

OFFERING CIRCULAR



**Alpha Group Jersey Limited**

(incorporated with limited liability in Jersey)

**€600,000,000 Series B CMS-Linked Non-cumulative  
Guaranteed Non-voting Preferred Securities**  
having the benefit of a subordinated guarantee of

**Alpha Bank AE**

(incorporated with limited liability in the Hellenic Republic)

**Issue price: €1,000 per Preferred Security**

Unless expressly indicated otherwise, capitalised terms and expressions used herein have the same meaning as given to them in "Description of the Preferred Securities".

The €600,000,000 Series B CMS-Linked Non-cumulative Guaranteed Non-voting Preferred Securities (the "Preferred Securities") each with a liquidation preference of €1,000 (the "Liquidation Preference") are proposed to be issued by Alpha Group Jersey Limited (the "Issuer") on 18th February, 2005 (the "Closing Date"). All obligations of the Issuer to make payments in respect of the Preferred Securities will be guaranteed on a subordinated basis by Alpha Bank AE (the "Bank") pursuant to a subordinated guarantee dated 18th February, 2005 (the "Guarantee"), all as more fully described herein under "Subordinated Guarantee".

The Preferred Securities will entitle holders to receive (subject as described herein under "Description of the Preferred Securities") non-cumulative preferential cash dividends payable annually in arrear on 18th February in each year, commencing on 18th February, 2006. In relation to any Preferred Dividend Period commencing on the Closing Date or any Preferred Dividend Payment Date prior to but excluding 18th February, 2010, the rate of Preferred Dividend shall be 6.00 per cent. per annum. In relation to any Preferred Dividend Period commencing on 18th February, 2010 or any Preferred Dividend Payment Date thereafter, the rate of Preferred Dividend shall be the Preferred Dividend Floating Rate, subject to a maximum rate of 10.00 per cent. per annum and a minimum rate of 3.25 per cent. per annum.

The Preferred Securities are perpetual securities and have no fixed redemption date. However, the Preferred Securities may be redeemed, in whole but not in part, on the First Call Date or on any Preferred Dividend Payment Date falling thereafter, upon not less than 90 nor more than 60 days' notice, each to be redeemed at €1,000 plus accrued and unpaid Preferred Dividends in respect of the most recent Preferred Dividend Period. Such redemption is subject to the consent of the Bank and the Bank of Greece. The Preferred Securities may also be redeemed in the circumstances set out herein under "Description of the Preferred Securities – Redemption of Preferred Securities".

In the event of a liquidation, dissolution or winding-up of the Issuer, holders of the Preferred Securities will be entitled to receive, for each Preferred Security, a liquidation preference of €1,000 plus accrued and unpaid Preferred Dividends for the then current applicable Preferred Dividend Period to the date of payment, as more fully described in "Description of the Preferred Securities".

Application has been made to list the Preferred Securities on the Official Segment of the stock market of Euronext Amsterdam N.V. ("Euronext Amsterdam"). Application will be made to list the Preferred Securities on the Official Market of the Frankfurt Stock Exchange (the "Frankfurt Stock Exchange"). This Offering Circular constitutes a Prospectus for the purposes of the application for listing the Preferred Securities on Euronext Amsterdam.

In making an investment decision, potential investors should have particular regard to the "Investment Considerations" on page 11 of this Offering Circular.

The Preferred Securities are expected to be rated "Baa2" by Moody's Investors Service Limited, "BBB-" by Standard & Poor's Rating Services, a division of the McGraw Hill Companies Inc. and "BBB+" by Fitch Ratings Ltd. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Preferred Securities will be issued in registered form. On the Closing Date, a single global certificate (the "Global Certificate") representing the Preferred Securities will be registered in the name of, and deposited with, Clearstream Banking Aktiengesellschaft, Frankfurt am Main ("Clearstream Banking Frankfurt"). The Preferred Securities are also eligible for clearing and settlement through Euroclear Bank S.A./N.V. as operator of the Euroclear system ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg").

Joint Lead Managers

**ABN AMRO**

**JPMorgan**

**Morgan Stanley**

(Structuring Adviser)

**Deutsche Bank**

**Merrill Lynch International**

**UBS Investment Bank**

The date of this Offering Circular is 16th February, 2005.

The Issuer and the Bank accept responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer and the Bank (each having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer and the Bank, having made all reasonable enquiries, confirm that this Offering Circular contains or incorporates all information which is material in the context of the Preferred Securities, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the offering of the Preferred Securities and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Bank or the Joint Lead Managers (as defined under "Subscription and Sale" below). Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer, the Bank or the Bank and its subsidiaries as a whole (the "Group") since the date hereof. This Offering Circular does not constitute an offer of, or an invitation by, or on behalf of, the Issuer, the Bank or the Joint Lead Managers to subscribe for, or purchase, any of the Preferred Securities. This Offering Circular does not constitute an offer, and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

The Joint Lead Managers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or any of them as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer or the Bank in connection with the Preferred Securities or their distribution.

This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Bank or the Joint Lead Managers that any recipient of this Offering Circular should purchase any of the Preferred Securities. Each investor contemplating purchasing Preferred Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Bank.

The Preferred Securities have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "Securities Act") and are subject to U.S. tax law requirements. Subject to certain exceptions, the Preferred Securities may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Preferred Securities and on distribution of this Offering Circular, see "Subscription and Sale" below.

A copy of this Offering Circular has been delivered to the Registrar of Companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002 as amended and the Registrar of Companies has given, and has not withdrawn, his consent to its circulation. The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 as amended to the issue of the Preferred Securities by the Issuer. It must be distinctly understood that, in giving these consents, neither the Registrar of Companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions, expressed with regard to it.

An investment in the Preferred Securities is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any losses which may result from such investment.

If you are in any doubt about the contents of this Offering Circular, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

It should be remembered that the price of securities and the income from them can go down as well as up.

Nothing in this Offering Circular or anything communicated to Holders of, or investors in, the Preferred Securities (or any such potential Holders or investors) by the Issuer is intended to constitute or should be construed as advice on the merits of the purchase of or subscription for the Preferred Securities or the exercise of any rights attached thereto for the purposes of the Financial Services (Jersey) Law 1998, as amended.

**IN CONNECTION WITH THE ISSUE OF THE PREFERRED SECURITIES, MORGAN STANLEY & CO. INTERNATIONAL LIMITED (THE "STABILISING MANAGER") OR ANY PERSON ACTING FOR THE STABILISING MANAGER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE PREFERRED SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER THERE IS NO OBLIGATION ON THE STABILISING MANAGER OR ANY PERSON ACTING FOR IT TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES. WHEN CONDUCTED BY DUTCH PERSONS OR ENTITIES ANYWHERE IN THE WORLD OR BY NON-DUTCH PERSONS OR ENTITIES IN THE NETHERLANDS, SUCH STABILISING WILL BE CONDUCTED IN ACCORDANCE WITH THE RULES OF THE FURTHER CONDUCT OF BUSINESS REGULATION TO THE DUTCH SECURITIES MARKETS SUPERVISION ACT (NADERE REGELING GEDRAGSTOEZICHT EFFECTENVERKEER 2002) AND WILL IN ANY EVENT BE DISCONTINUED WITHIN 30 DAYS AFTER THE CLOSING DATE. STABILISATION TRANSACTIONS CONDUCTED ON THE STOCK MARKET OF EURONEXT AMSTERDAM MUST BE CONDUCTED BY A MEMBER OF EURONEXT AMSTERDAM.**

All references in this Offering Circular to "Euro", "EUR", "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community (signed in Rome on 25th March, 1957), as amended, all references to "Drachma" and "GRD" refer to Greek Drachma, all references to "Sterling" and "£" refer to the currency of the United Kingdom and all references to "U.S.\$", "USD" and "U.S. dollars" refer to the currency of the United States.

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## **DOCUMENTS INCORPORATED BY REFERENCE**

The following are incorporated by reference in this Offering Circular:

- (a) the audited consolidated and non-consolidated financial statements of the Bank for the years ended 31st December, 2001, 2002 and 2003 prepared in accordance with generally accepted accounting principles in Greece ("Greek GAAP");
- (b) the unaudited published consolidated and non-consolidated financial statements of the Bank prepared in accordance with Greek GAAP for the nine months ended 30th September, 2004;
- (c) the audited financial statements of the Issuer for the period from 21st November, 2002 to 31st December, 2002 and for the year ended 31st December, 2003; and
- (d) the articles of association of the Issuer.

Copies of these documents are available free of charge from the specified office of the Paying and Transfer Agents for the time being as described in "General Information" below.

## SUMMARY OF THE OFFERING

*The following summary is qualified in its entirety by the more detailed information included elsewhere in this Offering Circular. Capitalised terms used but not defined in this summary shall bear the respective meanings ascribed to them under "Description of the Preferred Securities".*

<b>Issuer:</b>	Alpha Group Jersey Limited, a wholly-owned subsidiary of the Bank incorporated in Jersey.
<b>Guarantor:</b>	Alpha Bank AE (the "Bank").
<b>Issue Size:</b>	€600,000,000.
<b>Issue Details:</b>	Series B CMS-Linked Non-cumulative Guaranteed Non-voting Preferred Securities each with a par value and a liquidation preference of €1,000.
<b>Preferred Dividends:</b>	<p>Preferred Dividends on the Preferred Securities will be declared by the Directors of the Issuer and paid by the Issuer out of funds legally available therefor, subject to certain limitations (see "Limitations on Payments" below).</p> <p>For each Preferred Dividend Period, Preferred Dividends on the Preferred Securities will be payable annually in arrear on 18th February in each year commencing on 18th February, 2006. In relation to any Preferred Dividend Period commencing on the Closing Date or any Preferred Dividend Payment Date prior to but excluding 18th February, 2010, the rate of Preferred Dividend shall be 6.00 per cent. per annum. In relation to any Preferred Dividend Period commencing on 18th February, 2010 or any Preferred Dividend Payment Date thereafter, the rate of Preferred Dividend shall be the Preferred Dividend Floating Rate, subject to a maximum rate of 10.00 per cent. per annum and a minimum rate of 3.25 per cent. per annum.</p>
<b>Guarantee:</b>	<p>Pursuant to the Guarantee, the Bank will guarantee, on a subordinated basis, payments on the Preferred Securities in respect of any declared but unpaid Preferred Dividends, any compulsory Preferred Dividends, described in "Compulsory Payments" below, payments on liquidation of the Issuer, payments on redemption of the Preferred Securities and any Additional Amounts (as defined below).</p> <p>The Bank's obligations under the Guarantee will be subordinated so that they rank (i) junior to Senior Creditors (as defined in "Subordinated Guarantee" below), (ii) <i>pari passu</i> with the most senior preferred or preference shares, if any, and other Liquidation Parity Obligations of the Bank, and (iii) senior to all Junior Obligations of the Bank.</p>
<b>Limitations on Payments:</b>	<p>Subject to the Law and to the provisions relating to compulsory payments below, Preferred Dividends may be declared by the Directors, in their sole discretion, and paid by the Issuer out of funds legally available therefor.</p> <p>However, subject to the provisions relating to compulsory payments below, the Directors of the Issuer will not declare, and the Issuer will not be permitted to pay, any Preferred Dividend on the Preferred Securities if such Preferred Dividend, together with the amount of any Preferred Dividends previously paid and/or proposed to be paid in respect of the Preferred Securities and distributions previously paid and/or proposed to be paid in respect of Preferred Dividend Parity</p>

Obligations in the then current financial year would exceed Distributable Funds.

For the avoidance of doubt, the Directors will only be required to declare, and the Issuer will only be required to pay, a Preferred Dividend in the circumstances set out in “Compulsory Payments” below.

If the Issuer does not pay Preferred Dividends in respect of any Preferred Dividend Period, the Issuer shall notify Euronext Amsterdam, the Frankfurt Stock Exchange and the Holders in accordance with the Articles of Association of the Issuer.

References to Preferred Dividends include Additional Amounts.

**Preferred Dividends  
non-cumulative:**

If the Directors of the Issuer do not declare a Preferred Dividend payable on a Preferred Dividend Payment Date by virtue of the limitations set out above (see “Limitation on Payments”), then subject to the below (see “Compulsory Payments” and “Redemption”) and without affecting the rights of the Holders of Preferred Securities under the Guarantee, the entitlement of the Holders of Preferred Securities to such Preferred Dividend shall lapse. Accordingly no payment will need to be made at any time by the Issuer or the Bank in respect of any such missed payment.

**Compulsory Payments:**

*Payment on Junior Obligations*

If the Bank, the Issuer or any other Subsidiary of the Bank pays any distribution(s) on or in respect of any class of Junior Obligations (other than in the form of shares or further or other Junior Obligations), then, subject to the Law, the Issuer will be required to pay Preferred Dividends on the Preferred Securities on the next Preferred Dividend Payment Date contemporaneous with or following such distribution(s), as follows:

- (i) payment of the full amount of the Preferred Dividend payable on the Preferred Securities on the next Preferred Dividend Payment Date if the distribution(s) on the Junior Obligation is made in respect of an annual period (or two semi-annual periods or four quarterly periods);
- (ii) payment of three quarters of the amount of the Preferred Dividend payable on the Preferred Securities on the next Preferred Dividend Payment Date if distributions on the Junior Obligation are made in respect of three quarterly periods;
- (iii) payment of half of the amount of the Preferred Dividend payable on the Preferred Securities on the next Preferred Dividend Payment Date if the distribution(s) on the Junior Obligation is made in respect of a semi-annual period (or two quarterly periods); and
- (iv) payment of a quarter of the amount of the Preferred Dividend payable on the Preferred Securities on the next Preferred Dividend Payment Date if the distribution on the Junior Obligation is made in respect of a quarterly period.

*Redemption of Junior Obligations*

Subject to the Law, the Issuer will be required to make payment of the full amount of Preferred Dividend payable on the next Preferred Dividend Payment Date contemporaneous with or following any date

on which the Bank or any Subsidiary of the Bank has redeemed, repurchased or otherwise acquired any Junior Obligations for any consideration (or any moneys are paid to or made available for a sinking fund for, or for redemption of, any such securities) unless (a) such acquisition is effected in accordance with the provisions of article 16 paragraphs 2(b) to (f) or paragraph 5 *et seq.* of Greek Codified Law 2190/1920 and (b) following such acquisition and any other measure taken by the Bank: (i) the total solvency ratio of the Bank, on an unconsolidated and consolidated basis, remains above 8 per cent.; and (ii) the ratio of “upper tier 1 capital” items of own funds (namely tier 1 capital excluding the Preferred Securities and similar instruments) to risk weighted assets of the Bank remains above 5 per cent. as required by Circular 21/2004 of the Bank of Greece, as in force and amended or supplemented from time to time.

*Payment on Dividend Parity Obligations*

If the Bank, the Issuer or any other Subsidiary of the Bank pays any distribution(s) on or in respect of any class of Preferred Dividend Parity Obligations (other than in the form of shares or Junior Obligations), then the Issuer will be required to make *pro rata* payments of Preferred Dividends on the Preferred Securities on the next Preferred Dividend Payment Date contemporaneous with or following such distribution(s), as follows:

- (i) *pro rata* payment of the full amount of the Preferred Dividend payable on the Preferred Securities on the next Preferred Dividend Payment Date if the distribution(s) on the Preferred Dividend Parity Obligation is paid in respect of an annual period (or two semi-annual periods or four quarterly periods);
- (ii) *pro rata* payment of three quarters of the amount of the Preferred Dividend payable on the Preferred Securities on the next Preferred Dividend Payment Date if distributions on the Preferred Dividend Parity Obligation are paid in respect of three quarterly periods;
- (iii) *pro rata* payment of half of the amount of the Preferred Dividend payable on the Preferred Securities on the next Preferred Dividend Payment Date if the distribution(s) on the Preferred Dividend Parity Obligation is paid in respect of a semi-annual period (or two quarterly periods); and
- (iv) *pro rata* payment of a quarter of the amount of the Preferred Dividend payable on the Preferred Securities on the next Preferred Dividend Payment Date if the distribution on the Preferred Dividend Parity Obligation is paid in respect of a quarterly period.

When a distribution(s) on Preferred Dividend Parity Obligations requires *pro rata* payment of Preferred Dividends as described above, the amount of the required payment will be in the same proportion to the aggregate specified amount of Preferred Dividends payable on the Preferred Securities as the aggregate payment that was made on such Preferred Dividend Parity Obligations bears to the amount that was payable on such Preferred Dividend Parity Obligations at the time of such payment.

*Aggregation of Preferred Dividends in Preferred Dividend Period*

Subject to the Law, compulsory payments of Preferred Dividends to be made by virtue of paragraph 4(a), 4(b) or 4(c) of the Description of the Preferred Securities shall be aggregated on any Preferred Dividend Payment Date with any payments made or to be made by virtue of paragraph 3 in respect of any relevant Preferred Dividend Period, provided that in any relevant Preferred Dividend Period the aggregate amount paid in respect of Preferred Dividends on the Preferred Securities shall not exceed the scheduled amount of the Preferred Dividends.

All the compulsory Preferred Dividends described above will be guaranteed by the Bank under the Guarantee.

**Withholding Tax and Additional Amounts:**

The Preferred Securities will contain a gross up provision in respect of imposition of Jersey or Greek withholding taxes. The Guarantee will contain a gross up provision in respect of imposition of Greek withholding taxes. Each gross up provision will be subject to customary exceptions.

Under the gross up provisions, subject to customary exceptions, the Issuer, or the Bank pursuant to the Guarantee, will pay to each Holder of the Preferred Securities such additional amounts ("Additional Amounts") as may be necessary in order that every net payment in respect of the Preferred Securities, after withholding for any taxes imposed by Jersey or Greece, as the case may be, upon or as a result of such payment, will not be less than the amount otherwise required to be paid.

The obligations of the Issuer and the Bank to pay any such Additional Amounts will be subject to limitations described in "Limitation on Payments" above.

**Optional Redemption:**

Subject to the Law, the Preferred Securities will be redeemable at the option of the Issuer, in whole but not in part, on the First Call Date and on any Preferred Dividend Payment Date falling thereafter, at the Redemption Price.

Such optional redemption will be subject to the prior consent of the Bank and the Bank of Greece.

**Redemption for Tax Reasons:**

If, at any time falling prior to but excluding the First Call Date, as a result of a change in the laws or regulations of Jersey or Greece:

- (i) the Issuer or the Bank is or would be required to pay Additional Amounts in respect of payments due on the Preferred Securities or under the Guarantee; or
- (ii) the Issuer or the Bank, in relation to the Preferred Securities, the Guarantee and any associated transactions (including, but not limited to, any loan from the Issuer to the Bank or any other Subsidiary of the Bank), is or would be required to pay more than a *de minimis* amount of (a) Jersey Tax (other than in respect of Jersey source income) or (b) Greek Tax,

then the Preferred Securities will be redeemable, at the Redemption Price at the option of the Issuer, in whole but not in part, on the next Preferred Dividend Payment Date, upon not less than 30 nor more than 60 days' notice to the Holders of the Preferred Securities.



Any redemption for tax reasons will be subject to the prior consent of the Bank and the Bank of Greece.

**Capital Disqualification Redemption:**

If, at any time falling prior to but excluding the First Call Date, a Capital Disqualification Event has occurred and is continuing, the Preferred Securities may be redeemed, in whole but not in part, at the Redemption Price at the option of the Issuer on the next Preferred Dividend Payment Date, upon not less than 30 nor more than 60 days' notice to the Holders of the Preferred Securities.

Any such redemption will be subject to the prior consent of the Bank and the Bank of Greece.

**Rights upon Liquidation:**

In the event of any summary winding-up, voluntary liquidation or dissolution of the Issuer, Holders of Preferred Securities will be entitled to receive the Liquidation Distribution per Preferred Security held out of assets available for distribution to shareholders.

Notwithstanding the availability of sufficient assets of the Issuer to pay any Liquidation Distribution, if at the time such Liquidation Distribution is to be paid, proceedings are pending or have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of the Bank, the Liquidation Distribution per Preferred Security paid to Holders of Preferred Securities and the liquidation distribution paid to the holders of Liquidation Parity Obligations shall not exceed the amount that would have been paid as the liquidation distribution from the assets of the Bank had the Preferred Securities and Liquidation Parity Obligations been issued by the Bank and ranked (a) junior to all liabilities of the Bank (other than any liability expressed to rank *pari passu* with or junior to the Guarantee), (b) *pari passu* with the Parity Obligations of the Bank, and (c) senior to all Junior Obligations of the Bank.

In the event of liquidation, dissolution or winding-up of the Bank, the Directors of the Issuer shall convene an extraordinary general meeting of the Issuer for the purpose of placing the Issuer in summary winding-up and the amount to which Holders of Preferred Securities shall be entitled as a Liquidation Distribution will be as described above.

The Bank has undertaken in the Guarantee that, so long as any of the Preferred Securities is outstanding, it will not permit, or take any action to cause, the liquidation, dissolution or winding-up of the Issuer unless the Bank of Greece has given its prior approval, or the Bank itself is in liquidation.

**Voting Rights:**

Generally, Holders of the Preferred Securities will not be entitled to vote at any general meeting of shareholders of the Issuer.

Holders of the Preferred Securities (together with the holders of any other preferred or preference shares of the Issuer having the right to vote for the election of Directors in such event) are entitled to elect two additional Directors of the Issuer's board of Directors if, in respect of one Preferred Dividend Period, Preferred Dividends on the Preferred Securities have not been paid in full, or if the Bank breaches its payment obligations under the Guarantee.

Such Directors will vacate their office if Preferred Dividends are resumed by the Issuer, or payments by the Bank in respect thereof are made, in full.

<b>Form of the Preferred Securities:</b>	<p>The Preferred Securities will be issued in registered form. On the Closing Date, the Global Certificate will be registered in the name of, and deposited with, Clearstream Banking Frankfurt. The Preferred Securities will also be eligible for clearing and settlement through Euroclear and Clearstream, Luxembourg.</p> <p>For so long as the Preferred Securities are deposited and registered as described above, book-entry interests in the Preferred Securities will be shown on, and transfers will be effected only through, records maintained by Clearstream Banking Frankfurt, Euroclear and Clearstream, Luxembourg.</p> <p>Other than in the limited circumstances referred to herein (see “Summary of Provisions relating to the Preferred Securities in Global Form — Exchange”), definitive certificates will not be available to Holders of the Preferred Securities.</p>
<b>Governing Law:</b>	<p>The Preferred Securities will be governed by, and construed in accordance with, Jersey law.</p> <p>The Guarantee of the Bank will be governed by, and construed in accordance with, English law, save that paragraphs 3 and 9(b) of the Guarantee as described herein will be governed by, and construed in accordance with, Greek law.</p>
<b>Use of proceeds:</b>	<p>The net proceeds from the issue of the Preferred Securities will be used by the Bank and/or its consolidated Subsidiaries for general banking purposes.</p>
<b>Listing:</b>	<p>Application has been made to list the Preferred Securities on Euronext Amsterdam. Application will be made to list the Preferred Securities on the Frankfurt Stock Exchange.</p>
<b>Rating:</b>	<p>The Preferred Securities are expected on issue to be rated “Baa2” by Moody’s Investors Service Limited, “BBB-” by Standard &amp; Poor’s Rating Services, a division of the McGraw Hill Companies Inc. and “BBB+” by Fitch Ratings Ltd. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.</p>

## INVESTMENT CONSIDERATIONS

*Prospective investors should consider carefully the following information in conjunction with the other information contained in this Offering Circular before investing in the Preferred Securities.*

### **Risks Associated with the Bank's Financial Condition**

An investment in the Preferred Securities will have substantially the same economic risks as an investment in non-cumulative perpetual preference shares issued directly by the Bank having the same liquidation preference and rate of distribution as the Preferred Securities. The Preferred Securities are guaranteed on a limited and subordinated basis by the Bank pursuant to the terms of the Guarantee. Accordingly, if the Bank's financial condition were to deteriorate, the Issuer and the Holders may suffer direct and materially adverse consequences, including non-payment of Preferred Dividends on the Preferred Securities or of payments under the Guarantee.

### **Preferred Dividends not Cumulative**

Preferred Dividends on the Preferred Securities are not cumulative. Subject to the provisions relating to compulsory payments as set out in "Description of the Preferred Securities", Preferred Dividends on the Preferred Securities will not be paid on each Preferred Dividend Payment Date if the Bank has insufficient Distributable Funds. If Preferred Dividends on the Preferred Securities for any Preferred Dividend Period are not paid, Holders will not be entitled to receive such Preferred Dividends (or any payment under the Guarantee in respect of such Preferred Dividends) whether or not sufficient funds are, or subsequently become, available.

### **Perpetual Nature of the Preferred Securities**

The Preferred Securities have no fixed final redemption date and Holders have no rights to require the redemption of the Preferred Securities. Although the Issuer may elect to redeem the Preferred Securities in certain circumstances (including at its option on the First Call Date or any Preferred Dividend Payment Date thereafter or following the occurrence of certain tax events or a Capital Disqualification Event (as set out in "Description of the Preferred Securities")), such election is discretionary and subject to certain limitations.

Any early redemption by the Issuer is subject to the prior consent of the Bank and the Bank of Greece. It is currently expected that such consent of the Bank of Greece will be given only in cases where, after such redemption of the Preferred Securities by the Issuer, (i) the solvency ratio of the Bank, on an unconsolidated and consolidated basis, remains above 8 per cent. and (ii) the ratio of "upper tier 1 capital" items of own funds (namely tier 1 capital excluding the Preferred Securities and similar instruments) to risk weighted assets of the Bank, remains above 5 per cent. as required by Circular 21/2004 of the Bank of Greece, as in force and amended or supplemented from time to time.

### **Preferred Dividends accruing for any Preferred Dividend Period commencing on 18th February, 2010 or any Preferred Dividend Payment Date thereafter are limited to a maximum amount**

Preferred Dividends for each Preferred Dividend Period until 18th February, 2010 will accrue at a rate of 6.00 per cent. per annum. For Preferred Dividend Periods commencing on or after 18th February, 2010, Preferred Dividends will accrue at the Preferred Dividend Floating Rate. The Preferred Dividend Floating Rate will be calculated for each Preferred Dividend Period on the basis of a formula as further specified herein. Under this formula, investors will receive an amount of Preferred Dividends tied to the spread between long and medium term interest rates. However, the maximum rate at which Preferred Dividends will accrue is limited to 10.00 per cent. per annum. Therefore, if the spread between long and medium term interest rates increases after 18th February, 2010, investors will be exposed to the risk that the rate at which Preferred Dividends will accrue may be less than the rate calculated under the formula. In addition, if the spread between long and medium term interest rates decreases, the rate at which Preferred Dividends will accrue decreases, subject to a minimum rate of 3.25 per cent. per annum. As the Preferred Securities will not be redeemable at any time at the option of the Holders, investors may therefore continue to be exposed to such risks in the long term.

### **No Limitation on Future Debt**

The Bank is not prohibited from issuing, guaranteeing or otherwise incurring further debt ranking *pari passu* with, or senior to, its obligations under the Guarantee.

### **Regulation of the Greek Banking Industry is Changing**

Regulation of the banking industry in Greece has changed in recent years pursuant to changes in Greek law, largely to comply with applicable EU directives. In addition, the Bank of Greece, the central bank in Greece, has in recent years introduced regulatory changes in the Greek banking sector. In January 1999, the Bank of Greece introduced provisioning policies that require Greek banks to make specific provisions depending on the status and the type of a given loan and the number of days the loan has been in arrears. These provisioning policies were amended in January 2003 and generally require, with effect from June 2003, Greek banks, including the Bank, to increase their provisions for capital adequacy purposes. The Bank cannot predict what regulatory changes may be imposed in the future, either as a result of regulatory initiatives in the European Union or by the Bank of Greece. If the Bank is required to make additional provisions or increase its reserves, as may result from the proposed New Basel Capital Accord (discussed below) and other potential regulatory changes, this could adversely affect its results of operations.

### **The Group Faces Significant Competition from Greek and Foreign Banks**

The Group faces significant competition from Greek banks and financial services companies that provide products and services similar to the Group's own. Deregulation in the Greek banking sector has led to increased competition and significant pressure on interest rate margins. A recent trend towards consolidation among Greek banks has also led to increased competition resulting from the increased efficiency and greater resources of such merged entities. The Group now also faces competition from foreign banks, many of which have resources significantly greater than those of the Group. Notwithstanding the Group's position in Greece, it cannot be assured that the Group will be able to continue to compete successfully with domestic and international banks in the future.

The introduction of the single European currency in Greece in 2001, and the subsequent circulation of euro notes and coins from 1st January, 2002, has removed a barrier to entry by other European banks and financial service providers in the Greek market and, therefore, may expose the Group, together with other Greek banks, to increased competition. Foreign banks may offer more competitive deposit and lending rates than those traditionally offered by the Group. To compete with foreign banks for certain deposit and loan customers, the Bank may experience commercial pressure to offer more attractive deposit and lending rates which may have a negative effect on the Bank's profits. It is possible that increased competition from foreign banks may have a material adverse effect on the Group's financial condition and results of operations.

### **The Group's capital adequacy requirements may change as a result of the New Basel Capital Accord**

In 1988, the Basel Committee on Banking Supervision adopted capital guidelines (which are referred to in this Annual Report as the "Basel guidelines") based on the relationship between a bank's capital and its credit risks. The Basel guidelines have been implemented by banking regulators in most industrialised countries, including the Hellenic Republic. The Basel guidelines are intended to strengthen the soundness of the international banking system and reduce competitive inequality among international banks by harmonising the definition of capital and the basis for the evaluation of asset risks and by establishing a uniform target capital adequacy ratio of capital to risk-weighted assets.

In 1996, the Basel Committee amended the 1988 Basel guidelines in order to address market risk, such as foreign exchange and interest rate exposures. The Basel Committee finalised their revised framework for measuring bank capital (the "New Basel Capital Accord") in June 2004. The New Basel Capital Accord includes diverse methodologies for the calculation of capital requirements in respect of credit risk and the newly introduced operational risk (the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events). The New Basel Capital Accord is currently expected to become effective in the various countries that participate in the Basel Committee at the end of 2006. If New Basel Capital Accord proposals are fully adopted by the European Union, the Bank may be required by its regulators to maintain higher levels of capital, which could decrease the Group's operational flexibility and may increase the Group's financing costs. Consequently, it cannot be assured that the New Basel Capital

Accord will not have a material adverse effect on the Group's financial condition or results of operations in the future.

**Absence of Prior Public Markets**

The Preferred Securities constitute a new issue of securities by the Issuer. Prior to this issue, there will have been no public market for the Preferred Securities. Although application has been made for the Preferred Securities to be listed on Euronext Amsterdam and the Frankfurt Stock Exchange, there can be no assurance that an active public market for the Preferred Securities will develop and, if such a market were to develop, the Managers are under no obligation to maintain such a market. The liquidity and the market prices for the Preferred Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Bank and other factors that generally influence the market prices of securities.

