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Chairman's Statement

The year 1999 was one of major developments for EFG Eurobank. The Bank successfully completed the operational mergers with the Bank of Athens and the Bank of Crete; it entered the Athens Stock Exchange with a heavily over-subscribed public offering; and, EFG Bank Group, the Bank's ultimate parent, acquired Ergobank.

The Greek banking system is undergoing a process of rapid consolidation and adaptation in response to structural changes in international markets. Internationally, there is a marked trend towards concentration in the financial sector, leading to the creation of banks with global reach, vast capital resources, highly competitive products and advanced technology. The developments are particularly rapid in Europe where the Economic and Monetary Union is creating a large, highly competitive, single-currency market of which Greece is soon to become a part. Furthermore, there is the "new economy" based on information technology and the Internet.

EFG Eurobank is responding to these challenges within a framework of strategic development objectives designed to create a large, modern and competitive financial Group. The Bank has international reach through the EFG Bank Group and through its strategic alliance with Deutsche Bank. This allows it to continue its dynamic growth in the domestic market while developing a strong presence in the region.

During 1999, EFG Eurobank completed operational mergers with the Bank of Athens and the Bank of Crete. Coupled with dynamic organic development, this led to major increases in all its basic financial indicators and significant growth in its market share. At year end, EFG Eurobank's risk asset ratio stood at 24 per cent and it had:

- Total assets of Grd. 2.9 trillion
- Deposits of Grd. 2.2 trillion
- Loans to customers of Grd. 1.1 trillion
- Equity (net worth) of Grd. 334 billion
- Total profit from operations of Grd. 80.5 billion
- A network of 190 branches and a staff of over 4,000

The mergers with the Bank of Athens and the Bank of Crete involved complete organisational, operational and information technology (I.T.) re-structuring and the introduction of a uniform business philosophy in all units. These mergers were completed in an exceptionally short space of time by means of major, co-ordinated efforts on the part of the staff and management of the three banks. The Bank now has a network of branches covering the whole of Greece, thus allowing for the acceleration of business development and growth.

The mergers were accomplished in parallel with the implementation of the Altamira I.T. platform, which together with TVS and Kondor⁺ will support the entire range of the Group's activities and allow for accelerated growth. In the last three years, EFG Eurobank has made major investments in the latest applications of information technology and telecommunications.

Through the completion of the legal merger with the Bank of Athens, EFG Eurobank was listed in March 1999, on the Athens Stock Exchange and the immediate parent company, EFG Consolidated Holdings SA (previously known under the name Consolidated Eurofinance Holdings SA), offered for sale by public subscription 11,162,500 shares in order to ensure sufficient free-float. The response from investors was impressive – in excess of 600,000 subscriptions – and the Bank acquired the broadest shareholder base in Greece. The share price reacted positively to the subsequent capital increase of Grd. 112 billion.

Another development of particular importance in 1999 was the incorporation of Ergobank into the EFG Bank Group through a bid to acquire a controlling stake of Ergobank shares. This was a pioneering venture in the Greek market, undertaken in accordance with current international practices. The integration of EFG Eurobank and Ergobank – two historically successful and complementary banks – will allow the development of synergies and the creation of economies of scale. This will lead to the creation of a large and strong bank which, supported by high calibre personnel and a modern infrastructure will be in a position to meet all of its customers' needs in the most comprehensive manner. This strategic move by the EFG Bank Group signaled its intention to invest and play a leading role in the new landscape taking shape in the Greek financial sector.

The new organisation will be the third largest in the Greek banking sector. It belongs to an international banking Group and has a unique strategic alliance with Deutsche Bank, which holds 10 per cent of its share capital. Following these developments, international credit-rating agencies have upgraded the credit standing of EFG Eurobank, as follows:

RATINGS			
	<u>Long Term</u>	<u>Financial Strength</u>	<u>Short Term</u>
MOODY'S	A3	C	Prime2
STANDARD & POORS	BBB		A-2
FITCH IBCA	*BBB+	B/C legal support 2	F2

* Long-Term rating was placed on Rating Alert positive on 3/2000.

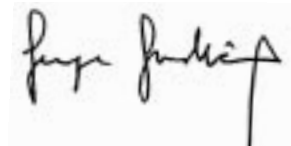
For 2000, EFG Eurobank aims at maintaining the high rates of organic growth achieved during the previous months. Priorities for the year are:

- Building further on the alliance with Deutsche Bank in individual areas, involving the promotion of new products and services with a high level of know-how, in response to developments in the international markets and the new requirements created by the introduction of the euro.
- Further development of alternative networks for the provision of products and services of the Bank, essentially through the Internet, in which EFG Eurobank has already taken pioneering steps involving the offering of a broad range of products and services.

During 2000, Ergobank will merge with EFG Eurobank. The procedures for operational convergence are already proceeding rapidly and the legal merger will take place in the summer of 2000. When complete, the Bank will have assets in excess of Grd 5 trillion, 330 branches, and a staff of approximately 7,000.

Efforts will continue during the current year to create a strong bank that will play a leading role in developments in the domestic sector and be very active in the wider region, while responding fully to the needs of its customers and the expectations of its shareholders. With consistency and dedication to its strategic objectives, EFG Eurobank will continue to meet the needs of its customers in the most comprehensive manner by providing up-to-date products and services in all areas of financial activities.

Athens, May 2000

A handwritten signature in black ink, appearing to read 'George Gondicas', is centered on the page.

George C. Gondicas

Chairman of the Board of Directors
EFG Eurobank S.A.

EFG EUROBANK S.A.

REPORT AND ACCOUNTS
31 DECEMBER 1999

Incorporated in Greece

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

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Telephone: +301- 333 7000, Facsimile: +301- 323 3866

www.eurobank.gr

Report of the Directors

The directors present their report together with the audited financial statements for the year ended 31 December 1999.

Business Activity

EFG Eurobank SA (the “company”) is engaged in the business of providing retail, investment and commercial banking, and advisory and custodian services for corporate, private and institutional clients. The company is active in the money markets in both deposit taking and lending and engages in spot and forward foreign exchange business as well as undertaking transactions in securities and off-balance sheet instruments both for its own account and on behalf of customers. Similar services are provided by the company’s subsidiary in Luxembourg, EFG Private Bank (Luxembourg) SA. Other subsidiaries are engaged in the business of administering and managing credit cards, and providing leasing, capital markets and investment services.

The company is regulated by the Bank of Greece and the Federal Banking Commission of Switzerland. It is also regulated by the Athens Stock Exchange and the Capital Markets Committee.

Results and future developments

The consolidated profits for the year, after taxation, amounted to Grd. 40,163 million (1998: Grd. 8,735 million). The directors propose the payment of a dividend of Grd. 100 per share, totalling Grd. 13,292 million. Both the level of business and the year end financial position were satisfactory and the directors consider that the present level of activity will be sustained for the foreseeable future.

The directors also propose the issue of 560,000 options on the company’s shares to the executive directors, management and staff.

