2008

Eurobank EFG

Annual Report


Eurobank EFG
UNITED KINGDOM
Polbank EFG
POLAND
Universal Bank
UKRAINE
LUXEMBOURG
Eurobank EFG
Private Bank Luxembourg
Bancpost
ROMANIA
Eurobank EFG
Postbank
SERBIA
BULGARIA
Eurobank Tekfen
GREECE
TURKEY
Eurobank EFG
CYPRUS
Eurobank EFG

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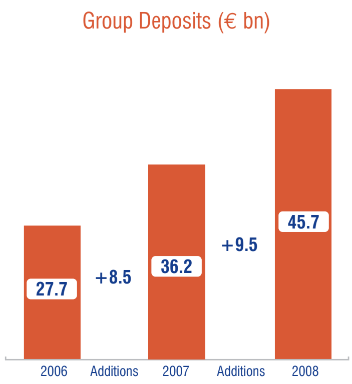
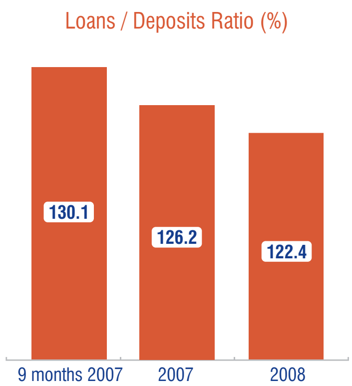
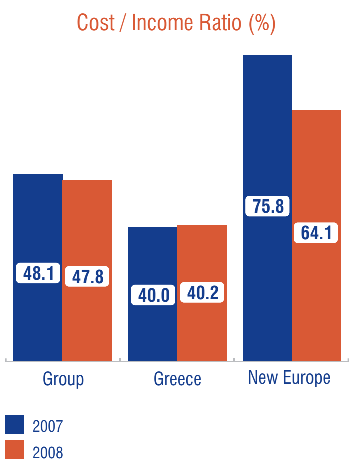
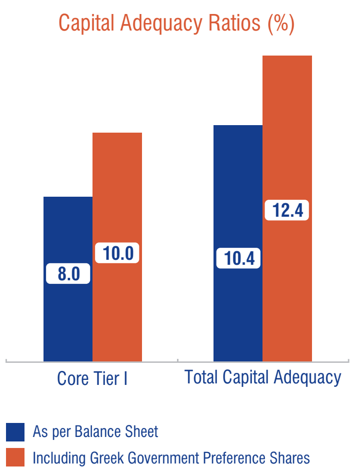








Ratings

	Eurobank EFG	Sovereign
MOODY'S	A1 / P-1 / C	A1
STANDARD & POOR'S	A- / A-2	A-
FITCH	A - / F2 / B / C	A

Eurobank EFG - Consolidated Financial Figures

		2008	2007	Δ%	New Europe
Balance Sheet	Total Loans	€57.1 bn	€46.7 bn	**22.4%**	€14.7 bn
	Total Deposits	€45.7 bn	€36.2 bn	**26.3%**	€8.7 bn
	Total Assets	€82.2 bn	€68.4 bn	**20.2%**	€21.2 bn

		2008	2007	Δ%	New Europe
P&L	Net Interest Income	€2.4 bn	€2.0 bn	**19.0%**	€769 m
	Net Banking Fees & Commissions	€543 m	€558 m	**(2.6%)**	€238 m
	Net non-Banking Fees & Commissions	€75 m	€76 m	**(1.9%)**	€5 m
	Total Operating Revenues	**€3.3 bn**	**€2.8 bn**	**16.4%**	**€1.0 bn**
	Total Operating Expenses	€1.6 bn	€1.4 bn	**15.6%**	€669 m
	Impairment losses	€886 m	€401 m	**121.2%**	€220 m
	Pre-provision Income	€1.6 bn	€1.5 bn	**6.0%**	**€375 m**
	Profit before tax after minorities[1]	€790 m	€1,053 m	**(25.0%)**	€141 m
	Net Profit after tax & minorities	**€652 m**	**€815 m**	**(20.0%)**	**€137 m**

		2008	2007
Key Financial Ratios	Net Interest Margin	3.2%	3.3%
	Cost to Income Ratio	47.8%	48.1%[2]
	NPLs	2.7%	2.4%
	NPLs Coverage Ratio	74.4%[3]	92.1%
	Provisions to net loans	1.3%[3]	1.0%
	Core Tier I Ratio	8.0%	9.2%
	Total Risk Asset Ratio	10.4%[4]	12.2%
	ROA (after tax)	0.9%	1.4%
	ROE (after tax & minorities)	15.7%	22.4%
	EPS	€1.20	€1.59

			2008	2007
Resources	**Branches and other client servicing points**		**1,740**	**1,523**
		Greece	494	558
		New Europe	1,244	963
		Luxembourg	1	1
		London	1	1
	Human Resources		**24,497**	**22,109**
		Greece	10,142	10,284
		New Europe	14,355	11,825

[1] *Operating Income less Expenses, excluding exceptional gain of €160m in 2008*
[2] *Including one-off donation to fire victims (€20m)*
[3] *Excluding the pre-emptive provisions (€240m)*
[4] *Excluding the issuance of €950m preference securities to the Greek State*

Letter to Shareholders

Dear Shareholders,

In 2008, the global financial and economic crisis escalated to unprecedented levels on both sides of the Atlantic. The global economy has entered a recession, with negative GDP growth rates in almost all developed economies. In such an adverse environment corporate profits are shrinking, major sectors, such as the car and construction industries, are struggling to survive, while unemployment is on the rise, causing acute social problems.

The crisis escalated rapidly during the last quarter of 2008. The Lehman Brothers collapse caused great investor concern worldwide, eroding depositor confidence and leading to an unparalleled reduction of liquidity in international markets. Global money and capital markets froze, the stability of the financial system took a direct hit, and the credit risk premium for all debt issues soared, gradually affecting all borrowers.

This crisis has led governments, central banks and regulators all over the world to major interventions through targeted action and measures aimed at moderating its consequences, such as the drastic reduction of reference rates, fiscal expansion and demand-boosting measures, and central bank purchases of bonds and securities directly from the capital markets. The aims are to stabilize and stimulate the financial system, boost liquidity and confidence, facilitate economic recovery and protect employment.

As expected, the international crisis is also affecting the Greek economy, which, nonetheless, still has some noteworthy defences: it is a relatively closed economy, mainly based on the service sector and less on manufacturing and exports. It is a member of the Euro zone, and is expected to succeed in maintaining an, even marginally, positive growth rate. Apart from the visible grave consequences of the crisis on the real economy, Greece's high twin deficits the fiscal and the external deficit deprive the country from the ability to boost economic activity by means of an expansionist fiscal policy.

Fiscal stability is critical, as the rise of both the deficit and the public debt has negative repercussions on the country's credit rating. This, in turn, leads to an increase in the cost of money for the Greek state, which is reflected on the large rise of the spread on government bonds. Moreover, apart from the measures that must be immediately taken in order to restore fiscal stability, the Greek economy should not overlook the structural reforms that are necessary for reinstating its competitiveness in the long term.

There is no doubt that the effects of the global crisis are also visible in the Greek banking system. However, it is worth making a clear distinction between the financial systems of countries such as the US and the United Kingdom, which directly generated the crisis, triggering a worldwide domino effect and are, therefore, in need of radical measures for dealing with it, and the financial systems of countries such as France, Italy and Greece, which were inescapably caught in the maelstrom of the crisis and are indirectly affected by it. In the latter cases, the necessary interventions are much milder and more compatible on the European Union level.

As far as the Greek banking system is concerned, it is evident that it neither has any material exposure to high-risk investment products, nor it has been engaged in speculative activities. On the contrary, in the past few years Greek banks had been pursuing a strategy that was mainly focused on financing their customers (businesses and households), as well as on the growth of their own operations, both in Greece, and in the wider region. In other words, they successfully employed their capital in traditional banking operations, contributing, on the same time, to the development of the Greek economy, and the regional markets in which they operate.

As part of the effort to dampen the effects from the global financial crisis, the Greek government, like most governments of Euro zone member states, approved in late 2008, the "Plan for Enhancing Liquidity in the Greek Economy". The Plan which is in line with similar measures taken in most European countries, has been given clearance by the European Commission and is designed to enhance bank financing to businesses and households, by injecting liquidity and fresh capital into the banking system.

Eurobank EFG, following a relevant proposal from its Board of Directors and a decision by the extraordinary General Meeting of its Shareholders, has signed up to the "Plan for Enhancing Liquidity in the Greek Economy", utilizing all three of its pillars. Our decision is compatible with similar decisions of other large Greek banks, as well as to similar decisions taken by most major banks in the European Union.

Utilizing the measures included in the Plan, our Bank will increase its capability to support Greek businesses and households, contributing to the overall effort of supporting Greece's economy during this tough period. The further reinforcement of our capital base by €950 million through the issuance of preference shares to the Greek State which, it should be noted, do not bear the rights of common shares will allow us to safeguard the Bank against the consequences of the global crisis, protect our shareholders from serious contingencies and sustain our uninterrupted growth, competing on an equal basis with major European credit institutions, especially in the countries of New Europe.

Inevitably, the unprecedented crisis that is plaguing the global financial system and most economies all over the world, also affected our Bank's results. Nonetheless, our Bank responded timely and efficiently to the challenges, even under these rather unfavourable circumstances, promptly adapting its strategy to the new situation. More specifically, we gave even more emphasis on: (i) improving our pre-provision income, through the increase of operating and recurring income; (ii) further safeguarding our balance sheet, by using our increased profitability to form additional "pre-emptive" provisions of €240 million, in order to deal with future contingencies; (iii) ensuring adequate liquidity, by attracting new deposits in Greece and abroad; (iv) safeguarding the quality of our portfolio by means of judicious and conservative risk management and provisioning policies; and (v) successfully containing operating costs.

At the same time, we continued to support our customers, both businesses and households, with a deep sense of responsibility, forging relationships of trust, which are needed more than ever under the current circumstances. Moreover, this dire situation did not deter our Group from remaining faithful to the social role it has been building on since its very inception, aspiring to contribute to social well-being and sustainable development.

Once more, our results demonstrate our ability to successfully deal with problems, to protect our achievements and, above all, to safeguard the future prospects of our Organization to the benefit of our shareholders, customers and employees. Thus, despite the formation of additional "pre-emptive" provisions apart from the, increased, normal provisions of €240 million, our Group recorded a small profit of €5.1 million during the crucial 4th quarter of 2008. As far as the entire year is concerned, our Group maintained its sound profit growth, as net profits after taxes and minority interest stood at €652 million, compared to €815 million in 2007, representing a return on equity ratio of 16%. Results from foreign operations were rather positive, as net income from New Europe reached €137 million from €73 million in 2007, contributing 21% to the Group's total profits, as compared to 8.9% in 2007.

The Group enjoys increased liquidity thanks to its considerable deposit base in Greece and abroad, a widespread network of over 1,700 branches and customer service points, as well as its ability to draw liquidity from the European Central Bank and other international organizations. Customer deposits increased by 26.3% in 2008, with almost all new loans extended during the year financed by new deposits. Driven by this strong deposit growth we captured new market shares in all countries we are operating in, with our share in the Greek market increasing by 0.6%, and the loans to deposits ratio further improving to 122% from 126% in 2007.

Loans increased by 22.4%, demonstrating our ability to support our customers even under the current tough conditions. Our Group's loans to households increased by 21.2% and stood at €26.5 billion, while loans to businesses increased by 23.5% and stood at €30.6 billion. More specifically, in the crucial 4th Quarter of 2008, our Bank's business customer balances in Greece rose by more than €900 million, an amount that represents 25% of total net business loan disbursements in the entire market during the same period, according to Bank of Greece data.

The deterioration of the financial climate led to a relatively limited, as well as anticipated, deterioration of the non-performing loan ratio, to 2.7% from 2.4% in 2007, which remains, nonetheless, much lower than the market's average. A fact that should also be taken into account at this point, is our rather conservative provisioning policy. For example, the provisioning coverage of non-performing loans in the countries of New Europe already stands at 98%, without, of course, counting in neither the coverage of loans with collateral, nor the additional pre-emptive provisions of €240 million.

Net interest income rose by 19% to €2.4 billion, bearing tangible proof of our Organization's ability to generate organic growth, while income from our foreign operations increased by 73% and accounted for 32% of the total. Commission income suffered a slight 2.5% decrease, mainly because of the drop of income generated from capital markets and asset management.

In 2008, our Group also demonstrated its ability to adapt promptly and effectively to new market conditions on the expense side, by achieving resource savings and containing operating cost growth. Thus, in 2008 operating expenses increased by a mere 3.1% in Greece, as compared to 11% in 2007, while overall, and on a comparative basis, Group expenses increased by 10.9%. The cost to income ratio for domestic operations remained at the very low levels of 40.2%, and is one of the lowest in Europe, while the ratio for foreign operations was significantly improved to 64% from 76% in 2007.

The Total Capital Adequacy Ratio stood at 10.4% by the end of 2008, while Core Tier I capital stood at 8.0%. Taking into account the issuance of €950 million of preference shares to the Greek State, Tier I capital reaches 10% and the Total Capital Adequacy Ratio reaches 12.4%. Our Organization's high capital adequacy demonstrates its ability to respond to increased capital adequacy requirements, which are currently one of the most effective defences against the crisis world-wide.

Our Bank's strong capital adequacy and its ability to cope with tough financial conditions, is reflected on the ratings it has been given by international credit rating agencies. More specifically, the Bank maintains a rather high credit rating, having been given an A1 by Moody's, an A- by S&P and an A- by Fitch.

Moreover, “The Banker” magazine, a member of the Financial Times publishing group and one of the most highly acclaimed international publications in the financial sector, named Eurobank EFG “Best Bank in Greece of the Year 2008” for the sixth time. Similarly, the Global Finance magazine named us the best Bank in Greece for a sixth year. The same distinction was also bestowed for 2008 by the Euromoney magazine. In 2008, our Bank also achieved similar distinctions in other, more specialized fields, for example in Private Banking, where we were named “Best Bank in Private Banking” for a fourth consecutive year, or in Trade Finance, where we were granted the relevant award of the Global Finance magazine, also for a fourth year in a row.

As far as dividend policy is concerned, the relevant law prohibits Greek banks that participate in the “Plan for Enhancing Liquidity in the Greek Economy” from distributing cash dividends to their shareholders. As a result of this stipulation, the Bank shall not distribute any cash dividend.

In 2009, our priorities remain adapted to the needs and challenges created by the new era. We will intensify our efforts, in order to:

- Enhance our capital base and further improve the capital adequacy ratios of all tiers.
- Ensure prudent liquidity management and attract new deposits.
- Improve our core profitability.
- Ensure even stricter and efficient risk control and further improve the quality of our portfolio.
- Reduce operating costs on all levels.
- Support our customers, businesses and households alike, during this crucial period, by showing the necessary understanding and flexibility whenever required. We are working together with agencies (the Credit Guarantee Fund for Small and Very Small Enterprises TEMPME), professional bodies and international organizations (European Investment Bank), helping our customers face the problems caused by the crisis.

At the same time, we continue to assist the stabilization of Central and South-eastern European economies, which maintain their long-term growth prospects.
In a period when the global crisis is in full swing, spawning uncertainty and unforeseen developments, our objective is always to safeguard the strong position and long-term prospects of our Organization; to establish a feeling of trust and cooperation with our customers and shareholders every single day, and continue to play our dynamic and useful role in the development of the Greek economy and society. We are equipped with the proper strategy, the dynamism, the skills, the means and the solid foundations for achieving this.

The answer to the, undeniably, unprecedented challenges that confront the global economy and financial system, lies on utilizing the quality, fighting spirit and professionalism of our people, our greatest competitive advantage. In these crucial times, we must, as always, be flexible and proactive, promptly adapting our business plan in order to gain ground and, once again, emerge stronger, to the benefit of our shareholders, customers and employees.

Athens, March 23rd, 2009

Xenophon C. Nickitas
Chairman of the Board of Directors

Nicholas C. Nanopoulos
Chief Executive Officer

Members of the Strategic Planning Committee & the Executive Committee

Nicholas C. Nanopoulos
Chief Executive Officer
and Board Member

Byron N. Ballis
Deputy Chief Executive Officer
Retail Banking
and Board Member

Michael H. Colakides
Deputy Chief Executive Officer
Risk Management
and Board Member

Nikolaos B. Karamouzis
Deputy Chief Executive Officer
Wholesale Banking
and Board Member

Paula N. Hadjisotiriou
General Manager
Finance & Strategy
and Board Secretary

Members of the Executive Committee

Pedro da Silva Carvalho
General Manager
Consumer Lending

Fokion Chr. Karavias
General Manager
Global Markets

Evaggelos I. Kavvalos
General Manager
Small Business Banking

George P. Marinos
General Manager
Corporate Banking

Nikos K. Pavlides
General Manager
Operations, Technology & Organization
and Board Member

P. Giorgio Pradelli
General Manager
International Division

Michael G. Vlastarakis
General Manager
Branch Network

The unprecedented crisis that struck the international financial system, and the global recession, had a direct effect on banking operations during the past year. Unsurprisingly, the results of the Eurobank EFG Group, as well as other banks worldwide, were adversely affected by a series of factors, such as the drop of economic growth rates, the slowdown of credit expansion, the increase of deposit costs and credit risk spreads, the dysfunction of money markets and the prolonged fall of stock markets.
The Eurobank EFG Group responded promptly to the emerging unfavourable conditions, with the aim of safeguarding its balance sheet, strengthening relations with its customers, and assisting the operation of both the Greek economy and the economies of the New European countries in which it operates. More specifically, even greater emphasis was placed on maintaining the quality of the lending portfolio and forming increased provisions in order to deal with future contingencies; on the more efficient use of own equity and efficient liquidity management; on attracting fresh deposits in Greece and abroad, and on containing operating costs through sounder network growth.

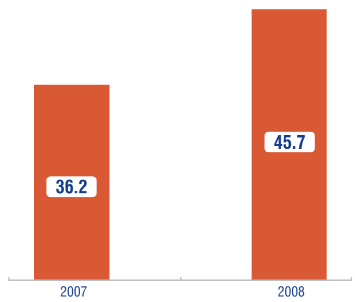
The Group enjoys increased liquidity thanks to its substantial deposit base in Greece and abroad, a widespread network of branches and customer service points, as well as its ability to draw liquidity from the European Central Bank and other international organizations. Customer deposits increased by 26.3% in 2008, to €45.7 billion, while new deposits rose to €9.5 billion from €8.4 billion in 2007, financing almost all new loans extended during the year. Driven by such strong deposit growth, the Group captured new market shares in all countries it is operating in, as its share in the Greek market increased by 0.7%, while the loans to deposits ratio was further improved to 122% from 126% in 2007. The lending portfolio grew by 22.4%, reaching €57.1 billion in 2008 from €46.7 in 2007. The Group's loans to businesses increased by 23.5% and stood at €30.6 billion, while loans to households increased by 21.2%, reaching €26.5 billion in 2008.

Taking into account the adverse conditions prevailing worldwide, the Group formed considerably increased provisions in 2008, with the aim of safeguarding itself from future contingencies. Apart from normal provisions, the Group formed a €240 million buffer of additional provisions, which burdened 4th quarter profits. The Group's normal provisions of €646 million accounted for 1.27% of average loan balances in 2008, as compared to 1.01% in 2007. The provisions cover 74% of non-performing loans (or 90%, if the additional provisions of €240 million are also included).

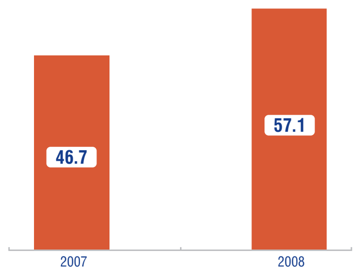
The Eurobank EFG Group has a strong capital adequacy ratio. At the end of 2008, the Total Capital Adequacy Ratio stood at 10.4%, while Core Tier I capital stood at 8.0%. Taking into account the issuance of €950 million of preference shares to the Greek State, Tier I capital reaches 10% and the Total Capital Adequacy Ratio reaches 12.4%.

Net interest income increased by 19% year-on-year, to €2.4 billion, while income from foreign operations increased by 73%, accounting for 32% of the Group's total net interest income. The net interest margin (net interest income to average assets) remained at 3.2%.