## DESCRIPTION OF THE PREFERRED SECURITIES

*The following summary sets forth the material terms and provisions of the Preferred Securities. It is qualified in its entirety by reference to the terms and conditions of the Company's Articles of Association. Copies of the Company's Articles of Association and other documents relating to the Preferred Securities are available as described under "General Information — Documents".*

### 1. Definitions and Interpretation

In this description of the Preferred Securities, except to the extent that the context requires otherwise:

"Additional Amounts" means the additional amounts which may be payable in respect of the Preferred Securities as described in paragraph 11;

"Agency Agreement" means the agency agreement dated 18th February, 2005 relating to the Preferred Securities between the Bank, the Company, the Principal Paying and Transfer Agent, the Registrar and the other agents named therein;

"Bank" means Alpha Bank AE and its successors and assigns;

"Business Day" means any day on which commercial and foreign exchange markets settle payments in London, Athens and Jersey and on which the TARGET System, or any successor thereto, is operating;

"Capital Disqualification Event" means a change in any applicable law or regulation (including the provisions of Circular 21/2004 of the Bank of Greece on tier 1 instruments), or in the official interpretation or application thereof, as a result of which for the purposes of capital adequacy requirements applicable to banks in Greece, the Preferred Securities (being €1,000 per Preferred Security) are no longer of a type capable of being included in the tier one capital of the Bank on a consolidated basis;

"Clearstream Banking Frankfurt" means Clearstream Banking Aktiengesellschaft, Frankfurt am Main;

"Clearstream, Luxembourg" means Clearstream Banking, société anonyme or its successor;

"Closing Date" means 18th February, 2005;

"Company" means Alpha Group Jersey Limited, the company incorporated under the Law in respect of which the articles have been registered;

"CMS2" or "Constant Maturity Swap 2 years" has the meaning set out in paragraph 2(c);

"CMS10" or "Constant Maturity Swap 10 years" has the meaning set out in paragraph 2(c);

"Determination Date" means, in respect of each Preferred Dividend Period commencing on or after 18th February, 2010, the second Target Settlement Day prior to the Preferred Dividend Payment Date on which such Preferred Dividend Period commences;

"Day Count Fraction" means the number of days in the period from and including the date from which the relevant Preferred Dividend begins to accrue for the relevant period of calculation to but excluding the date on which it falls due, divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30 day months);

"Directors" means some or all of the directors of the Issuer acting as a board and includes a duly appointed committee of the directors of the Issuer;

"Distributable Funds" means the aggregate amount, as calculated as of the end of the immediately preceding financial year of the Bank, of the profit for such financial year and any accumulated retained earnings and any other reserves and surpluses of each member of the Group available for distribution as cash dividends to ordinary shareholders of the Bank under the companies laws of, and generally accepted accounting principles in, Greece; but before deduction of the amount of any dividend or other distribution declared on the Bank's ordinary share capital in respect of such financial year;

"Dividends" means the Preferred Dividends and the Ordinary Dividends or either of them;

"Euroclear" means Euroclear Bank S.A./N.V. as operator of the Euroclear System;

“Euronext Amsterdam” means the Official Segment of the stock market of Euronext Amsterdam N.V.;

“First Call Date” means 18th February, 2015;

“Frankfurt Stock Exchange” means the Official Market of the Frankfurt Stock Exchange;

“Global Certificate” has the meaning set out in paragraph 13;

“Greek Tax” means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Greece or any political sub-division thereof or by any authority therein or thereof having power to tax;

“Group” means the Bank together with its Subsidiaries;

“Guarantee” means the subordinated guarantee in favour of the Holders of the Preferred Securities to be executed by the Bank on 18th February, 2005 as a deed poll;

“Holder” means, in relation to any Preferred Security, the member of the Company whose name is entered on the Register as the holder of such Preferred Security and in relation to any Ordinary Security the member of the Company whose name is entered in the ordinary register as the holder of such Ordinary Security;

“Jersey Tax” means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Jersey or any political sub-division thereof or by any authority therein or thereof having power to tax;

“Junior Obligations” means (i) ordinary shares of the Bank, (ii) each class of preferred or preference shares or similar securities of the Bank (if any) that ranks junior to the Guarantee and the most senior ranking preferred or preference shares or similar securities of the Bank (if any) and (iii) any preference share or preferred security of a Subsidiary or the Company (other than the Preferred Securities) entitled to the benefit of a guarantee or support agreement or similar undertaking of the Bank that ranks junior to the Guarantee, or any such guarantees, support agreements or similar undertakings of the Bank;

“Law” means the Companies (Jersey) Law, 1991;

“Liquidation Distribution” means the Liquidation Preference plus (i) any accrued and unpaid Preferred Dividends (whether or not declared) calculated from and including the immediately preceding Preferred Dividend Payment Date (or, if none, the Closing Date) to but excluding the date of payment, and (ii) any Additional Amounts, in each case payable in cash only;

“Liquidation Parity Obligations” means the most senior preferred or preference shares or similar securities of the Bank and any guarantee, support agreement or other contractual undertaking (ranking *pari passu* with the Guarantee as regards participation in the assets of the Bank) of any preferred or preference shares of Subsidiaries and thus Liquidation Parity Obligations includes the guarantee entered into by the Bank in respect of the Series A Preferred Securities;

“Liquidation Preference” means the liquidation preference of €1,000 per Preferred Security;

“Ordinary Dividends” means the dividends in respect of the Ordinary Securities;

“Ordinary Securities” means the ordinary shares of the Company;

“Parity Obligations” means Liquidation Parity Obligations and Preferred Dividend Parity Obligations;

“Paying and Transfer Agents” means each of the Principal Paying and Transfer Agent, ABN AMRO Bank N.V. and Citigroup Global Markets Deutschland AG & Co. KGaA and/or any other entity appointed as paying and transfer agent by the Company and notified to the Holders of the Preferred Securities;

“Preferred Dividends” means the non-cumulative dividends in respect of the Preferred Securities as described under paragraph 2;

“Preferred Dividend Parity Obligations” means the most senior preferred or preference shares or similar securities qualifying as tier 1 capital of the Bank and all preferred or preference shares or similar

securities of Subsidiaries qualifying as tier 1 capital of the Bank on a consolidated basis and entitled to the benefit of any guarantee, support agreement or other contractual undertaking of the Bank ranking *pari passu* with the Guarantee as regards entitlement to distributions thereunder, or all such guarantees, support agreements or contractual undertakings of the Bank and thus Preferred Dividend Parity Obligations include the Series A Preferred Securities;

“Preferred Dividend Payment Date” means each date on which a Preferred Dividend is payable in accordance with the provisions of paragraph 2(a);

“Preferred Dividend Period” means the period from and including the Closing Date to but excluding the first Preferred Dividend Payment Date and each successive period from and including a Preferred Dividend Payment Date to but excluding the next succeeding Preferred Dividend Payment Date;

“Preferred Dividend Fixed Rate” has the meaning set out in paragraph 2(b);

“Preferred Dividend Floating Rate” has the meaning set out in paragraph 2(c);

“Preferred Securities” means the € Series B CMS-Linked Non-cumulative Guaranteed Non-voting Preferred Securities of the Company outstanding, each with a Liquidation Preference of €1,000, and including any further Preferred Securities of the Company of the same series issued after the Closing Date and ranking *pari passu* with the Preferred Securities then in issue;

“Principal Paying and Transfer Agent” means Citibank, N.A. or such other entity appointed by the Company and notified to the Holders of the Preferred Securities;

“Redemption Date” means the date on which the Preferred Securities are redeemed by the Company;

“Redemption Price” means €1,000 per Preferred Security plus accrued and unpaid Preferred Dividends in respect of the most recent Preferred Dividend Period, whether or not declared, up to the Redemption Date and any Additional Amounts remaining unpaid;

“Reference Banks” has the meaning set out in paragraph 2(c);

“Reference Banks’ Swap Rate with 2-year Designated Maturity” has the meaning set out in paragraph 2(c);

“Reference Banks’ Swap Rate with 10-year Designated Maturity” has the meaning set out in paragraph 2(c);

“Registrar” means Citigroup Global Markets Deutschland AG & Co. KGaA or such other entity appointed by the Company and notified to the Holders of the Preferred Securities;

“Register” means the register of Holders of Preferred Securities;

“Relevant Screen Page” has the meaning set out in paragraph 2(c);

“Series A Preferred Securities” means the € Series A Floating Rate Non-cumulative Guaranteed Non-voting Preferred Securities issued by the Company;

“Special Resolution” means a resolution of the Company passed as a special resolution in accordance with the Law;

“Subsidiary” means any corporation or other person or entity more than 50 per cent. of whose equity share capital is owned by the Bank, or 20 per cent., at least, of whose equity share capital is directly or indirectly controlled by the Bank and whose board of directors is controlled by the Bank or which is consolidated in the most recent annual audited consolidated financial statements of the Bank or which will be so consolidated in the next annual audited consolidated financial statements of the Bank;

“TARGET Settlement Day” means any day on which the TARGET System, or any successor thereto, is operating;

“TARGET System” means the Trans-European Automated Real-time Gross settlement Express Transfer system;

“2-year Designated Maturity” has the meaning set out in paragraph 2(c);



“10-year Designated Maturity” has the meaning set out in paragraph 2(c);

“2-year mid-market annual swap rate” has the meaning set out in paragraph 2(c); and

“10-year mid-market annual swap rate” has the meaning set out in paragraph 2(c).

## **2. Preferred Dividends on Preferred Securities**

### **(a) Preferred Dividend Payment Dates**

Preferred Dividends on the Preferred Securities are non-cumulative and will be deemed to accrue on a day by day basis whether or not declared. Subject to the Law, the Preferred Dividends will be payable annually in arrear on 18th February in each year (each a “Preferred Dividend Payment Date”).

### **(b) Fixed Rate Preferred Dividends**

In relation to a Preferred Dividend Period commencing on the Closing Date or any Preferred Dividend Payment Date prior to but excluding 18th February, 2010, the rate of Preferred Dividend shall be 6.00 per cent. per annum (the “Preferred Dividend Fixed Rate”).

Whenever it is necessary to calculate the amount of any Preferred Dividend in respect of a Preferred Security for each Preferred Dividend Period ending prior to but excluding 18th February, 2010, the amount of such Preferred Dividend shall be calculated by multiplying the Preferred Dividend Fixed Rate by the Liquidation Preference and the Day Count Fraction and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

### **(c) Floating Rate Preferred Dividends**

In relation to any Preferred Dividend Period commencing on 18th February, 2010 or any Preferred Dividend Payment Date thereafter, the rate of Preferred Dividend shall be determined by the Principal Paying and Transfer Agent (the “Preferred Dividend Floating Rate”) in accordance with the following formula:

$$4.00 \times (\text{CMS10} - \text{CMS2})$$

Where:

“CMS10” means the “Constant Maturity Swap 10 years”, which, in respect of any Preferred Dividend Period commencing on or after 18th February, 2010, is the “EUR-ISDA-EURIBOR Swap Rate — 11:00” (the annual Euro swap rate expressed as a percentage for Euroswap transactions with a 10-year maturity, the “10-year Designated Maturity”), which appears on the Reuters screen “ISDAFIX2” under the heading “EURIBOR BASIS” and above the caption “11:00 AM Frankfurt” (as such headings and captions may appear from time to time) as of 11:00 a.m., Central European time (or such other page or service as may replace it for the purposes of such rate) (the “Relevant Screen Page”) on the relevant Determination Date; and

“CMS2” means “Constant Maturity Swap 2 years”, which, in respect of any Preferred Dividend Period commencing on or after 18th February, 2010, is the “EUR-ISDA-EURIBOR Swap Rate — 11:00” (the annual Euro swap rate expressed as a percentage for Euroswap transactions with a 2-year maturity, the “2-year Designated Maturity”), which appears on the Relevant Screen Page on the relevant Determination Date;

*provided*, however, that no Preferred Dividend shall in any event accrue at a rate of less than 3.25 per cent. per annum nor more than 10.00 per cent. per annum.

In the event that the CMS10 does not appear on the Relevant Screen Page on any Determination Date, the CMS10 for the relevant Preferred Dividend Period will be the “Reference Banks’ Swap Rate with 10-year Designated Maturity” on such Determination Date.

“Reference Banks’ Swap Rate with 10-year Designated Maturity” means the percentage rate determined on the basis of the quotations of the “10-year mid-market annual swap rate” provided by five leading swap dealers in the interbank market (the “Reference Banks”) to the Principal Paying and Transfer Agent at approximately 11:00 a.m., Central European time, on the Determination Date. If a least three quotations are provided, the CMS10 for that Preferred Dividend Period will be the arithmetic mean of the

quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

The “10-year mid-market annual swap rate” means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating Euro interest rate swap transaction which transaction (a) has a term equal to the 10-year Designated Maturity and commencing on the first day of such Preferred Dividend Period, (b) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (c) the floating leg of which is based on the 6-months EURIBOR rate (calculated on an Actual/360 day count basis).

In the event that the CMS2 does not appear on the Relevant Screen Page on any Determination Date, the CMS2 for the relevant Preferred Dividend Period will be the “Reference Banks’ Swap Rate with 2-year Designated Maturity” on such Determination Date.

“Reference Banks’ Swap Rate with 2-year Designated Maturity” means the percentage rate determined on the basis of the quotations of the “2-year mid-market annual swap rate” provided by the Reference Banks to the Principal Paying and Transfer Agent at approximately 11:00 a.m., Central European time, on the Determination Date. If at least three quotations are provided, the CMS2 for that Preferred Dividend Period will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

The “2-year mid-market annual swap rate” means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating Euro interest rate swap transaction which transaction (a) has a term equal to the 2-year Designated Maturity and commencing on the first day of such Preferred Dividend Period, (b) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (c) the floating leg of which is based on the 6-months EURIBOR rate (calculated on an Actual/360 day count basis).

The amount of any Preferred Dividend shall be calculated by multiplying the applicable Preferred Dividend Floating Rate by the Liquidation Preference and the Day Count Fraction and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

The Principal Paying and Transfer Agent shall, upon the determination of each Preferred Dividend Floating Rate, calculate the Preferred Dividend payable on the relevant Preferred Dividend Payment Date on each Preferred Security for the relevant Preferred Dividend Period. The Principal Paying and Transfer Agent shall cause the relevant Preferred Dividend Floating Rate and each Preferred Dividend payable in respect of the relevant Preferred Dividend Period to be notified to the Company, the Bank, Euronext Amsterdam, the Frankfurt Stock Exchange and the Holders (in accordance with the provisions of paragraph 15) as soon as possible after their determination but in any event not later than the second Business Day thereafter.

### **3. Limitations on Payments of Preferred Dividends on Preferred Securities**

- (a) Subject to the Law and to the provisions of paragraph 4 below, Preferred Dividends on the Preferred Securities may be declared by the Directors, in their sole discretion, and paid by the Company out of funds legally available therefor.

However, subject to the provisions of paragraph 4 below, the Directors will not be required to declare, and the Company will not be permitted to pay, any Preferred Dividend if such Preferred Dividend, together with the amount of any Preferred Dividends previously paid and/or proposed to be paid by the Company in respect of the Preferred Securities and distributions previously paid and/or proposed to be paid in respect of Preferred Dividend Parity Obligations in the then current financial year would exceed Distributable Funds.

For the avoidance of doubt, the Directors will only be required to declare, and the Company will only be required to pay, a Preferred Dividend in the circumstances set out in paragraph 4.

If the Issuer does not pay Preferred Dividends in respect of any Preferred Dividend Period, the Company shall notify Euronext Amsterdam, the Frankfurt Stock Exchange and the Holders of the Preferred Securities in accordance with the provisions of paragraph 15.

- (b) References to Preferred Dividends in this paragraph include Additional Amounts.
- (c) *Preferred Dividends non-cumulative*

If the Directors of the Company do not declare a Preferred Dividend payable on a Preferred Dividend Payment Date in respect of the Preferred Securities then, subject to paragraphs 4 and 5 and without affecting the rights of the Holders of the Preferred Securities under the Guarantee, the right of Holders of the Preferred Securities to receive such Preferred Dividend will be lost. The Company will have no obligation to pay the Preferred Dividend accrued for such Preferred Dividend Period or to pay any interest thereon, whether or not Preferred Dividends on the Preferred Securities are declared in respect of any future Preferred Dividend Period.

#### **4. Compulsory payment of Preferred Dividends on Preferred Securities**

##### **(a) *Compulsory payment as a result of payment on Junior Obligations***

If the Bank, the Company or any other Subsidiary of the Bank makes any distribution(s) on or in respect of any class of Junior Obligations (other than in the form of shares or further or other Junior Obligations), then, subject to the Law, the Company will be required to pay Preferred Dividends on the Preferred Securities on the next Preferred Dividend Payment Date contemporaneous with or following such distribution(s), as follows:

- (i) payment of the full amount of the Preferred Dividend payable on the Preferred Securities on the next Preferred Dividend Payment Date if the distribution(s) on the Junior Obligation is made in respect of an annual period (or two semi-annual periods or four quarterly periods);
- (ii) payment of three quarters of the amount of the Preferred Dividend payable on the Preferred Securities on the next Preferred Dividend Payment Date if distributions on the Junior Obligation are made in respect of three quarterly periods;
- (iii) payment of half of the amount of the Preferred Dividend payable on the Preferred Securities on the next Preferred Dividend Payment Date if the distribution(s) on the Junior Obligation is made in respect of a semi-annual period (or two quarterly periods); and
- (iv) payment of a quarter of the amount of the Preferred Dividend payable on the Preferred Securities on the next Preferred Dividend Payment Date if the distribution on the Junior Obligation is made in respect of a quarterly period.

##### **(b) *Compulsory payment as a result of redemption of Junior Obligations***

Subject to the Law, the Company will be required to make payment of the full amount of the Preferred Dividend payable on the Preferred Securities on the next Preferred Dividend Payment Date contemporaneous with or following any date on which the Bank or any Subsidiary of the Bank has redeemed, repurchased or otherwise acquired any Junior Obligations for any consideration (or any moneys are paid to or made available for a sinking fund for, or for redemption of, any such securities) unless (a) such acquisition is effected in accordance with the provisions of article 16 paragraphs 2(b) to (f) or paragraph 5 *et seq.* of Greek Codified Law 2190/1920 and (b) following such acquisition and any other measure taken by the Bank: (i) the total solvency ratio of the Bank, on an unconsolidated and consolidated basis, remains above 8 per cent.; and (ii) the ratio of "upper tier 1 capital" items of own funds (namely tier 1 capital excluding the Preferred Securities and similar instruments) to risk weighted assets of the Bank remains above 5 per cent. as required by Circular 21/2004 of the Bank of Greece, as in force and amended or supplemented from time to time.

##### **(c) *Compulsory payment as a result of payment on Preferred Dividend Parity Obligations***

If the Bank, the Company or any other Subsidiary of the Bank pays any distribution(s) on or in respect of any class of Preferred Dividend Parity Obligations (other than in the form of shares or Junior Obligations), then, subject to the Law, the Company will be required to make *pro rata* payments of Preferred

Dividends on the Preferred Securities on the next Preferred Dividend Payment Date contemporaneous with or following such distribution(s), as follows:

- (i) *pro rata* payment of the full amount of the Preferred Dividend payable on the Preferred Securities on the next Preferred Dividend Payment Date if the distribution(s) on the Preferred Dividend Parity Obligation is paid in respect of an annual period (or two semi-annual or four quarterly periods);
- (ii) *pro rata* payment of three quarters of the amount of the Preferred Dividend payable on the Preferred Securities on the next Preferred Dividend Payment Date if distributions on the Preferred Dividend Parity Obligations are paid in respect of three quarterly periods;
- (iii) *pro rata* payment of half of the amount of the Preferred Dividend payable on the Preferred Securities on the next Preferred Dividend Payment Date if the distribution(s) on the Preferred Dividend Parity Obligation is paid in respect of a semi-annual period (or two quarterly periods); and
- (iv) *pro rata* payment of a quarter of the amount of the Preferred Dividend payable on the Preferred Securities on the next Preferred Dividend Payment Date if the distribution on the Preferred Dividend Parity Obligation is paid in respect of a quarterly period.

When a distribution(s) on Preferred Dividend Parity Obligations requires *pro rata* payment of Preferred Dividends as described above, the amount of the required payment will be in the same proportion to the aggregate specified amount of Preferred Dividends payable on the Preferred Securities as the aggregate payment that was made on such Preferred Dividend Parity Obligations bears to the amount that was payable on such Preferred Dividend Parity Obligations at the time of such payment.

(d) *Aggregation of Preferred Dividends in Preferred Dividend Period*

Subject to the Law, compulsory payments of Preferred Dividends to be made by virtue of paragraphs 4(a), 4(b) or 4(c) shall be aggregated on any Preferred Dividend Payment Date with any discretionary payments made or to be made by virtue of paragraph 3 in respect of any relevant Preferred Dividend Period, provided that in any relevant Preferred Dividend Period the aggregate amount paid in respect of Preferred Dividends on the Preferred Securities shall not exceed the scheduled amount of the Preferred Dividends.

Save as described in this paragraph and in paragraph 5, after payment of the Preferred Dividend, the Holders of the Preferred Securities will have no right to participate in the profits of the Company.

## **5. Redemption of Preferred Securities**

(a) *Optional redemption*

Subject to the Law, the Preferred Securities are redeemable, at the option of the Company, in whole but not in part, on the First Call Date and on any Preferred Dividend Payment Date falling thereafter, upon not less than 30 nor more than 60 days' notice to the Holders of the Preferred Securities (which notice shall be irrevocable). Upon the expiry of such notice, the Company shall be bound to redeem the Preferred Securities accordingly. Upon the Redemption Date, each Preferred Security will be redeemed at the Redemption Price.

(b) *Redemption for tax reasons*

If, at any time falling prior to but excluding the First Call Date, as a result of any amendment to or change in the laws or regulations of Jersey or Greece or any political subdivision thereof or any authority or agency therein or thereof having power to tax or any change in the application of or official interpretation or administration of any such laws or regulations, which amendment or change becomes effective on or after 16th February, 2005:

- (i) the Company is required to pay Additional Amounts, or the Bank would be unable for reasons outside its control to procure payment by the Company and in making payment itself would be required to pay additional amounts under the Guarantee; or
- (ii) the Company or the Bank, in relation to the Preferred Securities, the Guarantee and any associated transactions (including, but not limited to, any loan from the Company to the Bank or

any other Subsidiary of the Bank), is or would be required to pay more than a *de minimis* amount of (a) Jersey Tax, other than in respect of Jersey source income, or (b) Greek Tax,

then provided the requirements under (i) or (ii) cannot be avoided by the Issuer or the Bank taking reasonable measures available to it, the Preferred Securities will be redeemable subject to the Law at the option of the Company, in whole but not in part, on the next Preferred Dividend Payment Date, upon not less than 30 nor more than 60 days' notice to the Holders of the Preferred Securities (which notice shall be irrevocable).

Upon the expiry of such notice, the Company shall be bound to redeem the Preferred Securities accordingly. Upon the Redemption Date, each Preferred Security will be redeemed at the Redemption Price.

(c) *Redemption for Capital Disqualification Event*

If, at any time falling prior to but excluding the First Call Date, a Capital Disqualification Event has occurred and is continuing, then subject to the Law, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Company on the next Preferred Dividend Payment Date, upon not less than 30 nor more than 60 days' notice to the Holders of the Preferred Securities (which notice shall be irrevocable).

Upon the expiry of such notice, the Company shall be bound to redeem the Preferred Securities accordingly. Upon the Redemption Date, each Preferred Security will be redeemed at the Redemption Price.

(d) *Precondition to redemption*

Any redemption under paragraphs 5 (a), (b) or (c) will be subject to the prior consent of the Bank and the Bank of Greece.

The notice to the Holders of the Preferred Securities under paragraphs 5(a), (b) or (c) will specify the Redemption Date.

## 6. Payments

Preferred Dividends declared on the Preferred Securities will be payable on the relevant Preferred Dividend Payment Date (or where any Preferred Dividend Payment Date is not a Business Day on the next Business Day without interest in respect of such delay) by the Company to the Holders of record as they appear on the Register on the relevant record date, which will be five days prior to the relevant Preferred Dividend Payment Date.

Whilst the Preferred Securities are represented by the Global Certificate payments in respect of the Preferred Securities will be made to or as directed by Clearstream Banking Frankfurt. Clearstream Banking Frankfurt, Euroclear or Clearstream, Luxembourg, as applicable, will credit the relevant accounts of their participants on the applicable Preferred Dividend Payment Dates or Redemption Dates.

If definitive Preferred Securities are issued, payments of Preferred Dividends on Preferred Securities held in definitive form will be made at the office of the agent of the Company maintained for such purpose, which initially will be the office of Citibank, N.A. as Principal Paying and Transfer Agent in London, ABN AMRO Bank N.V. as Paying and Transfer Agent in Amsterdam and Citigroup Global Markets Deutschland AG & Co. KGaA as Paying and Transfer Agent in Frankfurt or any other Paying and Transfer Agent (if any) appointed by the Company. Subject to any applicable fiscal or other laws and regulations, each payment in respect of Preferred Dividends on definitive Preferred Securities may, at the Company's option, be made by euro cheque drawn on a bank in a principal financial centre in the euro-zone and mailed to the Holder of record at such Holder's address as it appears on the Register on the relevant record date or by wire transfer if the Company (or its agent) so agrees with such Holder and if appropriate wire transfer instructions have been received by the Principal Paying and Transfer Agent not less than 30 days prior to the date of any such payments.

If the Company does not pay a Preferred Dividend which has been declared and is payable, a Holder's right to receive payment of such Preferred Dividend will be satisfied if and to the extent that the Bank pays such Preferred Dividend pursuant to the Guarantee.

If the Company gives a notice of redemption in respect of the Preferred Securities, then, by 10.00 a.m., Brussels time, on the Redemption Date, the Company will irrevocably deposit with the Principal Paying and Transfer Agent funds sufficient to pay the Redemption Price and will give the Principal Paying and Transfer Agent irrevocable instructions and authority to pay the Redemption Price to the Holders of the Preferred Securities. If notice of redemption shall have been given and funds deposited as required, then upon the date of such deposit, all rights of Holders of the Preferred Securities will be extinguished, except the right of the Holders of Preferred Securities to receive the Redemption Price in respect of each Preferred Security, but without interest, and the Preferred Securities will cease to be outstanding.

In the event that payment of the Redemption Price in respect of any Preferred Security is improperly withheld or refused and not paid either by the Company or by the Bank pursuant to the Guarantee, Preferred Dividends on such Preferred Security, subject as described above, will continue to accrue, at the then applicable rate, from the Redemption Date to the date of actual payment of such Redemption Price.

#### **7. Purchase of Preferred Securities**

Subject to the foregoing and to applicable law (including, without limitation, Greek, Jersey, Dutch and German securities and banking laws and regulations) and to the requirements of the rules of Euronext Amsterdam and the Frankfurt Stock Exchange, the Company or the Bank or any of the Bank's other Subsidiaries may at any time and from time to time purchase outstanding Preferred Securities by tender, in the open market or by private agreement.

Any such purchase to be made by the Company or by the Bank or by any of the Bank's other Subsidiaries shall be subject to the prior consent of the Bank of Greece. Any purchase to be made by the Company shall be made in such manner and on such terms as the Company shall approve in general meeting.

The restrictions contained in this paragraph 7 shall not apply to any purchase of Preferred Securities where such purchase is made (i) in the ordinary course of a business of dealing in securities and (ii) for the account of a person other than the Company, the Bank or any of the Bank's other Subsidiaries.

#### **8. Liquidation Distributions**

In the event of any summary winding-up, voluntary liquidation or dissolution of the Company, the Holders of the Preferred Securities at the time outstanding will be entitled to receive the Liquidation Distribution in respect of each Preferred Security held out of the assets of the Company available for distribution to shareholders.

Such entitlement will arise before any distribution of assets is made to holders of Ordinary Securities or any other class of shares of the Company ranking junior as regards participation in assets to the Preferred Securities (including Series A Preferred Securities) but such entitlement will rank equally with the entitlement of the holders of any other preferred securities or preference shares, if any, of the Company ranking *pari passu* with the Preferred Securities as regards participation in assets of the Company.

Notwithstanding the availability of sufficient assets of the Company to pay any Liquidation Distribution to the Holders of the Preferred Securities, if, at the time such Liquidation Distribution is to be paid, proceedings are pending or have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of the Bank, the Liquidation Distribution per Preferred Security paid to Holders of the Preferred Securities and the liquidation distribution paid to the holders of Liquidation Parity Obligations shall not exceed the amount that would have been paid as the liquidation distribution from the assets of the Bank (after payment in full in accordance with the Greek law of all creditors of the Bank, including holders of its subordinated debt but excluding holders of any liability expressed to rank *pari passu* with or junior to the Guarantee) had the Preferred Securities and all such Liquidation Parity Obligations been issued by the Bank and ranked (a) junior to all liabilities of the Bank (other than any liability expressed to rank *pari passu* with or junior to the Guarantee), (b) *pari passu* with the Parity Obligations of the Bank and (c) senior to all Junior Obligations of the Bank.

If the Liquidation Distribution and any other such liquidation distributions cannot be made in full by reason of the limitation described above, such amounts will be payable *pro rata* in the proportion that the amount available for payment bears to the full amount that would have been payable but for such limitation.

After payment of the Liquidation Distribution, as adjusted if applicable, the Holders of the Preferred Securities will have no right or claim to any of the remaining assets of the Company or the Bank.

In the event of the liquidation, dissolution or winding-up of the Bank, the Directors of the Company shall convene an extraordinary general meeting of the Company for the purpose of proposing a Special Resolution to put the Company into summary winding-up and the amount to which Holders of the Preferred Securities shall be entitled as a Liquidating Distribution will be as set out above.

#### **9. Voting Rights**

Except as provided in this paragraph, Holders of Preferred Securities will not be entitled to receive notice of or attend or vote at any general meeting of shareholders of the Company.

If in respect of one Preferred Dividend Period:

- (a) Preferred Dividends (whether or not declared) or any Additional Amounts in respect of such Dividends on the Preferred Securities have not been paid in full by the Company in accordance with the terms and provisions of the Preferred Securities; or
- (b) the Bank breaches any of its payment obligations under the Guarantee in respect of such Preferred Dividends or Additional Amounts,

then the Holders of outstanding Preferred Securities together with the holders of any other preferred securities or preference shares of the Company having the right to vote for the election of Directors in such event, acting as a single class without regard to series, will be entitled, by written notice to the Company given by the holders of a majority in liquidation preference of such shares or securities or by ordinary resolution passed by the holders of a majority in liquidation preference of such shares or securities present in person or by proxy at a separate general meeting of such holders convened for the purpose, to appoint two additional persons to act as Directors of the Company, and to remove any such Director from office and to appoint another person in place of such Director.

Not later than 30 days after such entitlement arises, if the written notice of the Holders of outstanding Preferred Securities and the holders of any other preferred securities or preference shares of the Company having the right to vote for the election of Directors in the circumstances described in the preceding sentence has not been given as provided for in the preceding sentence, the Directors of the Company will convene a separate general meeting for the above purpose. If the Directors fail to convene such meeting within such 30 day period, the holders of not less than 10 per cent. by liquidation preference of the outstanding Preferred Securities and such other preferred securities or preference shares will be entitled to convene such meeting. The provisions of the Articles concerning the convening and conduct of general meetings of shareholders shall apply with respect to such meeting. Subject to the terms of such other preferred securities or preference shares, if, in respect of any Preferred Dividend Period, Preferred Dividends and any Additional Amounts in respect of such Dividends have been paid in full on the Preferred Securities by the Company and/or the Bank has made payment of all amounts guaranteed in respect of such Preferred Dividends (whether or not declared) and any Additional Amounts, any Director so appointed shall vacate the office.

Any variation or abrogation of the rights, preferences and privileges of the Preferred Securities by way of amendment of the Articles or otherwise (including, without limitation, the authorisation or issuance of any shares of the Company ranking, as to participation in the profits or assets of the Company, senior to the Preferred Securities) shall not be effective (unless otherwise required by applicable law) except with the consent in writing of the Holders of not less than two-thirds in nominal value of the outstanding Preferred Securities or with the sanction of a resolution, passed by a majority of not less than two-thirds in nominal value of the Holders of the outstanding Preferred Securities, present or represented at a separate meeting at which the quorum shall be Holders present or represented holding at least one-third in nominal value of the outstanding Preferred Securities.

