

EFG Eurobank Ergasias S.A.

*Annual Report 2001*

# *Annual Report*

EFG  Eurobank Ergasias

2001





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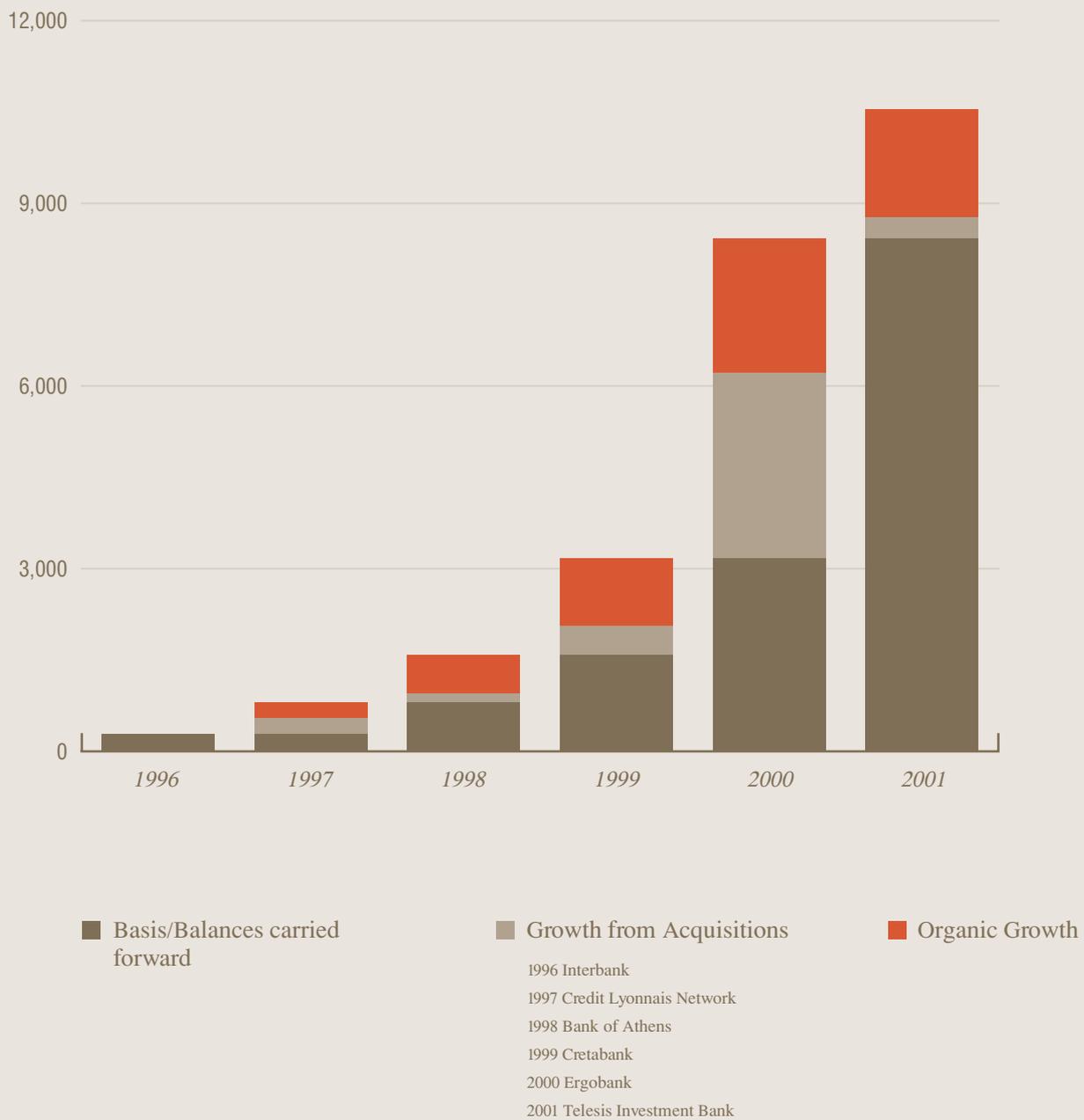
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## Rapid Organic Growth & Six M&As in Six Years

(Loans 1996-2001, € million)



# Consolidated Financial Highlights

## Figures in accordance with IAS

	2001	2000	% Change
<i>(Amounts in million Euro)</i>			
<b>Balance Sheet</b>			
Loans and advances to customers	10,973	8,422	30%
Deposits	15,311	13,239	16%
Total shareholders' equity	2,011	1,880	7%
Total Assets	19,618	16,833	17%
<b>Profit and Loss Account</b>			
Net interest income	614	505	22%
Net fee and commission income	247	283	-13%
Core operating income*	861	788	9%
Total operating income	943	894	6%
Profit before tax	322	320	1%
Group net profit	206	200	3%
EPS (Euro)	0,71	0,69	3%
Dividend per share	0,53	0,53	
Dividend yield (share price on 28.12.2000)	3.4%	3.4%	
Personnel	8,546	8,293	

\* net interest and commission income

## Key Financial Ratios

	2001	2000
Return on Assets (pre tax)	1.8%	2.2%
Return on Equity (pre tax)	16.6%	16.8%
Net Interest Margin	3.4%	3.2%
Core operating income to Total operating income	91.3%	88.1%
Cost to Income Ratio	58.1%	56.0%
Cost to Average Assets Ratio	3.0%	3.2%
Risk Asset Ratio	15.2%	16.3%
NPLs to Total Loans	3.8%	4.3%

## Ratings

	Long-Term	Financial Strength	Short-Term
STANDARD & POOR'S	BBB+	-	A-2
MOODY'S	A-3	C	P-2
FITCH IBCA	A-	B/C-2	F2

# Letter to Shareholders

*Dear Shareholders,*

The year 2001 was an important one for EFG Eurobank Ergasias. Despite intense competition in the sector, the adverse stock market conditions and the negative investor sentiment, the Bank continued its successful operations and managed to sustain its profitability, expand its market shares and obtain distinctions at an international level. Today, EFG Eurobank Ergasias is the third largest banking group in Greece, with a strong capital base in excess of € 2 billion and total assets of € 19.6 billion. Our Bank has established a leading presence in all sectors of financial products and services, is continuously expanding its client base and remains focused on further enhancing its operations in high margin and high profitability sectors.

The absorption of Telesis Investment Bank was completed in the first quarter of 2002. The share exchange ratio that the management of the two Banks considered to be fair and reasonable, and was approved by the General Assemblies, was 2.2 Telesis shares for 1 EFG Eurobank Ergasias share. The merger of the two Banks and of their subsidiaries further strengthens EFG Eurobank Ergasias' leading position in investment banking, equities and derivatives brokerage and asset management. The merger creates all the necessary conditions for the development of new distribution channels for investment and brokerage products, and for a stronger presence in European markets in co-operation with Deutsche Bank, as well as for the supply of integrated financial services to Greek enterprises, institutional investors and private banking clients.

EFG Eurobank Ergasias also has a strong presence in the wider Balkan region, with strategic international alliances. In Romania, the Bank controls 19.3% of commercial Bank Post, with the intention to increase its stake by approximately 17% in the immediate future. In Bulgaria, the EFG Bank Group together with AIG Group controls 86% of Post Bank, the fourth largest bank of the country.

2001 was a year of distinctions for EFG Eurobank Ergasias. Prominent international publications elected us as:

- Bank of the Year for Greece (“The Banker” magazine, part of the Financial Times Group)
- Best Equity House in Greece (“Euromoney” magazine)
- Best e-Banking website in Greece (PC Magazine)

We also maintain high ratings from specialised international houses such as Moody's, Standard & Poor's and Fitch IBCA, which reflect and certify the quality of the control systems that we apply and the healthy structure of our portfolio.

The Greek economy as a whole, and the banking sector in particular, have high growth potential, which substantially exceeds the European Union average. This potential is mainly related to EU transfers, investments for the Olympic Games of 2004 and to planned structural reforms which are expected to increase the competitiveness of the Greek economy as a whole. Regarding the Greek banking sector, it is expected that it will continue to grow significantly faster than elsewhere in Europe, since private sector credit in general, and specifically consumer credit, mortgage credit and insurance products as percentages of GDP are still less than half the EU averages and those of comparable countries, such as Portugal and Spain. Therefore, despite the recently observed slowdown in the development of banking operations and the weakness of the stock market, the banking sector is expected to experience notable growth rates.

Along with the growth opportunities that are expected to arise, competition will remain a crucial factor for the continued development of Greek banks. Despite high concentration in the sector, competition in the domestic market is and will remain intense. EFG Eurobank Ergasias has the necessary skills and characteristics that enable it not only to withstand healthy competition but also reap benefits from it. In the unified European environment the importance of international alliances will emerge. Our Bank was a pioneer in this area, acting jointly as a strategic partner with one of the largest European banks, Deutsche Bank. At the same time, EFG Eurobank Ergasias is part of a strong international banking group, the EFG Bank Group, which specialises in private banking and has a presence in all major European financial centers.

Our strategy embodies dynamism in the context of the unified banking institution, which has resulted from the merger of EFG Eurobank and Ergobank. One year after the legal merger, we leave behind the difficulties that are often associated with a venture such as this and enter a new period of more dynamic and rapid growth, as it is now that we will fully exploit the benefits of the merger and reveal our new competitive advantages. The operational merger

of the two Banks has been completed in almost all areas, with central operations such as Treasury, Finance and HR having been unified. Risk management and credit procedures have been merged, while all back office operations have been centralised. At the same time, we are re-organising our branch network, closing neighbouring branches, in order to achieve the best geographical allocation, with fewer employees and lower cost. We are also developing new types of branches, which are more customer-friendly and operate with fewer employees, to make us efficient even in areas with a smaller client base.

At the same time, we are developing new alternative networks, like the Open 24, a technologically advanced points-of-sale network, which promotes retail products and educates clients on alternative banking channels. We are also expanding the alternative banking networks of ATMs, Phone Banking, Internet Banking, Mobile Banking, TV-Banking and Tele-Marketing to enhance the quality of service to our clients at the place and time of their choice.

Aside from these developments, one of the strong competitive advantages that differentiates us from the competition is the high quality and professionalism of our people. In the area of human resources management, we implement the most modern, up to date international practice, as followed by leading institutions around the world, with the ambition of being ahead of developments.

The strong growth and positive performance of our banking Group are also reflected in the results for 2001. Despite the adverse conditions prevailing in the Greek and foreign capital markets, EFG Eurobank Ergasias managed to increase its net income attributable to shareholders by 3% to € 206 million, from € 200 million in 2000. It is worth noting that the quality of our revenues and profits is the best in the Greek banking sector, which means that the profitability of the Group is to a large extent recurring, and therefore sustainable. The 2001 results witness strong growth rates (30% rise in loans, 16% in deposits and 17% in total assets), the maintenance of net interest margin at high levels (over 3%) despite the intense competition, as well as recovery of commission income from quarter to quarter.

We work with enthusiasm and consistency to improve the profitability of the Bank and increase the return on shareholders' equity. Creating value for our shareholders is our primary goal. To this end, we refrain from price competition

and focus mainly on three factors that we consider to be of paramount importance: cost reduction, quality -since it has been proven that clients are willing to meet the cost of better service-, and cross-selling, in order to offer complete client service.

Regarding costs, we work towards improving the Group's efficiency, through their control and containment. While there are many things that should be done in this area, we also have to bear in mind that a crucial element of these costs is depreciation relating to investments in information systems and infrastructure that aim at improving the efficiency of the Bank in the long-term.

Regarding the issue of quality, we are constantly undertaking new initiatives that we expect to yield long-term benefits, using methods that evaluate the quality of products and services at the points of sale and choosing operational functions that have received ISO 9001 certification.

EFG Eurobank Ergasias meets all the necessary conditions that will enable it to continue growing more dynamically, exploiting the challenges and creating value for its shareholders, its customers and its personnel. The strong capital base of the Bank guarantees its further rapid growth, without the need to raise funds from its shareholders in the near future.

We are working to create the best bank in Greece, and believe that the implementation of our vision will certainly be reflected in the performance of our share, offering satisfactory returns to the shareholders.

Athens, March 15th 2002



Xenophon C. Nickitas  
Chairman of the Board of Directors



Nicholas C. Nanopoulos  
Chief Executive Officer

# Members of the Executive Committee



**George C. Gondicas**  
*Honorary Chairman*  
Born in Patras in 1920.



**Xenophon C. Nickitas**  
*Chairman of the Board of Directors*  
Born in Alexandria, Egypt, in 1930.



**Nicholas C. Nanopoulos**  
*Chief Executive Officer*  
Born in Alexandria, Egypt, in 1952.



**Byron N. Ballis**  
*Deputy Chief Executive Officer*  
Born in Constantinople in 1951.



**Nikolaos B. Karamouzis**  
*Deputy Chief Executive Officer*  
Born in Athens in 1952.



**Harry M. Kyrkos**  
*General Manager*  
Born in Serres in 1953.

**Stylianos G. Papaderos**  
*General Manager*  
Born in Sougia, Chania,  
in 1936.

**Christos P.  
Komiopoulos**  
*General Manager*  
Born in Athens in 1949.

**Kyriakos I. Nasikas**  
*General Manager*  
Born in Thessaloniki  
in 1937.

**Nicholas K. Pavlides**  
*General Manager*  
Born in Athens in  
1946.

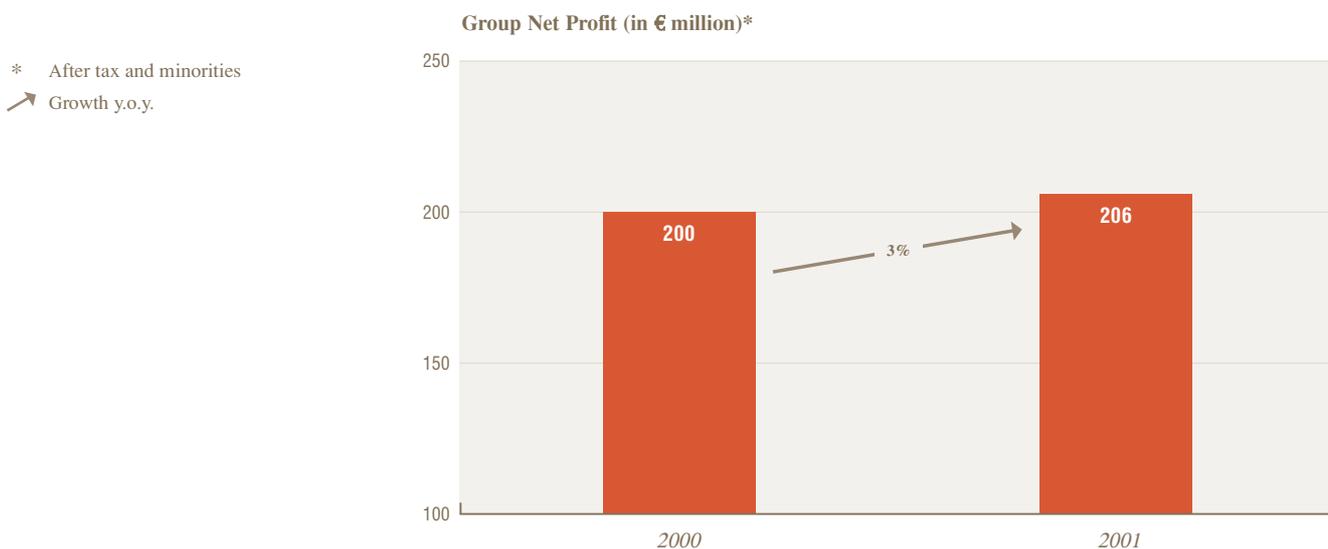
**Paula N. Hadjisotiriou**  
*Secretary of the Board  
of Directors*  
Born in Famagusta,  
Cyprus, in 1957.