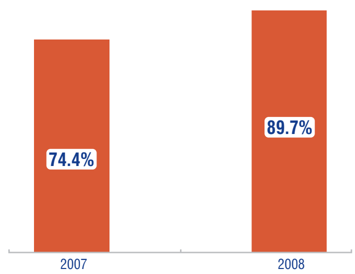
Group Deposits (€ bn)



Gross Loans (€ bn)



Coverage of
Non - performing Loans (%)

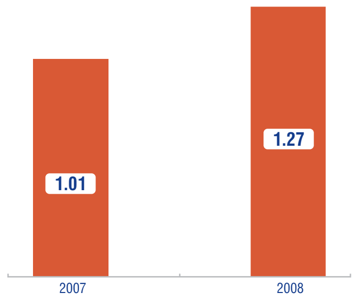


The Group's Total Revenues increased by 16.4%, and amounted to €3.3 billion in 2008. Total Revenues from foreign operations increased by 64% and stood at €1 billion, accounting for 32% of the Group's total revenues.

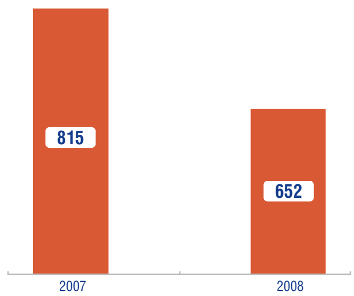
Total Operating Expense growth fell to 3.1% in Greece, and stood at 10.9% on the Group level and on a comparable basis, excluding Eurobank Tekfen and all expenses incurred in the Ukraine. The cost to income ratio for domestic operations remained at very low levels (40.2%), greatly improved in New Europe, where it fell to 64% from 76% in 2007. At the end of 2008, the Group's efficiency ratio stood at 47.8%.

Net profits after tax and minority interest amounted to €652 million, compared to €815 million in 2007, while, if the additional pre-emptive provisions are excluded, net profits rose to €836 million in 2008. The results from foreign operations were rather positive, as net income from New Europe reached €137 million from €73 million in 2007, contributing 21% to the Group's total profits, as compared to 8.9% in 2007.

Provisions to Loans (%)



Net Profits after Tax
and minorities' interest (€ m.)



The Eurobank EFG Share

The year 2008 was rough, both for the international and the Greek, stock markets. The main cause of the crisis was the collapse of trust among financial institutions worldwide, owing to a lack of confidence on the quality of the sector's assets. Interbank lending was drastically reduced, and as a result liquidity became extremely scarce and costly.

This climate generated a global turmoil, which led to the total collapse of American, as well as European, banking giants, and/or the need to keep them alive through (direct or indirect) state intervention.

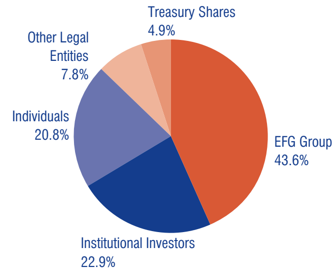
In such a testing environment, Eurobank EFG not only did avoid incurring any capital losses from its investments, but, on one hand sustained a strong capital adequacy ratio and, on the other hand, focused on liquidity in due time, managing to improve it substantially. Eurobank EFG still receives the best credit ratings among domestic competitors.

The Bank's achievements in 2008 are not reflected on the price of its share, as investor concern about systemic risks and the dramatic deterioration of the macroeconomic environment led many major portfolios to disinvest from the Greek banking sector. In such a climate, the Bank's share lost 76% year-on-year, almost at par with the Greek banking index, which lost 74% during the course of 2008. On a more long-term perspective, the share of Eurobank EFG continued to outperform the Eurostoxx Banks index by 6.5% during the past five years.

At the end of 2008, the market capitalization of Eurobank EFG stood at €3.0 billion, and remained the second largest in the Greek market. Moreover, the daily average volume of transactions rose to 1.076 million shares, from 976,000 in 2007 and 642,000 in 2006.

In accordance with the law, Greek banks that participate in the "Plan for Enhancing Liquidity in the Greek Economy" are prohibited from distributing cash dividends to their shareholders. As a result, the Bank shall not distribute any cash dividend.

Shareholders as at 31.12.2008*
(% of total shares)



*classification based on Share Register data

Share Data	2008
Closing price (year-end)	€5.70
Highest Price	€23.98
Lowest Price	€5.08
Market Capitalization in €m (year-end)	€3,007
Treasury Shares	26,011,770
Total Number of Shares	**527,591,242**

Retail Banking

Retail Banking

Attracting new deposits was one of the strategic targets set, and successfully realized, by the Bank in the field of Retail Banking during 2008. This effort led to a substantial increase of its share in the Deposit market. Eurobank EFG attached great importance to attracting low-cost deposits through the creation of products that cover all the needs of households and professionals. This strategy was proved rather successful in Greece, where deposits grew by 20.1%, compared to 15.9% for the entire market, as well as in New Europe, where deposits grew by 62%. Overall, the Group's deposits reached €45.7 billion in 2008, increased by 26.3% from 2007. New branches played a significant role in attracting new deposits in Greece and abroad during 2008.

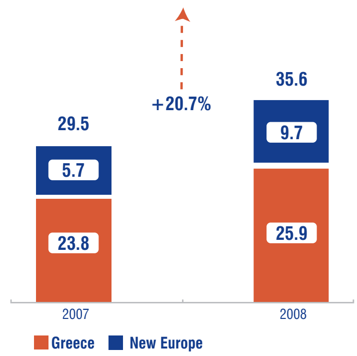
The successful outcome of the aforementioned effort was supported by the implementation of a client-oriented operating model. Especially in the field of affluent clients, Personal Banking offered a range of new exclusive services and products, such as the "Global Statement" and the "Personal Banking Account", which combines current account flexibility with time deposit yields. Moreover, dedicated areas for servicing Personal Banking clients have already been introduced to 65 branches in Greece, while, overall, Personal Banking officers are present in more than 230 branches. These actions led to a substantial increase in the number of clients that trust this service, as well as in assets under management.

As far as lending is concerned, total Group loans to households and small businesses increased by 20.7%, reaching €35.6 billion, with €25.9 billion extended in Greece and €9.7 billion in New Europe.

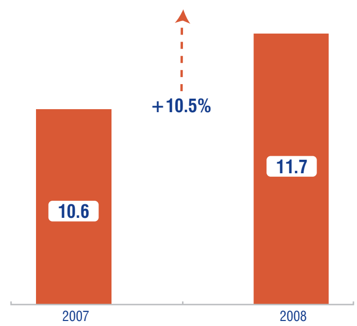
Customer Service Networks

In 2008, the Retail Banking Network was expanded in Greece, with new branches in selected areas, bringing the total number of braches and customer service points to 437; 26% of the branches achieved payback in less than four years of operation. Eurobank EFG has developed innovative alternative service networks with the main aim of providing its customers with effective and direct service. Automatic Payment Systems (APS), ATMs, self-service electronic tellers (SSET), the EuroPhone Banking service, as well as the Bank's sophisticated phone sales system, enable customers to be serviced whenever and wherever they choose. The ATM network had reached 852 machines (439 Branch and 413 off-site ATMs) by the end of 2008, while the Automated Payment Systems (APS) of the Eurobank Branch Network comprised 497 devices. EuroPhone Banking remains the larger and most advanced banking call centre in Greece, as in 2008 it processed almost 3,100,000 calls and performed the largest number of financial transactions and inquiries in the market. For the fifth time in the past six years, EuroPhone Banking received the award for the best "Large Call Centre" in Greece, thanks to the top quality services it provides to the Bank's customers. In New Europe, the Retail Banking network reached 1,144 branches and points of service.

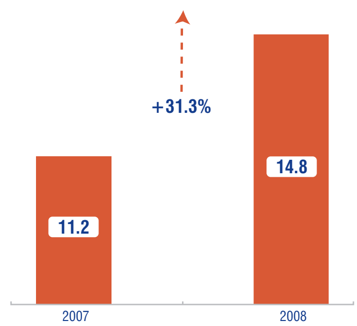
Retail Loans (€ bn)



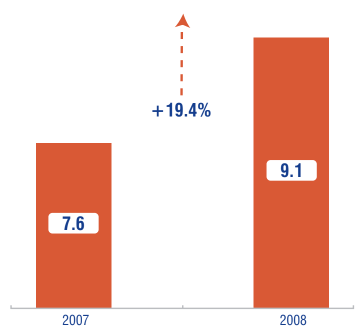
Consumer Loans (€ bn)



Mortgage Loans (€ bn)



Loans to Small Businesses (€ bn)



Consumer Lending

In Consumer Lending, Eurobank EFG confirmed its leading position in Greece and sustained its dynamic presence in New Europe. At the end of 2008, the Group's consumer loan and credit card balances stood at €11.7 billion, increased by 10.5% year-on-year.

Credit growth was combined with maintaining the high quality of the lending portfolio. Moreover, special emphasis was placed, both in Greece and abroad, on upgrading credit risk assessment models and optimizing the methods for collecting overdue receivables.

In Greece, Eurobank EFG confirmed its lead in the consumer loan market, in terms of both volume, and range of products and services. The "Open Line" revolving loan series improved its offer to new customers in two occasions during the year, with a privileged interest rate that remains fixed for the first 12 months of the loan. In addition, a program for rewarding punctual customers was created through the "Minus Two" open loan; this program does not require any minimum payment, while no interest is charged for two months per year.

In the markets of New Europe, Eurobank consolidated its position in consumer lending by remaining one of the top-five players in Romania, Bulgaria and Serbia, and capturing a 2.4% market share in Poland.

Mortgage Lending

Mortgage lending growth in Greece and New Europe was impressive in 2008, and led to a 31.3% increase in balances, which amounted to €14.8 billion on a consolidated basis. Eurobank EFG outperformed its competitors in terms of lending growth, owing to its innovative products and procedures, and the expertise of its specialized housing advisors. Equally impressive were the results for 2008 in the wider region of New Europe, where Eurobank EFG established itself as one of the most powerful players. More specifically, the Bank steadily ranked second in terms of market share in Bulgaria and Serbia and second in terms of new production in the fiercely competitive market of Poland. Total mortgage loan balances in New Europe amounted to €4.3 billion by the end of 2008, as compared to €1.9 billion by the end of 2007. These results establish Eurobank EFG as the leader in the field of Mortgage Lending among the Greek banks that operate in New Europe.

The Bank also remained far ahead of the competition in terms of customer service not only before, but also after the sale of mortgage loans, offering customers a wide range of flexible products denominated in Euros or Swiss francs, with floating or fixed interest rates. In response to the wider needs of its customers, Eurobank EFG also intensified the cross-selling effort, improving insurance scheme penetration into its customer base.

Despite the adverse economic conditions, the quality of the lending portfolio remains rather high, on the basis of both Greek and international standards. The implementation of stricter criteria for evaluating mortgage loans during the past year was instrumental for this achievement.

The soundness of this portfolio enabled Eurobank EFG to perform two securitization issues in 2008, backed by balances worth a total of €2.86 billion. This issue was rated by the Moody's and Fitch international credit rating agencies; it is worth noting that €2.52 billion received the highest possible rating (Aaa), confirming once again the excellent quality of the Bank's portfolio.

Small Business Banking

Small Business Banking responded dynamically and flexibly to the intensification of the competition and the emergence of the global financial crisis in 2008, maintaining its leading position in the market and ensuring high profitability and exceptional portfolio quality. Total loan balances increased by 19.4% and amounted to €9.1 billion by the end of the year.

Equally fast was the Bank's adaptation to the new financial conditions, through the extension of risk-based pricing to a wider range of loan applications, the amendment of the lending criteria that ensure high portfolio quality, and the introduction of a new rating system for Small Enterprises in Greece that keep Third Category books.

Eurobank EFG was the first bank to be certified by the Bank of Greece for the implementation of the Advanced Internal Risk Based Approach (AIRB) on its Small Business lending portfolio. AIRB is the most sophisticated and rigorous method for calculating capital adequacy in accordance with the mandates of Basel II. The further elaboration of the principles and systemic applications established by Basel II, affected the Bank's policy on pricing, loan renewal and debt collection issues.

Special emphasis was placed on the training of Small Business Banking Officers, who were supported by targeted commercial initiatives, with the main aim of developing full banking relations and attracting deposits. The improvement of customer service became a top priority through the implementation of an innovative automated system, which enables, essentially on the same day, the processing of all CRM-related requests.

In addition, Small Business Banking sustained its dynamic growth in New Europe, focusing on the creation of an equally flexible, growth-promoting system, albeit allowing for fast adaptation to local market conditions. Loan balances increased by 71% year-on-year, reaching €2.0 billion by the end of 2008.

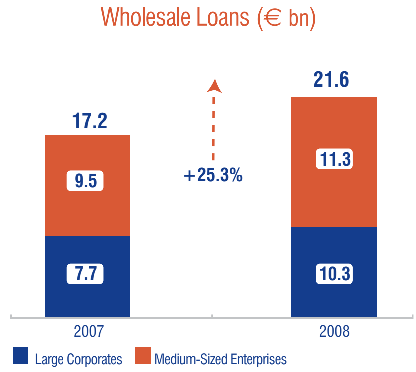
Corporate Banking

Corporate Banking

Against a backdrop of unprecedented setbacks in money markets and the international banking system, the Corporate Banking division of Eurobank EFG realized a twofold target in 2008: To rise in the first place of the domestic market for loans to medium-sized and large enterprises, sustaining, at the same time, high profitability growth, despite the great increases in the cost of money.

More specifically, the volume of outstanding loans in Greece and New Europe rose to €21.6 billion by the end of 2008, increased by 25.3% year-on-year. Furthermore, the credit crisis had a limited effect on non-performing loans, indicating the excellent quality of the Bank's portfolio.

In 2008, Corporate Banking took major strategic initiatives aimed at both short- and medium-term growth. As far as organization is concerned, three of the Bank's product development units, i.e. Trade Finance, Transaction Banking and Factoring, were merged under the newly-formed Global Corporate Clients & DCM Division, enabling Corporate Banking to benefit from the above services in a fully centralized form. The target of enhancing liquidity was achieved through the substantial increase of deposits and the successful securitization of corporate loans worth €2.5 billion.



Lending to Large Corporates

Eurobank EFG closed another successful year in the field of Large Corporates Financing, as it sustained satisfactory loan, deposit and profitability growth rates, in conjunction with healthy portfolio diversification.

In the first half of the year, emphasis was placed on volume growth and cross-sales. In the second half, the Bank reoriented its strategy towards liquidity enhancement, by attracting and keeping deposits from large enterprises that entrust Eurobank EFG with their main deposit accounts. Moreover, the Bank supported its clients by continuing to finance their short- and long-term investment and operating needs. Loans to large corporates (i.e. enterprises with an annual turnover above €25 million) increased by 33.3% at Group level, to €10.3 billion.

Moreover, there was intense focus on the active management of credit risks from outstanding and new loans, given the ever-changing conditions in the Greek, and New European, economies. Great attention was paid to reassessing credit risk and obtaining extra collateral, the implementation of pricing policy based on creditworthiness, and the review of total exposure to certain sectors on the basis of their fundamentals and market prospects.

Shipping

The international financial crisis and its spreading into the real economy had a major effect on the shipping industry. The dry bulk market seems unstable following the plunge it took during the second half of 2008, while the wet cargo market is also expected to undergo a major correction, as a consequence of the drop in oil prices. The same situation prevails in the container freight market, on account of reduced consumption in the economies of the West.

In such an environment, Eurobank EFG pursued a conservative shipping finance policy, with its lending portfolio amounting to €0.7 billion by the end of 2008. The Bank's loan book is adequately differentiated, and includes major industry names, with strong credit ratings.

The global recession is expected to continue during 2009, leading to a major drop of growth rates in China and India, and a slowdown in global trade.

Lending to Medium-Sized Enterprises

The medium-sized enterprise segment was, and still is, a benchmark for the business growth strategy of Eurobank EFG.

Through 41 dedicated Business Centres in Greece and 92 counterparts in New Europe, Eurobank EFG offers high quality products and services, and innovative solutions, aimed at covering all business needs. Constant client base expansion, investment plan financing and the provision of services to corporate clients were combined with focus on ensuring portfolio quality.

In 2008, apart from the Bank's traditional leadership in the provision of products aimed at covering interest rate and foreign exchange risks, great attention was paid to the faster and more comprehensive provision of client service through the deployment of corporate tellers within the Business Centres and the establishment of e-transactions and mass payments.

Moreover, the continuous streamlining of internal procedures, combined with the use of new technologies, led to further cost savings, and even faster responses to the enterprises' demands. As a result of the above, lending increased by 18.7% in 2008, reaching €11.3 billion.

Leasing

EFG Eurobank Ergasias Leasing has successfully implemented its business plan, both in Greece and in the countries of New Europe where it has established a presence. This was achieved by means of secure and profitable placements in dynamic growth sectors. This successful course was also based on the balanced structure of the firm's portfolio, which was also supplemented by high added value products.

The Crete and Islands Office launched operations in 2008, with the aim of providing clients with more efficient service, and better utilizing local growth opportunities. The Vendor Leasing department successfully realized the plan for re-launching the firm in the market by taking part in industry expositions, while Eurobank Fin & Rent, the Group's other leasing subsidiary, expanded the commercial associates' network significantly, emphasizing on fleet financing & management services.

The Company is fully prepared to stand up to the challenges of the year 2009, while its structure and the continuous quality control of the portfolio it manages, provide an essential guarantee for sustainable profitability.

Factoring

Eurobank EFG Factors sustained the dynamic growth of its operations and profits for another year, consolidating, at the same time, its position in both the domestic and international factoring markets. In Greece, the Company remained the industry leader in terms of assets. In Europe, Eurobank EFG Factors was ranked first in the field of Export Factoring, while it was ranked 4th in the world in the field of International Factoring (Kyoto, Japan, September 2008). The evaluation criteria were both qualitative and quantitative, such as the quality of service, annual turnover, efficient management and the experience of the company's employees. Based on the above criteria, Eurobank EFG Factors was graded "Excellent".

The presence of the Eurobank EFG Group abroad includes Bulgaria and Turkey, through Eurobank EFG S.A.-Branch Bulgaria and the Factoring department of Tekfen A.S., a Eurobank EFG Group subsidiary, respectively. As part of expanding its activities in New Europe, the Group has already focused on further developing its factoring & forfaiting operations in the Romanian and Cypriot markets.

Investment Banking & Capital Markets

Investment Banking & Capital Markets

Investment Banking

The year 2008 was full of challenges for the Investment Banking sector, as activity diminished worldwide both in the Equity Capital (ECM) and Merger & Acquisition (M&A) segments.

The Greek market saw reduced activity in both segments, as only small companies were listed in the Alternative Market of the Athens Exchange. In M&A, Eurobank EFG Telesis Finance, the Group's specialized subsidiary, maintained its market share and carried out a number of rather successful deals under adverse conditions. For example, Eurobank EFG Telesis Finance was the only Greek company that acted as Advisor to the Greek State for the sale of OTE to Deutsche Telekom. Moreover, it was the financial advisor to Everest S.A. and its principal shareholders concerning its strategic partnership with Vivartia, the largest Greek group in the food sector.

In 2008, Eurobank EFG Telesis Finance also expanded its cooperation with the Investment Banking teams of the countries where the Group has established a presence. A case in point is the Company's profitable cooperation with the local teams of Bulgaria and Serbia concerning the participation of Global Finance, the private equity firm, in Bulgaria's Eurohold financial/insurance group, whose objective is to become a key regional player via acquisitions in the insurance sector in the Balkans.

Equity Brokerage

In 2008, Eurobank EFG Securities captured 15.7% of the ASE market. The company continued to invest on building strong relationships with its client base, offering services in the field of Greek and International Stock, as well as Derivative Product, markets, with the continuous support of its Research Desk.

The Capital Markets Desk attracted increasing interest from investors, as the credit market crisis led the global economy into recession, bringing stock valuations to attractive levels. The above development, in conjunction with increased volatility in international markets, generated major opportunities and intense interest, to which the Company responded with great success, offering its clients the opportunity to invest in the largest markets of the world.

The activities of the Derivatives Desk captured more than 15% of the Greek market. This is reflected on the increase of client numbers, their active involvement in derivatives markets and the range of products traded. The transactions concerned Greek and International capital market products (equities and equity indices), money market products (exchange rates and bonds, US and European) and commodities (oil, gold, maize, wheat etc.).

The Research Desk was distinguished once again for its analysis of Greek middle capitalization stocks. More specifically, the annual survey of the Greek market, performed by the AQ Research international ratings agency, ranked Eurobank EFG Securities in the second place for its recommendations regarding European middle and small capitalization stocks.

Treasury

The year 2008 developed into a rather tough period, full of great challenges, as a result of the international credit crisis that continued unabated throughout the year, reaching its peak in September with the dramatic collapse of the Lehman Brothers investment bank. In such a tough environment, the key priorities were to ensure liquidity, sustain profitability and develop client-oriented operations.