No such sanction shall be required if, as determined by the Directors, the change is solely of a formal, minor or technical nature or is to correct an error or cure an ambiguity, provided that any such change does not reduce the amounts payable to or impose any obligation on the Holders of the Preferred Securities or adversely affect their voting rights or cause any modification of the terms of the Preferred Securities pursuant to paragraph 10.

Notwithstanding the foregoing, no vote of the Holders of the Preferred Securities will be required for the Company to redeem the Preferred Securities in accordance with the Company's Articles.

In addition to the voting rights referred to above, no resolution may be proposed for adoption by the Holders of the Ordinary Securities providing for the winding-up, liquidation or dissolution of the Company, unless the Holders of a simple majority by nominal value of the outstanding Preferred Securities and holders of any other preferred securities or preference shares ranking *pari passu* as regards participation in profits or assets with the Preferred Securities have approved such resolution. Such approval may only be given by the consent in writing of the holders of at least a simple majority in nominal value of the outstanding Preferred Securities and such other preferred securities or preference shares or with the sanction of a resolution passed by not less than a simple majority in nominal value at a meeting of the holders of the Preferred Securities and such other preferred securities or preference shares present and voting at such meeting. Such approval shall not be required if the winding-up, liquidation or dissolution of the Company is proposed or initiated because of the winding-up, liquidation or dissolution of the Bank.

Notwithstanding that Holders of Preferred Securities are entitled to vote under any of the limited circumstances described above, any Preferred Security outstanding at such time that is owned by the Bank or any Subsidiary of the Bank shall not carry a right to vote and shall, for voting purposes, be treated as if it were not outstanding.

The Company will cause a notice of any meeting at which Holders of the Preferred Securities are entitled to vote to be mailed to each Holder of a Preferred Security. Each such notice will include a statement setting forth (a) the date, time and place of such meeting, (b) a description of any resolution to be proposed for adoption at such meeting on which such Holders are entitled to vote and (c) instructions for the delivery of proxies.

#### **10. Further Issues**

Notwithstanding paragraph 9, provided that, after the first Preferred Dividend Payment Date, the most recent Preferred Dividend payable on the Preferred Securities has been paid in full by the Company (or the Bank pursuant to the Guarantee), the Holders of Ordinary Securities or the Directors of the Company may, without the consent or sanction of the Holders of the Preferred Securities, take such action as is required in order to amend the Company's Articles:

- (a) to increase the authorised amount of Preferred Securities or to create and issue one or more other series of preferred securities or preference shares of the Company ranking *pari passu* with the Preferred Securities as regards participation in the profits and assets of the Company; or
- (b) to authorise, create and issue one or more other classes of shares of the Company ranking junior, as regards participation in the profits and assets of the Company, to the Preferred Securities.

Thereafter, the Company may, provided that the circumstances for non-payment of Preferred Dividends under paragraph 3(a) are not subsisting, without the consent of the Holders of the Preferred Securities issue any such further securities either having the same terms and conditions as the Preferred Securities in all respects (or in all respects except for the first payment of Preferred Dividends on them) and so that such further issue shall be consolidated and form a single series with the Preferred Securities then in issue or upon such other terms as aforesaid.

Notwithstanding the foregoing, the Company may only issue further Preferred Securities if, at the same time, the Bank issues in respect of the further Preferred Securities a guarantee having terms and conditions that are substantially identical to the Guarantee (or extends the Guarantee to cover the further Preferred Securities).

#### **11. Additional Amounts**

All payments in respect of the Preferred Securities by the Company will be made without withholding or deduction for, or on account of, any Jersey Tax or Greek Tax, unless the withholding or deduction of such Jersey Tax or Greek Tax is required by law. In that event, the Company will pay as further dividends such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the Holders of Preferred Securities after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Preferred Securities in the absence of such withholding or deduction;



except that no such Additional Amounts will be payable to a Holder of Preferred Securities (or to a third party on his behalf) with respect to any Preferred Security (i) to the extent that such Jersey Tax or Greek Tax is imposed or levied by virtue of such Holder (or the beneficial owner of such Preferred Security) having some connection with Jersey or Greece, other than being a Holder (or beneficial owner) of such Preferred Security or (ii) presented for payment where such withholding or deduction is imposed on a payment to or on behalf of an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th–27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive or (iii) presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the Preferred Securities to another Paying and Transfer Agent in a Member State of the European Union and except that the Company's obligations to make any such payments are subject to the limitations on payments provisions under paragraph 3.

## **12. Prescription**

Any moneys paid by the Company to the Principal Paying and Transfer Agent for the payment of Preferred Dividends or on a redemption of the Preferred Securities and remaining unclaimed at the end of two years following the date on which such Preferred Dividends or redemption proceeds become payable shall be returned to the Company at the Company's request, and the Holders of the Preferred Securities shall thereafter look only to the Company for the payment thereof.

## **13. Form, Registration and Transfer of Preferred Securities**

The Preferred Securities will be in registered form and represented on issue by a single global certificate (the "Global Certificate") which will be registered in the name of, and deposited with, Clearstream Banking Frankfurt on the Closing Date. The Preferred Securities will also be eligible for clearing and settlement through Euroclear and Clearstream, Luxembourg. Clearstream Banking Frankfurt, Euroclear and Clearstream, Luxembourg will make payment of any amounts received by them to their accountholders in accordance with their published rules and regulations.

Beneficial interests in the Preferred Securities will be shown only on, and transfers thereof will be effected only through, book-entry records maintained by Clearstream Banking Frankfurt, Euroclear and Clearstream, Luxembourg and their respective participants and, except in the limited circumstances described below, Preferred Securities in definitive certificated form will not be issued. Holders of beneficial interests in the Global Certificate must rely on the procedures of Clearstream Banking Frankfurt, Euroclear and Clearstream, Luxembourg and (if applicable) their respective participants to exercise any rights of a Holder of Preferred Securities under the Global Certificate. None of the Bank, the Company or any Paying and Transfer Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest.

The Global Certificate will cease to represent the Preferred Securities, and Preferred Securities in definitive form in aggregate Liquidation Preference equal to the Liquidation Preference of the Global Certificate will be exchangeable therefor, only if:

- (i) any or all of Clearstream Banking Frankfurt, Euroclear and Clearstream, Luxembourg is or are closed for business for a continuous period of 14 days or more (other than for the purposes of a public holiday) or announces an intention permanently to cease business or does in fact so cease business other than in connection with a merger of Clearstream Banking Frankfurt, Euroclear and Clearstream, Luxembourg; or
- (ii) as a result of a change in law, transfer duties or similar taxes become payable on transfers of the Preferred Securities in Clearstream Banking Frankfurt, Euroclear and/or Clearstream, Luxembourg.

Such definitive Preferred Securities will be in denominations of €1,000 (and integral multiples thereof) and will be registered in such names as Clearstream Banking Frankfurt, Euroclear and Clearstream, Luxembourg shall direct (such instructions being expected to be based upon directions received by Clearstream Banking Frankfurt, Euroclear and Clearstream, Luxembourg from their participants with respect to ownership of beneficial interests in the Preferred Securities), and the Liquidation Preference and

Preferred Dividends with respect thereto will be payable, and the transfer thereof will be registrable, at the offices described below. In addition, in all case where any Preferred Securities are issued in definitive registered form, the record dates for payment of Preferred Dividends will be 15 days prior to the relevant Preferred Dividend Payment Date (whether or not such date is a Business Day).

If definitive Preferred Securities are issued, they may be exchanged or transferred in whole or in part by surrendering such definitive Preferred Securities at the office of the Registrar or any Paying and Transfer Agent with a written instrument of transfer (which may be obtained at any such office) duly executed by the Holder thereof or its attorney duly authorised in writing. In exchange for any definitive Preferred Security properly presented for transfer, the Registrar or such Paying and Transfer Agent will promptly authenticate and deliver or cause to be authenticated or delivered at the office of the Registrar or such Paying and Transfer Agent, to the Holder entitled to such Preferred Security, or send by mail (at the risk of such Holder) to such address as such Holder may request, a definitive Preferred Security or Preferred Securities.

Registration of transfers of Preferred Securities will be effected without charge by or on behalf of the Company, but only upon payment by the transferor of any tax or other governmental charges that may be imposed in connection with any transfer or exchange. The Company will not be required to register or cause to be registered the transfer of Preferred Securities after such Preferred Securities have been called for redemption.

#### **14. Paying and Transfer Agents**

The Principal Paying and Transfer Agent shall be permitted to resign as Principal Paying and Transfer Agent upon 30 days' written notice to the Company. In the event that Citibank, N.A. shall no longer be the Principal Paying and Transfer Agent, the Company shall appoint a successor (which shall be a bank or trust company acceptable to the Company) to act as Principal Paying and Transfer Agent. For so long as the Preferred Securities are listed on the stock market of Euronext Amsterdam and the rules of Euronext Amsterdam so require, the Company will maintain a Paying and Transfer Agent in Amsterdam and for so long as the Preferred Securities are listed on the Frankfurt Stock Exchange and the rules of the Frankfurt Stock Exchange so require, the Company will maintain a Paying and Transfer Agent in Frankfurt. The Company will give notice in the manner described under paragraph 15 when any new paying and transfer agent in Amsterdam and/or Frankfurt is appointed. For so long as any Preferred Securities are outstanding, the Company will maintain a Paying and Transfer Agent having a specified office in a European Union Member State (if available) which may be Germany or the Netherlands that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th–27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

For so long as any Preferred Securities are outstanding, the Company will appoint and maintain a Registrar having its office outside the U.K.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained whether by the Reference Banks (or any of them) or the Principal Paying and Transfer Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Company, the Reference Banks, the Principal Paying and Transfer Agent and all Holders of the Preferred Securities and (in the absence of any such wilful default, bad faith or manifest error) no liability to the Company or the Holders of the Preferred Securities shall attach to the Reference Banks or the Principal Paying and Transfer Agent in connection with the exercise or non-exercise by them of their powers, duties and discretions.

#### **15. Notices**

Any Notice to Holders of the Preferred Securities will be given by the Issuer (a) for so long as the Preferred Securities are listed on the stock market of Euronext Amsterdam and the rules of Euronext Amsterdam so require, by publication in the Daily Official List (Officiële Prijscourant) of Euronext Amsterdam and in a Dutch daily newspaper with a national or wide circulation which is expected to be Het Financieele Dagblad, (b) for so long as the Preferred Securities are listed on the Frankfurt Stock Exchange and the rules of the Frankfurt Stock Exchange so require, by publication in a leading daily newspaper designated by the Frankfurt Stock Exchange (Börsenpflichtblatt) having general circulation in Germany, which is expected to be the Börsen-Zeitung, and (c) by mail to Clearstream Banking AG, Euroclear and

Clearstream, Luxembourg (in each case not less than 30 nor more than 60 days prior to the date of the act or event to which such notice relates). All such notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication.

In accordance with their published rules and regulations, each of Clearstream Banking Frankfurt, Euroclear and Clearstream, Luxembourg will notify holders of securities accounts with it to which any Preferred Securities are credited of any such notices received by it.

#### **16. Governing Law**

Being shares in a Jersey company, the Preferred Securities shall be governed by, and construed in accordance with, Jersey law.

*In addition, the Articles of Association of the Issuer contain, inter alia, provisions (with the exception of statements in italics) to the following effect:*

*All the Company's Ordinary Securities are owned by the Bank. In any year, subject to Jersey law, the Company may, without the consent of the Holders of the Preferred Securities, declare and pay dividends on the Ordinary Securities to the Bank as the holder of the Ordinary Securities. Such dividends will be paid out of the Company's funds, if any, available after payment of the Dividends on the Preferred Securities if and as due in accordance with the terms and conditions of the Preferred Securities. No dividend has been paid on the Ordinary Securities of the Issuer since its incorporation.*

## **SUBORDINATED GUARANTEE**

*Set forth below is the text of the Subordinated Guarantee substantially in the form to be executed by the Bank:*

“THIS DEED OF GUARANTEE (the “Guarantee”) dated 18th February, 2005, is executed and delivered by ALPHA BANK AE a company incorporated under the laws of Greece (the “Bank”) for the benefit of the Holders (as defined below).

WHEREAS the Bank desires to cause the Issuer to issue the Preferred Securities and the Bank desires to issue this Guarantee for the benefit of the Holders, as provided herein.

NOW THEREFORE the Bank executes and delivers this Guarantee for the benefit of the Holders.

### **1. Definitions and Interpretation**

As used in this Guarantee, capitalised terms not defined herein shall have the meanings ascribed to them in the Issuer’s Articles of Association and otherwise the following terms shall, unless the context otherwise requires, have the following meanings:

“Additional Amounts” means, except where otherwise defined in relation to the Issuer, the additional amounts which may be payable in respect of the Preferred Securities as described in paragraph 4;

“Distributable Funds” means the aggregate amount, as calculated as of the end of the immediately preceding financial year of the Bank, of the profit for such financial year and any accumulated retained earnings and any other reserves and surpluses of each member of the Group available for distribution as cash dividends to ordinary shareholders of the Bank under the companies laws of, and generally accepted accounting principles in, Greece; but before deduction of the amount of any dividend or other distribution declared on the Bank’s ordinary share capital in respect of such financial year;

“Group” means the Bank together with its Subsidiaries;

“Guarantee Payments” means (without duplication) payments under this Guarantee in respect of (a) any declared but unpaid Preferred Dividends on the Preferred Securities for the most recent Preferred Dividend Period; (b) any compulsory Preferred Dividends pursuant to, and in accordance with, the Issuer’s Articles of Association; (c) the Redemption Price payable with respect to any Preferred Securities due to be redeemed by the Issuer; (d) the Liquidation Distributions due on the Liquidation Date; and (e) any Additional Amounts (as defined in the Issuer’s Articles of Association) payable by the Issuer;

“Holder” means, in relation to any Preferred Security, the member of the Issuer whose name is entered in the Register as Holder of such Preferred Security, or for as long as the Preferred Securities are represented by the Global Certificate which is deposited with Clearstream Banking Frankfurt, each person (other than Clearstream Banking Frankfurt or any other clearing system) who is for the time being shown in the records of Clearstream Banking Frankfurt as the holder of any Preferred Securities in which regard any certificate or other document issued by Clearstream Banking Frankfurt as to the number of Preferred Securities standing to the account of any person shall be conclusive and binding for all purposes;

“Issuer” means Alpha Group Jersey Limited, a wholly-owned Subsidiary of the Bank incorporated in Jersey;

“Junior Obligations” means (i) ordinary shares of the Bank, (ii) each class of preferred or preference shares or similar securities of the Bank (if any) that ranks junior to this Guarantee and the most senior ranking preferred or preference shares or similar securities of the Bank (if any) and (iii) any preference share or preferred security of a Subsidiary or the Company (other than the Preferred Securities) entitled to the benefit of a guarantee or support agreement or similar undertaking of the Bank that ranks junior to this Guarantee, or any such guarantees, support agreements or similar undertakings of the Bank;

“Liquidation Date” means the date of final distribution of the assets of the Issuer in the case of a liquidation, dissolution or winding-up of the Issuer (whether voluntary or involuntary);

“Liquidation Distribution” means the Liquidation Preference plus (a) any accrued and unpaid Preferred Dividends (whether or not declared) calculated from and including the immediately preceding

Preferred Dividend Payment Date (or, if none, the Closing Date) to but excluding the date of payment, and (b) any Additional Amounts, in each case payable in cash only;

“Liquidation Parity Obligations” means the most senior preferred or preference shares or similar securities of the Bank and any guarantee, support agreement or other contractual undertaking (ranking *pari passu* with this Guarantee as regards participation in the assets of the Bank) of any preferred or preference shares of Subsidiaries; and thus on the date of execution of this Guarantee, Liquidation Parity Obligations includes the guarantee entered into by the Bank in respect of the Series A Preferred Securities;

“Liquidation Preference” means the liquidation preference of €1,000 per Preferred Security;

“Preferred Dividends” means the non-cumulative dividends in respect of the Preferred Securities as described in the Articles of Association of the Issuer;

“Preferred Dividend Parity Obligations” means the most senior preferred or preference shares or similar securities qualifying as tier 1 capital of the Bank and all preferred or preference shares or similar securities of Subsidiaries qualifying as tier 1 capital of the Bank on a consolidated basis and entitled to the benefit of any guarantee, support agreement or other contractual undertaking of the Bank ranking *pari passu* with this Guarantee as regards entitlement to distributions thereunder, or all such guarantees, support agreements or contractual undertakings of the Bank; and thus on the date of execution of this Guarantee, Preferred Dividend Parity Obligations includes the guarantee entered into by the Bank in respect of the Series A Preferred Securities;

“Preferred Securities” means the € Series B CMS-Linked Non-cumulative Guaranteed Non-voting Preferred Securities of the Issuer outstanding, each with a Liquidation Preference of €1,000, and including any further Preferred Securities of the Issuer of the same series issued after the Closing Date and ranking *pari passu* with the Preferred Securities;

“Redemption Date” means the date on which the Preferred Securities are redeemed by the Issuer;

“Redemption Price” means, in respect of the Preferred Securities, €1,000 per Preferred Security plus accrued and unpaid Preferred Dividends in respect of the most recent Preferred Dividend Period, whether or not declared, up to the Redemption Date and any Additional Amounts (as defined in the Issuer’s Articles of Association) remaining unpaid;

“Register” means the register of Holders maintained outside the United Kingdom on behalf of the Issuer,

“Series A Preferred Securities” means the € Series A Floating Rate Non-cumulative Guaranteed Non-voting Preferred Securities issued by the Issuer; and

“Subsidiary” means any corporation or other person or entity more than 50 per cent. of whose equity share capital is owned by the Bank or 20 per cent., at least, of whose equity share capital is directly or indirectly controlled by the Bank and whose board of directors is controlled by the Bank or which is consolidated in the most recent annual audited consolidated financial statements of the Bank or which will be so consolidated in the next annual audited consolidated financial statements of the Bank.

## **2. Guarantee**

Subject to the limitations contained in the following paragraphs, the Bank irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (except to the extent paid by the Issuer), as and when due, regardless of any defence, right of set-off or counterclaim which the Issuer may have or assert. This Guarantee is continuing, irrevocable and absolute.

## **3. Liquidation Distributions**

Notwithstanding paragraph 2 above, if, at the time that any Liquidation Distribution is to be paid by the Bank in respect of the Preferred Securities, proceedings are pending or have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up of the Bank, payment under this Guarantee of such Liquidation Distributions and payment by the Bank in respect of any liquidation distributions payable with respect to Liquidation Parity Obligations, shall not exceed the amount that would have been paid as the liquidation distribution from the assets of the Bank (after payment in full in accordance with the

Greek law of all creditors of the Bank, including holders of its subordinated debt but excluding holders of any liability expressed to rank *pari passu* with or junior to this Guarantee) had the Preferred Securities and all such Liquidation Parity Obligations been issued by the Bank and ranked (a) junior to all liabilities of the Bank (other than any liability expressed to rank *pari passu* with or junior to this Guarantee) (“Senior Creditors”), (b) *pari passu* with the most senior preferred securities or preference shares, if any, of the Bank and (c) senior to all Junior Obligations of the Bank.

#### **4. Additional Amounts**

All Guarantee Payments made hereunder by the Bank will be made without withholding or deduction for, or on account of, any Greek Tax, unless the withholding or deduction of such Greek Tax is required by law. In that event, the Bank will pay such Additional Amounts as may be necessary in order that the net amounts received by the Holders of Preferred Securities after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Preferred Securities in the absence of such withholding or deduction; except that no such Additional Amounts will be payable to a Holder of Preferred Securities (or to a third party on his behalf) with respect to any Preferred Security (i) to the extent that such Greek Tax is imposed or levied by virtue of such Holder (or the beneficial owner of such Preferred Security) having some connection with Greece, other than being a Holder (or beneficial owner) of such Preferred Security, or (ii) presented for payment where such withholding or deduction is imposed on a payment to or on behalf of an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th–27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive or (iii) presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the Preferred Securities to another Paying and Transfer Agent in a Member State of the European Union.

#### **5. Continuing Guarantee**

The obligations, undertakings, agreements and duties of the Bank under this Guarantee shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

- (a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Preferred Securities to be performed or observed by the Issuer; or
- (b) the extension of time for the payment by the Issuer of all or any portion of the Preferred Dividends, Redemption Price, Liquidation Distributions or any other sums payable under the terms of the Preferred Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Preferred Securities; or
- (c) any failure, omission, delay or lack of diligence on the part of Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Preferred Securities, or any action on the part of the Issuer granting indulgence or extension of any kind; or
- (d) the liquidation, dissolution, amalgamation, reconstruction, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganisation, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer; or
- (e) any invalidity of, or defect or deficiency in, the Preferred Securities; or
- (f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred.

There shall be no obligation on the Holders to give notice to, or obtain consent of, the Bank with respect to the happening of any of the foregoing.

#### **6. Deposit of Guarantee**

This Guarantee shall be deposited with and held by Citibank, N.A. (or its successor) as Principal Paying and Transfer Agent until all the obligations of the Bank have been discharged in full. The Bank

hereby acknowledges the right of every Holder to the production of, and the right of every Holder to obtain a copy of, this Guarantee.

It is specifically agreed that the place of performance of any and all obligations of the Bank under this Guarantee shall be London, England and consequently any and all payments of the Bank under this Guarantee shall be made out of bank accounts maintained with banks legally operating and situated in London, England.

**7. Enforcement; rights of remedy**

- (a) A Holder may enforce this Guarantee directly against the Bank, and the Bank waives any right or remedy to require that any action be brought against the Issuer or any other person or entity before proceeding against the Bank. Subject to paragraph 7(c), all waivers contained in this Guarantee shall be without prejudice to the right to proceed against the Issuer. The Bank agrees that this Guarantee shall not be discharged except by payment of the Guarantee Payments in full and by complete performance of all obligations of the Bank under this Guarantee.
- (b) Following a breach by the Bank of its payment obligations under this Guarantee, a Holder may petition for the winding-up of the Bank and claim in the liquidation of the Bank but no other remedy shall be available to the Holder.
- (c) No Holder shall, following any breach by the Bank of any of its obligations under this Guarantee, be entitled to exercise any right of set-off or counterclaim which may be available to it against amounts owing by the Bank to such Holder. Notwithstanding the provisions of the foregoing sentence, if any of the said rights and claims of any Holder against the Bank is discharged by set-off, such Holder will immediately pay an amount equal to the amount of such discharge to the Bank or, in the event of its winding-up, the liquidator of the Bank and until such time as payment is made, will hold a sum equal to such amount in trust for the Bank, or the liquidator of the Bank and accordingly such discharge will be deemed not to have taken place.
- (d) In the event of a winding-up of the Bank if any payment or distribution of assets of the Bank of any kind or character, whether in cash, property or securities, including any such payment or distribution which may be payable or deliverable by reason of the payment of any other indebtedness of the Bank being subordinated to the payment of amounts owing under this Guarantee, shall be received by any Holders before the claims of Senior Creditors have been paid in full, such payment or distribution shall be held in trust by the Holder, as applicable, and shall be immediately returned by it to the liquidator of the Bank and in that event, the receipt by the liquidator shall be a good discharge to the relevant Holder. Thereupon, such payment or distribution will be deemed not to have been made or received.

**8. Subrogation**

The Bank shall be subrogated to any and all rights of the Holders against the Issuer in respect of any amounts paid to the Holders by the Bank under this Guarantee. The Bank shall not (except to the extent required by mandatory provisions of law) exercise any rights which it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of a payment under this Guarantee, if, at the time of any such payment, any amounts are due and unpaid under this Guarantee. If any amount with respect to the Preferred Securities shall be paid to the Bank in violation of the preceding sentence, the Bank agrees to pay over such amount to the Holders.

**9. Status**

- (a) The Bank acknowledges that its obligations hereunder are several and independent of the obligations of the Issuer with respect to the Preferred Securities and that the Bank shall be liable as principal and sole debtor hereunder to make Guarantee Payments pursuant to the terms of this Guarantee, notwithstanding the occurrence of any event referred to in paragraph 5.
- (b) Subject to applicable law, the Bank agrees that the Bank's obligations hereunder constitute unsecured obligations of the Bank and rank and will at all times rank (i) junior to Senior

Creditors, (ii) *pari passu* with the most senior preferred or preference shares, if any, and other Liquidation Parity Obligations of the Bank and (iii) senior to all Junior Obligations of the Bank.

#### 10. Undertakings of the Bank

- (a) The Bank undertakes that it will not (i) issue any preferred securities or preference shares or enter into any contractual obligation in respect of securities or any other instrument or obligation which would qualify or be capable of qualifying as tier 1 capital of the Bank (a “Tier 1 Qualifying Obligation”) ranking senior to its obligations under this Guarantee or (ii) give any guarantee or other support agreement or other contractual undertaking in respect of any Tier 1 Qualifying Obligation if such guarantee or other support agreement or other contractual undertaking would rank senior to its obligations under this Guarantee (including, without limitation, any guarantee or other support agreement or other contractual undertaking that would provide a priority of payment with respect to Distributable Funds) unless, in each case, (x) this Guarantee is changed to give the Holders such rights and entitlements as are contained in or attached to such Tier 1 Qualifying Obligation or such guarantee or other support agreement or other contractual undertaking with respect to a Tier 1 Qualifying Obligation so that this Guarantee ranks *pari passu* with, and contains substantially equivalent rights of priority as any such Tier 1 Qualifying Obligation or guarantee or other support agreement or other contractual undertaking with respect to a Tier 1 Qualifying Obligation and (y) the most recent Preferred Dividend payment on the Preferred Securities has been paid in full either by the Issuer or by the Bank pursuant to this Guarantee.
- (b) The Bank undertakes that any amount required to be paid pursuant to this Guarantee in respect of any Preferred Dividend payable in respect of the most recent Preferred Dividend Period will be paid before any payment or other distribution in respect of any dividends (except distributions in kind or dividends in the form of the Junior Obligations) upon Junior Obligations of the Bank.
- (c) If any Junior Obligations are redeemed, repurchased or otherwise acquired for any consideration (or any moneys are paid to or made available for a sinking fund for the redemption of any such Junior Obligations) by the Bank or any Subsidiary (except by conversion into or in exchange for Junior Obligations), the Bank will procure that the Issuer will pay, or set aside payment with respect to, full Preferred Dividends on all outstanding Preferred Securities for one Preferred Dividend Period. Such requirement shall not apply if: (1) such redemption, repurchase or other acquisition is effected in accordance with the provisions of Article 16 paragraph 2(b) to (f) or paragraph 5 *et seq.* of Greek Codified Law 2190/1920; and (2) following such redemption, repurchase or other acquisition and any other measure taken by the Bank; (i) the solvency ratio of the Bank, on an unconsolidated and consolidated basis, remains above 8 per cent; and (ii) the ratio of “upper tier 1 capital” items of own funds (namely tier 1 capital excluding the Preferred Securities and similar instruments) to risk weighted assets or the Bank remains above 5 per cent as required by Circular 21/2004 of the Bank of Greece, as in force and amended or supplemented from time to time.
- (d) The Bank undertakes to maintain the Issuer as a wholly-owned Subsidiary for so long as any Preferred Security remains in issue. The Bank undertakes that, for so long as any of the Preferred Securities are outstanding, unless the Bank of Greece has given its prior approval or unless the Bank is itself in liquidation, the Bank will not permit, or take any action to cause, the liquidation, dissolution or winding-up of the Issuer.
- (e) The Bank undertakes to procure that the Issuer will maintain at all times whilst the Preferred Securities are outstanding, (i) for so long as the Preferred Securities are listed on the stock market of Euronext Amsterdam and the rules of Euronext Amsterdam so require, a Paying and Transfer Agent in Amsterdam, (ii) for so long as the Preferred Securities are listed on the Frankfurt Stock Exchange and the rules of the Frankfurt Stock Exchange so require, a Paying and Transfer Agent in Frankfurt, and (iii) a Paying and Transfer Agent having a specified office in a European Union Member State (if available) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings



implementing the conclusions of the ECOFIN Council meeting of 26th–27th November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

#### **11. Termination**

With respect to the Preferred Securities, this Guarantee shall terminate and be of no further force and effect upon payment in full of the Redemption Price on all Preferred Securities or purchase and cancellation of all Preferred Securities or full payment of the Liquidation Distributions and liquidation of the Issuer, provided however that this Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time payment of any sums paid under the Preferred Securities or this Guarantee must be restored by a Holder for any reason whatsoever.

#### **12. Transfer**

Subject to operation of law, all guarantees and agreements contained in this Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Bank and shall inure to the benefit of the Holders. The Bank shall not transfer its obligations hereunder without the prior approval of the Holders of not less than two-thirds of the Preferred Securities (excluding any Preferred Securities held by the Bank or any entity of which the Bank, either directly or indirectly, owns 20 per cent. or more of the voting shares or similar ownership interests), which consent shall be obtained in accordance with procedures contained in the Issuer's Articles of Association and the applicable law of Jersey; provided, however, that the foregoing shall not preclude the Bank from merging or consolidating with, or transferring or otherwise assigning all or substantially all of its assets to, a banking organisation organised under the laws of Greece or another European Union Member State, without obtaining any approval of such Holders.

#### **13. Amendments**

Except for those changes (a) required by paragraph 10(a) above, (b) which do not adversely affect the rights of Holders, or (c) necessary or desirable to give effect to any one or more transactions referred to in the proviso to paragraph 12 above (in any of which cases no agreement will be required), this Guarantee shall be changed only by agreement in writing signed by the Bank with the prior approval of the Holders of not less than two-thirds of the Preferred Securities (excluding any Preferred Securities held by the Bank or any entity of which the Bank, either directly or indirectly, owns 20 per cent. or more of the voting shares or other similar ownership interests), in accordance with the procedures contained in the Issuer's Articles of Association and the applicable law of Jersey.

#### **14. Notices**

Any notice, request or other communication required or permitted to be given hereunder to the Bank shall be given in writing by delivering the same against receipt therefor or by facsimile transmission (confirmed by mail) addressed to the Bank, as follows (and if so given, shall be deemed given upon mailing of confirmation, if given by facsimile transmission), to:

Alpha Bank AE  
40 Stadiou Street  
GR 102 52 Athens  
Greece

Facsimile: + 30 2 10 326 4004  
Attention: Head of Treasury Department

The address of the Bank may be changed at any time and from time to time and shall be the most recent such address furnished in writing by the Bank to Citibank, N.A. as Principal Paying and Transfer Agent.

Any notice, request or other communication required or permitted to be given hereunder to the Holders shall be given by the Bank in the same manner as notices sent by the Issuer to Holders.

#### **15. Miscellaneous**

- (a) This Guarantee is solely for the benefit of the Holders and is not separately transferable from the Preferred Securities.

- (b) The Bank will furnish any Holder, upon request of such Holder, with a copy of its annual report, and any interim reports made generally available by the Bank to holders of the ordinary shares of the Bank.
- (c) The Bank hereby waives notice of acceptance of this Guarantee and of any liability to which it applies or may apply, presentment, demand for payment, protest, notice of non-payment, notice of dishonour, notice of redemption and all other notices and demands.

**16. Governing Law and Jurisdiction**

- (a) This Guarantee is governed by, and shall be construed in accordance with, English law save that paragraphs 3 and 9(b) are governed by, and shall be construed in accordance with, Greek law.
- (b) The Bank hereby irrevocably agrees for the benefit of the Holders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Guarantee and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as "Proceedings") may be brought in such courts.
- (c) The Bank irrevocably and unconditionally waives and agrees not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and further irrevocably and unconditionally agrees that a final judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon the Bank and may be enforced in the courts of any other jurisdiction. Nothing contained in this paragraph shall limit any right to take Proceedings against the Bank in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not.
- (d) The Bank will receive service of process in respect of this Guarantee at its London branch for the time being (being at the date hereof, 66 Cannon Street, London EC4N 6EP) in respect of any Proceedings.

