

## EFG EUROBANK ERGASIAS SA

### Report of the Directors

The directors present their report together with the audited financial statements of EFG Eurobank Ergasias SA and its subsidiaries (the "group") for the year ended 31 December 2002.

#### Acquisition of Telesis Investment Bank SA

In 2001 EFG Eurobank Ergasias S.A. (the "company" or the "bank") and Telesis Investment Bank S.A. ("Telesis") agreed to merge. The company acquired 100% of the outstanding ordinary voting share capital of Telesis in a share for share exchange of 1 EFG Eurobank Ergasias share for 2.2 Telesis shares. Telesis was recognised as a strong player in investment banking and associated services based on its modern know-how and high calibre personnel and its subsidiaries included mutual fund, brokerage and asset management companies.

Following approval of the merger terms by the Extraordinary General Meetings of the two companies held on 14 September 2001, the merger was concluded on 11 March 2002 with a local accounting and tax reference date of 1 January 2001.

The company accounted for this transaction by the purchase method of accounting, the effective merger date being 30 September 2001. The resulting goodwill of € 17.9 million is amortised using the straight line method over its estimated useful life of 15 years.

#### Acquisition of related closed-end mutual funds

Ergoinvest SA is a closed-end mutual fund company, which carries out its business of investing mainly in listed Greek securities as well as in listed foreign securities. The Bank holds 30.74% of Ergoinvest and accounts for it as an associated undertaking (note 25).

Investment Development Fund SA is a closed-end mutual fund company, which carries out its business of investing mainly in listed Greek securities as well as in listed foreign securities. The Bank holds 35.01% of Investment Development Fund and accounts for it as a subsidiary undertaking (note 24).

On 7 November 2002, the directors of the bank, the directors of Investment Development Fund and the directors of Ergoinvest announced their intention to merge the companies. The bank agreed to acquire the remaining share capital of the funds in a share for share exchange of 1 EFG Eurobank Ergasias share for 6.7 Investment Development Fund shares and 1 EFG Eurobank Ergasias share for 9 Ergoinvest shares. The transactions will be accounted for using the purchase method of accounting and are expected to give rise to negative goodwill.

#### Ergoinvest SA

The legal formalities of the merger and the actual exchange of shares are expected to be concluded in April 2003. The merger will result in 10,108,526 EFG Eurobank Ergasias shares being issued as consideration and the simultaneous cancellation of 10,108,526 treasury shares (note 35).

#### Investment Development Fund SA

The legal formalities of the proposed merger and the actual exchange of shares are expected to be concluded in September 2003. The proposed merger will result in approximately 2,500,000 EFG Eurobank Ergasias shares being issued as consideration and the simultaneous cancellation of an equal number of treasury shares (note 35).

#### Review of financial statements of year 2002

##### a. Balance sheet

Total assets at the end of 2002 reached € 25,298 million, vs. € 19,618 million at the end of 2001, recording a significant increase of 29%. Continued business development has allowed the group to enhance its position in the Greek financial services market.

Loans and advances to customers increased 21.8% reaching € 13,341 million, from € 10,953 million at the end of 2001, leading to an overall market share gain of about 1%. Retail and small business lending expanded 33.5% and wholesale lending 14.9%. More specifically, consumer credit expanded by 32.2% to € 2,726 million and mortgage credit by 32.9% reaching € 2,298 million. As a result, at the end of 2002, retail loans represented 45% of the total loan portfolio, compared to 41% at the end of the previous year. Total loans accounted for 89.5% of deposits excluding repos, from 86% at the end of 2001, and for 54% of total assets, from 56% at the end of 2001. Contrary to persisting market trends, total customer deposits, increased 10.9% and amounted to € 16,948 million. This led to an overall market share gain in deposits of approximately 1%. Deposits excluding repos increased 16.6%, reaching € 14,914 million.

Group shareholders' equity amounted to € 1,899 million. Total shareholders' equity including minority interests stood at € 2,074 million, which remains one of the strongest capital positions in the Greek market and allows the group to maintain its high rates of growth in the foreseeable future.

##### b. Income statement

Group net interest income increased 17.4% reaching € 721 million, as a result of the robust loan growth and the strong net interest margin, which was sustained at above 3%. Net fee and commission income increased slightly, rising 1.3% to € 250 million and contributing 24.9% of total operating income. Pressure on fee income related to equity trading, equity asset management and IPOs was mitigated by market share gains in capital market operations and asset management. The reduction in fees generated by such activities was offset by an increase in fees and commissions related to credit cards, insurance, property, internet banking and other network services. Financial income was reduced due to the prolonged fall in equity markets, which had a negative effect on equity portfolios, and was only partly offset by gains on bond and real estate investments. This led to a reduction in non-core income, from € 82 million to € 33 million, which restricted total operating income growth to 6.6%. As a result total operating income reached € 1,005 million in 2002, compared to € 944 million in 2001.

## EFG EUROBANK ERGASIAS SA

### Report of the Directors

#### Review of financial statements of year 2002 (continued)

##### b. Income statement (continued)

Total operating expenses, including Banc Post in 4th quarter 2002 and only 4th quarter for Telesis in 2001, recorded an increase of 11.5%, while on a comparable basis they recorded a noteworthy slowdown, expanding 5.2%, from € 572 million to € 601 million. The cost to average assets ratio improved from 3.01% in 2001 to 2.72% in 2002. The cost to income ratio stood at 60.8% and remains one of the most efficient in the Greek market.

The bank's consolidated net profits after taxation for year 2002 amounted to € 184 million, compared to € 206 million in 2001, reduced by 10.4%. After tax return on average assets (ROA) for the year was at 0.82%. After tax return on average shareholders' equity (ROE) was 9.43%.

##### c. Proposed dividend and other distributions

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

- The payment of a dividend of € 0.47 per share to shareholders, including former Ergoinvest shareholders. The proposed dividend for 2002 totals € 145 million.
- The distribution of € 7.3 million to directors, executive management and employees in the form of bonuses. This amount is included in operating expenses in financial year 2002.
- The issue of 1,050,000 new ordinary shares and 1,355,000 options on ordinary shares to be distributed to directors, executive management and employees.

##### Increases in share capital

The group offers shares to directors, executive management and employees. On 22 April 2002, 750,000 ordinary shares were distributed.

The group also offers share options to directors, executive management and employees. On 22 April 2002 860,000 options, were granted at a price of € 6 per share, which may be exercised wholly or partly, at their owners' option, in December 2003, December 2004 or December 2005.

Options exercised in December 2001 resulted in 21,922 shares being issued in 15 March 2002 at € 13.52 per share, with proceeds totalling € 0.3 million.

Options exercised in December 2002 resulted in 190,537 shares being issued on 2 December 2002 at € 7.98 per share, with proceeds totalling € 1.5 million.

##### BIS capital ratio

Risk weighted assets at the end of 2002 amounted to € 15,153 million compared to € 12,734 million at the end of 2001. Regulatory capital stood at € 1,779 million, from € 1,934 million at the end of 2001. As a result, on 31 December 2002 the ratio of the group's regulatory capital to risk weighted assets, including off-balance sheet transactions and market risks resulting from trading operations, was 11.7% compared to 15.2% on 31 December 2001.

##### Treasury shares special scheme

On 4 September 2002 the Extraordinary General Meeting of the bank approved the acquisition of up to a total of 31,331,034 shares (10% of the bank's equity) at a maximum price of € 27.09 per share in the following 12-month period. The previous resolution by the Extraordinary General Meeting of the bank, on 14 September 2001, had approved the acquisition of up to 20,712,479 shares.

As at 31 December 2002, the company held 12,824,104 of its own shares representing 4.09% of the share capital. The shares were acquired at a total cost of € 198 million and an average cost of € 15.44 per share. Their market value was € 143.6 million.

With the acquisition of Ergoinvest SA and Investment Development Fund SA in 2003 approximately 10,000,000 of the above treasury shares will be cancelled (note 35).

##### Major new subsidiaries

###### Participation in Banc Post SA, Romania

On 8 November 2002, EFG Eurobank Ergasias acquired, in addition to the 19.25% already held in Banc Post, a further 17% from the Romanian Authority for Privatization and Management of the State Ownership (APAPS) increasing its stake in Banc Post to 36.25% and achieving control over its strategic and operating activities. This was in line with the bank's strategic planning for further development in South Eastern Europe. EFG Eurobank Ergasias' stake in Banc Post has the potential of being raised to 45% since the bank also holds an option for the purchase in 2004 of the percentage (8.75%) of Banc Post shares currently owned by General Electric Capital Corp. Consequently, the bank together with Banco Portugues de Investimento (BPI), with which it has been cooperating since July 2000, holds a combined stake of 53.25% of Banc Post, with a future potential of raising the combined participation to 62%.

The financial statements are being consolidated into EFG Eurobank Ergasias' accounts using the method of purchase accounting as of November 2002. In cooperation with BPI, EFG Eurobank Ergasias is planning for the growth of Banc Post's business, the array of products and services offered to its customers and the improvement of its technical infrastructure, in order to render Banc Post a provider of high standard services in the Romanian banking sector.

## EFG EUROBANK ERGASIAS SA

### Report of the Directors

#### Review of financial statements of year 2002 (continued)

##### Co-operation with Deutsche Bank AG

Through a 9% shareholding and several product-specific co-operation agreements, Deutsche Bank AG is EFG Eurobank Ergasias strategic ally. The alliance provides EFG Eurobank Ergasias with access to Deutsche Bank's product know-how and international expertise and Deutsche Bank with a strong partner commanding knowledge of the Greek market.

Co-operation has been established in all areas where the bank is active:

- Wholesale banking:
- Capital markets: debt and equity capital markets, investment banking, brokerage, institutional asset management
- Retail banking: mutual funds, internet banking
- Other areas: real estate (EFG Eurobank Properties), payment services

##### Directors' responsibility

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 31 December 2002. The directors also confirm that applicable International Financial Reporting Standards have been followed and that the financial statements have been prepared on a going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

##### Appointment of auditors

In accordance with Law 2190/1920, a resolution for the reappointment of PricewaterhouseCoopers SA as auditors of the company will be proposed at the forthcoming Annual General Meeting.

##### Business Outlook

In 2002, EFG Eurobank Ergasias enhanced its position in the Greek market, demonstrating resilient performance in a challenging environment and increasing its overall market shares in lending and deposits by about 1%. The group significantly expanded its market shares in consumer lending (26%), in the management of mutual funds (31%) and in equity trading (13%). This performance together with a deceleration of cost expansion to 5% on a comparable basis led to an increase in core operating profitability of 7%, from € 246 million to € 263 million. However, equity market weakness, burdened non core income, and prevented the increase in core profit from translating into higher net profit.

At the beginning of 2003 the outlook for the macroeconomic environment in Greece remains positive, with real GDP growth forecast to exceed 3.5%. At the same time, inflation remains a key challenge, eroding the competitiveness of the business sector, where some weak areas have been identified. Under the circumstances, the lending market continues to offer potential for further growth, albeit at somewhat slower rates. This is especially true in the household segment, while in the business segment the growing economy facilitates corporate debt restructuring efforts. On the other hand, in the face of increased geopolitical uncertainty, business and consumer confidence remain under pressure and equity markets have been particularly weak.

EFG Eurobank Ergasias remains focused on growth and has launched initiatives, which will contribute to further sharpening its efficiency. The new, unified IT platform, implemented across the Bank, offers augmented capabilities to service clients, utilising the cross selling potential of traditional and alternative networks. Moreover, the group's recently announced new organisational structure should further improve operational efficiency through customised client service. Within the framework of the new organisational structure, all branches are part of Retail Banking, adopting the single *Eurobank* brand.

EFG Eurobank Ergasias has also undertaken strategic initiatives to expand in selected markets in SE Europe and the Mediterranean region, enhancing its long term growth prospects.

By order of the Board.

Athens, 25 February 2002

XENOPHON C. NICKITAS  
*Chairman*

**Auditors' Report**  
**To the Shareholders of EFG Eurobank Ergasias SA**

We have audited the accompanying balance sheet of EFG Eurobank Ergasias SA (the "Company") and its subsidiaries (the "Group") as of 31 December 2002 and the related consolidated income and cash flow statements for the year then ended. These financial statements, which are set out on pages 5 to 35, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. This report, including the opinion, has been prepared for and only for the company's shareholders as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly in all material respects the financial position of the Group as of 31 December 2002 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**PRICEWATERHOUSECOOPERS** 

Athens, 21 March 2003



**EFG EUROBANK ERGASIAS SA**

**Consolidated Balance Sheet  
at 31 December 2002**

|   | <b>Note</b> | <b>2002<br/>€ '000</b> | <b>2001<br/>€ '000</b> |
|---|-------------|------------------------|------------------------|
| <b>ASSETS</b>   |             |                        |                        |
| Cash and balances with central banks                    | 14          | 1,039,123              | 1,268,728              |
| Treasury bills and other eligible bills                 | 16          | 456,425                | 0                      |
| Due from other banks                                    | 17          | 1,566,387              | 1,286,336              |
| Trading securities                                      | 18          | 3,263,019              | 1,110,814              |
| Derivative financial instruments                        | 19          | 163,693                | 134,738                |
| Loans and advances to customers                         | 20          | 13,425,738             | 10,973,608             |
| Available-for-sale investment securities                | 22          | 3,443,575              | 3,250,929              |
| Other investment securities                             | 23          | 123,581                | 246,700                |
| Investments in associated undertakings                  | 25          | 105,604                | 108,065                |
| Property, plant and equipment                           | 27          | 764,818                | 466,841                |
| Intangible assets                                       | 26          | 34,251                 | 28,114                 |
| Other assets  | 28          | 911,729                | 743,143                |
| <b>Total assets</b>                                     |             | <b>25,297,943</b>      | <b>19,618,016</b>      |
| <b>LIABILITIES</b>                                      |             |                        |                        |
| Due to other banks                                      | 29          | 4,383,870              | 802,178                |
| Derivative financial instruments                        | 19          | 543,156                | 246,257                |
| Due to customers  | 30          | 16,970,801             | 15,310,360             |
| Liabilities evidenced by paper                          | 31          | 719,942                | 439,293                |
| Other liabilities                                       | 32          | 605,820                | 586,115                |
| <b>Total liabilities</b>                                |             | <b>23,223,589</b>      | <b>17,384,203</b>      |
| <b>Minority interest</b>                                | 34          | <b>175,235</b>         | <b>223,336</b>         |
| <b>SHAREHOLDERS' EQUITY</b>                             |             |                        |                        |
| Share capital   | 35          | 827,292                | 832,461                |
| Share premium   | 35          | 343,044                | 395,278                |
| Other reserves  |             | 728,783                | 782,738                |
| <b>Total shareholders' equity</b>                       |             | <b>1,899,119</b>       | <b>2,010,477</b>       |
| <b>Total shareholders' equity and minority interest</b> |             | <b>2,074,354</b>       | <b>2,233,813</b>       |
| <b>Total equity and liabilities</b>                     |             | <b>25,297,943</b>      | <b>19,618,016</b>      |

The financial statements on pages 5 to 35 were approved by the Board of Directors on 25 February 2003 and were signed on its behalf by:

XENOPHON C. NICKITAS  
*Chairman*

NICHOLAS C. NANOPOULOS  
*Chief Executive Officer*

*The notes on pages 9 to 35 form an integral part of these financial statements*

**EFG EUROBANK ERGASIAS SA**

**Consolidated Statement of Changes in Equity  
for the year ended 31 December 2002**

| <u>Note</u>  | <u>Share capital</u><br><u>€ '000</u> | <u>Share premium</u><br><u>€ '000</u> | <u>Statutory reserve</u><br><u>€ '000</u> | <u>Special reserves</u><br><u>€ '000</u> | <u>Retained profits</u><br><u>€ '000</u> | <u>Total</u><br><u>€ '000</u> |
|--|---------------------------------------|---------------------------------------|---|--|--|-------------------------------|
| Balance at 1 January 2001  | 722,841                               | 335,020                               | 64,299                                    | 527,528                                  | 230,151                                  | 1,879,839                     |
| Arising in the period :  |                                       |                                       |   |  |  |                               |
| Available-for-sale securities  |                                       |                                       |   |  |  |                               |
| - net fair value results, net of tax   | 22                                    | 0                                     | 0   | 36,015                                   | 0  | 36,015                        |
| - transfer to net profit, net of tax   | 22                                    | 0                                     | 0   | (48,144)                                 | 0  | (48,144)                      |
| - net fair value results - associated undertakings                             | 25                                    | 0                                     | 0   | (45,300)                                 | 0  | (45,300)                      |
| Tax on revaluation of land and buildings                                       |                                       | 0                                     | 0   | (18)                                     | 0  | (18)                          |
| Capitalisation of share premium  | 35                                    | 79                                    | (79)                                      | 0  | 0  | 0                             |
| Capitalisation of share premium  | 35                                    | 1,517                                 | (1,517)                                   | 0  | 0  | 0                             |
| Issue of share capital   | 35                                    | 1,415                                 | 0   | 0  | (1,415)                                  | 0                             |
| Acquisition of Telesis Group fair value of assets                              | 3, 35                                 | 122,436                               | 87,592                                    | 0  | 0  | 210,028                       |
| Additional share premium arising on acquisition of Telesis Group               | 3, 35                                 | 0                                     | 17,916                                    | 0  | 0  | 17,916                        |
| Reduction in Group's holding in subsidiary                                     | 24                                    | 0                                     | 0   | 0  | (787)                                    | (787)                         |
| Dividend for 2000  |                                       | 0                                     | 0   | 0  | (154,779)                                | (154,779)                     |
| Profit for the year  |                                       | 0                                     | 0   | 0  | 205,538                                  | 205,538                       |
| Reserve transfers  |                                       | 0                                     | 23,216                                    | 13,115                                   | 35,591                                   | (71,922)                      |
| Currency translation differences   |                                       | 0                                     | 0   | 0  | 484                                      | 484                           |
| Profit / (loss) from sale of treasury shares                                   | 35                                    | 0                                     | 0   | (7,618)                                  | 0  | (7,618)                       |
| Purchases / sales of treasury shares   | 35                                    | (15,827)                              | (66,870)                                  | 0  | 0  | (82,697)                      |
| At 31 December 2001  | <b>832,461</b>                        | <b>395,278</b>                        | <b>77,414</b>                             | <b>498,054</b>                           | <b>207,270</b>                           | <b>2,010,477</b>              |
| Balance at 1 January 2002  | 832,461                               | 395,278                               | 77,414                                    | 498,054                                  | 207,270                                  | 2,010,477                     |
| Change in accounting policy  |                                       |                                       |   |  |  |                               |
| - Fair valuation of Investment Properties, net of tax                          | 27                                    | 0                                     | 0   | 0  | 22,480                                   | 22,480                        |
| Restated balance at 1 January 2002   | 832,461                               | 395,278                               | 77,414                                    | 498,054                                  | 229,750                                  | 2,032,957                     |
| Arising in the period :  |                                       |                                       |   |  |  |                               |
| Cash flow hedges   |                                       |                                       |   |  |  |                               |
| - net fair value results, net of tax   | 36                                    | 0                                     | 0   | (8,986)                                  | 0  | (8,986)                       |
| - transfer to net profit, net of tax   | 36                                    | 0                                     | 0   | 1,628                                    | 0  | 1,628                         |
| Available-for-sale securities  |                                       |                                       |   |  |  |                               |
| - net fair value results, net of tax   | 22                                    | 0                                     | 0   | 95,944                                   | 0  | 95,944                        |
| - transfer to net profit, net of tax   | 22                                    | 0                                     | 0   | (170,564)                                | 0  | (170,564)                     |
| - net fair value results - associated undertakings                             | 25                                    | 0                                     | 0   | (27,862)                                 | 0  | (27,862)                      |
| - transfer to net profit, net of tax   | 25                                    | 0                                     | 0   | 23,800                                   | 0  | 23,800                        |
| Capitalisation of special reserves   | 35, 36                                | 6,266                                 | 0   | (6,266)                                  | 0  | 0                             |
| Capitalisation of retained earnings  | 35                                    | 2,055                                 | 0   | 0  | (2,055)                                  | 0                             |
| Issue of share capital - share options   | 35                                    | 586                                   | 1,230                                     | 0  | 0  | 1,816                         |
| Share of retained earnings of subsidiaries transferred from available-for-sale |                                       | 0                                     | 0   | 0  | (2,822)                                  | (2,822)                       |
| Increase in Group's holding in subsidiary                                      | 24                                    | 0                                     | 0   | 0  | (1,168)                                  | (1,168)                       |
| Dividend for 2001  |                                       | 0                                     | 0   | 0  | (161,299)                                | (161,299)                     |
| Profit for the year  |                                       | 0                                     | 0   | 0  | 184,243                                  | 184,243                       |
| Reserve transfers  |                                       | 0                                     | 0   | 8,054                                    | 1,675                                    | (9,729)                       |
| Currency translation differences   |                                       | 0                                     | 0   | 0  | (1,717)                                  | (1,717)                       |
| Purchases / sales of treasury shares   | 35                                    | (14,076)                              | (53,464)                                  | 0  | 0  | (67,540)                      |
| Dividend on Treasury shares special scheme                                     |                                       | 0                                     | 0   | 0  | 689                                      | 689                           |
| At 31 December 2002  | <b>827,292</b>                        | <b>343,044</b>                        | <b>85,468</b>                             | <b>407,423</b>                           | <b>235,892</b>                           | <b>1,899,119</b>              |