For the largest part of the year, it was not possible to raise liquidity in International Markets. The Bank managed to cover its needs by achieving high deposit growth rates both in Greece, and in New Europe. Moreover, the Bank made a limited number of private placements and continued its securitization program, creating bonds that are attracting excellent credit ratings, and are accepted for refinancing by the European Central Bank. Centralized liquidity coordination, both in Greece, and in the subsidiary banks of New Europe, was instrumental for dealing with the credit crisis, especially during its culmination in the final quarter of the year.

In Greece, the Trading Desk remained profitable, thanks to its zero exposure to the US sub-prime and CDO markets. Eurobank EFG sustained its active presence in primary and secondary markets, and is one of the Primary Dealers in the Greek, Bulgarian, Romania, and Serbian sovereign bond markets. A major achievement was the underwriting of the 10-year euro-denominated bond of the Romanian State. The success of this issue in a rather trying environment attests to the Bank's potential as a regional player with a leading role in foreign exchange, interest rate, and bond trading.

The development of client-oriented operations in Greece and in New Europe, with emphasis on commission income growth, continued during 2008. In Greece, the Global Markets Sales division has been appropriately structured in order to service a wide range of clients, such as domestic and overseas institutional clients, large and medium-sized enterprises, shipping companies, and private customers of the Private Banking and Retail networks, who require different products or services. Similar organization structures have been developed in Treasuries abroad, taking into account the peculiarities of each country. The nomination of Eurobank EFG as the "Best FX Bank in Greece for 2009" by the Global Finance Magazine was a great honour.

In 2008, the Bank consolidated its status as the Greek Correspondent of choice for international banking institutions. Its subsidiaries in New Europe generated a substantial volume of operations, adding to consolidated profits and boosting the Bank's status as a major provider of international payments and Treasury services in the wider geographic region. The Bank is an active direct member in all fund transfer systems, and is ready to provide its clients with a wide range of services through the SEPA system.

Wealth Management

Mutual Funds

The past year saw the total net assets of the Greek mutual fund market plunge from €24.5 billion in the beginning of the year to €10.4 billion by late 2008, as a result of negative equity valuations and increased interest rates in forward money markets that inescapably attracted investor interest. In this challenging environment, EFG Mutual Fund Management Company managed to sustain its leading role, and keep the first place in the market for a seventh year in a row, with total funds under management of €2.4 billion and a market share of 28.7% (excluding money market Mutual Funds).

This achievement can be attributed to the strategy pursued by the company during the past three years, which consists of creating innovative medium- and long-term Special Purpose Funds and Absolute Return Funds, as the answer to the market's demand for more conservative options. Moreover, by launching its products in five other countries apart from Greece, i.e. in Luxemburg, Poland, Bulgaria, Romania and Cyprus, the company further enhanced its capital, albeit to a limited extent due to the unfavourable environment, laying, at the same time, the groundwork for future growth.

As far as distribution networks are concerned, the Company extended its profitable, four-year long partnership with Interamerican, creating a comprehensive offer package that covers both the investment and borrowing requirements of its clients.

Finally, as far as investment performance and the returns of the mutual funds managed by EFG MFMC are concerned, it has to be noted that the Company has received excellent ratings by Morningstar and is ranked among the top places in certain mutual fund categories. Here are some examples of mutual fund returns, according to the Association of Greek Institutional Investors: Eurobank Dollar Plus +8.4%, Interamerican USD Bond Fund +15.1%, (LF) All Weather +7.0%, (LF) All Weather Plus +7.4%.

Insurance

Insurance operations continued to perform remarkably well in 2008. EFG Eurolife Insurance is involved in the fields of Life, Annuity, Health, and Property insurance, as well as in the field of Advisory Services. The Group comprises two insurance firms, EFG Eurolife Life Insurance S.A. and EFG Eurolife General Insurance S.A., as well as an insurance brokerage firm, EFG Insurance Services S.A.

In 2008, Life Insurance penetration in new Mortgage and Consumer loan sales increased significantly. There was also an increase in annuities. The growth of banking networks was accompanied by the reinforcement of insurance networks. EFG Eurolife Insurance has 240 selected associates all over Greece that account for a large portion of its total production. Moreover, EFG Eurolife General Insurance S.A. boosted its growth and its presence in the Greek market by acquiring 100% of Activa Insurance, a company of the General Insurance sector. The purpose of the acquisition was to expand insurance operations beyond the banking network of Eurobank EFG to all non-life insurance sectors, through independent associate and agent networks, thus doubling the company's fundamentals.

As far as foreign operations are concerned, the two subsidiaries that were established in late 2007 in Romania, EFG Eurolife Asigurari de Viata S.A. and EFG Asigurari Generale S.A., which are involved in the life and general insurance sectors respectively, delivered satisfactory results, with profits that exceeded initial setup costs.
EFG Insurance Services, one of the three largest insurance brokers in the Greek market, aims at providing integrated insurance solutions to cater for specialized corporate and private client needs. Its dynamic growth is based on both the utilization of the banking network and the expansion of its business through independent distribution channels. In 2008, the company's operations were extended to the provision of specialized services (claims management, medical care), reinsurance brokerage, as well as the option to provide services abroad.

Wealth Management

Asset Management

Despite the adverse conditions that prevailed in the financial system throughout the entire year, the collapse of stock market valuations and the erosion of investor confidence, EFG Eurobank Asset Management maintained the same number of institutional portfolios under management, thanks to its conservative active management policy and its methodical risk management. Furthermore, there was a substantial increase in the number of institutional clients in particular insurance organizations and utilities that sought the firm's advisory services on liquidity management, as a result of its long-standing presence and awareness in the sector.

In the field of insurance organization reserve management, EFG Eurobank Asset Management continued, for a seventh year, to be responsible for the active management of part of the stock portfolio held by the Hellenic Telecommunications Organization Employee Fund. Moreover, the firm completed a sixth accounting period as one of the two external managers for the Mixed Domestic Mutual Fund of the Insurance Organizations Mutual Fund Management Company, the largest mixed domestic fund, generating significant returns. Given its long-standing involvement with the management of social security organization assets, EFG Eurobank Asset Management has been closely monitoring the proposed changes in the legislation for the management of the security portfolios held by the new, merged insurance funds of Greece, expanding, on the same time, its cooperation with second pillar pension funds in Cyprus.

Despite the reduction in the net assets of Undertakings for Collective Investment in Transferable Securities (UCITS), EFG Eurobank Asset Management remained the manager of four selected mutual funds offered by EFG MFMF, as well as of the new portfolio investment company that resulted from the merger between DIAS Portfolio Investments S.A. and GNEF. Finally, the steep rise of deposit rates that resulted from the liquidity crisis, the private clients' reduced appetite for assuming any risk and the plunge of capital markets, had adverse effects on discretionary asset management portfolios.

Private Banking

The year 2008 was a turning point for the global financial system, as the credit crisis spread out, banking giants collapsed, the public lost its faith to the entire system, governments and monetary authorities made unprecedented interventions in order to stabilize markets and, finally, as the effects of the crisis were passed on from the financial system to the real economy.

The rapid increase of short-term market rates against a backdrop of gradually decreasing reference rates, especially during the final quarter of the year, in conjunction with the decline of equity, corporate bond and alternative investment markets, created a rather unfavourable environment for private banking. This environment sets new strategic challenges and calls for new initiatives, generating, at the same time, great opportunities and prospects. The initiatives taken by Eurobank EFG in the field of Private Banking during 2008 included the substantial expansion of the Third Party Funds platform, the promotion of short-term investment products designed to utilize the extraordinary conditions that prevailed in the markets, and the growth of corporate bond and FX product transactions.

The Wealth Management Services Sector sustained its growth in the field of liability products, also promoting its regional growth strategy through initiatives for upgrading and expanding the services rendered in Luxembourg and the development of Private Banking operations in Cyprus and Romania.

International Presence

In 2008, the Eurobank EFG group sustained its balanced growth in the seven countries of New Europe where it operates, i.e. Bulgaria, Serbia, Romania, Turkey, Poland, Cyprus and the Ukraine, offering sophisticated and attractive products and services, through an extensive network of 1,244 branches, business centres and points of sale, and a workforce of more than 14,000 people. Special emphasis was placed throughout the year on enhancing the deposit base and further reinforcing internal risk management structures, with the aim of safeguarding the Group in anticipation of the gradual deterioration of the international financial climate.

Slowly, but surely, the global economic crisis is also being felt in New Europe, affecting economic activity, investment and the financial sector. Dealing with the crisis promptly and efficiently will require cooperation among supranational organizations, governments and regulators, with the active involvement of financial institutions.

The Eurobank EFG group has made strategic investments in the region, addressing a market with a total population of more than 195 million, which features a low degree of financial service penetration and shows excellent long-term growth prospects. Taking into account the major economic slowdown anticipated of in all countries, as well as the adversity of the overall economic environment, in 2009 Eurobank EFG will continue to emphasize on maintaining adequate liquidity and ensuring asset quality, as well as operating cost discipline, and to stand by its clients by offering functional and rationally-priced products and services.

Moreover, Eurobank EFG is consistently pursuing its active involvement in the social process of the region, through multiple social responsibility initiatives and the sponsorship of selected foundations and organizations from the fields of Education, Health, Culture, the Environment and Sports.

Bulgaria

The year 2008 has been another year of successful operation for Postbank, which retained its leading position among the three top banks in the country, offering innovative and competitive products and services.

The Bank is ranked fifth in terms of assets, with a market share of 7.8%. In 2008, the Group’s loans in Bulgaria recorded a 37% increase to €3.3 billion, while deposits increased by 15% to €1.9 billion. In deposits, the market share reached 9.1% by the end of the year. The sound expansion of the Bank and its subsidiaries’ operations, along with cost growth containment, led to an impressive 43% increase in profits, which amounted to €71 million.

The upgrade of 231 branches and 17 business centres that employ 3,000 people, as well as their renovation during 2008, helped optimize the services rendered.

In 2008, the Bank, in cooperation with EFG Eurobank Securities, introduced EFG’s mutual funds to the Bulgarian market, thus covering a wide range of investment proposals and stock market services.

The nomination of Postbank as the top investment intermediary; its distinction as “Bank of the Year” at the financial exhibition “Banks, Investment, Money”; its distinction for innovation and quality in investment products; and the award it received as the “Best Bank in Tourism”, attest to the high quality of its products and services, and the commitment of its personnel and management towards customers and shareholders.

Always adhering to the principles of corporate social responsibility, Postbank took initiatives related to the natural environment, and offered on-the-job training to students and scholarships to school pupils.

Romania

In 2008, Bancpost established itself as one of the leading financial institutions of Romania, reaching the eighth place in terms of assets, with a market share of 4.7%. This was due to the growth of its network, which reached 293 branches and 17 business centres, and to the management's prompt response to the extremely volatile conditions prevailing in the market.

Bancpost covered the needs of the Group's retail customers in Romania and supported the businesses' plans, contributing to the growth of the local economy. The 26.5% increase of the Group's assets in Romania, which reached €6.0 billion, was mainly based on deposit growth through the offer of targeted savings programs. The public's response to these programs led to a 68% increase in deposits and a consequent increase in market share from 4.0% in 2007 to 4.9% in 2008, but also led to a large drop of the loans to deposits ratio to 159% from 214% in the previous year. Loans amounted to €4.0 billion, increased by 25.8%.

Expense growth was contained to 2007 levels, despite the expansion of the Branch network, leading to a 12 percentage point improvement of the cost/income ratio, which stood at 59% by the end of 2008.

Special mention should be made to the awards granted to the Organization for its performance during 2008. More specifically, Bancpost was selected as "Retail Bank of the Year" by the prestigious "Saptamana Financiara" magazine, and was named "Bank of the Year" by "The Diplomat" magazine. Distinctions were also granted to high-ranking executives of the Bank for their contribution and business activity, with Mr. Yannis Kougionas selected as "Greek Businessman of the Year" by "The Diplomat" magazine, and Mrs. Manuela Plapcianu, Managing Director, receiving the "Most Admired Businesswomen 2008 – Leading Corporate Executive Award" by the "Bucharest Business Week".

Serbia

The year 2008, has been another year of successful operation for Eurobank EFG Serbia. The Bank's network grew at an impressive rate, reaching 123 Branches and 10 Business Centres by the end of December.
The Bank reached the fifth place in terms of assets with a market share of 6%, after its continuous rise over the past few years (ninth in December 2005, seventh in September 2006 and sixth in September 2007), realizing the target it had set in March 2006 when it acquired National Savings Bank to become one of the top-five banks in Serbia.

In 2008, Eurobank EFG continued to increase its market share in most product categories, and has reached the first place in lending to small enterprises, capturing a market share of 10.7% in household lending, and a 7.8% share in retail deposits. This performance, in conjunction with conservative cost management, led to a spectacular 95% increase of the Group's Serbian profits, which amounted to €39 million.

Along with its impressive growth, Eurobank EFG was also rather active in social matters, a fact that was acknowledged, since the Bank won a series of awards as Company of the Year in the field of Corporate Social Responsibility. Eurobank EFG also showed increased corporate consciousness in environmental issues, by promoting targeted programs for recycling paper and obsolete materials. Moreover, the Client Relations Department came on-stream in 2008, with the aim of maximizing customer satisfaction through the further improvement of service and product quality.

Turkey

In 2008, Tekfenbank was fully aligned to the vision and business strategy of the Eurobank EFG Group. In this vein, the Group's Turkish subsidiary bank was renamed from Tekfenbank to Eurobank Tekfen A.Ş. in January 2008. The Bank continued to grow, opening seven new Business Centres in Istanbul and Ankara, while the existing branch network was renovated in accordance with the new corporate identity. Moreover, many infrastructure projects, as well as the organizational structures required for operations growth, were realized. More specifically, all back-office operations, as well as the loan approval, review and monitoring functions were centralized.

The lending portfolio, which mostly consists of loans to medium-sized and large enterprises, stood at to €1.0 billion, increased by 43% year-on-year, while the Bank also improved its position in the leasing and factoring sectors. There was enhanced presence in the capital markets' segment, as EFG Istanbul Securities captured 8.3% of foreign investor transactions executed at the Istanbul Stock Exchange in 2008.

As part of its growth strategy, the Bank expanded its products and services offer. In the past year it created a Custody Department, and restructured the Affluent Banking sector, emphasizing on the sale of capital market products. Moreover, the range of investment products was expanded through the creation of type A Mutual Funds and the restructuring of type B Fund management, in cooperation with EFG Istanbul Securities.

Poland

In 2008, less than three years since its launching, Polbank EFG turned profitable, delivering €13.4 million. This is a remarkable achievement given that the Bank's growth has been purely organic, gradually opening 325 branches and six business centres all over the country.

Polbank EFG outperformed the Polish banking market in terms of business growth, increasing its assets by 124% to €4.9 billion and capturing a 4.3% market share in retail lending and 1.5% in deposits.

The Bank's brand awareness was improved in 2008, reaching 51% of the public, according to the relevant surveys. Polbank EFG won many awards and distinctions, including: a "Nomination for Banking IT leader" by the Gazeta Bankowa publication, the "Golden Consumer's Laurel" award for its retail savings account and the "Consumer Award 2008" of the Grupa Media Partner organization, the "Effie nomination" for financial services advertising and a ranking as the "2nd Best Account" by the Gazeta Wyborcza newspaper.

Ukraine

During its second year as a member of the Eurobank EFG group, Universal Bank was transformed from a locally-focused bank to a credit institution with a widespread geographical footprint in the Ukraine, controlling a network of 180 branches and five business centres. Universal Bank is continuously improving its position in the country's banking market, which comprises more than 160 banks, rising from the 74th place in 2007 to the 25th place in terms of assets (€0.8 billion) by late 2008.

Its customer base, which mainly consists of retail customers, rose from 40,000 in early 2008 to more than 150,000 by the end of the year. Customer confidence reflects the bank's very strong creditworthiness. More specifically, in September 2008 Universal Bank was assigned a uaAA rating with a stable outlook by Credit-Rating, the country's nationally recognized credit rating agency. This is the second highest rating in the Ukraine.

The supremacy of Universal Bank's products was recognized by many agencies. The Bank won the second prize in the "Most Dynamic Bank" and "Best Banking Product" categories of the Master Card awards and won the Silver EFFIE 2008 advertising award in the new product category.

Cyprus

In the brief period of its operation in Cyprus, Eurobank EFG has financed a large number of Cypriot and other companies, while developing the provision of investment services to institutional clients and extending its cooperation with international firms. The offer of investment and deposit products was highly successful, as deposits reached €1.0 billion by the end of the year.

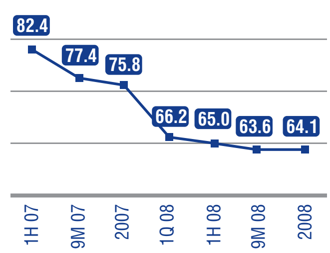
In March, all operations of the Cyprus Branch were transferred to the Group's new subsidiary, Eurobank EFG Cyprus Ltd, after the necessary license was granted by the Central Bank of Cyprus. The Group proceeded to a €100 million share capital increase, bringing the Bank's issued and paid up capital in Cyprus to a total of €197 million. In April, the Group was granted an official permit by the Central Bank of Russia to establish and operate a Representation Office in Moscow for purposes of market research, the provision of information about the Eurobank EFG Group to Russian entrepreneurs, as well as the provision of any possible assistance to entrepreneurs wishing to operate in the Russian market. Eurobank EFG Cyprus Limited established three new Business Centres in Limassol and Larnaca. Thus, the Cypriot network comprises four Business Centres, focused on Large Corporates, Organizations, International Business, Private Banking, Investment Banking and Institutional Fund Management.

New Europe - Key Figures (€ m.)

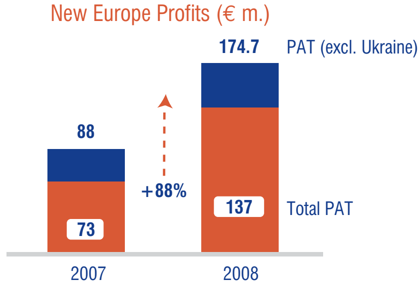
		Romania	Bulgaria	Serbia	Cyprus	Poland	Turkey	Ukraine	New Europe	Δ%
Balance Sheet	Total Assets	6,018	4,212	2,013	1,162	4,922	2,104	830	21,242	48.4%
	Total Loans	3,953	3,347	1,145	426	4,097	1,022	741	14,732	59.2%
	Total Deposits	2,417	1,943	697	955	1,766	741	225	8,731	61.7%
P&L	Operating Income	333.8	201.9	129	14.2	204.9	92.8	69.6	1,043.8	63.5%
	Operating Expenses	196.8	101.2	74.8	8.5	151.5	56.6	82.2	669.0	38.3%
	Profit before Tax (before MI)	42.2	77.9	39.0	3.6	16.6	24.5	(48.8)	155.1	83.8%
	Net Profit	27.3	70.8	39.4	4.0	13.4	19.8	(38.0)	136.7	88.2%
Resourses	Retail Network	293	223	123	-	325	-	180	1,144	-
	Wholesale Network	19	11	11	4	7	43	6	101	-

Net Profits per Country (€ m.)

Cost / Income Ratio (%)



New Europe Profits (€ m.)



Other Activities

Securities Services

Eurobank EFG is one of the leaders in the custodian services market for Greek and foreign institutional investors. Directly involved in Greek capital markets, the Bank provides its clients with a comprehensive package of services, designed to support their transactions on shares, bonds, and derivatives.

In 2008, the Bank once again received an excellent rating from the annual Greek custodian services review of the internationally renowned Global Custodian magazine: the "Top Rated Custodian for Domestic, Foreign and Leading Institutional Investors" classification, for a third consecutive year. Moreover, Eurobank EFG is the only Greek bank to receive a "Top Rated" ranking in all three classifications.

In addition, the Bank was recognized by the Global Finance magazine as the "Best Domestic Custodian", for a third year in a row.

Payment Services

In 2008, the Bank consolidated its status as the Greek Correspondent of choice for international banking institutions. Its subsidiaries in New Europe generated a substantial volume of operations, adding to the Group's consolidated profits and boosting the Bank's status as a major provider of international payments and Treasury services in the wider geographic region. The Bank remains an active direct member in all fund transfer systems, and provides its clients with a wide range of services through the SEPA system, which came on-stream in early 2008. This supplemented the existing specialized products of the Bank, ensuring that Eurobank EFG is capable not only of competing with other financial institutions in Greece, but also of offering products equivalent to those of the largest international banks.

Payroll Services

In 2008, EFG Business Services SA successfully promoted the Salary Domiciliation Program, attracting a large number of new clients. It also expanded relationships with, and increased the Bank's income from, existing clients, by means of mass product promotion activities in cooperation with the Branch Network.