IN WITNESS WHEREOF this Guarantee has been manually executed as a deed poll on behalf of the Bank

Executed as a deed by  
ALPHA BANK AE  
acting by

.....

its duly authorised attorney

and

.....

its duly authorised attorney

in the presence of:

.....

Witness's signature

Name:

Address:

Dated 18th February 2005"

## **USE OF PROCEEDS**

The net proceeds of the issue of the Preferred Securities, amounting to approximately €588,000,000, will be used by the Bank and/or its consolidated subsidiaries for general banking purposes.

## ALPHA GROUP JERSEY LIMITED

### History

Alpha Group Jersey Limited (the "Issuer") was incorporated in Jersey on 21st November, 2002 for an unlimited duration and with limited liability under the laws of Jersey with registered number 84392.

The registered office of the Issuer is Whiteley Chambers, Don Street, St. Helier, Jersey JE4 9WG. The Issuer has no place of business in Greece.

### Business

The Issuer is a wholly-owned subsidiary of Alpha Bank AE. The Issuer has no subsidiaries. It was formed to act as a general finance vehicle for the Group.

### Capitalisation and Indebtedness

- (a) The existing issued Ordinary Securities of the Issuer are not listed on Euronext Amsterdam, the Frankfurt Stock Exchange or on any other stock exchange and are not dealt on any other recognised market.
- (b) The Issuer has an authorised share capital of up to €901,000,000 divided into 1,000,000 Ordinary Securities of €1 each, 300,000 Series A Floating Rate Non-cumulative Guaranteed Non-voting Preferred Securities of €1,000 each (the "Series A Preferred Securities") and 600,000 Series B CMS-Linked Non-cumulative Guaranteed Non-voting Preferred Securities of €1,000 each.

At the date hereof, 20,000 Ordinary Securities and 300,000 Series A Preferred Securities have been issued and are fully paid. 200,000 Series A Preferred Securities were issued on 5th December, 2002 and 100,000 Series A Preferred Securities were issued on 1st December, 2003.

The 300,000 Series A Preferred Securities are listed on the Luxembourg Stock Exchange. The Series A Preferred Securities carry a non-cumulative preferred dividend of three month EURIBOR plus a margin of 2.650 per cent. per annum up until 5th December, 2012, after which time the margin increases to 3.975 per cent. per annum. Dividends on the Series A Preferred Securities may be declared by the Directors in their sole discretion. Payment of preferred dividends are compulsory except that the Directors are not required to declare a dividend on the Series A Preferred Securities, if in the financial year, the Bank has not paid any dividend to the holders of its ordinary shares and neither the Bank nor any of its subsidiaries has made any distribution on or in respect of any class of junior obligations. Holders of the Series A Preferred Securities are not, other than in certain specified circumstances, entitled to receive notice of or attend and vote at meetings of the shareholders of the Issuer. In the event of a winding up, the holders of the Series A Preferred Securities are entitled to a return €1,000 per share plus any accrued and unpaid preferred dividends. The Series A Preferred Securities are redeemable, in whole but not in part, at the option of the Issuer on any dividend payment date on or after 5th December, 2012.

- (c) The holders of the Ordinary Securities and of the Series A Preferred Securities of the Issuer have no rights of pre-emption or preferential subscription rights in respect of the Preferred Securities.
- (d) No capital of the Issuer is under option or is agreed conditionally or unconditionally to be put under option.

Save as described above, since the date of its incorporation, the Issuer has not had outstanding any loan capital and has not incurred any other borrowings or indebtedness and has had no contingent liabilities or granted any guarantees.

## Directors

- (a) The directors of the Issuer and their principal activities outside the Issuer are as follows:

<i>Name</i>	<i>Function in the Issuer</i>	<i>Principal Activity Outside the Issuer</i>
John Coxon	Director	Senior Manager Financial Control and Company Secretary of Alpha Bank London Limited and a Director of Alpha Credit Group PLC
George Kontos	Director	Manager of Alpha Bank AE
Nikolaos Zagorissios	Director	Employee of Alpha Bank AE
Michael Lombardi	Director	Partner of Ogier & Le Masurier, Jersey
Peter Gatehouse	Director	Director of Ogier SPV Services Limited

For the purpose of this Offering Circular, the business address of each of the directors is that of the Issuer's registered office.

- (b) The directors do not, and it is not proposed that they will, have service contracts with the Issuer. No director has entered into any transaction on behalf of the Issuer which is or was unusual in its nature of conditions or is or was significant to the business of the Issuer since its incorporation.

At the date of this Offering Circular, there were no loans granted or guarantees provided by the Issuer to any director.

- (c) As at the date of this Offering Circular, the directors have not received, nor is it expected that they will receive, any remuneration for the provision of their services as directors of the Issuer. Michael Lombardi is a partner of Ogier & Le Masurier and Peter Gatehouse is a director of Ogier SPV Services Limited, both of which derive fees from the provision of legal and administrative services to the Issuer.

- (d) The Articles of Association of the Issuer provide that:

"Subject to the provisions of the Law, any director may vote on any proposal, arrangement or contract in which he is materially interested provided he has disclosed the nature of his interest in it prior to its consideration and any vote thereon."

The remuneration of the directors shall from time to time be determined by the Issuer in general meeting.

Subject to the provisions of the Articles of Association, a director shall hold office until such time as he is removed from office by resolution of the Issuer in general meeting.

For purposes of the Issuer's Articles of Association, "Law" means the Companies (Jersey) Law, 1991, as the same may be amended from time to time.

## Secretary

The Secretary of the Issuer is Ogier SPV Services Limited of Whiteley Chambers, Don Street, St. Helier, Jersey JE4 9WG.

## General

- (a) KPMG Channel Islands Limited 5 St Andrew's Place, St. Helier, Jersey JE4 8WQ are the auditors to the Issuer. The Issuer prepares audited non-consolidated financial statements on an annual basis.
- (b) Audited financial statements of the Issuer have been prepared for the period from 21st November, 2002 to 31st December, 2002 and for the year ended 31st December, 2003. An unqualified audit opinion was issued thereon by KPMG.
- (c) No transactions have occurred since incorporation of the Issuer other than (i) the allotment of the shares and preferred securities described under "Capitalisation and Indebtedness" above, (ii) the issuance of €300,000,000 Series A Preferred Securities (as described above) and execution of documentation in relation thereto and in relation to the Preferred Securities.

## ALPHA BANK AE AND THE ALPHA BANK GROUP

### Definitions

In this Offering Circular the following expressions have the following meanings, unless the context otherwise requires or unless it is otherwise specifically provided:

“ATHEX”	means the Athens Exchange A.E.;
“ATM”	means automatic teller machine;
“CAGR”	means compound annual growth rate;
“CSD”	means the Central Securities Depository A.E.;
“EBRD”	means the European Bank for Reconstruction and Development;
“EMU”	means the European Economic Monetary Union implemented by certain member states of the European Union on 1st January, 1999;
“ERM”	means the Exchange Rate Mechanism of the European Monetary System; and
“EU”	means the European Union.

All references herein to “Greece”, the “Republic”, the “Republic of Greece”, the “Greek State” are to the Hellenic Republic. All references herein to “Central Bank” or “Bank of Greece” are to the Bank of Greece.

Unless the context otherwise requires, references to “ACB” and the “Bank” are to Alpha Bank and references to the “ACB Group” or the “Group” are to ACB and its subsidiaries that are included in the consolidated financial statements of the Bank included elsewhere in this Offering Circular. References to “Ionian” are to Ionian and Popular Bank of Greece S.A. and references to the “Ionian Group” are to Ionian and its subsidiaries that are included in the consolidated financial statements of Ionian included elsewhere in this Offering Circular.

## THE GROUP

The Bank and its subsidiaries (together, the “Alpha Bank Group” or the “Group”) are one of the leading banking and financial services groups in Greece, offering a wide range of services including retail banking (deposits, consumer lending, credit cards, mortgage lending, leasing, factoring and lending to small and medium-sized enterprises), corporate banking, treasury operations, investment banking and brokerage services, asset management and private banking, insurance services and real estate management and brokerage. The Group’s extensive national and international branch and ATM network, in combination with the advanced new on-line and telephone channels offering banking and brokerage services, are used to service approximately 2.3 million customers, particularly in retail and corporate deposit, loans and fund management accounts, which gives the Group a strong presence in the domestic Greek market as well as in the markets of South-Eastern Europe. The Group also has an international presence in London and New York.

The Bank’s management considers other competitive strengths of the Group to include its large customer base, its highly motivated and trained personnel, its advanced IT systems and its recently reorganised and modernised branch network, which have extended its ability in product innovation and for offering a wide range of services and opportunities for cross-selling products of the Group through its traditional and alternative distribution channels.

The Bank is the largest private sector bank and the second largest bank in Greece. As at 30th September, 2004, consolidated total assets of the Bank were approximately €34.8 billion and customer deposits (including repos) were approximately €21.0 billion. Total shareholders’ equity of the Bank on a consolidated basis was € 2.1 billion as of 30th September, 2004, with a total BIS ratio of 14.7 per cent. and Tier 1 capital ratio of 10.3 per cent. Approximately 60 per cent. of the Bank’s funding is obtained through deposits.

The Bank’s equity is widely held by approximately 125,000 shareholders. At the end of September 2004, institutional shareholders hold approximately 44.0 per cent. of the Bank’s issued capital (of which 31.0 per cent. is held by foreign institutional investors and 13.0 per cent. by Greek institutional investors). No single shareholder owns an interest in excess of 3 per cent. of the issued share capital. Mr Y.S. Costopoulos, Chairman and Managing Director of the Bank, together with other members of the founding family held an aggregate of 9.4 per cent. of total shares outstanding. Finally, private shareholders own the remaining 46.6 per cent. of the Bank’s share capital. Since March 2004, the Bank has in place a share buy back program for 3 per cent. of the total shares issued. This program has been approved by the Annual General Meeting of shareholders, according to the provisions of Greek law. Alpha Bank stocks are traded in the ATHEX, in the London Stock Exchange in the form of global depository receipts (“GDRs”) and over-the-counter in the US in the form of American depository receipts (“ADRs”).

The management of the Bank plans to enhance and maintain the Group’s position as one of the leading banking and financial services groups in Greece. Following Greece’s entry into the Eurozone as of 1st January, 2001, the Group has continued to exploit existing opportunities for expansion, provided by the dynamic growth of the Greek economy and the process of convergence of the Greek financial sector to EU levels. The Bank is expanding rapidly in the retail and the corporate sectors, as well as in the fund management and the investment banking sectors, all of which are characterised by growing demand.

The Bank has succeeded in increasing its share of the domestic retail sector and in particular in mortgage loans and in consumer credit and it has also succeeded in expanding its businesses with the corporate sector (where it had traditionally a commanding share) at a healthy rate. Moreover, net interest income and commissions continued to expand steadily leading to a substantial boost of profitability in 2003-2004. The management believes that the Group, following its reorganisation, its continuous technological advancement and its ongoing effort for effective control of its operational costs, is now well placed to continue expanding its strong position in the domestic market and to continue its careful expansion in the South-Eastern European market. The significant boost of the Group’s profits in the 9 month period ended 30th September, 2004 serves as an indication of the good prospects of the Group in 2004 and in the following years.

The management will continue to seek growth in the Bank’s businesses, while maintaining a relatively high capital adequacy ratio, asset quality as well as profitability. The Bank will continue to place emphasis on

advanced technological systems both for the branch network and for the central applications to increase efficiency. Presently the Group has succeeded in selling more than three products per customer and aims to further expand its cross-selling activities in the future. In addition, the Bank's MIS has enhanced its ability to identify new clients, as well as to monitor the existing client base and cross-sell fund management services, insurance and other products and improve the quality of the loan book.

The Bank intends to maintain and reinforce its policies of continuous product innovation and of technologically advanced ways of offering financial services, recognising the new competitive conditions applicable to the financial sector in Greece and the Eurozone. The Greek market and customers have become gradually accustomed to modern techniques and products in the financial sector and the Bank follows these developments closely and offers new products and processes, recognising the changing needs of its clientele. In particular, the Bank has been successfully offering a whole range of competitive fixed and floating rate residential mortgage and consumer loans and has succeeded in attracting the biggest share of new clients in these markets. The Bank also offers Alphaline, Alphaphone, Alpha web-banking and Alphatrade, which allow retail and corporate customers to access banking, financial and brokerage services via the telephone, personal computer, the internet and the mobile phone.

The management believes that significant opportunities exist to cross-sell Group products across the client base of the Group, notably insurance, brokerage services, leasing, factoring and, most importantly, fund management services including mutual funds, private banking and social security funds management, as the environment of relatively low interest rates and high economic growth and liquidity, will most certainly continue to imply a high demand for these services in the future. In particular, the management of the Bank expects a steady increase in the demand for investment products and services, as the Bank believes customers will continue to seek higher-yielding investment opportunities. This will help the growth of fee and commission income of the Group, which, management believes, that in combination with the maintenance of the net interest margin of the Bank at relatively high levels, will contribute to rising profitability.

The Bank regards mortgage and consumer lending as the most promising areas for further future expansion due to their current low level of development in Greece (outstanding balances at the end of August 2004 were approximately 29.2 per cent. of GDP) compared with the level of development of other markets in Europe and in particular in the Eurozone (outstanding balances are approximately 49 per cent. of GDP). In particular, the management expects a continuation in the strong growth in the utilisation of credit and debit cards in Greece. The Bank intends to consolidate its position as a major card acquirer (35 per cent. market share) and issuer (25 per cent. market share) of Visa, AMEX and MasterCard.

The management of the Bank considers that the Group's further expansion in Romania, Albania, Bulgaria, FYROM, Serbia and Cyprus will enable it to benefit from the increased political stability as well as the rationalisation and growth of the economies in South Eastern Europe, especially in the medium and long term. Additional branches are opened as required while opportunities for acquisitions are explored where appropriate, while the Group's investment in the region, amounting to around €250 million, is still relatively small in relation to the total assets of the Group as a whole. Nevertheless, the management of the Bank sees expansion in South Eastern Europe as an important part of the Group's growth strategy, with the aim of increasing earnings from these markets from 9 per cent. currently of total earnings of the Group to 15 per cent. by 2006. The operations in these areas focus on servicing domestic and foreign companies, including the Group's Greek clients active in the region, but in the last few years there have been growing opportunities in the retail banking business as well.



## **BUSINESS OF THE ALPHA BANK GROUP**

### **Introduction**

The Bank was established in 1879 as the banking branch of J.E. Costopoulos Company, a trading firm operating in the southern Peloponnesian town of Kalamata. As of 10th March, 1918, the Bank was incorporated as the Bank of Kalamata A.E. and, in 1924, having moved its headquarters to Athens during the same year, changed its name to Banque de Credit Commercial Hellenique A.E. The shares of the Bank were listed on the ATHEX in 1925. In 1947, its name was changed to Commercial Credit Bank, in 1972 to Credit Bank A.E. and in 1994 to Alpha Credit Bank A.E. On 19th April, 1999, the Group acquired 51 per cent. of the issued share capital of Ionian Bank for GRD 272 billion following a competitive bid process. On 11th April, 2000, the merger with Ionian Bank was approved through absorption by Alpha Credit Bank. The name of the enlarged, new bank, resulting from this merger was Alpha Bank A.E.

Alpha Group is also active in the international banking market, with a presence in New York, London, Jersey in the Channel Islands, Cyprus, Tirana, Sofia, Romania, FYROM and Serbia.

The Bank is incorporated and registered in the Hellenic Republic as a public company under Codified Law 2190/20, incorporated with limited liability (registered number 6066106/B/86105) for the period ending 2018. The life of the Bank may be extended by a resolution of the shareholders. The Bank is subject to regulation and supervision by the Bank of Greece and to Greek banking and accounting law.

### **The Structure of the Group**

The organisation structure of the Alpha Group has been one of the main contributors for its successful development in the past decade. However, the increase in its size, the acquisition of the Ionian and the rapid developments in the market have rendered necessary a restructuring of the Group's organisation and operations. The administrative plan that has been adopted reflects current-day trends in the market and the size and sectors of the Group's activities, and is designed to serve adequately in the future.

All the activities of the companies of the Group are divided into four large Business Units, with enhanced management and administrative responsibilities. These Business Units comprise the branch network, corporate banking, investment banking and asset management. In particular:

- the Retail and Commercial Banking Business Unit undertakes retail banking with traditional banking methods but also new products and services, via alternative telecommunications channels;
- the Corporate Banking, Shipping and International Banking Business Unit assumes the responsibility for relations with large firms, shipping, and all Group international activities;
- the Investment Banking Business Unit includes brokerage and all consulting services to clients in Greece and abroad on corporate restructuring, mergers and acquisitions, IPOs, bond issues and share capital increases; and
- the Asset Management Business Unit undertakes the control and development of all asset management products and services, as well as private banking services of the Group and their promotion to institutional and affluent individual investors.

Each Business Unit has its own management committee/council. These four management committees/councils are responsible for the operation of the Business Units. The management of the Group's strategy and the co-ordination between Business Unit activities is undertaken by an Executive Committee.

### **Retail and Commercial Banking**

The Bank is a major participant in the retail banking sector in Greece and has a domestic branch network of 374 bank branches and 17 private banking branches, supported by an ATM network of some 750 machines, of which 287 machines are off-site. Retail banking activities include deposits, investment products, bank assurance and standard insurance products, banking activities on commission (mutual funds, credit cards, capital transfers, brokerage activities, payroll services), loans to individuals (consumer and housing loans), loans to small and medium-sized firms, letters of guarantee, leasing and factoring. All these

conventional activities, and also many new banking services, and other services and products marketed by the Group companies, are being offered as self-contained, and in many cases as standardised products, at competitive prices, the main objective being to serve the requirements of the Bank's clients in the best possible way, be they individuals, institutional investors or small and medium-sized firms.

*Customer savings:* The Bank's principal deposits account is the Alpha 100 account, which offers competitive rates, overdraft facilities, combined credit card and cash card, debit card, chequebook and standing order facilities. Cards issued on the account can be used to make deposits and withdrawals throughout the Bank's ATM network. Further services include the Alpha 400/401 savings accounts (savings accounts with or without a saving book, and with life insurance and automatic monthly statements), as well as various categories of term deposit accounts, customer repos, sales of both government and Alpha Bank bonds and sales of mutual funds, capital guarantee products and other portfolio investment and bank-assurance products. Financial planners provide a full array of banking and investment services, as well as investment advice on the basis of a risk return profile of the customer, ascertained in an interview with each client.

Deposits, customer repos and Alpha Bank bonds sold to retail customers, effectively serving as time deposits, amounted to €24.7 billion in September 2004, compared with €22.7 billion at the end of 2003, and €23 billion at the end of 2002. Mutual funds amounted to €4.5 billion in September 2004, compared with €4.6 billion at the end of 2003 and €3.1 billion at the end of 2002. Thus, at the end of September 2004, money market mutual funds amounted to 46 per cent. of the total, equity funds amounted to 24 per cent., bond funds amounted to 28 per cent. and balanced funds amounted to 2 per cent. In the non-money market area, the Bank has 18.4 per cent. market share. Moreover, sales of government bonds amounted to €1.6 billion in September 2004, compared with €2.6 billion at the end of 2003 and €3.4 billion at the end of 2002.

Total client savings with the Group were estimated at €33.5 billion, including mutual funds, sales of securities and clients' funds under management (private banking and asset management).

*Customer loans:* The Bank has expanded its loan book and has increased its market share with both individuals (mortgage and consumer credit) and small and medium-sized firms.

In particular, in mortgages, during 2004 Alpha Bank introduced a new housing loan with an introductory interest rate of 3.5 per cent. fixed for one year, thus adding to the choice of interest rates available to its customers. The Bank also improved the flexibility available to all mortgage products by adding benefits including deferred repayment for 1 month, early repayments up to two monthly instalments per year without charge and an option to lengthen the duration for up to two years without charge, etc.

In addition to Alpha First Year Fixed Interest Rate Housing Loan, the mortgage loans currently on offer also include Alpha Housing Plan and Alpha Euro Rate. Alpha Housing Plan is a mortgage with a favourable interest rate of 4.0 per cent. for the first 18 months, and thereafter a choice of fixed interest rates for durations ranging from 3 to 15 years. Alpha Euro Rate is a variable interest rate mortgage, linked to the ECB interest rate. Finally, specifically for home refurbishment, the Bank offers Alpha House Repair Loans on flexible terms and procedures so as to reflect fully the specific needs of today's customers.

Alpha Bank finances up to 100 per cent. of the property's value or the construction/refurbishment budget, and the loan can also cover the expenditure related to the purchase (transfer tax and other transaction costs). Credit card and personal loans, and often special offers are available to all mortgage customers.

In the consumer loans sector, an increase was recorded in the following categories of products: (a) the Alpha 700 Open Personal Loan (with credit limit of €1,500 to €30,000), (b) the Alpha 702 Personal Loan, which, covers clients' personal needs (with credit limit of €1,500 to €30,000), and also, (c) the Alpha 710 Consumer Loan, for purchases of durable goods.

Moreover, the Bank introduced a new innovative product in the market, called Alpha X 5. This is a personal loan, which allows customers to obtain a personal loan with credit limit up to 5 times their monthly salary.

In addition, with the use of an advanced Internet technology, Alpha Bank has created a pioneering platform for a new loan scheme, which will allow specific retail firms (mainly specialising in the sale of cars and house appliances) to be able to facilitate the sale of their products using financing products offered by the

Bank. This financing scheme will also help the Bank to institute close relationships with the retail firms achieving very low operational costs.

Furthermore, with the intention of providing customers with greater ease of access to its financing products, Alpha Bank has created a call center for direct phone-applications with faster approval procedures. Trying to increase its consumer loans sales volume, the bank has conducted many promotional activities, such as advertising about its new products and direct mailing to its customers about its offers.

In the area of small and medium size firms, the Bank has expanded its loans portfolio and has increased its market share in small and medium sized firms. In particular, it has developed a series of innovative products exclusively designed to cover the finance requirements of firms and professionals depending on their yearly turnover.

For firms and professionals with yearly turnover up to Euro 75,000, the Bank offers loans for working capital with 10 per cent. refund on the amount of interest, loans for equipment/transport with interest refund 10 per cent., loans for business premises (Loan A 810, Alpha Leasing for business premises).

For firms and professionals with a turnover between Euro 75,000 and Euro 1,000,000, the Bank offers loans for working capital (loan for working capital with interest refund 10 per cent., Alpha 600 working capital with or without time limits), loans for equipment/vehicle (loan for equipment/transport with interest refund 10 per cent., Alpha Leasing for equipment/transport), loans for business premises (Alpha 810, Alpha Leasing for business premises and loans for fixed assets) and Alpha 500 (deposit account with overdraft facility).

Also, the Bank has developed the reward programme Alpha Pentathlon 2004, a group of products and services, aiming to cover special needs of firms and professionals. The products and services of the above mentioned programme have been grouped according to their nature in big five categories (loans, insurance products, electronic services, deposit accounts, cards). By collecting at least one product from every category of products/services, any firm will be considered a pentathlete and rewarded with a prize of its choice (software applications, corporate mobile telephony, participation in seminars on sales or management or tax/accounting).

The Bank provides a full range of corporate banking services to Greek companies, foreign corporations active in Greece and, to a lesser degree, public sector entities. Its portfolio at the end of June 2003 consisted principally of loans to trade (23 per cent. of total loans) and manufacturing (18 per cent. of total loans) sectors.

The Bank offers a number of services to its commercial customers including acceptance of deposits, short, medium and long-term lending both in euro and foreign currencies, bill discounting, foreign exchange dealing, dealings in treasury and money market instruments, letters of guarantee, factoring and leasing. Other services include capital markets and other cash and risk management services. The Bank also provides certain other banking services, including processing of its corporate customers, payrolls and clearing cheques and other money transfers for its customers.

The principal account for corporate customers is the Alpha 500 account, intended for clients who wish to maintain a single account that offers overdraft facilities and balance and account information. At the end of 2003, the Bank had approximately 50,000 corporate loan accounts outstanding. Alpha 620 is a three-year fixed rate loan for small to medium-sized companies, while Alpha 600, Alpha 605, Alpha 630 and Alpha 650 are targeted at large corporations. The Bank also provides corporate credit card services through a corporate Visa card and a corporate American Express card.

Total loans on a consolidated basis amounted to €22.4 billion at the end of September 2004 compared with €19.6 billion at the end of September 2003, registering an increase of 14.3 per cent. on a year-on-year basis. The Bank has one of the healthiest loan portfolios in the Greek banking market, with non-performing loans comprising less than 2.4 per cent. of its total loan portfolio at the end of 2003 and 2.6 per cent. at the end of June 2004. Loans to small and medium-sized firms as at the end of September 2004 represented approximately 45 per cent. of total loans, and loans to large corporations represented approximately 25 per cent. of total loans. Mortgage loans, to which the Bank placed special emphasis in 2002-2004, increased by 101 per cent. in 2002, by 30 per cent. in 2003 and by 23 per cent. on a year-on-year basis in September 2004, pushing Alpha Bank's market share to 14.3 per cent. at the end of June 2004, compared with 9.5 per cent. at

the end of 2001. Consumer loans (excluding credit cards) increased by 32 per cent. in 2002, by 35 per cent. in 2003 and by 52 per cent. on a year-on-year basis in September 2004, with Alpha Bank's market share reaching 12.6 per cent. at the end of June 2004, compared with 10.8 per cent. at the end of 2001.

*Card Services:* In the card business, Alpha Bank, with its twenty-two different products addressed to individuals and corporations, retains its leading position in the Greek market regarding both the issuance of credit cards (market share approximately 25 per cent.) and transaction clearing (market share approximately 35 per cent.). Alpha Bank is the only bank offering the entire range of Visa, American Express and MasterCard products.

Alpha Bank, the Official Bank of the Athens 2004 Olympic Games, was the exclusive Acquirer of all Visa transactions in the Olympic venues. The Athens 2004 Games successfully became the first Europay Mastercard Visa ("EMV") Olympics. In co-operation with Visa International, Alpha Bank utilised the latest technology (chip enabled terminals, wireless GSM, etc.) to create a flexible and safe transaction environment. The whole project ran smoothly despite its complexity in implementation.

The ATHENS 2004 VISA credit cards were the first Olympic banking products to be launched. These products were very popular, since cardholders had the privilege of participating actively in the preparations for the Athens 2004 Olympic Games. The first such card in circulation was the Gold ATHENS 2004 VISA, a unique, collectable, high-prestige card. In autumn 2001, the Silver ATHENS 2004 VISA card was launched, and as of January 2002, the ATHENS 2004 VISA Business. Part of the revenue generated from these cards was given to the Organising Committee of the Athens 2004 Olympic Games. All cards were participating in a reward program that offered the cardholders a variety of Olympic products as well as tickets for the Games. In June 2003, Alpha Bank in co-operation with the other two grand sponsors of the Olympic Games, OTE and COSMOTE (leading telecommunication companies), created a unique multi-retailer reward scheme called EPATHLON.

Alpha Bank completed the Athens 2004 Olympic series with Visa Money Olympic Games, the first EMV-Chip pre-paid card in the Greek Market. The card was addressed to national and international Sponsors, as well as the Olympic Family and its hospitality programs. In addition Athens 2004 Visa pre-paid cards for the general public were launched in two designs with the mascots of the Olympic Games on the face of the card.

Alpha Bank with about 1.6 million Visa cards (at the end of September 2004) has a leading position in the card market and is the largest Visa Issuer and Acquirer. The Dynamic Visa card, the co-branded cards with Carrefour stores is the most successful co-branded card in the Greek market. In the first nine months of 2004, the turnover of Visa credit cards increased by 25 per cent.

During 2003, Alpha Bank renewed the exclusive contract with American Express for another five-year period. In April 2004, Alpha Bank launched Blue from American Express, a card with a unique design, smart-chip features and built-in rewards. This was the first chip-based card presented into the public. In addition to that the American Express Membership Rewards scheme was introduced for the first time in the Greek market. The American Express credit card is available to the public and is the main vehicle for expanding the market share of American Express cards (September 2003—September 2004 saw an increase of 106 per cent.). The traditional American Express Green and American Express Gold cards maintain their leading position in the market regarding prestige and the Corporate American Express Card is considered the most distinguished corporate card. The total number of American Express cards increased by 71 per cent. (from September 2003 — September 2004) and the turnover by 35 per cent. in the first nine months of 2004.

The Bank consolidated its relationship with the Europay MasterCard International in early 2001 by issuing Alpha Bank MasterCard credit cards and Alpha Bank Maestro debit cards in early 2002. The portfolio of MasterCard and Maestro cards is growing fast and at the end of September 2004, around 300,000 cards were in use. The number of MasterCard credit cards increased by 60 per cent. (from September 2003 to September 2004) and the turnover by 50 per cent. in the first nine months of 2004.

In the field of department store cards, the Amway Card has been launched, in addition to Kalogirou and Nutriclub card.

In the last two years, the Bank has successfully utilised alternative channels for expanding the card business such as telemarketing, instant credit, direct mail and co-operations with retailers. In addition, in

order to reduce fraud transactions and enhance cardholder's protection, a new advanced fraud detecting system (Alaric) has been implemented for all card products during 2004.

Alpha Bank operates the largest Point of Sales ("POS") network in Greece, which is capable of clearing transactions of all major payment systems, Visa, MasterCard and American Express and consists of 35,000 EFT/POS terminals. During 2004 the migration of POS terminals to EMV and PIN, started. In October 2003, Alpha Bank and Eurobank agreed to develop a common POS network in Greece in order to take advantage of economies of scales and expand their Acquiring Business. Since 2003, Alpha Bank offers E-Commerce solution to merchants for Visa, MasterCard and American Express cards.

*Alpha Insurance:* In 1998, the joint venture with Generali Life was terminated, and Emporiki Insurance merged with Hellinobretanniki to form the new insurance company of the Group, Alpha Insurance. The Bank held initially 70 per cent. of the company's issued share capital and gradually increased its participation to 74.99 per cent. In June 2004, Alpha Bank increased its holding to almost 100 per cent. through the acquisition of 24.41 per cent. of the company's shares from minority shareholders.

Alpha Insurance is a composite insurance company offering life and general insurance coverage. It is constantly improving its position by gaining market share in the most profitable insurance sectors. Its general insurance portfolio has the best composition in the Greek general insurance market, since the loss making automobile sector accounts only for 21.2 per cent. of total production in general insurance as compared with 25.9 per cent. in 2002. Premium production in 2003 amounted to €134.1 million as compared with €122.3 million in 2002, an increase of 9.6 per cent.

Premia in the life insurance sector increased slightly by 5.4 per cent. to €59.1 million, while premia in the general insurance sector increased by 13.2 per cent. Alpha Insurance is one of the few companies in the Greek market advancing systematically the concept of bancassurance, by exploiting cross-selling opportunities within the Alpha Bank Group.

Alpha Insurance aims to achieve growth by reducing the exposure in the less profitable sectors and selecting carefully the risks assumed, in order to attain profitability rather than market share at all costs. Alpha Insurance increased its market share to 4.2 per cent. in 2003 as compared with 2.9 per cent. in 1998. By means of this self-sustained growth, it aims to become one of the top five companies in the market within three years. Alpha Insurance also intends to extend its network of 1,100 insurance advisors by concluding exclusive associations agreements and marketing banking products, such as mutual funds and loans for individuals, through the network. Constant attention is given to controlling and reducing operating costs.