Ergobank SA - acquisition of control by the Parent

On 8 June 1999, the company’s parent, EFG Consolidated Holdings SA, formerly Consolidated Eurofinance Holdings SA (the “Parent” company), bid for a controlling stake in Ergobank SA. On the same day, in order to avoid cross-shareholdings between the company and Ergobank SA, the company disposed of its entire 9.01% interest in Ergobank SA by selling 4.01% to the Parent and 5.00% to Deutsche Bank AG. The Parent, as a result of its tender offer, acquired on 4 August 1999 an additional 29.53% of Ergobank SA share capital through the exchange of 1 Ergobank share for 2.4 shares in EFG Eurobank SA plus Grd. 17,000 in cash. On 24 January 2000, the Parent sold 4.99% of Ergobank SA share capital to Deutsche Bank AG.

Proposed merger with Ergobank SA

In January 2000 the Boards of Directors of EFG Eurobank SA and Ergobank SA announced that they had commenced proceedings to merge the two banks.

PricewaterhouseCoopers and Deloitte & Touche have been appointed as merger auditors and will issue their opinion on whether the merger share exchange basis, which will be proposed to the shareholders, is fair and reasonable. The legal merger is expected to have been completed by the end of June 2000.

Report of the Directors (continued)

Merger with Bank of Athens SA

On 17 June 1998, the EFG Bank Group, through its subsidiary EFG Eurobank SA, acquired control of Bank of Athens SA. Bank of Athens SA was a commercial bank operating throughout Greece with a retail network of 24 branches, whose shares were listed on the Athens Stock Exchange. On 25 January 1999, EFG Eurobank SA transferred its stake in Bank of Athens SA to the Parent.

On 12 March 1999 EFG Eurobank SA merged its activities with those of Bank of Athens SA, with a local accounting reference date of 31 July 1998, and the shares of the combined bank commenced trading on the Athens Stock Exchange on 14 April 1999. Following the substance, as well as the legal form of the merger in Greece, EFG Eurobank SA accounted for the merger in its 1998 financial statements by the “pooling of interests” method.

Acquisition of Bank of Crete SA and subsequent absorption

On 25 February 1999, EFG Eurobank SA acquired 97% of the ordinary voting share capital and 100% of the preference non-voting share capital of Bank of Crete SA (“Cretabank”) from the Parent for Grd. 68,000 million funded through a subordinated loan granted by the Parent, which was fully repaid in June 1999. The remaining 3% of the ordinary voting share capital was subsequently acquired in June 1999. Cretabank was a commercial bank operating throughout Greece with an 87-branch network and a portfolio of subsidiaries, including a closed-end investment fund and two insurance companies. Cretabank had been acquired by the Parent on 25 September 1998 through a competitive bid privatization process. On 4 October 1999, the company completed the legal merger with Cretabank with a local accounting reference date of 30 June 1999.

EFG Eurobank SA accounted for the combination by the “purchase” method. Goodwill arising on the acquisition of Cretabank amounted to Grd. 32,154 million which has been written-off to the current year’s profit and loss account.

Increases in issued share capital

On 19 March 1999, an Extraordinary General Meeting of the shareholders approved a rights issue of 22,092,725 shares with a total nominal value of Grd. 11,046 million for Grd. 110,463 million. Rights were exercised in the period 18 May to 18 June 1999. Grd. 68,000 million of the proceeds of this issue were used to repay the subordinated loan granted by the Parent to finance the acquisition of Cretabank.

BIS capital ratio

On 31 December 1999 the ratio of the group’s regulatory capital and reserves to risk-weighted assets including off-balance sheet transactions and market risks resulting from trading operations was 24 % (1998: 19%).

New subsidiaries

On 17 February 1999, the company established a wholly owned subsidiary, EFG Eurobank Securities SA, with a Grd. 2,000 million share capital, which provides capital markets brokerage and investment services.

On 29 June 1999, the company also established a wholly owned subsidiary, EFG Hellas PLC, with an authorised share capital of GBP 50,000, which operates as a financing vehicle for EFG Eurobank SA and its subsidiaries.

On 18 November 1999, the company also established a wholly owned subsidiary, EFG Factors SA, with a Grd. 2,000 million share capital, which provides factoring of receivables to the Greek corporate sector, with or without recourse.

Report of the Directors (continued)

Co-operation with Deutsche Bank AG

In December 1998, Deutsche Bank AG acquired a 10% holding in EFG Eurobank SA as part of a strategic alliance. During 1999 cooperations have been established in retail and private banking, mutual funds, insurance, global markets, investment banking and real estate investments.

Year 2000 and Impact of the introduction of the Euro

The group completed its program to address the Year 2000 issue. Since the year-end there has been no impact on the operations of the company from Year 2000 date changes. The group has established a plan to address the system changes required so that its operations will be prepared for Greece becoming a member of the European Monetary Union and adopting the Euro as of 1.1.2001. A committee has been established to supervise the progress of this project.

Fixed assets

The changes in fixed assets during the year are set out in Note 24 to the financial statements.

Directors

The directors of the company are:

G. C. Gondicas	Chairman	
Miss A.M.L. J. Latsis	Deputy Chairman	
N. C. Nanopoulos	Managing Director	
B. N. Ballis	Executive	
C. H. Georgakopoulos	Executive	(as of 29 June 1999)
N. B. Karamouzis	Executive	(as of 29 June 1999)
H. M. Kyrkos	Executive	
C. G. Sorotos	Executive	
F. S. Antonatos	Non-executive	(as of 22 July 1999)
E. L. Bussetil	Non-executive	
L. D. Efraimoglou	Non-executive	
T. von Heydebreck	Non-executive	(as of 19 March 1999)
D. S. Kotsonis	Non-executive	(until 12 March 1999)
J. S. Latsis	Non-executive	(until 12 March 1999)
S. J. Latsis	Non-executive	
B. A. von Maltzan	Non-executive	(as of 19 March 1999)
P. P. Petalas	Non-executive	(as of 29 June 1999)
P. A. Tschritzis	Non-executive	(Deceased 20 July 1999)

All directors served throughout the year, unless otherwise noted above.

As at 31.12.1999, the executive and non-executive directors held 60,242 shares (being 0.045 % of the company's share capital) (1998: nil) and 12 shares (1998: nil) respectively in the shares of the company.

Ultimate parent company

The ultimate parent company is EFG Bank European Financial Group, a bank incorporated in Switzerland.

Report of the Directors (continued)

Directors' responsibility

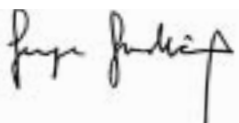
The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1999. The directors also confirm that applicable International Accounting 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 as auditors of the company will be proposed at the forthcoming Annual General Meeting.

By order of the Board



G .C. GONDICAS
Chairman

Athens, 29 February 2000

Auditors' Report

To the Shareholders of EFG Eurobank SA

We have audited the accompanying balance sheet of EFG Eurobank SA (the "company") and its subsidiaries (the "group") as of 31 December 1999 and the related consolidated profit and loss account and cash flow statement for the year then ended. These financial statements, which are set out on pages 14 to 57, are the responsibility of the company's management. Our responsibility is to express an opinion on these statements based on our audit.

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 aspects, the financial position of the company and of the group at 31 December 1999 and of the results of their operations and cash flows for the year then ended in accordance with International Accounting Standards.