# Financial Review

## Financial Review (according to International Accounting Standards)

In 2001, the EFG Eurobank Ergasias Group increased its profitability and enhanced its position in the domestic market. Profit before tax attributable to the shareholders of EFG Eurobank Ergasias increased marginally to € 322 million, from € 320 million in 2000. Consolidated net profit after tax and minorities increased by 3% and reached € 206 million, compared to € 200 million in 2000.

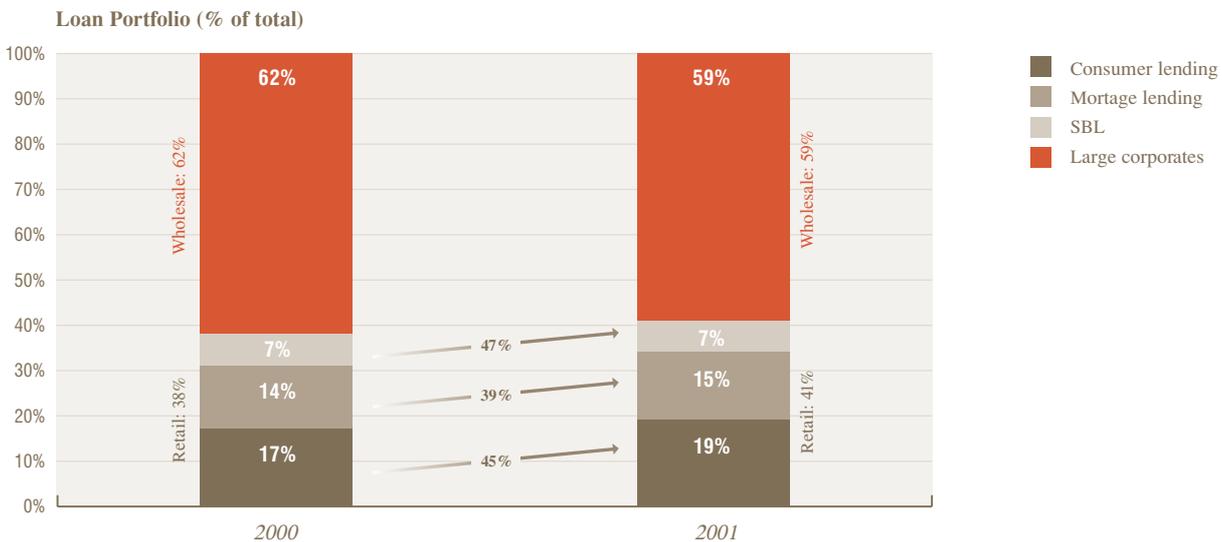
The published accounts for 2001 are the aggregate of EFG Eurobank Ergasias' 12 month 2001 results and the results of Telesis for the last quarter of 2001 (acquisition accounting). The reason for this is that under IAS, the merger was treated as an acquisition of Telesis by EFG Eurobank Ergasias, effective end-September 2001. Therefore, the acquisition of Telesis resulted in goodwill of approximately € 18 million, which will be amortised over a period of 15 years. The recent approval by the Greek Parliament of a Bill offering significant incentives to Greek companies to merge, will grant EFG Eurobank Ergasias a notable tax benefit, in the form of a ten percentage point reduction in the tax rate for year 2002 and a five percentage point reduction in the tax rate for year 2003. This will more than offset the aforementioned goodwill. (According to Greek Accounting Standards, the merger was accounted for under the "pooling

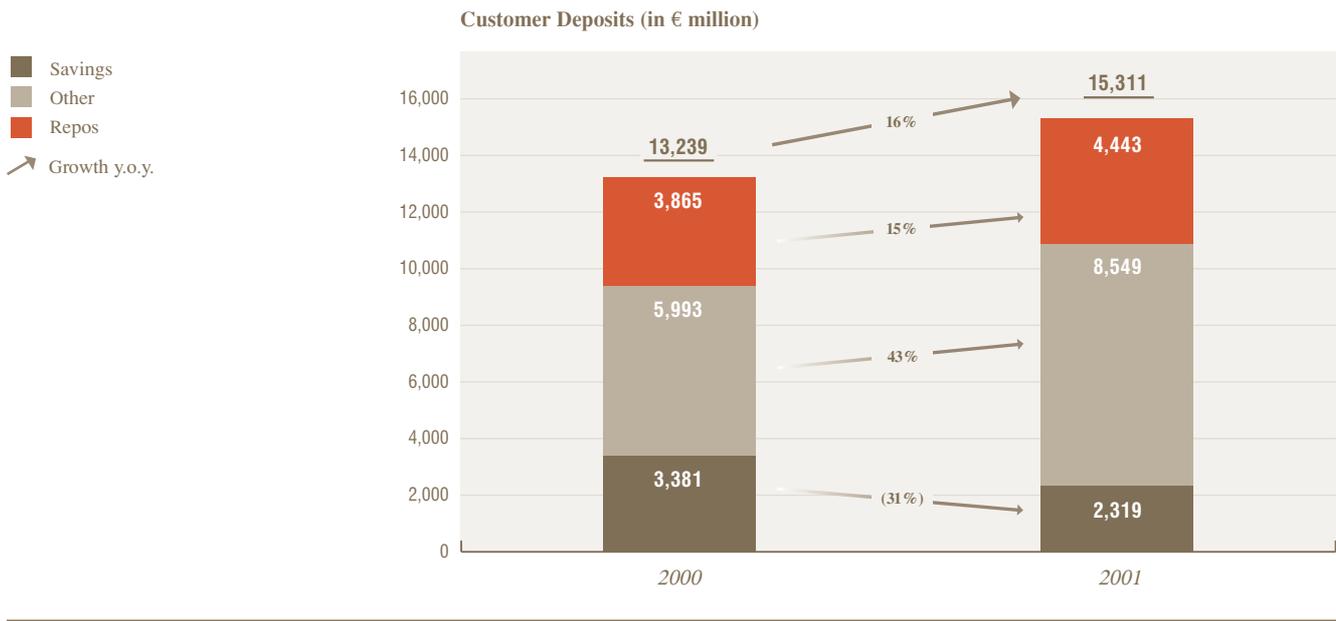


of interest” method and the figures published are the aggregate of EFG Eurobank Ergasias 12 month 2001 figures and Telesis Investment Bank 12 month 2001 figures.)

EFG Eurobank Ergasias’ focus on organic growth and its leading position in the most rapidly growing sectors were reflected in strong business volume growth rates and sustained high net interest margin. This was achieved against a backdrop of intense competition. Total assets increased by 17% to € 19.6 billion from € 16.8 billion, reflecting continuous robust growth in business volumes. The increase is mainly attributable to the significant growth in loans, which exceeded € 10.9 billion, an increase of 30% from the € 8.4 billion in 2000. Another major factor was the 16% increase in customer deposits (including repos) which exceeded € 15.3 billion, up from € 13.2 billion at the end of 2000.

The year on year loan growth rate of EFG Eurobank Ergasias Group remains one of the fastest in the market, as reflected in the market share gains. In absolute terms, the Group’s loan increase (€ 2.5 billion) is the highest in the Greek banking system. Retail lending in particular increased by 43%, reaching € 4.6 billion from





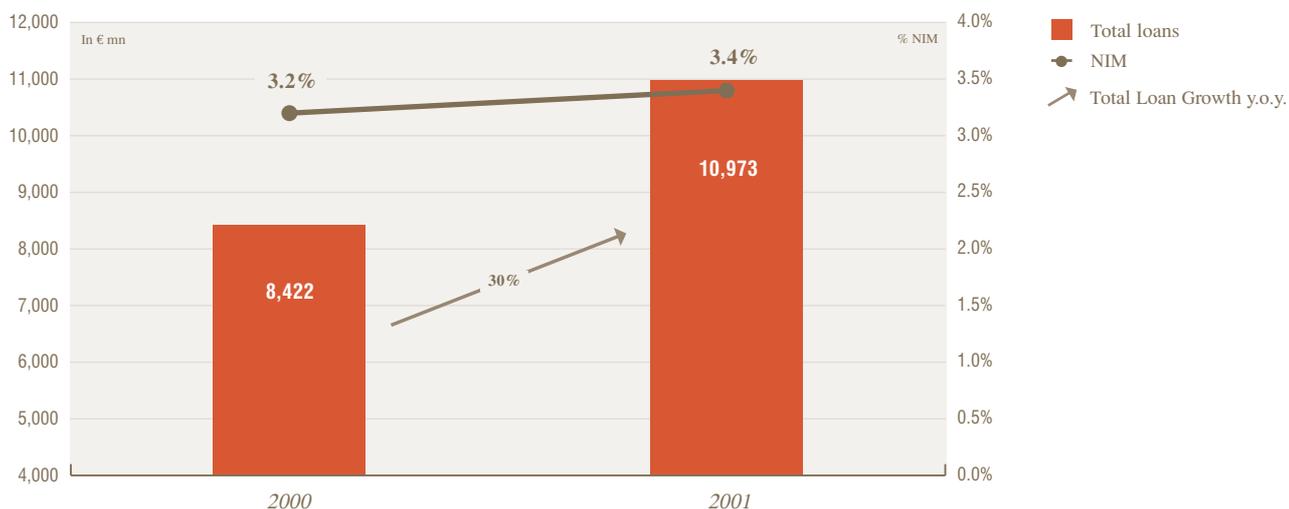
€ 3.2 billion in 2000. The continuous rapid growth of the retail loan portfolio has resulted in the further shift of the total loan mix towards retail, which accounted for 41% of the total loan portfolio at the end of 2001, as opposed to 38% at the end of 2000. Total loans and advances to clients represented 56% of total assets and 72% of customer deposits (85% excluding repos).

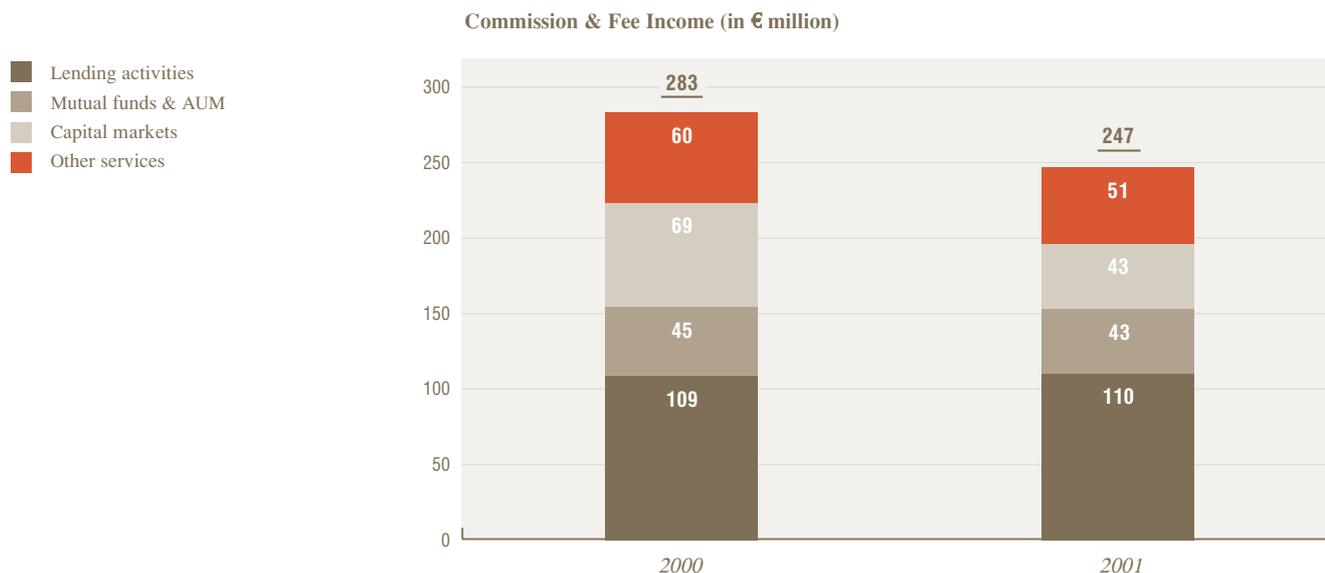
Customer deposits (excluding repos) exhibited the highest growth in the Greek market, rising by 32% to reach a total of € 13 billion, up from € 9.9 billion in 2000. At the end of the year, a substantial amount of customer funds was transferred from repos to Money Market Mutual Funds, in view of the imminent taxation on interest from repos. This development temporarily contained total balance sheet figures. This trend is being partially reversed at the beginning of 2002. At the end of December 2001, total deposits (including repos) had increased by 16% compared to the previous fiscal year, to reach € 15.3 billion, of which € 2.3 billion represents repos. Total assets under management, at current prices, rose by 7% and amounted to € 21 billion. This increase was achieved despite the further significant drop in the value of clients' domestic equity portfolios in 2001.

Net interest income rose by 22% to € 614 million, from € 505 million in 2000. This rise is mainly attributable to the 30% increase of the lending portfolio and has followed a consistent pattern of growth in all quarters of 2001. In addition, the net interest margin (net interest income over average total assets) has remained above 3% throughout the year, signifying the strong position of the Group in the market's most profitable segments.

In the third and fourth quarters of 2001 net fee and commission income recovered, despite adverse conditions, mitigating their overall fall during the year. Thus, the decline in net fee and commission income was contained at 13% year on year, with a figure of € 247 million. This figure, compared to the € 283 million achieved in 2000, put pressure on the overall FY 01 results. The downward pressure on results in this area was mainly due to the substantial decrease of ASE-related operations, with the average turnover of the market falling by 58% (from € 402 million in 2000 to € 169 million in 2001), and only a small number of IPOs taking place within the year. Consequently, stock market-related commissions as a percentage of total commissions were restricted to less than 15%, from 25% last year. At the same time, the introduction of the Euro led to dwindling foreign exchange income from transactions in Eurozone currencies.

**Loan Growth and Net Interest Margin**





However, in spite of these developments, the Group succeeded in strengthening net fee and commission income from other sectors and thus achieved further recovery of 12% in total net fee income in the fourth quarter of 2001. This followed the 36% rise that had taken place in the third quarter of 2001 against the second quarter of 2001, which marked a historic low for the Group of EFG Eurobank Ergasias. In total, net fee and commission income accounted for 26% of the Group's total operating income, which remains the highest percentage in the sector.