Given the interest of the Alpha Bank Group in loans to the shipping industry, and that the Greek shipping sector is among the largest in the world, Alpha Insurance entered in January 2002 the field of shipping insurance brokerage by acquiring the company of P.P. Caramanos and Son (Insurance Brokers) A.E.

As of 31st December, 2003, Alpha Insurance had total assets of €353.4 million and own funds of €62.5 million. Profits before tax amounted to €2.8 million; an increase of 152 per cent. as compared with 2002. One of the main reasons for this result are attributed to the trading gains from the disposal of securities.

For the period ended on 30th June, 2004, Alpha Insurance posted profit before taxes of €1.2 million. As of the same date, total assets amounted to €370 million. Premia in both Life and General Insurance sectors increased to €72.5 million as compared with €64.8 million on 30th June, 2003.

Alpha Insurance participates in the share capital of the Alpha Bank Group companies, Alpha Insurance Romania and Alpha Insurance Cyprus Ltd with 14.99 per cent. and 17.95 per cent. respectively.

As of 30th June, 2004, Alpha Insurance had 389 employees.

*Alpha Leasing:* Alpha Leasing, established in 1981, provides a wide range of finance leases to approximately 4,000 customers. Major tax incentives that permit both interest and capital payments to be tax deductible have contributed to the rapid expansion of the leasing industry, bringing with it increased competition. Alpha Leasing is the largest leasing company in Greece, with a market share of approximately 18 per cent., based on leased assets. At the end of 2003 leased assets amounted to €777.6 million as compared with €720.1 million at the end of 2002. Following legislative changes that took place during 1999 and recent

tax laws, commercial real estate leasing has become important and Alpha Leasing has captured a leading market share in this particular sector.

Alpha Leasing is listed on the Athex. In February 2004, Alpha Bank announced a voluntary Public Tender Offer to acquire all minority holdings in Alpha Leasing. The Tender Offer was successful and the Bank increased its participation to 98.19 per cent. at the end of the Acceptance Period. Through subsequent open market purchases, Alpha Bank held directly and indirectly, as of 30th September, 2004, shares equal to 99.28 per cent. of the total outstanding shares in Alpha Leasing.

As of 31st December, 2003 Alpha Leasing had a market capitalisation of €216.1 million and posted profits before tax of €5.4 million, as compared with profits before tax of €15.3 million in 2002, due to an extraordinary provision of €14.3 million relating to a change in the accounting treatment of certain real estate. Total revenues increased to €161.7 million as compared with €150.5 million in 2002. Own funds as of the same date amounted to €253.4 million and total assets to €549.6 million.

On 30th June, 2004 the company had a market capitalisation of €257.3 million. Its pre-tax profit totalled €7.6 million and total assets €587.7 million.

As of 30th June, 2004, Alpha Leasing had 56 employees.

*ABC Factors:* ABC Factors was founded in 1995 as a 50/50 joint venture between the Bank and the Bank of Cyprus. It was the first Greek firm offering factoring services in Greece.

#### Services

offered include standard factoring for both domestic and international transactions and discounting of client invoices. Since its establishment, ABC Factors has been the factoring services market leader in Greece based on assigned invoices turnover and profits before tax. In October 2001, Alpha Bank acquired the remaining 50 per cent. of ABC Factors' share capital previously held by Bank of Cyprus.

For the year ended 31st December, 2003, profitability was enhanced, mainly as a result of the successful promotion of factoring services through Alpha Bank's branches. Despite high competition in the sector, ABC Factors retained a leading market share of 50 per cent. In 2003, profits before tax amounted to €9.4 million as compared with €7.7million in 2002. The value of active factoring contracts increased to €1.7 billion and total revenues (net interest and fee income) to €29.3 million. As of 31st December, 2003, own funds amounted to €41.2 million and total assets to €407.2 million.

For the period ended on 30th June, 2004, the company posted a pre-tax profit of €5.0 million. Total assets, as of the same date, amounted to €390.9 million.

As of 30th June, 2004, ABC Factors had 88 employees.

#### Corporate Banking, Shipping and International Activities

*Corporate Banking:* Over 2003, Alpha Bank's competitive position in the corporate banking market was further strengthened. The level of total financings surpassed Euro 3 billion, an increase of 10 per cent. against 2002, whilst the percentage contribution of the corporate loan portfolio to the Bank's total loan book rose to 14 per cent.

As in previous years, emphasis was placed on achieving optimal financial results, with respect to "risk reward" ratios, the quality of the loan portfolio, and non-interest income enhancement. It is noteworthy that 92 per cent. of total credits extended to large corporates under management and are of investment grade quality. In spite of difficult market conditions, no non-performing issues were raised.

The Bank had a primary role in the arrangement of the most significant lending transactions undertaken by large corporates in the Greek market, beyond its bilateral facilities. In particular, the Bank participated with a total amount of Euro 270 million in 19 syndicated loan and bond issues, in 14 of which it acted as Lead Arranger or Co-Arranger.

In addition, increased synergies were achieved through the cross selling of Alpha group products and services, beyond traditional corporate loans, such as retail banking products and services (credit cards, consumer and mortgage lending), private banking, leasing, factoring, project finance, insurance products, and investment banking services (IPOs, advisories, etc).

At the same time, the Bank's cross border activities increased significantly in countries in which the Bank has a regional presence and particularly in South-Eastern Europe. These activities contributed further to the Group's profitability and assisted greatly in the further development of corporate relationships.

The significant size and quality of the loan portfolio in combination with the high quality of services offered place the Bank in a leading position in the Corporate Banking market.

*Shipping Finance:* Shipping has traditionally been an important sector in the Greek economy. The Group did not have any presence in the ship finance area until 1996, when the decision was taken to diversify into marine finance through the establishment of a specialised shipping finance division operated by experienced personnel in a specialised branch in Piraeus (from 1998), the Greek shipping centre. The Bank already had a small portfolio of loans in the shipping sector following the acquisition in 1994 of the Commercial Bank of London PLC, now called Alpha Bank London Limited. The Bank has gradually and conservatively expanded its activities in this area and is today considered an important player in shipping finance in Greece, with a fully performing, high quality portfolio.

Between 1998 and 2003, the Bank extended its activities considerably in financing the shipping sector. The solid foundations laid over six years of active presence in the sector enabled a further growth of its portfolio and parallel activities, which in total yielded improved returns. In 2004, following a conservative policy (counter cyclical approach), the shipping portfolio remained unchanged. The balance of loans to the shipping sector as of 30th June, 2004 amounted to €0.9 billion, accounting for 4.0 per cent. of the Bank's total loans.

#### **International Banking Activities**

A significant factor reinforcing the presence of Greek firms in South-Eastern Europe is the improvement in the economic and political situation in the region. The advancement of important structural reforms in conjunction with the application of sound reconstruction and development programmes, contributes to the attainment of rapid growth and reinforces demand for financial services, rendering such countries very attractive. These factors have encouraged the Bank to keep strengthening its presence in the region. Currently, eight branches operate in Albania, one in Bulgaria, and three branches in Serbia and Montenegro. Group banks operate in Romania and in FYROM. The size and strong financial base of the Bank, in conjunction with its flexible structure, the high level of its technological infrastructure and its knowledge of economic, social and cultural conditions in these countries, allow it to expand rapidly the range of its activities.

*Albania:* The Bank's first branch in Albania commenced operations in Tirana in January 1998. Currently seven more branches operate in Durres, Elbassan, Gjirokaster, Berat, Vlora, Fier and in the Kakavja customs office. In the context of dealing with the increasing competition and with offering the best possible service to its clients, a further expansion is planned for 2005. The Bank's branch network in Albania is financing some of the most important business enterprises in the country and maintains the largest loan portfolio amongst all the banks operating there. Since 2003 the branch offers housing and consumer loans to its clientele. The personnel of our branches in Albania consist of 63 people.

*Serbia and Montenegro:* The Bank has been active in Serbia since 2002. The first branch commenced operations in Belgrade in July 2002 and was quickly followed by two more branches. The three branches now employ 32 people and offer the full range of banking services.

*Bulgaria:* The Sofia branch has been in operation since 1995 and undertakes all banking activities. It has advanced loans to important businesses (mainly Greek-owned) and holds a large number of accounts in local and other currencies. Following to the Bank's plan for the network expansion in South-Eastern Europe, the Sofia branch has been relocated, upgraded and restructured offering a better and faster service to its customers. Two new branches will be opened in the near future in Plovdiv and Varna. Also, the Bank plans to expand its network further in 2005. The branch employs currently 28 people.

*Romania: Alpha Bank Romania ("ABR")* (formerly Banca Bucuresti SA) was established in 1994. Through Alpha Bank Romania, the Bank was the first Greek bank to have operations in Romania. ABR was established to serve the Greek commercial presence in Romania and to take advantage of an undeveloped banking market. ABR is present in the main industrial and commercial cities of Romania through a network of 19 branches (seven are located in Bucharest and twelve in other cities in Romania) all of which are linked

by an on-line/real-time system. It was the first bank in Romania to operate with on-line communications to its branches.

ABR has posted steady growth and has managed to capture a significant share of the Romanian financial services market. It offers banking services to local and international firms. Through the other group companies in Romania, it has extended its activities into brokerage, investment banking, leasing and financial consulting services. It offers modern financial products and services such as Repos and Alaphine, and has a presence in the mortgage market.

During 2003, ABR expanded its network of branches, increased its loan portfolio by 51.8 per cent. (representing 69.4 per cent. of total assets) as well as its client base (both corporate and retail), and continued targeting the retail segment predominantly through mortgage loans. The number of clients increased by approximately 29 per cent. from 30,400 in 2002 to over 39,000 in 2003. On 31st December, 2003, ABR had total assets of €536.7 million, outstanding loans of €371.9 million and customer deposits of €214.8 million. Net profits increased to €6.9 million as compared with €5.7 million in 2002. Net interest income increased by comparison to 2002, due to the decreasing trend of interest rates in both banks' and customers' deposits. The net fee and commission income increased due to an increase in the number of clients, accounts, loans and the volume of documentary operations.

As of 30th June, 2004, total assets amounted to €628.7 million, customer loans to €458.5 million, and customer deposits to €252.3 million. For the same period ABR posted pre-tax profits of €3.3 million. The Bank owned, directly and indirectly, 96.41 per cent. of the issued share capital of ABR.

During the last few years, the Bank has increased its participation in the share capital of ABR, by means of successive share purchases of the minority shareholders. These transactions are in line with the Group's strategy to buy out the minorities of its core business subsidiaries. In August 2000, an Italian bank, Banca Monte Dei Paschi di Siena, acquired a participation in the share capital of ABR, which currently stands at 3.5 per cent.

As of 30th June, 2004, ABR had 607 employees.

*Alpha Leasing Romania* is one of the leading leasing companies in Romania, and has consistently grown since 1998, with a significant and healthy client portfolio of almost 1,000 local companies which enjoy the immediate and uninterrupted fulfilment of their needs and the best quality of services in the local leasing market. Despite the increased domestic and foreign competition, Alpha Leasing Romania maintains a leading position in the local market. Following market trends, as well as internal policies on credit risk and the robustness of the equipment portfolio, vehicles still represent the major part of Alpha Leasing Romania's business. Of the new assets booked during 2003, around 75.4 per cent. were vehicles, 19.88 per cent. was industrial equipment, 3.41 per cent. was office equipment and 1.29 per cent. was other types of equipment. In 2003, Alpha Leasing Romania had booked new leased assets of €36.1 million.

As of 31st December, 2003, total assets amounted to €40.7 million, revenues to €5.4 million and profits before tax amounted to €2 million, as compared with €1.5 million in 2002.

For the period ended at 30th June, 2004, the company posted a pre-tax profit of €1.4 million and had total assets of €46.6 million. In September 2004, Alpha Bank acquired shares held by minority shareholders, and thus currently holds, directly and indirectly, 99.18 per cent. of the total outstanding shares in the company.

As of 30th June, 2004, the company had 31 employees.

*Alpha Finance Romania ("AFR")* was established in 1994 as one of the first Romanian brokerage companies and now is one of the most active securities houses providing a full range of both brokerage and corporate finance services. Since then, AFR has built its reputation on the successful completion of complex and innovative transactions. It was nominated in 1999 as the Best Broker in Romania by prestigious international and local publications. It is also a founding member of the Bucharest Stock Exchange ("BSE") and of the National Association of Securities Dealers ("ANSVM"). AFR has developed an impressive presence in the brokerage field, being among the few and first Romanian brokerage houses that represented foreign portfolio investors in Romania by developing methods and techniques to satisfy western trading, settlement, custodian and reporting requirements. AFR strengthened further its market share in 2003 to 7.36 and 4.28 per cent. taking the first and fifth positions respectively, in the overall ranking among brokerage



houses in terms of the accumulated annual traded volume on both the Rasdaq market and the Bucharest Stock Exchange. Due to its in-depth knowledge of the developing Romanian capital markets and financial services sector as well as its top quality disseminated equity research, AFR has become the preferred local investment banking partner for global investment banks.

As of 31st December, 2003, AFR posted profits before tax of €0.09 million, as compared with a profit of €0.03 million in 2002, mainly due to the improvement in corporate finance activities and trading profits from the proprietary trading portfolio, coupled with the reduction in operating expenses. For the period ending 31st December, 2003, own funds amounted to €1.1 million and total assets were €1.7 million.

As of 30th June, 2004, the company posted profits before tax of €0.04 million. Total assets, as of the same date, amounted to €2.4 million. The Bank held, directly and indirectly, 99.11 per cent. of the company's share capital.

As of 30th June, 2004, AFR had 21 employees.

*FYROM:* In January 2000, the Bank concluded the acquisition of Kreditna Banka AD Skopje (renamed Alpha Bank AD Skopje), the fourth largest bank in FYROM. The initial participation in its share capital of 65 per cent. has been further increased to 100 per cent., through the purchase of the outstanding minority shares in April 2000 and in August 2002. Through Alpha Bank AD Skopje, the Bank aims to exploit an undeveloped banking market while at the same time serving the strong Greek commercial presence in Skopje. Three years after it was acquired by the Bank, Alpha Bank AD Skopje has been gaining the confidence of the business community and the depositors in FYROM and it was designated among the top ten companies in the country by the Skopje Chamber of Commerce. Moreover, it aims to achieve a higher market share in the retail banking within the next few years.

It provides traditional banking services, mainly to selected corporate clients. Its branch network includes seven branches.

In 2003, customer deposits amounted to €28.6 million. Customer loans, increased by 68.3 per cent. up to €17.2 million, while Alpha Bank AD Skopje pursued the improvement of asset quality and credit risk management.

In 2003, Alpha Bank AD Skopje's return on assets was 4.83 per cent. and the net interest margin was 4.89 per cent. Profit before taxes remained relatively flat amounting to €2.0 million in 2003. Total assets of the bank as of 31st December, 2003, amounted to €48.1 million and own funds to €19.4 million.

As of 30th June, 2004, total assets amounted to €41.3 million and profit before taxes to €1.2 million. As of the same date, Alpha Bank AD Skopje had 84 employees.

*Cyprus: Alpha Bank Cyprus ("ABC")* In October 1998, the Bank acquired 75 per cent. of the issued share capital of Lombard Natwest Bank, a subsidiary of the NatWest Group in Cyprus, which was then renamed Alpha Bank Cyprus. Through subsequent share purchases, the Bank has increased its stake to 100 per cent. of ABC's issued share capital.

ABC is one of the largest commercial banks in Cyprus, with a market share of approximately 8 per cent. of the loan market (year end 2003). It offers full banking services and is active in retail and corporate banking. Through its subsidiaries Alpha Finance, Alpha Asset Finance, Alpha Trustees and Alpha Insurance Company, it also covers a broad spectrum of other financial and insurance services. It has a network of 27 branches in all major cities of Cyprus, and the establishment of new Branches in selected locations is in progress. In March 2002, the new Main Branch of Nicosia was inaugurated.

In 2002, ABC launched new products in retail banking, and bancassurance. In 2001, ABC had also introduced housing and consumer loans and the Alpha Financial Planning Service. ABC is upgrading its branch network in accordance with the Group's standards, while a pilot programme employing a client-based approach has started operating successfully.

The rapid growth and expansion of operations, necessitated the enlargement of the bank's capital base and therefore, in years 2000 and 2001, ABC has effected share capital increases of CYP 50 million.

On 31st December, 2003, total assets amounted to CYP 1,041.7 million, profit before taxes to CYP 1.4 million and shareholder's funds to CYP 100.4 million. Profit before tax in 2003 (CYP 1.4 million)

was lower than 2002 (CYP 8.5 million) profits due to the increased provisions (from CYP 5.8 million in 2002 to CYP 16.2 million in 2003) for doubtful receivables and the change in accounting treatment on accrued interest from non-performing loans. Loans to customers amounted to CYP 636.0 million and customer deposits to CYP685.7 million.

During the first six months of 2004, Alpha Bank Cyprus posted a profit of CYP 5.4 million. Its total assets amounted to CYP 1,196.0 million. As of the same date, ABC had 569 employees.

*Alpha Insurance Cyprus ("AIC")* was founded in Cyprus in 1993, under the name "Metropolitan Insurance Ltd". In 1999 Alpha Bank Group acquired a majority shareholding in the company, which was subsequently renamed Alpha Insurance Cyprus.

AIC is an insurance company offering both life and non-life products. It is present in all major cities of Cyprus, with 11 branches.

In 2003, it had market shares of 3.3 per cent. and 2.6 per cent. in the general and life insurance sectors respectively, and posted substantial growth in the general insurance sector outperforming significantly the average sector growth rates. For the period ending 31st December, 2003, it posted a profit before tax of CYP 0.03 million. Own funds amounted to CYP 1.9 million.

For the period ending 30th June, 2004, the company posted a profit before tax CYP 0.15 million. Total premia in both the general and life insurance sectors amounted to CYP 5.3 million. As of the same date, the Bank held, indirectly, 99.89 per cent. of the company's share capital.

As of 30th June, 2004, AIC had 75 employees.

*United Kingdom and Jersey:* The Group also has an established presence in the British Isles, via its London Branch, Alpha Bank London Limited, Alpha Credit Group PLC and Alpha Bank Jersey Limited.

The London Branch of the Bank specialises in corporate banking activities.

*Alpha Bank London Limited ("ABL")* has been a wholly-owned subsidiary of the Bank since 1994. It was founded in London in 1922 as The Commercial Bank of the Near East Limited and in 1990 changed its name to Commercial Bank of London PLC. On 1st February, 1995 the name was changed to ABL. It is licensed to conduct banking activities in the United Kingdom and is regulated by the Financial Services Authority (supervising the provision of financial services in the United Kingdom). ABL has two Branches (City and Mayfair) and a wholly-owned subsidiary since 1997, named Alpha Bank Jersey, providing private banking services.

ABL provides traditional retail banking services and products, as well as mutual funds and nominee services. It is particularly active in property lending and private banking services, targeting expatriates in the Greek community. ABL intends to focus more on private and corporate banking activities, rationalising the retail segment by concentrating on low cost/high profit clients. It is equipped with modern systems and applications, which it constantly improves and upgrades, and offers services on a par with those offered by Alpha Bank in Greece aiming at a further expansion of its activities. Amongst its priorities for the next three-year period is to develop and utilise on-line banking solutions.

On 31st December, 2003, loans to customers, on a consolidated basis, amounted to GBP 203.8 million and customer deposits totalled GBP 398.3 million. Total assets amounted to GBP 481.8 million and own funds to GBP 57.0 million. Profits before tax amounted to GBP 4.04 million, posting an increase of 9.2 per cent., despite a low interest rate environment, the depreciation in value of the US Dollar against the British Pound and the increased competition for Euro deposits. This increase can be mainly attributed to interest free deposits from the Organising Committee of the Olympic Games.

As of 30th June, 2004, ABL posted, on a consolidated basis, total assets of GBP 447.9 million and pre-tax profits of GBP 2.07 million. ABL has 54 employees.

*Alpha Credit Group PLC* was set up in April 1999 in the UK and is an issuer under the Bank's EUR12 billion Euro Medium Term Note Programme. It is a finance subsidiary and its only activity is to raise funds and on-lend them to Alpha Bank.

Alpha Credit Group PLC currently has €8,044 million of the notes outstanding under the Programme and has on-lent the full cash proceeds to the Bank. The Bank owns 100 per cent. of Alpha Credit Group PLC's share capital.

*Alpha Bank Jersey* completed its sixth full trading year on 31st December, 2003, with profits before tax amounting to GBP 0.13 million. From 1st October, 2002, it took over the management of its own banking operations following Royal Bank of Canada's decision to no longer offer a managed banking service. On 31st December, 2003, Alpha Bank Jersey's total assets amounted to GBP 119.3 million, total loans to GBP 11.98 million and customer deposits to GBP 112.6 million. As of 30th June, 2004, total assets amounted to GBP 93.9 million and pre-tax profits to GBP 0.09 million.

### **Investment Banking**

*Alpha Finance*: Investment banking and the provision of consulting and brokerage services are undertaken by Alpha Finance. Alpha Finance is one of the leading securities firms active in the Athex with a market share of 8.68 (incl. block trades) per cent. in 2003, ranking third out of 87 brokerage companies. Despite the low volume of activity in the domestic capital market, Alpha Finance has maintained its strong presence in the Greek market. Beyond conventional brokerage transactions in the primary and secondary markets, the range of Alpha Finance's activities has broadened considerably to encompass underwriting and fiduciary services, and consulting services in share capital increases accompanied by parallel private placements. It is also active in the derivatives and capital markets, mergers, acquisitions, restructurings and privatisations. Alpha Finance increased its market share in 2003 to 8.68 per cent. as compared with 7.7 per cent. in 2002.

In 2003, revenue derived from Alpha Finance's corporate finance division amounted to €6.7 million whereas revenue from the brokerage division amounted to €10.2 million. Alpha Finance was active in almost all Greek privatisations, with the most important being the offering of shares of OPAP and the Public Power Corporation. Alpha Finance, through its advisory section, advised Philip Morris US and Vodafone UK in their respective Tender Offers for the acquisition of minority shareholdings in listed affiliate companies Papastratos S.A. and Panafon-Vodafone S.A.

For the period ended 31st December, 2003, Alpha Finance posted profits before tax of €4.3 million, as compared with €0.8 million in 2002, mainly as a result of increased revenues from corporate finance and brokerage services, as well as a decrease in staff and administration expenses. Own funds amounted to €37.7 million and total assets to €98.2 million.

For the first six months of 2004, the company posted a profit of €4.3 million, as compared to a loss of €1.4 million in the relevant period of 2003. Total assets, as of the same date, amounted to €76.4 million. The Bank held directly 99.62 per cent. and indirectly 0.38 per cent. of the company's issued share capital.

As of 30th June, 2004, Alpha Finance had 130 employees.

*Alpha Finance US Corporation ("AFUS")*: AFUS was established in New York in 1999. AFUS is a broker/dealer committed to serving the international needs of US Institutional and Private Clients. Through the Bank's subsidiaries and network of over 450 Branches in Greece, Great Britain, Cyprus, Romania, Bulgaria, Albania, and FYROM, AFUS is able to leverage its regional expertise in South-Eastern Europe by providing research, execution, and clearing services on an agency basis for equity and fixed income securities. Each AFUS client has direct access to South-Eastern European regional markets through the company's equity sales force.

AFUS is responsible for establishing a representative office of Alpha Bank in North America.

The Bank holds 100 per cent. of the company's share capital.

As of 30th June, 2004, AFUS had 4 employees.

*Alpha Ventures ("AV")*: AV is the venture capital arm of the Group, was established in 1990 and is one of the main venture capital firms in Greece.

AV provides start-up and development capital to newly established or growth companies not listed on the stock exchange. It invests in the form of equity and/or convertible debt, typically through a participation in a capital increase rather than a purchase of existing shares. AV generally takes a minority position varying

from 10 per cent. to 33 per cent. of the share capital of a company. Prospects for the venture capital/private equity sector are favourable, despite the current outlook of the Greek capital market. Demand for venture capital financing is expected to increase considerably in forthcoming years.

During the last three years, considerable progress was made as regards the process of restructuring the company in the following areas: application of internal procedures and MIS systems, development of new investment activities and rationalisation of the existing investment portfolio.

For the period ended 31st December, 2003, AV had profits before tax of €2.6 million, as compared with losses of €1.3 million in 2002, which can be mainly attributed to the profits earned from two divestments. As of the same date AV had total assets of €11.2 million and own funds of €11.1 million.

As of 30th June, 2004, the company posted losses of €0.13 million. Its total assets reached €11.1 million and own funds to €10.7 million.

All new venture capital and private equity investments of the Group are made through a new fund established in 2001 by the Bank, the Alpha Equity Fund. The management of this fund has been undertaken by AV. The approved capital for investments amounts to €44.0 million and up to year end 2003, €11.6 million have been invested. In 2003, Alpha Ventures assessed 71 investment proposals and made two new investments by means of participating in share capital increases.

AV is a fully owned subsidiary of the Bank. As of 30th June, 2004, the company had 8 employees.

Moreover, the Investment Banking Business Unit supervises the Group Treasury and its Sales and Trading Activities. The Bank is active in the interbank money, bond and derivatives markets, contributing to the Group's results. The use of sophisticated systems to measure market risk has contributed considerably to limiting risk, to the immediate adaptation to market conditions, and to improved performance. The Bank is active in the domestic primary and secondary bond markets. It has retained its high market share aimed at providing better service to clients from Greece and abroad. In addition the Bank is an active participant in both the primary and secondary European/Southeastern Europe debt markets. It also participated in organising and completing syndicated loans in the Greek and International markets. The trading units of the Treasury Division cover a wide range of products such as foreign exchange spot and forwards, foreign exchange swaps, money markets, options, debt securities and derivatives. The sales and market research units of the Treasury Division support the customer business of the Bank and provide products and services that fulfil the customer's treasury needs.

#### **Asset Management**

The management of funds entrusted to the Group by its clients and several other categories of investment services are undertaken by Alpha Asset Management and Alpha Investment Services. They develop new products on the market, manage and develop relationships with institutional investors, and manage the portfolios of the Group's mutual funds, its private banking clients and other customers. Promotion of investment products and services to private individuals is undertaken under the brand name Alpha Private Bank, which now encompasses, under a common management and strategy, the clients and networks of the Bank's Private Banking Division and of the Group company, Alpha Investment Services.

*Alpha Investment Services ("AIS")*: AIS was established in April 2001 in line with the Group's new administrative structure. The company is part of the Alpha Private Bank brand and it has undertaken the development and promotion of investment services and products to affluent individual investors. The substantial growth and the increasing complexity of money and capital markets in Greece as well as the expected shift of Greek investors towards international markets have developed the need for advanced and specialised financial advice. AIS promotes its services through a specialised network of 17 branches which are located in major Greek cities, out of which 13 are owned by AIS and four by the Bank. For 2003, AIS's turnover amounted to €4.5 million, its losses to €0.9 million, it had own funds of €2.4 million and total assets to €3.2 million.

As of 30th June, 2004, total assets amounted to €4.8 million, own funds to €4.2 million and profits before tax to €0.8 million. As of the same date, AIS had 102 employees.

The company is a fully owned subsidiary of the Bank.

*Alpha Asset Management ("AAM")*: AAM was established in 2000 in line with the new administrative structure of the Group and with the objective to provide institutional asset management services. Its activities encompass portfolio management, analysis of investment opportunities, research for new products and development of relationships with institutional investors. It provides portfolio management services to Alpha Mutual Fund Management, to Alpha Insurance and to other institutional clients. AAM manages a bond fund for IKA (Greek Social Insurance Institute), Greece's largest public sector pension fund and co-manages the assets of EDEKT-OTE, one of the largest private pension funds.

For 2003, AAM's turnover increased to €8.0 million, and profits before tax to €5.9 million due to the containment of operating expenses. As of 31st December, 2003, own funds amounted to €4.9 million and total assets to €11.4 million.

As of 30th June, 2004, total assets amounted to €8.7 million and pre-tax profits to €3.6 million. As of 30th June, 2004, AAM had 25 employees.

The company is a fully owned subsidiary of the Bank.

*Alpha Mutual Fund Management Company ("AMFMC")*: AMFMC is one of the leading open-end mutual fund management companies in Greece with a market share of 15.1 per cent. in 2003 (or 16.0 per cent. if money-market funds are excluded) up from 12.2 per cent. in 2002. With a market share of 22.7 per cent., AMFMC is also the biggest player in the Greek equities fund market. As of 30th June, 2004, AMFMC offers perhaps the widest selection of all mutual fund companies in Greece. A comprehensive range of 26 funds (seven bonds, 12 equity, four mixed and three money market) includes propositions from the Greek, European, US and Global markets with both actively and passively managed funds. In December, 2003, four new equity funds were launched, two of them covering the segment of high-tech and healthcare global industries while the other two are aggressive strategy funds for the Greek and Global markets. Shares in the funds are mainly sold and bought through a comprehensive on-line transaction network by Alpha Bank Branches, Alpha Private Bank Centres and by the insurance advisers of Alpha Insurance Company.

For 2003, AMFMC's turnover and gross operating profit amounted to €34.3 million and €15.6 million respectively and profits before tax to €14.4 million. Own funds amounted to €39.5 million and total assets €52.6 million.

As of 30th June, 2004, the company posted profits before taxes of €7.9 million. Total assets amounted to €52.4 million.

The prospects for the mutual fund management sector in Greece are favourable, despite the negative trends of the past 12 months. AMFMC's objectives include further differentiation and rationalisation of the product spectrum, the use of alternative networks, and co-ordination with Group companies towards promoting sales.

On 30th June, 2004, the Bank held, directly and indirectly 100 per cent. of the issued share capital of Alpha Mutual Fund Management. As of the same date, AMFMC had 35 employees.

#### **Other Activities of the Group**

*Delta Singular*: Major developments took place in the Delta Singular Group in 2004. In March of 2004 the company spun off its two core activities, namely IT Outsourcing Services and Systems Integration, into wholly owned subsidiary companies, Delta Singular Outsourcing Services and Delta Singular System Integrator. The third core activity of the Group, Software Development, had already been spun off to Singular Software in previous years. Delta Singular subsequently proceeded to sell Delta Singular Outsourcing Services to a US based dominant global corporation, First Data Corp. The value of the transaction topped €206 million and the Boards of Directors of both Alpha Bank and Delta Singular simultaneously proposed a merger between the two companies with a share exchange ratio of 10 Delta Singular shares to 1 Alpha Bank share. The merger balance sheet date was set for 31st July, 2004 and the merger is expected to be completed in the first half of 2005. As a result of the merger, Alpha Bank will issue approximately 7.56 million shares.

Having sold the most profitable segment of its business, and given the fact that the Greek IT sector has been facing a prolonged crisis, Delta Singular then proceeded with the sale of the other two companies, Delta

Singular System Integrator and Singular Software, to GIT Holdings — a company focused in investments in the Greek IT sector — for a total value of €26.5 million.

For the period ended 31st December, 2003, Delta Singular, on a consolidated basis, had total assets of €243 million and own funds of €149.9 million.

As of the merger balance sheet of 31st July, 2004, total assets amounted to €274.7 million and own funds amounted to €244.9 million.

The Bank currently holds, directly and indirectly, 38.76 per cent. of the company's issued share capital.

*Alpha Astika Akinita ("AAA")*: AAA was founded by the Bank in 1942. In June 1999, AAA's shares were listed on the Athex and subsequently the Bank's holding decreased to 51.79 per cent. of its issued share capital. As of 31st December, 2003, AAA's market capitalisation amounted to €82.3 million.