PriceWaterhouseCoopers

PRICEWATERHOUSECOOPERS 

Athens, 3 March 2000

Consolidated Profit and Loss Account for the year ended 31 December 1999

	Note	1999 Grd. m.	1998 Grd. m.
Interest and discount income	4	272,497	177,808
Interest expense	4	(212,624)	(142,591)
Net interest income		<u>59,873</u>	<u>35,217</u>
Fee and commission income		51,320	20,471
Fee and commission expense		(10,052)	(4,844)
Net fee and commission income		<u>41,268</u>	<u>15,627</u>
Dividend income	5	1,990	208
Gains less losses from dealing securities		6,782	4,500
Gains less losses from dealing in foreign currencies		1,674	1,097
Gains less losses from other securities	6	50,698	632
Other operating income		16,392	1,332
		<u>77,536</u>	<u>7,769</u>
Operating income		178,677	58,613
Operating expenses	7,8	(87,916)	(39,839)
Bad and doubtful debts expense	18	(10,279)	(4,501)
Profit from operations		80,482	14,273
Income from associates	22	3,627	979
Profit before tax and goodwill impairment		84,109	15,252
Goodwill impairment	3	(32,154)	0
Profit after goodwill impairment		51,955	15,252
Income tax expense	9	(9,604)	(6,461)
Profit after tax		42,351	8,791
Minority interest	31	(2,188)	(56)
Net profit for the period attributable to shareholders		<u>40,163</u>	<u>8,735</u>
		<u>Grd.</u>	<u>Grd.</u>
Earnings per share			
Basic and diluted	11	<u>296</u>	<u>91</u>

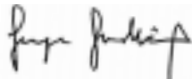
The notes on pages 20 to 57 form an integral part of these financial statements

Grd. m. = Greek drachma millions

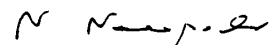
Consolidated Balance Sheet at 31 December 1999

	Note	1999 Grd. m.	1998 Grd. m.
ASSETS			
Cash and balances with central banks	12	342,744	187,043
Treasury bills and other eligible bills	14	1,737	700
Due from other banks	15	255,546	185,227
Dealing securities	16	226,441	90,185
Loans and advances to customers	17	1,142,283	532,364
Medium term investment securities	19	291,244	185,245
Investment securities	20	408,209	205,842
Investments in associated undertakings	22	7,337	3,871
Other participating interests	23	1,145	943
Fixed assets	24	53,109	21,794
Other assets	25	177,940	81,160
Total assets		<u>2,907,735</u>	<u>1,494,374</u>
LIABILITIES			
Due to other banks	26	195,430	60,228
Due to customers	27	2,180,889	1,191,228
Other borrowed funds	28	1,971	1,696
Other liabilities	29	150,831	56,314
Total liabilities		<u>2,529,121</u>	<u>1,309,466</u>
SHAREHOLDERS' EQUITY			
Called up share capital	32	66,417	55,232
Share premium account	32	213,819	113,969
Other reserves		53,597	13,454
Total shareholders' equity		<u>333,833</u>	<u>182,655</u>
Minority interest	31	44,781	2,253
Total shareholders' equity and minority interest		<u>378,614</u>	<u>184,908</u>
Total equity and liabilities		<u>2,907,735</u>	<u>1,494,374</u>
Memorandum items			
Contingent liabilities	34, 35	76,879	43,880
Commitments	35	1,940	5,945
Foreign exchange and Interest rate contracts	35	32,824	22,393

The financial statements on pages 14 to 57 were approved by the board of directors on 29 February 2000 and were signed on its behalf by:



G. C. GONDICAS
Chairman



N. C. NANOPOULOS
Managing Director

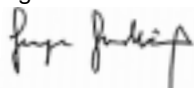
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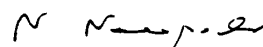
Company Balance Sheet at 31 December 1999

	Note	1999 Grd. m.	1998 Grd. m.
ASSETS			
Cash and balances with central banks	12	334,096	186,952
Treasury bills and other eligible bills	14	1,737	700
Due from other banks	15	465,550	111,816
Dealing securities	16	226,441	89,301
Loans and advances to customers	17	811,930	478,684
Medium term investment securities	19	236,724	106,328
Investment securities	20	305,751	197,604
Shares in subsidiary undertakings	21	35,798	5,635
Investment in associated undertakings	22	4,096	3,100
Other participating interests	23	918	941
Fixed assets	24	51,454	21,378
Other assets	25	160,144	74,635
Total assets		2,634,639	1,277,074
LIABILITIES			
Due to other banks	26	178,748	60,660
Due to customers	27	1,994,586	980,761
Other borrowed funds	28	1,971	1,696
Other liabilities	29	127,656	52,719
Total liabilities		2,302,961	1,095,836
SHAREHOLDERS' EQUITY			
Called up share capital	32	66,460	55,232
Share premium account	32	214,884	113,969
Other reserves		50,334	12,037
Total shareholders' equity		331,678	181,238
Total equity and liabilities		2,634,639	1,277,074
Memorandum items			
Contingent liabilities	34,35	144,245	100,243
Commitments	35	1,940	5,945
Foreign exchange and Interest rate contracts	35	32,279	21,241

The financial statements on pages 14 to 57 were approved by the board of directors on 29 February 2000 and were signed on its behalf by:



G. C. GONDICAS
Chairman



N. C. NANOPOULOS
Managing Director

The notes on pages 20 to 57 form an integral part of these financial statements

Grd. m. = Greek drachma millions

Consolidated Statement of Changes in Equity for the year ended 31 December 1999

	Share capital Grd.m.	Share premium Grd.m.	Statutory reserve Grd.m.	Capital reserves Grd.m.	Special reserves Grd.m.	Retained profits Grd.m.	Total Grd.m.
Group:							
At 1 January 1998	25,228	7,804	2,078	34	3,068	8,749	46,961
Dividend paid out of prior year reserves	0	0	0	0	0	(3,703)	(3,703)
Tax on prior year reserves	0	0	0	0	(234)	(451)	(685)
Issue of share capital	29,735	106,165	0	0	0	0	135,900
Capitalisation of fixed assets revaluation (note 1(h))	269	0	0	0	(269)	0	0
Profit for the year	0	0	0	0	0	8,735	8,735
Proposed dividend	0	0	0	0	0	(4,971)	(4,971)
Transfers	0	0	512	0	(495)	(17)	0
Currency translation differences	0	0	0	0	0	418	418
At 31 December 1998	<u>55,232</u>	<u>113,969</u>	<u>2,590</u>	<u>34</u>	<u>2,070</u>	<u>8,760</u>	<u>182,655</u>
At 1 January 1999	55,232	113,969	2,590	34	2,070	8,760	182,655
Issue of share capital	11,046	100,915	0	0	0	0	111,961
Capitalisation of retained earnings	182	0	0	0	0	(182)	0
Net gain on Bank of Athens shares transfer	0	0	0	0	14,794	0	14,794
Profit for the year	0	0	0	0	0	40,163	40,163
Reduction in group's holding in subsidiary	0	0	0	0	0	(1,446)	(1,446)
Proposed dividend	0	0	0	0	0	(13,292)	(13,292)
Transfers	0	0	974	0	62,610	(63,584)	0
Currency translation differences	0	0	0	0	0	106	106
Treasury shares (note 32)	(43)	(1,065)	0	0	0	0	(1,108)
At 31 December 1999	<u>66,417</u>	<u>213,819</u>	<u>3,564</u>	<u>34</u>	<u>79,474</u>	<u>(29,475)</u>	<u>333,833</u>
Company:							
At 1 January 1998	25,228	7,804	2,078	0	3,068	8,135	46,313
Dividend paid out of prior year reserves	0	0	0	0	0	(3,703)	(3,703)
Tax on prior year reserves	0	0	0	0	(234)	(451)	(685)
Issue of share capital	29,735	106,165	0	0	0	0	135,900
Capitalisation of fixed assets revaluation (note 1(h))	269	0	0	0	(269)	0	0
Profit for the year	0	0	0	0	0	8,384	8,384
Proposed dividend	0	0	0	0	0	(4,971)	(4,971)
Transfers	0	0	512	0	(495)	(17)	0
At 31 December 1998	<u>55,232</u>	<u>113,969</u>	<u>2,590</u>	<u>0</u>	<u>2,070</u>	<u>7,377</u>	<u>181,238</u>
At 1 January 1999	55,232	113,969	2,590	0	2,070	7,377	181,238
Issue of share capital	11,046	100,915	0	0	0	0	111,961
Capitalisation of retained earnings	182	0	0	0	0	(182)	0
Net gain on Bank of Athens shares transfer	0	0	0	0	14,794	0	14,794
Profit for the year	0	0	0	0	0	36,977	36,977
Proposed dividend	0	0	0	0	0	(13,292)	(13,292)
Transfers	0	0	974	0	62,610	(63,584)	0
At 31 December 1999	<u>66,460</u>	<u>214,884</u>	<u>3,564</u>	<u>0</u>	<u>79,474</u>	<u>(32,704)</u>	<u>331,678</u>