The directors propose the payment of a dividend of € 0.47 per share (2001: € 0.53 per share), totalling € 145 million (2001: € 161 million).

The directors also propose the issue of 1,050,000 shares (2001: 750,000 shares) and 1,355,000 options (2001: 860,000 options) on the company's shares to the executive directors, management and staff. If this is approved by the forthcoming Annual General Meeting, shares issued will be recorded and included in next year's Statement of Changes in Equity as a capitalisation of retained earnings, whereas shares issued as a result of options being exercised will be recorded and included in the Statement of Changes in Equity of the year in which the shares will be issued.

See note 36 for an analysis of details of the movement of special reserves.

On 22 April 2002, the Annual General Meeting approved the issue and distribution of shares of nominal value of € 2.1 million to the executive directors, management and staff, by capitalising retained earnings.

*The notes on pages 9 to 35 form an integral part of these financial statements*

**EFG EUROBANK ERGASIAS SA**

**Consolidated Cash Flow Statement  
Year ended 31 December 2002**

|  | <b>2002</b>      | <b>2001</b>        |
|--|------------------|--------------------|
|  | <b>€ '000</b>    | <b>€ '000</b>      |
| <b>Cash flows from operating activities</b>  |                  |                    |
| Interest and net trading receipts  | 1,311,965        | 1,461,256          |
| Interest payments  | (689,577)        | (846,752)          |
| Dividend receipts  | 5,913            | 12,980             |
| Fee and commission receipts  | 357,509          | 297,277            |
| Fee and commission payments  | (79,749)         | (50,029)           |
| Other income received  | 11,030           | 18,213             |
| Cash payments to employees and suppliers   | (558,997)        | (467,053)          |
| Income taxes paid  | (99,974)         | (118,577)          |
| Cash flows from operating profits before changes in operating assets and liabilities | <u>258,120</u>   | <u>307,315</u>     |
| <b>Changes in operating assets and liabilities</b>                                   |                  |                    |
| Net (increase)/decrease in treasury bills  | (325,839)        | 161                |
| Net (increase)/decrease in loans to central banks                                    | 550,468          | 460,948            |
| Net (increase)/decrease in trading securities  | (1,995,559)      | 1,030,383          |
| Net (increase)/decrease in loans and advances to banks                               | 15,989           | 272,384            |
| Net (increase)/decrease in loans and advances to customers                           | (2,372,165)      | (2,228,367)        |
| Net (increase)/decrease in other assets  | (28,921)         | (80,616)           |
| Net increase/(decrease) in deposits from other banks                                 | 3,520,701        | 202,738            |
| Net increase/(decrease) in amounts due to customers                                  | 1,245,119        | 1,585,822          |
| Net increase/(decrease) in other liabilities   | (86,140)         | 59,064             |
| <b>Net cash from operating activities</b>  | <u>781,773</u>   | <u>1,609,832</u>   |
| <b>Cash flows from investing activities</b>  |                  |                    |
| Purchases of property and equipment  | (149,177)        | (142,265)          |
| Proceeds from sale of property and equipment   | 6,725            | 4,082              |
| Purchases of held-to-maturity investment securities                                  | 0                | (48,637)           |
| Proceeds from sales / redemptions of other investment securities                     | 104,279          | 284,807            |
| Purchases of available-for-sale investment securities                                | (2,932,309)      | (2,176,684)        |
| Proceeds from sales of available-for-sale investment securities                      | 2,816,065        | 643,800            |
| Acquisition of subsidiaries undertakings net of cash acquired                        | 215,974          | 20,590             |
| Acquisition of associated undertakings   | (30,516)         | 0                  |
| Participation in capital increase of associates                                      | (3,057)          | (602)              |
| Dividends from associated undertakings   | 4,839            | 13,720             |
| Proceeds from sale of shares in subsidiary   | 0                | 472                |
| Proceeds from sale of associated undertakings  | 3,556            | 0                  |
| Net contributions by minority interest   | 223              | (13,913)           |
| <b>Net cash from investing activities</b>  | <u>36,602</u>    | <u>(1,414,630)</u> |
| <b>Cash flows from financing activities</b>  |                  |                    |
| Proceeds from liabilities evidenced by paper   | 321,153          | 787,234            |
| Repayments of liabilities evidenced by paper   | (40,502)         | (498,301)          |
| Proceeds from exercise of options  | 1,816            | 0                  |
| Dividends paid   | (160,610)        | (154,779)          |
| Purchases of treasury shares   | (67,960)         | (139,583)          |
| Proceeds from sale of treasury shares  | 209              | 49,274             |
| <b>Net cash from financing activities</b>  | <u>54,106</u>    | <u>43,845</u>      |
| Effect of exchange rate changes on cash and cash equivalents                         | (442)            | (26)               |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                          | <u>872,039</u>   | <u>239,021</u>     |
| Cash and cash equivalents at beginning of year (note 15)                             | 2,051,493        | 1,812,472          |
| <b>Cash and cash equivalents at end of year (note 15)</b>                            | <u>2,923,532</u> | <u>2,051,493</u>   |
|  | <u>872,039</u>   | <u>239,021</u>     |

The notes on pages 9 to 35 form an integral part of these financial statements

# EFG EUROBANK ERGASIAS SA

## Notes to the accounts

### 1. Principal accounting policies

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

#### (a) Basis of presentation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards. The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, financial assets and financial liabilities held for trading and all derivative contracts. In addition, effective 1 January 2002 the group's investment properties are carried at fair value. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

#### (b) Consolidation

The consolidated financial statements include EFG Eurobank Ergasias SA (the "company" or the "bank"), its subsidiary undertakings and principal associated undertakings (together referred to as the "group"). Subsidiary undertakings are those companies which the group, directly or indirectly, has power to exercise control over the financial and operating policies. Subsidiaries are consolidated from the date on which control is transferred to the group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. See note (k) for the accounting policy on goodwill. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated, unrealised losses are also eliminated unless cost cannot be recovered.

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

A listing of the company's principal subsidiaries is set out in note 24.

#### (c) Associated undertakings

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

Equity accounting involves recognising in the income statement the group's share of the associate's profit or loss for the year. The group's interest in the associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate and any unamortised goodwill on acquisition. Where necessary the accounting policies used by the associate have been changed to ensure consistency with the policies of the group.

A listing of the group's undertakings which are equity accounted for is shown in note 25.

#### (d) Foreign currencies

The consolidated financial statements are presented in Euro which is the measurement currency of the parent. The financial statements of foreign subsidiaries are translated using the closing exchange rate. Exchange differences arising from the retranslation of the net investment in foreign subsidiaries are taken to equity until disposal of net investments and then released to the income statement.

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

All translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses, whereas translation differences on non-monetary items such as equities held for trading are reported as part of the fair value gain or loss. Thus, underlying translation differences on available-for-sale equities are included in the revaluation reserve in equity.

#### (e) Derivative financial instruments and hedging

Derivative financial instruments including foreign exchange contracts, forward currency and interest rate options (both written and purchased) agreements, currency and interest rate swaps, and other derivative financial instruments are initially recognised in the balance sheet at cost (including transaction costs) and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments, are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains and losses reported in income.

Changes in the fair value of derivatives held for trading are included in net trading income. In 2001, the group introduced hedge accounting rules under IAS 39 with respect to certain fair value hedges which are used by the group to hedge a portion of its existing interest rate risk resulting from any potential decreases in the fair value of fixed rate available-for-sale bonds denominated both in local and foreign currencies. During 2002, the group has started to apply cash flow hedge accounting rules under IAS 39 with respect to certain cash flow hedges which are used by the group to hedge a portion of its existing interest rate risk resulting from changes in bench-mark interest rates and eliminate cash flow variability associated with future interest rate changes.

The group's criteria for a derivative instrument to be accounted for as a hedge include:

- a) formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is prepared before hedge accounting is applied;
- b) the hedge is documented at inception showing that is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period; and
- c) the hedge is effective on an ongoing basis;

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove highly effective in relation to hedged risk are recorded in the income statement, along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk. If the hedge no longer meets the criteria for hedge accounting, an adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortised to net profit or loss over the period to maturity.

## EFG EUROBANK ERGASIAS SA

### Notes to the accounts

#### 1. Principal accounting policies (continued)

##### (e) Derivative financial instruments and hedging (continued)

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to hedged risk are recognised in a special IAS 39 reserve in equity. This gain or loss recognised in equity is subsequently released to the income statement when the asset or liability affects the income statement.

The fair values of derivative instruments held for trading and hedging purposes are disclosed in Note 19.

##### (f) Offsetting

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

##### (g) Income statement

(i) Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments.

(ii) Fees and commissions are generally recognised on an accrual basis. Commission and fees relating to foreign exchange transactions imports/exports, platform fees and stock broking activities are recognised on the completion of the underlying transaction.

##### (h) Investment property

At 1 January 2001 the group adopted IAS 40 "Investment Properties" and classified its land and buildings held to earn rentals and/or for capital appreciation as Investment property under the cost model. During 2001 Investment properties, principally comprising office buildings and commercial property held mainly by the bank and its subsidiary EFG Eurobank Properties SA, were measured at cost less accumulated depreciation and impairment losses, if any.

With effect from 1 January 2002 the group changed its accounting policy and has adopted the fair value model of IAS 40. Investment properties were thus re-measured to fair value and changes in the fair value are now included in the income statement of the period in which they arise. The financial effects of adopting the fair value model of IAS 40 were reported by adjusting the opening balance of retained earnings at 1 January 2002 (see note 27).

##### (i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment is periodically reviewed for impairment.

##### (j) Depreciation

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

|                                |                 |
|--------------------------------|-----------------|
| Land                           | No depreciation |
| Freehold buildings             | 40-50 years     |
| Leasehold improvements         | 5-12.5 years    |
| Computer hardware and software | 3.3 years       |
| Other furniture and equipment  | 5-12 years      |
| Motor vehicles                 | 6.6 years       |

##### (k) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired undertaking at the date of acquisition. Goodwill from corporate acquisitions is reported in the balance sheet and is amortised using the straight-line method over its estimated useful life not exceeding 15 years. The carrying amount of goodwill is reviewed annually. Where indications of impairment exist, the carrying amount of goodwill is re-assessed and written down to recoverable amount. The gain or loss on disposal of an entity includes the related unamortised balance of goodwill relating to the entity disposed of.

##### (l) Trading securities

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognised at cost (which includes transaction costs) and subsequently re-measured at fair value based on quoted bid prices. All related realised and unrealised gains and losses are included in net trading income. All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised as settlement balances at trade date, which is the date that the group commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs. Interest earned whilst holding trading securities is reported as interest income. Dividends received are included in dividend income.

##### (m) Investment securities

At 1 January 2000 the group adopted IAS 39 and classified its investment securities into the following three categories: held-to-maturity assets, receivables originated by the company and available-for-sale assets. The Held-to-maturity portfolio which was established on 1 January 2000 when the group adopted IAS 39 comprised a specific investment class of Greek government bonds which the group intended to hold to maturity. However, as a result of unanticipated changes in market conditions, in September 2001 the specific portfolio was transferred to the available-for-sale portfolio and the trading portfolio. Accordingly the group has no securities classified as held to maturity. Investment securities with fixed maturity that were purchased by providing money directly to the issuer are classified as receivables originated by the enterprise. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

## EFG EUROBANK ERGASIAS SA

### Notes to the accounts

#### 1. Principal accounting policies (continued)

##### (m) Investment securities (continued)

Investment securities are initially recognised at cost (which includes transaction costs). Receivables originated by the enterprise are measured at amortized cost using the effective yield method. Available-for-sale financial assets are subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Fair values for unquoted equity instruments are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in a special IAS 39 reserve in equity. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from other securities.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate. By comparison, the recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

Quoted financial Investments are considered impaired to the extent that recovery of the cost value in subsequent periods cannot be reasonably expected. For non-quoted investments, the recoverable amount is determined by applying recognised valuation techniques.

Interest earned whilst holding investment securities is reported as interest income using the effective yield method. Dividends receivable are included separately in dividend income when a dividend is declared.

All regular way purchases and sales of investment securities are recognised at trade date, which is the date that the group commits to purchase or sell the asset. All other purchases and sales are recognised as derivative forward transactions until settlement.

##### (n) Loans and advances

Loans originated by the group are carried at amortised cost. Third party expenses, such as legal fees incurred in securing a loan, are treated as part of the cost of the transaction. All loans and advances are recognised when cash is advanced to borrowers.

A credit risk provision for loan impairment is established if there is objective evidence that the group will not be able to collect all amounts due. The amount of impairment loss is calculated as the difference between the loan's carrying amount and the present value of expected future cash flows. In addition, the provision for impairment losses for loans and advances covers losses where there is evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These are estimated based on historical loss patterns in each component and the credit ratings allocated to the borrowers which are reviewed at least annually.

All impaired loan portfolios are periodically reviewed and the allowance for credit losses is re-assessed at least annually.

##### (o) Sale and repurchase agreements

Securities sold under sale and repurchase agreements ("repos") are retained in the financial statements and the counterparty liability is included in deposits from banks or customers as appropriate. Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the period of the repo agreements using the effective yield method.

##### (p) Computer software development costs

Costs associated with the in-house development and maintenance of existing computer software programmes are expensed as incurred. Third Party costs associated with the development and implementation of new computer software programmes are recognised as a capital improvement and added to, and treated the same way as, the cost of the new software. Costs relating to modifications for Euro compliance issues have been expensed as incurred.

##### (q) Leases

###### Accounting for leases as lessee

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

###### Accounting for leases as lessor

###### i) Finance leases

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

###### ii) Operating leases

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

## EFG EUROBANK ERGASIAS SA

### Notes to the accounts

#### 1. Principal accounting policies (continued)

##### (r) Deferred income taxes

Deferred income tax is provided, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The expected effective tax rates are used to determine deferred income tax.

The principal temporary differences arise from loan provisions, depreciation of fixed assets and revaluation of certain financial assets. Deferred tax assets are only recognised to the extent that it is probable that they will crystallise in the future.

Deferred tax related to changes in fair values of available for sale investments and cash flow hedges which are taken directly to equity is also charged or credited directly to equity, and subsequently recognised in the income statement together with the deferred gain or loss.

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

##### (s) Staff retirement indemnities

In accordance with Greek labour legislation, if employees remain in the employment of the company until normal retirement age, they are entitled to a lump sum payment which is based on the number of years of service and the level of remuneration at the date of retirement. Provision has been made for the actuarial value of the lump sum payable on retirement using the projected unit credit method. Under this method the cost of providing retirement indemnities is charged to the income statement so as to spread the cost over the period of service of the employees, in accordance with actuarial valuations which are performed every year. The pension obligation is measured at the present value of the estimated future cash flows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

##### (t) Pension obligations

The company participates in certain defined contribution and defined benefit pension plans. For defined benefit plans, the pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries, who value the plans at each balance sheet date. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognised over the average remaining service lives of employees.

The group's contributions to defined contribution pension plans are charged to the income statement in the year to which they relate.

##### (u) Repossessed properties

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

##### (v) Related party transactions

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

##### (w) Change in accounting policies

As explained in note 1 (h), with effect from 1 January 2002 the group has changed its accounting policy with respect to Investment Properties. This change in policy was accounted for by adjusting the group's opening retained earnings as at 1 January 2002. Comparative information has not been restated. The impact of this change in policy is set out in note 27.

##### (x) Segment reporting

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

##### (y) Treasury shares

Where the company or its subsidiaries purchase the company's share capital or obtains rights to purchase its share capital, the consideration paid including any attributable transaction costs net of income taxes is shown as a deduction from total shareholders' equity using the par value method. Gains and losses on sales of own shares are charged or credited to the special reserves account.

##### (z) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

## EFG EUROBANK ERGASIAS SA

### Notes to the accounts (continued)

#### 2. Use of financial instruments

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

The group also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances but the group also enters into guarantees and other commitments such as letters of credit.