AAA offers a full range of services in the real estate sector. It acts as a broker or representative during the sale and purchase of real estate property and manages, leases and maintains property of clients. It also prepares valuations and development studies of real estate property owned by third parties, individuals and welfare funds and other institutions. In the area of assessments, large project certification, real estate development studies and investment assessment, the company is certified with the quality assurance system ISO 9000. It has a 29.1 per cent. stake in Propindex, a company, which acts as a valuer in the real estate sector. AAA aims to provide comprehensive services to Greek and foreign clients, in collaboration with Alpha Private Bank and the Group companies Alpha Asset Management and Alpha Finance US.

On 31st December, 2003, AAA had total assets €101.1 million and own funds of €91.6 million. Turnover amounted to €15.9 million, remaining relatively flat over 2002. Profits before tax increased by 28.7 per cent., amounted to €11.7 million, including €1.8 million of capital gains from the sale of a real estate property.

For the six month period ended 30th June, 2004, the company posted a pre-tax profit of €4.7 million. Total assets, as of the same date, amounted to €97.6 million and the market capitalisation of the company was €79.8 million. The Bank currently holds, directly or indirectly, 52.86 per cent. of its issued share capital.

As of 30th June, 2004, AAA had 37 employees.

#### *ICAP*

Since 1964, ICAP has been a market leader in business information and financial services, consulting and market research. Its activities fall into two large categories:

- (a) **Financial Information—Publications**: ICAP manages one of the largest commercial and financial databases in Greece, with a wide coverage of Greek companies. It has four branches in major Greek cities. For 38 years it published the unique "Greek Financial Guide" which is translated in English and distributed all around the world. The company is also a market leader in specialised business publications. In the year 2002, Financial Information and Publications accounted for 69.7 per cent. of total turnover.
- (b) **Market Research—Business Consulting**: It is one of the top five management consulting companies in Greece. In 2002, turnover from this particular sector accounted for 30.3 per cent. of total turnover.

As of 31st December, 2003, ICAP's total assets amounted to €20.0 million and own funds to €16.3 million. Turnover totalled €16.7 million and profits before tax increased by 71.2 per cent. to €2.1 million, mainly due to the reduction in operating expenses and non-occurrence of a portfolio revaluation loss posted in 2002.

For the six month period ended 30th June, 2004, the company posted a pre-tax profit of €1.2 million. Total assets, as of the same date, amounted to €20.4 million.

In April 2001, the Bank transferred to Commercial Bank of Greece 20 per cent. of ICAP's share capital. However, it still remains the largest shareholder with a participation of 26.96 per cent. As of 30th June, 2004, ICAP had 295 employees.

*Ionian Hotel Enterprises ("IHE"):* IHE was established in 1957 with the aim of constructing and operating high-quality hotel units. IHE is listed on the Athex and its market capitalisation, as of 31st December, 2003, amounted to €155.0 million. On the same date, the Bank held, directly and indirectly, 87.23 per cent. of IHE's issued share capital.

IHE owns the Athens Hilton and the Hilton Rhodes Resort. In June 2000, IHE concluded a new 10-year agreement with Hilton International to manage Athens Hilton, and an agreement to manage the Hilton Rhodes Resort. The Athens Hilton has been undergoing a full renovation since November 2001, which was completed before the 2004 Olympic Games.

IHE had a turnover of €27.2 million in 2003, as compared with €7.6 million in 2002, mainly due to the fact that the Athens Hilton became fully operational. For the same reason, IHE posted losses in 2003 of €4.4 million. Own funds as of 31st December, 2003 amounted to €108.7 million and total assets to €276.4 million.

As of 30th June, 2004, the company had losses of €3.1 million and a turnover of €19.3 million, although the figures are not comparable with the respective ones in 2003. Own funds reached €100.8 million and total assets €284.1 million.

As of 30th June, 2004, IHE had a total of 713, both permanent and seasonal, employees.

*Ionian Holdings:* Ionian Holdings is a company incorporated in the Hellenic Republic. It is a former subsidiary of Ionian Bank (formerly Ionian Finance) and under the new Group structure constitutes a holding company. As of 31st December, 2003, Ionian Holdings held 20 per cent. of the share capital of Alpha Mutual Funds Management Company, 0.3 per cent. of the issued share capital of Alpha Finance, 0.4 per cent. of Alpha Leasing, 1 per cent. of Alpha Equity Fund, 1 per cent. of Alpha Asset Management and 4.7 per cent. of Unisystems.

As a result of the merger between the Bank and the former Alpha Finance, which was effected through a share-exchange scheme in April 2001, Ionian Holdings exchanged its holding into former Alpha Finance with newly issued Alpha Bank shares, acquiring 9.7 per cent. of the Bank's issued share capital.

On 10th September, 2003, Ionian Holdings placed its entire participation in Alpha Bank A.E., ie. 8.6 per cent. of the share capital of Alpha Bank A.E., to institutional investors in Greece and abroad, via an accelerated book-build. The total size of the placement amounted to €273 million and directly strengthened the capital adequacy of Alpha Bank Group.

For the period ended 31st December, 2003, Ionian Holdings posted profits before tax of €97.0 million, due to one-off gains related to the private placement to institutional investors of Alpha Bank shares held in treasury. Own funds, as of the same date, amounted to €342.0 million and total assets to €354.5 million.

As of 30th June, 2004, the company had profits before tax of €0.2 million. Own funds amounted to €343.2 million and total assets amounted to €342.7 million.

#### **Distribution Network**

*Branch network:* The Group possesses an extensive branch network (Alpha Bank: 374 branches in Greece and 13 branches abroad, Alpha Private Bank: 17 branches, Alpha Bank Cyprus: 27 branches, Alpha Bank Romania: 19 branches, Alpha Bank AD Skopje: 7 branches, Alpha Bank London Ltd: 2 branches).

*ATM network:* The Bank created the first ATM network in Greece, which numbered 747 machines at the end of 2003. The ATMs are installed in branches or other premises (277 off-site locations) and cover the entire country. The branches of the Group's banks in Romania and Cyprus are also equipped with ATMs, and the first ATM in Albania installed in the Tirana branch is currently in operation.

The services provided by the Bank's ATMs have been augmented with additional facilities, such as transfer between Alpha Bank accounts, payment of mobile telephone subscription bills, card renewal (topping-up) on mobile card phones, updates of customer portfolios maintained by Alpha Finance, and settlement of clients' obligations to other companies, on a 24-hour basis.

*Alternative Distribution Channels:* In addition to the existing ATM and EFT/POS networks, the Bank provides banking services via alternative distribution channels. The first stage of the creation of the

infrastructure for the uniform characteristics of alternative distribution channels' customers was completed in 2001. All subscribers to the Alpha Web Banking, Alphaphone Call Centre and Alphaline units are gradually being brought into the system. Alpha Web Banking: Continuing its successful offer of free-of-charge banking services via the internet, the Bank has extended the range of services on offer. Subscribers, whose numbers increased by 73 per cent. by September 2004 as compared with September 2003, have now new facilities including mutual funds' updates, new payments (including fixed and mobile telephone bills), etc. A new component has been added for online maintenance of the user's profile (adding new accounts, credit cards, loans). Transactions (Jan to Sep 2004) increased by 74 per cent. as compared to 2003. Alpha Web Banking constantly holds a market share of about 50 per cent. in the public sector's electronic payments (VAT, Security Funds). A new version of Alpha Web Banking system specialised for company's use was launched June 2004.

*Alphaline (PC-Banking):* A new version of Alphaline (PC Banking service for corporate customers) has been launched aiming initially to facilitate multi-layer authorisation and control for execution of transactions of the member companies. The new system will gradually fulfil the cash/balance management needs of big companies. Alphaline has 2500 subscribers.

*Call Centre:* The Call Centre has been installed on the premises of First Data Hellas and is currently in operation. The Call Centre already provides information about products and services to all customers, offers a variety of phone banking transactions to Alphaphone subscribers and performs programmed outbound calls on the basis of the criteria submitted by users.

*Business-to-business electronic commerce:* The Bank has a 15 per cent. share in the company CosmoOne Hellas MarketSite S.A. ("CosmoOne"), which provides B2B e-commerce services by creating e-marketplaces and applications such as e-procurement or e-auctions. Apart from being a shareholder in CosmoOne, the Bank is also a customer, having already executed via its facilities successful auctions for procuring supplies. It is also intending to offer added value banking and financial services to customers the Bank shares with CosmoOne.

#### **Operations and IT initiatives**

In the year 2003, a significant reengineering program was launched covering all Bank's areas and activities. The main objective is to optimise the delivery of the "right" technology solutions at the "right" cost which will enhance the business proposition by providing seamless product supply chain, flawless customer services, paperless environment and supporting growth of annuity revenue.

The reengineering programme (which is in progress) based on a four year strategic plan (2004-2007) is leading to substantial cost reduction and enhancement of product offering. The programme's main activities are: Reengineering, simplification and standardisation of process flows, elimination of paper, consolidation of homogenous processing capabilities into centres of excellence of nationwide coverage (including the activities of local and international subsidiaries and branches) emphasis on automation and electronic delivery and focus on products.

Projects that have been or will be completed by the end of the year are: SAP accounting platform, Consolidation of several back office functions, Implementation of Electronic Funds Transfer state of the art System with anti money-laundering function, consolidation of SWIFT capabilities, Cheque Processing Center just to mention a few.

Several other projects are in advanced stage like Bank Trade System, Housing Loans Application, or scheduled for the coming year like Enterprise Workflow Engine, Loan Application, Image Processing and Electronic Archiving and Basel II.

Other areas covered by the reengineering program are telecommunications, network infrastructure, continuous enhancing of cards and alternative channels environment, outsourcing based on certain criteria etc.

#### **Management Information Systems ("MIS")**

In June 1998, the Bank established the MIS Division to oversee the management information system. The system has enormously improved information for strategic management decisions, marketing of new products, pricing, cost reduction, etc.



Since June 2000, the profitability of the Bank has been monitored on a business unit basis, while at the same time the application for the performance measurement of clients and specific groups of clients is being developed.

The MIS Division is responsible for providing budgeting and actual results and also for the profitability of the Group with a view to achieving more accurate, precise and detailed reporting to Management.

A team from the MIS Division is co-operating with consultants from SAP to install the Controlling Module (CO) in the Bank.

The majority of information produced by the MIS division is available on the Bank's Intranet for use by all branches, divisions and, of course, management, according to their respective needs.

### **Risk Management**

The Risk Management Division is responsible for measuring market, credit, liquidity, operational risk, control limits and the risk adjusted returns on capital for the Group. It is also responsible for preparing material for the Asset Liability Committee, which meets once a month.

The Bank uses the Value at Risk ("VAR") methodology to measure market risk. Back-testing is performed on a daily basis in order to check the validity of the models. The Risk Management Division is responsible for controlling trading limits. Trading activity in the dealing rooms in Cyprus, Bulgaria, and Romania is limited. However, in the near future the Bank plans to integrate VAR methodology in all dealing rooms. From 2002, the Bank installed KVAR+ credit risk module and is able to measure accurately the credit risk associated with treasury products (corporate bonds, interbank placements, etc).

For the banking book, the Risk Management Division uses IPS-Sendero as the asset liability management system.

For the measurement of credit risk, the Bank has a credit rating system, which assigns ratings to borrowers on the basis of financial data, previous payment behaviour and various qualitative criteria. Moreover the Bank has instituted specific approval limits at every level of approval and a specific credit policy depending on credit risk assessments. Finally the Bank continuously monitors changes in the creditworthiness of its borrowers and responds appropriately.

### **Internal Audit**

The Bank has maintained an Internal Audit and Inspection Division (the "Division"). It is an independent, objective assurance and consulting activity designed to add value and improve the Bank's operations. It helps the Bank to accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The main purpose of the Division is to assess the adequacy, application and effectiveness of internal controls within the Bank and the Group. The scope of internal audit also includes an assessment of the adequacy, application and effectiveness of risk management and corporate governance procedures, the financial information systems, testing of transactions and procedures, adherence to legal and regulatory requirements and special investigations.

The Division reports its findings and appraisals to the Board of Directors through the Audit Committee at least quarterly.

An annual risk-based audit engagement plan, developed by the Division (after considering a number of factors) and approved by the Audit Committee, serves as the basic determinant of the Units of the Bank to be audited throughout the year (whether Branches, Division or Affiliate Companies). Past history indicates that approximately two years are required for a complete branch network audit cycle.

The Division has a sufficient number of auditors that cumulatively possess the necessary knowledge and experience to effectively carry out the assigned tasks, including a team of IT Auditors.

According to Act No 2438/98 of the Bank of Greece, the Division is responsible for evaluating the adequacy and quality of the loan portfolio and its summary is reported to the Audit Committee. A copy of this report is submitted to the Bank of Greece.

A quality assurance review of the internal audit function is performed on a regular basis every three years. The independence and the effectiveness of the Division has been assessed by PricewaterhouseCoopers Business Solutions for the period 2001-2003 and the certificate, without any notice, was submitted to the Board of Director and the Bank of Greece.

### **Statistical Information**

Information included in this section, except where otherwise specifically referenced as relating to the Group, relates to the Bank only and does not include the Bank's consolidated subsidiaries. In addition, where information is specified as referring to the Bank's domestic activities, such information excludes the activities of the Bank's foreign branches. As at 31st December, 2002, the Bank accounted for approximately 95 per cent. of the Group's total assets.

The statistical data presented below may differ from data included in the financial statements of the Group and of the Bank included elsewhere in this Offering Circular. In certain cases, the statistical data are derived from statutory reports and from statistical data reported in the forms prescribed by the Bank of Greece for regulatory purposes. Such data are compiled as part of the Bank's financial reporting and management information systems.

### **Custodian Services**

The operations division of the Bank performs the custodian functions of the Alpha Bank Group. These services are offered to domestic and foreign institutional clients. The Bank holds approximately €4.9 billion of portfolio value on behalf of its clients. Profits of the Bank attributable to the provision of custody services were €3.5 million in 2003. The Bank's principal customers for custodian services are brokerage firms, insurance companies and mutual funds, including Alpha Mutual Fund Management Company which is the Bank's largest single custodial client.

### **Employment**

As of 30th September, 2004, the Group employed 9,129 persons of which 7,231 in the Bank. During 2003, a programme offering retirement incentives was introduced. The programme facilitated the departure of about 6 per cent. of the Group employees and facilitated the promotion of new echelons.

Training of the Bank's employees is an important objective, with a view to reinforcing middle management. In-house training includes seminars on professional areas of interest such as management, product awareness and marketing. This training is held primarily at the Bank's training facilities in Athens. Employees are also offered an opportunity to attend external training courses both in Greece and abroad. E-learning has been recently introduced as a pilot programme in many branches.

Almost all of the Bank's staff are members of one of the trade unions operating within the banking sector. Each of these trade unions falls under the umbrella of the general union of banking sector employees ("OTOE") and, ultimately, the General Confederation of Greek Workers. Collective bargaining agreements are normally signed between representatives of the Greek banks and OTOE and then implemented by each Bank in conjunction with its own unions. Several topics are discussed and agreed between the involved parties every one or two years. The Bank maintains good relations with its personnel unions and there have not been any industrial disputes affecting the Bank during the last fourteen years.

According to studies made for International Accounting Standards purposes as of 31st December, 2003, the Bank had an outstanding obligation to the pension fund of approximately €133.7 million. In order to meet this obligation, the Bank's annual contribution to the pension fund for 2004 will amount to €52.3 million. The Bank's obligation to the pension fund, and accordingly, its annual contribution is subject to annual actuarial review. Moreover, the Bank has undertaken a liability estimated at €30 million (after tax), which was disclosed in the Bank's Notes to the Accounts in June 2004, deriving from the welfare branch of the main retirement benefits plan of the former Ionian Bank employees, which was incorporated into the State's social security plan (IKA) in early 2004.

### The Group's Asset and Loan Portfolio

The following table shows a breakdown of the Group's assets:

	<i>At 31st December,</i>		<i>As of</i>
	<i>2002</i>	<i>2003</i>	<i>30th</i> <i>September,</i> <i>2004</i>
	<i>(Millions of Euro)</i>		
<b>Assets</b>			
Cash and balances with Central Banks .. .. .	1,412.6	1,150.4	1,528.5
Treasury bills and other eligible bills for refinancing with the Central Bank.. .. .	2,190.2	417.1	1,557.5
Placements with, and loan and advances to, other banks .. .. .	4,167.1	6,440.6	7,412.7
Government and other securities held for dealing purposes .. .. .	2,242.6	1,300.4	625.1
Loans and advances to customers, net .. .. .	17,595.4	19,845.4	21,771.5
Investments .. .. .	223.2	262.4	313.4
Intangible assets, net .. .. .	80.3	86.6	101.5
Tangible assets, net .. .. .	336.8	717.5	722.9
Other assets .. .. .	607.0	582.5	728.8
<b>Total Assets .. .. .</b>	<b>28,855.2</b>	<b>30,802.9</b>	<b>34,761.9</b>

*Funding:* As of 30th September, 2004, total consolidated customers deposits amounted to €21.1 million compared to €21.9 million in the corresponding period in 2003 (a decrease of 3.6 per cent.). Management estimates that the Bank's total customer deposits including Alpha Bank bonds in 2003 represented approximately 14.6 per cent. of the customer deposits of all banks operating in Greece.

The following table shows a breakdown of the Group's deposits:

	<i>At 31st December,</i>		<i>As of</i>
	<i>2002</i>	<i>2003</i>	<i>30th</i> <i>September,</i> <i>2004</i>
	<i>(Millions of Euro)</i>		
Current accounts .. .. .	4,188.6	4,561.9	5,062.2
Savings accounts .. .. .	8,227.1	8,610.0	8,880.7
Time deposits .. .. .	5,100.6	5,247.0	4,920.0
Other amounts due .. .. .	5,674.7	3,388.3	2,260.8
<b>Total .. .. .</b>	<b>23,191.0</b>	<b>21,807.2</b>	<b>21,123.7</b>

As of 30th September, 2004, the Group's deposits, in currencies other than euro, amounted to €5.7 million (approximately 27.1 per cent. of total deposits). Deposits are subject to a 2 per cent. reserve requirement by the Bank of Greece.

*Lending:* The Bank offers a wide range of credit instruments to domestic and foreign businesses, the Greek State (which includes state and municipal corporations and central government) and households, including term loans, the discounting of commercial bills and the provision of overdraft facilities, guarantees and letters of credit.

The following table shows a breakdown of the Group's loan portfolio (excluding inter-bank loan) as a percentage of its total loan portfolio as at the dates indicated:

	<i>At 31st December,</i>		<i>As of</i>
	<i>2002</i>	<i>2003</i>	<i>30th</i>
			<i>September,</i>
			<i>2004</i>
	<i>(per cent.)</i>		
Trade .. .. .	21.7	20.7	20.1
Manufacturing .. .. .	19.3	15.6	17.2
Individuals (consumer, credit cards, mortgages) .. .. .	23.6	26.3	28.6
Government .. .. .	3.6	2.4	1.7
Shipping .. .. .	5.2	4.2	3.9
Tourism .. .. .	5.2	5.8	5.7
Leasing .. .. .	3.4	3.5	3.8
Other .. .. .	18.0	21.5	19.0
<b>Total .. .. .</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

The Bank follows what it believes to be prudent lending policies based on a thorough evaluation of its customers' creditworthiness.

Depending on the size of the exposure, loan applications are examined by the branches, regional head offices, the Bank's Area Credit Committee and the Bank's Senior Credit Committee. The Bank also actively monitors the changing Greek economic environment in order to identify potential risks in its portfolio. A comprehensive credit analysis procedure is undertaken. The Bank is in the process of developing and implementing a more sophisticated asset and liability management system. The Bank, as at December 2003, has a non-performing loan book at 2.8 per cent., which is lower than many of its competitors, and has enjoyed a decline in bad loans as a proportion of the total loan portfolio. A new MIS is being developed to enhance the monitoring of credit risk.

The majority of the Bank's loans are in Euros. The share of foreign exchange at 30th June, 2004 represents approximately 7.9 per cent. of the total loans outstanding. The Bank incurs limited foreign exchange risk from its foreign currency lending as it aims to match foreign currency funding and lending.

As of June 2003, the Bank of Greece issued the Governor's act 2523/12.6.2003, which provides for the abolition of various restrictions applied in consumer credit extended by domestic banks. In particular, the restrictions that were abolished were the following: (a) the provision that the amount of credit that Greek banks in aggregate were able to grant to an individual should not exceed €24,000 per year per individual; (b) the provision that the amount of credit advanced without limitation on use should not exceed €3,000; (c) the provision that the amount of overdrafts from a sight deposit account should not exceed €1,500 and (d) the provision that the amount cash withdrawal through credit cards should not exceed €1,000 per month. These limits were not applicable to house mortgage loans. Both mortgage and consumer lending, following this final act of complete liberalisation of the market, are expected to continue to be a robustly growing aspect of the Bank's business.

#### **Credit Analysis Procedures**

The Bank follows a set procedure for the approval of new loans and the review of existing facilities. Branches, according to their size, enjoy the discretion to authorise loans up to given limits of €0.6 million to €1.6 million. Above these limits, approval must be sought from one of the 8 regional head offices, which may authorise loans up to €10 million.

Loan applications beyond the regional head office's discretion are submitted to the appropriate Executive General Manager. If the actual or potential exposure to a customer is in excess of €5 million, the credit application must first be reviewed by the Bank's Credit Division before being submitted to the relevant authorisation level. The approval of all loan applications which give rise to an actual or potential exposure to a customer in excess of €30 million is subject to the confirmation of the Bank's Board of Directors.

Apart from reviewing large exposures in excess of €5 million, the role of the Credit Division is to report to the Bank's appropriate Committee (depending on the size of the Bank's potential exposure) on problematic issues or areas within each of the sectors in which the Bank undertakes credit risk. In addition, the Credit Division conducts creditworthiness reviews and analyses and reports on sectorial economic data relevant to the Bank's business.

Exposures to groups of interrelated counterparties are considered on a consolidated basis. Credit lines are reviewed once a year, or more frequently (semi-annually) depending on the loan's risk factor (as calculated by the Bank's internal risk measurement system).

### **Loan Loss Provisions and Experience**

#### *Problem Loans — Classification:*

For statutory purposes, the Bank's classification policy with regard to problem loans is as follows:

- (a) *Non-performing loans:* If interest or principal on a loan has not been paid for up to three months, the relevant branch initiates collection procedures immediately by notifying the borrower that payment has not been made. These loans are classified as in arrears until payments on the loan have been overdue for more than three months. At this stage, the loan is referred to the Non-Performing Loans Division and thereafter classified as non-performing on the Bank's balance sheet. If, after further attempts by the Non-Performing Loan Division to recover outstanding arrears, the loan remains overdue, formal notice of default is given to the borrower, court proceedings are commenced and the whole loan becomes immediately due.
- (b) *Bad debts:* After court proceedings are commenced, the Bank reviews the relevant loan and determines, having regard to the collateral available, the financial position of the borrower and any guarantor, the strength of the Bank's case and the amount of the loan which is likely to ultimately be recoverable. To the extent that all or part of the loan is considered unlikely to be recovered, or if the Bank considers that it will be unsuccessful in the relevant court proceedings, the loan (or relevant part thereof) is treated as a bad debt. Prior to the determination of court proceedings, the position in relation to each loan is reviewed on a regular basis and, in any case, at least annually.

Non-performing loans, subject to limits of between €60,000 and €175,000 are managed by the relevant branch depending on the size of the branch. The Non-Performing Loans Division has general discretion to manage non-performing loans greater than €175,000 but not exceeding €3 million, to initiate litigation for loans greater than €60,000 but not exceeding €3 million, and to auction property for loans up to €2 million or to enforce bankruptcy or insolvency proceedings for loans not exceeding €3 million. Members of the Non-Performing Loans Committee include an Executive General Manager and the acting principal officer of the Non-Performing Loans Division and representation from the Bank's legal department. Non-performing loans greater than €3 million but not exceeding €5 million are managed by the Non-Performing Loans Committee, which is headed by the Executive General Manager. Non-performing loans in excess of €5 million are considered by a committee which includes the Chairman or the Executive General Manager. Non-performing loans in excess of €10 million are referred to the Board, which reviews the position on the basis of the recommendations of the division.

#### *Loan Loss Provisions*

The Bank's usual practice has been to write off semi-annually an amount approximating to the increase in bad debts in the relevant year. Any such writing-off of bad debts has no effect on the profit and loss accounts of the Bank until the amounts written off exceed available total loan loss provisions. In this event, additional provision would be made in the profit and loss account. The Bank has never had to make such an additional provision.

Banks in Greece are allowed, for tax purposes, to provide for loan losses of up to 1 per cent. of the average annual balance of their loan portfolio, except for loans guaranteed by the Greek State (primarily to entities owned by the Greek State). Consequently, for statutory purposes, the Bank makes loan loss provisions on this basis by charging its Profit and Loss Account. In addition, the Bank follows the policy of writing off uncollectable balances during the year by reducing the loan loss reserves. At 30th June, 2003, the

balance of loan loss reserves was €369 million. The management of the Bank considers this to be adequate to cover loan losses.

Non-performing loans are expected to increase as lending increases, although the Bank expects that non-performing loans, as a proportion of the loan portfolio, will remain relatively low. As of 30th June, 2004, non-performing loans represented 2.6 per cent., and bad debts represented 0.5 per cent. of all loans, respectively. Bad debts are fully provided for with specific provisions. Branch managers are encouraged to inform the Non-Performing Loans Division of any specific adverse factors affecting a borrower's ability to repay loans.

The following table provides a breakdown of the Bank's non-consolidated loan loss provisions and amounts written off as at the dates and for the periods indicated:

	<i>At 31st December,</i>		<i>As of</i>
	<i>2002</i>	<i>2003</i>	<i>30th June,</i>
	<i>(Millions of Euro)</i>		
<b>Loan Quality</b>			
Total loans .. .. .	15,260.8	17,947.0	19,295.0
Non-performing loans .. .. .	331.4	434.4	503.5
Bad debts .. .. .	35.3	62.4	116.7
Total loan loss provisions .. .. .	315.0	439.7	529.9
Addition to loan provisions during the year .. .. .	139.1	166.2	92.2
Amounts written off during the year .. .. .	53.0	41.5	2.0
		<i>(per cent.)</i>	
Non-performing loans as a percentage of total loans(1) .. .. .	2.4	2.4	2.6
Bad debts as a percentage of total loans (1) .. .. .	0.2	0.4	0.6
Bad debts as a percentage of non-performing loans .. .. .	9.6	12.6	19.5
Loan loss provisions as a percentage of total loans (1) .. .. .	2.1	2.5	2.8
Loan loss provisions as a percentage of non-performing loans .. .. .	85.9	88.5	88.4
Write-offs as a percentage of non-performing loans .. .. .	14.5	8.4	3.8

Note:

(1) Loans to the public sector and guaranteed by the Greek State are not included.

#### **Asset and Liability Management**

The Bank's asset and liability management policy is designed to structure its balance sheet in order to control exposure to liquidity, interest rate and exchange rate risks, as well as to enable the Bank to take advantage of market opportunities which it believes may contribute to its profits. Overall responsibility resides with the general management of the Bank to determine its general asset and liability policy. Day-to-day asset and liability management is delegated to the Treasury Division. The positions that could be taken by each operating unit are, however, limited by specific guidelines established by the general management relating to interest rate, exchange rate and liquidity exposure.

#### **Interest Rate Exposure**

Exposure to interest rates arises where the Bank has a mismatch of assets and liabilities in which interest rates change from time to time. The Bank closely monitors overall exposure to interest rate risk and the impact that individual transactions may have on such exposure. The Bank's policy is to manage closely interest rate exposures and to limit the potentially adverse consequence of interest rate movements on profitability while seeking to take advantage of opportunities presented by prevailing or expected trends in market interest rates.

The Bank principally uses a maturity gap analysis to measure interest rate risk, which measures shifts in the value of the Bank's assets as a result of a 1 per cent. change in interest rates.

### Exchange Rate Exposure

The Bank's goal in managing exchange rate exposure is to minimise the effect of exchange rate movements on profitability. The Bank adheres to the Bank of Greece guidelines and endeavours to match its foreign currency denominated assets with liabilities denominated in those same currencies.

The following table sets out the Group's assets and liabilities by those denominated in Euro and those denominated in other currencies for the Group as of 30th June, 2004. Implied foreign exchange mismatches are covered through off-balance sheet transactions.

<i>As of 30th June, 2004</i>					
	<i>EURO</i>	<i>USD</i>	<i>JPY</i>	<i>Other Foreign Currencies</i>	<i>Total</i>
	<i>(in million EUR)</i>				
<b>Assets</b>					
Cash and due from Central Bank ..	955.0	91.5	0.0	158.7	1,205.2
Securities owned .. .. .	2,522.2	236.6	0.0	193.1	2,951.9
Credit institutions, gross .. .. .	4,129.2	436.2	8.0	64.1	4,637.5
Customers net .. .. .	18,299.8	1,351.4	172.3	1,517.9	21,341.4
All other assets.. .. .	1,423.3	13.9	2.4	62.6	1,502.2
<b>Total assets.. .. .</b>	<b>27,329.5</b>	<b>2,129.6</b>	<b>182.7</b>	<b>1,996.4</b>	<b>31,638.2</b>
<b>Liabilities</b>					
Credit institutions .. .. .	235.1	218.2	1.4	265.2	719.9
Customers .. .. .	13,603.6	2,154.2	1,415.1	1,425.5	18,598.4
Repurchase agreements .. .. .	2,957.0	0.0	0.0	0.0	2,957.0
All other liabilities.. .. .	6,845.4	16.7	2.0	76.9	6,941.0
<b>Total liabilities.. .. .</b>	<b>23,641.1</b>	<b>2,389.1</b>	<b>1,418.5</b>	<b>1,767.6</b>	<b>29,216.3</b>
Net Balance Sheet Position .. .. .	3,688.4	(259.5)	(1,235.8)	228.8	2,421.9
Net Off Balance Sheet Position .. .. .	(1,607.8)	281.5	1,237.2	99.4	10.3

### Capital Adequacy

The capital adequacy ratios applicable to Greek banks conform to EU requirements, which in turn reflect the guidelines of the Basel Committee. See "Supervision" below. On a consolidated basis the Tier 1 capital ratio at 30th September, 2004, calculated in accordance with Greek GAAP, was 10.3 per cent. while the capital adequacy ratio was 14.7 per cent.

### Supervision

The Greek banking system is supervised by the Bank of Greece, which is the country's central bank. The Governor and Deputy Governor of the Bank of Greece are currently nominated by the government, which is also able to influence the election of the remaining nine members of the Central Bank's general council. The Central Bank is responsible for: the issue of bank notes; the conduct of monetary policy; the licensing of new banks and the supervision of banking mergers and acquisitions; the authorisation of foreign banks wishing to establish branches in Greece; and the protection of bank depositors. Generally, the Central Bank is charged with ensuring the soundness of the banking system and serving as lender of last resort to banks.

According to regulations set by the Central Bank of Greece, up to 1999, an amount representing the 12 per cent. of the average balances of specific categories of customer deposits, was maintained equally in either interest and non-interest bearing deposits with the Central Bank of Greece, and was not readily available to finance the Bank's day to day operations. In the course of 2000, this percentage was reduced to 2 per cent. In this respect, Central Bank of Greece released 10 per cent. of the excess amount on 1st January, 2001, while the remaining 90 per cent. has been released in three equal semi-annual instalments starting July

2001. The above funds are restricted and can become available only after the approval of Central Bank of Greece, following a written 30-day notice. The remaining accounts with the Central Bank of Greece relate to balances that are used for daily settlements and other activities and are available for withdrawal at any time during the year.

