DIRECTORS' REPORT

2006

ATHENS, FEBRUARY 2007

EMPORIKI BANK GROUP

ENHANCEMENT OF THE PERFORMANCE OF THE RETAIL FRANCHISE

Emporiki managed in the post-acquisition period to further develop its strong commercial presence in the area of Individuals, leading to a 45.6% growth of profit before provisions, tax and one-off adjustments, significantly underpinned by:

- Strong net interest income growth (+19.3%), as a function of its expanding net interest margin, solid volume growth and increased penetration of retail banking in its total loan portfolio
- Resilient penetration increase in consumer credit, expanding the market share (including Credicom) by 100 bps
- Firm presence in mortgages following some weakness in the 1Q06.

UPDATE ON THE INTEGRATION PROGRESS

Most of the relevant actions related with the integration of Emporiki into the Crédit Agricole Group have been completed, whereby the progress in the recent months has focused in the following key areas:

- **Establishing management control in Emporiki Bank**
  Following the appointment of Anthony Crontiras as CEO and Bruno Charrier as the Deputy CEO, senior appointments from the Greek market and the Crédit Agricole Group have significantly strengthened the management team of the bank. Emporiki has recently introduced a new organization structure aiming at ensuring enhanced effectiveness of its banking operations and achieving strong commercial orientation. The new scheme comprises of six General Divisions for Retail banking, Corporate & Investment banking, Financial & Banking operations, Co-ordination, Human resources and Risk management.

- **Progress in "Joining Forces"**
  This enterprise-wide program, comprising of 15 distinct initiatives in key areas, is ensuring that Emporiki's governance model and most of its key processes have been successfully aligned with Crédit Agricole's standards. The focus of the "Joining Forces" program is rebalanced towards the enhancement of the commercial activity and the improvement of the efficiency of Emporiki's platform.

- **Alignment of risk management and accounting principles**
  Following an in depth review of all Emporiki Group companies, which focused in credit portfolio, financial risk, tax and other contingencies and exposures, Emporiki introduced relevant steps to adjust risk management, accounting practices, provisioning policy and estimation methodologies to adapt Crédit Agricole's standards. This had an adverse pre-tax impact of €386.5 million on its 2006 year-end accounts, which is detailed as follows:

  - €299.4 million additional provisions for impairment losses on loans and advances
  - €59.5 million additional provisions for expected losses on wide variety of contingencies and exposures and for adjustments relating to the impairment of receivables
  - €27.6 million additional staff costs for applying Crédit Agricole's accounting principles relating mainly to the method for providing for employee benefits.

  The risk estimation and provisioning methodologies will continue to be refined and enhanced during 2007, taking into account further alignment with new international regulation and Credit Agricole's standards.

- **Consolidation with Crédit Agricole S.A.**
  As from 16 August 2006, Emporiki Bank is fully integrated in Crédit Agricole S.A. consolidated accounts. The adjustments by Emporiki arising from the alignment of the provisioning estimation methodologies and its accounting policies with Crédit Agricole have been treated by Crédit Agricole as

having been effective as of the date of its acquisition of Emporiki. The impact of the alignment is a non-recurring event and does not impact the consolidated income statement of Crédit Agricole S.A.

DISPOSAL OF PHOENIX METROLIFE INSURANCE

On 16 February 2007, Emporiki announced that - along with Crédit Agricole - it is in exclusive negotiations with Groupama to dispose off 100% of Phoenix. Subject to reaching an agreement on specific terms and conditions, the transaction will include continuing with the existing bancassurance arrangement between Emporiki and Phoenix for the distribution of specific non life insurance products.

RESULTS 2006

Key figures *(€ m)*	**2006 reported**	**One off adjustments**	**2005 reported**	**Ch (%)**
Net banking income	**988.5**	**2.8**	**826.3**	**19.6**
Of which				
Net interest income	727.6		609.9	19.3
Fee and commission income	156.6		146.0	7.2
Other income	104.3	2.8	70.4	48.2
Operating expenses	**672.2**	**24.9**	**587.1**	**14.5**
Of which				
Staff expenses	427.9	21.7	370.2	15.6
Depreciation	37.5	3.2	35.2	6.7
Other operating expenses	206.8		181.7	13.8
Operating profit	**316.3**	**27.7**	**239.2**	**32.2**
Provisions	539.2	358.9	118.1	356.6
Earnings after tax & minority	**-234.7**	**291.5**	**76.0**	**-**
Earnings per share (EPS) (€)	-1.77		0.80	
Ratios				**Ch (bps)**
Cost to income	68.0%		71.0%	-300
Return on average assets (RoA)	-		0.39%	

In 2006 (FY06), the Group reported **losses** of €234.7 million after tax, compared to €76m profits attributable to shareholders a year earlier. Those losses include additional provisions, which resulted from a dedicated review to adapt Emporiki's risk management and accounting practices to Crédit Agricole's practices and estimation methodologies. On the operating side of the business, net banking income grew by 19.6% whilst operating expenses increased by 14.5%. However, adjusting for the non-recurrent items, the corresponding percentages become 20% and 10.3% respectively.