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

##### Fair value hedges

The group hedges a proportion of its existing interest rate risk resulting from any potential decrease in the fair value of fixed rate available-for-sale bonds denominated both in local and foreign currencies using interest rate and cross currency interest rate swaps. The net fair value of these swaps at 31 December 2002 was € 307 million (2001: € 145 million) (note 19).

##### Cash flow hedges

As of 2002, the group hedges a proportion of its existing interest rate risk resulting from any cash flow variability associated with future interest rate changes on variable rate assets or liabilities or unrecognised highly probable forecast transactions using interest rate swaps. The net fair value of these swaps at 31 December 2002 was € 16 million (note 19).

##### Derivatives

The group maintains control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the group (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposure from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the group requires margin deposits from counterparties. Further details of the group's derivative instruments are provided in note 19.

##### Master netting arrangements

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

##### Market risk

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

The Value at Risk that the bank measures (VaR) is an estimate, with confidence level set at 95%, of the potential loss which will not be exceeded if the current positions were to be held unchanged for a 10-day horizon (holding period). The measurement is structured so that within a 10-day horizon losses exceeding the VaR figure should occur, on average, not more than once a year. Actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation.

Since VaR constitutes an integral part of the company market risk control regime, VaR limits have been established for all (trading and banking book) operations and actual exposure is reviewed daily by management. Average daily VaR for the bank in 2002 for a one day holding period was € 9.4 million (2001: € 14 million). However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

The group's credit risk, currency risk, interest rate risk and liquidity risk are discussed further in notes 20, 41, 42, and 43.

#### 3. Acquisition of Telesis Investment Bank SA

In 2001 the group acquired Telesis Investment Bank SA and accounted for this transaction by the purchase method of accounting, with an effective date 30 September 2001. The results of Telesis and of its subsidiaries have been included in the financial statements from 1 October 2001.

The value of the shares as at 30 September 2001 amounted to € 227.9 million. Goodwill has been calculated as follows:

|  | <b>€ '000</b>    |
|--|------------------|
| Value of Shares (18,963,636 shares valued @ € 12.02 per share) | <b>227,944</b>   |
| Fair Value of net assets acquired                              | <b>(210,028)</b> |
| Goodwill arising from acquisition 30 September 2001            | <b>17,916</b>    |

*(see also note 35 - share capital, share premium and treasury shares and the Consolidated Statement of changes in equity)*

The resulting goodwill of € 17.9 million is being amortised using the straight line method over its useful life, estimated by the directors at 15 years.

As at 30 September 2001, Telesis Investment Bank's assets totalled € 842 million and liabilities totalled € 632 million. Net income contributed from the date of acquisition to 31 December 2001 amounted to € 0.5 million.

**EFG EUROBANK ERGASIAS SA**

**Notes to the accounts (continued)**

**4. Acquisition of related closed-end mutual funds**

Ergoinvest SA is a closed-end mutual fund company, which carries out its business of investing mainly in listed Greek securities as well as in listed foreign securities. The Bank holds 30.74% of Ergoinvest and accounts for it as an associated undertaking (note 25).

Investment Development Fund SA is a closed-end mutual fund company, which carries out its business of investing mainly in listed Greek securities as well as in listed foreign securities. The Bank holds 35.01% of Investment Development Fund and accounts for it as a subsidiary undertaking (note 24).

On 7 November 2002, the directors of the bank, the directors of Investment Development Fund and the directors of Ergoinvest announced their intention to merge the companies. The bank agreed to acquire the remaining share capital of the funds in a share for share exchange of 1 EFG Eurobank Ergasias share for 6.7 Investment Development Fund shares and 1 EFG Eurobank Ergasias share for 9 Ergoinvest shares. The mergers are expected to give rise to negative goodwill which will be recognised as income in the year ending 31 December 2003. The transactions will be accounted for using the purchase method of accounting.

**Ergoinvest SA**

The legal formalities of the merger and the actual exchange of shares are expected to be concluded in April 2003. The merger will result in 10,108,526 EFG Eurobank Ergasias shares being issued as consideration and the simultaneous cancellation of 10,108,526 treasury shares, of which 2,027,000 are shares in the bank currently held by Ergoinvest SA and the balance are shares held under the treasury shares special scheme (note 35).

**Investment Development Fund SA**

The legal formalities of the proposed merger and the actual exchange of shares are expected to be concluded in September 2003. The proposed merger will result in approximately 2,500,000 EFG Eurobank Ergasias shares being issued as consideration and the simultaneous cancellation of an equal number of treasury shares, of which 448,500 are shares in the bank currently held by Investment Development Fund SA and the balance are shares held under the treasury shares special scheme (note 35).

**5. Net interest income**

|   | <b>2002</b>      | <b>2001</b>      |
|---|------------------|------------------|
|   | <b>€ '000</b>    | <b>€ '000</b>    |
| <b>Interest and discount income</b>       |                  |                  |
| Banks and customers                       | 1,188,911        | 1,134,864        |
| Trading securities                        | 127,575          | 132,616          |
| Other securities                          | 172,494          | 142,521          |
| <b>Total interest and discount income</b> | <b>1,488,980</b> | <b>1,410,001</b> |
| <b>Interest expense</b>                   |                  |                  |
| Banks and customers                       | (742,122)        | (776,886)        |
| Liabilities evidenced by paper            | (25,425)         | (18,785)         |
| <b>Total interest expense</b>             | <b>(767,547)</b> | <b>(795,671)</b> |
| <b>Net interest income</b>                | <b>721,433</b>   | <b>614,330</b>   |

**6. Dividend income**

|  | <b>2002</b>   | <b>2001</b>   |
|--|---------------|---------------|
|  | <b>€ '000</b> | <b>€ '000</b> |
| Available-for-sale investment securities | 4,329         | 12,012        |
| Trading securities                       | 1,584         | 968           |
|  | <b>5,913</b>  | <b>12,980</b> |

**7. Net trading income / (loss)**

|                           | <b>2002</b>     | <b>2001</b>   |
|---------------------------|-----------------|---------------|
|                           | <b>€ '000</b>   | <b>€ '000</b> |
| Interest rate instruments | (9,751)         | 17,869        |
| Equities                  | (23,908)        | (15,430)      |
| Foreign exchange          | 3,755           | 13,696        |
| <b>Total</b>              | <b>(29,904)</b> | <b>16,135</b> |

Foreign exchange net trading income includes gains and losses from spot and forward contracts, options, futures and translated foreign currency assets and liabilities. Interest rate instruments includes the results of making markets in instruments in government securities, corporate debt securities, money market instruments, interest rate and currency swaps, options and other derivatives. Equities trading income includes the results of making markets in equity securities and equity derivatives such as swaps, options, futures and forward contracts.

**EFG EUROBANK ERGASIAS SA**

**Notes to the accounts (continued)**

| 8. Gains less losses from other securities | 2002<br>€ '000 | 2001<br>€ '000 |
|--|----------------|----------------|
| Available-for-sale investment securities   | 12,636         | 20,719         |
| Other investment securities                | 4,889          | 14,597         |
| <b>Total</b>                               | <b>17,525</b>  | <b>35,316</b>  |

| 9. Operating expenses                           | 2002<br>€ '000 | 2001<br>€ '000 |
|---|----------------|----------------|
| Staff costs (note 10)                           | 325,542        | 288,889        |
| Professional services                           | 24,122         | 21,872         |
| Advertising and marketing                       | 25,653         | 26,354         |
| Administrative expenses                         | 120,995        | 104,464        |
| Depreciation                                    | 73,967         | 64,454         |
| (Profit)/loss on sale of property and equipment | 116            | (419)          |
| Amortisation of goodwill (notes 25 and 26)      | 3,955          | 2,040          |
| Operating lease rentals                         | 34,640         | 29,588         |
| Other   | 2,149          | 10,805         |
|   | <b>611,139</b> | <b>548,047</b> |

| 10. Staff costs                           | 2002<br>€ '000 | 2001<br>€ '000 |
|---|----------------|----------------|
| Wages, salaries and staff bonuses         | 236,441        | 209,750        |
| Social security costs                     | 47,936         | 43,214         |
| Pension costs defined contribution scheme | 10,242         | 7,262          |
| Pension costs defined benefit scheme      | 5,043          | 5,352          |
| Other                                     | 25,880         | 23,311         |
|   | <b>325,542</b> | <b>288,889</b> |

The average number of employees of the group during the year was 9,319 (2001: 8,466). As at year end, the number of employees of the group including 3,451 employees of Banc Post Roumania was 12,172 (2001: 8,546).

The company operates defined benefit and defined contribution schemes. The assets of the schemes are held separately by an independent insurance company or an independent pension fund.

| 11. Income tax expense                                     | 2002<br>€ '000 | 2001<br>€ '000 |
|--|----------------|----------------|
| Corporation tax at 35% (2001: 37.5%) (see below)           | 65,595         | 104,895        |
| Deferred tax charge (credit) (note 12)                     | 24,340         | 10,160         |
| Tax discount   | (1,744)        | (1,902)        |
| Additional tax agreed with the tax authorities (see below) | 1,255          | 2,007          |
| Overseas taxes   | 3,554          | 2,146          |
| Share of associated undertakings' taxation                 | 1,909          | 2,321          |
| Total tax charge   | <b>94,909</b>  | <b>119,627</b> |

In 2002, the Greek tax authorities audited former Cretabank SA for the period 1997 until 30 June 1999. The audit resulted in an additional tax charge of € 1.2 million. In 2001, the Greek tax authorities audited former Ergobank SA for the periods 1998 and 1999. The audit resulted in an additional tax charge of € 2.0 million.

The rate of tax was 35% in 2002 (2001: 37.5%). In accordance with special incentives for mergers, the parent company tax rate for 2002 is 25%, 10 percentage points lower than the corporate tax rate. The reconciliation between income tax expense (effective tax rate) and the tax expense at the current tax rate is summarised as follows :

|  | 2002<br>€ '000 | 2001<br>€ '000 |
|--|----------------|----------------|
| Accounting Profit  | 278,134        | 335,122        |
| Tax at the applicable tax rate of 35% (2001: 37.5%)  | 97,347         | 125,670        |
| - parent company benefit from reduced tax rate (25%)   | (28,022)       |                |
| - tax effect of valuation temporary differences  | 1,072          | 2,072          |
| - tax effect of non-taxable (gains)/losses on listed shares and derivatives by parent company                | 636            | 6,154          |
| - tax effect of directors and employee's bonus treated as distribution of profits, and of proposed dividends | 6,253          | 4,258          |
| - tax effect of income from dividends not subject to tax   | (974)          | (2,993)        |
| - tax effect of (income)/losses by subsidiaries and associates not subject to tax/not tax deductible         | 18,885         | (4,050)        |
| - tax effect of non tax-deductible expenses and other non taxable income                                     | (4,248)        | (9,834)        |
| - additional tax (see above)   | 1,255          | 2,007          |
| - tax effect of other differences  | 2,705          | (3,657)        |
|  | <b>94,909</b>  | <b>119,627</b> |

**EFG EUROBANK ERGASIAS SA**

**Notes to the accounts (continued)**

**12. Deferred income taxes**

Deferred income taxes are calculated on all temporary differences under the liability method using an expected effective tax rate of 32.5% (2001: 34.6%).

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

|   | <b>2002</b>   | <b>2001</b>   |
|---|---------------|---------------|
|   | <b>€ '000</b> | <b>€ '000</b> |
| At 1 January                                  | 32,382        | 42,882        |
| Arising from acquisition of Telesis           | 0             | 1,218         |
| Impact of adoption of IAS 40 fair value model | (9,932)       | 0             |
| Fair Value Hedges - Equity Reserves           | 59,538        | 17,996        |
| Income statement (charge) / credit            | (24,340)      | (10,160)      |
| Cash flow hedges                              | 3,790         | 0             |
| Equity reserve charge / (credit)              | (44,563)      | (19,554)      |
| At 31 December                                | <u>16,875</u> | <u>32,382</u> |

Deferred income tax assets and (liabilities) are attributable to the following items :

|  |               |               |
|--|---------------|---------------|
| Valuation temporary differences accounted direct to special reserves | (93,916)      | (11,806)      |
| Valuation temporary differences                                      | 88,328        | (2,720)       |
| Valuation temporary differences - IAS 40                             | (20,226)      | 0             |
| Cash flow hedges   | 3,790         | 0             |
| Depreciation temporary differences                                   | 2,822         | 2,339         |
| Pensions and other post retirement benefits                          | 6,748         | 6,806         |
| Loan provisions  | 27,032        | 36,294        |
| Interest temporary differences                                       | 206           | 1,197         |
| Other temporary differences  | 2,091         | 272           |
| <b>Deferred income tax assets</b>                                    | <u>16,875</u> | <u>32,382</u> |

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

|   |               |               |
|---|---------------|---------------|
| Valuation temporary differences             | 5,881         | 1,855         |
| Depreciation temporary differences          | (241)         | 519           |
| Valuation temporary differences - IAS 40    | 10,295        | 0             |
| Pensions and other post retirement benefits | (25)          | (205)         |
| Loan provisions                             | 9,262         | 5,112         |
| Interest temporary differences              | 991           | 3,152         |
| Other temporary differences                 | (1,823)       | (273)         |
| <b>Deferred income tax assets</b>           | <u>24,340</u> | <u>10,160</u> |

Deferred tax liabilities have not been established in respect of certain reserves of the group which are only taxable in the event of their distribution as there is no intention to distribute such reserves. These reserves amounted to € 413 million at 31 December 2002 (2001: € 430 million) (see note 36).

**13. Earnings per share**

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

For the diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of share options granted to employees. For the share options the number of shares that could have been acquired at market price (determined as the average annual share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options is determined; the residual bonus shares are added to the ordinary shares outstanding, but no adjustment is made to net profit.

|   |        | <b>2002</b> | <b>2001</b> |
|---|--------|-------------|-------------|
| Net profit attributable to shareholders                         | € '000 | 184,243     | 205,538     |
| Weighted average number of ordinary shares in issue             | Shares | 302,566,928 | 291,212,127 |
| Weighted average number of ordinary shares for diluted earnings | Shares | 303,021,344 | 291,356,587 |
| Basic earnings per share  | €      | <u>0.61</u> | <u>0.71</u> |
| Diluted earnings per share                                      | €      | <u>0.61</u> | <u>0.71</u> |

**14. Cash and balances with central banks**

|  | <b>2002</b>      | <b>2001</b>      |
|--|------------------|------------------|
|  | <b>€ '000</b>    | <b>€ '000</b>    |
| Cash in hand                               | 264,117          | 156,942          |
| Balances with central banks                | 775,006          | 1,111,786        |
|  | <u>1,039,123</u> | <u>1,268,728</u> |
| of which :                                 |                  |                  |
| Mandatory deposits with the Bank of Greece | <u>235,288</u>   | <u>550,466</u>   |

Mandatory deposits with the Bank of Greece represent the minimum level of average monthly deposit which the bank is required to maintain. These funds can be withdrawn at any time provided the average monthly minimum is maintained. In 2001, such deposits with the Bank of Greece were not withdrawable. Accordingly, these deposits are included in cash and cash equivalents in the 2002 Cash Flow Statements whereas in 2001 they were excluded.

**EFG EUROBANK ERGASIAS SA**

**Notes to the accounts (continued)**

|  |                  |                  |
|--|------------------|------------------|
| <b>15. Cash and cash equivalents</b>   | <b>2002</b>      | <b>2001</b>      |
|  | <b>€ '000</b>    | <b>€ '000</b>    |
| For the purpose of the cash flow statement, cash and cash equivalents comprises the following balances with less than 90 days maturity : |                  |                  |
| Cash and balances with central banks   | 1,039,123        | 718,260          |
| Treasury bills and other eligible bills  | 130,185          | 0                |
| Due from other banks   | 1,566,387        | 1,270,347        |
| Trading securities   | 187,837          | 62,887           |
|  | <u>2,923,532</u> | <u>2,051,494</u> |

|   |               |               |
|---|---------------|---------------|
| <b>16. Treasury bills &amp; other eligible bills</b>    | <b>2002</b>   | <b>2001</b>   |
|   | <b>€ '000</b> | <b>€ '000</b> |
| Treasury bills  | 456,425       | nil           |
| Credit facility with central banks secured by the above | 122,780       | nil           |

Treasury bills and other eligible bills are debt securities issued by the Greek Government for a term of three months, six months, or a year. Bills are carried at their fair value.

|  |                  |                  |
|--|------------------|------------------|
| <b>17. Due from other banks</b>                | <b>2002</b>      | <b>2001</b>      |
|  | <b>€ '000</b>    | <b>€ '000</b>    |
| Items in course of collection from other banks | 179,534          | 125,296          |
| Placements with other banks                    | 1,386,853        | 1,161,040        |
|  | <u>1,566,387</u> | <u>1,286,336</u> |
| Including unsubordinated amounts due from :    |                  |                  |
| - fellow subsidiary and associate undertakings | 282,823          | 54,864           |
| - settlement balances with banks               | 328,245          | 332,264          |
| - parent undertakings                          | 0                | 3                |
| Including pledged deposits with :              |                  |                  |
| - banks  | 172,875          | 101,952          |

|   |                  |                  |
|---|------------------|------------------|
| <b>18. Trading securities</b>                           | <b>2002</b>      | <b>2001</b>      |
|   | <b>€ '000</b>    | <b>€ '000</b>    |
| Issued by public bodies :                               |                  |                  |
| - government  | 2,730,495        | 934,424          |
| - other public sector securities                        | 371,747          | 85,966           |
|   | <u>3,102,242</u> | <u>1,020,390</u> |
| Issued by other issuers :                               |                  |                  |
| - banks   | 15,163           | 23,466           |
| - other   | 145,614          | 66,958           |
|   | <u>160,777</u>   | <u>90,424</u>    |
| Total   | <u>3,263,019</u> | <u>1,110,814</u> |
| Equity Securities                                       | 15,686           | 23,020           |
| Debt Securities   | 3,247,333        | 1,087,794        |
|   | <u>3,263,019</u> | <u>1,110,814</u> |
| Credit facility with central banks secured by the above | 394,576          | 276,590          |

**19. Derivative financial instruments**

The group utilises the following derivative instruments for both hedging and non-hedging purpose:

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

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

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

EFG EUROBANK ERGASIAS SA

Notes to the accounts (continued)