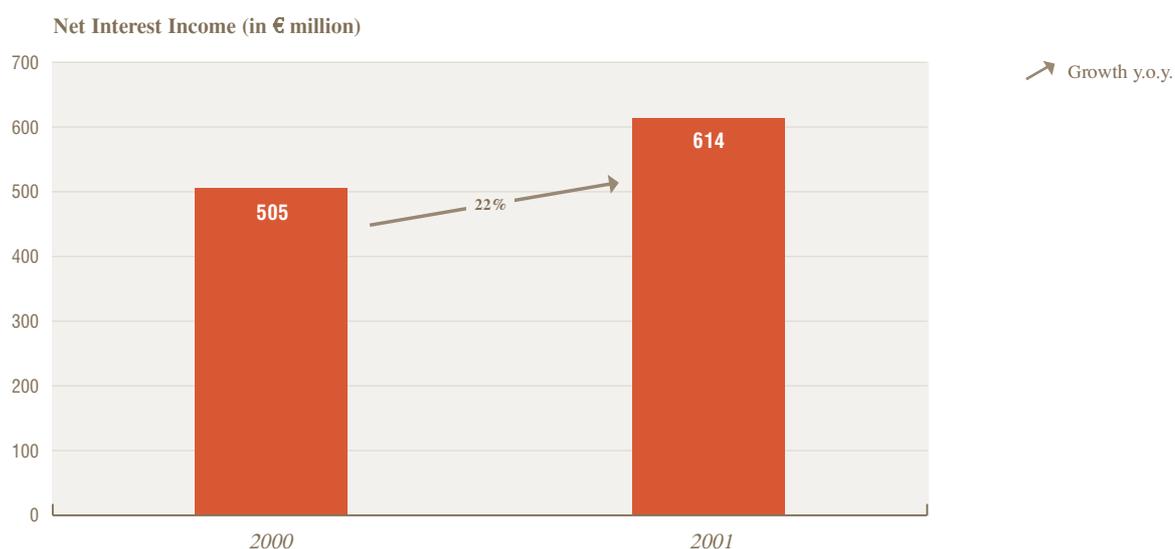
The rise in net interest income more than offset the contraction of net fee and commission income. As a result, core income (net interest income and net fee and commission income), increased by 9.4% relative to 2000, reaching € 861 million, from € 788 million for the previous year. Core income contributed more than 91% to total operating income, compared to 88% in 2000, a fact that ascertains its quality and sustainability.

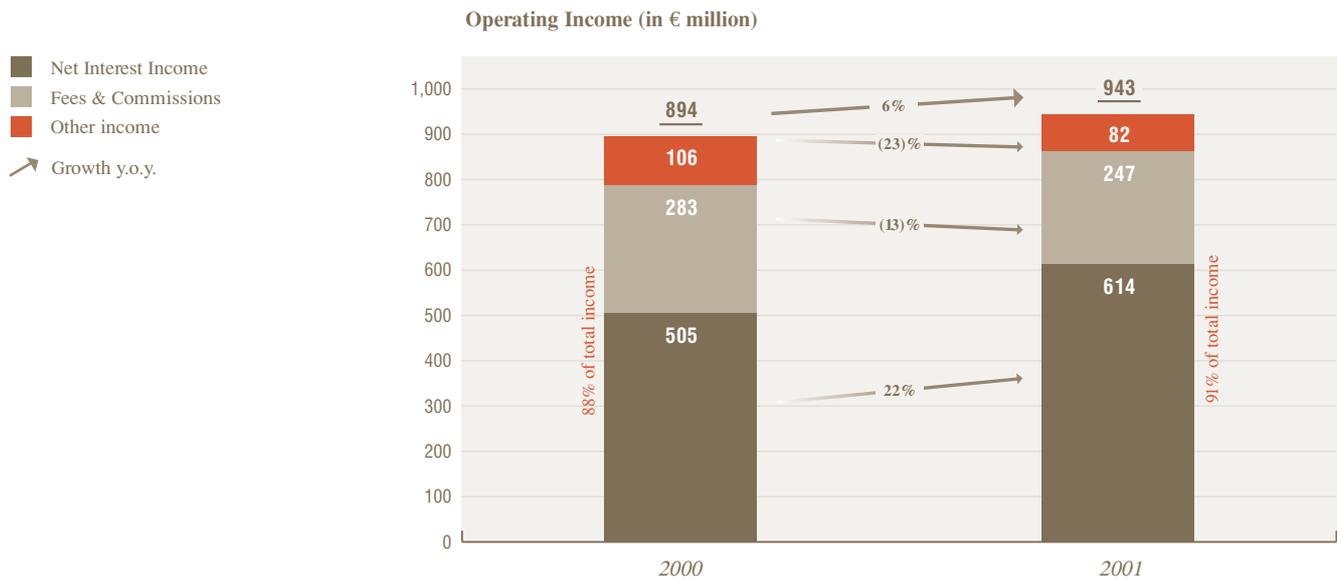
Income from the trading portfolio, which is marked to market, was also adversely affected by the conditions prevailing in the Athens Stock Exchange, where the ASE Composite Index closed at 2,592 at the end of 2001, a reduction

of 24% over the year. This fact led to realised and unrealised equity trading losses. These were, however, offset by gains on bonds, derivatives and foreign exchange, resulting in total trading gains of € 16 million, against € 2 million in 2000. For the same reasons, gains less losses from other securities, which relate to realised gains and losses from the available-for-sale portfolio, decreased by 53% to € 35 million, from € 74 million in 2000.

However, despite the decrease in non-interest income, total operating income increased by 5.5% to € 943 million, from € 894 million in 2000.

The effort to further enhance the Group's competitiveness is also reflected in the decelerating expansion of operating costs, which increased by 9.4% to € 547 million in 2001, from € 501 million in 2000. This compares with an increase of 21% in 2000. This containment enabled the improvement of the cost-to-average assets ratio to 3.0% from 3.2% in 2000. At the same time, the cost-to-income ratio stood at 58.1%, which is one of the most efficient ratios in the market, especially when taking into account the quality and sustainability of income. Staff expenses were up by 10.2% to € 289 million, representing 53% of total expenses. General and administrative expenses rose by 6.6% to € 194 million.





It should be noted that operating cost was significantly burdened by the 14.3% increase in depreciation of IT and infrastructure investments, which however ensure long term efficiency gains. Excluding depreciation, operating expenses increased by 8.7% to € 483 million in 2001, from € 445 million in 2000.

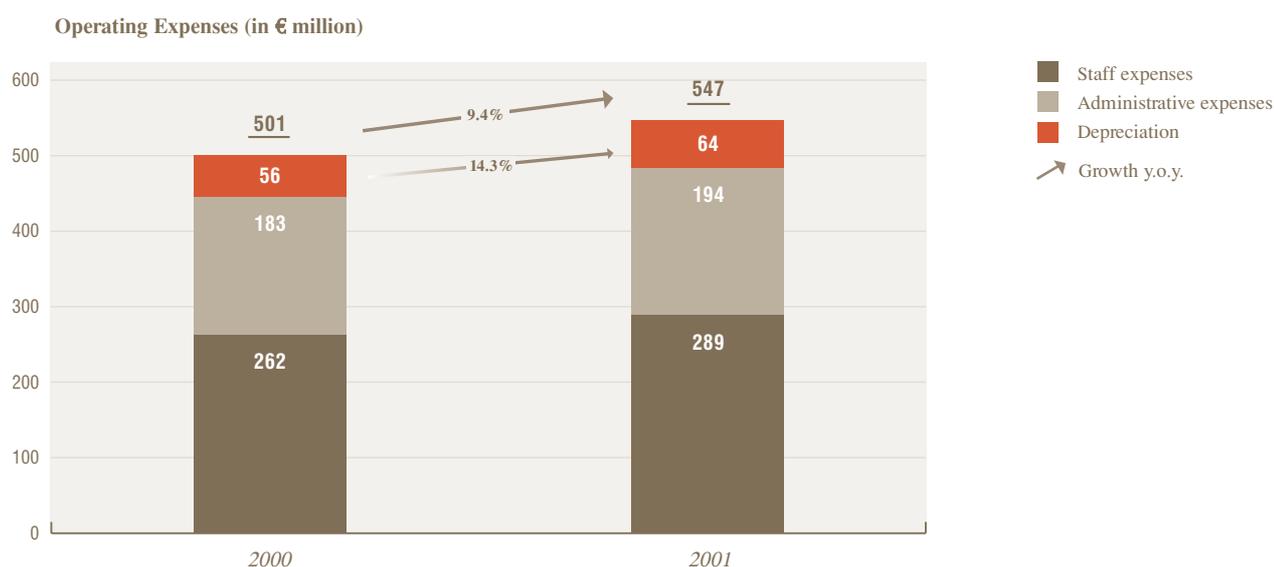
The quality of the loan portfolio has been maintained at high levels, despite the strong growth in loans. Non-performing loans (NPLs) from Group activities remain below 3% of the total loan book. Including NPLs from the acquisitions of the Bank of Athens and the Bank of Crete, which are fully covered by provisions, total NPLs stand at 3.8% of the total loan portfolio. Total provisions cover more than 80% of total NPLs, a coverage ratio which is 30% higher than the minimum level required by the Bank of Greece and one of the highest in the Greek banking sector.

EFG Eurobank Ergasias Shareholder Funds stood at € 2 billion at the end of 2001, and remains one of the strongest capitalisations in the sector. Group net asset value (NAV) does not include goodwill from mergers and has been burdened by unrealised losses of the “available for sale” portfolio. Furthermore

NAV has been burdened by the share buy back programme, which however does enhance shareholder value. Return on average equity (ROE) pre tax, after minorities, reached 16.6% (from 16.8%), while return on average assets (ROA) before tax remained among the highest in the sector (1.8%). Return on average equity (ROE) after tax and minorities rose to 10.6% (from 10.5%) and return on average assets (ROA) after tax was 1.2%.

The Capital Adequacy Ratio remains strong at 15.2% confirming the ability of the Group to maintain high growth rates, without having to resort to shareholders in order to raise new capital in the foreseeable future.

The strong capital base and the high quality of income allow the distribution of a particularly satisfactory dividend to shareholders, as was the case in the previous year. A dividend of € 0.53 per share will be proposed to the General Assembly of the shareholders for approval. Total dividends account for 79% of net income after tax.



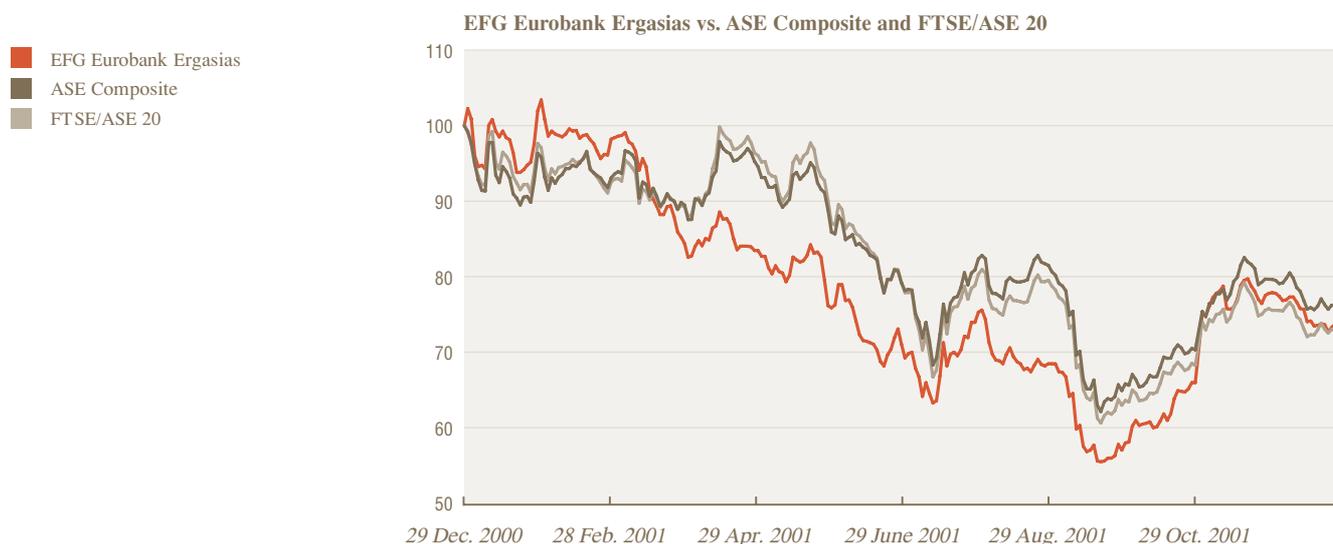
# Share & Shareholding Structure

## Outperforming the sector in a difficult year

The decline of stock prices in the Athens Stock Exchange, which had started in the last quarter of 1999, continued during the year 2001. At the end of 2001, the ASE Composite Index closed at 2,592, 60% lower than the historic high level of 6,484 in September 1999 and 24% down from end 2000. In 2001, the blue chip index FTSE / ASE-20 and the Banking Sector Index fell by 27% and 35% respectively. The EFG Eurobank Ergasias share fell by 25% during 2001, but in relative terms, it outperformed the Greek Banking Sector Index (by 10%) and the FTSE / ASE-20 (by 2%) as well as the other 4 major Greek banks. The substantial fall of the average daily turnover at the Athens Stock Exchange from € 400 million in 2000 to € 167 million in 2001 was indicative of the adverse conditions that prevailed in the Greek Capital Market in 2001. In May 2001, Morgan Stanley Capital International upgraded the Greek Stock Market from the category of emerging to that of developed. This reclassification signaled portfolio restructuring, mainly coming from institutional investors. This did not however confirm the initial expectations for substantial capital inflows that could drive stock prices at higher levels.

## Weight of EFG Eurobank Ergasias in Indices

At the end of 2001, EFG Eurobank Ergasias was the third largest constituent of the ASE General Index and the second largest bank in terms of market



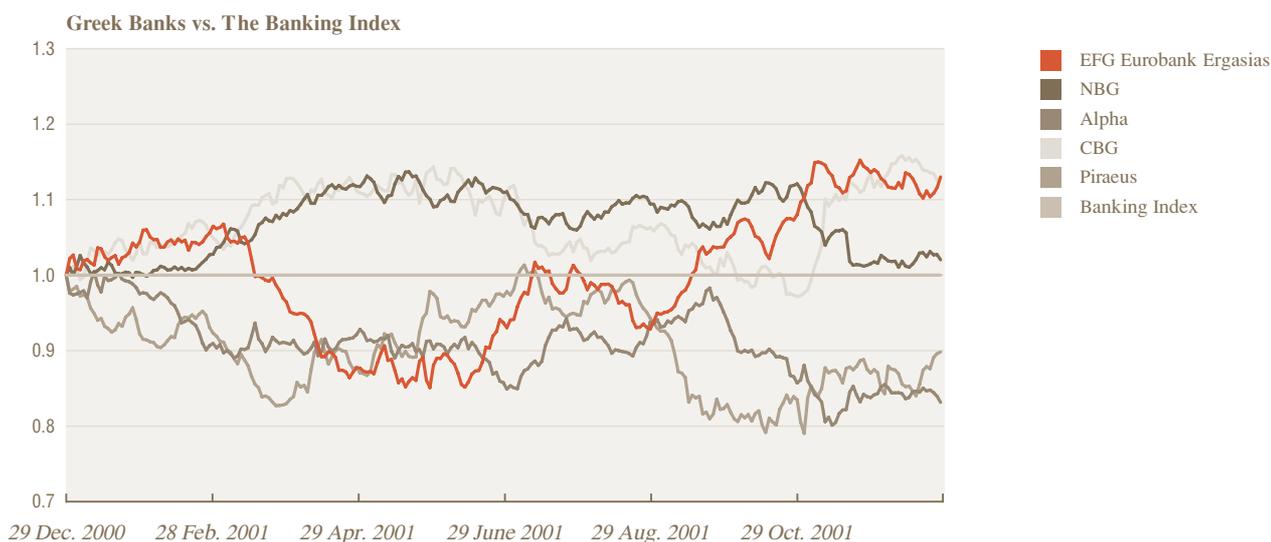
capitalisation, which exceeded € 4.6 billion. EFG Eurobank Ergasias had a weight of 7% in the Athens General Index. In the FTSE Eurotop 300 Index EFG Eurobank Ergasias weighted with approximately 0.06%.