The notes on pages 20 to 57 form an integral part of these financial statements

Grd. m. = Greek drachma millions

Consolidated Statement of Changes in Equity for the year ended 31 December 1999 (continued)

Special reserves comprise foreign currency Grd. 1,656 million (1998: Grd. 1,656 million) and gains on disposal of securities Grd. 77,818 million (1998: Grd. 414 million). Special reserves are only taxable in the event of their distribution.

The company's investment in Bank of Athens SA representing 58% of the ordinary share capital and 75% of the preference share capital was transferred, at market price, to the Parent on 25 January 1999 to facilitate the legal completion of the merger of the company and Bank of Athens SA. The transfer, which was effected as part of a "parent group" restructuring, resulted in a net gain for the company of Grd. 14,794 million which has been accounted for as a movement in reserves in 1999 and included in special reserves (see also note 2).

The dividend paid out of prior year reserves was approved by the Shareholders' Extraordinary General Meeting on 28 May 1998 and paid out to the (pre-merger) shareholders of EFG Eurobank SA.

The share capital consisted of ordinary and preference shares. All preference shares were converted into ordinary shares on 17 March 1999.

On 29 June 1999, the Annual General Meeting approved the issue and distribution of shares of total nominal value of Grd. 182 million to the executive directors, management and staff, by capitalising retained earnings.

The directors propose the payment of a dividend of Grd. 100 per share (1998: Grd. 45 per share), totalling Grd. 13,292 million (1998: Grd. 4,971 million).

The directors also propose the issue of 560,000 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 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.

Consolidated Cash Flow Statement

Year ended 31 December 1999

	1999 Grd. m.	1998 Grd. m.
Cash flows from operating activities		
Interest, commission and dealing income receipts	270,551	149,655
Interest payments	(199,212)	(125,366)
Dividend receipts	1,990	208
Fee and commission receipts	51,924	20,716
Fee and commission payments	(9,229)	(5,309)
Other income received	13,470	(935)
Cash payments to employees and suppliers	(72,532)	(28,736)
Income taxes paid	(6,283)	(3,352)
Cash flows from operating profits before changes in operating assets and liabilities	<u>50,679</u>	<u>6,881</u>
Changes in operating assets and liabilities:		
Net (increase)/decrease in loans to central banks	(76,560)	(30,069)
Net (increase)/decrease in dealing securities	(153,162)	(95,210)
Net (increase)/decrease in loans and advances to banks	21,025	7,738
Net (increase)/decrease in loans and advances to customers	(457,739)	(209,210)
Net (increase)/decrease in other assets	(57,395)	6,756
Net increase/(decrease) in deposits from other banks	80,665	35,832
Net increase/(decrease) in amounts due to customers	693,985	332,776
Net increase/(decrease) in other liabilities	47,291	(6,570)
Net cash from operating activities	<u>148,789</u>	<u>48,924</u>
Cash flows from investing activities		
Proceeds from sale of shares in merged entity	27,219	0
Acquisition of shares in merged entity	0	(12,425)
Purchase of property and equipment	(26,805)	(13,473)
Proceeds from sale of property and equipment	144	132
Purchases of investment securities	(243,710)	(209,961)
Proceeds from sales of investment securities	166,075	47,680
Purchases of medium term investment securities	(152,455)	(291,879)
Proceeds from sales of medium term investment securities	73,132	209,838
Acquisition of Cretabank net of cash acquired	(32,928)	0
Acquisition of associated undertakings	(34)	0
Establishment of new subsidiary	0	(2,000)
Dividends from associated undertakings	430	270
Proceeds from sale of shares in subsidiary	16,391	0
Net contributions by minority interest	36,624	0
Purchase of shares in participating interest	(202)	0
Proceeds from other participating interests	0	163
Net cash used in investing activities	<u>(136,119)</u>	<u>(271,655)</u>
Cash flows from financing activities		
Proceeds from borrowed funds	68,000	0
Repayments of borrowed funds	(68,000)	0
Issue of ordinary shares	111,961	135,900
Dividends paid	(5,146)	(3,703)
Tax paid on prior year reserves	0	(685)
Net cash from financing activities	<u>106,815</u>	<u>131,512</u>
Effect of exchange rate changes on cash and cash equivalents	(154)	(7,379)
Net increase/(decrease) in cash and cash equivalents	<u>119,331</u>	<u>(98,598)</u>
Cash and cash equivalents at beginning of year (note 13)	266,098	364,696
Cash and cash equivalents at end of year (note 13)	<u>385,429</u>	<u>266,098</u>
	<u>119,331</u>	<u>(98,598)</u>

The notes on pages 20 to 57 form an integral part of these financial statements

Grd. m. = Greek drachma millions

Notes to the accounts

1. Principal accounting policies

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

(a) Accounting basis

The financial statements are prepared in accordance with and comply with International Accounting Standards. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain trading assets and liabilities to fair value.

(b) Consolidation

The consolidated financial statements include the company, its subsidiary undertakings and principal associated undertakings. Material subsidiary undertakings have been fully consolidated. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the company.

A listing of the company's principal subsidiaries is set out in note 21.

(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.

A listing of the group's undertakings which are equity accounted for is shown in note 22.

(d) Foreign currencies

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 retained profits.

Assets and liabilities denominated in foreign currencies have been translated into drachma at the market rates of exchange ruling at the balance sheet date, and exchange differences are accounted for in the profit and loss account, except for the profit or loss resulting from hedged forward foreign currency transactions, which is apportioned over the period of the contract.

(e) Derivative financial instruments

Derivative financial instruments including foreign exchange contracts, forward rate agreements, currency and interest rate swaps and other derivative financial instruments are marked to market.