19. Derivative financial instruments (continued)

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

|  | 2002                                      |                  |                       | 2001                                      |                  |                       |
|--|---|------------------|-----------------------|---|------------------|-----------------------|
|  | Contract/<br>notional<br>amount<br>€ '000 | Fair values      |                       | Contract/<br>notional<br>amount<br>€ '000 | Fair values      |                       |
|  |   | Assets<br>€ '000 | Liabilities<br>€ '000 |   | Assets<br>€ '000 | Liabilities<br>€ '000 |
| <b>Derivatives held for trading</b>                              |   |                  |                       |   |                  |                       |
| OTC currency derivatives   |   |                  |                       |   |                  |                       |
| - Currency forwards  | 296,473                                   | 7,209            | (6,083)               | 164,792                                   | 1,302            | (2,392)               |
| - Currency swaps   | 1,857,194                                 | 15,198           | (50,602)              | 2,137,767                                 | 45,315           | (5,952)               |
| - OTC currency options bought and sold                           | 453,474                                   | 11,565           | (11,566)              | 461,347                                   | 7,384            | (6,178)               |
| Total  |   | 33,972           | (68,251)              |   | 54,001           | (14,522)              |
| OTC interest rate derivatives                                    |   |                  |                       |   |                  |                       |
| - Interest rate swaps  | 3,155,218                                 | 22,202           | (47,657)              | 2,387,698                                 | 10,521           | (20,552)              |
| - Cross-currency interest rate swaps                             | 559,375                                   | 43,831           | (27,981)              | 718,389                                   | 54,858           | (52,663)              |
| - Forward Rate Agreements  | 200,000                                   | 39               | (129)                 | 0   | 0                | 0                     |
| - OTC interest rate options                                      | 570,359                                   | 32               | (724)                 | 100,000                                   | 1,497            | (602)                 |
| Sub Total  |   | 66,104           | (76,491)              |   | 66,876           | (73,817)              |
| Exchange traded interest rate futures                            | 773,889                                   | 586              | (8,153)               | 357,667                                   | 2,600            | (3,328)               |
| Exchange traded interest rate options                            | 250,000                                   | 0                | (1,531)               | 0   | 0                | 0                     |
| Total  |   | 66,690           | (86,175)              |   | 69,476           | (77,145)              |
| OTC Index Options bought and sold                                | 635,030                                   | 42,247           | (23,309)              | 60,933                                    | 7,073            | (3,334)               |
| Exchange traded Index futures                                    | 24,668                                    | 0                | (80)                  | 21,687                                    | 253              | (252)                 |
| Exchange traded Index options bought and sold                    | 57,766                                    | 5,791            | (4,855)               | 31,956                                    | 1,599            | (1,817)               |
| Forward Security contracts                                       | 4,743,580                                 | 14,829           | (23,603)              | 881,790                                   | 1,356            | (1,203)               |
| Commodity swaps  | 32,529                                    | 139              | (139)                 | 0   | 0                | 0                     |
| Embedded derivatives   |   |                  |                       |   |                  |                       |
| - Clients' deposits connected to index options                   | 165,580                                   | 0                | (6,847)               | 60,933                                    | 0                | (766)                 |
| - Clients' deposits connected to currency options                | 0   | 0                | 0                     | 123,269                                   | 0                | (1,004)               |
| Total  |   | 63,006           | (58,833)              |   | 10,281           | (8,376)               |
| Other trading liabilities  |   |                  |                       |   |                  |                       |
| - Securities sold not yet repurchased                            |   | 0                | (6,603)               |   | 0                | (472)                 |
| Total derivative assets/(liabilities) held for trading           |   | 163,668          | (219,862)             |   | 133,758          | (100,515)             |
| <b>Derivatives designated as fair value hedges</b>               |   |                  |                       |   |                  |                       |
| Interest rate swaps  | 2,444,782                                 | 25               | (273,817)             | 1,343,786                                 | 980              | (122,040)             |
| Cross-currency interest rate swaps                               | 109,681                                   | 0                | (33,005)              | 90,988                                    | 0                | (23,702)              |
| Total  |   | 25               | (306,822)             |   | 980              | (145,742)             |
| <b>Derivatives designated as cash flow hedges</b>                |   |                  |                       |   |                  |                       |
| Interest rate swaps  | 295,000                                   | 0                | (16,472)              | 0   | 0                | 0                     |
| Total derivatives assets/(liabilities) used for hedging purposes |   | 25               | (323,294)             |   | 980              | (145,742)             |
| <b>Total Derivatives Assets / (Liabilities)</b>                  |   | 163,693          | (543,156)             |   | 134,738          | (246,257)             |

20. Loans and advances to customers

|   | 2002<br>€ '000 | 2001<br>€ '000 |
|---|----------------|----------------|
| Lending to medium size and large corporate entities | 7,597,994      | 6,610,510      |
| Consumer lending                                    | 2,725,483      | 2,061,359      |
| Mortgage lending                                    | 2,297,899      | 1,728,873      |
| Small business lending                              | 1,136,690      | 824,923        |
| Other   | 87,813         | 125,096        |
| Provision for impairment losses (note 21)           | (420,141)      | (377,153)      |
|   | 13,425,738     | 10,973,608     |
| of which :  |                |                |
| - due from associated undertakings, unsubordinated  | 73,836         | 92,778         |
| - settlement balances with customers                | 84,998         | 19,167         |

Credit Risk

The group takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review.

As one of the largest private banking groups in Greece, the group is active in the corporate and retail lending market. Credit risk is well spread over a diversity of personal and commercial customers.

**EFG EUROBANK ERGASIAS SA**

**Notes to the accounts (continued)**

**20. Loans and advances to customers (continued)**

Economic sector risk concentrations within the group's customer loan portfolio were as follows :

|                       | <b>2002</b> | <b>2001</b> |
|-----------------------|-------------|-------------|
|                       | <b>%</b>    | <b>%</b>    |
| Commerce and services | 39%         | 36%         |
| Private individuals   | 39%         | 35%         |
| Manufacturing         | 16%         | 14%         |
| Shipping              | 2%          | 3%          |
| Construction          | 2%          | 2%          |
| Government bodies     | 1%          | 1%          |
| Other                 | 1%          | 9%          |
|                       | <b>100%</b> | <b>100%</b> |

Geographic sector risk concentrations within the group's customer loan portfolio were as follows :

|                                  | <b>2002</b>       |             | <b>2001</b>       |             |
|----------------------------------|-------------------|-------------|-------------------|-------------|
|                                  | <b>€ '000</b>     | <b>%</b>    | <b>€ '000</b>     | <b>%</b>    |
| Greece                           | 13,053,216        | 98%         | 10,905,957        | 99%         |
| Other Western European countries | 185,435           | 1%          | 65,112            | 1%          |
| Other countries                  | 187,087           | 1%          | 2,539             | 0%          |
|                                  | <b>13,425,738</b> | <b>100%</b> | <b>10,973,608</b> | <b>100%</b> |

The group reduces its credit risk associated with loans and advances to customers by entering into collateralised arrangements. The type of collateral that the group obtains are cash deposits, real estate, securities, vessels and bank guarantees. The value of the collaterals that the group as of 31 December 2002 has obtained amount to 33% (2001: 37%) of the total aggregate amount of the gross loans and advances to customers.

**21. Provisions for impairment losses on loans and advances**

|   | <b>2002</b>    | <b>2001</b>    |
|---|----------------|----------------|
|   | <b>€ '000</b>  | <b>€ '000</b>  |
| At 1 January  | 377,153        | 320,531        |
| Arising from acquisition of Telesis                         | 0              | 14,588         |
| Arising from acquisition of Bank Post Romania               | 9,470          | 0              |
| Impairment losses on loans and advances charged in the year | 97,961         | 67,683         |
| Transfers (to)/from other provisions                        | 598            | 0              |
| Recoveries  | 2,090          | 0              |
| Loans written off during the year as uncollectible          | (67,131)       | (25,649)       |
| At 31 December  | <b>420,141</b> | <b>377,153</b> |

**22. Available-for-sale investment securities**

|   | <b>2002</b>      | <b>2001</b>      |
|---|------------------|------------------|
|   | <b>€ '000</b>    | <b>€ '000</b>    |
| Issued by public bodies :                               |                  |                  |
| - government  | 2,773,540        | 2,325,227        |
| - other public sector                                   | 27,925           | 226,665          |
|   | <b>2,801,465</b> | <b>2,551,892</b> |
| Issued by other issuers :                               |                  |                  |
| - banks   | 179,083          | 143,140          |
| - other   | 463,027          | 555,897          |
|   | <b>642,110</b>   | <b>699,037</b>   |
| Total   | <b>3,443,575</b> | <b>3,250,929</b> |
| Listed  | 3,379,241        | 3,142,850        |
| Unlisted  | 64,334           | 108,079          |
|   | <b>3,443,575</b> | <b>3,250,929</b> |
| Equity  | 166,961          | 332,159          |
| Debt  | 3,276,614        | 2,918,770        |
|   | <b>3,443,575</b> | <b>3,250,929</b> |
| Unamortised discounts and premiums included above       | 18,492           | 31,803           |
| Pledged securities with capital market companies        | 944              | 1,282            |
| Credit facility with central banks secured by the above | 570,671          | nil              |

**EFG EUROBANK ERGASIAS SA**

**Notes to the accounts (continued)**

**22. Available-for-sale investment securities (continued)**

|  | <b>2002</b>      | <b>2001</b>      |
|--|------------------|------------------|
|  | <b>€ '000</b>    | <b>€ '000</b>    |
| The movement in the account is as follows:       |                  |                  |
| Net book value at 1 January                      | 3,250,929        | 1,297,893        |
| Arising from acquisition of Telesis              | 0                | 35,551           |
| Arising from acquisition of Bank Post of Romania | 43,361           | 0                |
| Exchange adjustments                             | (31,062)         | (3,903)          |
| Acquisitions                                     | 2,932,309        | 2,176,684        |
| Disposals and redemptions                        | (2,819,156)      | (642,550)        |
| Reclassification to / from subsidiaries          | (126,138)        | 0                |
| Transfers (see below)                            | 0                | 359,249          |
| Amortisation of discounts and premiums           | (3,236)          | 665              |
| Net gains / (losses) from changes in fair value  | 196,568          | 27,340           |
| Net book value at 31 December                    | <b>3,443,575</b> | <b>3,250,929</b> |

In 2001 unanticipated changes in market conditions necessitated the bank to reassess existing market positions and as a result to dispose of investment securities (originally classified as held to maturity) of € 240 million and transfer € 359 million to the available-for-sale portfolio and € 70 million to the trading portfolio.

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

Gains and losses arising from the changes in the fair value of available-for-sale investments are also recognised directly in special IAS 39 reserves in equity. The movement of the reserve in 2002 was as follows:

|   | <b>2002</b>      | <b>2001</b>     |
|---|------------------|-----------------|
|   | <b>€ '000</b>    | <b>€ '000</b>   |
| As at 1 January   | 16,073           | 28,202          |
| Net gains / (losses) from changes in fair value                                     | 196,568          | 27,340          |
| Deferred income taxes   | (77,205)         | (22,996)        |
| Minority share of changes in fair value   | (23,419)         | 31,671          |
|   | <b>95,944</b>    | <b>36,015</b>   |
| Net (gains) / losses transferred to net profit on disposa                           | (95,572)         | (18,588)        |
| Deferred income taxes   | 32,642           | 3,442           |
| Provision for valuation losses transferred to net profit                            | 14,282           | 0               |
| Minority share of net gains / losses transferred to net profit on disposal          | (12,443)         | 6,142           |
|   | <b>(61,091)</b>  | <b>(9,004)</b>  |
| Net (gains) / losses transferred to net profit from fair value hedges               | (171,955)        | (57,136)        |
| Deferred income taxes   | 59,538           | 17,996          |
| Minority share of net gains / losses transferred to net profit on fair value hedges | 2,944            | 0               |
|   | <b>(109,473)</b> | <b>(39,140)</b> |
| As at 31 December   | <b>(58,547)</b>  | <b>16,073</b>   |

The above table excludes the impact of the adjustments to the available-for-sale investment portfolios of the associated undertakings which are shown separately in Note 25 the cumulative net effect of which amounted to € 114 million reduction (2001: € 110 million reduction).

Further decline in fair values other than provisions for valuation losses transferred to net profit as above, is considered by the directors as temporary.

**23. Other investment securities**

|   | <b>2002</b>          |                     | <b>2001</b>          |                     |
|---|----------------------|---------------------|----------------------|---------------------|
|   | <b>Balance Sheet</b> | <b>Market Value</b> | <b>Balance Sheet</b> | <b>Market Value</b> |
|   | <b>€ '000</b>        | <b>€ '000</b>       | <b>€ '000</b>        | <b>€ '000</b>       |
| Receivables originated by the enterprise                | <b>123,581</b>       | <b>128,095</b>      | 246,700              | 260,197             |
| Issued by public bodies :                               |                      |                     |                      |                     |
| - government  | 120,598              | 124,979             | 213,928              | 227,032             |
| Issued by other issuers                                 | 2,983                | 3,116               | 32,772               | 33,165              |
| Total, all listed                                       | <b>123,581</b>       | <b>128,095</b>      | 246,700              | 260,197             |
| Unamortised discounts and premiums included above       | <b>688</b>           |                     | 2,045                |                     |
| Credit facility with central banks secured by the above | <b>nil</b>           |                     | 24,816               |                     |

**EFG EUROBANK ERGASIAS SA**

**Notes to the accounts (continued)**

**24. Shares in subsidiary undertakings**

|   | <u>%</u> | <u>Country of incorporation</u> | <u>Line of business</u>                     |
|---|----------|---------------------------------|---|
| EFG Private Bank (Luxembourg) SA                | 75       | Luxembourg                      | Financial Institution                       |
| EFG Eurobank Ergasias Leasing SA                | 99       | Greece                          | Leasing                                     |
| EFG Eurobank Ergasias Securities SA             | 100      | Greece                          | Capital markets and investment services     |
| Eurobank Cards SA                               | 100      | Greece                          | Credit card management                      |
| EFG Telesis Finance SA                          | 100      | Greece                          | Investment banking                          |
| EFG Life Insurance SA                           | 100      | Greece                          | Insurance services                          |
| EFG Property and Casualty Insur. SA             | 100      | Greece                          | Insurance services                          |
| EFG Mutual Fund Mangt. Co. SA                   | 88       | Greece                          | Mutual fund management                      |
| Telesis Asset Management Company SA             | 100      | Greece                          | Asset Management                            |
| EFG Factors SA                                  | 100      | Greece                          | Factoring                                   |
| Banc Post SA                                    | 36       | Romania                         | Financial Institution                       |
| EFG Business Services SA                        | 100      | Greece                          | Payroll and advisory services               |
| EFG Eurobank Properties SA                      | 50       | Greece                          | Real estate services and investment         |
| ELDEPA SA                                       | 50       | Greece                          | Property rental                             |
| EFG Eurobank Ergasias International (C.I.) Ltd. | 100      | Channel Islands                 | Off shore banking                           |
| OPEN 24 SA                                      | 100      | Greece                          | Sundry services                             |
| EFG Insurance Services SA                       | 65       | Greece                          | Insurance brokerage                         |
| Ergoinsurance Brokerage SA                      | 65       | Greece                          | Insurance brokerage                         |
| Autorental SA                                   | 100      | Greece                          | Vehicle leasing and rental                  |
| EFG Business Exchanges SA                       | 60       | Greece                          | Business-to business electronic commerce    |
| Investment Development Fund SA                  | 35       | Greece                          | Closed-end mutual fund                      |
| EFG Euroinvestment Development SA               | 50       | Greece                          | Closed-end mutual fund                      |
| EFG Internet Services SA                        | 100      | Greece                          | Internet and electronic banking             |
| Quality Management Services SA                  | 51       | Greece                          | Quality monitoring and improvement Services |
| Bulgarian Retail Services JSC                   | 100      | Bulgaria                        | Credit Card Management                      |
| EFG Hellas Plc.                                 | 100      | United Kingdom                  | Special purpose financing vehicle           |
| EFG Hellas Cayman Islands Plc                   | 100      | Cayman Islands                  | Special purpose financing vehicle           |
| Telesis Direct SA                               | 100      | Greece                          | Electronic Brokerage                        |
| Hellas on Line SA                               | 100      | Greece                          | Internet and Telecom Services               |

Current year events and other significant notes relating to investments in subsidiary undertakings are :

**(a) Merger between former EFG Eurobank Leasing SA and Ergoleasing SA**

On 11 February 2002, EFG Eurobank Leasing and Ergoleasing merged to form EFG Eurobank Ergasias Leasing SA. The company owns 99.37% of the share capital of the newly formed entity.

**(b) EFG Telesis Finance SA (formerly EFG Finance SA)**

On 31 May 2002, EFG Finance SA absorbed the following 100% subsidiaries of the Bank: Ergofinance SA, Ergo Mutual Funds Management Company SA and Telesis Mutual Funds Management Company SA, to form EFG Finance SA. The company owns 100% of the share capital of the newly formed entity.

EFG Finance SA was renamed EFG Telesis Finance SA.

On 4 March 2002, the company acquired the remaining 50% of the share capital of Telesis Mutual Funds Management Company SA and held 100% of the entity's share capital until it was absorbed by EFG Telesis Finance SA.

**(c) Telesis Asset Management Company SA**

On 27 March 2002, the company acquired the remaining 23.5% of the share capital of Telesis Asset Management Company SA and now owns 100% of the entity's share capital.

**(d) EFG Factors SA**

On 19 December 2002, a capital increase in cash of € 3 million was approved by the shareholders in order to finance future expansion plans. As a result, the share capital of the subsidiary undertaking increased in the year from € 6 million to € 9 million.

**(e) Banc Post SA (Romania)**

On 8 November 2002, the company acquired, in addition to the 19.25% already held in Banc Post, a further 17% from the Romanian Authority for Privatization and Management of the State Ownership (APAPS) increasing its stake in Banc Post to 36.25% and achieving control over its strategic and operating activities. This was in line with the bank's strategic planning for further development in South Eastern Europe. EFG Eurobank Ergasias' stake in Banc Post has the potential of being raised to 45% since the bank also holds an option for the purchase in 2004 of the percentage (8.75%) of Banc Post shares currently owned by General Electric Capital Corp. Consequently, the bank together with Banco Portugues de Investimento (BPI) with which it has been cooperating since July 2000, holds a combined stake of 53.25% of Banc Post, with a future potential of raising the combined participation to 62%.

Following this increase in the bank's holding, this investment now falls under the regulatory supervision of the Bank of Greece. The financial statements are being consolidated into EFG Eurobank Ergasias' accounts using the method of purchase accounting as of November 2002. In cooperation with BPI, EFG Eurobank Ergasias is planning for the appointment of new management, the growth of Banc Post's business, the array of products and services offered to its customers and the improvement of its technical infrastructure, in order to render Banc Post a provider of high standard services in the Romanian banking sector.

**EFG EUROBANK ERGASIAS SA**

**Notes to the accounts (continued)**

**24. Shares in subsidiary undertakings (continued)**

**(f) Merger between former EFG Insurance Services SA and Ergoinsurance Brokerage SA**

**Post balance sheet event**

EFG Insurance Services SA and Ergoinsurance Brokerage SA are in the process of merging. The company currently owns 65% of the share capital of each entity.

