

NATIONAL BANK OF GREECE A.D. BELGRADE

**INDEPENDENT AUDITOR'S REPORT
OF 2007 FINANCIAL STATEMENTS**

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"NATIONAL BANK OF GREECE" A.D. BELGRADE

Independent Auditor's Report

To the Board of Director and the Shareholders

We have audited the accompanying financial statements of the "National Bank of Greece" a.d., (hereinafter referred as "Bank"), which comprise the balance sheet as at December 31, 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Law on Accounting and Auditing of the Republic of Serbia and regulations of National Bank of Serbia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of "National Bank of Greece" a.d Beograd as of December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with the requirements of the Law on Accounting and Auditing of the Republic of Serbia and regulations of National Bank of Serbia.

Belgrade, 10 April 2008

MGI Auditing & Accounting

*Bogoljub Aleksić, Director
Certified auditor*

NATIONAL BANK OF GREECE A.D. BELGRADE

**INCOME STATEMENT
for the period from 1 January to 31 December 2007**

	Note	2 0 0 7 <u>(RSD000)</u>	2 0 0 6 <u>(RSD000)</u>
Interest income	4	1,805,339	1,473,193
Interest expense	4	<u>(700,021)</u>	<u>(534,231)</u>
Net interest income		1.105.318	938,982
Fee and commission income	5	113,108	162,933
Fee and commission expense	5	<u>(37,353)</u>	<u>(40,227)</u>
Net fee and commission income		75,755	122,706
Net gains from securities	6	1,929	-
Net loss from securities		-	(373)
Net gain on exchange	7	137,229	96,070
Other operating income	8	237,413	289,484
Impairment losses on loans and advances and other provisions	8	(220,669)	(195,657)
Other operating expenses	9	(1,309,986)	(1,090,808)
Profit from operations		26,989	160,384
Income tax		(7,322)	-
Net gain from deferred tax assets and decreasing		<u>20,419</u>	<u>-</u>
Net profit		40,086	160,384
 Earnings per share			
Basic earnings (expressed in RSD per share)		40,086	160,384

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**BALANCE SHEET
as at 31 December 2007**

	Note	2 0 0 7 (RSD000)	2 0 0 6 (RSD000)
A S S E T S			
Cash and cash equivalents	11	4,557,081	1,230,188
Deposits with Central Bank and securities refinanceable with Central Bank	12	6,105,061	11,711,694
Interest, fees and commission receivable	13	90,346	76,210
Placements with domestic banks	14	3,615,266	2,554,333
Loans and advances to customers	15	13,310,730	10,960,413
Securities and other investments for trading purposes	16	29,322	27,309
Investment in securities hold-to-maturity	17	38,485	74,708
Intangible assets	18	189,398	267,938
Property, plant and equipment	18	218,234	261,709
Other assets, prepayments and accrued income	19	96,086	63,821
Deferred tax asset	10	22,740	2,321
TOTAL ASSETS		28,272,749	27,230,644
L I A B I L I T I E S			
Due to domestic banks	20	8,116	707,168
Due to customers	21	20,640,156	21,492,468
Interest, fees and commissions payable	22	74,869	54,930
Current income tax duties	10	7,322	-
Other liabilities from business operations	23	120,241	90,955
Provisions	24	4,223	-
Other liabilities, accruals and deferred income		96,264	112,438
TOTAL LIABILITIES		20,951,191	22,457,959
E Q U I T Y			
Share and other capital	25	7,419,535	4,910,748
Reserves		19,782	19,782
Accumulated losses		117,759	157,845
TOTAL EQUITY		7,321,558	4,772,685
TOTAL LIABILITIES AND EQUITY		28,272,749	27,230,644
OFF BALANCE SHEET ITEMS			
Funds managed on behalf of third parties	26	805	1,039
Guaranties, sureties, assets pledged as collateral and irrevocable commitments		2,010,523	712,568

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**CASH FLOW STATEMENT
for the period from 1 January to 31 December 2007**

	2 0 0 7	2 0 0 6
	(RSD000)	(RSD000)
Cash inflow from operating activities	1,918,593	1,629,269
Inflow from interest	1,792,848	1,464,921
Inflow from fees and commissions	111,464	160,588
Inflow from other operating income	14,281	3,760
Cash outflow from operating activities	1,914,967	1,494,417
Outflow from interests	679,881	506,648
Outflow from fees and commissions	37,554	39,915
Outflow from gross salaries, benefits and other personal expenses	443,388	380,157
Outflow from taxes, contributions and other duties charged to income	78,708	84,349
Outflow from other operating expenses	657,436	483,348
<i>Net cash inflow for operating activities before increase or decrease in loans investments and deposits</i>	3,626	134,852
Decrease in loans and investments, and increase in deposits	4,546,269	9,258,299
Decrease in placements with banks and other financial organizations	4,545,700	-
Decrease in securities	569	173,862
Increase in placements with banks and other financial organizations	-	413,818
Increase in customer deposits	-	8,670,619
Increase in loans and investments, and decrease in deposits	3,876,867	11,380,808
Increase placements with banks and other financial organizations	-	9,771,715
Increase placements with clients	2,343,630	1,609,093
Decrease deposits with banks and other financial organizations	699,052	-
Decrease deposits with clients	834,185	-
<i>Net cash inflow from operating activities before income tax</i>	673,028	-
<i>Net cash outflow for operating activities before income tax</i>	-	1,987,657
Cash inflow from investing activities		
Inflow for purchase of long term investments	35,570	38,964
Inflow for obtaining equity instruments	35,570	38,964
Cash outflow from investing activities	27,721	212,833
Purchase of intangible assets and fixed assets	27,721	212,833
<i>Net cash inflow from investing activities</i>	7,849	-
<i>Net cash outflow from investing activities</i>		173,869
Cash inflow from financing activities	2,508,787	2,666,114
Inflow from share issue	2,508,787	2,666,114
Total increase in cash	9,009,219	13,592,646
Total decrease in cash	5,819,555	13,088,058
Net increase in cash	3,189,664	504,588
Cash at beginning of period	1,230,188	629,530
Gains on exchange	427,359	716,325
Losses on exchange	290,130	620,255
Cash at end of period	4,557,081	1,230,188

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**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the years 2006 and 2007**

	2 0 0 7	2 0 0 6
	(RSD000)	(RSD000)
Share and other capital		
As at 1 January	4,910,748	2,244,633
Issue of shares	2,508,787	4,910,748
Transfer to capital	-	(2,244,633)
As at 31 December	7,419,535	4,910,748
Revaluation reserves		
As at 1 January	19,782	19,252-
Increase	-	530
As at 31 December	19,782	19,782
Accumulated loss		
As at 1 January	318,229	300,965
Profit/(Loss for the year)	(160,384)	17,264
As at 31 December	157,845	318,229
Retained earnings	40,086	160,384
Transfer to cover accumulated loss	-	(160,384)
	40,086	-
Total equity		
As at 1 January	4,772,686	1,962,921
Increase for the year	2,548,873	5,054,398
Decrease for the year	-	(2,244,633)
As at 31 December	7,321,558	4,772,686