### New shares listing on the Athens Stock Exchange

On April 12 2001, 546,000 new registered common shares, which resulted from the exercise of stock options by Bank employees and members of the Board of Directors in implementation of the decision of the Eurobank AGM of May 24, were listed on the ASE. On June 18 2001, 567,200 new registered common shares were listed on ASE, which came from the share capital increase that was approved at the Annual General Meeting of shareholders of May 15 2001. Therefore, the total number of shares of EFG Eurobank Ergasias amounted to 293,574,790 at the end of the year.

### Special Treasury Share Scheme

At the end of 2001, EFG Eurobank Ergasias had bought 7,559,323 of its own shares, in implementation of the decision of the Eurobank AGM to buy up to a total of 8,645,000 shares, in accordance to article 16 par. 5 of Law 2190/1920.



## Share & Shareholding Structure

	Historic Close (€)	Adjusted Close (€)	Monthly Value of Transactions (€ million)
January	21.24	21.21	89.17
February	20.04	20.01	74.60
March	17.76	17.73	64.69
April	17.48	17.48	79.36
May	16.54	16.54	132.55
June	14.96	14.96	82.67
July	15.38	15.38	46.31
August	14.24	14.24	31.75
September	12.02	12.02	34.74
October	14.64	14.64	33.44
November	16.18	16.18	50.19
December	15.62	15.62	75.37
<b>Total Value of Transactions</b>			<b>794.84</b>

In addition, the EGM of September 14 2001, approved the purchase of up to 20,712,479 shares by EFG Eurobank Ergasias, which represents 7.06% of its total number of outstanding shares on December 31 2001. These shares will be bought at a maximum price of € 27.09 per share.

### Acquisition of Telesis Investment Bank

The EGM of September 14, 2001, approved the absorption of Telesis Investment Bank, the legal merger of which was concluded on March 11 2002, through the issue of 18,963,636 new shares at an exchange ratio of 2.2 shares of Telesis Investment Bank for 1 new share of EFG Eurobank Ergasias. The merger of the

two Banks and of their subsidiaries further strengthens EFG Eurobank Ergasias' leading position in investment banking, equities and derivatives brokerage and asset management. Furthermore, it increases the stock's weight in stock market indices.

### Strong shareholder base

Since its listing on ASE in March 1999, the Group has had the broadest shareholder base in Greece. At the end of 2001, EFG Eurobank Ergasias had 355,000 shareholders.

	Shareholders	Number of shares	% of total
0 < shares ≤ 10	60,226	173,719	0.06
10 < shares ≤ 100	235,253	5,542,307	1.89
100 < shares ≤ 500	40,638	9,378,412	3.19
500 < shares ≤ 1,000	9,461	6,610,256	2.25
1,000 < shares ≤ 10,000	8,858	22,644,363	7.71
10,000 < shares	928	249,225,733	84.89
<b>TOTAL</b>	<b>355,364</b>	<b>293,574,790</b>	<b>100</b>



Innovation in product development and service delivery has been an incremental success factor for EFG Eurobank Ergasias in the past years. As the Greek banking market matures however, it is becoming increasingly evident that quality will be one of the key parameters to determine success well into the future. Embedding superior quality both in products and services delivered has long been part of EFG Eurobank Ergasias' strategy. The year 2001, however, saw some important initiatives, not only in quality implementation, but also in quality management, measurement and education.

Promoting quality in operations, EFG Eurobank Ergasias is a registered member of the British Standards Institution (BSI) and several of the Bank's operation and services have already been awarded with ISO Certificates. The following divisions are certified, with more certifications expected in 2002:

1. Centralised Payments
2. Custodianship (Clearing, Settlement, Corporate Action and Trustee Services for Institutional Investors, Mutual Funds and Retail Clients)
3. Derivatives Market Margin Bank
4. Employment & Placement
5. IT & Systems (Procurement, Asset Management, End User Support)
6. Payments (Swift / Telex)
7. Procurement
8. Shareholder Registry
9. Design and Delivery of Training Programmes

Taking matters a step further, for best quality assessment and enhancement, EFG Eurobank Ergasias has adopted a client-based approach. Specialised subsidiary Quality Management Services S.A. (QMS) was established in September 2001, in association with Grass Roots Plc, to measure and overview quality issues and to train retail personnel in quality matters, in order to improve service delivery.

Quality measurement and implementation in the retail network entails four parameters: training, mystery shopping, customer surveys, and internal evaluation. For training purposes, the Bank has set up the "Eurobank Ergasias Academy" in 2001. The goals of the Academy are to ensure that quality standards are understood and pursued by personnel and to spread a high level of knowledge on Group products and services.

Mystery shopping is conducted at retail branches of EFG Eurobank Ergasias, as well as at retail branches of local competitors, evaluating a total of 86 qualitative parameters, from branch appearance to personnel demeanour. It is a powerful tool in evaluating staff performance versus the quality standards both of the Bank and of the competition. Overall, 179 visits to EFG Eurobank Ergasias retail branches and 100 visits to competitors' retail branches were performed in 2001. Mystery shopping is complemented by customer surveys, which are conducted on a quarterly basis in order to measure customer satisfaction on products and services offered. Finally, the process of internal evaluation is conducted at branch and operations level, so that operational parameters not otherwise observable may be evaluated.

# Client Oriented Networks

EFG Eurobank Ergasias has adopted a multifaceted banking approach and has developed specialised networks that service specific market segments. These segments include Retail Banking, Private Banking and Small and Medium Sized Enterprises (SMEs). The development of segment based networks is an organisational design unique to EFG Eurobank Ergasias and constitutes a significant competitive advantage of the Bank.

At the end of 2001, the specialised networks of the Bank per activity were organised as follows:

**Wholesale Banking:** The segment is served by two central divisions in Athens and Thessaloniki.

**Retail Banking:** Retail clients can be serviced through various channels, including a total of 304 branches, 552 ATMs and 37 points of sale by the name of “Open 24”.

At the end of 2001, the retail banking branch network consisted of 304 branches, of which 207 are characterised as pure Retail branches and 97 as Universal branches. Universal branches offer the entire spectrum of SME products and services. Geographically, the Bank is present in most large Greek cities, while it operates more than one branch in areas with significant population. A branch network restructuring programme, aiming to diminish overlapping branches and ensure comprehensive geographical coverage throughout the country, was launched in 2001. As part of this programme, branches were moved from over-serviced areas to areas where the Bank formerly had no presence.

The retail network of the Bank is complemented by 552 ATMs. Moreover, a network of points of sale by the name of Open 24 is being utilised in supermarkets, shopping centres and other public places throughout Greece. Overall, 37 Open 24s were in operation in 2001. Open 24s are a pioneering, technologically advanced network for the promotion of retail and insurance products. ATMs are located close to the Open 24 points of sale, to serve the clients' financial transactions.

## Specialised Networks

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### INTEGRATED BY SEGMENT

Business Segment	Network
Wholesale Banking	Centrally managed, located in Athens and Salonica
SMEs	<ul style="list-style-type: none"><li>• 97 Universal Branches</li><li>• 19 Peripheral Divisions of Business Credit (PYEP)</li></ul>
Retail Banking	<ul style="list-style-type: none"><li>• 304 Retail and Universal Branches</li><li>• 37 “Open 24” points of sale</li></ul>
Private Banking	15 Private Banking Centres

Small and Medium Sized Enterprises (SMEs): The segment is serviced by a specialised network consisting of 97 Universal branches and 19 Peripheral Divisions of Corporate Credit (PYEP), throughout Greece. The Universal branch network, besides its specialisation in the SME market, offers all of the Bank's products, including Wholesale and Investment Banking with the distribution of brokerage and investment products.

**Private Banking:** This network consists of 15 dedicated Private Banking centres. In 2001, Private Banking clients also gained access to the exclusive Europhone Private Banking service (1141).

### Alternative Distribution Networks

The development and utilisation of alternative product distribution networks constitutes a significant competitive advantage of EFG Eurobank Ergasias. The Bank is the first in Greece and one of the first in Europe to offer its services through the complete range of alternative distribution networks allowed by current technology. Specifically, the Bank offers Internet Banking, Mobile Banking, Phone Banking and TV Banking services.

**Europhone Banking:** In 2001, the Phone Banking service of EFG Eurobank Ergasias captured the leading position among Greek banks, based on the number of clients who used the service. New client-users amounted to 50,000, while the total number of clients exceeded 220,000. It should be noted that total incoming calls increased by 20%. Phone Banking services operate through a single call centre and offer a choice of 98 banking transactions to individuals (excluding account openings), on a 24 hour basis.

**e-Banking:** EFG Eurobank Ergasias offers the complete range of e-banking services, including banking and brokerage transactions and asset management for corporate accounts. The Bank has built a dynamic presence in this sector, with the development of efficient, user-friendly and safe applications that enable the performance of numerous transactions. In 2001, EFG Eurobank Ergasias received the award of "Best e-Banking Website" by PC Magazine, in recognition

of the Bank's efforts for the provision of high quality services through the internet.

EFG Eurobank Ergasias offers maximum security to its e-Banking clients, with electronic transactions protected by three security levels. Furthermore, the Bank has taken all security measures for the application of digital signing, as soon as the legal aspects surrounding this in Greece are settled.

**Mobile Banking:** The Mobile Banking service of the Bank, in operation since September 2000, was the first to offer banking and brokerage services over mobile phones, using WAP and SMS technology. Over 6,000 clients use Mobile Banking.

**TV-Banking:** EFG Eurobank Ergasias also has a significant presence in digital television, through its collaboration with Nova TV. Subscribers can access information on the Bank's products, the performance of its mutual funds, the closing prices of ASE indices and listed shares, as well as on foreign currency exchange ratios and other areas of interest.



# Wholesale Banking

## Corporate Banking

EFG Eurobank Ergasias holds a dominant position in Corporate Banking. Through the Corporate Banking Unit, the Bank delivers a complete range of comprehensive and integrated products, services and solutions to meet the specific financial needs of each corporate client. The Corporate Banking products and services are offered within a general understanding and philosophy described as corporate relationship management. In this context, each corporate relationship is regarded as a valuable professional relationship in which the Bank acts as partner and advisor offering the most suitable financial solutions to cater the corporate clients' needs.

Based on an in depth understanding of its clients' financial needs, Corporate Banking strives to exploit the cross-selling opportunities of the Bank. Having established a strong relationship with all major business groups in the country, Corporate Banking coordinates and organises the most appropriate business units, departments or subsidiaries of the Bank Group to structure, promote and deliver the right products and services. As a result, the corporate client base of the Bank is steadily expanding and at the same time, the diversity and quality of the products and services are constantly enhanced.

The major competitive advantages of EFG Eurobank Ergasias in Corporate Banking include the ability of the Bank to offer high quality client service, its high calibre professionals, and its unique ability to structure and deliver custom-made, innovative financial solutions. All this is coupled with the Bank's strong financial position and capital base. A major development in 2001 that will positively impact the competitive position of Corporate Banking was the merger announcement of EFG Eurobank Ergasias with Telesis Investment Bank, which enjoys a strong market position and expertise in Investment Banking.

In the medium term, prospects for Corporate Banking appear positive given the increasingly evolving nature of clients' financial needs. It is clear that demand by the domestic corporations for alternative sources of medium or long-term capital, for high quality and more sophisticated financial solutions and services, and for complete and committed banking relationships will increase. EFG Eurobank Ergasias is suitably staffed with talented and experienced associates and has in place the necessary culture, product mix, business strategy and

operating flexibility to take full advantage of the opportunities that emerge under the current and future market circumstances.

### Small & Medium-sized Enterprises (SMEs)

The Bank offers all the specialised Corporate Banking financial services to a large number of small and medium-sized enterprises. These are provided locally, through a dedicated network, which at the end of 2001 included 97 Universal branches and 19 Peripheral Divisions of Business Credit (PYEP) throughout Greece. The experienced and specialised associates of the Universal network have an in-depth knowledge and longstanding experience of the local business market and provide high quality services. The result of EFG Eurobank Ergasias' successful penetration of the SME market is an expanded client base that includes 23,000 enterprises throughout Greece. This represents a considerable percentage of enterprises with an annual turnover between € 1 million and € 9 million. The SME business segment constitutes the hard core of the Bank's business credit and maximises the benefits from the longstanding experience and expertise of ex Ergobank.

During 2001, the rationalisation and restructuring of the Universal network, the realisation of economies of scale with the central operations and the subsidiaries of EFG Eurobank Ergasias and the convergence of sales processes were planned and implemented to a great extent. These efforts contributed to the further improvement in competitiveness of the SME segment and the growth of the Group's cross-selling through the Universal branches. Overall, the prospects for revenues and profitability growth of the SME business look positive.

### Shipping

EFG Eurobank Ergasias is an established player in Greek shipping financing. In addition, the Bank has become a highly reliable and prestigious banking selection for longstanding business relationships in shipping. The Bank has acquired the necessary experience and expertise in order to offer sophisticated, competitive and high quality financial products and services. The acquired knowledge and experience enabled the Bank to increase its business volumes and revenues, co-operating with the most reliable and credit-worthy shipping

companies. These companies are led by experienced management teams, which have achieved consecutive and successful results through all the different cycles of the shipping industry.

The shipping industry is expected to offer considerable business opportunities and returns, with relatively lower risk assumption, to the well-seasoned shipping financing houses. This is due to the low vessel values currently prevailing in the shipping market and the expected gradual recovery of the global economy.

### Leasing

The two subsidiaries of the Group engaged in leasing, EFG Eurobank Leasing S.A. and Ergoleasing S.A., ensured in 2001 their leading market position in the domestic real estate and other fixed assets leasing with total new leased assets amounting to € 236 million. The expansion of the client base and the origination of new business relationships-alliances with suppliers of durable goods, information technology and office automation products, as well as cars and machinery equipment resulted in considerable growth in leasing activities. The successful operation of the Thessaloniki branch confirmed the Bank's objective for a strong presence in northern Greece.

In 2001, the real estate leasing unit captured a 26% market share of the entire fixed assets leasing market with total contracts amounting to € 59 million. It thus arranged the highest portion of all sector financing. EFG Eurobank Properties S.A., which is a subsidiary of the EFG Eurobank Ergasias Group, contributed substantially to the accomplishment of the leasing objective. EFG Eurobank Properties, besides real estate services, also offers advisory services, including the identification and selection of real estate assets according to the specific requirements of each client.

The vendor-leasing segment made an increased contribution to the overall results. The two leasing companies, besides the expansion of the current co-operations, formed new strategic alliances with dynamic suppliers in different business segments. One business segment of particular importance is the passenger car industry.