It also retained its leading position in Payroll Administration, increasing the number of its clients and expanding the range of its services, both through program upgrades, and through the provision of these services to Bulgaria and Serbia.

e-Banking, e-Commerce and Internet Services

The year 2008 was crucial for the Bank's e-Business sector and its Business Exchanges subsidiary, as, after eight years of successful operation and continuous improvements, the highly acclaimed e-Banking service of Eurobank EFG was radically upgraded, in order to become more user friendly and provide customers with more information and transaction options.

The new e-Banking service was warmly received by both the Bank's customers, and international industry publications. The internationally acclaimed Global Finance magazine named Eurobank EFG the "Best Consumer Internet Bank & Best Corporate/Institutional Internet Bank" in Greece for 2008. Similar distinctions were bestowed on the Bank by local publications (PC World, PC Magazine, RAM).

Equally successful were the results in the field of e-Banking usage, as active retail customers increased by 33% and retail banking transactions increased by 31%, while corporate clients and transactions increased by 25% and 98% respectively.

In the technology and IT fields, EFG e-Solutions realized and successfully delivered the new Retail e-Banking Portal. Along with its domestic activities, EFG e-Solutions was also actively involved in the operational merger of Universal Bank in the Ukraine. One of the main targets of the company is to support and develop the IT model of New European subsidiaries. In this vein, EFG e-Solutions continues to invest on the constant improvement of applications, tools and procedures, mainly aimed at upgrading application security and functionality.

Real Estate

In 2008, Eurobank Properties REIC decided to become even more independent as a business, by incorporating procedures related to investment analysis and implementation, as well as to the management of its real property.
This decision was taken in order to: a) improve the company's fundamentals and create economies of scale, leading to a reduction of operating expenses, and b) increase the company's independence.
As far as investment activity is concerned, the Company pursued a conservative policy, keeping investment growth in check and maintaining increased liquidity. The aim is to achieve higher yields, as a result of the slowdown in economic activity that occurred since late 2007.

Credit Risk

In 2008, the non-performing loans of the Eurobank EFG Group rose to 2.74% of total loans, from 2.40% in 2007. This increase is clearly due to the deteriorating financial conditions prevailing in all countries where the Group is operating, including Greece. Portfolio dispersion has been designed to ensure the greatest possible quality, given the circumstances. More specifically, 83% of loans originate from Greece and other countries with A credit ratings (Poland, Cyprus), while 17% originate from other foreign countries.

The Group is pursuing a conservative provisioning policy. The provisions for 2008 not only cover existing non-performing loans in full, but they also safeguard the Group for the future. Specifically, the Group's normal provisions amounted to €646 million and brought the total amount of accumulated normal provisions to €1,170 million, covering 74% of non-performing loans. Moreover, the Group used the profits generated during the 4th Quarter of 2008 to create a buffer of additional provisions, amounting to €240 million, with the aim of safeguarding itself against future contingencies. These additional provisions brought the stock of provisions on the balance sheet to €1,410 million and the coverage of non-performing loans to 90%. It also should be noted that non-performing loan coverage in New Europe stands at 98%.

As part of its strategy to implement best international practice in risk management, in 2004 Eurobank EFG launched a large scale project for the gradual adoption of the Internal Ratings Based (IRB) approach, in accordance with the requirements of Basel II. In June 2008, the Bank of Greece approved the implementation of the IRB approach on Greek lending portfolios, which account for 72% of the Group's lending book. Moreover, work is in progress concerning the gradual transition of the remaining Group portfolios that include substantial balances, mainly in New Europe, to the IRB approach.

The sophisticated models developed in line with the IRB for evaluating credit risk have also been utilized in other areas, such as portfolio monitoring and risk-adjusted pricing.

All subsidiary banks in the countries of New Europe (Bulgaria, Cyprus, Ukraine, Poland, Romania, Serbia and Turkey) have adopted the Risk Management structure of the parent Bank. The review of underwriting criteria and the monitoring of lending portfolio quality are all done in accordance with the principles and methods of the parent Bank. By decision of the latter, the subsidiary banks' provisioning policy was revised in 2008, in line with international accounting standards.

In the course of 2008, Eurobank EFG introduced the Moody's Risk Advisor (MRA) system for rating Corporate Banking clients to its subsidiaries in Bulgaria, Romania and Cyprus. In 2008, the Group also created an International Credit Division, in order to cover the increasing credit risk management needs generated by the Group's dynamic growth in New European Countries. The Division is staffed with specialized executives, positioned in Greece, and offers high quality credit risk management support, in the following forms:

- Review and evaluation of lending applications that exceed the approval limit for each country, and are submitted for approval to the Regional Credit Committee.
- Preparation and implementation of a single Credit Risk Manual for the countries of New Europe.
- Training of all Corporate Banking and Risk Management units on issues pertaining to credit risk management and the implementation of international best practices.
- Review and evaluation of lending portfolios, along with the regular review for each country and the ad hoc examination of individual sectors.
- Participation in the Risk Committees of each country, which determine Risk Management strategy.
- Involvement in projects related to credit risk in New Europe, creation of a single credit culture and a spirit of teamwork for achieving the Group's targets.

Market Risk

Market risk is the potential loss that may occur from changes in interest rates, exchange rates, share prices and commodity prices. In order to ensure the efficient monitoring of market risks that emanate from all its activities, the Bank adheres to certain principles and policies that establish an effective market risk monitoring and management framework at Group level, and ensure regulatory compliance. The Market Risk Sector is responsible for measuring, monitoring and controlling market and liquidity risk, and ensuring the proper application of market risk management policies.

Value at Risk (VaR)

All market risks are monitored and calculated daily by the Bank's internal risk system, which employs the Value at Risk (VaR) methodology. The Bank has established and follows a framework of VaR limits, in order to control and manage more efficiently the market risks to which it is exposed.

Back Testing

The Bank also employs back testing controls, in order to test the calibration and predictive capabilities of its internal risk assessment model. Back testing comprises the comparison of daily VaR readings and portfolio value changes.

Stress Testing

Given that the VaR approach does not cover extreme market conditions, the Bank has been applying various stress tests, to simulate the effect of many standard variation movements of risk factors and the breakdown of historical correlations.

Liquidity Risk

Liquidity supervision is an essential tool of financial management, designed to ensure that the Bank is always in a position to meet its obligations to repay, at call and/or maturity, clients and banks. As a minimum, the Bank aims at fully adhering to regulatory, statutory and Group requirements. Liquidity management ensures that a short-term liquidity ratio is within limits and looks at the impact of evolving market conditions or changing product profiles on the Bank's cash-flow. The Bank's approach on liquidity management is to manage normal business effectively, and to adhere to the Bank of Greece requirements of maintaining a "liquid cushion" and managing cash-flow maturity mismatches, in order to remain solvent in the event of a liquidity crisis. In addition to the above, the Bank aims at maintaining a stable and diversified funding base.

Operational Risk

Basel II defines operational risk as “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events”, including legal risk, albeit excluding strategic risk and reputational risk (damage to an organization through loss of its reputation or standing).

Operational risk is inherent in every banking activity, and its management is diffused from the Board of Directors, the Executive Committee and the senior management to the Heads of each unit and the Bank’s employees.

The Board of Directors monitors the operational risk level and profile, and more specifically, the level, frequency and severity of operational losses through the Risk Committee, and the status of operational risk-related control issues through the Audit Committee.

Each business unit of the Group retains the prime responsibility for the management of the operational risk inherent in its own activities. The Executive Committee is responsible for the efficient and effective governance of operational risk management. The Operational Risk Control Division is responsible for defining and rolling out the methodology for the identification, assessment, and reporting of operational risks in accordance with Board/Risk Committee decisions, regulatory requirements and Group guidelines, for monitoring operational risk levels and profiles and reporting thereon to the Risk Committee, and defining and rolling out the methodology for the calculation of the regulatory capital charge for operational risk.

The Bank’s operational risk management framework is supported by the following tools/methodologies:
- The operational risk & control self-assessment program is designed to identify, evaluate and mitigate operational risks. Risks are evaluated and processed in order to sort the detected operational risks, identify high operational risk areas/activities/procedures, create operational risk profiles and support capital adequacy calculation.
- Operational risk indicators provide early warnings based on specific and countable activities, and denoting exposure to operational risks. The indicators are developed for every sector of the Bank, according to its special features.
- Operational risk events are identified and recorded in the Bank’s specialized database. The events are classified on the basis of ownership, cause, risk type, consequence and business activity.
- Operational risk reports are prepared for internal purposes and for regulator use.

Currently, the Bank applies the standardized approach for operational risk capital calculation, as provided by Basel II, the EU Capital Requirements Directive and the relevant Bank of Greece regulations.

our values

Meritocracy

Social Contribution

Efficiency

Trust

Creativity

Quality

Respect for People

Team Work

Corporate Responsibility Report

GREAT MOMENT *Education*

GREAT MOMENT *Culture*

GREAT MOMENT *Athletics*

GREAT MOMENT *Environment*

GREAT MOMENT *Society*

Eurobank EFG as a Corporate Citizen

The outstanding position of Eurobank EFG in the banking sector, and its overall contribution to the economy does not only relate to its financial performance. It also emanates from the fact that the role of Eurobank EFG as a corporate citizen has been an integral part of its identity since its very inception.

Our financial performance and sector leadership have been going hand in hand with our increasing care for our employees, and the continuous improvement of our conduct towards all other social partners: our suppliers, our customers, our shareholders, the local communities and society as a whole.

In the context of this effort, we are focusing on three areas:

- Constantly improving the added value we contribute to society, as recorded by the social product indices (see next page);
- Setting systematic targets and improving transparency in regard to our financial, social and environmental performance;
- Committing ourselves to "good corporate citizen" practices, on the basis of international standards and evaluation systems.

In a rather tough year for the global community and economy, Eurobank EFG tried to enhance its role as a "corporate citizen" through a series of new initiatives covering the above three areas. Here are some of the most important initiatives taken in 2008:

Employees

In 2008, the Organization conducted an Employee Satisfaction Research Survey in Greece, for the first time in its history, indicating the importance of human resources for its success and sustainable growth.

Customers – Satisfaction Survey

Complete customer satisfaction has been the focal point of the efforts of all Eurobank EFG people. Targeted research facilitates the improvement of customer relation procedures, the cultivation of relations of trust with them and the offer of reliable and quality products, which all give substance to our client-oriented approach and spearhead our business activity.

Society – "It is our duty"

The Group's activities in key sectors, such as Education, Culture and Sports, along with charity initiatives aimed at assisting vulnerable population groups, are producing social contribution work that is marked by continuity and consistency. The "It is our Duty" program, which concerns the regions that were stricken by the devastating wildfires of 2007, was the most far-reaching initiative in this field.

Environment – EMAS membership

The effects of human activity on the environment and on climate change should concern all of us. As part of its environmental policy and strategy, Eurobank EFG has developed a series of important actions aimed at environmental protection. This effort was certified through the Bank's registration with the EMAS (Eco-Management & Audit Scheme). Eurobank EFG is the only Greek Bank that has achieved this.

Alignment with international standards

Corporate social responsibility is linked with adherence to the rules of corporate governance, in order to ensure the viable growth and sustainability of the enterprise. Good corporate governance is instrumental for the management of every organization, since it guarantees full transparency in corporate matters and promotes the interests of all stakeholders. This is why Eurobank EFG enhanced its corporate governance structures in 2008.

Thanks to the work of Eurobank EFG on Corporate Social Responsibility issues, its share has been included the FTSE4Good Europe and FTSE4Good World indices. Moreover, Eurobank EFG has subscribed to the principles of the UN Global Compact, the most extensive corporate responsibility network worldwide, while it is also a member of the United Nations Environmental Program Finance Initiative (UNEP FI).

In the following section on Corporate Social Responsibility, which concerns the entire Eurobank EFG Group and its subsidiaries, there has been a methodical effort to ensure consistency with the Global Reporting Initiative (GRI) principles, which have been covered to a large degree and are presented in pages 76-77.

SOCIAL PRODUCT

The contribution of the Bank to the "Social Product" in 2008	**(€ m.)**
The Bank's Turnover	6,827
Various Income and Income from Participations	543
VAT on Added Value of the Company	3
Operational, Other Expenses and Depreciation (before Staff Remuneration, Tax and Donations / Sponsorships)	(6,722)
Reserves for distribution	0
Social Product	**651**

Distribution of the "Social Product"	**(€ m.)**
I. State	
Income Tax and Various Taxes	30
Contribution to Social Security Institutions (Employer and Employees)	103
Value Added Tax	3
Employees Tax	44
	180
II. Company	
Retaining Earnings / Reserve	**236**
III. Personnel	
Total Gross Pay	278
Other Allowances to Employees	30
Staff contribution to Social Security Institutions (Employer and Employees)	(37)
Employees Tax	(44)
Profit Distribution to Employees	0
	227
IV. Shareholders	
Net Dividend in Cash	0
V. Donations / Sponsorships	**9**
Social Product	**651**

The Group is pledged to upholding the highest standards of corporate governance and ethical conduct in the entire range of its activities.

To this end, the Group secures:
- transparency and full compliance with laws and regulations
- protection and fair treatment of shareholders
- adequate and timely disclosure of information concerning financial, organizational, governance and related transactions
- accountability of senior management for achieving plans and implementing measures that safeguard the assets and financial viability of the Group
- clear lines of responsibility and authority of management, and
- deterrence of conflicts of interests.

In 2008, further fostering its culture of enterprise and openness, the Group enhanced the resources devoted to corporate governance at local level and strengthened the flows of communication to and from subsidiaries.

The Board of Directors, assisted by its committees and a dedicated corporate governance division, will continue to develop and monitor the application of the Group's governance policies, in accordance with legal requirements and best practice, and the need for confidence and security expressed by all stakeholders in the current economic crisis.

In 2008, the Group nurtured entrepreneurship and open communication, by enhancing local corporate governance structures and reinforcing communication flows to and from its subsidiaries. The Board of Directors, assisted by its Committees and a dedicated Corporate Governance Division, will continue to develop the Group's corporate governance policies and monitor their implementation, in accordance with the law and best practice.

At the same time, Eurobank EFG is actively facilitating interactive communication between the Management and the Bank's shareholders. The mechanisms employed for such communication include:

- General Shareholder Assemblies: The shareholders are called to express their opinions on the issues under review, during an open presentation.

- Telephone Communication: The shareholders can communicate with the responsible departments of the Bank, such as the Share Register Sub-Division, and submit their proposals. The employees that act as initial points of contact, forward all important issues to the persons that are in direct communication with the Bank's management.

- Roadshows: Roadshows and meetings enable institutional investors to keep in contact with the Management, through the Bank's Investor Relations Department.

- Publications: Twice a year, the Share Register Department and the Investor Relations Division issue a review, both in printed form and on the Bank's website, which contains information about key issues concerning the Bank and its shareholders. The bulletin makes extensive reference to the means available to shareholders for sending their comments and recommendations to the responsible Departments of the Bank.

- Electronic Communication Form: The Eurobank EFG website includes a special form for submitting comments, which enables shareholders to send their recommendations and/or remarks, without using conventional e-mail.

Board of Directors & Committees Appointed by the Board

Board of Directors		Audit Committee	Risk Committee	Remuneration Committee	Nomination Committee
Chairman	Xenophon C. Nickitas		✔		
Honorary Chairman	George C. Gondicas				
Vice Chairman A’	Anna Maria Louisa J. Latsis				
Vice Chairman B’	Lazaros D. Efraimoglou				
Chief Executive Officer	Nicholas C. Nanopoulos		✔	✔	
Deputy Chief Executive Officer	Byron N. Ballis		✔		
Deputy Chief Executive Officer	Michael H. Colakides		Chairman		
Deputy Chief Executive Officer	Nikolaos B. Karamouzis		✔		
Chief Operating Officer	Nicholas K. Pavlidis				
Non-Executive Directors	Fotios S. Antonatos	✔			
	Antonios G. Bibas				
	Emmanuel Leonard C. Bussetil	Chairman	✔	Chairman	✔
	Dr. Spiro J. Latsis				
	Dr. Pericles P. Petalas	✔	✔	✔	Chairman
Non-Executive Independent Directors	Dr. Panayiotis V. Tridimas	✔			✔
	Spiros L. Lorentziadis	✔	✔		
Secretary	Paula N. Hadjisotiriou				

Each one of the aforementioned Committees sets its own Terms of Operation, which are included in the detailed Internal Regulation of the Bank, are approved by its Board of Directors.

Our People

The Eurobank EFG Group is a modern, vigorous and dynamic organization, which responds efficiently and promptly to changing market conditions, emphasizing on the client-oriented development of innovative products and services. This is feasible thanks to the decisive role and support of our people, whose constant effort, efficiency, reliability and skills guarantee the Group's growth and help maintain its leading position.

The development of the Group's human resources has been a key commitment of the Management since the very first day Eurobank EFG was established. In this context and through one of the most advanced selection, training, evaluation, and reward methods, special emphasis is placed on:

- Covering job positions by means of selection and evaluation systems founded on meritocracy, on the basis of the needs and requirements of each field of work.
- Providing equal training and career advancement opportunities to all employees.
- Nurturing an environment of constant recognition and reward, on the basis of the principles that govern the Group.

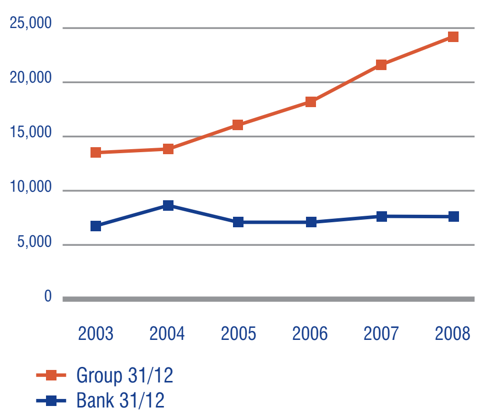
Employment

In 2008, the total number of people working for the Group in Greece and abroad stood at 24,497, increased by 10.8% as compared to 2007. This increase is mainly due to the growth of the network abroad, since the number of people working in Greece (Bank and subsidiaries) remained more or less unchanged. Thus, by the end of 2008, 59% of personnel were employed in the wider region of New Europe (Bulgaria, Romania, Serbia, Poland, Turkey, Ukraine and Cyprus) and 41% were employed in Greece.

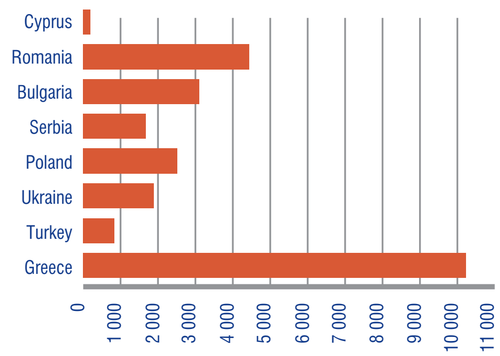
In Greece, the majority of the Group's people (76%) are employed by the Bank, and 24% are employed by domestic subsidiaries. Almost 78% of the employees are less than 45 years old, while the average age of the workforce for the year 2008 stood at 38 years. Gender distribution is rather balanced, as women accounted for 49.7% of the total workforce, bearing excellent proof of the equal opportunities policy implemented by the Group.