The resultant profits and losses are included in income, except for transactions designated as hedges, which are treated in accordance with the accounting treatment of the items being hedged.

(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.

Notes to the accounts (continued)

1. Principal accounting policies (continued)

(g) Profit and loss account

- (i) Interest income and expense are recognised in the income statement on an accruals basis. Interest income is suspended when loans are overdue by a maximum of more than 12 months for wholesale loans, 90 days for retail loans and 180 days for mortgage loans and is excluded from interest income until received. Interest on loans and deposits, and profits and losses arising from contracts used in interest rate risk management are apportioned over the period of the underlying contract. Interest income includes coupons earned on fixed income investment securities and accrued discount on treasury bills.
- (ii) Fees and commissions are taken to income when received or are apportioned over the life of the related transactions as they are deemed to have been earned.
- (iii) Certain profits are only taxable in the event of their distribution. As there is no intention in the foreseeable future to distribute such profits, no provision for the taxation liabilities that would arise had been made in these accounts.

(h) Valuation of fixed assets

Fixed assets are stated at cost less accumulated depreciation, as adjusted for the revaluation of freehold property and buildings every four years, as required by Greek law, the impact of which has not been significant. The resulting gain, net of depreciation, is transferred to a special fixed asset revaluation reserve. The last revaluation took place in December 1996 and the resulting reserve was capitalised in 1998.

(i) Depreciation

Depreciation has been provided on the basis of equal monthly installments to write off fixed assets over their estimated useful lives based on original cost less any residual value as follows:

Land	No depreciation
Freehold buildings	12.5 years
Leasehold improvements	5 years
Intangible assets	5 years
Computer hardware and software	3.3 years
Other furniture and equipment	5 - 12.5 years
Motor vehicles	6.6 years

(j) 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 on acquisitions is reported in the balance sheet and is amortised by using a straight-line method over its estimated useful life. Goodwill is generally amortised over a period not exceeding 5 years. The carrying amount of goodwill is reviewed annually and written down for permanent impairment where it is considered necessary.

(k) Securities

Investment securities include equity securities and debt securities which management intends to hold until maturity and which are stated at cost as adjusted for the amortisation of premiums or discounts on purchase over the period to maturity. Interest earned on investment securities is reported as interest income. Dividends received are included separately in dividend income. A reduction in market value is not taken into account unless it is considered to be permanent. Gains and losses on the sale of investment securities are reported separately and included in the profit and loss account.

Securities intended to be held for a significant period of time but not necessarily until maturity are considered as medium term investments and are classified as medium term investment securities. Medium term investments are carried at the lower of cost or market value while gains and losses on sale or resulting from valuation are reported in gains less losses from other securities.

Dealing securities are stated at fair value based on quoted market prices or discounted cash flow models. All gains and losses realised and unrealised from trading in dealing securities are reported in gains less losses from dealing securities. Interest earned whilst holding dealing securities is reported as interest income. Dividends received are included separately in dividend income.

Notes to the accounts (continued)

1. Principal accounting policies (continued)

(l) Loans and advances

Loans and advances are stated after deduction of amounts which, in the opinion of the directors, are appropriate as provisions.

Loans and advances are written down to estimated realisable value when there is no reasonable prospect of recovery.

(m) Provisions for bad and doubtful debts

Provisions for bad and doubtful debts are based on the year-end appraisal of loans and advances and, where relevant, any related collateral. Specific provisions have been made in respect of all identified impaired advances. General provision has been made in respect of losses which, although not yet specifically identified, may be present.

(n) 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 evenly over the life of the repo / reverse repo.

(o) 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 is 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 Year 2000 issues have been expensed as incurred.

(p) Accounting for leases as lessee

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(q) Accounting for leases as lessor

Amounts receivable in respect of fixed assets sold under finance leases are included in Loans and advances to customers. Lease income is recognised over the term of the lease to reflect a constant periodic rate of return and is included in interest income.

(r) Deferred income taxes

Deferred income tax is provided, using the liability method, for 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. Deferred tax assets are only recognised to the extent that it is probable to expect that they will crystallise in the future.

Notes to the accounts (continued)

1. Principal accounting policies (continued)

(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 operates a defined contribution pension scheme. Pension costs are charged to the profit and loss account in the year to which they relate.

(u) Repossessed properties

Land and buildings repossessed through the auction process to recover bad and doubtful debts 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

IAS 24 requires that the effect of transactions with related parties is disclosed in the financial statements. Related parties include directors, their close families, companies owned or controlled by them and companies of which they can influence the financial and operating policies. However, banks are obliged by law to observe a strict duty of confidentiality in respect of their customers' affairs and where disclosure of transactions concerning related parties would be in conflict with that duty, no disclosure can be made. Where disclosure is not in conflict with the company's duty of confidentiality, transactions of a similar nature are disclosed on an aggregate basis.

(w) Impact of new accounting standards

The following revised or new International Accounting Standards were implemented in 1999:

- IAS 17 - Leases
- IAS 19 - Employee Benefits
- IAS 22 - Business Combinations
- IAS 36 - Impairment of Assets
- IAS 37 - Provisions, Contingent Liabilities and Contingent Assets
- IAS 38 - Intangible Assets

With the exception of IAS 38 (see note 24), there are no changes in accounting policy that affect operating profit resulting from the adoption of the above standards in these financial statements, as the company was already following the recognition and measurement principles in these standards.

In 1998 the company implemented revised IAS 1 - Presentation of financial statements.

Notes to the accounts (continued)

2. Merger with Bank of Athens SA

On 17 June 1998, the EFG Bank Group, through its subsidiary EFG Eurobank SA, acquired control of Bank of Athens SA. Bank of Athens SA was a commercial bank operating throughout Greece with a retail network of 24 branches, whose shares were listed on the Athens Stock Exchange. On 25 January 1999, EFG Eurobank SA transferred its stake in Bank of Athens SA to the Parent.

On 12 March 1999 EFG Eurobank SA merged its activities with those of Bank of Athens SA, with a local accounting reference date of 31 July 1998, and the shares of the combined bank commenced trading on the Athens Stock Exchange on 14 April 1999. Following the substance, as well as the legal form of the merger in Greece, EFG Eurobank SA accounted for the merger in its 1998 financial statements by the "pooling of interests" method.