The two leasing companies were merged on February 2002. The combined entity EFG Eurobank Ergasias Leasing S.A. now enjoys the capability of executing large transactions and structuring and offering innovative products and services, incorporating the long-standing experience and expertise of its associates in leasing financing.

### Factoring

EFG Eurobank Ergasias is actively engaged in factoring services through EFG Factors S.A., which was established during 2000. EFG Factors, despite its short-lived operational period, has achieved considerable growth rates in client base, revenues, profitability, product development and distribution and market share. 2001 was a very successful and productive year, during which EFG Factors not only achieved a remarkable operating return but also expanded its geographical presence through the establishment of the Thessaloniki office. This offers the full spectrum of factoring services in northern Greece. The factoring services are targeted to all company sizes through specialised products. EFG Factors has acquired considerable expertise constantly enriching the product and services range offered to each client group.

# Investment Banking

EFG Eurobank Ergasias was named “Best Equity House in Greece” for 2001 by Euromoney, the leading European financial magazine. This award of excellence was based on the dynamic presence of the Bank, through its subsidiaries EFG Telesis Finance and EFG Eurobank Securities, in capital markets and stockmarket brokerage in Greece.



## Investment Banking

EFG Eurobank Ergasias has assumed a leading role in Investment Banking through its subsidiary company EFG Telesis Finance, which resulted from the merger of the investment-banking arm of Telesis Group with EFG Finance. EFG Telesis Finance offers corporate finance services in the areas of capital markets (Initial Public Offerings, share capital increases, private placements), debt capital raising (syndicated loans, bond issues, securitisation), financial advisory services (mergers and acquisitions, valuations, company restructures, strategic advisory), and institutional asset management, as well as proprietary asset management.

The objective of EFG Telesis Finance is to offer a complete range of high quality Investment Banking and Institutional Asset Management products and services to corporations, governments and institutional and individual investors. This is done in co-operation with Deutsche Bank, a strategic partner of EFG Eurobank Ergasias Group.

During 2001, EFG Telesis Finance continued its successful performance in capital markets, despite the intense fluctuations of the Athens Stock Exchange. EFG Eurobank Ergasias Group maintained its leading position in IPO underwriting capturing a 19% market share. More specifically, in 2001 the Group participated in 22 out of a total of 24 issues, acting as Coordinator and Lead Underwriter or Lead Underwriter in 10 transactions. The capital raised by Group EFG Eurobank Ergasias amounted to € 676 million, representing approximately 25% of the entire demand. Despite the adverse conditions that prevailed in the stock market during the greatest part of 2001, EFG Eurobank Ergasias completed successfully, through EFG Telesis Finance, some of the most important public offerings of the year, such as those of Petrola Hellas, Babis Vovos Technical International and Salonica Port Authority. It should be noted



that in the public offering of Public Power Corporation, concluded in December 2001, EFG Eurobank Ergasias, which acted as Lead Underwriter, attracted the highest demand from individual and institutional investors as well as the largest number of subscription applications from individual investors.

Regarding the advisory business, EFG Telesis Finance was mandated by and executed a number of important contracts for both private and public sector companies. The most notable of these contracts were the advisory services provided to Delta Dairy in relation to its tender offer for the acquisition of the majority block of shares of Goody's, and those provided to PPC for the identification and selection of a strategic partner in the Greek telecommunications market. In addition, in 2001 EFG Telesis Finance was mandated as financial advisor for the restructuring and privatisation of DEPA through the identification and selection of a strategic investor. It was also awarded the role of financial advisor to the Ministry of Finance for the concession to individuals of marinas in the Greek islands. Furthermore, EFG Telesis Finance acted as financial advisor to some of the largest public corporate merger transactions. Among the most significant were the following: Panafon - Unifon, Delta Informatics - Singular, Vodafone - Nextnet, and the merger by absorption by Notos Com Holdings of eight of its member companies, one of the largest mergers in terms of the number of companies involved. Finally, during 2001, EFG Telesis Finance acted as financial advisor to a number of acquisition and strategic co-operation corporate transactions, such as the acquisition by Famar of a manufacturing unit of Aventis in France and the sale of 30% of Mouriadis to the Connection Group.

In 2001, EFG Telesis Finance played a leading role in debt issuance by offering to its corporate clients a complete range of financial solutions, including syndicated loans, bonds and other debt instruments suitable for public sector entities. Among the latter were the issuance of privatisation certificates for the Hellenic Tourist Fixed Assets and the privatisation certificates 2001-2004 issuance for the Greek State. In the meantime, EFG Telesis Finance was the Lead Co-arranger of the securitisation of the proceeds of the Hellenic Republic from the co-financing provided by the third EU support package, reaffirming its leading position in asset backed securities in the Greek market for the second consecutive year. In the private sector EFG Telesis Finance arranged a substantial number of syndicated

loans becoming the leader in this area with a market share of approximately 20%. The completion of the merger with Telesis Investment Bank will further strengthen the presence of EFG Eurobank Ergasias Group in the areas of investment banking and capital markets. The competitive advantages of EFG Telesis Finance include its leading edge expertise, the high quality of its associates, the ability to provide a complete range of financial services and access to one of the strongest and fastest growing banking networks.

The objective of EFG Telesis Finance is to strengthen its presence internationally, mainly in the Balkan region, supporting its clients' expansion in these countries. In 2001, EFG Eurobank Ergasias was certified as an ELPIS issuer. Thus, the Bank is expected to undertake the issuance of Greek Certification Documents for Greek or international companies, which compete internationally but prefer to finance their activities through the Greek capital market.

### Institutional Asset Management

EFG Eurobank Ergasias, through EFG Telesis Finance, provides advisory and portfolio management services to institutional investor clients besides proprietary asset management. The client base includes public and private pension funds, foundations, endowments, universities, closed-end funds, mutual funds, securities firms and insurance companies, as well as other large private and public sector companies. EFG Telesis Finance is supported by the Investment Strategy department not only in the marketing and the business origination process but also in the research and the provision of investment advisory services to its clients.

2001 was an important year for the Institutional Asset Management Group as EFG Telesis Finance succeeded to be selected as the financial advisor to some of the largest pension funds of the country. Moreover, EFG Telesis Finance was also selected by EDEKT-OTE as one of its external fund managers.

### Capital Markets

EFG Eurobank Ergasias, through its subsidiary EFG Eurobank Securities, holds a leading market position in capital markets products. Its market position was

further enhanced with the successful absorption of Telesis Securities and Ergo Securities that was concluded on November 30, 2001. The new combined entity captured 9.72% market share at the end of 2001.

2001 was an unfavorable year for the international capital markets and stock exchanges, as well as the A.S.E. The Greek market was upgraded from the Emerging Markets category to the Developed Markets, which are characterised by high capitalisation, liquidity, and transparency, and by highly sophisticated institutional and legal frameworks.

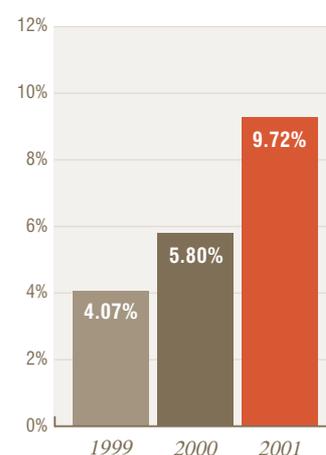
During 2001, the General Index lost 24% of its value, as it drifted from 3,388 on December 31, 2000 to 2,592 on December 28, 2001. Meanwhile, the average daily market turnover decreased from € 402 million in 2000 to € 169 million in 2001.

In such a market environment, EFG Eurobank Securities continued its impressive performance and growth, increasing its market shares in stockbrokerage transactions in the Athens Stock Exchange and the Athens Derivatives Exchange.

In 2001, the company increased its market shares and expanded its activities into new transaction segments. At the same time, EFG Eurobank Securities in cooperation with EFG Telesis Finance has had a substantial contribution in the recognition of the Bank as the “Best Equity House” in Greece for 2001 by the financial magazine Euromoney.

In 2001, the company increased its market share in A.S.E stockbrokerage from 4.24% in 2000 to 6.18% in November 2001 and 9.72% for the entire year after the merger with Telesis Securities and Ergo Securities. As a result, EFG Eurobank Securities was ranked second among Greek securities firms in November 2001, and first in December 2001, a significant improvement from its fifth position in 2000. Over the year, the company obtained the status of Market Maker B in the Athens Derivatives Exchange (A.D.E.), capturing a leading market position in derivative products (index, futures and options). Finally, EFG Eurobank Securities also obtained a Market Maker License in the New Stock Market. In providing its clients with complete service, EFG

**EFG Eurobank Ergasias Group  
Market Shares in  
Stock Exchange Transactions**



Eurobank Securities is among the very first securities firms in Greece offering to its clients the ability of direct access and execution of stockmarket transactions in major international exchanges.

The staff of the institutional and high net worth individual sales, research and operations departments is made up of highly skilled and talented professionals, in order to effectively support the new products (margin account, OTC derivatives, international markets) and the developing sales networks.

### Treasury

The Bank's treasury activities include bond trading of Eurozone government securities, Eastern European and Balkan emerging market sovereign debt and European corporate bonds. It also includes interbank trading in money markets, foreign exchange, interest rate or foreign exchange swaps, forwards, repurchase agreements and derivative products.

EFG Eurobank Ergasias' objective is to enhance its role in the international money markets through its presence in London, the financial centre of Europe. The Bank, in implementation of this strategic decision, has started the development of the Central Treasury London, which is expected to start operations during the first quarter of 2002.

The new competitive Euro environment resulted in the reorganisation of the Bank's Treasury. The reorganisation placed particular emphasis in the sales of the Bank's products through a dynamic and aggressive sales team. The sales team is responsible for covering all the client categories. They are also expected to communicate with them frequently in order to keep them informed, to develop an in depth understanding of their specific needs, to identify business opportunities, and to promote and sell the Bank's products and services. The Treasury sales team is comprised of units specialising in the specific client categories such as large corporate clients, SMEs, shipping companies, domestic and international institutional investors, Private Banking and retail network clients.

In 2001, the new corporate bond desks operated for the first time in order to meet the ever-increasing customer needs for better investment and asset

management options, which are further enhanced by the country's entry to Eurozone. The trading desks are also active in emerging markets bonds, particularly in the Balkan countries where the Bank already enjoys an extensive presence.

During 2001, EFG Eurobank Ergasias, together with some of the most powerful domestic and international financial institutions, was once again included in the list of the Primary Dealers of Greek Government Securities.

The Treasury is effectively supported by a strong, acknowledged and highly respected Economic Research department, whose analysts follow and analyse the developments in the major economies and financial markets and inform the Treasury clients either directly or through the sales force.



# Private Banking & Asset Management

## Investment Strategy

The Investment Strategy Division was created as a highly specialised team with the objective to provide complete support to the individual and institutional clients' asset management needs. In co-operation with the Investment Committee of the Bank, the Investment Strategy Division forms the investment policy for the Private Banking and institutional clients of EFG Telesis Finance. It also provides analyses of the domestic and international capital markets and prepares clients' asset allocation and portfolio restructuring recommendations according to the time horizon and the investment risk appetite of each client. It also co-operates with the Structured Products department to develop sophisticated investment products such as the capital guarantee at maturity products of the Eurostructures series. During 2001, the Bank distributed 22 new capital guarantee products, which provide the opportunity for investors to achieve higher returns than the traditional deposits. Seven of these products were developed and distributed exclusively to Private Banking clients through private placement.

## Private Banking

EFG Eurobank Ergasias is actively engaged in the segment of wealth management for high-net-worth individuals. The Private Banking Division provides personalised wealth management offering complete and sophisticated products and services.

The Private Banking Division provides a wide range of investment products, including domestic and international mutual funds, funds of funds, closed-end funds, alternative investments, private equity funds, capital guarantee products, margin trading, direct access to international capital markets, derivatives and leveraged foreign exchange trading for any maturity.

In addition to the investment products, the Private Banking Division offers its clients a wide array of high quality services in order to fully support and complement their wealth management needs. The services offered include: discretionary asset management domestically and abroad, portfolio management and investment advisory services, macroeconomic analysis, market assessments, real estate management advisory services through EFG Eurobank Properties, and tax and insurance advisory services.

Private Banking serves its clients through an extensive network comprising of 15 specialised units located in Athens and the major cities of Greece. In 2001, two new additional units - in Palaio Faliro and Veria - were established expanding the geographical cover of the Bank and improving the client service provided. In addition, a specialised department, International Private Banking, operates in Athens focusing on affluent clients interested in investing in the international financial markets. The Private Banking operation places particular emphasis on the human factor and is staffed with talented, well-trained and specialised associates. Internationally, Private Banking co-operates closely with the other subsidiary banks and financial companies of the EFG Bank Group.

In the context of continuous upgrade of the services offered, during 2001, the Bank launched EuroPhone Private Banking, a phone service function exclusively created for the Private Banking clients. Through the four-digit call number 1141, each client can execute a large part of his banking and stockbrokerage transactions.

### Discretionary Asset Management

EFG Eurobank Ergasias offers discretionary asset management services to affluent individuals, within the framework defined by the particular management agreement. The investments are defined and implemented according to the investment characteristics of each client including the investment risk appetite, time horizon, expected return on investments, etc. The selected investments, together with the alternative opportunities are followed and evaluated on a daily basis in order to maximise the return on the invested capital and to minimise the investment risk.

Portfolio and asset management is performed by a specialised team of the Bank, which co-operates closely with the Investment Strategy team, other subsidiaries of Group EFG Eurobank Ergasias and the relevant teams of the EFG Bank Group abroad, to ensure the selection of the most appropriate investments.

2001 was a successful year for the Discretionary Asset Management, with the team generating satisfactory returns for the portfolios under management. The

achieved returns compare favorably with the respective benchmarks and those of other investment products offered by the competition. The efficient asset management combined with the appropriate client communication strategy contributed to the preservation of the client base and the assets under management, despite the adverse conditions that prevailed in the international capital markets and the subsequent highly negative investor sentiment.



# Retail Banking

In 2001, EFG Eurobank Ergasias reasserted its leading position in Retail Banking under particularly adverse economic conditions. The Bank captured once again the leading position due to its innovative products and its unique distribution channels, including branches and alternative networks, as well as due to the quality services offered to retail clients.

There was a significant increase in the total number of retail clients, with new clients exceeding 530,000. Moreover, the Bank focused on further development of relationships with existing clients, aiming to increase the number of products per client.

New products and services were developed to this end in 2001, helping to enhance existing client relationships with depositors, in spite of the adverse market conditions. Prime deposit accounts, which offer a combination of EFG Mutual Funds, were introduced early in the year, in order to cover the investment needs of clients in a difficult environment, undertaking asset management on their behalf. Moreover, through various initiatives, clients were encouraged to place their funds in investment products. This contributed significantly to changing the investment horizon of the average retail client from short-term, focusing on monthly interest rates, to long-term, examining a multitude of parameters. Thus, in 2001 EFG Eurobank Ergasias came to be acknowledged as the most dynamic asset manager.

Given the deep reservations of clients towards investments, due to the negative market circumstances, the Bank embarked on an intense information campaign through its retail branches, offering alternatives to counterbalance the continuous drop of deposit interest rates.