Group Employment Data

Evolution of Employment in the Group

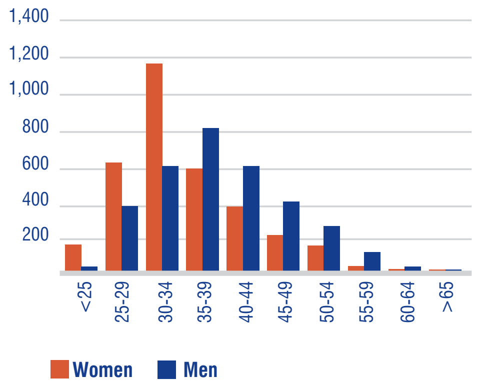


Employees per country

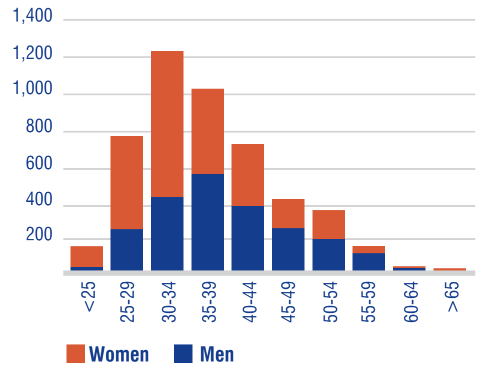


Employment in Greece

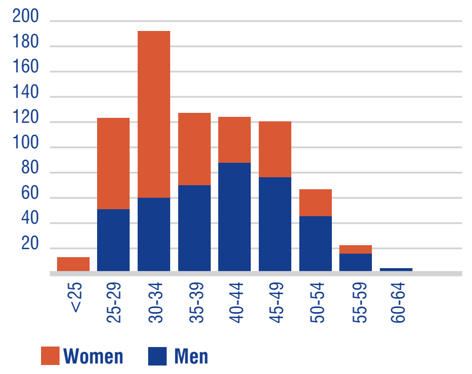
Breakdown of Workforce by age, 2008



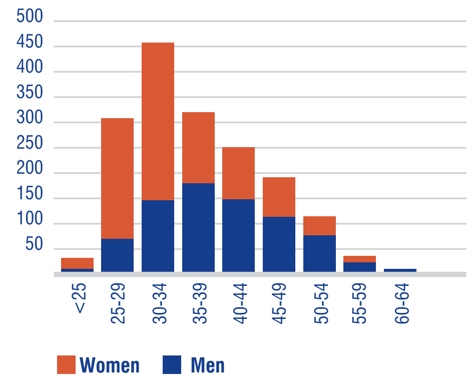
Personnel distribution by age and gender – Attica



Personnel distribution by age and gender – Thessalonica



Personnel distribution by age and gender – Regional Greece



Selection

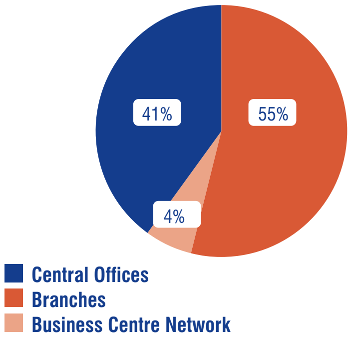
The Bank offers job positions that present increased professional career opportunities. In order to fully cover its staffing requirements, it always seeks candidates that possess state-of-the-art expertise, dynamism and team spirit and are committed to the continuous development of their knowledge, skills and professional profile. This search is made both through the Group's internal job market and by hiring external candidates. In this context, 33% of the 727 vacancies that were created in Greece during 2008 were covered by internal transfers among various units of the Bank and by utilizing employees from the Group's subsidiary companies. Moreover, 561 people were hired (487 by the Bank and 74 by subsidiaries), following the evaluation of 3,500 candidates.

The educational background of new hires continues to be rather high, as 93% are tertiary education graduates, while 44% are holders of postgraduate degrees. As far as working experience is concerned, 51% of the new hires are executives with extensive specialized expertise, while, at the same time, the customer service networks were reinforced with new professionals who will become the next generation of Group executives. The Eurobank EFG Group made once again its presence heavily felt in the labour market during 2008, as it received a total of 17,000 curricula, of which 84% concerned university graduates.

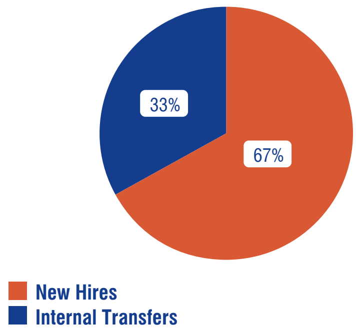
In 2008, the Bank implemented two new targeted programs for attracting candidates with expertise in Corporate Banking (Young Professionals Corporate Banking) and Technology (Information Technology Talent Program). The Bank maintained for another year its systematic contact with highly recognizable Universities in Greece and abroad and continued to offer Hands-On Training courses that enable graduates to put their academic knowledge to practice. More specifically, 464 students worked with our Bank during 2008, through internship programs.

Placing special emphasis on objectivity and meritocracy, the personnel selection procedure is based on predetermined criteria, fully aligned with Eurobank EFG's values and vision. These criteria are applied in written assessments, structured interviews, psychometric methods and Assessment Centres, methods and practices that are constantly updated and improved, with the aim of achieving a documented outline of the applicants' profiles. It should be noted that the personnel selection procedure has received the ISO 9001 certification by the British Standards Institute, and is carried out by properly trained and specialized executives.

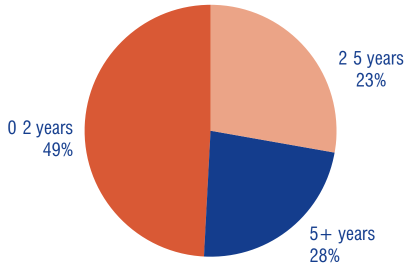
Employee Distribution per Function



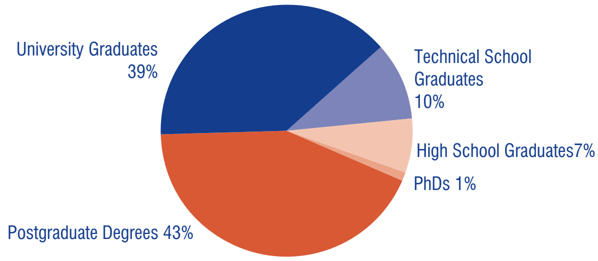
Vacancy Coverage
Internal-External Job Market



Work Experience of new hires, 2008



Educational Level of New Hires, 2008

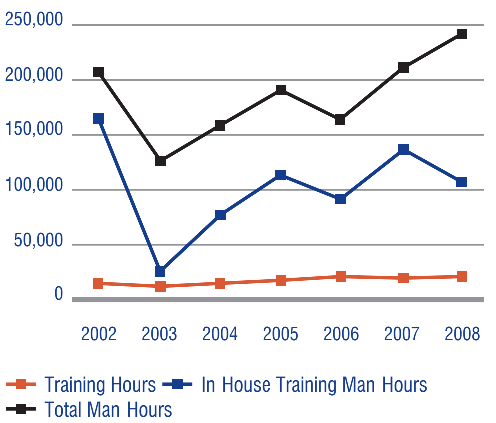


The above statistics refer to the Greek Workforce.

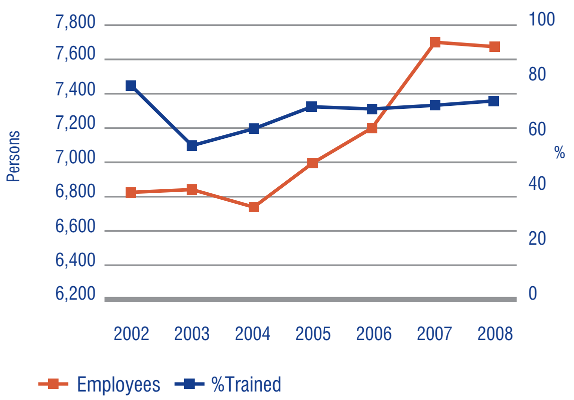
Training

The Bank is systematically investing on expanding the knowledge and developing the skills of its executives. The transition from conventional perceptions of education to continuous learning and development is one of the main objectives of the Organization. Carefully selected and structured training programs seek to create a learning environment where knowledge growth is continuously facilitated, encouraging people to enrich their skills and aiming at the cultivation of a single corporate culture. The training programs are directed to all the people of the Bank, with the aim of helping them develop their professional careers.

Training Hours and Man-Hours

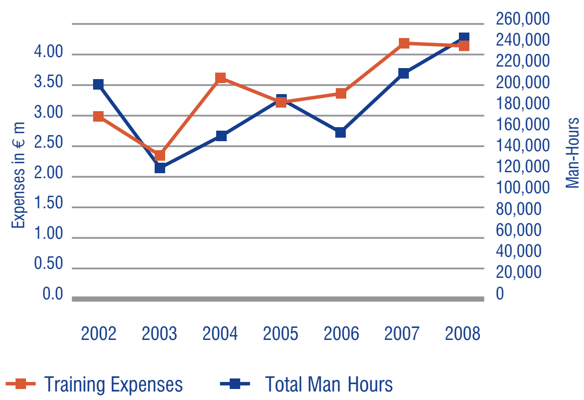


Trained to Total Bank Employees



Man-hours per Training Programme Category	
Banking & Finance	28.6%
In House MBA ALBA	3.0%
Audit, Compliance & Legal	2.5%
Generic Training Programs	2.1%
Project Management	1.3%
Communication & Customer Service	2.4%
Management Programs	7.0%
Train the Trainer	0.6%
Conferences	1.8%
Graduate/Postgraduate Courses	1.1%
Advanced Management Programs	1.3%
Systems & IT Applications	14.3%
Certification Programs/Professional Diplomas	4.8%
E learning	20.3%
Sales & Marketing	7.9%
Foreign Languages	1.0%

Training Expenses and Man-Hours



The learning opportunities that are constantly offered to the Bank's personnel cover a wide range of training programs.

Executive Education

The Management and Leadership Development training programs are offered through a series of partnerships that have been developed in the past few years with established educational organizations in Greece and abroad, such as the Athens University of Economics and Business, ALBA, the Harvard Business School, INSEAD etc. The programs have been especially designed to cover our Group's requirements, and aim at enhancing and further developing the management and leadership qualities of the Organization's senior executives.

More specifically, the following programs are offered:

- EUROBANK-INSEAD Leadership Development Program for the Organization's senior executives.
- EUROBANK-ALBA Leadership Development Program for the Organization's senior executives.
- Business Administration Program, in partnership with the Athens University of Economics and Business for Branch Network senior executives.
- EUROBANK-ALBA In-house MBA in Financial Services, a groundbreaking 2-year internal postgraduate course for the Organization's executives.

Certification Programs

The Bank offers training programs that prepare employees to obtain professional certification for the provision of Investment and Insurance Intermediation Services. The certification exams are conducted by competent agencies, such as the Bank of Greece, the Ministry of Development, etc.

After their training has been completed, participants are able to better comprehend elementary banking concepts, as well as the institutional and regulatory framework applicable in each case, and to implement the Best Practices arising from these programs in their units, thus improving their relationship with the customers.

Moreover, the Bank has developed an internal Corporate Banking Certification Program, which is addressed to Corporate Banking Account Officers.

Induction Training

These programs facilitate the new executives' immediate adaptation to, and smooth assimilation with, the banking environment, providing the necessary learning background in the following areas:

- Elementary Banking Knowledge.
- Banking products.
- Sales & Customer Service.
- Procedures & Systems of the Bank.
- Physical Security, Health & Safety, Information Resource Security, Environmental Management.

A combination of teaching and on-the-job training provides new colleagues with the opportunity to improve their understanding of the Organization's products and services, as well as the overall banking environment.

E-learning

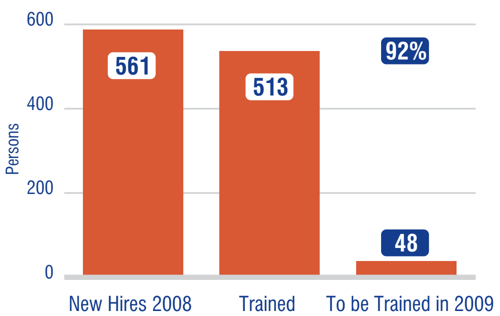
Modern workplace requirements, along with the employees' considerable familiarization with the use of computers and electronic means of communication, have made it possible to enrich training methodologies. Against this backdrop, the Group has created a series of e-learning courses, which enable participants to exclusively manage their training time (on 24-hours basis, 7 days a week, from any place that has internet access). These programs are:

- Harvard Business School Publishing — a program for enhancing executives' managerial skills at all management levels.
- An Electronic Training Platform with programs especially designed for the executives of the Private Banking, Personal Banking and Global Market Sales units.
- Elementary Banking Knowledge.
- Banking Intermediary Training.
- Physical Security.
- Health & Safety.
- Information Resource Security.
- Environmental Management.

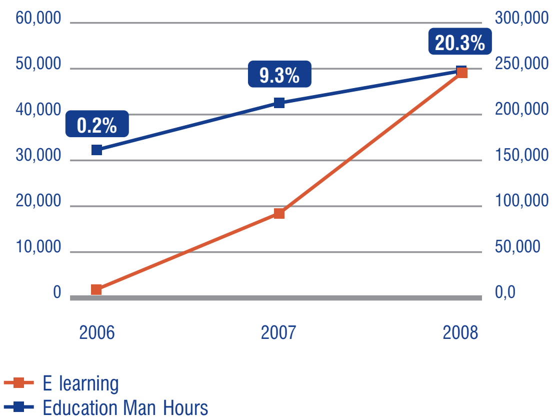
Learning plan per position

This tool has been designed for the Bank's Sales Networks (Retail, Corporate, and Private Banking) and for some of its Centralized Divisions. Actually, this tool is a detailed map of all training programs, which are matched with each job position, according to the experience, the subject and the skills required by the job.

Total Training Data on New-Hires



E-learning vs. Man-Hours



Employee Development

Eurobank EFG supports any effort to direct its people towards business fields that are more suitable for developing their potential, and provides them with fresh motives to fulfill their personal and professional goals. The development methodology implemented by the Bank is based on the “Job Family Scheme”, which assists employees from all levels to advance within a “Job Family”, or even within a “Relative Family”, depending on the knowledge, experience, skills, and competencies they possess, or have acquired during their professional career.

This scheme encourages active involvement, and reinforces the Internal Job Market, with the aim of identifying those executives who seek to pursue a new professional career within the Group, posting all new job positions by priority on the Bank’s intranet site. Moreover, it enhances the employees’ confidence and commitment to the Bank’s dynamic and competitive involvement in the economic process.

In 2008, the Bank handled internal executive transfers on Group level, thus further improving the internal coverage of vacancies, both at the Bank, and at its subsidiaries. More specifically, 166 internal transfers were completed in 2008, in order to cover an equal number of vacancies within the Bank, and 72 transfers were made among subsidiary companies to cover vacancies on the Group level.

Eurobank EFG places great emphasis on the development and empowerment of its workforce. To this end, the employee development programs implemented during 2008 aimed at enhancing and supplementing professional skills, through the realization of Career Advancement Centres and specialized Mentoring programs, which strengthen the commitment of the Bank’s managers to the development and leadership of their people.

Performance Appraisal System

The Bank’s targets, and the extent to which they are achieved, depend on the effort and ability of its people. For this reason, it is rather important to objectively record and evaluate the performance of each employee, through an appraisal system aimed at rewarding, enhancing and further developing skills and qualities.

The appraisal system of Eurobank EFG is supported by an electronic application and consists of procedures that enhance objectivity and transparency in evaluation, and take into account the position, responsibilities and tasks of each employee.

Compensation and Benefits Policy

The remuneration (fixed and variable) and benefits policy and systems have been developed with the aim of attracting, employing and retaining personnel, always adhering to the principles of competitiveness in relation to the market, internal balance, meritocracy and “performance based reward”.

Fixed remuneration consists of the base salary, which reflects the educational background, experience and accountability of the individual, as well as the job’s importance in the labor market. Variable remunerations (bonuses) are granted each year to the executives, as a reward of outstanding performance.

Moreover, the Bank has developed group reward systems, implemented by both the Branch Network and the Business Centres, which reward success at branch level and consequently, outstanding individual performance.

Benefits Policy concerning Employees and their Families

The Bank is providing both its employees and their families, with a series of significant benefits. In this context, the Bank has been implementing a series of insurance and benefit programs in the following fields:

Insurance plans

In addition to the Health Care and Pension plans available to all banking sector employees, the Group provides its people with excellent group insurance programs, covering the fields of Health, Life and Pension. More specifically, the Life Insurance Program provides coverage in the case of grave contingencies (illness, accident). The General Health Care Program, which covers almost all necessary hospital, and out-of-hospital expenses, helps dealing with expenses for the cure of diseases or the treatment of injuries. Furthermore, the Pension Program of Eurobank EFG provides employees with additional pension benefits, supplementing their income after their retirement from the Bank. Finally, the Bank has introduced a special savings plan, designed to provide for the employees' offspring, which it actively assists children either in pursuing their studies, or in beginning their professional career.

Financial support for employee's family

Eurobank EFG has introduced special benefits/allowances, such as the marriage bonus, the nursery centre allowance, a monthly allowance for the newborn children of low-salaried individuals, and an allowance for families with many children. In the case of employees with disabled children, special education costs are covered till the age of 18, while the Bank provides various forms of support on an ad hoc basis to employees, or their family members, who face grave health problems. Finally, the Bank implements a special pricing policy for its employees, covering their housing needs through the extension of mortgage loans at exceptionally favourable interest rates, also granting personal loans of up to four monthly salaries, under preferential terms.

Health & Safety

In the context of the preventive health program offered to its employees, the Bank is realizing a series of actions. More specifically, the Bank has been operating three fully equipped medical centres in the Attica region, providing clinical and medical consultation services. Furthermore, the Bank provides employees with the opportunity to undergo general check-ups on a regular basis. All newly-hired employees are given a general check-up before commencing work.

The social policy of the Bank includes a special insurance plan for employees with disabilities. Both the health and the tasks of these persons are monitored by physicians, with the aim of ensuring the least possible aggravation of their condition.

Blood transfusion needs are covered by the Blood Bank that has been created and maintained by the Bank's personnel, through voluntary blood donations (3-4 times per year) in cooperation with the "Amalia Fleming" hospital.

As part of its social welfare strategy and in order to ensure the constant improvement of personnel health and safety, the Bank has developed a Health & Safety Management System, with the aim of ensuring a superior and safe working environment. In addition, premises evacuation and emergency drills are carried out on an annual basis, and First Aid seminars are held in co-operation with the Hellenic Red Cross.

Specialist Safety Technicians are visiting the Bank's units, where they oversee the implementation of health and safety procedures, and instruct unit managers and employees on the necessary work safety measures. Moreover, sample tests are performed, in order to determine the presence of physical and chemical hazards.

Occupational Physicians pay regular visits to the units, examine employees and create or update their confidential personal medical records, also offering preventive medicine advice.

The best practices concerning the implementation of the Health and Safety at Work Policy, allowed Eurobank EFG to be the first bank in Greece, and one of the three first banks worldwide, to be certified in accordance with the ELOT 1801 and OHSAS 18001 standards. This certification is a further guarantee that Eurobank pursues the aim of ensuring a superior and safe environment for its employees, its customers, and the society at large, with responsibility and consistency.

HR4U

The Human Resources General Division has created a Help Desk service, called HR4U, with the aim of providing the Bank's employees with a full set of services, through a structured and efficient means of communication. Each employee can use HR4U to make queries on personal information, the benefits offered by the Bank, the employees' Health Fund, loans, etc.

Internal Communication

Precise, direct and multidirectional communication is considered crucial in our Group. All employees are systematically updated on all major issues concerning them, while the contribution of both the employees, and their families, to the Group's progress is recognized on the basis of preset criteria. This enhances the employees' trust and commitment to the common targets.

In 2008, an Employee Satisfaction Research Survey was conducted for the first time in the Eurobank EFG Group, in order to methodically record employee opinions on major issues concerning them. The Organization intends to repeat this research on a regular basis, in order to create a useful database for comparing and evaluating each survey's findings.

The main internal communication mechanisms used by the Group are the following:

- Intranet is used for immediately forwarding any information that needs to be communicated to the employees.

- Rewards and Distinctions to employees, based on their long-standing contribution to the Organization. More specifically, the Bank rewards the outstanding performance of colleagues who have worked with the Organization for at least ten years. Moreover, employees who achieve academic distinctions receive a symbolic financial prize. A similar prize is also bestowed by the Bank to employees' children who have excelled at any educational level. In addition, top university graduates are granted a symbolic financial prize, along with the opportunity to pursue a professional career with the Organization. Finally, financial support is provided to top university graduates who continue with postgraduate studies in Greece or abroad.

- Actions and events, aimed at enabling large or small (depending on the event) employee groups either to exchange views with members of the Management (e.g. Breakfast with the Management), or to get updated on the Bank's strategy and orientation.

- Social events, aimed at reinforcing the "bond" of the employees and their families with the Organization, such as Christmas theatrical plays for children and the annual Eurobank Family Day.

Contribution of the Human Resources General Division to the Group's International Activities

The Human Resources General Division supports the design, organization and operation of the Human Resources Departments of New European subsidiaries, in accordance with the systems, policies and procedures of Eurobank EFG and always respecting the particular features and the culture of each country.

In 2008, the Human Resources General Division sustained its active involvement in Bulgaria, Romania, Serbia, Poland, Turkey, the Ukraine and Cyprus, emphasizing on:

- The design of compensation and benefit systems in accordance with the Group's principles and taking into account the peculiarities of, and competition in, local markets.

- The transfer of know-how and the implementation of successful training programs, designed to improve the competitiveness of the Subsidiaries' business units in local markets.

- The realization of specialized e-learning programs for developing the leadership skills of the subsidiaries' senior executives, in cooperation with Harvard Business Publishing, the internationally acclaimed educational organization.

These activities aim, on one hand at achieving economies of scale and on the other at transferring best practices to the local subsidiaries.

Eurobank EFG considers happy customers to be the Organization's most important asset. Therefore, the main concern of the Bank is to constantly improve the products and services it offers and to establish relationships of mutual trust with its customers.