The impact on the 1998 financial statements including Bank of Athens is shown below:

Changes in assets, liabilities and equity:		Assets Grd. m.	Liabilities Grd. m.	Equity Grd. m.			
Group:							
As at 1 January 1998	- EFG Eurobank SA	842,485	793,165	49,320			
	- Bank of Athens SA	111,783	114,142	(2,359)			
	- Merged	<u>954,268</u>	<u>907,307</u>	<u>46,961</u>			
Company:							
As at 1 January 1998	- EFG Eurobank SA	668,787	620,107	48,680			
	- Bank of Athens SA	111,775	114,142	(2,367)			
	- Merged	<u>780,562</u>	<u>734,249</u>	<u>46,313</u>			
Changes in Equity:	Share capital Grd. m.	Share premium Grd. m.	Statutory reserve Grd. m.	Capital reserve Grd. m.	Special reserves Grd. m.	Retained profits Grd. m.	Total Grd. m.
Group:							
As at 1 January 1998							
EFG Eurobank SA	23,300	5,180	1,094	34	2,807	16,905	49,320
Bank of Athens SA	1,928	2,624	984		261	(8,156)	(2,359)
Merged	<u>25,228</u>	<u>7,804</u>	<u>2,078</u>	<u>34</u>	<u>3,068</u>	<u>8,749</u>	<u>46,961</u>
Company:							
As at 1 January 1998							
EFG Eurobank SA	23,300	5,180	1,094	0	2,807	16,299	48,680
Bank of Athens SA	1,928	2,624	984	0	261	(8,164)	(2,367)
Merged	<u>25,228</u>	<u>7,804</u>	<u>2,078</u>	<u>0</u>	<u>3,068</u>	<u>8,135</u>	<u>46,313</u>

Notes to the accounts (continued)

3. Acquisition of Bank of Crete SA (Cretabank)

On 25 February 1999, the company acquired 97% of the ordinary voting share capital and 100% of the preference non-voting share capital of Cretabank from the Parent for Grd. 68,000 million funded through a subordinated loan granted by the Parent, which was fully repaid in June 1999. The remaining 3% of the ordinary voting share capital was subsequently acquired in June 1999. Cretabank was a commercial bank operating throughout Greece with an 87-branch network and a portfolio of subsidiaries, including a closed-end investment fund and two insurance companies. Cretabank had initially been acquired by the Parent on 25 September 1998 through a competitive bid privatization process. On 4 October 1999 the company completed the legal merger with Cretabank, with a local accounting reference date of 30 June 1999. Cretabank's branch network has been re-modelled and re-branded and its operations fully intergrated into the company's operations.

EFG Eurobank SA accounted for the combination by the "purchase" method.

Although Cretabank was acquired on 25 February 1999, its results and the results of its subsidiaries have been included in the financial statements from 1 January 1999 onwards, as the impact of the results from 1 January to 25 February were insignificant to the group. The impact of the contribution of the former Cretabank activities, are shown below together with the proforma information for the year ended 31 December 1998.

	1999 Grd. m.	1998 Grd. m.
Interest and discount income	36,765	46,510
Interest expense	(25,880)	(37,201)
Net interest income	10,885	9,309
Fee and commission income	5,413	9,398
Fee and commission expense	(325)	(257)
Net fee and commission income	5,088	9,141
Gains less losses from dealing securities	82	23
Gains less losses from other securities	6,302	4,607
	6,384	4,630
Operating income	22,357	23,080
Operating expenses	(22,639)	(19,737)
Bad and doubtful debts expense	(957)	(1,300)
Profit/(Loss) from operations	(1,239)	2,043
Income from associates (note 21(f))	1,851	0
Profit on partial disposal of shares in subsidiaries (note 21(f))	14,960	0
Profit / (Loss) before tax	15,572	2,043

Notes to the accounts (continued)

3. Acquisition of Bank of Crete SA (Cretabank) (continued)

Details of the fair value of assets and liabilities acquired and the resultant goodwill are as follows:

	Grd. m.
ASSETS	
Cash and balances with central banks	69,287
Treasury bills and other eligible bills	658
Due from other banks	26,622
Dealing securities	4,270
Loans and advances to customers (note 18)	162,317
Medium term investment securities	71,763
Investments in associated undertakings (note 22)	3,226
Fixed Assets (note 24)	9,996
Other assets	45,540
Total assets	<u>393,679</u>
LIABILITIES	
Due to other banks	54,537
Due to customers	295,676
Other liabilities	7,311
Total liabilities	<u>357,524</u>
NET ASSETS ACQUIRED	36,155
GOODWILL	32,154
TOTAL CONSIDERATION	<u>68,309</u>
Less:	
Cash and cash equivalents acquired	<u>(35,381)</u>
Cash outflow on acquisition	<u>32,928</u>

The calculation of goodwill is provisional pending the outcome of claims against the sellers as stipulated in the privatisation agreements of Cretabank. The bank has included in the goodwill calculation conservative estimates of the amounts to be received from these claims.

As a result of the rebranding of the former Cretabank branch network and the integration of all activities within EFG Eurobank, as well as the inability in the future to separately identify goodwill attributable to the Cretabank acquisition, the Directors consider that the goodwill resulting from the acquisition has been impaired and it has therefore been fully written off in the profit and loss account in 1999.

Notes to the accounts (continued)

4. Net interest income

Net interest income comprises:

	1999 Grd. m.	1998 Grd. m.
Interest and discount income		
Banks and customers	207,413	153,443
Dealing securities	25,525	13,931
Other securities	39,321	10,423
Other	238	11
Total interest and discount income	<u>272,497</u>	<u>177,808</u>
Interest expense		
Banks and customers	(211,264)	(142,591)
Other borrowed funds	(1,360)	0
Total interest expense	<u>(212,624)</u>	<u>(142,591)</u>
Net interest income	<u>59,873</u>	<u>35,217</u>

5. Dividend income

	1999 Grd. m.	1998 Grd. m.
Investment securities	<u>1,990</u>	<u>208</u>

6. Gains less losses from other securities

	1999 Grd. m.	1998 Grd. m.
Medium term investment securities	6,508	0
Sale of Ergobank SA shares (note 20)	42,832	0
Other investment securities	1,358	632
Total	<u>50,698</u>	<u>632</u>

7. Operating expenses

	1999 Grd. m.	1998 Grd. m.
Staff costs (note 8)	46,676	21,885
Professional services	5,059	964
Advertising and marketing	4,406	2,922
Administrative expenses	16,738	6,797
Depreciation	10,076	4,324
(Profit)/loss on sale of property and equipment	(14)	47
Amortisation of goodwill	366	122
Operating lease rentals	4,609	2,778
	<u>87,916</u>	<u>39,839</u>

Notes to the accounts (continued)

8. Staff costs

	1999 Grd. m.	1998 Grd. m.
Wages, salaries and staff bonuses	33,384	14,734
Social security costs	7,154	2,673
Pension costs	613	616
Other	5,525	3,862
	<u>46,676</u>	<u>21,885</u>

The average number of employees of the group during the year was 3,825 (1998 : 1,866).

The company operates a defined contribution scheme. The assets of the scheme are held separately by an independent insurance company.

9. Tax on profit on ordinary activities

	1999 Grd. m.	1998 Grd. m.
Corporation tax at 40%	7,448	5,590
Deferred tax charge (credit) (note 10)	(96)	258
Under / (over) provision in prior years	0	13
Additional tax agreed with the tax authorities (see below)	1,009	0
Overseas taxes	474	204
Share of associated undertakings' taxation	769	396
Total tax charge	<u>9,604</u>	<u>6,461</u>

During 1999, the Greek tax authorities audited the company for the period 1991 until July 1998. The audit resulted in an additional tax charge of Grd. 1,009 million.

The current rate of tax in 1999 and 1998 was 40%. The reconciliation between income tax expense (effective tax rate) and the tax expense at the current tax rate is summarised as follows:

	1999 Grd. m.
Accounting Profit	<u>51,955</u>
Tax at the applicable tax rate of 40%	<u>20,782</u>
- tax effect of Goodwill non tax-deductible	12,862
- tax effect of non-taxable gains on sale of listed shares	(25,100)
- tax effect of directors' and employee's bonus treated as distribution of profits	1,738
- tax effect of income from dividends not subject to tax	(3,729)
- tax effect of income from subsidiaries and associates not subject to tax	(2,788)
- tax effect of non tax-deductible expenses	4,469
- additional tax (see above)	1,009
- tax effect of other timing differences	361
	<u>9,604</u>

Notes to the accounts (continued)

10. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an expected effective tax rate of 34.6% (1998:30%).