On the lending product side, the Bank captured the first position in consumer loans and credit cards, the second position in mortgage loans and a leading position in Small Business Lending (SBL). This was achieved through the development of new, flexible products and quality services, which are described in further detail below. In addition, the Bank gained first position in mutual fund management, through its subsidiary EFG Mutual Funds Management S.A., utilising its extensive network for the distribution of mutual funds. Furthermore,

the Bank made significant steps towards the creation and distribution of insurance products and services.

In 2001, particular emphasis was given to the improvement of client relationship management. A modern platform for data monitoring and management in the operational systems of the Bank that can be accessed by authorised branch employees was developed. This platform offers information on sales methods, on the quality and production volume per product, as well as on product retention per client. Moreover, the platform enables the maintenance of customised sales records and facilitates efficient and accurate processing. These technological developments promote personalised client relationships, as client officers have a continuous flow of information on the history, agenda and financial and investment preferences of each client.

Taking into account future challenges, EFG Eurobank Ergasias aims to prevail in 2002 as the Bank of first choice for the needs of retail clients, through a range of initiatives. These include the intensification of cross-selling, the setting up of a new type of smaller, more flexible branches, and the dynamic development and promotion of insurance products and services, which is regarded as a key success factor. Finally, in order to contribute further to the creation of shareholder value, the retail banking division aims to intensify its efforts regarding cost containment and increase the operational income and profitability per branch.

### Consumer Lending and Credit Cards

The year 2001 was characterised by intense competition amongst Greek banks in the area of consumer loans. The market penetration of credit cards was also augmented, with over 3.5 million credit card holders at the end of the year. The promotion of new, more attractive products, the increase in advertising expenditure by Greek financial institutions, and the continuous decline of the interest rates of consumer lending products were all significant factors in the growth of consumer lending.

Responding to consumer needs, EFG Eurobank Ergasias succeeded in maintaining its dominant position in this market segment, acquiring a market

share of 24% in consumer loans and 30% in credit cards in 2001. The Bank also achieved the leading position in the car lending market, with a market share of 20%.

Consumer lending balances increased by 45%, reaching € 2,061 million, while the turnover of credit cards increased by 91% reaching € 1,145 million.

Consumer lending clients increased by 23% compared to the year 2000, while credit card holders increased by 33%, reaching 1,070,000. This number renders EFG Eurobank Ergasias the largest credit card issuer in Greece.

The Bank received a unique distinction in the area of credit cards, as it received a special award from VISA International on the occasion of issuing over 1,000,000 VISA cards in four years. Particular emphasis was also given in the promotion of the EuroLine credit card, whose number of holders has reached 100,000 in just one year. The card has also received wide acceptance amongst the Bank's allied vendors. Some of the most important new co-branded cards were Allianz Visa, WWF Eurobank Visa and Smart MasterCard.

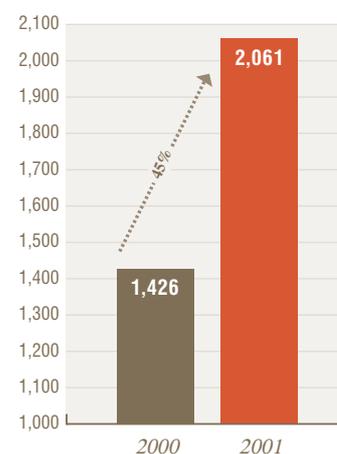
An important development in consumer lending products was the launch of the Fast loan in May 2001, after careful consideration of client needs. The Fast loan is the only consumer loan in Greece to offer approval and disbursement in just 20 minutes, through the branch networks Eurobank and Ergasias.

EFG Eurobank Ergasias offers extra services to credit card holders, including travel services. Travel services are handled by Eurobank Travel, a subsidiary which also supports the traveling needs of the Group. Another unique offer in the Greek banking system is the Kids Club, with 20,000 young members, which addresses credit card holders with children.

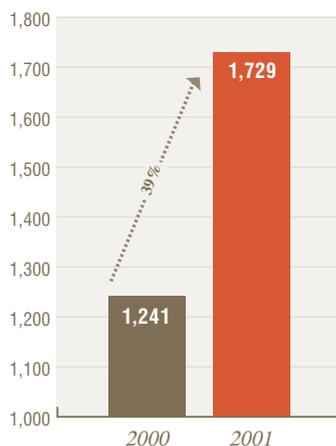
### Mortgage Lending

The Greek mortgage lending market continued its pace of growth in 2001 and was characterised by intense competition, mainly regarding interest rates. In this environment, EFG Eurobank Ergasias solidified its position, after its successful

**Consumer Lending:  
Outstanding Balances  
2000 - 2001 (in € million)**



**Mortgage Lending:  
Outstanding Balances  
2000 - 2001 (in € million)**



course in the year 2000. Thus, mortgage lending balances increased by 39%, reaching € 1,729 million in 2001.

Responding to client needs, EFG Eurobank Ergasias developed a new product line in 2001, while continuing to offer older successful mortgage products. The new mortgage products are characterised by low interest rates and low monthly installments, particularly in the initial period of the loan, which is the most difficult financially for the client. Specifically, the Bank offers the following products: EuroHome with fixed interest rate for the first one or two years, EuroHome low start, with a grace period of up to two years and EuroHome Fast, with approval based on housing values assessed by the Greek tax authorities, and disbursement in 15 days.

The main volume of mortgage loans of the Bank is generated by the Eurobank retail branches. The distribution of mortgage loans was extended successfully in 2001 to Ergasias retail branches and to the points of sale network “Open 24”.

### Small Business Lending

Since 1998, EFG Eurobank Ergasias has pioneered the service of a new market, that of professionals and small business with a turnover of up to € 1 million. In this market, the Bank has expanded rapidly, with outstanding balances increasing by 47% in 2001 to reach € 825 million, from € 561 million in 2000. The growth is attributable not only to the quality of the products offered, but to the customised organisational structure that EFG Eurobank Ergasias has developed for the approach and service of small businesses. In 2001, the Bank introduced a new small business loan (SBL) by the name ‘Open Professional’, which was an innovation in the Greek banking sector. Other SBL products provide financing for working capital, professional equipment, and acquisition, construction and repair of professional premises. The Bank also offers customised leasing solutions, as well as services for the issuance of letters of guarantee, imports settlement, distribution of insurance products and the installment of POS.

SBL products are distributed through the branch network of the Bank, thus ensuring automated and rapid client service for the duration of the loans.

## Mutual Funds

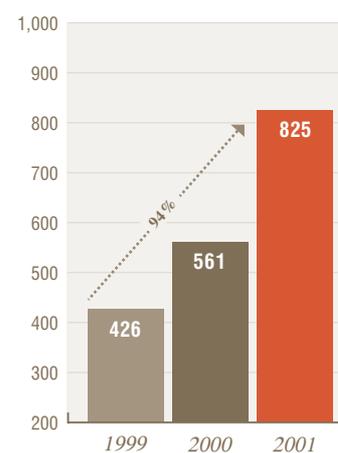
In 2001, EFG Mutual Funds Management S.A., a subsidiary of EFG Eurobank Ergasias, conquered the first position in the Greek mutual funds market, with a market share in excess of 26%, compared to 9% in the year 2000. The total number of mutual funds managed increased to 18, while funds under management exceeded € 7 billion, compared to € 2.8 billion in 2000.

The completion of major projects in 2001 contributed significantly to the success of EFG Mutual Funds Management S.A. Specifically, in February 2001, the company developed the new mutual fund Eurobank International Corporate Bonds. In designing this new product, the company took into account the growing demand of the particular market in Greece and the possibilities for growth in the European markets, as well as the need of Greek investors for a greater range of conservative investment choices.

The merger of the mutual funds Eurobank and Ergobank was successfully completed in March 2001. The funds moved to a single on-line communication and transaction platform with the entire network of retail and universal branches. In co-operation with the Bank, EFG Mutual Funds Management developed and launched three new investment products (Eurobank Prime), which address three different investment profiles (income, premium and savings). In November 2001, as the result of the merger of EFG Eurobank Ergasias and Telesis Investment Bank, the company also undertook the management of the mutual funds of Telesis Mutual Funds Management S.A., with total assets of € 70 million.

EFG Mutual Funds Management is the asset manager of first choice in the Greek market. This is partly due to its product mix, but also to the distribution methods, which fully utilise the traditional and alternative networks of the Bank (Retail Banking, Private Banking, Direct Banking, e-Banking). In 2001, the mutual funds webpage in the Bank's internet site was upgraded, enabling clients

**Small Business Loans:  
Outstanding Balances  
1999 - 2001 (in € million)**



to perform on-line transactions for mutual funds shares. The standing of EFG mutual funds will be assessed according to international standards, as they are expected to receive a Standard and Poor's rating in 2002.

## Insurance Services

EFG Eurobank Ergasias has intensified its activities in the insurance sector from the middle of 2000, resulting in an increase of insurance premia by 56% in 2001. This was achieved in spite of the shrinking market overall. The Bank is active in bancassurance through its subsidiaries EFG Insurance S.A. and EFG Life Insurance S.A., while it offers insurance brokerage services through EFG Insurance Services S.A. The insurance products of EFG Eurobank Ergasias are distributed through the branch and alternative networks, while the Group is also focusing on strengthening the sales teams of the insurance subsidiaries, as well as in expanding the network of allied insurance brokers.

**Market Shares per Banking Group (2000 - 2001)**  
**Mutual Funds (excluding Money Market)**

- EFG Eurobank Ergasias
- Interamerican
- Alpha
- NBG
- CBG
- Piraeus
- Other



In 2001, EFG Insurance S.A. more than doubled the number of its clients, which currently exceed 43,000. The insurance premia of professional premises exhibited impressive growth (96%), as did housing insurance premia (130%). EFG Life Insurance S.A. more than doubled its turnover, while insurance premia increased by 55%.

The premia of EFG Insurance Services increased by 56%. The company specialises in servicing mainly corporate insurance accounts in Greece and abroad, and has developed an extensive cross-selling cooperation with the central Corporate Banking Division of the Bank, the Peripheral Divisions of Corporate Credit, as well as with EFG Eurobank Ergasias Leasing.

# Other Financial Activities of the Group

## Real Estate

The positive climate in the Greek real estate market continued in 2001, thus offering opportunities for EFG Eurobank Ergasias to increase its presence in this sector, through its subsidiary EFG Eurobank Properties S.A.

Realised investments in 2001 exceeded € 50 million. Besides the acquisition of high-yielding real estate, investments included participations in real estate companies abroad (Immobiliare Rio Nuovo - Italy), as well as in companies or consortia for the commercial exploitation of specific properties. Thus, following the completion of properties under development, the value of the real estate portfolio owned by EFG Eurobank Properties exceeded € 73.6 million at the end of 2001. Participations amounted to € 10.7 million, while total income in 2001 increased by 124% over the previous year. For 2002 the company aims to realise an investment plan of € 58 million.

The corporate identity of EFG Eurobank Properties in the real estate services sector was strengthened in 2001, as its client base was enriched by affluent companies, organisations and individuals. A strategic aim of EFG Eurobank Properties is to offer a complete range of real estate services that vertically covers the needs of its clients. Within this scope, a new advisory Unit was created in 2001, to offer corporate real estate and real estate finance services. The Unit complements the services of real estate management, market research, transactions, and real estate appraisals already offered by EFG Eurobank Properties.

The initiative undertaken by EFG Eurobank Ergasias, in collaboration with the Greek Appraisal Institute and Property Ltd in the year 2000, for the creation of PROPINDEX, the first Greek property price index, was further strengthened in 2001, with the participation of Alpha Real Estate S.A. Propindex S.A. was incorporated in 2001, aiming to provide real estate information that is necessary for the appraisal of investments in the Greek real estate market.

In the area of indirect investments in real estate property, through Real Estate Investment Companies, EFG Eurobank Properties contributed actively towards the creation of an adequate tax and legal framework that will allow the successful creation of investment tools of this kind in Greece.

## Custodian Services

The Custodian Services Division of the Bank has a significant presence in the provision of services in accordance with ISO 9001 to Greek and foreign institutional investors. In

2001, the Division retained first position in custodian services to Greek mutual funds, while it strengthened its relations with foreign financial institutions. Among the Division's important achievements in 2001 was the certification as Qualified Intermediary by the U.S. Internal Revenue Service. The Division successfully continued the provision of IPO services (i.e. dividend payments and share capital increases) to Greek listed companies. Moreover, it successfully introduced the Margin Account to the Bank's retail clients, and was the first to offer Euromargin to the clients of Greek brokerage firms.

The Shareholders' Registry of the Bank also achieved some important accomplishments in 2001, as it has undertaken the provision of outsourced services to the shareholders of four listed companies, in addition to servicing the shareholders of the Bank.

The Payments Unit, in addition to providing products for the Bank's clientele, successfully offered Commercial Payments, Low Value Payments, Cash Management and Cash Letters services to Eurozone financial institutions and companies. All of the aforementioned services are qualified with ISO 9001.

### **EFG Business Services**

EFG Eurobank Ergasias is active in the provision of payroll and human resource services through its subsidiary EFG Business Services S.A. Services offered include the promotion of Group Payroll Services to companies and organisations, the provision of payroll management and clearance services, as well as the provision of organisational advisory services. EFG Business Services also promotes retail banking products to large groups of private individuals.

EFG Business Services offers total payroll and human resources services to its corporate clients, so that they may be serviced from a single company. Total service is feasible due to a comprehensive and technologically advanced software, which has been developed in-house. The software is updated either through direct data input, or through modem or internet access via designated codes. The software offers multiple options for the collection, organisation, cross-referencing and reporting of data on a 24 hour basis, in addition to payroll clearance. The services offered met with significant success in 2001, with 50 companies in Greece using this particular software.

## Infrastructure

During 2001, the Bank initiated the study, design and the gradual implementation of a modern Client Relationship Management system. The new CRM system will enable the Bank to optimise the exploitation of its existing client base and to target and attract new clients with substantial revenue generating potential. In addition, a new application supporting the calling and selling processes in the branch network was successfully launched. The implementation, at the same time, of a homogeneous Data Warehouse will result in the timely, efficient and reliable information flow in the Bank, generating substantial added value for the Group.

In addition, during last year, the Bank further developed the technological infrastructure and the relevant processes for the Business Continuity Plan (BCP) and the Disaster Recovery Plan (DRP).

In 2001, important developments took place regarding the telecommunication infrastructure of the Group. The new integrated telecommunication network that was designed and is gradually implemented by EFG Eurobank Ergasias, offers complete data, voice and image transmission services to the Bank and its subsidiaries. The particular network will contribute to the telecom cost reduction and the substantial quality improvement of the provided services.

**Altamira:** In 2001, the Altamira platform for banking operations was extended to include in its domain the final consolidation of ex Ergobank operations. As a result, substantial improvement has been achieved in the development and control of the basic operations and procedures of the Altamira platform. In 2002, the full operating merger of the two Banks Eurobank and Ergasias will be concluded. As a result, all the Altamira related projects will be completed.