In order to upgrade the services it offers to retail customers, professionals and small enterprises, the Bank is systematically conducting Customer Satisfaction Surveys, both per category and per Branch, to record the degree of customer satisfaction, monitor the loyalty index, identify individual issues that need to be resolved and follow up their progress.

In 2008, this effort concentrated on the provision of high quality personalized services to the above customer categories. Spearheaded by the Branch Network Division, the Bank continued to implement the strategic segmentation of these customer groups, through organizational restructuring and creation of segment-specific products/services, thus supporting the commitment to "deal with each customer individually" on the basis of his/her needs, as they change between different stages of the customer's life.

More specifically:

- The Personal Banking Service, which is designed for affluent Retail Banking customers, was extended to more branches, providing each customer with a dedicated Personal Banking Officer, a specialized range of products/services and private enclosed spaces within the branch.

- The Small Business (SB) Banking service, which focuses on professionals and small enterprises, through specialized Advisors, was improved in terms of service speed and information quality. The management of requests from those customers became automated, through the introduction of the "e-request" platform, while a dedicated SB Call Centre was also established, to provide better and faster information and problem resolution services.

- The Individual Banking Service, which concerns the majority of Retail Banking customers, i.e. groups such as salaried employees, young people and pensioners (excluding Personal Banking customers) was delineated and specialized product/service packages were created for some of those customer groups. Moreover, the Bank introduced "Greeters" to 40 Branches, in order to provide customers with fast service from the responsible employee, the number of Automatic Payment System machines (APS) was increased in order to further reduce customer service times and direct access to the Bank's alternative networks (Europhone Banking, e-banking) was provided through many branches. In addition, the Bank adopted extended banking hours in 10 branches in Athens and Thessalonica, in order to enable customer service during afternoons and Saturdays.

In order to "reward" its customers, the Bank has adopted the "Epistrophi" credit card loyalty program, as well as the innovative "Free Banking Transactions" program, which concerns the entire customer/Bank relationship.

In 2008, the Bank undertook new initiatives aimed at providing corporate clients with comprehensive, higher quality service. In a nutshell, the initiatives for upgrading the services offered to businesses cover the following areas:

- Client Satisfaction Surveys — An integrated research program, covering common parameters in Greece and in the countries of New Europe where the Bank has established a presence, with the aim of recording satisfaction levels, identifying individual services issues that ought to be resolved and of benchmarking services, or making cross-country comparisons.

- Specialized Business Centre Tellers — Utilizing the above satisfaction surveys and taking into account the complex client needs that were identified, the Bank established Specialized Business Centre Tellers for Corporate Banking clients in Greece and abroad. The personalized service provided by the specialized tellers covers a wide range of banking transactions, such as the deposit of Eurobank or other bank cheques, the deposit of cash, the payment of bills, the purchase of foreign exchange etc.

- Corporate Deposit Card — The new Corporate Deposit Card was exclusively created for Corporate Banking clients in order to facilitate the businesses' daily cash flow management. By using this card through the Bank's Automatic Payment Machine

(ATM & APS) network, the employees of each enterprise, as well as third associates, can make deposits fast and easily, exclusively using a specific company account that is linked with the Corporate Deposit Card.

- Roadshows — Owing to the Global Market crisis, the Corporate Banking Division considered as its duty to inform clients from all over Greece about developments in the global financial environment and the Bank's actions to support them.

In parallel with the effort to upgrade the entire range of services offered to its customers, individuals and enterprises, the Bank encourages the expression of customer opinions and criticism, as a unique opportunity to ensure the continuous improvement of products/services, given that the ultimate, and actual, judges and recipients of service quality are the customers themselves.

To this end, the Client Relations Division has developed a customer-friendly policy for the receipt of complaints and suggestions which is also highly effective for identifying and correcting errors or omissions. The main aim of this policy, whose reliability has been certified by the British Standards Institution (BSI), is to ensure customer service quality throughout the entire Eurobank EFG Group, in accordance with best international practice.

Encouraging customers to communicate their complaints and/or lay down their comments, either by calling 801.111.1144 Call Center Europhone Banking on a 24-hour basis, or by writing or in person at any point of contact with Eurobank EFG, is a valuable source of information for the Organization, which enables the better understanding of customer needs. The importance attached to customer satisfaction leads to proactive measures, such as the placement of the "Are you happy with our services?" leaflet on all stands of the Bank's branches.

By thoroughly managing complaints, the Client Relations Division utilizes the information it gathers, with the aim of constantly upgrading and improving the quality of the offered products and services. In this context, the regular review and evaluation of customer satisfaction from the management and final outcome of their case, facilitates the constant improvement of complaint management procedures, in order to maintain mutually beneficial, stable and sound relationships.

The principal condition for the successful outcome of these efforts is the homogenization of service quality levels, which is achieved through continuous training and implementation of uniform, organization-wide procedures for the receipt and management of client complaints.

Quality

In order to ensure and constantly improve the quality of services and products provided to its clients and minimize operational losses, Eurobank EFG has established and maintains a quality management system that defines the policies and operational processes undertaken. Its effectiveness is continuously improved to serve the interest of the Bank's shareholders, to meet the constantly evolving needs of its clients and to promote the development of its employees.

Among the certified activities against the ISO 9001:2008 International Standard are Centralized Payments, Payments - SWIFT/Telex, Derivatives Market Margin Bank, IT & Systems (Help Desk, End User Support), Custodian Services, Shareholder Registry, Employment & Placements, the Design and Delivery of Training Programs, Procurement, Archive Control and Client Relations Office.

The Bank's quality management system is certified by the British Standards Institution (BSI), and is in compliance to the requirements of the BS EN ISO 9001:2008 International Standard.

Furthermore, the Management's commitment against the stakeholders, consisting of employees, shareholders, clients, suppliers, and the society at large, resulted in the certification of the Bank's:

- Occupational Health and Safety Management System - OHSAS 18001 and ELOT 1801 Standards covering the branch network.

- Environmental Management System - ISO 14001 Standard covering the services and products provided throughout the prefecture of Attica and of Thessalonica as well as the EMAS Regulation.

- Information Security Management System - ISO 27001 Standard covering the Information Technology Operations.

"It is our duty"

In 2007, the Eurobank EFG Group, in cooperation with the John S. Latsis Public Benefit Foundation, announced a €60 million program for the support of the citizens and regions that had been stricken by the devastating wildfires of that August. In 2008, the two organizations responded to the needs of supporting and restoring the devastated regions and furthermore, promoted initiatives and activities designed to prevent forest fires and support volunteer organizations.

Among the actions that were implemented, and which are presented in detail at the program's website, www.inekathikonmas.gr, there are some that stand out for their importance to society and environmental protection. These actions are the following:

- Creation of a fire-fighter support program, which aims at providing financial assistance to the families of the fire-fighters and pilots who lose their lives during firefighting operations.
- Donation of vehicles and equipment to the Fire Service.
- Full restoration of the Cronius Hill and its surroundings at Ancient Olympia, covering a total area of 50 hectares.
- Donation of equipment to 160 volunteer organizations engaged in forest-protection and forest-fire fighting.
- Financial donations for environmental projects to 113 fire-stricken municipalities throughout Greece.
- A campaign to inform citizens about the fires, in cooperation with the General Secretariat for Civil Protection of the Ministry of Interior.

Eurobank EFG and the John S. Latsis Public Benefit Foundation will continue to sponsor this program, with the aim of encouraging volunteerism, protecting and promoting Greece's natural wealth.

Charities

Apart from its involvement in the fields of environmental protection, education, culture and sports, Eurobank EFG remained faithful to its long-standing tradition of supporting social groups in need, through the promotion of programs and actions designed and implemented by non-profit foundations and public benefit organizations.

In 2008, Eurobank EFG supported more than 60 organizations and foundations. Some examples are the Hellenic Red Cross, the Food Bank-Foundation Against Hunger, the Association for the Psychosocial Health of Children and Adolescents (A.P.H.C.A.), The Hellenic Centre for Children and Families Mental Health "Perivolaki", the Adolescent Health Unit (A.H.U.) of the Second Dpt of Paediatrics - University of Athens at the P&A Kyriakou Children's Hospital, the "Klimaka" Centre for the Homeless, the Arc of the World, the Home for Special Vocational Training etc.

Finally, this Christmas, the Group supported the work of "The Smile of a Child" and the "Down's Syndrome Association of Greece". The sponsorship of non-profit, public benefit organizations is a long-standing tradition at Eurobank EFG. Nonetheless, in 2008 the Bank used its extensive branch network to promote the organizations themselves for the first time, through a campaign titled "The children need... we can..." Both the Bank's customers, and the general public, had the opportunity to learn about these associations and support them, if they wished so, with financial donations.

The “Great Moment for Education” Program

“A modern Education, an effective learning process, is undoubtedly a target of national importance, as well as the greatest challenge and investment for the future. Such an Education is the young people’s right and everybody’s obligation”. This is, in a nutshell, the philosophy behind the “Great Moment for Education” program of Eurobank EFG. This program began in 2003, with the aim of rewarding distinguished pupils from all Greek high schools.

Each year, the Eurobank EFG group, with the support of the Ministry of Education and Religious Affairs, bestows awards to high-school graduates who get their school’s highest grades at the pan-Hellenic university admission examinations. Each award is accompanied by a €1,000 prize, deposited in a Eurobank account in the name of the distinguished pupil. The program covers approximately 230,000 high school graduates from 1,300 public and private, daily and night, schools all over the country. During the last six years of the program’s implementation, Eurobank EFG has awarded 7,000 top-performing pupils from all over Greece. Each year, the Bank invites all the awarded pupils to cultural and sports events, and provides them with general information about the Group.

Nevertheless, since 2006 the Bank is not only rewarding the best pupils, but also the High School that produces the graduate who gets the highest grade in each Prefecture at the pan-Hellenic university admission examinations. This symbolic award, which is accompanied by a state-of-the-art computer, demonstrates the importance of schools as hotbeds of ideas, values and visions.

From September to December 2008, 1,199 top-performing pupils received awards at 24 events held all over Greece. Afterwards, the Bank held the annual ceremony to award the “best of the best” graduates from each Prefecture of Greece, in the presence of his Excellency, the President of the Republic of Greece, Mr. Carolos Papoulias.

The “Great Moment for Culture” Program

The Eurobank EFG group has been supporting the work of the Foundation of the Hellenic World (FWH) since 2000. More specifically, Eurobank EFG is sponsoring the “Hellenic History on the Internet”, and “Olympics through Time” internet portals, the “Is there an answer to everything? A journey to the world of Greek Mathematics” and “Theatre, the Art of Arts” exhibitions, as well as the “Hellenic World” Culture Centre, a state-of-the-art centre for the preservation and transmission of Greece’s cultural heritage. The importance of the Centre is demonstrated by the fact that 110,450 people visited it during 2008.

The “Hellenic History on the Internet”, and “Olympics through Time” internet portals were rather popular, with the former attracting more than 6,873,976 impressions.

Although the Mathematics exhibition is presented at the Hellenic World since 2003, it still attracts the interest of the public, especially school pupils, who have the opportunity to go back to the history of ancient Greek mathematics, from Thales and Pythagoras to Archimedes and Eratosthenes, as well as to the Byzantine and Arab scholars who transferred this knowledge to Renaissance Europe.

In 2008, the “Theatre, the Art of Arts” exhibition was moved to Chania and Thessalonica, as well as Nicosia, Cyprus. Its conversion to a portable exhibition by the Hellenic World’s scientists gave many pupils, as well as the people who live outside Athens, the opportunity to visit it. It should be noted that the portable exhibition was accompanied by a learning program.

In 2008, the Eurobank EFG group sponsored the "Kamerata Orchestra of the Friends of Music" of the Athens Concert Hall for a 15th consecutive year. Kamerata performed a total of 46 concerts, in the Concert Hall and away, and sustained the innovative "Kamerata Goes to School" program that has been prepared in cooperation with the Ministry of Education and Religious Affairs. As part of this program, the orchestra's associates paid 48 visits to elementary schools and performed three concerts, exclusively for young pupils, at the Athens Concert Hall, in May 2008.

During the 2008-9 season, the orchestra will introduce a new participation program for High-School pupils. This is a revolutionary program, in which the pupils hold central stage through a new interactive musical play about the relation between man and nature. The pupils will participate by transforming natural materials, recyclable items, everyday objects, even their mobile phones, into musical instruments, also using their bodies and voices to sing or recite.

The Eurobank EFG group was the exclusive sponsor of the Children's Stage of the National Theatre since 2001. This partnership ended in autumn 2008, with the play "The Most Beautiful Story in the World". In 2008, the Children's Stage staged 180 shows in Athens and 20 in the periphery.

Finally, as far as fine arts are concerned, the Private Banking Division of Eurobank EFG presented another great retrospective exhibition of a Greek artist, in cooperation with the National Art Gallery. The "Nikos Lytras (1883-1927) – Building with light and colour" exhibition, which was inaugurated by the President of the Republic, Mr. Carolos Papoulias, was held with great success at the National Art Gallery from March to June 2008 and attracted 80,000 visitors. The exhibition brought into the light many unknown works of the painter, from his initial studies in his atelier, and "re-produced", so to speak, the great posthumous exhibition of his work that had been held at the Zapeion Building in 1929.

The Nikos Lytras retrospective exhibition is the fourth initiative taken by Eurobank EFG in the field of fine arts and in cooperation with the National Art Gallery, during the past four years.

The "Great Moment for Sports" Program

As the sole sponsor of the Greek crew in the Yngling class, with Sofia Bekatorou as the skipper and Sofia Papadopoulou, Virginia Cravarioti as her crew, the Eurobank EFG group celebrated the great success of winning the bronze medal at the Beijing 2008 Olympics. This is another great distinction for Greek sailing, since Sofia Bekatorou and Emilia Tsoulfa had won the Gold medal in the 470 class at the 2004 Athens Olympics.

Following their success in Beijing, the three sportswomen will continue to pursue distinction in the Yngling class, with the ultimate aim of participating at the 2012 Olympics.

The Eurobank EFG group has been the exclusive sponsor of all Greek National Basketball teams since 2001. During the past year, this sport, which admittedly has offered many thrills to Greek sports fans, produced two great achievements. The Young Men's National Team won, for the first time ever, the gold medal at the Young Men's European Championship held at Pyrgos, Elia, in July and August 2008.

The Men's National Basketball Team confirmed its world class once again, by capturing the fifth place at the Beijing Olympics. The next target is the European Championship of 2009, which will be held in Poland.

Finally, in 2008 Eurobank EFG supported the Men's basketball team that participated in the "Special Olympics 2008" European Basketball Tournament, held in Antalya, Turkey.

Social Contribution Abroad

Bulgaria

Postbank, which operates under the legal name Eurobank EFG Bulgaria AD, is one of Bulgaria's top-five banks. With more than 18 years of success in banking, it controls one of the largest networks in the country, with more than 3,000 employees.

As a member of the Eurobank EFG group, Postbank considers Corporate Social Responsibility as an integral part of its contribution to society and its shareholders. The main pillars of the Bank's social action for 2008 were Education, Sports and the Environment.

In the field of Education, Postbank continued its "High Start with Postbank" program, awarding 108 eighth-grade pupils from all the country's High Schools. Each pupil was granted a €250 scholarship and awards while ceremonies were held in many cities throughout the country. It should be noted that the Bank organized this unique, for the country's standards, program for a fourth year in a row, with the support of Bulgaria's "High Start" secondary education organization, under the auspices of the Ministry of Education and Science, and in cooperation with the national supervisors' office and the schools' principals.

In the past four years, Postbank awarded more than 620 high school pupils from all over the country, offering scholarships worth €140,000.

In the critical field of environmental protection, Postbank presented a new program for the restoration and preservation of the country's natural wealth and especially Lake Pancharevo, near Sofia. The "Crystal Purity of Pancharevo Lake" initiative included the following actions:

- Creation of a children's area and a picnic space.
- Clean-up of the lake area by more than 200 volunteers. Bank employees and their families participated in the campaign, as well as members of the local government, such as the mayors of Sofia and Pancharevo.
- Renovation of the bridge next to the Pancharevo City Hall.

So far, Postbank has invested more than €50,000 in this initiative and is also planning to implement a new internal environmental policy, aimed at establishing a "greener" office. Finally, in 2008 Postbank endorsed the principles of the UN's Global Compact.

Romania

In 2008, Bancpost had 293 branches and employed 4,275 people. As part of its involvement with corporate social responsibility issues, the Bank focused on four areas during 2008: Education and Vocational Training, Culture, Environmental Protection and the Local Communities.

More specifically, the following actions were realized:

- Support of training programs on leadership and economics, addressed to pupils and organized by the "Leaders of Romania" organization and the "Econosophia" associations.
- Sponsorship of the choir of the "Binbam" children's club, in order to participate to a major national competition, annually held in one of Romania's Black Sea resorts.
- Sponsorship of a cultural and educational event held by the "Friends of the National Museum of Art" association, which included exhibitions and shows designed and materialized by young artists.
- Sponsorship of the "National Festival of Contemporary Dramaturgy", organized by the "Sica Alexandrescu" theatre.
- Cooperation, for a third consecutive year, with the National Anti-Drug Agency and the "Totul pentru viata" ("All for life") association, in order to organize the awarding ceremony for the winners of a nation-wide campaign, titled "My message against drugs".
- Contribution to the acquisition of medical equipment by the Galati Hospital for Children, to ensure that children with health problems receive the best possible medical care.
- Contribution to the creation and management of specialized centres that offer medical, social, educational, professional or family assistance to vulnerable social groups.
- Financial support to local authorities for organizing local events, during which the public had the opportunity to participate in outdoor events related to environmental protection.

Serbia

Since the day it launched operations in Serbia, Eurobank EFG combined a dynamic and profitable business strategy with social contribution, through a multitude of initiatives and events. In March 2006, following the acquisition of NSB by the Eurobank EFG group and its placement among the top-five banks of the Serbian market, the bank established a comprehensive program for supporting society, titled “We are investing in European Values.” This effort focused on Health, Education and Environmental Protection.

The “Eurobank Parks” program is dedicated to ecology, the environment and the creation of green areas in central urban zones all over Serbia. Eurobank EFG launched this program in 2006, through donations for the reconstruction of central urban parks in six cities throughout the country: Belgrade (Botanical Garden, including the Rainbow Park and the Wedding Park), Novi Sad (Dunavski Park), Nis (Cair Park), Pančevo (National Garden), Jagodina (Teachers Faculty Park), Pozarevac (Sunny Park). In line with the global drive for environmental protection, in spring 2008 Eurobank EFG launched the “I recycle paper — do you?” initiative, together with the Umka paper mills. The recycling program also includes old computers.

It is also worth noting the Bank’s cooperation with the CRID (Centre for Inclusive Society) concerning its involvement in programs for promoting the “Design for all” principles, which concern disabled individuals. In line with these principles, Eurobank EFG supported the creation of Belgrade’s Rainbow Park, the first park in Serbia especially adapted to cover the needs of all children. As a result of its productive cooperation with the CRID, Eurobank EFG adapted its Belgrade, Nis and Novi Sad branches to make them accessible to disabled individuals, while the CRID made the relevant presentation to the Bank’s employees. Moreover, in 2008 Eurobank EFG upgraded its website, adapting it to the requirements of disabled individuals.

Since the launching of its Serbian operations, Eurobank EFG has offered 1,150 scholarships of €1,000 each to the top students from the country’s state universities. In 2008, the top-100 students selected by an independent judge on the basis of their applications will receive scholarships through the “Eurobank EFG Scholarship” program.

Eurobank EFG has received the following awards for its social activity:

- The Virtus award for the successful cooperation of a business with a non-profit organization (CRID, December 2008).
- The National CSR Award of the Serbian Business Journalist Association (December 2008).
- The CSR award of the Biznis Magazine (February 2008).

In 2008, the Bank established the Client Relations Department, whose main tasks are to record customer complaints, to gather and use statistical data, in order to improve services and product quality. A special leaflet titled “Together to the solution” was designed and placed in all branches, with the aim of informing/encouraging customers to state their comments or complaints in writing.

In the field of human resource development, Eurobank EFG has been realizing training programs for all, as well as programs for enhancing corporate culture. Moreover, the Bank has established strong internal communication links, through the use of the intranet and the Euro News and Euro Flash publication, as well as through meetings between the employees and the Management, etc.

Poland

Polbank EFG was established in Poland by the Eurobank EFG group in 2006. The new Bank achieved dynamic growth rates during the first three years of its operation and by late 2008 controlled 325 branches and points of sale throughout the country.

Since its very inception, Polbank EFG has been implementing two social contribution programs: The "Poland for Children" initiative with actions exclusively directed to children in need and a second program, aimed at supporting events that promote the Greek cultural heritage in Poland.

