other investment products, recorded an increase of 17.9%, standing at € 30 billion. At the end of 2004, shareholders' equity amounted to € 1.9 billion.

Profit and Loss account

Consolidated Net Interest Income increased by 22.2% to € 1,038 million. The Net Interest Margin (net interest income over avg. total assets) remained above 3%, reflecting the profitable loan mix and efficient management of total assets.

Eurobank's strong position and active presence in Asset Management, Retail Banking and Capital Markets resulted in a 17% increase in Net Fee and Commission Income to € 362 million. Interest and Commission Income, which form Core Revenues, account for 94.4% of total operating income, a figure that shows the high quality of the revenues. Core revenues were 20.8% higher to € 1,400 million, while non-core income (including trading, dividend and other income) stood at € 84 million in 2004, compared to € 56 million in 2003, mainly as a result of the favorable conditions, which prevailed in the capital markets in 2004.

Core Profit (core revenues less operating expenses less provisions) increased by 35.4% to € 458 million in 2004.

Total Operating Income amounted to € 1,484 million, registering an annual increase of 22%, while Total Costs amounted to € 729 million, from € 664 million at the end of 2003, despite the dynamic expansion of business activities. This resulted in a Cost to Income ratio of 49.1% on a consolidated basis, a ratio that places Eurobank among the most efficiently run banks at an international level.

As a result of the rise in consolidated Net Profit by 35.1% to €368m, the after tax return on average Assets (ROA) reached 1.26% in 2004, while the Return On average Equity (ROE) increased to 19.7%.

The quality of the loan book also improved. Total NPL ratio fell to 2.9% at the end of December 2004, from 3.3% in 2003, whereas the organic NPL ratio declined to 2.5%, from 2.8% at the end of 2003. This was attributed to the prudent credit risk management and the strict and clearly defined policy followed by the Bank.

At the same time, the capital base of Eurobank remains strong. At the end of 2004, the Total BIS Ratio stood at 10.6%, while the Tier I Ratio reached 8.8%.

Consolidated net profit after tax and minorities reached € 368 million at the end of 2004, recording an increase of 35.1%. This is quite a significant performance, as it follows the positive results of 2003, when net profits had increased by 39%.

Proposed dividend and other distributions

The Board of Directors of the Bank decided on October 22, 2004 the distribution of an interim dividend of €0.30 per share, part of the dividend for the fiscal year 2004.

Based on the group's satisfactory profitability, the directors propose to the Annual General Meeting the following:

- The payment of a dividend of € 0.72 per share to shareholders. Given that € 0.30 per share has already been distributed as interim dividend, the remaining dividend per share is € 0.42. The proposed dividend for 2004 totals € 226 million.
- The distribution of € 10.2 million bonus to the personnel of the Bank and affiliated Group companies, under any type of contractual agreement, including the members of the Board of Directors.

Directors' responsibility

The Board of Directors confirms that appropriate accounting policies have been consistently applied and that reasonable and prudent estimates have been made in the preparation of the financial statements for the year ended 31 December 2004. The Board of Directors is responsible for keeping proper accounting records and for safeguarding the assets of the Bank and of the Group.

Appointment of Auditors

The reappointment of PricewaterhouseCoopers SA as auditors of the company will be proposed at the forthcoming Annual General Meeting of the shareholders in accordance with Companies Act 2190/1920.

Business Outlook

EFG Eurobank Ergasias further enhanced its leading position in the Greek market in 2004 gaining market share in consumer finance (now reaching 30%), mortgages (12.5%), in mutual funds management (35.2%, excluding money market funds) and insurance.



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Additionally the Group maintained its leading position in Greek equity brokerage (15%) and investment banking.

Although 2005 is a post-Olympic Games year, the outlook remains positive for the Greek economy with GDP forecasted to grow in real terms above 3% compared to 1.9% for Eurozone. However inflation and public finances remain key challenges for the economic team of the new government.

The Greek banking sector should grow at healthy rates above the EU average in 2005, as Greek households remain under-leveraged compared to the EU average.

EFG Eurobank Ergasias also remains focused on expanding its presence in the South eastern European countries, as this region has significant economic development potential and two countries – Bulgaria and Romania – prepare for EU accession by 2007.