**Euro:** The Bank timely and successfully implemented the modification of its operating systems in order to be fully Euro operationally compatible and to contribute to the successful introduction of the new tangible currency. In addition, the Bank successfully proceeded with the necessary conversion of all Drachma accounts to Euro ones. Finally, the Bank handled with considerable success the introduction of the new notes and coins, the withdrawal of Drachmas and last the timely supply of the commercial businesses and stores with Euros, something which was particularly difficult and never done before.

## Internet and Information Technology Services

**EFG e-Solutions:** EFG e-Solutions, a wholly owned subsidiary of EFG Eurobank Ergasias, was established in 2001. EFG e-Solutions implements innovative technology solutions for alternative distribution channels and invests in state of the art technology. EFG e-Solutions is the evolution of the former e-Banking department of the Bank. EFG e-Solutions' main activities besides the provision of e-banking services to the Bank's clients, include the development of electronic financial and commercial applications for the EFG Eurobank Ergasias Group as well as for third parties, the development of security systems that safeguard the integrity of transactions, the provision of consulting services, financial and technical feasibility studies and e-marketing services. EFG Eurobank Ergasias' investment in EFG e-Solutions underlines the Group's commitment to consolidate and further enhance its leading position in the innovative technology business sector, by deploying a flexible and dynamic unit that will keep the Group ahead of the competitive curve.

**Business Exchanges - be24.gr:** In 2001, EFG Eurobank Ergasias together with Panafon-Vodafone and Hellas on Line proceeded with the incorporation of Business Exchanges in order to create the first complete electronic marketplace for commercial transactions between businesses. Business Exchanges is the first company with a business plan to develop horizontal and vertical electronic marketplaces in Greece. In 2001, the priorities of the company included the installation of the exchange platform and the smooth commencement of operations and commercial activities. The platform was successfully installed in May of 2001, while the company commenced operations in August of 2001. In February of the same year, the company entered in a cooperation agreement with Ariba Inc., the leading American company in software developing and specialised in applications of electronic exchange between businesses. Through this cooperation the Bank will acquire the necessary expertise for the development of the largest electronic marketplace in Greece. At the moment, Business Exchanges is considered as the most complete B2B services provider in Greece. So far, twelve important companies already participate in the electronic market place for the support of which the electronic address [www.be24.gr](http://www.be24.gr) was created.

**Open 24.gr:** In 2001, a new website was created in the field of electronic commerce. The new website, [www.open24.gr](http://www.open24.gr), combines banking and stockbrokerage services with on-line purchase offers from selected commercial partners of the Bank. Through the website, [open24.gr](http://open24.gr), the retail businesses have the opportunity to advertise and promote their products and merchandise and to receive sales orders from the interested parties. During 2001, the range of the advertised companies on the portal [open24.gr](http://open24.gr) increased considerably, to include most of the largest and well-known retailers, making [open24.gr](http://open24.gr) the portal with one of the highest visits' rate and strongest recognition by Greek electronic banking users.

# International Activities

A key strategic goal for EFG Eurobank Ergasias is the expansion of its activities and the export of its successful local banking model to countries of the wider Balkan and Mediterranean region. EFG Bank Group participates in the share capital of two major banks in the Balkan region – Bulgarian Post Bank in Bulgaria and Banc Post in Romania, in co-operation with local and international partners, such as AIG and Banco Português de Investimento (BPI). These participations offer EFG Eurobank Ergasias the ability to assist its clients in these two countries, which have attracted the attention of a significant number of Greek and other European entrepreneurs and enterprises.

## Bulgaria

Bulgarian Post Bank AD (BPB) is a commercial bank established in April 1991. BPB currently operates as a universal bank and is the fourth largest bank in the country. Its market shares in the main market segments are in the range of 5% to 7%. The bank's network consists of 112 banking units and has a presence in 2,660 post offices. The total number of the employees at the end of 2001 was 1,180. EFG Bank Group, parent group of EFG Eurobank Ergasias, and AIG jointly hold 86% of Bulgarian Post Bank's shares.

In 2001, loans increased by more than 70%, while deposits rose by more than 25%. The growth is attributable to the bank's extensive re-organisation, in terms of operations and infrastructure. The retail lending division successfully launched consumer loans, mortgage loans and car purchase loans, where BPB holds the leading position in the country. Treasury sustained its top player position in BGN money market and in BGN government securities. Finally, the Corporate Division was reorganised both at central and regional level, attracting top corporate clients, while maintaining the quality of the bank's loan portfolio. In terms of infrastructure, particular emphasis was placed in the management of Human Resources, the introduction of technology and systems and the enhancement of service quality.

## Romania

EFG Eurobank Ergasias S.A. entered the Romanian Market in July 2000, by acquiring 19.25% of Banc Post S.A., with the option to acquire an additional

25.75%. Other shareholders include Banco Português de Investimento (17%), GE Capital (8.75%), the Romanian State (17%), Romanian Private Investment Funds (30%) and the bank's Employees (8%).

With a network of 126 branches across the country, and with presence in 2,400 outlets of the Romanian Postal Services, Banc Post S.A. ranks third in the Romanian banking system, based on assets, and has progressed substantially in numerous sectors. During 2001, the value of net loans grew by 40%, while total deposits increased by 24%. Banc Post commands a leading position in consumer lending, with a market share of 6.5% and is the largest credit/debit card issuer of Romania (with more than 500,000 cards issued). In 2001, significant effort was placed on the distribution of POS machines. The bank also focuses on small and medium sized enterprises, to which a comprehensive range of commercial banking products is offered. Moreover, a central Corporate Banking division was created in 2001 to meet the needs of large corporates.

In 2001, the organisational structure of the bank was modified in line with international banking standards, while an extensive branch restructuring project was initiated, to best serve the development of the bank in the next years. Areas of future expansion include Treasury activities, Leasing, Financial and Insurance Services.

In February 2002, EFG Eurobank Ergasias officially notified the Romanian State of its intention to exercise the option it holds for the purchase of a further 17% in the share capital of Banc Post from the Romanian Authority for Privatisation and Management of the State Ownership (APAPS).

Following the completion of the regulatory procedures, the total participation of EFG Eurobank Ergasias in Banc Post will reach 36.25%, with the potential to increase to 45%, based on the additional option of EFG Eurobank Ergasias for the purchase of the share capital controlled by GE Capital.

# Risk Management

The Bank effectively meets the many aspects of risk entailed in its various activities by following current international best practice and by investing in the improvement of risk management practice. Successfully implementing current practice and staying on the cutting edge of methodological and technological developments are priorities of strategic importance in order to ensure efficient capital allocation in the face of growth and increasing competition.

Risk management policy is formulated by the Risk Committee of the Board of Directors and the Risk Executive, both at local and at international level (Group EFG Eurobank Ergasias and EFG Bank Group respectively). International best practice is followed through well-defined internal processes and functions, as well as independent review. Processes and controls are overviewed by the Internal Audit Division, both at Group and Bank level, (see section on Corporate Governance), while risk functions are managed by the Bank's Risk Management Division. Independence and compliance is ensured, as EFG Eurobank Ergasias is audited at different levels by its Internal Audit Functions, the EFG Bank Group's Internal Audit, the Group's and Bank's External Auditors and by regulatory authorities both in Greece and Switzerland (Bank of Greece, Swiss Federal Bank).

The four areas of risk monitored by EFG Eurobank Ergasias are credit risk, market risk, liquidity risk and operational risk. In 2001, the Bank invested in experienced personnel as well as specialised computer software and thus is in a position to respond faster and more accurately to all risk aspects.

## Market Risk

EFG Eurobank Ergasias currently monitors Market VaR on a daily basis. Average daily VaR in 2001 was € 14 million. A dedicated unit for Market Risk (MRU) is responsible for the monitoring of trading and banking book positions. In addition to the recent implementation of value-at-risk models, the Bank adheres to strict trading limits that are set by the respective Risk Committees of the Bank and of EFG Bank Group. Moreover, the Bank MRU monitors capital-related risk regarding interest rate risk and equity exposures.

## Liquidity Risk

Liquidity policy satisfies both Bank of Greece and Swiss Federal Banking Commission rules. The Board of Directors has imposed more conservative requirements. Moreover, the EFG Bank Group acts as advisor on liquidity issues. Liquidity limits are set based on the application of two different scenarios and are continuously reviewed.

## Operational Risk

A dedicated Operational Risk Unit manages both quality and operational risk issues at Bank level. The Bank uses an independent Operational Risk Awareness system to identify and measure operational risk over time. Moreover, the Bank has already tested operational VaR models to assess capital adequacy, ahead of the BASLE II regulatory changes, although this is not required by the Bank of Greece. The Bank is currently able to adopt the first two methodologies (Basic Indicator Approach and Standardised Approach) of the four that are contemplated by the new proposed Basle Accord, having piloted them at various segments of operations. Moreover, the Bank is working towards implementing the Internal Measurement Approach and the Loss Distribution Approach. The latter has already been applied on the Payment Services Division of the Bank.

## Credit Risk

The Bank's loan portfolio is carefully monitored by a dedicated credit review unit, which performs continuous field reviews in the various business units. The effectiveness of this unit, along with the Bank's central approval processes has kept bad loans steady on a proportional basis, with organic NPL's at 2.8%, despite the significant increase of 30% in loans in 2001.

The main attributes to the efficient credit risk function are the segregation of duties relating to the origination, approval, administration and control of loans, as well as the specific evaluation approaches per loan category. The Bank employs a differentiated credit scoring system for consumer credit and small business loans, independent valuation of collateral for mortgage loans, and full financial analyses for SMEs and corporate lending.

Organic NPLs to Total Loans



Credit scoring of consumer credit is based on information drawn from separate databases for consumer loans and credit cards. The databases reflect the Bank's own experience since 1997. Moreover, the Bank employs the services of Fair Isaac on a constant basis to assure the quality of the consumer credit portfolio.

Mortgage lending, which may reach up to 75% of a property's market value, is centrally approved, based on collateral and the financial standing of the applicant. Collateral is appraised by independent engineers, and checked against values assessed by tax authorities.

Small Business lending is also centrally approved based on clear collateral guidelines and taking into consideration the borrower's annual income. Loans to SMEs up to € 300,000 are approved at the regional business centres (PYEP), based on full financial analysis of the company, as well as on the quality of the collateral. Larger SME loans require central approval, based on the recommendation of the special independent Credit Division of the Bank.

Financial analysis is also the basis of credit approval to large corporations. Corporate liquidity and financial strength are evaluated, while the unanimous approval of the Credit Committee is also required. Collateral in respect of such loans, which are mostly short-term, consists mainly of post-dated cheques.

Under the Bank's risk rating system, wholesale borrowers are assigned one out of nine risk categories, signifying satisfactory credit performance, potentially problematic entities to be watchlisted and loss – making.

Within the investment banking and treasury divisions, the Bank adopts prudent underwriting criteria for public and private equity and debt issuance. Preliminary clearance for any proposal has to be given by the Investment Banking Committee. Underwriting approval is also required from the Investment Banking Committee before proceeding with any proposed transaction. The Bank's direct participation in any syndicated loan or bond is outlined above under corporate lending. In relation to transactions with derivatives, the Bank currently evaluates its potential future exposure and plans to evaluate credit VaR for the Treasury Division within 2002.

All credit limits automatically expire after a maximum of 18 months after approval.

### Provisioning policy

Based on credit control and review reports, the Bank forms provisions for all performing loans, as well as specific provisions for all non-performing loans. Provisioning policy differs by loan category, based on the categorisation of credit risk as described above. Regarding wholesale loans in particular, the Bank makes a general provision based on corporations' individual ratings. In addition to this, specific provisions are made for watch-listed and worse ratings.

Provisions for retail loans are based on annual exposure and repayment history per product category. Provisions are charged to the accounts each year, aiming at covering delinquencies that are statistically estimated to potentially become apparent in the following year.

Retail provision amounts are based on the six-monthly statistical analysis of each category of loan. Specific provisions are calculated for all loans more than 90 days overdue.

Provisions for credit to bank counterparties and to countries are reviewed annually by the EFG Group Risk Committee and the Bank's Board of Directors, taking into account Swiss Federal Bank guidelines.

# Corporate Governance

EFG Eurobank Ergasias is committed to providing the highest standards of corporate governance, thus safeguarding asset quality, as well as the interests of its shareholders. Beyond the scope of meeting the requirements of the relevant authorities, corporate governance entails the organisation of the Bank's internal management in a manner that fosters efficiency and ensures integrity through a system of tight controls. It also focuses on the promotion of transparency in financial reporting and information dissemination.

To this end, the Bank has specific guidelines for the election, operation and control of its Board of Directors and relevant Committees. These guidelines cover the proper conduct of banking activities and also the quality and accuracy of its financial reporting and the relations with the investment community. They stem from the relevant rules of the Capital Markets Committee and the Athens Stock Exchange on the obligations of listed companies, as well as the EFG Bank Group's international experience and international best practice for the industry.

## Board of Directors

**Chairman:** Xenophon C. Nickitas

**Honorary Chairman:** George C. Gondicas

**Vice President A':** Anna Maria Louisa J. Latsis

**Vice President B':** Lazaros D. Efraimoglou

**Chief Executive Officer:** Nicholas C. Nanopoulos

**Deputy CEO:** Byron N. Ballis

**Deputy CEO:** Nikolaos B. Karamouzis

**Executive Directors:** Harry M. Kyrkos, Kyriakos I. Nasikas, Stylianos G. Papaderos, Nicholas K. Pavlides

**Directors:** Fotis S. Antonatos, Antonios G. Bibas, Emmanuel L. Bussetil, Stamos P. Fafalios, Dr. Tessen von Heydebreck, Panayiotis K. Lambropoulos, Dr. Spiro J. Latsis, Dr. Bernd Albrecht von Maltzan, Dr. Pericles P. Petalas

**Secretary:** Paula N. Hadjisotiriou

## Committees

The Board of Directors delegates to committees its responsibility in relation to execution, audit and risk matters (including credit control and asset and liability management), as well as remuneration issues. The main committees at Group level are as follows:

**Executive Committee:** X. Nickitas, N. Nanopoulos (co-ordinator), N. Karamouzis, B. Ballis, H. Kyrkos, K. Nasikas, S. Papaderos, N. Pavlides, Ch. Komiopoulos, P. Hadjisotiriou (secretary)

**Strategic Planning Committee:** N. Nanopoulos (chairman), X. Nickitas, G. Gondicas, B. Ballis, N. Karamouzis, P. Hadjisotiriou (secretary)

**Audit Committee:** E. Bussetil (chairman), P. Petalas, F. Antonatos, P. Hadjisotiriou (secretary)

**Risk Committee:** H. Kyrkos (chairman), X. Nickitas, E. Bussetil, N. Karamouzis, N. Nanopoulos, P. Petalas

**Remuneration Committee:** E. Bussetil (chairman), N. Nanopoulos, P. Petalas

## Financial Reporting and Investor Relations

Recognising the importance of transparency and accurate information dissemination to both its local and international shareholders, EFG Eurobank Ergasias simultaneously publishes interim and annual results both according to Greek GAAP and according to International Accounting Standards (IAS). Moreover, it seeks to portray an accurate, in-depth picture of its operations in its Annual Report. Besides the obligatory publication of the financial results and corporate announcements on issues affecting the Bank's operation and performance in the local authorities and financial press, EFG Eurobank Ergasias communicates information of shareholder interest on its website ([www.eurobank.gr](http://www.eurobank.gr)), in both the Greek and the English language. The Investor Relations unit mainly services the information needs of institutional investors, in close co-operation with the Bank's management and the Corporate Communications division, while general service on shareholding issues is

provided by the Bank's Shareholders' Registry. Moreover, a special Corporate Announcements Unit is responsible for the communication with all supervisory authorities.