The Bank of Greece is responsible generally for the continuing supervision of banks, which are in turn required to provide information on a regular basis which enables the Bank of Greece to assess the solvency and liquidity of each bank, as well as the adequacy of its internal controls. Specifically, the Bank of Greece requires each bank operating in Greece to submit to it on a monthly, quarterly, semi-annual and annual basis, detailed statements of such bank's general financial position, liquidity, loan portfolio, provisions, deposits, investments, foreign currency transactions, assets and certain other details.

#### *Treasury*

The Treasury Division is responsible for managing the Bank's assets and liabilities. Its goal is to maximise the Bank's income, according to certain established risk policies and limits, and manage the liquidity requirements deriving from all the Bank's commercial and trading activities.

Interbank counterparty and trading limits are reviewed by the Board of Directors of the Bank at least annually. Internal procedures are in place to ensure adherence to the limits and processes. The Risk Management unit of the Bank is responsible for monitoring adherence and reports directly to the General Management. The Risk Management unit applies daily, sensitivity analysis methods and the value at risk methodology to measure the interest and foreign exchange exposures of the Bank and runs monthly stress testing scenarios. It produces management review reports and presents them to the Executive General Management and the Treasury Division.

The Asset and Liability Committee ("ALCO") which comprises the Executive General Management and the management of Treasury, Risk Management, Accounting and Economic Research divisions, meets on a monthly basis unless otherwise required. It reviews interest rate exposure, operational liquidity, pricing strategies, regulatory requirements and developments and capital adequacy directives and is responsible for the prudent planning and management of the on- and off-balance sheet of the Bank in order to optimise the Bank's overall performance.



## Subsidiaries and Associates

The following table sets out certain details in relation to the participation of the Bank in its principal subsidiaries and affiliated companies:

### Financial data as of 31st December, 2003

Name of Subsidiary/Affiliated companies	Business activity	Direct <sup>1</sup>	Indirect <sup>1</sup>	Total	Total Assets	Shareholders' equity	Net Profit Before
							31st December, 2003
							Tax 1st January, 2003 to
							(€ thousands)
<b>DIRECT AND INDIRECT HOLDING</b>							
Listed on the ASE							
Alpha Leasing A.E.	Financial Leasing	77.00%	0.41%	77.41%	549,625	253,411	5,365
Delta Singular AE	Specialised computer services	38.76%	0.00%	38.76%	207,853	147,385	12,617
Alpha Astika Akinita A.E.	Management of Real Estate	52.86%	0.00%	52.86%	101,115	91,601	11,692
Ionian Hotel Enterprises S.A.	Hotel Property management	87.23%	0.00%	87.23%	276,406	108,670	(4,360)
Not Listed on the ASE							
Alpha Bank London Ltd	Banking	100.00%	0.00%	100.00%	643,060	78,443	5,268
Alpha Bank Cyprus	Banking	100.00%	0.00%	100.00%	1,776,422	171,232	2,313
Alpha Bank Romania S.A.	Banking	95.45%	0.95%	96.40%	536,729	62,079	6,440
Alpha Bank AD Skopje	Banking	100.00%	0.00%	100.00%	48,119	19,403	2,046
Alpha Finance AXEPEY	Investment banking-brokerage	99.62%	0.38%	100.00%	98,189	37,672	4,274
Alpha Mutual Fund Management A.E.	Mutual Fund Management	80.00%	20.00%	100.00%	52,569	39,486	14,369
Alpha Ventures A.E.	Venture Capital	100.00%	0.00%	100.00%	11,220	11,059	2,585
Alpha Asset Management	Asset Management	99.00%	1.00%	100.00%	11,364	4,906	5,918
A.L.C. Nouvelle Investments Ltd	Private Equity Fund	33.33%	0.00%	33.33%	18,610	15,348	(588)
Danube Fund Ltd <sup>2</sup>	Private Equity Fund	19.73%	5.44%	25.17%	9,891	9,849	519
Messana Holdings S.A.	Holding Company	99.00%	1.00%	100.00%	6,955	11,600	4,303
Alpha Insurance A.E.	Life and General Insurance	74.99%	0.00%	74.99%	353,380	62,477	2,760
Alpha Insurance Agents A.E.	Insurance Agents	100.00%	0.00%	100.00%	4,743	583	4,249
ABC Factors A.E.	Factoring	100.00%	0.00%	100.00%	407,189	41,213	9,444
Icap A.E.	Consulting and Market research	26.96%	0.00%	26.96%	19,959	16,337	2,072
Ionian Holdings A.E.	Holding Company	100.00%	0.00%	100.00%	354,472	341,964	97,027
Alpha Credit Group PLC	Special Purpose Vehicle	100.00%	0.00%	100.00%	3,662,226	2,219	2,152
Okeanos A.T.O.E.E.	Real Estate	100.00%	0.00%	100.00%	25,018	19,216	70
Alpha Finance US Corporation	Investment banking-brokerage	100.00%	0.00%	100.00%	1,979	1,905	(777)
Alpha Finance Romania S.A.	Investment banking-brokerage	45.68%	53.43%	99.11%	1,659	1,118	86
Alpha Leasing Romania S.A.	Financial Leasing	12.94%	38.93%	51.87%	40,778	5,419	2,039
Alpha Insurance Romania S.A.	Life and General Insurance	65.00%	30.53%	95.53%	1,658	229	(615)
Gaionomon A.E.	Real Estate	20.00%	0.00%	20.00%	1,437	1,395	(446)
Alpha Investment Services E.M.E.Y.	Private Banking	99.00%	1.00%	100.00%	3,157	2,405	(958)
Alpha Equity Fund	Venture Capital	99.00%	1.00%	100.00%	16,107	16,103	246
Alpha Group Jersey <sup>2</sup>	Special Purpose Vehicle	100.00%	0.00%	100.00%	301,089	1,089	10,702
<b>INDIRECT HOLDING ONLY</b>							
Alpha Insurance Brokers	Insurance Brokers		71.24%	71.24%	8,318	175	402
Alpha Bank Jersey Ltd	Banking		100.00%	100.00%	119,318	6,507	124
ABL Independent Financial Advisers Ltd	Advisory Services		100.00%	100.00%	768	645	294
Alpha Asset Finance Cyprus	Financial Leasing		100.00%	100.00%	35,968	6,849	281
Alpha Trustees Ltd	Trustees services		100.00%	100.00%	150	(261)	(123)
Alpha Insurance Cyprus Ltd	Life and General Insurance		95.51%	95.51%	27,971	3,261	149
Alpha Finance Cyprus Ltd	Investment Banking-brokerage		100.00%	100.00%	2,164	2,155	(399)
Alpha Bank London Nominees Ltd	Nominee services		100.00%	100.00%	—	—	—
Singular Software AE	Software		38.76%	38.76%	34,708	16,624	1,948
AEF European Capital Investment BV	Holding Company		100.00%	100.00%	5,097	5,089	(60)

#### Notes

- (1) The Bank's participating rates on group companies are based on portfolio data as of 31st December, 2003.
- (2) Financial data of Danube Fund as at 30th April, 2003.

### Average Balances and Interest Rates

The following table sets forth Greek GAAP consolidated average balances of the assets and liabilities of the Bank for September 2004 and for the years ended 31st December, 2002 and 2003 for interest earning assets and interest bearing liabilities and provides the amount of interest earned or paid and the average rate of such liability as applicable.

	<i>At 30th September,</i>			<i>At 31st December,</i>					
	<i>2004</i>			<i>2003</i>			<i>2002</i>		
	<i>Average Balance</i>	<i>Interest</i>	<i>Average Rate</i>	<i>Average Balance</i>	<i>Interest</i>	<i>Average Rate</i>	<i>Average Balance</i>	<i>Interest</i>	<i>Average Rate</i>
	<i>(in '000 €)</i>	<i>(in '000 €)</i>	<i>(%)</i>	<i>(in '000 €)</i>	<i>(in '000 €)</i>	<i>(%)</i>	<i>(in '000 €)</i>	<i>(in '000 €)</i>	<i>(%)</i>
<b>Assets</b>									
<b>Interest Earning Assets</b>									
Treasury bills, Bonds	2,112,000	52,161	3.3%	2,438,000	105,809	4.3%	5,623,000	236,728	4.3%
Loans and advances to customers .. ..	18,437,106	770,413	5.6%	16,596,349	928,536	5.5%	14,091,930	795,525	5.7%
Loans and advances to banks .. .. .	6,133,195	102,893	2.2%	6,004,093	151,382	2.5%	4,654,259	139,911	3.0%
Other .. .. .	396,107	6,036	2.0%	343,651	7,973	2.3%	525,000	17,325	3.3%
<b>Non-Interest bearing Assets .. .. .</b>	<b>3,264,902</b>	<b>0</b>	<b>0.0%</b>	<b>3,514,578</b>	<b>0</b>	<b>0.0%</b>	<b>4,104,613</b>	<b>0</b>	<b>0.0%</b>
<b>Total Assets .. .. .</b>	<b>30,343,309</b>	<b>931,503</b>	<b>4.0%</b>	<b>28,896,671</b>	<b>1,193,700</b>	<b>4.1%</b>	<b>28,998,802</b>	<b>1,189,489</b>	<b>4.1%</b>
<b>Liabilities</b>									
<b>Interest bearing liabilities</b>									
Due to customers ..	19,613,223	142,165	1.0%	20,739,283	288,170	1.4%	22,040,130	455,455	2.1%
Due to Banks .. ..	2,001,196	30,886	2.1%	3,776,368	91,553	2.4%	2,389,181	75,941	3.2%
Other .. .. .	1,416,577	37,1	3.4%	956,216	30,599	3.2%	528,125	10,563	2.0%
Bonded loans .. ..	4,302,835	66,298	2.0%	774,688	16,233	2.1%			
<b>Non-Interest bearing liabilities .. .. .</b>	<b>5</b>	<b>0</b>	<b>0.0%</b>	<b>884,050</b>	<b>0</b>	<b>0.0%</b>	<b>1,932,964</b>	<b>0</b>	<b>0.0%</b>
<b>Shareholder's Equity</b>	<b>2,422,082</b>	<b>0</b>	<b>0.0%</b>	<b>1,766,065</b>	<b>0</b>	<b>0.0%</b>	<b>2,108,402</b>	<b>0.0%</b>	
<b>Total Liabilities and Shareholder's Equity .. .. .</b>	<b>30,343,309</b>	<b>276,540</b>	<b>1.2%</b>	<b>8,896,671</b>	<b>426,556</b>	<b>1.5%</b>	<b>8,998,802</b>	<b>541,959</b>	<b>1.9%</b>
<b>Net Interest Income</b>		<b>654,963</b>	<b>%</b>		<b>767,144</b>			<b>647,530</b>	

### Interest Earning Assets: Margin and Spread

The following table shows the levels of average interest-earnings assets and net interest income of the Bank and the comparative gross yields, net interest margin and yield spread obtained for each of the periods indicated. These data are derived from the table of average balance and interest rates above.

	<i>At</i>		
	<i>30th September,</i>	<i>At 31st December,</i>	
	<u>2004</u>	<u>2003</u>	<u>2002</u>
	<i>(in '000 €)</i>		
<b>Average interest earning assets</b> .. .. .	27,078,408	25,382,093	24,894,189
<b>Interest Income</b> .. .. .	931,503	1,193,700	1,189,489
<b>Net Interest Income</b> .. .. .	654,963	767,144	647,530
<b>Gross yield<sup>(1)</sup></b> .. .. .	4.52%	4.64%	4.71%
<b>Net interest margin<sup>(2)</sup></b> .. .. .	3.18%	2.98%	2.57%
<b>Spread<sup>(3)</sup></b> .. .. .	2.94%	3.04%	2.57%

Notes:

- (1) Gross yield represents interest income as a percentage of average interest-earning assets.
- (2) Net interest margin represents net interest income as a percentage of average interest-earning assets.
- (3) Spread represents the difference between gross yield (interest income as a percentage of average interest earning assets) less interest expenses divided by interest-bearing liabilities.

### Securities by Maturity

The following table sets forth the book value of the Bank's debt securities by maturity as of 30th September, 2004 and the weighted average yield for each maturity category:

	<i>Less than</i>	<i>1 Year to</i>	<i>5 Years to</i>	<i>After</i>	<i>Total</i>
	<u>1 Year</u>	<u>5 Years</u>	<u>10 Years</u>	<u>10 Years</u>	<u></u>
	<i>(Millions of Euro)</i>				
<b>Total</b> .. .. .	515.6	1,424.9	314.9	11.9	2,267.3
<b>Weighted average yield</b> .. .. .	3.0%	2.7%	3.6%	5.7%	2.9%

## Loan Portfolio

### Loans and advances to Customers

The following table provides details on the basic components of the Group's loans and advances to customers analysed by economic and geographic sector risk concentrations as of 31st December, 2002 and 2003 and as of 30th September, 2004 calculated in accordance with Greek GAAP:

	<i>As of 31st December,</i>				<i>As of 30th September,</i>	
	<i>2002</i>		<i>2003</i>		<i>2004</i>	
	<i>(Millions of Euro)</i>	<i>(per cent.)</i>	<i>(Millions of Euro)</i>	<i>(per cent.)</i>	<i>(Millions of Euro)</i>	<i>(per cent.)</i>
Trade .. .. .	3,899.7	21.7	4,211.6	20.7	4,511.4	20.1
Manufacturing .. ..	3,476.2	19.3	3,170.7	15.6	3,854.5	17.2
Individuals (consumer, credit cards, mortgages)	4,238.6	23.6	5,356.8	26.3	6,415.1	28.6
Government .. .. .	651.4	3.6	498.1	2.4	381.8	1.7
Shipping .. .. .	940.3	5.2	855.9	4.2	874.7	3.9
Tourism .. .. .	931.4	5.2	1,182.8	5.8	1,283.1	5.7
Leasing.. .. .	608.2	3.4	708.7	3.5	838.7	3.8
Other .. .. .	3,219.1	18.0	4,368.9	21.5	4,283.1	19.0
<b>Gross Loans .. .. .</b>	<b>17,964.9</b>	<b>100.0</b>	<b>20,353.5</b>	<b>100.0</b>	<b>22,442.4</b>	<b>100.0</b>
Greece .. .. .	14,147.5	78.8	17,481.3	85.9	19,372.6	86.3
UK (primarily clients controlled from Greece) .. .. .	1,274.6	7.0	977.9	4.8	932.6	4.2
Other countries .. ..	2,542.8	14.2	1,894.3	9.3	2,137.2	9.5
	<b>17,964.9</b>	<b>100.0</b>	<b>20,353.5</b>	<b>100.0</b>	<b>22,442.4</b>	<b>100.0</b>

### Loan Maturities

The following table sets forth the Bank's loans and advances to customers by time remaining until maturity as of 30th September, 2004, 31st December, 2003 and 2002:

	<i>At 31st December,</i>		<i>As of 30th September,</i>
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>(Millions of Euro)</i>		
1 year or less .. .. .	7,646.5	8,993.3	9,334.0
More than 1 year .. .. .	8,113.3	8,954.1	10,376.8
<b>Total .. .. .</b>	<b>15,759.8</b>	<b>17,947.4</b>	<b>19,710.8</b>

## Risk Elements

### Non-Accrual

The following table sets forth management's estimate, without giving effect to available security or related specific provisions, of the related amounts of its loan portfolio.

	<i>For the years ended</i>		<i>As of</i>
	<i>31st December,</i>		<i>30th June,</i>
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>(Millions of Euro)</i>		
Loans not accruing interest .. .. .	291.7	379.7	490.5

### Summary of Loan Loss Experience

The following table provides details of changes in the aggregate amount of the Bank's non-performing loans as of 31st December, 2002, 2003 and 30th June, 2004:

	<i>For the years ended</i>		<i>As of</i>
	<i>31st December,</i>		<i>30th June,</i>
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>(Millions of Euro)</i>		
Starting Balance .. .. .	351.0	366.6	496.8
Additions:			
New non-performing loans .. .. .	201.4	275.9	190.2
Accrued Interest (plus expenses) .. .. .	45.5	53.9	26.6
<b>Total</b> .. .. .	<b>246.9</b>	<b>329.8</b>	<b>216.8</b>
Subtractions:			
Recoveries .. .. .	(149.9)	(149.1)	(85.5)
Rescheduling .. .. .	(28.4)	(9.0)	(5.9)
Write off .. .. .	(53.0)	(41.5)	(2.0)
<b>Total</b> .. .. .	<b>(231.3)</b>	<b>(199.6)</b>	<b>(93.4)</b>
Ending balance .. .. .	366.6	496.8	620.2
Amount likely to be recovered .. .. .	331.4	434.4	503.5
Bad debts .. .. .	35.3	62.4	116.7
<b>Net write-off/average loans</b> .. .. .	<b>0.38%</b>	<b>0.25%</b>	<b>0.02%</b>

*Allocation of the Allowance for Loans Losses*

Banks in Greece are allowed, for tax purposes, to provide for loan losses up to 1 per cent. of the average annual balance of their loan portfolio, except for loans extended to state-owned organisations or loans guaranteed by the Greek state. The Bank's loan loss provision at the end of 30th September, 2004 was €578.3 million, which is considered adequate to cover any likely future bad debt. The following shows the movement of the provision for bad debts for the Bank, for the years 2003, 2002 and the nine-month period ending 30th June, 2004, in relation with the annual loan balances:

	<i>As of 31st December,</i>		<i>As of</i>
	<i>2002</i>	<i>2003</i>	<i>30th June,</i>
	<i>(Millions of Euro)</i>		
Annual loans <sup>(1)</sup> .. .. .	15,260.8	17,632.9	19,294.7
Loan loss provision (at the beginning of the year) .. .. .	228.9	315.0	439.7
Write-offs during the year .. .. .	53.0	41.5	2.0
Additional provisions during the year .. .. .	139.1	166.1	92.2
Loan loss provision (at the end of the year) .. .. .	315.0	439.7	529.9

(1) Loans to the public sector and guaranteed by the Greek State are not included.

## **DIRECTORS AND MANAGEMENT**

The Bank is managed by a Board of Directors comprising a minimum of nine and a maximum of 15 members elected by the shareholders in General Meeting. Directors hold office for a term of five years and may be re-elected by the shareholders in General Meeting. The absence of a Director, from Board meetings for a period exceeding six consecutive months may be considered by the Board as constituting his resignation. The Board must elect its Chairman and Vice Chairman from among its members.

The Board resolves all matters concerning management and administration of the Bank except those which, under the Articles of Incorporation or under applicable law, are the sole prerogative of shareholders in General Meeting. Following a request by at least two Directors, the Chairman is obliged to summon a Board meeting.

Resolutions are adopted by an absolute majority of Directors present or represented, except in the case of share capital increases. A Director can only be represented in person by another Director. No Director can have more than two votes. To form a quorum, more than half of the Directors must be present in person and the number of Directors present in person in no case may be less than six.

A Director may not vote on, or be counted in the quorum in relation to, any resolution concerning any contract or arrangement in which he, or certain of his relatives, is or are interested, directly or indirectly. The Bank is prohibited absolutely from making loans to Directors or guaranteeing their obligations; any other contract with a Director may only be entered into if such contract is approved by a General Meeting of the Shareholders of the Bank.

The current Board was elected at the General Meeting held on 28th March, 2000. The business address of the Chairman and the Executive Directors is 40 Stadiou Street, 102 52 Athens, Greece. The Board of Directors, while retaining responsibility for approving general policy and overall responsibility for significant decisions affecting the Bank, delegates day-to-day management to the Chairman and Managing Director and/or the General Managers of the Bank. Details concerning the members of the Board and General Managers are set out below.

### **BOARD OF DIRECTORS**

#### **Chairman and Managing Director**

*Yannis S. Costopoulos*

Yannis S. Costopoulos is Chairman and Managing Director of the Bank and Head of the Group. He is the grandson of the founder and joined the bank in 1963. In 1973 he became Managing Director and in 1984 Chairman of the Board of Directors and General Manager. He is also Chairman of Alpha Bank London Limited and Chairman of Ionian Hotel Enterprises S.A. Mr. Costopoulos is currently Chairman of the Board of Directors of the Hellenic Banks Association and a member of the Institute of International Finance. He is also Chairman of the J.F. Costopoulos Foundation, member of the Board of the Eustathia Costopoulos Foundation, Vice Chairman of the Board of Trustees of the Benaki Museum of Athens, member of the Board of the Nicholas P. Goulandris Foundation — Museum of Cycladic Art and an Honorary Trustee of the Metropolitan Museum of Art of New York.

#### **Executive Director and General Manager**

*Demetrios P. Mantzounis*

Mr. Mantzounis was appointed General Manager of the Bank in 2002 after serving as Executive General Manager since 1987. He joined the Bank in 1973. He is also Vice Chairman of Alpha Insurance and member of the Board of Directors of the Bank and J. F. Costopoulos Foundation. In addition, he is a Board Member of the European Banking Federation.

**Non-executive Directors**

**Vice Chairman**

*Andreas L. Canellopoulos*

Chairman, Titan Cement Company S.A.

*George E. Agouridis\*\**

Lawyer

*Photis P. Costopoulos*

Lawyer, Chairman, Alpha Insurance Company A.E.

*John G. Goumas\**

President, J.G. Goumas (Shipping) Co. S.A.

*Xenophon J. Kantonias\**

Vice Chairman & Managing Director, Albio Group

*Paul G. Karakostas\**

Chairman & Managing Director, GENKA Investments S.A.

*Constantine A. Kyriacopoulos*

Former General Manager, Alpha Bank

*Minas G. Tanes\*\**

Managing Director & General Manager, Athenian Brewery S.A.

**Non-executive Independent Directors**

*Anastasios M. Averoff\*\**

Chairman, Baron Michel Tossizza Foundation

*Thanos M. Veremis*

Professor, Athens University

**Secretary**

*Hector P. Verykios*

Manager, Alpha Bank A.E.

\* Member of the Audit Committee

\*\* Member of the Remuneration Committee



## **EXECUTIVE COMMITTEE**

*Yannis S. Costopoulos*, Chairman and Managing Director

*Demetrios P. Mantzounis*, General Manager

*Marinos S. Yannopoulos*

Marinos S. Yannopoulos, Executive General Manager and Chief Financial Officer of Alpha Bank, also heads the Asset Management operations of the Group. Prior to joining the Bank in 1994 (from 1991 to 1993), he was the General Manager of Ionian and Popular Bank. Before returning to Greece, he worked from 1983 to 1991 for Chase Manhattan Bank in New York, London, Milan and Frankfurt. From 1978 to 1983, he also worked for Exxon in London, Rome and Athens. Mr. Yannopoulos is also Chairman and Managing Director of Alpha Astika Akinita, Chairman of Messana Holdings, Vice Chairman and Managing Director of Alpha Asset Management, Managing Director of Ionian Hotel Enterprises S.A., Vice-Chairman of the Board of Directors of Delta Singular and a Director of Alpha Bank Jersey, Alpha Bank Cyprus, Alpha Asset Finance Ltd and Hellenic Exchanges Holding S.A. He is a graduate of Athens College and holds degrees in Economics (MA University of Sussex) and Business (MBA Manchester Business School).

*Spyros N. Filaretos*

Spyros N. Filaretos has served as Executive General Manager of the Bank since December 1997. Prior to his appointment as Executive General Manager, he served the Bank in various managerial/executive positions, including Branch Manager, Assistant Manager in the Personnel Division and Assistant Manager in the Treasury Division. He first joined the Bank in 1985 as a Credit Officer. Mr. Filaretos is also President of the Board of Directors of Alpha Bank a.d. Skopje, Alpha Bank Cyprus and Alpha Private Investment Services, and member of the Board of Directors of Alpha Bank London Limited, Alpha Bank Jersey Limited and Alpha Insurance Company.

*Artemis Ch. Theodoridis*

Artemis C. Theodoridis is Executive General Manager of Alpha Bank and is responsible for Investment Banking, Corporate Banking and Treasury. He worked with the Merrill Lynch Capital Markets Group in New York and London from 1983 to 1985. Since 1986, he has been active in the Greek Capital Markets, first with the independent firm of Theodoridis stockbrokers and then with Alpha Brokerage. He has served as a member of the Board of Directors of the Athens Stock Exchange and of the Central Securities Depository. He is also Chairman and Managing Director of Alpha Finance, Alpha Finance U.S. Corporation and Alpha Ventures. He is a graduate of Athens College and holds an MBA from the University of Chicago.

## THE BANKING SECTOR IN GREECE

### Structure of the Market

Owing to the Greek legal framework, which historically has required the establishment of specialised institutions for the provision of specific financial services, the majority of Greek banks had until recently created subsidiaries for the provision of specific categories of financial services. As a consequence, the market was dominated by groups of companies each established around a principal bank.

The banking sector has expanded rapidly in the last ten years as a result of deregulation and modernisation, as well as entry into the Eurozone. In the past seven years restructuring has led to higher concentration. Six state-controlled banks and four private banks have changed ownership, while some new banks have entered the market. However, the five biggest commercial banks (National Bank of Greece, Alpha Bank, EFG Eurobank Ergasias, the Commercial Bank of Greece and Piraeus Bank) had a 66.5 per cent. share in the market at the end of June 2004, compared with a 60.7 per cent. share in 1997.

The domestic banks can be grouped into two principal categories, namely commercial banks and specialised credit institutions. However, most specialised institutions have recently been either absorbed by other commercial banks (e.g. The Hellenic Industrial Development Bank or ETBA Bank) or transformed into full-scale commercial banks (e.g. Agricultural Bank of Greece).

### Commercial Banks

There are currently five large commercial banks. These are the National Bank of Greece, Alpha Bank, EFG Eurobank Ergasias, the Commercial Bank of Greece and Piraeus Bank. Most specialised credit institutions, like the Agricultural Bank of Greece, have been transformed into commercial banks (listed on the Athens Stock Exchange) following increased liberalisation of the Greek market. Traditionally, commercial banks are the dominant group among all categories of deposit and credit institutions operating in the Greek financial market.

### Foreign Banks

There are 20 foreign-owned or incorporated credit institutions, which are still operating through branches in the Greek banking market. Principal participants include Citibank, HSBC and Bank of Cyprus. Overall, foreign banks have made limited inroads into the Greek retail market.

### Specialised Credit Institutions

Today, the major specialised credit institutions are the Aspis Bank (which is a private mortgage bank), the Deposits and Loans Fund (which is under the Ministry of Finance) and the Postal Savings Bank. The role of specialised credit institutions has been decreasing significantly in the last few years.

### Economic Environment

Greek banks operate in a stable economic environment with the economy growing at high rates and with good prospects for strong growth in the following years as well. Entry into the Eurozone (implying monetary stability and low interest rates) and the substantial investment programme of infrastructure projects associated with the 2004 Olympic Games and the Community Support Framework III (CSF III) have contributed to the achievement of high rates of growth of more than 4 per cent. in the last five years (2000-2004). Following the successful organisation of the Olympic Games in August-September 2004 Greece is well placed to take advantage of an expected fast growth of exports of goods and services as well as of the need to accelerate the implementation of CSF III and other EU co-financed programs in order to maintain good prospects for the economy to grow in the following three or four years at growth rates above 3.5 per cent. As a consequence, Greek banks have the opportunity to expand their activities given the low bank intermediation in relation to Greek GDP when compared with their European peers. Greece's entry into the Eurozone has redefined the strategic goals and the activities of domestic financial institutions although rapid technological developments and the integration of the financial and capital markets pose a whole new range of challenges.

In order to face these challenges, Greek banks have made substantial investments in IT projects and in the modernisation of the products and services they provide. On the other hand, in recent years a significant

number of mergers and acquisitions have taken place as a result of the transformation of the Greek banking system to conform to the new European environment. At the same time, Greek banks have increased their presence in South-Eastern Europe either through the acquisition of local credit institutions or through the establishment of branch networks. The expansion in the Balkans follows the significant expansion and growing presence in this area of Greek businesses and utility firms, which have made significant investments in the area.

The growth prospects of the Greek market for financial products and services seem rather positive when compared to the other markets in the Eurozone. The outstanding balances of housing and consumer loans as a percentage of GDP were 19 per cent. and 10 per cent. respectively at the end of June 2004, while in the other markets in the Eurozone the corresponding figures were 33 per cent. and 16 per cent. respectively. This suggests there is significant potential for further growth of this retail banking business in the next few years.

Apart from the retail banking business, there are also very good prospects for expansion in the areas of investment banking and asset management services, such as pension fund management and private banking, as well as in bank assurance.

It is also important to note that although competition in the Greek market has intensified during recent years, the net interest margin of the Greek banks remain at satisfactory levels due to the major restructuring of the asset side of their balance sheets, which now include more profitable asset categories, in particular mortgages consumer lending, and lending to small and medium-sized firms.

Another important development characteristic of the Greek banking system is the gradual improvement of the quality of the Greek banks' assets following substantial clean-up operations in recent years. This has been supported by the strength of the economy and the lack of major credit exposures, either to businesses or to the individual sectors. For Alpha Bank, specifically, non-performing loans do not exceed 2.6 per cent. and bad loans (fully covered with specific provisions) 0.6 per cent. of the total loan portfolio.

#### Market Share of the Five Largest Banks

	<i>Assets</i>	<i>Lending</i> ( per cent.)	<i>Deposits and repos</i>
1998.. .. .	63.4	62.3	69.7
1999.. .. .	67.1	70.9	73.6
2000.. .. .	65.2	68.8	71.8
2001.. .. .	66.0	68.7	71.3
2002.. .. .	66.5	64.9	68.1
2003.. .. .	66.2	65.6	65.6

Source: Bank of Greece

#### Market Share of the Principal Commercial Banks in Greece at 31st December, 2003\*

	<i>Assets</i>	<i>Lending</i> ( per cent.)	<i>Deposits and repos</i>
National Bank of Greece.. .. .	24.0	17.3	23.9
Alpha Bank .. .. .	14.5	15.7	13.6
EFG Eurobank .. .. .	12.8	13.4	12.4
Commercial Bank of Greece.. .. .	8.1	10.5	9.3
Piraeus Bank .. .. .	6.8	8.7	6.5
Other .. .. .	33.8	34.4	34.4

\*As of the total of the banking system.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION OF THE ALPHA BANK GROUP

The selected consolidated financial information of the Group presented below is extracted from the audited consolidated financial statements of the Group for the years ended 31st December, 2002, 31st December, 2003, 30th June, 2004 and the unaudited consolidated financial information of the Group for the period 1st January, to 30th September, 2004 prepared in accordance with Greek GAAP.