**(g) EFG Eurobank Properties SA**

On 22 April 2002, a capital increase in cash of € 0.6 million was approved by the shareholders. As a result, the share capital of the subsidiary undertaking increased in the year from € 14.1 million to € 14.7 million.

**(h) Autorental SA**

On 8 May 2002, the company acquired the remaining 25% of the share capital of Autorental SA and increased its holding to 100% of the entity's share capital.

**(i) Investment Development Fund SA**

On 7 November 2002 the directors of EFG Eurobank Ergasias SA and the directors of Investment Development Fund SA announced their intention to merge (see note 4). The merge is expected to be completed in September 2003.

**(j) Quality Management Services SA (formerly EFG Quality Management Services SA)**

On 5 April 2002, EFG Quality Management Services SA was renamed Quality Management Services SA.

**(k) Bulgarian Retail Services JSC**

On 8 July 2002, the company through its shareholding in EFG Eurobank Cards SA, incorporated a 100% subsidiary of Bulgarian Retail Services JSC, which carries out its business of credit card management from its registered office in Bulgaria.

**(l) EFG Hellas Cayman Islands PLC**

On 26 April 2002, the company established EFG Hellas (Cayman Islands) PLC a special purpose financing vehicle incorporated in the Cayman Islands and holds 100% of its share capital. The issuance of all debt instruments by the entity are guaranteed by the company.

**(m) Telesis Direct SA**

On 27 June 2002, the company acquired the remaining 22% of the share capital of Telesis Direct SA and now owns 100% of the entity's share capital.

**(n) Hellas on Line SA (formerly Comquest SA)**

In May 2002, the company acquired the remaining 60% of Comquest SA's share capital, increasing its stake to 100% and thus achieving control over its strategic and operating activities. On 28 June 2002, Comquest SA was renamed Hellas on Line SA. The subsidiary has been accounted for in the consolidated financial statements using the acquisition method of accounting from 1 June 2002 to 31 December 2002. For the period 1 January 2002 to 31 May 2002 and in 2001, the investment has been accounted for using the equity method of accounting.

**(o) Greek Progress Fund SA**

The company owns 15% of the Greek Progress Fund SA, a closed-end mutual fund. As of 1 January 2002, since the bank has no longer the power to control the company nor exercise significant influence over it, the entity is no longer consolidated but is classified as an available for sale investment.

**(p) Postbanka AD (Serbia)**

**Post balance sheet event**

On 11 November 2002 EFG Eurobank Ergasias SA signed pre-agreements for the acquisition of 67% of the shares of Postbanka AD, a bank operating in Serbia. The acquisition is expected to be completed in the first half of 2003, subject to due diligence and approvals by the authorities.

**25. Investments in associated undertakings**

|  | <b>2002</b>    | <b>2001</b>    |
|--|----------------|----------------|
|  | <b>€ '000</b>  | <b>€ '000</b>  |
| At 1 January   | 108,065        | 167,545        |
| Goodwill arising on acquisition net of amortization € 0.5 million) | 17,864         | (6,031)        |
| Establishment of new associates                                    | 12,198         | 0              |
| Disposal of associates (see (c) below)                             | (2,735)        | 0              |
| Transfer to available-for-sale investment (see (a) below)          | (2,811)        | 0              |
| Transfer to subsidiaries fully consolidated (see note 24)          | (1,085)        | 0              |
| Dividends collected  | (4,839)        | (13,720)       |
| Participation in capital increase of associates (see below)        | 3,057          | 602            |
| Share of associates available-for-sale investment                  |                |                |
| securities revaluation losses (IAS 39 net fair value results)      | (27,862)       | (45,300)       |
| Net gains / losses transferred to net profit on disposal           | 14,800         | 0              |
| Provision for valuation losses transferred to net profit           | 9,000          | 0              |
| Share of current year's profit / (loss) before tax                 | (18,139)       | 7,290          |
| Share of current year's tax (see also note 11)                     | (1,909)        | (2,321)        |
| At 31 December   | <b>105,604</b> | <b>108,065</b> |

**EFG EUROBANK ERGASIAS SA**

**Notes to the accounts (continued)**

**25. Investments in associated undertakings (continued)**

| <u>Principal Associates</u>   | <u>%</u> | <u>Country of incorporation</u> | <u>Line of business</u>       | <u>Balance Sheet Value</u><br><u>€ '000</u> |
|-------------------------------|----------|---------------------------------|-------------------------------|---|
| ALICO CEH BALKAN HOLDINGS LTD | 50.00    | Cyprus                          | Holding company               | 4,745                                       |
| BULGARIAN POST BANK AD        | 43.12    | Bulgaria                        | Financial institution         | 28,722                                      |
| TEFIN SA                      | 50.00    | Greece                          | Motor vehicle sales financing | 6,567                                       |
| UNITBANK SA                   | 50.00    | Greece                          | Financial institution         | 5,552                                       |
| ERGOINVEST SA                 | 30.74    | Greece                          | Closed end mutual fund        | 55,248                                      |
| ERGOINVEST ADVISORS SA        | 64.67    | Greece                          | Investment advisors           | (539)                                       |
| ZINON AKINHTA SA              | 25.05    | Greece                          | Investment property           | 1,800                                       |
| KYDON SA                      | 100.00   | Greece                          | Investment property           | 760   |
| SOFITEL SA                    | 20.20    | Greece                          | Hotelier                      | 2,749                                       |
|                               |          |                                 |                               | <u>105,604</u>                              |

Associates are accounted for in the consolidated financial statements using the equity method of accounting.

Current year events and other significant notes:

**(a) Kantor Management Consultants SA**

In August 2002, Kantor Management Consultants SA increased its share capital. The company did not participate in the increase and its shareholding decreased from 20% to 18.97%. Since it does not exercise significant influence on Kantor Management Consultants SA the investment has been reclassified as an available-for-sale investment.

**(b) Alico CEH Balkan Holdings LTD / Bulgarian Post Bank AD**

On 5 August 2002, the company acquired 50% of the share capital of Alico CEH Balkan Holdings, incorporated in Cyprus, from Private Financial Investment Holding Ltd, a member of the EFG Bank Group. The remaining 50% is held by AIG. On 6 August 2002, a capital increase of USD 5.4 million was approved by shareholders in order to repay the convertible bond issued by the entity. As a result, the share capital increased from USD 47.5 million to USD 52.9 million.

Alico CEH Balkan Holdings' sole asset and activity is the holding of 86.25% of Post Bank AD's share capital, a financial institution incorporated in Bulgaria. As a result the company gained significant influence over 43.12% of the share capital of Bulgarian Post Bank AD.

**(c) Alico - Eurobank Mutual Fund Management Company SA**

On 30 August 2002, the company sold its 50% of the share capital of Alico-Eurobank Mutual Fund Management Company SA to AIG, the owner of the other 50% of the entity share capital. This transaction resulted in a profit on disposal of € 0.8 million.

**(d) UnitBank SA**

Post balance sheet event

On 22 January 2003 the bank announced its agreement with Inchcape Holdings BV to acquire the latter's 50% participation in UnitBank SA. With the effect of the acquisition, UnitBank will become a 100% subsidiary of the company. The two partners also agreed to continue their cooperation in the field of automobile financing through the creation of a new joint venture company.

**(e) Ergoinvest SA**

Post balance sheet event

On 7 November 2002 the directors of EFG Eurobank Ergasias SA and the directors of Ergoinvest SA announced their intention to merge the companies (see note 4). The merger is expected to be completed in April 2003.

**(f) Ergoinvest Advisors SA**

Post balance sheet event

With the effect of the merger of the company and Ergoinvest SA (see note 4), Ergoinvest Advisors SA, now held 49% by the bank and 51% by Ergoinvest, will become a 100% subsidiary of the bank and will then be accounted for in the consolidated financial statements of the bank as a subsidiary.

**(g) Sofitel SA**

In August 2002, Sofitel SA increased its share capital by € 1.4 million. As a result, the share capital increased from € 14.7 million to € 16.1 million. The company participated in the increase and its shareholding increased from 20% to 20.20%.

**26. Intangible assets**

Intangible assets consist solely of Goodwill:

At 1 January 2002

Goodwill arising on acquisitions (note 48)

Goodwill arising on acquisition of Telesis (note 3)

Amortisation charge

**At 31 December 2002**

Cost

Accumulated Amortisation

**Net book value at 31 December 2002**

|   | <u>2002</u><br><u>€ '000</u> | <u>2001</u><br><u>€ '000</u> |
|---|------------------------------|------------------------------|
| At 1 January 2002                                   | 28,114                       | 0                            |
| Goodwill arising on acquisitions (note 48)          | 9,582                        | 12,238                       |
| Goodwill arising on acquisition of Telesis (note 3) | 0                            | 17,916                       |
| Amortisation charge                                 | (3,445)                      | (2,040)                      |
| <b>At 31 December 2002</b>                          | <u>34,251</u>                | <u>28,114</u>                |
| Cost  | 39,736                       | 30,154                       |
| Accumulated Amortisation                            | (5,485)                      | (2,040)                      |
| <b>Net book value at 31 December 2002</b>           | <u>34,251</u>                | <u>28,114</u>                |

**EFG EUROBANK ERGASIAS SA**

**Notes to the accounts (continued)**

**27. Property, plant and equipment**

|  | Land,<br>buildings,<br>leasehold<br>improvements<br>€ '000 | Furniture,<br>equipment<br>motor<br>vehicles<br>€ '000 | Computer<br>hardware,<br>software<br>€ '000 | Investment<br>Property<br>€ '000 | Total<br>fixed<br>assets<br>€ '000 |
|--|--|--|---|----------------------------------|------------------------------------|
| Cost :   |  |  |   |                                  |                                    |
| At 1 January 2002                                      | 294,007  | 85,241   | 251,302                                     | 99,334                           | 729,884                            |
| Change in accounting policy for investment properties: | 0  | 0  | 0   | 27,234                           | 27,234                             |
| Arising from acquisition of subsidiary                 | 131,181  | 47,943   | 31,278                                      | 0                                | 210,402                            |
| Transfers  | (293)  | (1,648)  | (296)                                       | 8,541                            | 6,304                              |
| Additions  | 28,148   | 20,332   | 52,578                                      | 56,795                           | 157,853                            |
| Disposals and write - offs                             | (9,278)  | (2,469)  | (29,704)                                    | (1,037)                          | (42,488)                           |
| Net gains from fair value adjustments                  | 0  | 0  | 0   | 30,076                           | 30,076                             |
| At 31 December 2002                                    | <u>443,765</u>   | <u>149,399</u>   | <u>305,158</u>                              | <u>220,943</u>                   | <u>1,119,265</u>                   |
| Accumulated depreciation :                             |  |  |   |                                  |                                    |
| At 1 January 2002                                      | 109,972  | 41,734   | 108,825                                     | 2,512                            | 263,043                            |
| Change in accounting policy for investment properties: | 0  | 0  | 0   | (3,328)                          | (3,328)                            |
| Arising from acquisition of subsidiary                 | 13,093   | 22,216   | 21,637                                      | 0                                | 56,946                             |
| Transfers  | 523  | (197)  | (108)                                       | 1,296                            | 1,514                              |
| Disposals and write-offs                               | (6,627)  | (1,495)  | (29,093)                                    | (480)                            | (37,695)                           |
| Charge for the year                                    | 12,565   | 14,623   | 46,779                                      | 0                                | 73,967                             |
| At 31 December 2002                                    | <u>129,526</u>   | <u>76,881</u>  | <u>148,040</u>                              | <u>0</u>                         | <u>354,447</u>                     |
| Net book value at 31 December 2002                     | <u>314,239</u>   | <u>72,518</u>  | <u>157,118</u>                              | <u>220,943</u>                   | <u>764,818</u>                     |
| Net book value at 31 December 2001                     | <u>184,035</u>   | <u>43,507</u>  | <u>142,477</u>                              | <u>96,822</u>                    | <u>466,841</u>                     |

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

Included in the above is € 33 million (2001: € 79 million) relating to assets under construction.

On 1 January 2001, the company revised the estimated useful economic life of freehold buildings to 40-50 years. The resultant adjustment was treated as change in accounting estimate (IAS 8) and therefore the depreciation charge for 2001 and future periods is adjusted. The before tax effect on net profit was € 6,1 million reduction in the depreciation charge for the year ended 31 December 2001.

**Investment property**

With effect from 1 January 2002, due to the substantial increase in the size of the bank's investment property portfolio, the directors elected to introduce the fair value model for a more appropriate presentation of the portfolio. The determination of fair value was based on market prices. The majority of the valuations were performed by professionally qualified recognised valuers who perform valuations for the group on a freelance basis.

This change in accounting policy has been applied with effect from 2002. During 2002 a before tax and minority interest gain from fair valuation of investment properties of € 30.1 million (2001: nil) was recognised in other operating income (after tax and minority interest gain € 15.9 million). Opening retained earnings were adjusted to reflect the cumulative fair valuation of prior years representing a before tax and minority interest gain of € 30.5 million (after tax and minority interest gain of € 22.5 million). Comparative information has not been restated as property valuations had not been prepared as at 31 December 2000 and, in the opinion of the directors, the impact on the income statement would not be significant. The directors estimate that the effect of applying the revised accounting policy in 2001 would have been to increase the reported profit before tax and minority interest by approximately € 3 million (after tax and minority interest gain approximately € 4 million).

Properties previously classified as land and buildings of € 11.5 million (2001: € 44.5 million) and fixtures of € 1.3 million thereof (2001: nil) were reclassified to investment properties as a result of being leased out under an operating lease to third parties.

In 2002, the group decided that certain property held as investment property will be held as property for own use. As a result, an amount of € 10.1 million (2001: nil) was transferred from investment properties to land and buildings.

In 2002 the group decided that certain assets acquired through auctions to cover impaired loans will not be held for liquidation but as investment property. As a result, an amount of € 5.8 million (2001: € 9.8 million) was transferred from other assets to investment property, resulting in the recognition of a fair value gain of € 6 million in 2002.

During 2002 amounts of € 3.1 million (2001: € 0.4 million) were recognised as rental income from investment property in other operating income. Capital commitments in relation to investment property as at 31 December 2002 totalled € 3.5 million.

**28. Other assets**

|                              | 2002<br>€ '000 | 2001<br>€ '000 |
|------------------------------|----------------|----------------|
| Accrued income               | 388,723        | 252,616        |
| Deferred tax asset (note 12) | 16,875         | 32,382         |
| Repossessed properties       | 70,832         | 80,340         |
| Other                        | 435,299        | 377,805        |
|                              | <u>911,729</u> | <u>743,143</u> |

In 2002 the group decided that certain assets acquired through auctions to cover impaired loans will not be held for liquidation but as investment property. As a result, an amount of € 5.8 million (2001: € 9.8 million) thousand was transferred from other assets to Investment property.

**EFG EUROBANK ERGASIAS SA**

**Notes to the accounts (continued)**

|  |                  |                |
|--|------------------|----------------|
| <b>29. Due to other banks</b>                  | <b>2002</b>      | <b>2001</b>    |
|  | <b>€ '000</b>    | <b>€ '000</b>  |
| Items in course of collection                  | 55,656           | 67,108         |
| Deposits from other banks                      | 4,328,214        | 735,070        |
|  | <u>4,383,870</u> | <u>802,178</u> |
| Including amounts due to :                     |                  |                |
| - parent undertakings                          | 74,403           | 47             |
| - fellow subsidiary and associate undertakings | nil              | 96,613         |
| - settlement balances with banks               | <u>552,061</u>   | <u>395,252</u> |

|  |                   |                   |
|--|-------------------|-------------------|
| <b>30. Due to customers</b>                    | <b>2002</b>       | <b>2001</b>       |
|  | <b>€ '000</b>     | <b>€ '000</b>     |
| Savings and current accounts                   | 6,257,049         | 5,956,642         |
| Term deposits                                  | 8,656,857         | 6,832,336         |
| Repos  | 2,034,154         | 2,496,604         |
| Settlement balances                            | 22,741            | 24,778            |
|  | <u>16,970,801</u> | <u>15,310,360</u> |
| Including amounts due to :                     |                   |                   |
| - parent undertakings                          | 43,307            | 30,594            |
| - fellow subsidiary and associate undertakings | <u>6,920</u>      | <u>10,867</u>     |

**31. Liabilities evidenced by paper**

EFG Hellas Plc and EFG Hellas Cayman Islands Plc are special purpose financing vehicles incorporated in the Channel Islands and Cayman Islands respectively. The debt instruments issued by the entities are guaranteed by the bank. The net proceeds are applied by the issuers to meet part of the general financing requirements of the group.

| Issuer                        | Programme | Date of Issue | Date of Maturity | Amount issued<br>(€ million) | Coupon Type | Coupon Rate           |
|-------------------------------|-----------|---------------|------------------|------------------------------|-------------|-----------------------|
| EFG Hellas Plc                | EMTN      | February 2000 | February 2003    | 150                          | Floating    | Euribor plus 30 bps   |
|                               |           | June 2001     | June 2004        | 250                          | Floating    | Euribor plus 37.5 bps |
|                               |           | April 2002    | April 2005       | 20                           | Structured  | Euribor Linked        |
|                               |           | June 2002     | June 2003        | 15                           | Structured  | Index Linked          |
|                               |           | June 2002     | June 2005        | 250                          | Floating    | EURIBOR plus 30 bps   |
|                               |           | December 2002 | January 2003     | 110                          | Zero Coupon | Zero Coupon           |
| EFG Hellas Cayman Islands Plc | EMTN      | August 2002   | August 2022 *    | 5                            | Structured  | Euribor Linked        |
|                               |           | October 2002  | August 2022 *    | 6                            | Structured  | Euribor Linked        |

\* Callable 1 August 2007 or annually thereafter

|   |                |                |
|---|----------------|----------------|
| <b>32. Other liabilities</b>                            | <b>2002</b>    | <b>2001</b>    |
|   | <b>€ '000</b>  | <b>€ '000</b>  |
| Taxation  | 4,856          | 36,170         |
| Due to associated undertakings                          | 41             | 1,435          |
| Accruals  | 159,738        | 80,176         |
| Pension and other post-retirement obligations (Note 33) | 19,483         | 21,098         |
| Other liabilities                                       | 421,702        | 447,236        |
|   | <u>605,820</u> | <u>586,115</u> |

**33. Retirement obligations**

The group's employees participate in a number of pension schemes covering substantially all employees. These schemes are valued by independent actuaries.

|   |               |               |
|---|---------------|---------------|
|   | <b>2002</b>   | <b>2001</b>   |
|   | <b>€ '000</b> | <b>€ '000</b> |
| <b>Statutory severance indemnities</b>  | <u>19,483</u> | <u>21,098</u> |
| The movement in the liability recognised in the balance sheet is as follows : |               |               |
| - Balance as at 1 January 2002  | 21,098        | 17,975        |
| - Arising from acquisition of Telesis   | 0             | 434           |
| - New subsidiaries  | 36            | 6             |
| - Additions   | 3,941         | 6,648         |
| - Indemnities paid  | (5,592)       | (3,965)       |
| - Balance as at 31 December 2002  | <u>19,483</u> | <u>21,098</u> |
| The principal actuarial assumptions used were :                               |               |               |
| - Discount rate   | 5.6%          | 6.0%          |
| - Future salary increases   | 4%            | 4%            |

Certain of the bank's employees also participate in a multiemployer defined benefit scheme for which the Bank has no constructive liability. Based on an independent actuarial study conducted in 2002 the scheme's obligations towards the Bank's employees are fully funded.