### Internal Controls and Audit

The Bank maintains a sound system of internal controls to safeguard shareholders' investments and the company's assets. The Directors have overall responsibility for maintaining an effective system of internal controls and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable assurance against material misstatement or loss. The Bank's overall control systems include:

- **Organisational structure:** A clearly defined organisational structure with defined authority limits and reporting mechanisms, which support the maintenance of a strong control environment.
- **Control functions:** A number of well equipped risk management and control functions such as the Internal Audit division, Compliance Office, Risk Management division, Credit Control division and Finance & Control division. The divisions employ suitably qualified personnel and management controls are operated on a regular basis.
- **Segregation of duties:** One of the prime control means of the Bank is to assign to different individuals duties that if combined would enable one to record and process a complete transaction. Functions that have been separated include those of authorisation, execution, custody, recording, performing reconciliations and dealing and settlements.
- **Budgeting and management reporting:** The Bank employs an annual budgeting and monthly financial reporting system for all business units which enables progress against budgets to be monitored, trends to be evaluated and variances to be acted upon.
- **Policies and procedures:** The Bank has a set of policies and procedures designed for safeguarding assets, maintaining proper accounting records and ensuring the reliability of financial information.

The Directors assess the adequacy and effectiveness of the system of internal controls annually and determine the strategy for improvement based on a report submitted by the Bank's management. A copy of this report is submitted to the Bank of Greece in accordance with the requirements of BoG Act 2438/98.



# Social Report

In 2001, EFG Eurobank Ergasias' social contribution has been significant not only in terms of numbers but also in terms of its multidimensional character.



The Bank has adopted principles and policies and has carried out activities at the social level, which led the organisation to be included in the “FTSE4Good” index, a stock exchange index that includes quoted companies found to be socially responsible. Moreover, the Group has received a commendation for its cultural activities at the “Social Contribution Awards” competition, organised by the Hellenic Advertisers’ Association. Finally, in the year 2001, the Bank became a member of the Greek chapter of the European Network for Social Responsibility (CSR), whose members are European institutions and companies with a significant and notable social contribution record.

## Social Product

The social profile of the EFG Eurobank Ergasias Group is reflected by the importance it gives to its personnel and by its principles and values, which aim to distinguish and reward innovation and creativity both at an individual and group level.

The social contribution of EFG Eurobank Ergasias is reflected to the “Social Product” it generates. For the year 2001, the social product exceeded € 556 million.

## Human Resources

“The human resources of a financial institution, are the most valuable part of its assets. The success of an institution is closely linked to its employment policy, which ought to ensure transparency in staff evaluation procedures and human resources of the highest quality.” This quotation comes from the internal regulations of the Human Resources Department and is indicative of the importance and priority the Bank places on its human resources. An equal opportunity policy, extensive training programmes, a framework of allowances and medical care for employees and their families, constitute only some of the basic features that distinguish the Bank in the area of human resources management.



The contribution of the Bank to the “Social Product” in 2001	In € million
The Bank’s Turnover	1,370
Various Incomes and Income from Participations	344
VAT on Added Value of the Company	(1)
Operational and Other Expenses (before Staff Remuneration and Taxes) and Depreciation	(1,158)
<b>Social Product</b>	<b>556</b>

Distribution of “Social Product”	In € million
<b>I. State</b>	
Income Tax and various taxes	104
Contributions to Social Security Institutions	66
Added Value Tax	1
Employees Tax	<u>26</u>
	<u>197</u>
<b>II. Company</b>	
Retained Earnings / Reserves	40
<b>III. Staff</b>	
Total Gross Pay	172
Other Allowances to the employees	21
Employees Tax	(26)
Staff’s Contributions to Social Security Institutions	(23)
Profit Distribution to the employees	<u>10</u>
	<u>154</u>
<b>IV. Shareholders</b>	
Net dividend	161
<b>V. Donations</b>	4
<b>Social Product</b>	<b>556</b>

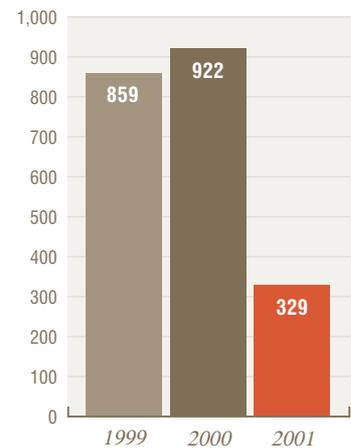
Following Greece's accession to the European Economic and Monetary Union, EFG Eurobank Ergasias met the challenges brought by the new banking environment, through the adoption of innovative schemes in the area of human resources management and the development of its human resources. At the end of 2001, the EFG Eurobank Ergasias Group had 8,546 employees, of which 6,843 were employed by the Bank.

**New Hires:** In the last three years, a significant number of new hires was carried out, over and above the employees that joined the Group through the mergers.

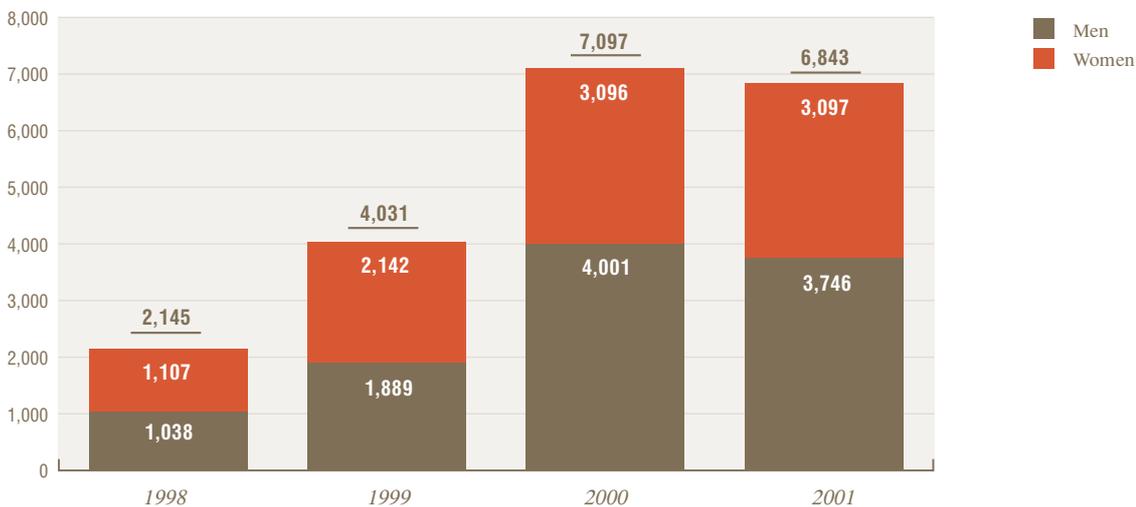
**Modern Recruitment Methods:** The fact that a significant number of new employees have been hired during the last three years is also related to the transparent and effective procedures adopted by the Bank, with regard to its recruitment methods and new employee integration process.

The quality of methods and regulations applied to the selection cycle of the candidates from the job market, has been awarded an ISO 9002 certificate.

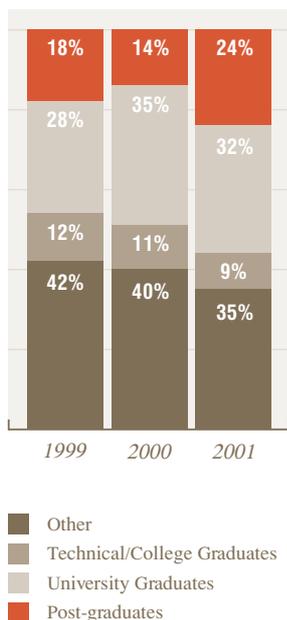
**New Hires of the Bank (1999-2001)**



**Number of Bank Employees (1998-2001)**



**Educational Level of New Hires of the Bank (1999-2001)**



In 2001, 20 recruitment competitions in total have been carried out in Greece. As a result, 330 competent candidates have been selected for positions at the retail level and at central operations. In addition, 230 students have been accepted as temporary employees through programmes “Summer Job 2001” and “EURO Project”. It is also worthwhile noting that EFG Eurobank Ergasias employs a special recruitment policy for disabled people.

In 2001, e-recruiting was introduced. As a result, the Bank has been linked with the main Universities in Greece and abroad and has considered 1,520 curriculum vitae through e-mails. At the same time, an intranet web page informs staff about job offerings within the organisation. In total, the Bank has access to and manages a data base of 26,500 curriculum vitae.

**Training:** In 2001, the Bank conducted 673 training programmes, in which 8,350 people participated. The attendees received complete and in depth training on Banking, Technology and Management. In total, 125,000 working hours were spent on training.

**Policy of Allowances and Incentives:** In 2001, the Remuneration and Allowances Policy was redesigned and the first cycle of implementation of the Stock Option Plan was completed.

As far as allowances are concerned, special emphasis has been given to health care allowances. In the year 2001, a number of new regulations related to the Health Care and Security of the Bank’s employees, were implemented.

The Bank provides its employees and the members of their families with medical, pharmaceutical and hospital care through various allowances, according to the Collective Social Contract. Additional schemes apply to its disabled employees.

In Attika, two fully equipped medical centres operate and, there, three doctors provide the Bank’s personnel with medical advice 24 hours a day. In the rest of

the country, three doctors specialised at Industrial Medicine and three Social Security Experts visit the Bank’s facilities to coordinate and follow up Health Care and Social Security issues. Finally, four voluntary blood donations are organised every year and a blood bank is maintained to cover internal needs of EFG Eurobank Ergasias.

### Sponsorship Activities

**The Arts and Culture:** EFG Eurobank Ergasias has a consistent commitment in the support of the Arts and Culture, through its sponsoring activities. For many years, the Bank has been sponsoring a number of important cultural institutions, such as the Athens Music Hall (Megaro Moussikis), the National Theatre and the Foundation of the Hellenic World (IME).

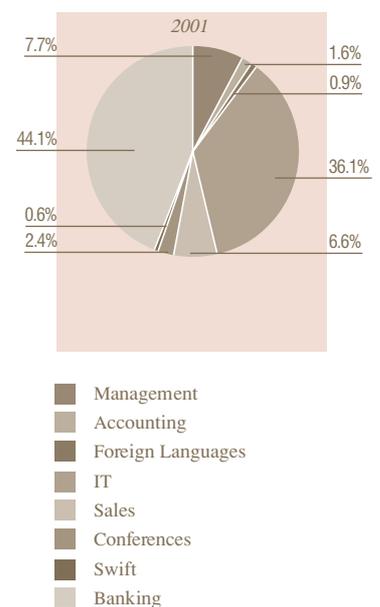
More specifically, the Bank has been the exclusive sponsor of the “Camerata” Orchestra of the Friends of Music of the Athens Music Hall since 1993. This unique orchestra created by the Athens Music Hall performs in Athens and throughout the country, as well as abroad.

Furthermore, for the last three years, EFG Eurobank Ergasias has been the exclusive sponsor of the Children’s Stage- Katina Paxinou Theatre, at the National Theatre. The “Children’s Stage” has completed a course of eight successful years that have been loved and appreciated by Greek children.

The Bank is also the sponsor of the electronic site “The Greek History in the Internet” and the exclusive sponsor of the site “The Olympic Games through the Centuries” ([www.ime.gr](http://www.ime.gr)), both initiatives belonging in the greater spirit and scope of the Foundation of the Hellenic World (IME). These portals present the entire spectrum of the Greek History from the Stone Age until today and, also, the History of the Olympic Games in two languages, Greek and the English.

The Bank’s sponsorship activities are not limited to the initiatives mentioned above. They also include the support of editions by third parties and the

**Seminars of Bank Employees in 2001 by Subject Category (%)**



production of the Bank's own publications, like the Album "100 years National Theatre" and the publication of another album with the title "The Archaeological Museum of Piraeus", which was published this year too, in co-operation with the Latsis Group.

The Group's activities also include the organisation of major public events, such as the "Eurobank Forum" that took place this year, with the subject "From Omiros to Seferis: the Greek culture in the 21st century" with honoured guests and speakers, such as Professor G.Nagy, from the Harvard University. Another important cultural event sponsored, was the opening concert at the 53rd International Book Fair in Frankfurt in 2001, in which Greece was the honoured country. Mrs Agnes Baltsa, the famous mezzo soprano, was the soloist in this highly successful concert.

Finally, another area in which the Bank has a presence, relates with the support of charity institutions. Among the ones sponsored this year were "Pnoe", "ELEPAP", "The Spastics Society", "MDA Hellas", "Doctors without Frontiers" and "Fighting against the Child's Trauma".

**Education and Scientific Research:** During 2001, EFG Eurobank Ergasias carried out significant activities as a sponsor in the areas of Education and Scientific Research.

**Co-operation with Educational Institutions:** EFG Eurobank Ergasias has an extended co-operation with the Athens University of Economics, the Piraeus University and the ALBA, and, through its sponsorship policy, supports a number of their educational programs: the Postgraduate Program of the Sciences of Decision Making at the Athens University of Economics, in which the Bank provides a scholarship to a student from a Balkan country. In addition, the Bank

has established the “Konstantinos Kapsaskis” Chair in ALBA and provides, through a scholarship procedure, support for research to graduates of the Economic Sciences. Finally, the Bank continues its electronic equipment donation programme to schools and charity institutions all over Greece.

**Information Campaign for the Euro:** In 2001, Greece entered the Eurozone. EFG Eurobank Ergasias responded with various initiatives to this historic challenge.

One such initiative was the publication of information leaflets through the Bank’s branch network. Another initiative was the reprinting and free distribution of the booklets named “Preparation Guides for the Euro”. These four Guides were published in 1997 in cooperation with the Association for the Monetary Union of Europe. During this long term effort, the Bank cooperated with the Union of Greek Industries, the Athens Chamber of Commerce and Industry, the Association of Greek Tourist Companies, the Athens Association of Commerce and the Salonika Association of Commerce and succeeded in printing a total of 210,000 copies.

A third initiative is the creation of the Information Line on the Euro (1144).

A last action, but by no means least, which was at its peak in 2001 during the transitional period for the EMU, was the participation of the Bank’s executives at Congresses about the Euro throughout Greece.

**Athletics:** Another sponsorship initiative, undertaken by EFG Eurobank Ergasias is related with the support of Greek Athletes. More specifically, this support program includes sponsorships to the Hellenic Basketball Association and to young Greek athletes of track athletics and sailing.



This initiative by all means reflects the Bank's philosophy and principles as for a relatively young, strong and ambitious financial institution, like EFG Eurobank Ergasias, the constant effort to obtain high targets and the focus on success have always been essential components of its identity.

It is for these reasons, that the Group supports the struggling Greek athletes, who – no matter if they compete as individuals or in a group – they devote a great part of their lives to the moral and physical preparation and have ever increasing targets.

Consequently, the EFG Eurobank Ergasias Group has been committed for the time period 2001-2004 to actively, consistently and systematically support the effort and preparation of Greek athletes for the “Grand Moment”.