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

	1999 Grd. m.	1998 Grd. m.
At 1 January	3,637	3,895
Arising on acquisition of Cretabank	11,886	0
Income statement (charge) / credit	96	(258)
At 31 December	<u>15,619</u>	<u>3,637</u>

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

Deferred income tax assets

Depreciation timing differences	725	200
Pensions and other post retirement benefits	722	87
Loan and general risk provisions	10,486	3,267
Interest timing differences	3,487	0
Other temporary differences	199	83
	<u>15,619</u>	<u>3,637</u>

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

Deferred income tax assets

Depreciation timing differences	(525)	15
Pensions and other post retirement benefits	(272)	(14)
Loan and general risk provisions	4,287	162
Interest timing differences	(3,487)	0
Other temporary differences	(99)	95
	<u>(96)</u>	<u>258</u>

11. Earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares issued during the year. The earnings per share calculations for 1998 have been adjusted for the bonus element included in the rights issue which took place in June 1999.

		1999	1998
Net profit attributable to shareholders	<i>Grd. Million</i>	40,163	8,735
Weighted average number of ordinary shares in issue	<i>Million Shares</i>	136	96
Basic and diluted earnings per share	<i>Grd.</i>	<u>296</u>	<u>91</u>

Notes to the accounts (continued)

12. Cash and balances with central banks

	1999		1998	
	Group Grd. m.	Company Grd. m.	Group Grd. m.	Company Grd. m.
Cash in hand	27,447	27,327	7,533	7,442
Balances with central banks	<u>315,297</u>	<u>306,769</u>	<u>179,510</u>	<u>179,510</u>
	<u>342,744</u>	<u>334,096</u>	<u>187,043</u>	<u>186,952</u>
of which:				
Mandatory deposits with the Bank of Greece	<u>210,806</u>	<u>210,806</u>	<u>99,807</u>	<u>99,807</u>

13. Cash and cash equivalents

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

	1999 Group Grd. m.	1998 Group Grd. m.
Cash and balances with central banks (note 12)	131,938	87,236
Treasury bills and other eligible bills (note 14)	1,079	700
Due from other banks (note 15)	241,958	176,703
Dealing securities (note 16)	<u>10,454</u>	<u>1,459</u>
	<u>385,429</u>	<u>266,098</u>

14. Treasury bills & other eligible bills

	1999		1998	
	Group Grd. m.	Company Grd. m.	Group Grd. m.	Company Grd. m.
Treasury bills	<u>1,737</u>	<u>1,737</u>	<u>700</u>	<u>700</u>

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.

Notes to the accounts (continued)

15. Due from other banks

	1999		1998	
	Group Grd. m.	Company Grd. m.	Group Grd. m.	Company Grd. m.
Repayable on demand	65,448	67,746	20,499	17,095
Remaining maturity:				
- over 1 year	0	16,518	0	0
- 1 year or less, but over 3 months	13,588	33,940	8,524	0
- 3 months or less	176,510	347,346	156,204	94,721
	<u>255,546</u>	<u>465,550</u>	<u>185,227</u>	<u>111,816</u>
Including unsubordinated amounts due from:				
- fellow subsidiary undertakings	21,959	7,861	35,990	26,453
- subsidiary undertakings	0	248,887	0	8,372
- settlement balances with banks	36,186	36,186	5,371	5,371
- parent undertakings	42,517	50	2,504	80
Including subordinated amounts due from:				
- subsidiary undertakings	0	16,518	0	0
Including pledged deposits with:				
- banks	24,094	24,094	0	0
- subsidiary undertakings	0	3,748	0	0

Notes to the accounts (continued)

16. Dealing securities

	1999	1998
	Balance Sheet Grd. m.	Market Value Grd. m.
	Balance Sheet Grd. m.	Market Value Grd. m.
Group:		
Issued by public bodies:		
- government securities	202,195	202,195
Issued by other issuers:		
- banks	20,348	20,348
- other dealing securities	3,898	3,898
	24,246	24,246
	226,441	226,441
Due within one year	28,619	5,269
Due one year and over	197,822	84,916
	226,441	90,185
Dealing securities		
- listed on European exchanges	226,441	89,301
- unlisted	0	884
	226,441	90,185
Dealing securities		
- equity	7,842	998
- debt	218,599	89,187
	226,441	90,185
Company:		
Issued by public bodies:		
- government securities	202,195	202,195
Issued by other issuers:		
- banks	20,348	20,348
- other dealing securities	3,898	3,898
	24,246	24,246
	226,441	226,441
Due within one year	28,619	4,385
Due one year and over	197,822	84,916
	226,441	89,301
Dealing securities		
- listed on European exchanges	226,441	89,301
- unlisted	0	0
	226,441	89,301
Dealing securities		
- equity	7,842	114
- debt	218,599	89,187
	226,441	89,301

Notes to the accounts (continued)

17. Loans and advances to customers

	1999		1998	
	Group Grd. m.	Company Grd. m.	Group Grd. m.	Company Grd. m.
Remaining maturity:				
- over 5 years	218,265	183,952	74,864	74,864
- 5 years or less, but over 1 year	180,722	131,374	100,177	96,932
- 1 year or less, but over 3 months	109,817	68,866	85,018	75,368
- 3 months or less	713,439	507,387	296,326	255,482
- Provision for bad and doubtful debts (note 18)	(79,960)	(79,649)	(24,021)	(23,962)
	<u>1,142,283</u>	<u>811,930</u>	<u>532,364</u>	<u>478,684</u>
of which:				
- repayable on demand or at short notice	196,348	195,399	72,851	71,586
- due from associate undertakings,unsubordinated	20,032	2,675	237	237
- settlement balances with customers	29,708	29,708	1,175	1,175

The company manages its exposure to credit risk by application of a range of control measures: regular assessment using agreed credit criteria; diversification of sector risk to avoid undue concentration in type of business or geographic terms; where necessary, the company obtains acceptable collateral to reduce the level of credit risk.