**EFG EUROBANK ERGASIAS SA**

**Notes to the accounts (continued)**

| 34. <b>Minority interest</b>  | <b>2002</b>    | <b>2001</b>    |
|---|----------------|----------------|
|   | <b>€ '000</b>  | <b>€ '000</b>  |
| 1 January 2002  | 223,336        | 262,025        |
| Share of available-for-sale investment securities revaluation losses under IAS 39 | (17,958)       | (37,817)       |
| Share of net profit on fair value hedges  | 2,944          | 0              |
| Arising from acquisition of Telesis   | 0              | 1,153          |
| Net gains (losses) transferred to net profit on disposal                          | 3,161          | 0              |
| Provision for valuation losses transferred to net profit                          | 9,282          | 0              |
| New acquisitions (note 24 (e))  | 66,639         | 16,948         |
| Dividends for 2000  | (123)          | (14,016)       |
| Reduction of group's holding in subsidiary  | 0              | 311            |
| Increase of group's holding in subsidiary (note 24 (c), (h), (m))                 | (1,905)        | (15,351)       |
| Reclassification of subsidiary to available for sale investment (note 24 (o))     | (105,958)      | 0              |
| Share of capital increase of subsidiary (note 24 (d), (g))                        | 346            | 103            |
| Share of net profit (losses) of subsidiaries                                      | (1,018)        | 9,957          |
| Share of subsidiaries revaluation of investment properties                        | (3,026)        | 0              |
| Currency translation differences  | (485)          | 23             |
| At 31 December 2002   | <u>175,235</u> | <u>223,336</u> |

**35. Share capital, share premium and treasury shares**

The merger of EFG Eurobank Ergasias SA ("EFG") and Telesis Investment Bank SA ("Telesis") was completed on 11 March 2002, with a local and tax reference date of 1 January 2001. The share exchange took place whereby :

- One EFG ordinary voting share of nominal value€ 2.49 was exchanged for one ordinary voting share of the merged bank of nominal value € 2.74 each.
- 2.2 Telesis ordinary voting shares of€ 2.93 were exchanged for one ordinary voting share of the merged bank of nominal value € 2.74 each.

As a result, the company issued 18,963,636 shares to the Telesis shareholders as purchase consideration, the market value of which, as at 30 September 2001 was € 227.9 million.

After the merger, the share capital consisted of 312,538,426 shares of nominal value€ 2.74 each.

**Authorised, issued and fully paid.**

The movements in share capital in 2001 were as follows :

|   | <b>Ordinary<br/>Share<br/>Capital<br/>€ '000</b> | <b>Share<br/>premium<br/>€ '000</b> |
|---|--|-------------------------------------|
| 1 January 2001  | 730,905  | 393,711                             |
| 15 May 2001   |  |                                     |
| - Issue to executive directors, management and staff of 567,200 ordinary shares of € 2.49 each at par by capitalisation of retained earnings, as approved by the Annual General Meeting | 1,417  | 0                                   |
| 30 September 2001- effective date of acquisition of Telesis Investment Bank   |  |                                     |
| - Capitalisation of share premium for rounding purposes related to the merger   | 79   | (79)                                |
| - Capitalisation of share premium to increase the nominal value of each share to € 2.74   | 1,517  | (1,517)                             |
| - Share capital issued to Telesis shareholders (exchanged for 18,963,636 company shares) for fair value of assets acquired (note 3)   | 122,436  | 87,592                              |
| - Additional share premium arising on acquisition equal to goodwill (note 3)  | 0  | 17,916                              |
| - Transfer from retained profits  | 0  | 23,216                              |
| 31 December 2001  |  |                                     |
| - Nominal value of shares of € 2.74 each  | <u>856,354</u>                                   | <u>520,839</u>                      |
| - Number of shares in issue   | <u>312,538,426</u>                               |                                     |
| 31 December 2001  |  |                                     |
| Treasury shares (see below)   |  |                                     |
| - Cost  | (3,181)  | (16,241)                            |
| - Number of shares  | (1,161,174)                                      |                                     |
| Treasury shares under special scheme  |  |                                     |
| - Cost  | (20,712)   | (109,320)                           |
| - Number of shares  | (7,559,323)                                      |                                     |
| 31 December 2001  |  |                                     |
| - net balances  | <u>832,461</u>                                   | <u>395,278</u>                      |
| - net number of shares  | <u>303,817,929</u>                               |                                     |
| 1 January 2002  | <b>856,354</b>                                   | <b>520,839</b>                      |
| 15 March 2002   |  |                                     |
| - Issue of 21,922 ordinary shares of€ 2.74 each at € 13.52 following the exercise of existing share options which were issued to directors,executives and staff                         | <b>60</b>  | <b>236</b>                          |

**EFG EUROBANK ERGASIAS SA**

**Notes to the accounts (continued)**

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

|   | <b>Ordinary<br/>Share<br/>Capital<br/>€ '000</b> | <b>Share<br/>premium<br/>€ '000</b> |
|---|--|-------------------------------------|
| 22 April 2002   |  |                                     |
| - Issue to executive directors, management and staff of 750,000 ordinary shares of € 2.74 each at par by capitalisation of retained earnings, as approved by the Annual General Meeting | 2,055  | 0                                   |
| - Increase of the nominal value of each ordinary share to € 2.76 by capitalisation of special reserve relating to revaluation of fixed assets   | 6,266  | 0                                   |
| 2 December 2002   |  |                                     |
| - Issue of 190,537 ordinary shares of € 2.76 each at € 7.98 following the exercise of existing share options which were issued to directors, executives and staff                       | 526  | 994                                 |
| 31 December 2002  |  |                                     |
| - Nominal value of shares of € 2.76 each  | <u>865,261</u>                                   | <u>522,069</u>                      |
| - Number of shares in issue   | <u>313,500,885</u>                               |                                     |
| 31 December 2002  |  |                                     |
| Treasury shares (see below)   |  |                                     |
| - Cost  | (2,575)  | (16,429)                            |
| - Number of shares  | (933,154)  |                                     |
| Treasury shares under special scheme  |  |                                     |
| - Cost  | (35,394)   | (162,596)                           |
| - Number of shares  | (12,824,104)                                     |                                     |
| 31 December 2002  |  |                                     |
| - net balances  | <u>827,292</u>                                   | <u>343,044</u>                      |
| - net number of shares  | <u>299,743,627</u>                               |                                     |

In the ordinary course of business the group has acquired 933,154 (2001: 1,161,174) of the company's shares which are included in its accounts at a cost of € 19.1 million (2001: € 19.4 million). These shares had a market value of € 10.5 million at the year end (2001: € 18.1 million).

**Treasury shares special scheme**

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

In 2000 the Extraordinary General Meeting of former EFG Eurobank SA approved the acquisition of up to a total of 8,645,000 shares at a maximum price of € 27.09 per share in the following 18-month period. On 14 September 2001 the Extraordinary General Meeting of the bank approved the acquisition of a further 20,712,479 shares at a maximum price of € 27.09 in the following 12 months. On 4 September 2002, the Extraordinary General Meeting of the bank approved the acquisition in total of up to 31,331,034 shares (10% of the bank's equity) at a maximum price of € 27.09 in the following 12 months.

During 2001, the bank acquired 8,585,070 of its shares. The shares were acquired at a total cost of € 139.7 million. On 21 December 2001, the company sold 3,300,000 of its shares with proceeds totalling € 49.3 million resulting in a loss of € 7.6 million which was recorded in Special reserves (see note 36).

During 2002 the bank acquired 5,264,781 of its shares at the total cost of € 68 million. As at 31 December 2002, the company held 12,824,104 (2001: 7,559,323 shares) of its own shares representing 4.09% (2001: 2.42%) of the company's share capital. The shares were acquired at a total cost of € 198 million (2001: € 130 million) and an average cost of € 15.4 (2001: € 17.2) per share, and the market value stood at € 143.6 million (2001: € 118 million). On the completion of the proposed mergers of Ergoinvest SA and Investment Development Fund SA in 2003 approximately 10,000,000 treasury shares will be cancelled (see note 4).

**Shares to directors, executive management and staff**

The directors propose the issue of 1,050,000 shares to the directors, executive management and staff. If this is approved by the forthcoming Annual General Meeting, the shares issued will be recorded in next year's share capital.

**Share options**

The group offers share options to directors, executive management and employees. All options may be exercised wholly or partly, at their owners' option. Movements in the number of share options outstanding are as follows :

|  | <b>2002</b>      | <b>2001</b>     |
|--|------------------|-----------------|
| At beginning of year                       | 515,565          | 182,000         |
| Granted on 22 April 2002                   | 860,000          | 355,200         |
| Adjustment on 7 November 2002              | 890              | 0               |
| Adjustment on 9 November 2001              | 0                | 287             |
| Exercised on December 2002 / December 2001 | <u>(190,537)</u> | <u>(21,922)</u> |
| At 31 December 2001                        | <u>1,185,918</u> | <u>515,565</u>  |

As at 31 December 2000, there were 182,000 options, which could be exercised in December 2001, December 2002 or December 2003, at a price of € 13.54 per share. Due to corporate action, the number of the 182,000 stock options was increased to 182,287 and the exercise price amended to € 13.52 per share. Options exercised on December 2001 resulted in 21,922 shares being issued in March 2002 at € 13.52, with proceeds totalling € 0.3 million.

**EFG EUROBANK ERGASIAS SA**

**Notes to the accounts (continued)**

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

**Share options (continued)**

A further 355,200 options were granted on 15 May 2001 which could be exercised in December 2002, December 2003 or December 2004 at a price of € 8.00 per share. Due to corporate action, the number of the 355,200 stock options was increased to 356,090 and the exercise price amended to € 7.98 per share. Options exercised on December 2002 resulted in 190,537 shares being issued on 2 December 2002 at € 7.98, with proceeds totalling € 1.5 million.

A further 860,000 options were granted on 22 April 2002 at a price of € 6 per share, which may be exercised in December 2003, December 2004 or December 2005.

As of 31 December 2002 there are 160,365 options outstanding that may be exercised in December 2003 or December 2004 at a price of € 13.52 per share, 165,553 options which may be exercised at a price of € 7.98 per share in December 2003 or December 2004 and 860,000 options which may be exercised at a price of € 6 per share in December 2003, December 2004 or December 2005.

The directors propose to the forthcoming Annual General Meeting the issue of a further 1,355,000 options on the company's shares.

**36. Special Reserves**

|  | <b>Non-Taxed<br/>Reserves<br/>€ '000</b> | <b>IAS 39<br/>Equity<br/>€ '000</b> | <b>Treasury<br/>Shares<br/>€ '000</b> | <b>Other<br/>Reserves<br/>€ '000</b> | <b>Total<br/>€ '000</b> |
|--|--|-------------------------------------|---------------------------------------|--------------------------------------|-------------------------|
| Balance at 1 January 2001                          | 412,006                                  | (36,901)                            | 47,205                                | 105,218                              | 527,528                 |
| Arising in the period :                            |  |                                     |                                       |                                      |                         |
| Transfers between reserves                         | (16,916)                                 | 0                                   | 82,822                                | (30,315)                             | 35,591                  |
| Available-for-sale securities                      |  |                                     |                                       |                                      |                         |
| - net fair value results, net of tax (note 22)     | 0  | (12,129)                            | 0                                     | 0                                    | (12,129)                |
| - net fair value results - associated undertakings | 0  | (45,300)                            | 0                                     | 0                                    | (45,300)                |
| Tax on revaluation of land and buildings           | 0  | 0                                   | 0                                     | (18)                                 | (18)                    |
| Profit / (Loss) from sale of treasury shares       | (7,618)                                  | 0                                   | 0                                     | 0                                    | (7,618)                 |
| At 31 December 2001                                | <u>387,472</u>                           | <u>(94,330)</u>                     | <u>130,027</u>                        | <u>74,885</u>                        | <u>498,054</u>          |
| Balance at 1 January 2002                          | 387,472                                  | (94,330)                            | 130,027                               | 74,885                               | 498,054                 |
| Arising in the period :                            |  |                                     |                                       |                                      |                         |
| Transfers between reserves                         | (2,677)                                  | 0                                   | (59,500)                              | 63,852                               | 1,675                   |
| Available-for-sale securities                      |  |                                     |                                       |                                      |                         |
| - net fair value results, net of tax (note 22)     | 0  | (74,620)                            | 0                                     | 0                                    | (74,620)                |
| - net fair value results - associated undertakings | 0  | (4,062)                             | 0                                     | 0                                    | (4,062)                 |
| Cash flow hedges                                   |  |                                     |                                       |                                      |                         |
| - net fair value gains, net of tax                 | 0  | (7,358)                             | 0                                     | 0                                    | (7,358)                 |
| Capitalisation of fixed assets revaluation reserve | 0  | 0                                   | 0                                     | (6,266)                              | (6,266)                 |
| At 31 December 2002                                | <u>384,795</u>                           | <u>(180,370)</u>                    | <u>70,527</u>                         | <u>132,471</u>                       | <u>407,423</u>          |

The treasury shares reserve is formed in accordance with the requirements of Greek Tax Law whereby a special reserve must be created which is equivalent to the amount of shares held in treasury. The reserve at 31 December 2002 has been computed after deducting the number of shares which will be cancelled on the completion of the acquisition of Ergoinvest (see note 4) which, fiscally, is deemed to take place on 7 November 2002. This reserve is available for distribution only to the extent that it exceeds the cost of any treasury shares held. € 28.5 million (2001: € 42.3 million) of this reserve has not been taxed and is only taxable in the event of its distribution.

Non taxed reserves are only taxable in the event of their distribution (see note 12).

**37. Geographical concentration**

|  | <b>Total<br/>assets<br/>€ '000</b> | <b>Total<br/>liabilities<br/>€ '000</b> | <b>Credit<br/>commit-<br/>ments<br/>€ '000</b> | <b>Capital<br/>expen-<br/>diture<br/>€ '000</b> |
|--|------------------------------------|---|--|---|
| <b>At 31 December 2002</b>   |                                    |   |  |   |
| Geographical concentrations of assets, liabilities and off balance sheet items |                                    |   |  |   |
| - Greece   | 21,078,336                         | 14,322,645                              | 1,151,634                                      | 6,599   |
| - Other Western European countries   | 3,001,951                          | 8,245,323                               | 461,293  | 0   |
| - Canada and USA   | 329,808                            | 107,903                                 | 0  | 0   |
| - Australasia  | 31,854                             | 627                                     | 48   | 0   |
| - South East Asia  | 4,750                              | 0                                       | 0  | 0   |
| - Eastern European and other countries   | 851,244                            | 547,091                                 | 38,860   | 0   |
|  | <u>25,297,943</u>                  | <u>23,223,589</u>                       | <u>1,651,835</u>                               | <u>6,599</u>                                    |
| <b>At 31 December 2001</b>   |                                    |   |  |   |
| Geographical concentrations of assets, liabilities and off balance sheet items |                                    |   |  |   |
| - Greece   | 17,592,361                         | 14,345,024                              | 1,179,275                                      | 17,018  |
| - Other Western European countries   | 1,661,990                          | 2,867,621                               | 461,315  | 0   |
| - Canada and USA   | 294,483                            | 81,911                                  | 0  | 0   |
| - Australasia  | 37,461                             | 2,483                                   | 0  | 0   |
| - South East Asia  | 0                                  | 0                                       | 0  | 0   |
| - Eastern European and other countries   | 31,721                             | 87,164                                  | 0  | 0   |
|  | <u>19,618,016</u>                  | <u>17,384,203</u>                       | <u>1,640,590</u>                               | <u>17,018</u>                                   |

**EFG EUROBANK ERGASIAS SA**

**Notes to the accounts (continued)**

**38. Operating lease commitments**

At 31 December commitments under non-cancellable operating leases were:

Expiring :

- within one year
- between one and five years
- in five years or more

| 2002                         |  | 2001                         |  |
|------------------------------|--|------------------------------|--|
| Land and buildings<br>€ '000 | Furniture, equipment, vehicles<br>€ '000 | Land and buildings<br>€ '000 | Furniture, equipment, vehicles<br>€ '000 |
| 35,401                       | 2,097                                    | 55,296                       | 1,887                                    |
| 107,599                      | 3,540                                    | 120,877                      | 3,654                                    |
| 66,186                       | 0  | 74,204                       | 0  |
| <b>209,186</b>               | <b>5,637</b>                             | <b>250,377</b>               | <b>5,541</b>                             |

**39. Contingent liabilities and commitments**

Contingent liabilities :

- Guarantees etc.
- guarantees and irrevocable L/Cs
- other guarantees

Commitments :

- Documentary credits
- Capital expenditure

| 2002                      | 2001                      |
|---------------------------|---------------------------|
| Contract amount<br>€ '000 | Contract amount<br>€ '000 |
| 1,131,655                 | 673,359                   |
| 520,180                   | 967,231                   |
| <b>1,651,835</b>          | <b>1,640,590</b>          |
| 61,227                    | 36,047                    |
| 6,599                     | 17,018                    |
| 67,826                    | 53,065                    |
| <b>1,719,661</b>          | <b>1,693,655</b>          |

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

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

Notes :

- a. Letters of Guarantee totalling € 461 million, issued in favour of EFG Ora Funding Ltd., are unconditionally and irrevocably guaranteed by the ultimate parent company.
- b. Tax audits : The company is undergoing a tax audit by the Greek tax authorities of the years 2000 and 2001. The years 1999 and 2000 of former Telesis Bank and the current year have not yet been audited by the tax authorities. Until such time as these audits have been completed the exact tax position of the company cannot be determined. Management do not anticipate significant additional liabilities to arise.
- c. Litigation : The group is a defendant in certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the consolidated financial position of the company. In particular, on 15 September 1999, the Bank of Piraeus SA filed a lawsuit against former Ergobank S.A. and certain members of the Board of Directors claiming damages amounting to € 587 million plus interest accruing from the date of filing, for alleged breach of contract. The case was discussed before the Athens multimember Court of First Instance on 21 October 1999 which requested the examination of witnesses which is currently taking place. The management and its legal advisors believe that the outcome of this case will be in favour of the company or amounts that may ultimately be awarded, if any, will not be significant.