Net banking income: €988.5 million, +19.6%

- **Net interest income** was €727.6 million, up by a strong 19.3%, with net interest margin expanding to 3.40% vs. 3.15% in the respective period last year. This growth reflects the widening of the liability spreads and the increasing penetration of retail banking to the total loan portfolio.
- **Net fee and commission income** increased by 7.2% to €156.6 million driven mainly by fees related to new loan disbursements and brokerage.
- **Net income from insurance operations** at €19.8 million increased by 17.2% over the respective period last year. This increase is mainly attributed to the containment of insurance claims at Phoenix and the progress of implementing a bancassurance concept by Emporiki Life, a

joint venture of Emporiki and Predica, which distributed more than 12,000 contracts through the branch network in 2006.

- **Income from financial transactions** declined by 33.4% to €9 million in 2006 and **income from investment securities** amounted to €38.3 million, significantly higher than last year (€7.1 million), mainly as a result of the disposal of venture capital participations and some further unwinding in the available for sale portfolio.
- **Other operating income** increased by 1.9% mainly driven by the disposal of foreclosed property collaterals.

Operating expenses rose by 14.5%, providing an improvement of the efficiency ratio (operating expenses to operating income) to 68% in 2006 from 71% in 2005. Adjusting, however, for the non-recurrent items, the cost to income ratio improves further to 65.3%.

- **Employee costs** increased by 15.6%, driven by an extraordinary €21.7 million charge for applying Crédit Agricole's accounting principles relating to the method for providing for employee benefits. Furthermore, a €7.6 million charge refers to the decision of the arbitrator (OMED) between Emporiki and its trade union; as the parties could not conclude a company-wide salary agreement for the period 2005/06, they referred the subject to arbitration. Out of this €7.6 million charge €1.3 million refers to 2005. Group personnel stood at 7,611 people as at 31 December 2006 (46 less compared to FY05) that includes 133 net additions over 2005 for the staffing of 16 new branches opened in the Balkans.
- **Other operating expenses** increased by 13.8% in 2006 primarily reflecting the growth of production related cost and some acquisition-related expenses.

Provisions amounted to €539.2 million affected mainly by the additional loan loss impairment (€299.4 million) and extra provisions for expected losses on litigation cases and for adjustments relating to the impairment of receivables (€59.5 million).

Taxes stood at €7.5 million and include a €54.5 million one-off charge, which relates to the new Law 3513/05.12.2006 on the taxation of non-taxed reserves of banks.

2006 BALANCE SHEET DETAILS

Total loans of the Bank increased to €17.2 billion as of 31 December 2006 vs. €15.4 billion over the respective date last year, registering an 11.8% increase. Mortgage and consumer loans represent 44.1% of the loan portfolio vs. 38.6% last year.

In 2006 the annual growth rate of **mortgage loans** of the Bank stood at 29.6% resulting in outstanding balances of €5.4 billion. New mortgage loan disbursements stood at €2 billion, significantly increased (+60.1%) over the respective period last year, resulting to an enhanced competitive position (9.4% market share per November). In **consumer finance** annual growth rate stood at 22.9% with new disbursements (€903.3 million) significantly increased (+35%) over 2005, driving total outstanding balances to €2.2 billion. Credicom continued its notable growth with balances standing at €621.8 million at 31 December 2006, with an additional €335 millions of loans balances since December 2005. Considering Credicom and branch network originated consumer finance balances Emporiki further enhanced its market share in consumer finance to 9.7% (per November).

Loans to **SMEs** increased by 9.9% year-on-year, with balances standing at €5.1 billion. Based on the "Easy Business" offering, the Bank has managed to attract more than 7,000 new clients in 2006.

Deposits of the Bank increased to €16.2 billion, up 10.3% compared to last year, firming Emporiki's market share at 8.7% (per November). Time deposits increased by 36.2%, while sight deposits dropped by 7.6% and savings deposits decreased by 2.7%. Total mutual funds under management stood at €1.5 billion, lower than the FY05 levels, whereby the decrease reflects slowed down activity in money market funds.

Non-performing loans stood at parent level at 5.9% of total loans with accumulated provisions at €1,074.9 million representing 104.9% of non-performing loans.

Equity stood at €846.5 million. In December 2006 Emporiki entered into a €170 million lower Tier I and a €200 million lower Tier II loan agreement with Crédit Agricole to enhance its regulatory capital; at year end its Tier I ratio is estimated at 7.6% and its total capital adequacy ratio is estimated at 9.1%.

Athens, 22 February 2007

Chairman of the Board of Directors	Chief Executive Officer
JEAN – FREDERIC DE LEUSSE	ANTONIOS N. CRONTIRAS

It is certified that the above Directors' report, which consists of five pages, is the one mentioned in our review report dated 22 February 2007.

Athens, 22 February 2007

THE CERTIFIED AUDITORS ACCOUNTANTS

PriceWaterhouseCoopers S.A.

Konstantinos Michalatos
AM ΣΟΕΛ 17701