### Consolidated Balance Sheet of the Group as of 31st December, 2002, 31st December, 2003, 30th June, 2004 and 30th September, 2004

	<i>As of 31st December,</i>		<i>As of 30th June,</i>		<i>As of 30th September,</i>	
	<i>2002</i>	<i>2003</i>	<i>2004</i>		<i>2004</i>	
	<i>(Millions of Euro)</i>					
Cash and balances with Central Banks .. .. .	1,412.6		1,150.4		1,205.5	1,528.5
Treasury Bills and other Securities Eligible for Refinancing with the Central Bank .. .. .	2,190.2		417.1		1,959.7	1,557.5
Loans and Advances to Credit Institutions .. .. .	4,167.1		6,440.6		4,637.6	7,412.7
Loans and Advances to Customers	17,964.9		20,353.5		21,954.3	22,442.4
Less: Allowances for credit losses	369.5	17,595.4	508.1	19,845.4	613.0	21,341.3
					21,341.3	670.9
Securities .. .. .	2,242.6		1,300.4		680.3	625.1
Investments .. .. .	223.2		262.4		311.8	313.4
Intangible Assets .. .. .						
b. Formation and preliminary expenses .. .. .	6.7		4.7		3.7	3.2
c. Other intangible assets .. .. .	73.6	80.3	81.9	86.6	103.1	106.8
					106.8	98.3
Tangible Assets .. .. .						
a. Land .. .. .	73.9		400.3		399.5	401.8
b. Buildings, Buildings installation	165.2		236.1		237.1	236.3
c. Furniture and fixtures .. .. .	30.3		28.6		28.4	27.8
d. EDP equipment .. .. .	64.4		50.0		45.7	44.8
e. Other tangible assets .. .. .	1.6		1.5		1.6	1.6
f. Payments in advance and tangible assets under construction .. .. .	1.4	336.8	1.0	717.5	5.6	717.9
					10.6	722.9
Other Assets .. .. .	384.6		454.3		499.6	502.3
Prepayments and Accrued Income	222.4		128.2		177.7	226.5
<b>Total Assets .. .. .</b>	<b>28,855.2</b>		<b>30,802.9</b>		<b>31,638.2</b>	<b>34,761.9</b>
Off Balance Sheet Accounts .. .. .	45,104.0		44,751.8		45,981.1	50,098.2

	<i>As of 31st December,</i>		<i>As of 30th June,</i>		<i>As of 30th September,</i>	
	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2004</i>	<i>2004</i>	<i>2004</i>
	<i>(Millions of Euro)</i>					
<b>Liabilities</b>						
Due to Credit Institutions .. ..	2,693.4	2,447.2	1,250.0	3,715.9		
Due to Customers .. .. .	23,191.0	21,807.2	21,025.3	21,123.7		
Senior debt.. .. .	—	2,138.0	4,509.3	4,853.1		
Other Liabilities .. .. .	626.3	762.6	759.0	752.7		
Accruals and Deferred Income	226.8	238.0	334.3	491.5		
Provisions for Liabilities and Charges						
a. Provisions for staff retirement indemnities .. .. .	24.9	24.0	25.6	9.5		
b. Other .. .. .	13.1	38.0	15.1	39.1	15.7	41.3
						14.4
						23.9
Subordinated Debts.. .. .	582.1	891.0	997.0	1,017.6		
Hybrid Securities	181.4	225.5	300.0	298.6		
Capital and Reserves						
Share capital						
— Paid-up capital .. .. .	768.5	953.7	1,273.7	1,273.7		
Share premium account .. .. .	443.4	244.9	—	—		
Reserves .. .. .	817.3	835.8	801.6	804.9		
Reserve from fixed assets revaluation .. .. .	—	393.4	62.8	60.3		
Retained earnings .. .. .	158.6	214.3	245.5	244.1		
Goodwill to be netted off .. ..	(578.7)	(273.0)	—	—		
	1,609.1	2,369.1	2,383.6	2,383.0		
Less: Consolidation differences	236.1	228.1	233.7	235.9		
Less: Treasury shares .. .. .	382.6	—	—	17.7		
	990.4	2,141.0	2,149.9	2,129.4		
Minority Interests .. .. .	325.8	1,316.2	53.6	2,203.5	50.5	2,179.9
Net profit for the period .. .. .	—	—	218.5	305.0		
Total Liabilities .. .. .	28,855.2	30,802.9	31,638.2	34,761.9		

Notes:

- (i) The notes to the consolidated financial statements of the Bank for the year ended 31st December, 2003 contain the following qualifications:
- for the Bank to cover its total future liability for the employee defined benefit obligations to its Pension Fund, based on an actuarial study performed in 2002, an additional after tax amount of approximately EUR 134 million is required; and
  - in accordance with Law 3229/2004, during the financial year ended 31st December, 2003, the Bank and certain subsidiaries revalued land and buildings to their fair value. The resulting revaluation surplus amounting to EUR 445 million after deducting taxes was offset against losses arising from the revaluation of securities amounting to approximately EUR 29 million.

**Consolidated Profit and Loss Account of the Group for the years ended 31st December, 2002 and 31st December, 2003 and the period 1st January, to 30th June, 2004 and 1st January, to 30th September, 2004**

	<i>As of 31st December,</i>		<i>As of 30th June,</i>	<i>As of 30th September,</i>
	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2004</i>
	<i>(Millions of Euro)</i>			
Interest income and similar income .. .. .	1,420.5	1,394.7	741.2	1,128.9
Less: Interest expense and similar charges .. .. .	655.0	502.3	235.9	362.5
	<u>765.5</u>	<u>892.4</u>	<u>505.3</u>	<u>766.4</u>
Plus: Dividend income .. .. .	14.7	7.6	0.6	3.2
Commissions income .. .. .	320.3	335.1	187.6	281.4
Less: Commissions expense .. .. .	28.2	38.1	14.7	23.0
Plus: Net trading income .. .. .	71.7	297.0	172.9	258.4
Plus: Other operating income .. .. .	14.7	111.7	53.4	65.2
Surplus value from participation in companies consolidated under the equity method .. .. .	(4.7)	9.3	5.3	7.1
	<u>1,154.0</u>	<u>1,318.7</u>	<u>775.6</u>	<u>1,138.6</u>
Less: General administrative expenses				
a. Staff costs .. .. .	372.1	380.0	203.9	300.0
b. Other administrative expenses .. .. .	234.7	244.2	121.6	185.3
Less:				
Depreciation and amortisation expenses .. .. .	94.8	90.8	44.9	68.2
Revaluation differences of receivables and provisions for contingent liabilities .. .. .	175.7	212.3	108.4	167.4
	<u>276.7</u>	<u>391.4</u>	<u>296.8</u>	<u>417.7</u>
Total operating results .. .. .	276.7	391.4	296.8	417.7
Extraordinary income .. .. .	6.5	7.8	3.1	3.7
Extraordinary charges .. .. .	(3.9)	(3.5)	(1.3)	(1.7)
Extraordinary profit or loss .. .. .	3.1	20.9	(0.4)	(0.3)
	<u>282.4</u>	<u>416.6</u>	<u>298.2</u>	<u>419.4</u>
Net profit for the year (before taxes) .. .. .	282.4	416.6	298.2	419.4
Less: Income tax .. .. .	99.5	125.6	77.4	111.7
	<u>182.9</u>	<u>291.0</u>	<u>220.8</u>	<u>307.7</u>
Net profit for the year .. .. .	182.9	291.0	220.8	307.7
Less: Minority interest .. .. .	8.5	6.8	2.3	2.7
	<u>174.4</u>	<u>284.2</u>	<u>218.5</u>	<u>305.0</u>
Net profit .. .. .	174.4	284.2	218.5	305.0

### Consolidated Capitalisation of the Alpha Bank Group

The following table sets out the consolidated capitalisation and indebtedness of the Group, as of 30th September, 2004. The information below was extracted from the unaudited consolidated financial statements of the Group as of 30th September, 2004, prepared in accordance with Greek GAAP. There has been no material change in this capitalisation table since 30th September, 2004.

	<i>As of</i> <i>30th September,</i> <i>2004</i>
	<u><i>Actual</i></u>
	<i>(Millions</i> <i>of Euro)</i>
Shareholders' Equity .. .. .	2,129.4
Minority interest .. .. .	50.5
Due to credit institutions .. .. .	3,715.9
Due to customers .. .. .	21,123.7
Other liabilities.. .. .	752.7
Accruals and deferred income .. .. .	491.5
Provisions for liabilities and charges .. .. .	23.9
Subordinated debts .. .. .	1,017.6
Hybrid securities .. .. .	298.6
Senior debt .. .. .	4,853.1
Net profit for the period 1.1-30.9.. .. .	305.0
<b>Total.. .. .</b>	<b><u><u>34,761.9</u></u></b>

## TAXATION

### General

*The summaries below are of a general nature based on current law and practice in each jurisdiction referred to. They relate only to the position of persons who are the owners of their Preferred Securities and may not apply to certain classes of persons such as dealers. These summaries do not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Any Holders who are in doubt as to their personal tax position should consult their professional advisers.*

### Greek Tax

Under Greek tax laws as of the date hereof, no Greek withholding tax shall be imposed on payments of the par value or Preferred Dividends from the Issuer in respect of the Preferred Securities, should the Holder of such Preferred Securities not be a resident of Greece for tax purposes.

Given that the Preferred Securities constitute hybrid innovative securities, under Greek tax laws as at the date hereof and to the extent that the Preferred Securities shall be considered to constitute debt instruments, no Greek withholding tax shall be imposed on payments representing Preferred Dividends. Should the Preferred Securities be considered to constitute equity, then a withholding tax of 20 per cent., which does not exhaust the tax liability of the Holder, shall be imposed on Holders who are tax resident in Greece and on Holders who maintain, for tax purposes, a permanent establishment in Greece, and a withholding tax of 35 per cent, which exhausts the tax liability of a Holder, shall be imposed on Holders who are companies or legal entities and who are not resident in Greece and do not maintain a permanent establishment in Greece, in relation to payments made to such Holders by a Paying and Transfer Agent of the Issuer, located in Greece, or by the Bank under the Guarantee, which payments represent Preferred Dividends, deriving from the Preferred Securities.

Notwithstanding the above, payments of Preferred Dividends effected outside Greece shall not be subject to any Greek withholding tax.

However, if a Holder is a resident of a country with which Greece has executed a bilateral treaty for the avoidance of double taxation, then the provisions of such bilateral treaty shall prevail over the provisions of internal Greek tax laws and shall apply, provided that such Holder presents a claim supported by a "tax residence certificate" issued at a date not later than one year before such certificate is presented.

### Jersey Tax

The Issuer shall have "exempt company" status within the meaning of Article 123A of the Income Tax (Jersey) Law, 1961, as amended, for the calendar year ended 31st December, 2005. The Issuer will be required to pay an annual exempt company charge which is currently £600 in respect of each subsequent calendar year during which it wishes to continue to have "exempt company" status. The retention of "exempt company" status is conditional upon the Comptroller of Income Tax being satisfied that no Jersey resident has a beneficial interest in the Issuer, except as permitted by concessions granted by the Comptroller of Income Tax, and disclosure of beneficial ownership being made to the Financial Services Commission.

As an "exempt company", the Issuer will not be liable to Jersey income tax other than on Jersey source income (except by concession bank deposit interest on Jersey bank accounts). For so long as the Issuer is an "exempt company", payments in respect of the Preferred Securities will not be subject to any taxation in Jersey (unless the Holder of Preferred Securities is resident in Jersey) and no withholding in respect of taxation will be required on such payments to any Holder of Preferred Securities.

Under current Jersey law, there are no death or estate duties, capital gains, gift, wealth, inheritance or capital transfer taxes. No stamp duty is levied in Jersey on the issue or transfer of Preferred Securities. In the event of the death of an individual sole Holder of Preferred Securities, duty at rates of up to 0.75 per cent. of the value of the Preferred Securities held may be payable on the registration of Jersey probate or letters of administration which may be required in order to transfer or otherwise deal with Preferred Securities held by the deceased individual sole Holder of Preferred Securities.



### ***EU Savings Directive***

On 3rd June, 2003, the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income. The directive is scheduled to be applied by Member States from 1st July, 2005, provided that certain non-EU countries adopt similar measures from the same date. Under the directive each Member State will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to commence on the date from which the directive is to be applied by Member States and to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Jersey is not a member of the European Union and is not subject to the EU Savings Tax Directive. However, in keeping with its policy of constructive international engagement, Jersey proposes to introduce a system which will permit either the disclosure of information concerning details of payments of interest (or other similar payments) and the identity of the individual beneficial owner of the interest to the tax authority of the EU jurisdiction where the owner is resident, or the imposition of a withholding in respect of payments of interest (or other similar income) made to an individual beneficial owner resident in a member state by any paying agent situated in Jersey. (The terms “beneficial owner” and “paying agent” are defined in the EU Savings Tax Directive). The withholding tax option would apply for a transitional period during which tax would be withheld from such payments instead of communicating the details of such payments to the tax authorities of the member state in which the beneficial owner is resident.

Under the current proposals relating to the withholding tax option the Issuer would not be obliged to levy withholding tax in respect of interest payments made by it to a paying agent resident outside Jersey.

The States of Jersey has not yet adopted measures to implement those proposals but is expected to adopt such measures on the same timetable as member states and other relevant third countries. It is proposed that the provisions will apply from 1st July, 2005. These arrangements will not apply to companies or trusts and will also not apply to individuals resident outside the EU.

Noteholders will be required to provide information regarding their tax status to any paying agent in Jersey in order to satisfy the above disclosure requirements and will be deemed by their subscription for Notes to have authorised the automatic disclosure of such information by the paying agent to the relevant tax authorities in order to avoid a withholding obligation that would otherwise arise.

### ***EU Code of Conduct on Business Taxation***

On 3rd June, 2003, the European Union Council of Economic and Finance Ministers reached political agreement on the adoption of a Code of Conduct on Business taxation. Jersey is not a member of the European Union, however, in keeping with its policy of constructive international engagement, Jersey intends to propose legislation to replace the exempt company regime by the end of 2008 with a general zero rate of corporate tax.

### ***German Taxation***

The exact treatment of the Preferred Securities by the German tax authorities and/or tax courts is uncertain as of the date hereof. The Preferred Securities may either be considered as debt or equity instruments which may lead to a significantly different treatment of the proceeds (Preferred Dividends, capital gains and others) received by the holders of the Preferred Securities.

***Prospective purchasers of Instruments are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of Instruments, including the effect of any state or local taxes, under the tax laws of Germany and each country of which they are residents.***

### ***Taxation of debt instruments***

Payments on the Preferred Securities, including (without limitation) amounts of unpaid Preferred Dividends accrued up to the disposition of Preferred Securities and credited separately, if any, to persons who are tax residents of Germany (i.e., persons whose residence, habitual abode, statutory seat, or place of

effective management and control is located in Germany) are subject to German personal or corporate income tax (plus solidarity surcharge (Solidaritatszuschlag) at a rate of 5.5 per cent. thereon). Such interest may also be subject to trade tax if the Preferred Securities form part of the property of a German trade or business.

Upon the disposition, assignment or redemption of a Preferred Securities a holder holding the Preferred Securities as non-business assets will have to include in his taxable income further amounts if the Preferred Securities can be classified as a financial innovations (Finanzinnovation) under German tax law. In this case, generally the difference between the proceeds from the disposition, assignment or redemption and the issue or purchase price is deemed to constitute interest income subject to income tax (plus the solidarity surcharge) in the year of the disposition, assignment or maturity of the Preferred Securities.

Where Preferred Securities form part of the property of a German trade or business, each year the part of the difference between the issue or purchase price of the Preferred Securities and the redemption amount (if such amount is fixed at the time of the acquisition) attributable to such year as well as interest accrued must be taken into account as interest income and may also be subject to trade tax.

Capital gains from the disposition of debt instruments, other than income described in the second paragraph above, are only taxable to a German tax-resident individual if the instruments are disposed of within one year after their acquisition or form part of the property of a German trade or business, in which case the capital gains may also be subject to trade tax. Capital gains derived by German-resident corporate holders of such instruments will be subject to corporate income tax (plus solidarity surcharge at a rate of 5.5 per cent. thereon) and trade tax.

#### *Withholding Tax on debt instruments*

If Preferred Securities are held in a custodial account that the holder maintains with a German branch of a German or non-German bank or financial services institution (the "Disbursing Agent") a 30 per cent. withholding tax on interest payments (*Zinsabschlag*), plus 5.5 per cent. solidarity surcharge on such tax, will be levied, resulting in a total tax charge of 31.65 per cent. of the gross interest payment.

In addition, if Preferred Securities qualify as financial innovations, as explained above, and are kept in a custodial account that the holder maintains with a Disbursing Agent such custodian will generally withhold tax at a rate of 30 per cent. (plus solidarity surcharge at a rate of 5.5 per cent. thereon) from the positive difference between the redemption amount or proceeds from the disposition or assignment and the issue or purchase price of the Preferred Securities if the Preferred Securities have been kept in a custodial account with such Disbursing Agent since the time of issuance or acquisition, respectively. If the Preferred Securities have not been kept in a custodial account with a Disbursing Agent since the time of issuance or acquisition, withholding tax of 30 per cent. is applied to 30 per cent. of the amounts paid in partial or final redemption or the proceeds from the disposition or assignment of the Preferred Securities, respectively.

In general, no withholding tax will be levied if the holder of a Preferred Securities is an individual (i) whose Preferred Securities does not form part of the property of a German trade or business nor gives rise to income from the letting and leasing of property; and (ii) who filed a withholding exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent but only to the extent the interest income derived from the Preferred Securities together with other investment income does not exceed the maximum exemption amount shown on the withholding exemption certificate. Similarly, no withholding tax will be deducted if the holder of the Preferred Securities has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the relevant local tax office.

If Preferred Securities are not kept in a custodial account with a Disbursing Agent, withholding tax will apply at a rate of 35 per cent. of the gross amount paid by a Disbursing Agent to a holder of such Preferred Securities (other than a non-German bank or financial services institution) (*Tafelgeschaft*).

Withholding tax and the solidarity surcharge thereon are credited as prepayments against the German personal or corporate income tax and the solidarity surcharge liability of the German resident. Amounts over withheld will entitle the holder Preferred Securities to a refund, based on an assessment to tax.

### *Taxation of equity instruments*

In case the Preferred Securities do not qualify as debt instruments but when they have to be classed as equity instruments German taxation would follow the rules described below.

### *Taxation of individual investors in equity instruments*

#### *Profit distributions*

50 per cent. of the distributions of profits will be exempt from personal income tax (and solidarity surcharge thereon) at the level of a private individual holding the Preferred Securities irrespective of whether the Preferred Securities are held as private assets or business assets. Accordingly, only 50 per cent. of the expenses economically related to such income can be deducted from the taxable income.

A private individual holding the Preferred Securities in the context of a domestic trade or business will be subject to German trade tax as follows: The entire profit distribution will be subject to trade tax unless the German individual investor has continuously held a shareholding of at least 10 per cent. in the statutory capital of the Issuer since the beginning of the assessment period (i.e. the calendar year).

#### *Capital gains*

If an individual realises a capital gain from the disposal or the redemption of a Preferred Security the gain will be exempt provided the Preferred Security is held by the private individual for more than 12 months and provided further that the Preferred Security does not represent more than 1 per cent. in the capital of the issuer. If a capital gain realised by an individual is not exempt (because the Preferred Security has not been held for more than 12 months, or the Preferred Securities held by the individual investor represent more than 1 per cent. of the liquidation proceeds, or the beneficial rights are held as business assets) 50 per cent. of such gain will be subject to personal income tax (and possibly trade tax if the Preferred Security belongs to a trade or business).

The aforementioned tax treatment is subject to the instruments not being business assets (i.e. not used in the context of a trade or business, "Betriebsvermögen") of the investor. In that case the tax exemption described above does not apply, i.e. the private individual holding the Preferred Security as a business asset is always taxed on 50 per cent. of the capital gains irrespective of a holding period or holding percentage.

### *Taxation of corporate investors in equity instruments*

Corporate investors will be taxed on 5 per cent. of capital gains and on 5 per cent. of profit distributions received. This results approximately in a 2 per cent. compound tax burden (corporate income tax and trade tax) for corporate investors. The entire amount of profit distributions will be subject to trade tax unless the German corporate investor has continuously held a shareholding of at least 10 per cent. in the statutory capital of the Issuer since the beginning of the assessment period (i.e. the calendar year).

Expenses related to the income derived from the Preferred Securities by corporate investors are deductible. Capital losses in principle will not reduce the taxable income of corporate investors.

Special rules apply for the taxation of financial services institutions, financial enterprises, certain insurance companies and pension funds holding Preferred Securities.

### *Withholding Tax on foreign equity instruments*

No German withholding tax will be levied when the distribution or capital gains are credited to the accounts of the individual investors. Foreign withholding tax on the distributions can be credited.

### *Inheritance and Gift Tax*

No inheritance or gift taxes with respect to any Preferred Security will arise under the laws of Germany, if, in the case of inheritance tax, neither the decedent nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Preferred Security is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German expatriates.

#### *Other Taxes*

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Preferred Securities. Currently, net assets tax is not levied in Germany.

#### **Netherlands Taxation**

Holders of the Preferred Securities who are individuals and are resident or deemed to be resident in The Netherlands ("Holders"), or who have elected to be treated as a Dutch resident Holder for Dutch tax purposes, are subject to Dutch income tax on a deemed return regardless of the actual income derived from the Preferred Securities or gain or loss realised upon disposal or redemption of the Preferred Securities, provided that the Preferred Securities are held as a portfolio investment and are not held in the context of any business or substantial interest. The deemed return amounts to 4 per cent. of the average value of the Holder's net assets in the relevant fiscal year (including the Preferred Securities) and is taxed at a flat rate of 30 per cent.

Corporate Holders that are resident or deemed to be resident in The Netherlands, without being exempt from Dutch corporate tax, will be subject to Dutch corporate tax on all income and gains realised in connection with the Preferred Securities.

## SUBSCRIPTION AND SALE

ABN AMRO Bank N.V., Deutsche Bank AG London, J.P. Morgan Securities Ltd., Merrill Lynch International, Morgan Stanley & Co. International Limited and UBS Limited (together, the "Joint Lead Managers") have, pursuant to a Subscription Agreement (the "Subscription Agreement") dated 16th February, 2005, jointly and severally agreed to subscribe or procure subscribers for the Preferred Securities at the issue price of 100 per cent. of the principal amount of Preferred Securities, less a combined selling concession and management and underwriting commission of 2.00 per cent. of the principal amount of the Preferred Securities. The Issuer will also reimburse the Joint Lead Managers in respect of certain of their expenses, and has agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Preferred Securities. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

### United States

The Preferred Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Preferred Securities (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Preferred Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Preferred Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Preferred Securities within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### United Kingdom

Each Joint Lead Manager has represented and agreed that, except as permitted by the Subscription Agreement:

- (i) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date, will not offer or sell any Preferred Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of the Preferred Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Bank; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Preferred Securities in, from or otherwise involving the United Kingdom.

### Greece

Each Joint Lead Manager has represented and agreed that it has not publicly offered or sold and will not publicly offer or sell any Preferred Securities, in, or to persons in, the Hellenic Republic, or engage in advertisements, notices, statements or other actions in the Hellenic Republic, with a view to attracting resident investors in the Hellenic Republic to acquire Preferred Securities. All applicable provisions of article

10 of law 876/1979 and Presidential Decree 52/1992, as now in force and law 3156/2003 must be complied with in respect of anything done with regard to the public offering of Preferred Securities in, from or otherwise involving the Hellenic Republic.

The reference in the preceding clause to the prohibition on, and the related formalities of, public sales and offers of securities in the Hellenic Republic do not apply where the purchasers or offerees are persons dealing in securities in the ordinary course of their business.

Furthermore, to the extent that the Preferred Securities are listed on Euronext Amsterdam and the Frankfurt Stock Exchange, and the Offering Circular constitutes a Prospectus for the purposes of the admission to listing of the Preferred Securities on any of such Stock Exchanges, an "Investment Firm" (as defined in Law 2396/1996, implementing Council Directive 93/22/EEC into Greek Law), which (i) under the laws of its home state and as per its operating licence, is authorised to trade over-the-counter in transferable securities, listed on Organised Markets (as defined in Law 2396/1996); and (ii) as per the provisions of Law 2396/1996, lawfully operates in Greece and may offer for sale in Greece transferable securities, listed on Organised Markets (as defined in Law 2396/1996), operating in any EU Member State other than Greece or in any third country, may offer for sale the Preferred Securities in Greece to the extent that such Investment Firm (i) makes the Offering Circular and the latest two semi-annual statements of the Issuer available to Greek investors in the Greek language; (ii) announces its intention to offer the Preferred Securities for sale in Greece, at least, ten (10) business days prior to the commencement of such offering; and (iii) submits the Offering Circular and such statements to the Hellenic Capital Market Commission within the same time period.

#### **Jersey**

Each Joint Lead Manager has agreed that the Preferred Securities may not be (a) offered to, sold to or held by, or for the account of persons (other than financial institutions in the ordinary course of business) resident for income tax purposes in Jersey; or (b) transferred to a person resident for income tax purposes in Jersey (other than financial institutions in the ordinary course of business) unless the Registrar is satisfied that the beneficial owner thereof is not resident in Jersey for income tax purposes.

#### **Republic of Italy**

The offering of the Preferred Securities has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, no Preferred Securities may be offered, sold or delivered, nor may copies of this Offering Circular (in preliminary or final form) or of any other document relating to the Preferred Securities be distributed in the Republic of Italy, except:

- (i) to professional investors ("*operatori qualificati*"), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1st July, 1998, as amended; or
- (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24th February, 1998 (the "Financial Services Act") and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14th May, 1999, as amended.

Any offer, sale or delivery of the Preferred Securities or distribution of copies of this Offering Circular (in preliminary or final form) or any other document relating to the Preferred Securities in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1st September, 1993 (the "Banking Act"), as amended; and
- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics; and
- (c) in accordance with any other applicable laws and regulations.

### **Federal Republic of Germany**

Each Joint Lead Manager has agreed that the Preferred Securities will not be offered or sold in the Federal Republic of Germany except as may be permitted in accordance with the Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*), or any other German laws governing the issue, offering and sale of securities.

### **Singapore**

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of the Singapore statutes (the "SFA"). Accordingly, each Joint Lead Manager has represented, warranted and agreed that this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Preferred Securities may not be circulated or distributed, nor may the Preferred Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor or other person specified in Section 274 of the SFA, (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

### **Hong Kong**

Each Joint Lead Manager has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Preferred Securities other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong; and (ii) it has not issued and will not issue any advertisement, invitation or document relating to the Preferred Securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Preferred Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Future Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

### **Switzerland**

This Offering Circular does not constitute an offer to buy or to subscribe for Preferred Securities of the Issuer and it does not constitute an offering circular within the meaning of Art. 1156 of the Swiss Code of Obligations. This Offering Circular may be communicated in Switzerland to a limited circle of individually selected investors only and each copy of this Offering Circular may only be addressed to specifically named recipients and shall not be passed on to a third party.

### **Portugal**

Each Joint Lead Manager has represented, warranted and agreed that (i) it has not directly or indirectly taken any action or offered, advertised, sold or delivered and will not directly or indirectly offer, advertise, sell, re-sell, re-offer or deliver any Preferred Securities in circumstances which could qualify as a public offer pursuant to the *Código dos Valores Mobiliários*, and (ii) it has not directly or indirectly distributed and will not directly or indirectly distribute this Offering Circular, any other document, circular, advertisement or any offering material except in accordance with all applicable Portuguese laws and regulations.

### **Belgium**

This Offering Circular has not been and will not be submitted to the Belgian Banking, Finance and Insurance Commission and, accordingly, the Preferred Securities may not be distributed by way of public offering in Belgium.

### **Spain**

The Preferred Securities will not be offered or sold in Spain by means of a public offer as defined and construed by Spanish law save in compliance with the requirements of the Spanish Securities Market Law of

28th July, 1988, as amended and restated, and Royal Decree 291/1992 of 27th March, on issues and public offers for the sale of securities (“RD 291/92”), as amended and restated, and other applicable regulations. Accordingly, the Preferred Securities have not been offered and will not be offered to persons in the Kingdom of Spain in any way that would constitute an offer to the public.

This Offering Circular has not been registered with the *Comisión Nacional del Mercado de Valores* (the Spanish securities commission) and therefore it is not intended for any public offer of the Preferred Securities in Spain.

**General**

No action has been taken by the Issuer, the Bank or any of the Joint Lead Managers that would, or is intended to, permit a public offer of the Preferred Securities in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Preferred Securities or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Preferred Securities by it will be made on the same terms.



## GENERAL INFORMATION

### Authorisation

1. The issue of the Preferred Securities was duly authorised by a resolution of the Board of Directors of the Issuer dated 11th February, 2005 and the giving of the Guarantee was duly authorised by a resolution of the Board of Directors of the Bank dated 25th January, 2005.

### Listing

2. Application has been made to list the Preferred Securities on Euronext Amsterdam. Application will be made to list the Preferred Securities on the Frankfurt Stock Exchange. So long as the Preferred Securities are listed on the stock market of Euronext Amsterdam, the Issuer will comply with the provisions set forth in Article 2.1.20, sections a-g of Schedule B of the Listing and Issuing Rules (Fondsenreglement) of Euronext Amsterdam N.V.

### Clearing Systems

3. The Preferred Securities have been accepted for clearance through Clearstream Banking Frankfurt. The Preferred Securities are also eligible for clearing and settlement through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is DE000A0DX3M2, the Common Code is 021190098, the fondscodex is 15187 and the German Security Code (WKN) is A0DX3M.

### No significant change

4. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Group since 30th September, 2004 or of the Issuer since 31st December, 2003 and there has been no material adverse change in the financial position or prospects of the Group or the Issuer since 31st December, 2003.

### Litigation

5. Save as disclosed in this Offering Circular, none of the Issuer the Bank and any other member of the Group is or has been involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Bank is aware) which may have or have had in the 12 months preceding the date of this Offering Circular a significant effect on the financial position of the Issuer, the Bank or the Group.

### Accounts

6. The auditors of the Issuer are KPMG Channel Islands Limited, 5 St. Andrew's Place, Charing Cross, St. Helier, Jersey JE4 8WQ. The Issuer prepares audited non-consolidated financial statements on an annual basis.

Audited financial statements of the Issuer have been prepared for the period from 21st November, 2002 to 31st December, 2002 and for the year ended 31st December, 2003. An unqualified audit opinion was issued thereon by KPMG.

The statutory auditors of the Bank are KPMG Kyriacou Certified Auditors A.E., 3 Stratigou Tombra Street, Aghia Paraskevi GR-15342, Athens (who were appointed for the first time on 2nd April, 2002).

The consolidated financial statements of the Bank for the financial year ended 31st December, 2001 prepared in accordance with international accounting standards ("IAS") and the consolidated and non-consolidated financial statements of the Bank for the financial year ended 31st December, 2001 prepared in accordance with generally accepted accounting principles in Greece ("Greek GAAP") were audited by Arthur Andersen S.A., Athens (the previous auditors of the Bank) and by Sol AE.

The consolidated and non-consolidated financial statements of the Bank for the financial years ended 31st December, 2002 and 2003 prepared in accordance with Greek GAAP were audited by KPMG Kyriacou Certified Auditors A.E.. Sol AE were also appointed to audit the Greek GAAP consolidated and non-consolidated financial statements of the Bank for the financial year ended 31st December, 2002.

On an annual basis, the Bank currently prepares audited consolidated and non-consolidated financial statements in accordance with Greek GAAP. On a semi-annual basis, the Bank currently prepares unaudited (but reviewed) consolidated and non-consolidated financial statements in accordance with Greek GAAP. On a quarterly basis, the Bank currently prepares unaudited consolidated and non-consolidated financial statements in accordance with Greek GAAP.

**Documents**

7. Copies of the following documents will be available free of charge from the specified office of the Paying and Transfer Agents for the time being so long as any of the Preferred Securities remains outstanding:

- (a) the Articles of Association of the Issuer and the Memorandum and Articles of Association of the Bank (with an English translation thereof);
- (b) the Greek GAAP audited consolidated and non-consolidated financial statements of the Bank, each in respect of the financial years ended 31st December, 2001, 2002 and 31st December, 2003 (with an English translation thereof) and the audited financial statements of the Issuer in respect of the period from 21st November, 2002 to 31st December, 2002 and for the year ended 31st December, 2003;
- (c) the last two most recently published audited annual financial statements of the Issuer and the Bank (when available) and the most recently published unaudited interim financial statements (if any) of the Issuer and the Bank (with an English translation thereof); and
- (d) the Subscription Agreement, the Agency Agreement and the Guarantee.

**THE ISSUER**

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