As one of the largest private banking groups in Greece, the group is active in the corporate and retail lending market. However, credit risk is well spread over a diversity of personal and commercial customers. Economic sector risk concentrations within the group's customer loan portfolio were as follows:

	1999 %	1998 %
Government bodies	4%	2%
Shipping	3%	4%
Construction	2%	3%
Manufacturing	14%	18%
Commerce & Services	33%	29%
Private individuals	39%	39%
Other	6%	5%
	<u>100%</u>	<u>100%</u>

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

	1999		1998	
	Grd. m.	%	Grd. m.	%
Greece	1,110,163	97%	527,467	99%
Other Western European countries	31,996	3%	2,642	1%
Other countries	124	0%	2,255	0%
	<u>1,142,283</u>	<u>100%</u>	<u>532,364</u>	<u>100%</u>

Notes to the accounts (continued)

18. Provisions for bad and doubtful debts

	Specific Grd. m.	1999 General Grd. m.	Total Grd. m.	Specific Grd. m.	1998 General Grd. m.	Total Grd. m.
Group:						
At 1 January	18,282	5,739	24,021	14,656	4,932	19,588
Arising from acquisition of Cretabank	49,548	1,808	51,356	0	0	0
Charge against profits	3,545	6,734	10,279	3,631	870	4,501
Transfers (to)/from other provisions	543	(685)	(142)	0	(63)	(63)
Amounts written off	(5,371)	(183)	(5,554)	(5)	0	(5)
At 31 December	<u>66,547</u>	<u>13,413</u>	<u>79,960</u>	<u>18,282</u>	<u>5,739</u>	<u>24,021</u>
Company:						
At 1 January	18,223	5,739	23,962	14,588	4,932	19,520
Arising from acquisition of Cretabank	49,548	1,808	51,356	0	0	0
Charge against profits	3,473	6,554	10,027	3,640	870	4,510
Transfers (to)/from other provisions	543	(685)	(142)	0	(63)	(63)
Amounts written off	(5,371)	(183)	(5,554)	(5)	0	(5)
At 31 December	<u>66,416</u>	<u>13,233</u>	<u>79,649</u>	<u>18,223</u>	<u>5,739</u>	<u>23,962</u>

Impaired loans and advances acquired through Cretabank, and the corresponding provisions, will be written down to estimated realisable value in future years in line with restrictions imposed by the privatisation agreements of Cretabank and fiscal restrictions.

Notes to the accounts (continued)

19. Medium term investment securities

	1999		1998	
	Balance Sheet Grd. m.	Market Value Grd. m.	Balance Sheet Grd. m.	Market Value Grd. m.
Group:				
Issued by public bodies:				
- government securities	253,285	257,588	105,459	107,922
- other public sector securities	2,875	2,877	0	0
	<u>256,160</u>	<u>260,465</u>	<u>105,459</u>	<u>107,922</u>
Issued by other issuers:				
- banks	7,996	17,437	12,576	12,863
- other securities	27,088	24,971	67,210	67,539
	<u>35,084</u>	<u>42,408</u>	<u>79,786</u>	<u>80,402</u>
	<u>291,244</u>	<u>302,873</u>	<u>185,245</u>	<u>188,324</u>
Medium term investment securities				
- listed on European exchanges	278,795	286,090	159,402	162,489
- unlisted	12,449	16,783	25,843	25,835
	<u>291,244</u>	<u>302,873</u>	<u>185,245</u>	<u>188,324</u>
Due within one year	19,409		25,142	
Due one year and over	271,835		160,103	
	<u>291,244</u>		<u>185,245</u>	
Unamortised discounts and premiums on medium term investment securities	1,006		919	
Credit facility with central banks secured by the above	2,080		1,440	
Company:				
Issued by public bodies:				
- government securities	232,014	236,259	105,459	107,922
- other public sector securities	0	0	0	0
	<u>232,014</u>	<u>236,259</u>	<u>105,459</u>	<u>107,922</u>
Issued by other issuers:				
- banks	0	0	22	240
- other securities	4,710	8,809	847	876
	<u>4,710</u>	<u>8,809</u>	<u>869</u>	<u>1,116</u>
	<u>236,724</u>	<u>245,068</u>	<u>106,328</u>	<u>109,038</u>
Medium term investment securities				
- listed on European exchanges	232,014	236,259	105,481	108,162
- unlisted	4,710	8,809	847	876
	<u>236,724</u>	<u>245,068</u>	<u>106,328</u>	<u>109,038</u>
Due within one year	4,630		431	
Due one year and over	232,094		105,897	
	<u>236,724</u>		<u>106,328</u>	
Unamortised discounts and premiums on medium term investment securities	1,150		358	
Credit facility with central banks secured by the above	2,080		1,440	

Notes to the accounts (continued)

20. Investment securities

	1999		1998
	Balance Sheet Grd. m.	Market Value Grd. m.	Balance Sheet Grd. m.
		Market Value Grd. m.	
Group:			
Issued by public bodies:			
- government securities	356,584	363,938	125,948
- other public sector securities	4,312	4,190	0
	<u>360,896</u>	<u>368,128</u>	<u>125,948</u>
Issued by other issuers:			
- banks	11,844	11,931	67,446
- other securities	35,469	43,226	12,448
	<u>47,313</u>	<u>55,157</u>	<u>79,894</u>
	<u>408,209</u>	<u>423,285</u>	<u>205,842</u>
Investment securities			
- listed on European exchanges	370,534	386,231	202,077
- unlisted	37,675	37,054	3,765
	<u>408,209</u>	<u>423,285</u>	<u>205,842</u>
Due within one year	31,264		11,385
Due one year and over	376,945		194,457
	<u>408,209</u>		<u>205,842</u>
Unamortised discounts and premiums on investment securities	<u>4,327</u>		<u>2,068</u>
Company:			
Issued by public bodies:			
- government securities	294,364	302,302	119,741
- other public sector securities	0	0	0
	<u>294,364</u>	<u>302,302</u>	<u>119,741</u>
Issued by other issuers:			
- banks	8,512	8,618	67,446
- other securities	2,875	7,193	10,417
	<u>11,387</u>	<u>15,811</u>	<u>77,863</u>
	<u>305,751</u>	<u>318,113</u>	<u>197,604</u>
Investment securities			
-listed on European exchanges	304,102	316,464	196,556
-unlisted	1,649	1,649	1,048
	<u>305,751</u>	<u>318,113</u>	<u>197,604</u>
Due within one year	4,492		11,385
Due one year and over	301,259		186,219
	<u>305,751</u>		<u>197,604</u>
Unamortised discounts and premiums on investment securities	<u>5,734</u>		<u>1,772</u>

Notes to the accounts (continued)

20. Investment securities (continued)

	1999		1998	
	Group Grd. m.	Company Grd. m.	Group Grd. m.	Company Grd. m.
Investment securities				
Net book value at 1 January 1999	205,842	197,604	107,818	65,834
Exchange adjustments	830	813	4,868	2,027
Acquisitions	243,710	191,839	209,961	209,961
Disposals and redemptions (see below)	(115,377)	(111,710)	(47,680)	(47,680)
Transfers	74,250	28,251	(68,641)	(32,080)
Amortisation of discounts and premiums	(1,046)	(1,046)	(484)	(458)
Net book value at 31 December 1999	<u>408,209</u>	<u>305,751</u>	<u>205,842</u>	<u>197,604</u>
Credit facility with central banks secured by the above	<u>8,500</u>	<u>8,500</u>	<u>17,022</u>	<u>17,022</u>

On 9 July 1998, the company acquired 1,740,000 shares representing 6.86% of Ergobank SA at a cost of Grd. 61,016 million.

Following a rights issue, and acquisition of additional rights from its Parent at market price, the company's shareholding increased to 9.01% on 23 March 1999 at an additional cost of Grd. 27,945 million.

On 8 June 1999, the Parent bid for a controlling stake in Ergobank SA. On the same day, in order to avoid cross-shareholdings between the company and Ergobank SA, the company disposed of its entire 9.01% interest in Ergobank SA by selling 4.01% to CEH and 5.00% to Deutsche Bank AG at the price offered by the Parent in its bid. This resulted in a profit of Grd. 42,832 million, which is included in gains less losses from other securities (note 6).