**40. Business segments**

The group is organised into four main business segments :

- Retail banking - incorporating private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages, insurance and mutual fund products.
- Corporate banking - incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products to corporate entities.
- Treasury and capital markets - incorporating investment banking services including corporate finance, merger and acquisitions advice, institutional asset management, equity brokerage, financial instruments trading and institutional finance to corporate and institutional entities, as well as, specialised financial advice and intermediation to private and large retail individuals as well as small and large corporate entities.
- Private banking - incorporating private banking services, including total wealth management, to medium and high net worth individuals.

Other operations of the group comprise mainly investing activities, including property management and investment, the management of unallocated capital and, in 2002, operations in the Balkans and the closed-end funds currently in the process of being merged into the bank (note 4). In 2001 these closed-end funds were included in Treasury and capital markets.

Transactions between the business segments are on normal commercial terms and conditions.

With the exception of Greece no other individual country contributed more than 10% of consolidated income or assets.

Information on geographical concentration of assets and liabilities is presented in note 37.

EFG EUROBANK ERGASIAS SA

Notes to the accounts (continued)

40. Business segments (continued)

|   | 2002                        |                                |  |                              |                  | Total<br>€ '000   |
|---|-----------------------------|--------------------------------|--|------------------------------|------------------|-------------------|
|   | Retail<br>Banking<br>€ '000 | Corporate<br>Banking<br>€ '000 | Treasury<br>& Capital<br>Markets<br>€ '000 | Private<br>Banking<br>€ '000 | Other<br>€ '000  |                   |
| Net interest income                                   | 409,159                     | 201,430                        | 96,817                                     | 7,316                        | 6,711            | 721,433           |
| Net fee and commission income                         | 108,834                     | 65,667                         | 43,133                                     | 14,063                       | 18,690           | 250,387           |
| Other income  | 232                         | 5,020                          | 11,146                                     | 74                           | 17,081           | 33,553            |
| <b>Operating Income</b>                               | <b>518,225</b>              | <b>272,117</b>                 | <b>151,096</b>                             | <b>21,453</b>                | <b>42,482</b>    | <b>1,005,373</b>  |
| Operating expenses                                    | (329,902)                   | (148,003)                      | (50,166)                                   | (18,412)                     | (64,656)         | (611,139)         |
| Impairment losses on loans and advances               | (66,505)                    | (32,626)                       | 0  | 0                            | 1,170            | (97,961)          |
| <b>Profit from operations</b>                         | <b>121,818</b>              | <b>91,488</b>                  | <b>100,930</b>                             | <b>3,041</b>                 | <b>(21,004)</b>  | <b>296,273</b>    |
| Share of results of associates before tax             | 4,030                       | 0                              | 0  | 0                            | (22,169)         | (18,139)          |
| <b>Profit before tax</b>                              | <b>125,848</b>              | <b>91,488</b>                  | <b>100,930</b>                             | <b>3,041</b>                 | <b>(43,173)</b>  | <b>278,134</b>    |
| Minority Interest before tax                          | (375)                       | (1,864)                        | (517)                                      | 0                            | 886              | (1,870)           |
| <b>Profit before tax attributable to shareholders</b> | <b>125,473</b>              | <b>89,624</b>                  | <b>100,413</b>                             | <b>3,041</b>                 | <b>(42,287)</b>  | <b>276,264</b>    |
| Income tax expense                                    |                             |                                |  |                              |                  | (94,909)          |
| Group profit after tax                                |                             |                                |  |                              |                  | 183,225           |
| Minority interest                                     |                             |                                |  |                              |                  | 1,018             |
| <b>Net Profit attributable to shareholders</b>        |                             |                                |  |                              |                  | <b>184,243</b>    |
| Segment assets  | 6,553,631                   | 7,613,264                      | 8,879,819                                  | 38,106                       | 2,107,519        | 25,192,339        |
| Associates  | 12,096                      | 0                              | 0  | 0                            | 93,508           | 105,604           |
|   | <b>6,565,727</b>            | <b>7,613,264</b>               | <b>8,879,819</b>                           | <b>38,106</b>                | <b>2,201,027</b> | <b>25,297,943</b> |
| Segment liabilities                                   | 11,404,338                  | 1,864,998                      | 6,093,091                                  | 2,105,880                    | 1,755,282        | 23,223,589        |

  

|   | 2001                        |                                |  |                              |                  | Total<br>€ '000   |
|---|-----------------------------|--------------------------------|--|------------------------------|------------------|-------------------|
|   | Retail<br>Banking<br>€ '000 | Corporate<br>Banking<br>€ '000 | Treasury<br>& Capital<br>Markets<br>€ '000 | Private<br>Banking<br>€ '000 | Other<br>€ '000  |                   |
| <b>Operating Income</b>                               | <b>452,033</b>              | <b>275,131</b>                 | <b>151,181</b>                             | <b>22,632</b>                | <b>42,585</b>    | <b>943,562</b>    |
| Operating expenses                                    | (289,012)                   | (153,347)                      | (40,039)                                   | (16,906)                     | (48,743)         | (548,047)         |
| Impairment losses on loans and advances               | (46,427)                    | (21,256)                       | 0  | 0                            | 0                | (67,683)          |
| <b>Profit from operations</b>                         | <b>116,594</b>              | <b>100,528</b>                 | <b>111,142</b>                             | <b>5,726</b>                 | <b>(6,158)</b>   | <b>327,832</b>    |
| Share of results of associates before tax             | 2,738                       | 0                              | 2,084                                      | 82                           | 2,386            | 7,290             |
| <b>Profit before tax</b>                              | <b>119,332</b>              | <b>100,528</b>                 | <b>113,226</b>                             | <b>5,808</b>                 | <b>(3,772)</b>   | <b>335,122</b>    |
| Minority interest before tax                          | (352)                       | (1,870)                        | (8,308)                                    | (17)                         | (2,177)          | (12,724)          |
| <b>Profit before tax attributable to shareholders</b> | <b>118,980</b>              | <b>98,658</b>                  | <b>104,918</b>                             | <b>5,791</b>                 | <b>(5,949)</b>   | <b>322,398</b>    |
| Income tax expense                                    |                             |                                |  |                              |                  | (119,627)         |
| Group profit after tax                                |                             |                                |  |                              |                  | 215,495           |
| Minority interest                                     |                             |                                |  |                              |                  | (9,957)           |
| <b>Net Profit attributable to shareholders</b>        |                             |                                |  |                              |                  | <b>205,538</b>    |
| Segment assets  | 4,796,355                   | 7,179,886                      | 6,225,902                                  | 24,801                       | 1,283,007        | 19,509,951        |
| Associates  | 14,571                      | 0                              | 83,263                                     | 384                          | 9,847            | 108,065           |
|   | <b>4,810,926</b>            | <b>7,179,886</b>               | <b>6,309,165</b>                           | <b>25,185</b>                | <b>1,292,854</b> | <b>19,618,016</b> |
| Segment liabilities                                   | 10,957,326                  | 1,728,391                      | 2,764,924                                  | 1,876,848                    | 56,714           | 17,384,203        |

41. Currency Risk

The group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure, which are monitored daily. The table below summarises the group's exposure to foreign currency exchange rate risk at 31 December. Included in the table are the group's assets and liabilities at carrying amounts, categorised between Euro and other currencies.

|  | 31 December 2002  |                  |                  |                   |
|--|-------------------|------------------|------------------|-------------------|
|  | Euro              | USD              | Other            | Total             |
|  | € '000            |                  |                  |                   |
| <b>Assets</b>                            |                   |                  |                  |                   |
| Cash and balances with central banks     | 856,101           | 47,034           | 135,988          | 1,039,123         |
| Treasury bills and other eligible bills  | 456,425           | 0                | 0                | 456,425           |
| Due from other banks                     | 874,819           | 394,647          | 296,921          | 1,566,387         |
| Trading securities                       | 3,150,481         | 38,641           | 73,897           | 3,263,019         |
| Derivative financial instruments         | 143,668           | 14,213           | 5,812            | 163,693           |
| Loans and advances to customers          | 11,533,242        | 417,949          | 1,474,547        | 13,425,738        |
| Available-for-sale investment securities | 2,857,103         | 369,252          | 217,220          | 3,443,575         |
| Other investment securities              | 123,581           | 0                | 0                | 123,581           |
| Investments in associated undertakings   | 72,346            | 33,258           | 0                | 105,604           |
| Property, plant and equipment            | 612,097           | 0                | 152,721          | 764,818           |
| Intangible assets                        | 34,251            | 0                | 0                | 34,251            |
| Other assets                             | 840,634           | 22,125           | 48,970           | 911,729           |
| <b>Total Assets</b>                      | <b>21,554,748</b> | <b>1,337,119</b> | <b>2,406,076</b> | <b>25,297,943</b> |

EFG EUROBANK ERGASIAS SA

Notes to the accounts (continued)

41. Currency Risk (continued)

|  | 31 December 2002  |                  |                    |                   |
|--|-------------------|------------------|--------------------|-------------------|
|  | € '000            |                  |                    |                   |
|  | Euro              | USD              | Other              | Total             |
| <b>Liabilities</b>                       |                   |                  |                    |                   |
| Due to other banks                       | 3,630,445         | 161,888          | 591,537            | 4,383,870         |
| Derivative financial instruments         | 503,076           | 23,846           | 16,234             | 543,156           |
| Due to customers                         | 13,699,145        | 2,073,930        | 1,197,726          | 16,970,801        |
| Liabilities evidenced by paper           | 719,942           | 0                | 0                  | 719,942           |
| Other liabilities                        | 549,289           | 10,877           | 45,654             | 605,820           |
| <b>Total liabilities</b>                 | <b>19,101,897</b> | <b>2,270,541</b> | <b>1,851,151</b>   | <b>23,223,589</b> |
| <b>Net balance sheet position</b>        | <b>2,452,851</b>  | <b>(933,422)</b> | <b>554,925</b>     | <b>2,074,354</b>  |
| Off balance sheet net notional position  | (154,784)         | 941,611          | (449,230)          | 337,597           |
| Contingent liabilities and commitments   | 1,608,708         | 88,129           | 22,824             | 1,719,661         |
|  |                   |                  |                    |                   |
|  | 31 December 2001  |                  |                    |                   |
|  | € '000            |                  |                    |                   |
|  | GRD               | Euro             | Other              | Total             |
| <b>Assets</b>                            |                   |                  |                    |                   |
| Cash and balances with central banks     | 121,080           | 1,084,919        | 62,729             | 1,268,728         |
| Due from other banks                     | 103,982           | 902,779          | 279,574            | 1,286,335         |
| Trading securities                       | 40,663            | 1,020,575        | 49,576             | 1,110,814         |
| Derivative financial instruments         | 122,941           | 1,849            | 9,949              | 134,739           |
| Loans and advances to customers          | 4,990,559         | 4,137,209        | 1,845,840          | 10,973,608        |
| Available-for-sale investment securities | 564,754           | 2,170,759        | 515,416            | 3,250,929         |
| Other investment securities              | 0                 | 235,366          | 11,334             | 246,700           |
| Investments in associated undertakings   | 108,065           | 0                | 0                  | 108,065           |
| Property, plant and equipment            | 462,829           | 1,564            | 2,448              | 466,841           |
| Intangible assets                        | 28,114            | 0                | 0                  | 28,114            |
| Other assets                             | 470,621           | 214,131          | 58,391             | 743,143           |
| <b>Total Assets</b>                      | <b>7,013,608</b>  | <b>9,769,151</b> | <b>2,835,257</b>   | <b>19,618,016</b> |
| <b>Liabilities</b>                       |                   |                  |                    |                   |
| Due to other banks                       | 17,623            | 610,257          | 174,298            | 802,178           |
| Derivative financial instruments         | 239,401           | 1,054            | 5,802              | 246,257           |
| Due to customers                         | 7,022,339         | 2,223,941        | 6,064,080          | 15,310,360        |
| Liabilities evidenced by paper           | 0                 | 439,293          | 0                  | 439,293           |
| Other liabilities                        | 542,887           | 43,093           | 135                | 586,115           |
| <b>Total liabilities</b>                 | <b>7,822,250</b>  | <b>3,317,638</b> | <b>6,244,315</b>   | <b>17,384,203</b> |
| <b>Net balance sheet position</b>        | <b>(808,642)</b>  | <b>6,451,513</b> | <b>(3,409,058)</b> | <b>2,233,813</b>  |
| Off balance sheet net notional position  | 18,360            | (77,435)         | 3,436,860          | 3,377,785         |
| Contingent liabilities and commitments   | 858,054           | 667,290          | 102,685            | 1,628,029         |

42. Interest Rate Risk

The group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored on a daily basis.

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

|   | 31 December 2002   |                  |                  |                    |                      |                   |
|---|--------------------|------------------|------------------|--------------------|----------------------|-------------------|
|   | Up to 3 months     | 3 - 12 months    | 1 - 5 years      | Over 5 years       | Non-interest bearing | Total             |
|   | € '000             | € '000           | € '000           | € '000             | € '000               | € '000            |
| <b>Assets</b>                                     |                    |                  |                  |                    |                      |                   |
| Cash and balances with central banks              | 1,038,804          |                  |                  |                    | 319                  | 1,039,123         |
| Treasury bills and other eligible bills           | 130,185            | 326,240          |                  |                    |                      | 456,425           |
| Due from other banks                              | 1,558,111          |                  | 2                |                    | 8,274                | 1,566,387         |
| Trading securities                                | 895,481            | 519,005          | 1,093,030        | 739,817            | 15,686               | 3,263,019         |
| Derivative financial instruments                  |                    |                  |                  |                    | 163,693              | 163,693           |
| Loans and advances to customers                   | 10,419,952         | 1,328,978        | 1,446,316        | 230,492            |                      | 13,425,738        |
| Available-for-sale investment securities          | 453,494            | 783,376          | 449,565          | 1,579,210          | 177,930              | 3,443,575         |
| Other investment securities                       |                    |                  | 123,581          |                    |                      | 123,581           |
| Investments in associated undertakings            |                    |                  |                  |                    | 105,604              | 105,604           |
| Property, plant and equipment                     |                    |                  |                  |                    | 764,818              | 764,818           |
| Intangible assets                                 |                    |                  |                  |                    | 34,251               | 34,251            |
| Other assets                                      |                    |                  |                  |                    | 911,729              | 911,729           |
| <b>Total Assets</b>                               | <b>14,496,027</b>  | <b>2,957,599</b> | <b>3,112,494</b> | <b>2,549,519</b>   | <b>2,182,304</b>     | <b>25,297,943</b> |
| <b>Liabilities</b>                                |                    |                  |                  |                    |                      |                   |
| Due to other banks                                | 4,158,663          | 192,103          | 14,093           | 18,806             | 205                  | 4,383,870         |
| Derivative financial instruments                  |                    |                  |                  |                    | 543,156              | 543,156           |
| Due to customers                                  | 16,383,811         | 364,599          | 184,629          |                    | 37,761               | 16,970,801        |
| Liabilities evidenced by paper                    | 650,066            |                  | 69,876           |                    |                      | 719,942           |
| Other liabilities                                 |                    |                  |                  |                    | 605,820              | 605,820           |
| <b>Total liabilities</b>                          | <b>21,192,540</b>  | <b>556,702</b>   | <b>268,598</b>   | <b>18,806</b>      | <b>1,186,942</b>     | <b>23,223,588</b> |
| <b>On balance sheet interest sensitivity gap</b>  | <b>(6,696,513)</b> | <b>2,400,897</b> | <b>2,843,896</b> | <b>2,530,713</b>   | <b>995,362</b>       | <b>2,074,355</b>  |
| <b>Off balance sheet interest sensitivity gap</b> | <b>250,364</b>     | <b>423,477</b>   | <b>(835,926)</b> | <b>(2,008,399)</b> |                      |                   |

EFG EUROBANK ERGASIAS SA

Notes to the accounts (continued)

42. Interest Rate Risk (continued)

|   | 31 December 2001            |                            |                          |                           |                                   | Total<br>€ '000   |
|---|-----------------------------|----------------------------|--------------------------|---------------------------|-----------------------------------|-------------------|
|   | Up to 3<br>months<br>€ '000 | 3 - 12<br>months<br>€ '000 | 1 - 5<br>years<br>€ '000 | Over 5<br>years<br>€ '000 | Non-interest<br>bearing<br>€ '000 |                   |
| <b>Assets</b>                                     |                             |                            |                          |                           |                                   |                   |
| Cash and balances with central banks              | 1,262,990                   | 3,384                      | 0                        | 0                         | 2,354                             | 1,268,728         |
| Treasury bills and other eligible bills           | 0                           | 0                          | 0                        | 0                         | 0                                 | -                 |
| Due from other banks                              | 1,246,876                   | 39,460                     | 0                        | 0                         | 0                                 | 1,286,336         |
| Trading securities                                | 169,723                     | 369,409                    | 323,020                  | 225,643                   | 23,019                            | 1,110,814         |
| Derivative financial instruments                  | 0                           | 0                          | 0                        | 0                         | 134,738                           | 134,738           |
| Loans and advances to customers                   | 8,879,415                   | 1,026,066                  | 882,055                  | 186,072                   | 0                                 | 10,973,608        |
| Available-for-sale investment securities          | 116,713                     | 382,615                    | 1,130,970                | 1,288,470                 | 332,161                           | 3,250,929         |
| Other investment securities                       | 0                           | 8,408                      | 222,286                  | 16,006                    | 0                                 | 246,700           |
| Investments in associated undertakings            | 0                           | 0                          | 0                        | 0                         | 108,065                           | 108,065           |
| Property, plant and equipment                     | 0                           | 0                          | 0                        | 0                         | 466,841                           | 466,841           |
| Intangible assets                                 | 0                           | 0                          | 0                        | 0                         | 28,114                            | 28,114            |
| Other assets                                      | 0                           | 0                          | 0                        | 0                         | 743,143                           | 743,143           |
| <b>Total Assets</b>                               | <b>11,675,717</b>           | <b>1,829,342</b>           | <b>2,558,331</b>         | <b>1,716,191</b>          | <b>1,838,435</b>                  | <b>19,618,016</b> |
| <b>Liabilities</b>                                |                             |                            |                          |                           |                                   |                   |
| Due to other banks                                | 750,861                     | 48,000                     | 3,317                    | 0                         | 0                                 | 802,178           |
| Derivative financial instruments                  | 0                           | 0                          | 0                        | 0                         | 246,257                           | 246,257           |
| Due to customers                                  | 14,867,748                  | 401,186                    | 41,426                   | 0                         | 0                                 | 15,310,360        |
| Liabilities evidenced by paper                    | 439,293                     | 0                          | 0                        | 0                         | 0                                 | 439,293           |
| Other liabilities                                 | 0                           | 0                          | 0                        | 0                         | 586,115                           | 586,115           |
| <b>Total liabilities</b>                          | <b>16,057,902</b>           | <b>449,186</b>             | <b>44,743</b>            | <b>0</b>                  | <b>832,372</b>                    | <b>17,384,203</b> |
| <b>On balance sheet interest sensitivity gap</b>  | <b>(4,382,185)</b>          | <b>1,380,156</b>           | <b>2,513,588</b>         | <b>1,716,191</b>          | <b>1,006,063</b>                  | <b>2,233,813</b>  |
| <b>Off balance sheet interest sensitivity gap</b> | <b>2,269,957</b>            | <b>76,431</b>              | <b>(1,227,196)</b>       | <b>(1,094,157)</b>        |                                   |                   |

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

|  | 2002<br>% | 2001<br>% |
|--|-----------|-----------|
| <b>Assets</b>                            |           |           |
| Due from other banks                     | 3.27      | 4.35      |
| Trading Securities                       | 4.13      | 4.78      |
| Loans and advances to customers          | 6.91      | 7.90      |
| Available-for-sale investment securities | 4.46      | 4.82      |
| Other investment securities              | 6.85      | 6.54      |
| <b>Liabilities</b>                       |           |           |
| Due to other banks                       | 3.32      | 4.18      |
| Due to customers                         | 2.15      | 3.01      |
| Liabilities evidenced by paper           | 3.79      | 4.42      |

43. Maturity of assets and liabilities

The group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. The group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls.