The "Polbank for Children" program focused, for a third year, on the help offered by the Bank's employees to the "Fundacja Spelmionych Marzén", an institution that provides care to young leukaemia patients. Apart from the financial support provided by both the Bank and its employees, the latter are dedicating part of their free time to the preparation and design of volunteer activities, such as events for young hospital patients on Children's Day and on St. Nicholas Day. Moreover, Polbank's employees are in constant contact with the Foundation's representatives in order to offer their assistance on urgent problems. For example, they undertook the daily care of two infants, whose parents were unable to pay daily visits to the hospitals.

Financial support and volunteer service were offered, for a second time, to the organization of the "Onco-Olympic Games", which aimed at the provision of moral support to the patients and their parents, both during and after treatment. In 2008, the Games turned into an international event with the participation of 255 contestants from 15 oncology centres from Poland, Russia, Ukraine, Slovakia, Hungary and Turkey. The Onco-Olympic Games were held under the auspices of Mrs. Maria Kaczynska, wife of Poland's President, Mr. Lech Kaczynski.

As part of the program for promoting Greek culture, Polbank EFG sponsored concerts held in July 2008, during the "Greek Day" of the Summer Jazz Days festival in Warsaw. The concerts included performances by Greek bands, such as the Drum Freaks, Apostolis Anthimos Quartet and Mode Plagal. All band members are well-known musicians, recognized in Poland and abroad.

Ukraine

In 2008, Universal Bank emphasized on internal communication, which was dominated by a drawing contest among the employees' children, titled: "Universal Bank: Together in your dreams".

The purpose of the competition was to create a corporate calendar for 2009, which would contain the best drawings, sending everybody the message that Universal Bank is a people-oriented bank.

Environmental policy

Environmental protection is considered a duty for Eurobank EFG. In 2003, the Bank initiated its environmental protection effort by enacting its official Environmental Policy, which aims at mitigating the Bank's environmental impacts. It should be noted that these impacts are both direct, i.e. those stemming from the daily functioning of its branches and offices, and indirect, i.e. those that arise from interaction with its clients and suppliers. The Bank's environmental policy is available online at www.eurobank.gr

EMAS
Verified environmental management
REG NO EL 000080

Eurobank EFG remains, since 2004, the first and only bank in Greece, and one of the few banks in Europe, to have established an externally certified ISO 14001 compliant Environmental Management System. The Bank's first Environmental Statement depicting 2008 environmental performance and indicators was verified by an independent Certification Body as well as by the Competent Authority (Ministry for the Environment, Physical Planning and Public Works). Thus, all procedures were completed and the Bank is now officially listed in the EU Eco-Management and Audit Scheme (EMAS) Register. This is the highest possible distinction on environmental management issues. The pertinent Ministerial Decision awarding EMAS to Eurobank EFG, was signed on the 11th of March 2009, demonstrating once again Eurobank EFG's lead in environmental management issues.

Environmental issues are deemed crucial by the Bank's Management, and have been entrusted to a special Environmental Committee, chaired by the General Manager for Operations, Technology & Organization. The Environmental Steering Committee comprises the managers of all the Bank's units that are involved, such as procurement, technical services, financing, human resources, corporate communications etc., so that environmental management policies and actions are coordinated at a strategic level. The Bank's Environment Office that was established in 2004 is responsible for the consistent and integrated day-to-day management of environment-related procedures and actions.

The improvement of the Bank's environmental performance does not only foster its sustainable growth, but also generates competitive advantages, such as the reduction of operating costs and the exploitation of new business opportunities, such as the development and promotion of "green" banking products.

Eurobank EFG believes that the international commitment to sustainable development can only be achieved through parnterships. To this end, it has joined the United Nations Environment Program Finance Initiative (UNEP FI) since 2005, an initiative that aims at protecting the environment and promoting sustainable development.

Environmental performance and programs

The environmental performance of Eurobank EFG is monitored by specific environmental indicators. This practice supports the Organization's commitment to transparent operation, and promotes the effort to improve the Bank's "ecological footprint".

Benchmarks

Total area and the number of employees are the most commonly used denominators of the main environmental performance indicators.
A1. Total area covered by facilities and buildings: In 2008, the total area covered by the Bank's branches and administration buildings amounted to 316,243 m^2.
A2. Number of employees: In 2008, the Bank employed 7,680 persons on a full-time basis.

Energy and Climate Change

Despite the fact that the Bank's contribution to the greenhouse effect mainly concerns indirect gas emissions (through electricity consumption), the significance of Climate Change has elevated monitoring energy consumption of all types, and the corresponding emissions, into one of our top priorities.

A major breakthrough for 2008 was the redesign and implementation of the Energy-Saving Program, on the basis of the internationally accepted GHG Protocol. This Protocol was established by the World Business Council for Sustainable Development and the World Resources Institute, with the aim to make energy management and reporting by enterprises and organizations more systematic. It provides a framework for recording and allocating energy consumption, as well as for calculating direct and indirect Greenhouse gas emissions. Based on the Protocol's provisions, the Bank has set 2008 as its baseline for measurements and comparisons. The enhanced data collection and analysis systems developed, provide advanced monitoring and informed decision-making capabilities.

Direct energy consumption refers to the combustion of oil for heating purposes, whereas indirect consumption refers to electricity for the Organization's operations. The corresponding Greenhouse Gas emissions are divided to direct (Scope 1) emissions from oil combustion, and to indirect emissions from the generation of the electricity bought by the Bank (Scope 2), as well as emissions from employee business travel (Scope 3). Thus, in 2008 the total consumption of heating oil amounted to 206,040 litres, electricity consumption amounted to 60,664,632 KWh, while business air travel reached a total of 5,408,603 miles.

In order to estimate the actual dimensions of these figures, the Bank has been using the following indices: a) electricity consumption per area unit (m^2), b) electricity consumption per person and c) Greenhouse gas emissions per area unit (m^2). In 2008, power consumption per area unit amounted to 191.83 KWh/m^2 as compared to 202.13 KWh/m^2 in 2007, reduced by 5%. Power consumption per person amounted to 7,899 KWh, as compared to 8,166 KWh/person in 2007, reduced by 3%. Greenhouse gas emissions from electricity consumption per area unit amounted to 0.15 tons of CO2/ m^2.

Energy management and monitoring of pertinent indicators aims at taking the appropriate decisions concerning interventions that will minimize the Bank's share in the Greenhouse effect and Climate Change. Thus, in 2008, and based on the findings of the consumption-monitoring exercise, the Bank made changes to both the existing equipment and the design of the new premises' internal lighting, illuminated signs, air conditioning and electrical installations.

Moreover, video conferencing was more widely used in 2008, in order to reduce business travel. As a result, business trips were reduced by 22% in 2008, leading to a corresponding reduction of Greenhouse gas emissions by 317 tons.

Total greenhouse gas emissions amounted to 49,016 tons of CO_2 (638 direct, 48,378 indirect), as compared to 53,510 tons in 2007, a substantial 8% reduction. The target for 2009 is to reduce energy consumption by 5%.

Water management

Water is maybe the most important natural resource of our times, and for this reason the Bank attaches great importance to its preservation. As a result of water-saving initiatives, water consumption/worker fell from 7.76 m^3/person in 2007 to 6.45 m^3/person in 2008, reduced by 16.88%.

Recycling and waste management

The Bank makes every possible effort to recycle and/or redirect the main types of waste, which is collected in the appropriate bins, to be delivered either to the suppliers of the original materials, or to licensed waste management contractors. Our effort begins with the prudent supply of materials whose waste has limited environmental consequences, such as dry batteries or asbestos-free refurbishing materials. Moreover, all contracts with third-party associates-contractors include provisions for environmentally responsible waste management. In addition, the Bank implements recycling programs for materials or equipment, whenever possible. Today, the Bank is following up on waste streams, in order to ensure their best possible management and the reduction of environmental impacts.

1. Paper

Based on the known principle that sound environmental management of material life-cycle within an organization starts from reduction, moves on to re-use and ends up with recycling, the rationalization and control of paper consumption has been one of the Bank's major environmental targets. Thus, annual paper consumption per employee was reduced by 7% in 2008, falling to 79 kg per employee, from 85 kg per employee in 2007. The Bank has introduced a paper recycling scheme since 2005, and to this end, special metal recycling/shredding bins have been installed in the Branches and Administration premises throughout Attica. In 2008, the recycling/shredding process was fully implemented in the prefecture of Thessalonica. The total quantity recycled during 2008 amounted to 384 tons, as compared to 361 tons of paper recycled in 2007, and accounted for 63.3% of paper supplies for 2008, as compared to 55% in 2007. For the time being, the Bank considers expanding its paper recycling program to the rest of Greece; however this effort is impeded by the lack of local infrastructure. In any case, the Bank's target is to recycle 500 tons of paper in 2009.

2. Toner

Total toner use amounted to 4.22 units per employee in 2008, as compared to 5.18 in 2007, reduced by 18.5%. Moreover, 9,086 toner units (i.e. 28% of toner supplies) were delivered for safe management in 2008, as compared to 8,245 (i.e. 20.7% of toner supplies) in 2007. The Bank considers extending its program for the safe disposal and recycling of blank cartridges within 2009.

3. Waste Electronic Equipment

The safe disposal of waste Electronic Equipment was one of the Bank's top priorities for 2008. Thus, the Waste from Electrical and Electronic Equipment (WEEE) recycling program was upgraded through the launching of a partnership with the Alternative WEEE Management Collective System, a system licensed and authorised by the Ministry for the Environment, Physical Planning and Public Works. In addition, the Bank continued its computer equipment donation program, as part of an effort to manage the lifecycle of the materials it purchases. Thus, in 2008 it donated 2,328 computers to schools, as compared to 2,196 in 2007. The target for 2009 is to achieve the safe management of 100% of electronic equipment.

4. Lamp/Battery Recycling

Used lamps and (non portable) batteries are types of waste that are regulated by the applicable environmental legislation. Their safe disposal prevents the pollution of both the soil and aquifers with heavy metals and other hazardous substances. In 2008, the Bank upgraded its cooperation with the agencies qualified for managing such materials. Thus, 17,373 lamps (increased by 217% year-on-year) and 1,016 batteries (increased by 327% year-on-year) were delivered for safe disposal. The target for 2009 is to achieve the safe management of 100% of these materials.

Green Procurement Policy

Since the launching of its Environmental Management System, the Bank has stated, through its policy, that it wishes to transfer its environmental awareness to its customers and suppliers. In this context, it has been gradually developing environmental criteria for evaluating both its suppliers, the products and services they offer.

The existence of environmental policies and environmental management systems has already been incorporated to the supplier evaluation criteria, while environmental labels, such as Energy Star, FSC, PEFC, Eco-Label etc., are included in product specifications whenever practically possible. In addition, adherence to the environmental legislation is an explicit provision in all contractor agreements.

In 2008, the Bank revised its Procurement Policy in order to incorporate Environmental Policy principles, while the plans for 2009 include the revision of environmental specifications for the main types of procured products.

It should be noted that the Bank’s Green Procurement Policy is seriously taking into account the peculiarities of the market, and aims at utilizing the Bank’s purchasing power in order to positively push the market towards the provision of environment-friendly products and services, without causing perturbation confusion and unfair competition.

Green banking products

The Bank has developed a series of “green” banking products, designed to protect the environment. Therefore, in 2008 the Bank issued 27,126 new Visa WWF credit cards, raising the total number of active cards to 66,681. In 2008, WWF Hellas received €206,917 from the transactions performed through Visa WWF, in order to finance this NGO’s environmental protection effort.

Moreover, the Small Business department has developed, and provides professionals and businesses with green products, such as loans for the purchase of environment-friendly equipment by dry-cleaning establishments, the acquisition of new environment-friendly taxis and buses, as well as the installation of natural gas facilities in business premises.

In addition, the Corporate Banking Division has been providing long-term investment cost financing and working capital, as well as advice, to potential investors in the field of Renewable Energy Sources, and more specifically photovoltaic systems, since 2007.

Personnel Training/Awareness

Raising personnel awareness on environmental issues is the cornerstone of the Bank’s overall culture. In 2008, the Bank completed and launched an innovative e-learning program concerning its Environmental Management System, which was attended by 999 people, brining the ratio of environmentally trained employees from 16.7% to 29.75% of the workforce. Among other things, e-learning contributes to reducing trainee commutes, further reducing greenhouse gas emissions.

Moreover, the Bank’s intranet includes a page especially dedicated to the continuous provision of personnel with information about environmental management issues.

Finally, certain individual issues pertaining to the Bank’s environmental programs are regularly communicated to the employees, thus improving both information and involvement.

The “Great Moment for the Environment” Program

“It is our duty” — A program for the fire-stricken regions

As mentioned in the section on Eurobank EFG’s contribution to society, the program “It is Our Duty” included major initiatives both for restoring the natural environment that was devastated by the 2007 forest fires and for creating basic preventive infrastructures.

As far as restoring the environment, Eurobank EFG and the John S. Latsis Public Benefit Foundation sponsored projects at the Museum of Ancient Olympia, concerning the restoration of the Cronius Hill and the Museum area and at the Municipality of Ancient Olympia, which was heavily damaged by the fires. Moreover, the Bank financed the environmental projects of 113 Municipalities in 18 Prefectures. These projects concerned the procurement of forest protection and fire-fighting equipment and the restoration of devastated areas.

A very important and ground-breaking initiative was the donation of equipment kits to 135 volunteer organizations activated in 41 Greek Prefectures and registered with the Registry of the General Secretariat for Civil Protection. The equipment was granted following a relevant application and included forest fire rescue helmets, fire-fighter gloves, face masks, portable back tanks, tools, binoculars, a portable collapsible stretcher, etc. Moreover, Eurobank EFG and the John S. Latsis Public Benefit Foundation provided selective financial assistance to 25 volunteer organizations activated in 16 Greek Prefectures of utmost environmental value.

“Paths of Greece” Program

In May 2008, the Eurobank EFG group and SKAI TV presented a novel environmental program titled “The Paths of Greece”. The website that was created especially for the program, monopatia.skai.gr, enabled all Greeks to present their favourite footpath and share it with their fellow citizens. The webpage, which was visited by more than 32,000 people, received 190 suggestions for footpaths throughout Greece in just four months.

Moreover, Eurobank EFG and SKAI TV selected 10 footpaths on Mounts Olympus, Parnes and Parnon that were restored and maintained with the assistance of local organizations and mountaineering clubs. More specifically: Three footpaths were maintained and restored on Mount Olympus, in cooperation with the Olympus National Forest Management Agency and the Forest Authority of Litochoro. Three footpaths were maintained and restored on Mount Parnes, in cooperation with the Parnes Forest Authority and the Fili Mountaineering Club. Finally, four footpaths were maintained and restored on Mount Parnon, in cooperation with the Forest Authority of Sparta and the Sparta Mountaineering Club.

Eurobank EFG also took the initiative to adopt and maintain one of the path networks of the above mountains, for the next three years.

“Learn, Participate, Protect — Mount Parnes National Forest” Program

In 2005, Eurobank EFG launched the “Learn, participate, protect — Mount Parnes National Forest” program, in co-operation with WWF Hellas. The purpose of the program was to demonstrate how a protected area can be efficiently managed and to raise awareness about the importance and need to protect this Forest, which is located very close to Athens.

Following the wildfire that burned down the largest part of the National Forest in 2007, the program was significantly reduced in scope and concentrated on its educational arm. From 2005 to late 2008, 34 presentations were made to schools and 74 visits to Mount Parnes were organized with the participation of 5,000 pupils. More specifically, 10 presentations and 41 educational visit programs were organized in 2008.

Apart from the presentations and the visits, pupils also have the opportunity to get acquainted with Mount Parnes and the country's national forests through the environmental training package, which has been approved by the Ministry of Education and Religious Affairs. The material of this package is now available at www.wwf.gr and is also forwarded by the environmental training officials of the primary and secondary education departments of the Prefecture of Attica.

Environmental Index Performance

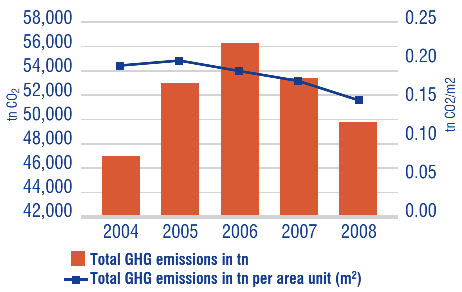
The Environmental Management System keeps analytical data on the environmental performance of Eurobank EFG. The environmental performance data and indices are annually reviewed and verified in terms of accuracy and correctness by an independent Agency, and are submitted to the Ministry for the Environment, in compliance with the EMAS Regulation. In brief, the environmental performance for 2008 (January 2008-December 2008) is the following:

EMAS
Validated information
REG NO EL 000080

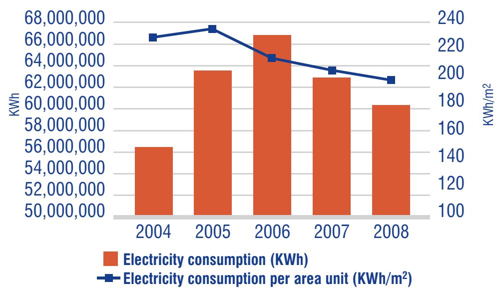
Environmental Indicator	2007 Performance	2008 Performance	Y-o-Y Change
Number of employees (full time)	7,698	7,680	(0.2)%
Total Area (buildings and branches) (m^2)	311,000	316,243	+1.7 %
Water consumption (m^3)	59,749	49,552	(17.1)%
Water consumption per employee (m^3/employee)	7.76	6.45	(16.9)%
Electricity consumption (Kwh)	62,862,391	60,664,632	(3.5)%
Electricity consumption per employee (Kwh/employee)	8,166	7,899	(3.3)%
Electricity consumption per area unit (Kwh/m^2)	202.13	191.83	(5.0)%
Heating oil consumption (litres)	212,137	206,040	(2.9)%
Total Greenhouse Gas emissions (GHG) (tn)	53,510	49,016*	(8.0)%
Total GHG emissions per area unit (tn/m^2)	0.17205	0.1549	(9.9)%
Paper Supply (kg)	655,581	606,868	(7.4)%
Quantity of paper recycled (kg)	361,190	384,185	+6.4%
Paper recycled as a percentage of paper supplies (%)	55.09	63.31	+14.9%
Toner/Ink Cartridges recycled (units)	8,245	9,086	+10.2%
Batteries recycled (units)	238	1,016	+326.9%
Light Tubes recycled (units)	5,482	17,373	+216.9%
Electronic equipment donated (units)	2,196	2,328	+6.0%
Environmentally trained employees	643	999	+55.4%

*The conversion of electricity consumption (KWh) to CO_2 emissions was based on the Calculation Tools of the GHG Protocol.