The table below analyses assets and liabilities of the group into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

|  | 31 December 2002           |                         |                            |                          |                           | Total<br>€ '000   |
|--|----------------------------|-------------------------|----------------------------|--------------------------|---------------------------|-------------------|
|  | Up to 1<br>month<br>€ '000 | 1-3<br>months<br>€ '000 | 3 - 12<br>months<br>€ '000 | 1 - 5<br>years<br>€ '000 | Over 5<br>years<br>€ '000 |                   |
| <b>Assets</b>                            |                            |                         |                            |                          |                           |                   |
| Cash and balances with central banks     | 1,039,123                  | 0                       | 0                          | 0                        | 0                         | 1,039,123         |
| Treasury bills and other eligible bills  | 0                          | 130,185                 | 326,240                    | 0                        | 0                         | 456,425           |
| Due from other banks                     | 1,490,324                  | 76,063                  | 0                          | 0                        | 0                         | 1,566,387         |
| Trading securities                       | 42,696                     | 145,141                 | 154,037                    | 1,840,818                | 1,080,327                 | 3,263,019         |
| Derivative financial instruments         | 22,173                     | 24,811                  | 26,646                     | 73,182                   | 16,881                    | 163,693           |
| Loans and advances to customers          | 647,367                    | 1,821,493               | 5,129,545                  | 2,960,137                | 2,867,196                 | 13,425,738        |
| Available-for-sale investment securities | 103,560                    | 108,213                 | 172,478                    | 569,441                  | 2,489,883                 | 3,443,575         |
| Other investment securities              | 0                          | 0                       | 0                          | 123,581                  | 0                         | 123,581           |
| Investments in associated undertakings   | 0                          | 0                       | 0                          | 0                        | 105,604                   | 105,604           |
| Property, plant and equipment            | 0                          | 0                       | 0                          | 0                        | 764,818                   | 764,818           |
| Intangible assets                        | 0                          | 0                       | 0                          | 7,188                    | 27,063                    | 34,251            |
| Other assets                             | 224,408                    | 81,713                  | 300,450                    | 95,194                   | 209,964                   | 911,729           |
| <b>Total Assets</b>                      | <b>3,569,651</b>           | <b>2,387,619</b>        | <b>6,109,396</b>           | <b>5,669,541</b>         | <b>7,561,736</b>          | <b>25,297,943</b> |
| <b>Liabilities</b>                       |                            |                         |                            |                          |                           |                   |
| Due to other banks                       | 2,957,972                  | 1,201,561               | 192,070                    | 13,121                   | 19,146                    | 4,383,870         |
| Derivative financial instruments         | 70,329                     | 45,797                  | 30,314                     | 100,363                  | 296,353                   | 543,156           |
| Due to customers                         | 12,149,786                 | 3,208,775               | 806,556                    | 805,684                  | 0                         | 16,970,801        |
| Liabilities evidenced by paper           | 0                          | 226,967                 | 9,947                      | 483,028                  | 0                         | 719,942           |
| Other liabilities                        | 240,080                    | 83,115                  | 216,913                    | 26,715                   | 38,997                    | 605,820           |
| <b>Total liabilities</b>                 | <b>15,418,167</b>          | <b>4,766,215</b>        | <b>1,255,800</b>           | <b>1,428,911</b>         | <b>354,496</b>            | <b>23,223,589</b> |
| <b>Net liquidity gap</b>                 | <b>(11,848,516)</b>        | <b>(2,378,596)</b>      | <b>4,853,596</b>           | <b>4,240,630</b>         | <b>7,207,240</b>          | <b>2,074,354</b>  |

**EFG EUROBANK ERGASIAS SA**

**Notes to the accounts (continued)**

**43. Maturity of assets and liabilities (continued)**

|  | 31 December 2001           |                         |                            |                          |                           | Total<br>€ '000   |
|--|----------------------------|-------------------------|----------------------------|--------------------------|---------------------------|-------------------|
|  | Up to 1<br>month<br>€ '000 | 1-3<br>months<br>€ '000 | 3 - 12<br>months<br>€ '000 | 1 - 5<br>years<br>€ '000 | Over 5<br>years<br>€ '000 |                   |
| <b>Assets</b>                            |                            |                         |                            |                          |                           |                   |
| Cash and balances with central banks     | 1,025,517                  | 0                       | 243,211                    | 0                        | 0                         | 1,268,728         |
| Due from other banks                     | 1,226,449                  | 43,898                  | 15,989                     | 0                        | 0                         | 1,286,336         |
| Trading securities                       | 29,027                     | 33,861                  | 71,448                     | 407,660                  | 568,818                   | 1,110,814         |
| Derivative financial instruments         | 37,934                     | 5,309                   | 27,489                     | 56,217                   | 7,789                     | 134,738           |
| Loans and advances to customers          | 5,204,387                  | 1,352,672               | 1,819,416                  | 1,436,044                | 1,161,089                 | 10,973,608        |
| Available-for-sale investment securities | 24,933                     | 75,853                  | 236,569                    | 1,324,299                | 1,589,274                 | 3,250,928         |
| Other investment securities              | 0                          | 0                       | 5,007                      | 225,687                  | 16,006                    | 246,700           |
| Investments in associated undertakings   | 0                          | 0                       | 0                          | 0                        | 108,065                   | 108,065           |
| Property, plant and equipment            | 0                          | 0                       | 0                          | 1,626                    | 465,215                   | 466,841           |
| Intangible assets                        | 0                          | 0                       | 0                          | 10,497                   | 17,617                    | 28,114            |
| Other assets                             | 329,385                    | 27,569                  | 105,098                    | 114,078                  | 167,014                   | 743,144           |
| <b>Total Assets</b>                      | <b>7,877,632</b>           | <b>1,539,162</b>        | <b>2,524,227</b>           | <b>3,576,108</b>         | <b>4,100,887</b>          | <b>19,618,016</b> |
| <b>Liabilities</b>                       |                            |                         |                            |                          |                           |                   |
| Due to other banks                       | 699,638                    | 51,064                  | 48,540                     | 2,936                    | 0                         | 802,178           |
| Derivative financial instruments         | 11,070                     | 7,768                   | 18,955                     | 103,369                  | 105,095                   | 246,257           |
| Due to customers                         | 13,608,995                 | 990,908                 | 628,170                    | 82,287                   | 0                         | 15,310,360        |
| Liabilities evidenced by paper           | 39,944                     | 0                       | 0                          | 399,349                  | 0                         | 439,293           |
| Other liabilities                        | 251,240                    | 72,135                  | 206,033                    | 16,446                   | 40,261                    | 586,115           |
| <b>Total liabilities</b>                 | <b>14,610,887</b>          | <b>1,121,875</b>        | <b>901,698</b>             | <b>604,387</b>           | <b>145,356</b>            | <b>17,384,203</b> |
| <b>Net liquidity gap</b>                 | <b>(6,733,255)</b>         | <b>417,287</b>          | <b>1,622,529</b>           | <b>2,971,721</b>         | <b>3,955,531</b>          | <b>2,233,813</b>  |

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

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

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the group does not generally expect the third party to draw funds under the agreement.

**44. Fair values of financial assets and liabilities**

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

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

- a) trading assets, derivatives and other transactions undertaken for trading purposes as well as treasury bills and available for sale securities are measured at fair value (see notes 16, 18, 19 and 22) by reference to quoted market prices when available. If quoted market prices are not available, then the fair values are estimated on the basis of discounted cash flows. Furthermore Investment Property which comprises freehold land and buildings is carried at fair value. Fair value is based on active market prices.
- b) Substantially all of the bank's other financial assets and liabilities are at floating rates of interest, which re-price at frequent intervals. Therefore the group has no significant exposure to fair value fluctuations and the carrying value of the financial assets and liabilities is substantially equivalent to their fair values, unless otherwise stated.

**45. Post balance sheet event**

For details of significant post balance sheet events refer to the directors' report and the following notes:

- Note 24 - Share in subsidiary undertakings
- Note 25 - Investment in associated undertakings

**46. Ultimate parent company and controlling party**

The bank is a member of the EFG Bank Group, the ultimate parent company of which is EFG Bank European Financial Group, a bank incorporated in Switzerland. The EFG Bank Group holds 41% (at 31.12.2001: 41%) of the company's share capital. All the voting rights in EFG Bank European Financial Group are held by Latsis family interests.

**47. Other significant shareholders**

Other than the EFG Bank Group, the only shareholder holding more than 5% of the company's share capital is Deutsche Bank AG, which holds 9.3% (2001 : 9.3%).

**EFG EUROBANK ERGASIAS SA**

**Notes to the accounts (continued)**

**48. Acquisition of subsidiaries**

Details of acquisitions in the year were as follows:

|  | <b>Fair Value</b><br><b>€ '000</b> | <b>Consideration</b><br><b>€ '000</b> | <b>Goodwill</b><br><b>€ '000</b> |
|--|------------------------------------|---------------------------------------|----------------------------------|
| <b>Acquisitions:</b>   |                                    |                                       |                                  |
| <b>Subsidiaries</b>  |                                    |                                       |                                  |
| <b>Telesis Mutual Funds Management Company SA</b>                              |                                    |                                       |                                  |
| On March 2002 the group acquired 50% of the share capital of the company       | 731                                | 3,522                                 | 2,791                            |
| <b>Telesis Asset Management Company SA</b>                                     |                                    |                                       |                                  |
| On April 2002 the group acquired 23.5% of the share capital of the company     | 376                                | 572                                   | 196                              |
| <b>Telesis Direct SA</b>   |                                    |                                       |                                  |
| On June 2002 the group acquired 22% of the share capital of the company        | 44                                 | 193                                   | 149                              |
| <b>Autorental SA</b>   |                                    |                                       |                                  |
| On 31 July 2002, the group acquired 25% of the share capital of the company    | 194                                | 293                                   | 99                               |
| <b>Banc Post Romania SA</b>  |                                    |                                       |                                  |
| On 8 November 2002, the group acquired 17% of the share capital of the company | 17,770                             | 20,074                                | 2,304                            |
| <b>Hellas-on-Line SA</b>   |                                    |                                       |                                  |
| On May 2002 the group acquired 60% of the share capital of the company         | 1,623                              | 5,664                                 | 4,041                            |
| Total  | <u>20,738</u>                      | <u>30,318</u>                         | <u>9,580</u>                     |

Fair value indicates fair value of our share of assets acquired. Consideration indicates total consideration paid in cash

**49. Related Party transactions**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Bank is controlled by EFG Bank European Financial Group incorporated in Switzerland which owns 41% of the ordinary shares.

A number of banking transactions are entered into with related parties in the normal course of business and on an arms length basis. These include loans, deposits, letters of guarantee and derivatives. The impact on the income statement of transactions with related parties is not significant. The volumes of related party transactions and outstanding balances at the year end are as follows:

| <b>Type of related party</b>                  | <b>EFG Bank Group</b>        | <b>Other</b>                 | <b>EFG Bank Group</b>        | <b>Other</b>                 |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
|   | <b>2002</b><br><b>€ '000</b> | <b>2002</b><br><b>€ '000</b> | <b>2001</b><br><b>€ '000</b> | <b>2001</b><br><b>€ '000</b> |
| Loans to customers and Interbank transactions | 184,223                      | 75,663                       | 54,867                       | 106,800                      |
| Trading securities                            | 0                            | 831                          | 0                            | 3,267                        |
| Available-for-sale investment securities      | 0                            | 18,243                       | 0                            | 13,380                       |
| Letters of guarantee issued                   | 464,919                      | 16,089                       | 8,798                        | 2,735                        |
| Letters of guarantee received                 | 469,923                      | 0                            | 467,692                      | 0                            |
| Deposits from banks and customers             | 118,026                      | 292,463                      | 137,048                      | 178,785                      |
| Derivatives assets                            | 0                            | 9,439                        | 942                          | 2,899                        |
| Derivatives liabilities                       | 0                            | 79,265                       | 6                            | 51,149                       |
| Other assets                                  | 42,438                       | 0                            | 40,053                       | 0                            |
| Other liabilities                             | 1,571                        | 0                            | 3,026                        | 0                            |

In addition investments in associates acquired from related parties resulted in a goodwill on acquisition of € 18,369 million.

## EFG EUROBANK ERGASIAS SA

### Notes to the accounts (continued)

#### 49. Related Party transactions (continued)

For significant related party transactions refer to the following notes :

|         |  |
|---------|--|
| Note 17 | - Due from other banks                                       |
| Note 19 | - Derivative Financial Instruments                           |
| Note 20 | - Loans and advances to customers                            |
| Note 24 | - Shares in subsidiary undertakings                          |
| Note 25 | - Investments in associated undertakings                     |
| Note 29 | - Due to other banks   |
| Note 30 | - Due to customers   |
| Note 35 | - Called up share capital, share premium and treasury shares |
| Note 39 | - Contingent liabilities and commitments                     |

#### Director's related transactions

In 2002 the total remuneration of the directors was € 4.7 million (2001: € 4.6 million). In addition, following the Annual General Meeting's approval on 22 April 2002, 164,908 shares and 315,690 share options were issued and distributed to the directors. On 15 May 2001, following the Annual General Meeting's approval 147,707 shares and 185,632 share options were issued and distributed to the directors. Options exercised in December 2001 resulted in 7,626 shares being issued in April 2002 at € 13.52. Options exercised in December 2002 resulted in 72,805 shares being issued in December 2002 at € 7.98.

As at 31.12.2002, the executive directors held 458,953 shares, being 0.15% of the company's share capital (2001: 484,093 shares) and 554,527 share options (2001: 295,630 shares options and 7,626 options exercised in December 2001 issued in April 2002) in the company. Respectively, non-executive directors held 551,320 shares being 0.18% of the company's share capital (2001 : 487,276 shares).

At 31 December 2002, the total balance outstanding for loans granted to the company's directors amounted to € 0.9 million (2001: € 1.5 million).

#### 50. Merger between EFG Eurobank SA and Ergobank SA

The merger between EFG Eurobank SA ("Eurobank") and Ergobank SA ("Ergobank") whereby Eurobank technically absorbed Ergobank and was subsequently renamed EFG Eurobank Ergasias SA, was completed on 7 September 2000 with a local accounting and tax reference date of 1 January 2000. The controlling shareholder of both banks, EFG Bank Group, held post-merger 44% of EFG Eurobank Ergasias SA.

Since the transaction represented a business combination between entities under common control, it fell outside the scope of International Accounting Standards (IAS 22) dealing with business combinations. In the absence of specific guidance under IAS, the directors decided to adopt the uniting of interests method, which was the appropriate method under Greek GAAP, as they believed this method most accurately reflected the substance of the transaction between the two banks.

Under the uniting of interests method, the assets, liabilities and income statements of the two merging entities are presented as if they had been combined from the beginning of the earliest accounting period presented. No new goodwill arises at the combining entity level.

Had this business combination been accounted for using the purchase method of accounting, Eurobank would have been treated as the acquirer of the part of Ergobank previously held by minority shareholders (i.e. the shares not held by the controlling shareholders). As a consequence the results of Ergobank would only have been consolidated as from 7 September 2000. The proportion of assets and liabilities acquired from the minority shareholders of Ergobank would have been restated to fair values, resulting in goodwill estimated at € 886 million, which would have been capitalised as an intangible fixed asset and amortised over its estimated useful life, whereas the remaining assets and liabilities would have remained at their book values. This accounting treatment would have also resulted in additional share premium of a corresponding amount of € 886 million.

#### 51. Board of Directors

The directors of the bank are :

|                       |                                   |
|-----------------------|-----------------------------------|
| X. C. Nickitas        | Chairman                          |
| G. C. Gondicas        | Honorary Chairman (non executive) |
| Miss A.M.L. J. Latsis | Vice Chairman (non executive)     |
| L. D. Efraimoglou     | 2nd Vice Chairman (non executive) |
| N. C. Nanopoulos      | Chief Executive Officer           |
| B. N. Ballis          | Deputy Chief Executive Officer    |
| N. B. Karamouzis      | Deputy Chief Executive Officer    |
| H. M. Kyrkos          | Executive                         |
| N. C. Pavlidis        | Executive                         |
| F. S. Antonatos       | Non Executive                     |
| A. G. Bibas           | Non Executive                     |
| E. L. Bussetil        | Non Executive                     |
| S. P. Fafalios        | Non Executive                     |
| T. von Heydebreck     | Non Executive                     |
| P. Lambropoulos       | Non Executive                     |
| S. J. Latsis          | Non Executive                     |
| B. A. von Maltzan     | Non Executive                     |
| S. G. Papaderos       | Non Executive                     |
| P. P. Petalas         | Non Executive                     |
| K. J. Nasikas         | Non Executive                     |

All the directors served throughout the year.

S.P. Fafalios and P. Lambropoulos will be proposed to the Annual General Meeting for appointment as independent non executive directors in accordance with law 3016/2002.

S.G. Papaderos and K.J. Nasikas became non-executive directors in 2003.