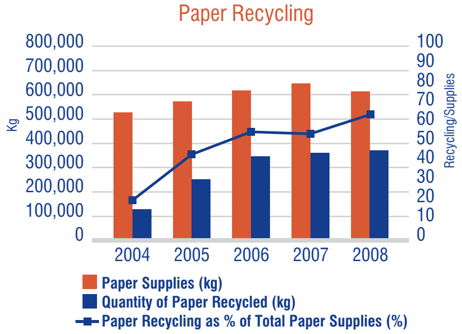
Total Greenhouse Gas (GHG) emissions / m2



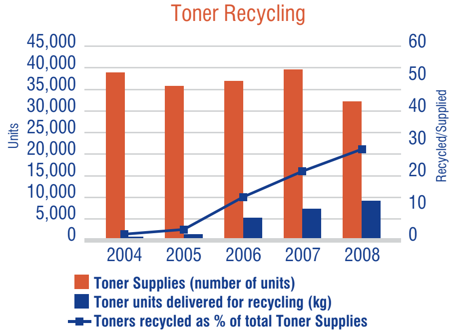
Electricity consumption per m² (Scope 2)



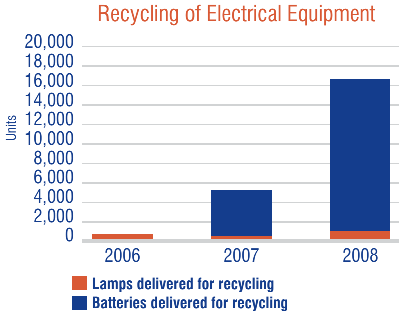
Paper Recycling



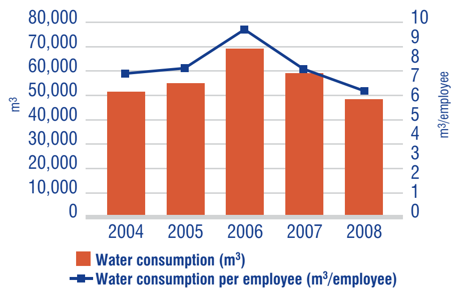
Toner Recycling



Recycling of Electrical Equipment



Water Consumption and Consumption per employee



GRI Guidelines	Page / Note
Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy	7 & 9
Name of the organization	75
Primary brands, products and/or services	3
Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures	Note 21 of Financial Statements
Location of organization's headquarters	75
Number of countries where the organization operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	30-33
Nature of ownership and legal form	14 & 75
Markets served (including geographic breakdown, sectors served and types of customers / beneficiaries	Notes 4 & 18 of Financial Statements
Scale of the reporting organization including number of employees, net sales, total capitalisation broken down in terms of debt and equity and quantity of products and services provided	5 & 14
Significant changes during the reporting period regarding size, structure or ownership	5
Awards received in the reporting period	8-9
Reporting period for information provided	Financial Statements p. 3
Date of most recent previous report	April 2008
Reporting cycle	75
Contact point for questions regarding the report or its contents	73
Boundary of the report	43
Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organizations	Note 2 of of Financial Statements
Explanation of the effect of any re-statements of information provided in earlier reports and the reasons for such re-statement	4-5
Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	4-5
Governance structure of the organization including committees under the highest governance body responsible for specific tasks such as setting strategy or organizational oversight	44-45
Indicate whether the Chair of the highest governance body is also an executive officer	10 & 45 plus Note 43 of Financial Statements

GRI Guidelines	Page / Note
For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	45
Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. Include reference to process regarding the use of shareholder resolutions or other mechanisms for enabling minority shareholders to express opinions to the highest governance body	44
List of stakeholder groups engaged by the organization	42
Direct economic value generated and distributed including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments	43
Direct energy consumption by primary energy source	66
Indirect energy consumption by primary source	66
Energy saved due to conservation and efficiency improvements	66
Initiatives to reduce indirect energy consumption and reductions achieved	66
Total water withdrawal by source	66
Total direct and indirect greenhouse gas emissions by weight	66
Initiatives to reduce greenhouse gas emissions and reductions achieved	65-66
Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation	67-68
Total workforce by employment type, employment contract and region	46-47
Total number and rate of employee turnover by age group, gender and region	47
Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	52-54
Education, training, counselling, prevention and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases	53-54
Average hours of training per year per employee by employee category	49 & 51
Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	49-51
Percentage of employees receiving regular performance and career development reviews	52

To submit questions on the report and its contents, please contact the Corporate Communications Sector at tel: (+30) 210 3337427 or e-mail: corporate_communication@eurobank.gr

EFG EUROBANK ERGASIAS S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2008

8, Othonos Street, Athens 105 57, Greece
www.eurobank.gr, Tel.: (+30) 210 333 7000
Company Registration No: 6068/06/B/86/07

Index to the consolidated financial statements

Independent Auditor's Report

To the Shareholders of EFG Eurobank Ergasias S.A.

Report on the Financial Statements

We have audited the accompanying financial statements of EFG Eurobank Ergasias (the "Company") and its subsidiaries (the "Group") set out on pages 4 to 48 which comprise the consolidated balance sheet as of 31 December 2008 and the consolidated 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 International Financial Reporting Standards as adopted by European Union. 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 the system of 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 system of internal control. 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 accompanying financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2008, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Reference on Other Legal Matters

We verified the consistency of the Board of Directors' report with the accompanying financial statements, in accordance with the articles 43a, 107 and 37 of Law 2190/1920.

Athens, 23 March 2009

The Certified Auditor-Accountant

Marios Psaltis
SOEL Reg. No. 38081

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
268 Kifissias Avenue
15 232 Halandri
SOEL Reg. No. 113

	Note	Year ended 31 December 2008 € million	2007 € million
Interest income	5	**7,488**	5,980
Interest expense	5	**(5,103)**	(3,976)
Net interest income		**2,385**	2,004
Banking fee and commission income		**760**	704
Banking fee and commission expense		**(217)**	(146)
Net banking fee and commission income	6	**543**	558
Net insurance income		**46**	53
Income from non banking services	7	**29**	23
Dividend income		**20**	13
Net trading income/(loss)	29	**172**	33
Gains less losses from investment securities		**47**	105
Other operating income		**35**	28
Operating income		**3,277**	2,817
Operating expenses	8	**(1,566)**	(1,374)
Profit from operations before impairment losses on loans and advances		**1,711**	1,443
Impairment losses on loans and advances	19	**(886)**	(401)
Share of results of associates	22	**(7)**	8
Profit before tax		**818**	1,050
Income tax expense	10	**(141)**	(219)
Profit for the year		**677**	831
Net profit for the year attributable to minority interest		**25**	16
Net profit for the year attributable to shareholders		**652**	815
		€	€
Earnings per share			
- basic	12	1.20	1.60
- diluted	12	1.20	1.59

Notes on pages 8 to 48 form an integral part of these consolidated financial statements

		At 31 December	
	Note	**2008** **€ million**	2007 € million
ASSETS			
Cash and balances with central banks	13	**4,041**	2,732
Loans and advances to banks	15	**4,613**	4,577
Financial instruments at fair value through profit or loss	16	**1,012**	960
Derivative financial instruments	17	**1,518**	738
Loans and advances to customers	18	**55,878**	45,638
Investment Securities	20	**12,200**	11,095
Investments in associated undertakings	22	**36**	46
Intangible assets	23	**731**	735
Property, plant and equipment	24	**1,231**	1,120
Other assets	25	**942**	748
Total assets		**82,202**	68,389
LIABILITIES			
Due to other banks	26	**2,792**	2,012
Repurchase agreements with banks	27	**15,925**	10,754
Derivative financial instruments	17	**3,077**	1,050
Due to customers	28	**45,656**	36,151
Debt issued and other borrowed funds	29	**8,565**	11,238
Other liabilities	30	**1,564**	1,825
Total liabilities		**77,579**	63,030
EQUITY			
Share capital	32	**1,378**	1,432
Share premium	32	**1,100**	1,325
Other reserves		**1,109**	1,495
Ordinary shareholders' equity		**3,587**	4,252
Preferred securities	33	**705**	777
Ordinary and Preferred shareholders' equity		**4,292**	5,029
Minority interest		**331**	330
Total		**4,623**	5,359
Total equity and liabilities		**82,202**	68,389

Notes on pages 8 to 48 form an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity
for the year ended 31 December 2008

	Attributable to ordinary shareholders of the Bank							
	Share capital € million	Share premium € million	Special reserves € million	Retained earnings € million	Total € million	Preferred securities € million	Minority interest € million	Total € million
Balance at 1 January 2007	1,242	176	991	248	2,657	786	181	3,624
Cash flow hedges								
- net changes in fair value, net of tax	-	-	5	-	5	-	-	5
- transfer to net profit, net of tax	-	-	(4)	-	(4)	-	-	(4)
Available-for-sale securities								
- net changes in fair value, net of tax	-	-	(93)	-	(93)	-	(0)	(93)
- transfer to net profit, net of tax	-	-	(58)	-	(58)	-	-	(58)
Currency translation differences, net of hedging	-	-	4	-	4	-	(3)	1
Net income/(expense) recognised directly in equity	-	-	(146)	-	(146)	-	(3)	(149)
Profit for the year	-	-	-	815	815	-	16	831
Total recognised income for the year 2007	-	-	(146)	815	669	-	13	682
Distribution of free shares to executive directors, management and staff	3	26	-	(0)	29	-	-	29
Share capital increase, net of expenses	169	1,043	-	-	1,212	-	-	1,212
Share capital increase due to re-investment of dividend	2	13	-	-	15	-	-	15
Minority's share in subsidiaries' capital increase	-	-	-	-	-	-	147	147
Acquisitions/Changes in participating interests in subsidiary and associated undertakings	-	-	-	(23)	(23)	-	(3)	(26)
Purchase of preferred securities	-	-	-	-	-	(26)	-	(26)
Sale of preferred securities	-	-	-	-	-	17	-	17
Preferred securities' dividend paid	-	-	-	(44)	(44)	-	-	(44)
Final dividend for 2006	-	-	-	(214)	(214)	-	-	(214)
Interim dividend for 2007	-	-	-	(166)	(166)	-	-	(166)
Dividends paid by subsidiaries attributable to minority interest	-	-	-	-	-	-	(8)	(8)
Employee share option scheme:								
- Value of employee services	-	-	9	-	9	-	-	9
- Share capital increase due to share options exercised	5	17	-	-	22	-	-	22
Purchase of treasury shares	(24)	(195)	-	-	(219)	-	-	(219)
Sale of treasury shares	35	245	25	-	305	-	-	305
Transfers between reserves	-	-	281	(281)	-	-	-	-
	190	1,149	315	(728)	926	(9)	136	1,053
Balance at 31 December 2007	1,432	1,325	1,160	335	4,252	777	330	5,359
Balance at 1 January 2008	1,432	1,325	1,160	335	4,252	777	330	5,359
Cash flow hedges								
- net changes in fair value, net of tax	-	-	(27)	-	(27)	-	-	(27)
- transfer to net profit, net of tax	-	-	4	-	4	-	-	4
Available-for-sale securities								
- net changes in fair value, net of tax	-	-	(432)	-	(432)	-	(2)	(434)
- transfer to net profit, net of tax	-	-	(83)	-	(83)	-	-	(83)
Currency translation differences, net of hedging	-	-	(213)	-	(213)	-	(9)	(222)
Net income/(expense) recognised directly in equity	-	-	(751)	-	(751)	-	(11)	(762)
Profit for the year	-	-	-	652	652	-	25	677
Total recognised income for the year 2008	-	-	(751)	652	(99)	-	14	(85)
Distribution of free shares to executive directors, management and staff	4	23	-	-	27	-	-	27
Share capital increase due to re-investment of dividend	4	20	-	-	24	-	-	24
Minority's share in subsidiaries' capital increase	-	-	-	-	-	-	0	0
Acquisitions/Changes in participating interests in subsidiary and associated undertakings	-	-	-	(4)	(4)	-	(5)	(9)
Purchase of preferred securities	-	-	-	-	-	(75)	-	(75)
Sale of preferred securities	-	-	-	-	-	3	-	3
Preferred securities' dividend paid	-	-	-	(39)	(39)	-	-	(39)
Final dividend for 2007	-	-	-	(257)	(257)	-	-	(257)
Dividends paid by subsidiaries attributable to minority interest	-	-	-	-	-	-	(8)	(8)
Employee share option scheme:								
- Value of employee services	-	-	14	-	14	-	-	14
Purchase of treasury shares	(63)	(276)	-	-	(339)	-	-	(339)
Sale of treasury shares, net of tax	1	8	(1)	-	8	-	-	8
Transfers between reserves	-	-	59	(59)	-	-	-	-
	(54)	(225)	72	(359)	(566)	(72)	(13)	(651)
Balance at 31 December 2008	**1,378**	**1,100**	**481**	**628**	**3,587**	**705**	**331**	**4,623**
	Note 32	Note 32	Note 35			Note 33		

Notes on pages 8 to 48 form an integral part of these consolidated financial statements

Consolidated Cash Flow Statement
for the year ended 31 December 2008

	Note	Year ended 31 December 2008 € million	2007 € million
Cash flows from operating activities			
Interest received and net trading receipts		**5,850**	5,057
Interest paid		**(3,763)**	(2,991)
Fees and commissions received		**804**	786
Fees and commissions paid		**(204)**	(125)
Other income received		**61**	53
Cash payments to employees and suppliers		**(1,319)**	(1,124)
Income taxes paid		**(107)**	(131)
Cash flows from operating profits before changes in operating assets and liabilities		**1,322**	1,525
Changes in operating assets and liabilities			
Net (increase)/decrease in cash and balances with central banks		**484**	(356)
Net (increase)/decrease in financial instruments at fair value through profit or loss		**(138)**	199
Net (increase)/decrease in loans and advances to banks		**(914)**	(424)
Net (increase)/decrease in loans and advances to customers		**(10,164)**	(11,111)
Net (increase)/decrease in derivative financial instruments assets		**(301)**	132
Net (increase)/decrease in other assets		**104**	(221)
Net increase/(decrease) in due to other banks and repos		**5,817**	1,668
Net increase/(decrease) in due to customers		**9,168**	7,927
Net increase/(decrease) in derivative financial instruments liabilities		**979**	(139)
Net increase/(decrease) in other liabilities		**(849)**	(205)
Net cash from/(used in) operating activities		**5,508**	(1,005)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(265)**	(287)
Proceeds from sale of property, plant and equipment		**41**	80
Purchases of investment securities	20	**(8,616)**	(8,906)
Proceeds from sale/redemption of investment securities	20	**7,285**	8,645
Acquisition of subsidiary undertakings net of cash acquired		**(30)**	(51)
Acquisition of associated undertakings		**(5)**	-
Proceeds from sale of associated undertakings		**5**	9
Dividends from investment securities and associated undertakings		**17**	12
Net cash used in investing activities		**(1,568)**	(498)
Cash flows from financing activities			
Proceeds from debt issued and other borrowed funds		**9,816**	12,014
Repayments of debt issued and other borrowed funds		**(12,496)**	(10,428)
Proceeds from exercise of options		**-**	22
Purchases of preferred securities	33	**(75)**	(26)
Proceeds from sale of preferred securities	33	**3**	17
Preferred securities' dividend paid		**(39)**	(44)
Dividends paid, net of dividend reinvested	44	**(233)**	(379)
Issue of ordinary shares	32	**-**	1,244
Expenses for issue of ordinary and bonus shares	32	**(1)**	(17)
Purchases of treasury shares		**(339)**	(219)
Proceeds from sale of treasury shares		**10**	313
Net contributions by minority interest		**(8)**	140
Net cash from/(used in) financing activities		**(3,362)**	2,637
Effect of exchange rate changes on cash and cash equivalents		**(88)**	(7)
Net increase/(decrease) in cash and cash equivalents		**490**	1,127
Cash and cash equivalents at beginning of year	14	**4,690**	3,563
Cash and cash equivalents at end of year	14	**5,180**	4,690

Notes on pages 8 to 48 form an integral part of these consolidated financial statements

1. General information

EFG Eurobank Ergasias S.A. (the “Bank”) and its subsidiaries (the “Group”) are active in retail, corporate and private banking, asset management, insurance, treasury, capital markets and other services. The Bank is incorporated in Greece and its shares are listed on the Athens Stock Exchange. The Group operates mainly in Greece and in Central, Eastern and Southeastern Europe (New Europe).

These consolidated financial statements were approved by the Board of Directors on 23 March 2009.

2. Principal accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below:

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards issued by the IASB, as adopted by the European Union and in particular with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements.

The policies set out below have been consistently applied to the years 2007 and 2008. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(a) Amended and new standards and interpretations effective in 2008

- IFRIC 11, IFRS 2 - Group and Treasury Share Transactions
- IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IAS 39 & IFRS 7, Amendment - Reclassification of Financial Assets

The Group has applied the amendments to IAS 39 & IFRS 7 issued in October 2008, effective from 1 July 2008. The effects of applying these amendments are set out in Note 20.

(b) Standards and Interpretations issued but not yet effective

- IAS 1, Revised - Presentation of Financial Statements (effective 1 January 2009)
- IAS 23, Amendment - Borrowing costs (effective 1 January 2009)
- IAS 27, Revised - Consolidated and Separate Financial Statements (effective 1 July 2009)
- IAS 32 and IAS 1 - Amendment- Puttable Financial Instruments (effective 1 January 2009)
- IAS 39, Amendment - Eligible Hedged items (effective 1 July 2009)
- IFRS 2, Amendment - Vesting Conditions and Cancellations (effective 1 January 2009)
- IFRS 3, Revised - Business Combinations (effective 1 July 2009)
- IFRS 7, Amendment Improving Disclosures about Financial Instruments (effective 1 January 2009)
- IFRS 8, Operating Segments (effective 1 January 2009)
- IFRIC 9 and IAS 39, Amendments - Embedded Derivatives (effective 1 January 2009)
- IFRIC 13, Customer Loyalty Programmes (effective 1 January 2009)
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective 1 January 2009)
- IFRIC 17, Distributions of Non-cash Assets to Owners (effective 1 July 2009)
- Amendments to various Standards that form part of IASB's Annual Improvement Project (the majority of them is effective 1 January 2009)

The application of the above mentioned standards and interpretations is not expected to have a material impact on the Group's financial statements in the period of the initial application. IAS 1 affects the presentation of owner changes in equity and of comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs.

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and of financial assets and financial liabilities (including derivative instruments) at fair-value-through-profit-or-loss.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The Group’s presentation currency is the Euro (€) being the functional currency of the parent Company. Except as indicated, financial information presented in euro has been rounded to the nearest million.

(b) Consolidation

(i) Subsidiaries

Subsidiary undertakings are all entities over which the Group, directly or indirectly, has the power to exercise control over the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or exchanged and liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the identifiable net assets of the subsidiary acquired (attributable to the Group) is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Commitments to purchase minority interests through put options granted to minority shareholders as part of a business combination are accounted for as a financial liability, with no minority interest recognised for reporting purposes. The financial liability is measured at fair value, using valuation techniques based on best estimates available to management. Any difference between the fair value of the financial liability and the legal minority interest's share of net assets is recognised as part of goodwill, and subsequent revisions to the valuation of the put option are recorded as changes to the corresponding financial liability and to goodwill.

The Group sponsors the formation of special purpose entities, which may or may not be directly owned subsidiaries for the purpose of asset securitisation (see accounting policy (x) below). The entities may acquire assets directly from the Bank. These companies are bankruptcy-remote entities and are consolidated in the Group's Financial Statements when the substance of the relationship between the Group and the entity indicates that the entity is controlled by the Group.

Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A listing of the Company’s subsidiaries is set out in note 21.

2. Principal accounting policies (continued)

(b) Consolidation (continued)

(ii) Transactions with minority interests

Increases of the Group's ownership interest in subsidiaries are recorded as equity transactions and any difference between the consideration and the share of the new net assets acquired is recorded directly in equity. Gains or losses arising from disposals of ownership interest that do not result in a loss of control by the Group are also recorded directly in equity. For disposals of ownership interests that result in a loss of control, the Group recognises gains and losses in the income statement.

(iii) Associates

Investments in associated undertakings are accounted for by the equity method of accounting in the consolidated financial statements. These are undertakings over which the Group exercises significant influence but which are not controlled.

Equity accounting involves recognising in the income statement the Group's share of the associate's profit or loss for the year. The Group's interest in the associate is carried on the balance sheet at an amount that reflects its share of the net assets of the associate and any goodwill identified on acquisition net of any accumulated impairment losses. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses, unless it has incurred obligations or made payments on behalf of the associate. Where necessary the accounting policies used by the associate have been changed to ensure consistency with the policies of the Group.

A listing of the Group's associated undertakings, which are accounted for using the equity method, is shown in note 22.

(iv) Joint ventures

The Group's interest in jointly controlled entities are accounted for by the equity method of accounting in the consolidated financial statements and are treated as associates.

A listing of the Group's joint ventures is shown in note 22.

(c) Foreign currencies

(i) Translation of foreign subsidiaries

In the consolidated financial statements, the assets and liabilities of foreign subsidiaries are translated into the Group's presentation currency using the exchange rate ruling at the Balance Sheet date. Income and expenses are translated at the average rates of exchange for the reporting period.

Exchange differences arising from the retranslation of the net investment in foreign subsidiaries are taken to shareholders' equity until disposal of the net investments and then released to the income statement.

(ii) Transactions in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies have been translated into the functional currency at the market rates of exchange ruling at the balance sheet date and exchange differences are accounted for in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedge.

Non-monetary assets and liabilities have been translated into the functional currency at the exchange rates ruling at initial recognition, except for non-monetary items denominated in foreign currencies that are stated at fair value which have been translated using the rate of exchange at the date the fair value was determined. The exchange differences relating to these items are treated as part of the change in fair value and they are recognized in the income statement or recorded directly in equity depending on the classification of the non-monetary item.

(d) Derivative financial instruments and hedging

Derivative financial instruments, including foreign exchange contracts, forward currency agreements and interest rate options (both written and purchased), currency and interest rate swaps, and other derivative financial instruments, are initially recognised in the balance sheet at fair value on the date on which a derivative contract is entered into and subsequently are re-measured at their fair value. Fair values are obtained from quoted market prices, including recent market transactions, discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

Certain derivatives, embedded in other financial instruments, are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as: (1) hedges of the exposure to changes in fair value of recognised assets or liabilities or unrecognised firm commitments (fair value hedge), (2) hedges of the exposure to variability in cash flows of recognised assets or liabilities or highly probable forecasted transactions (cash flow hedge); or, (3) hedges of the exposure to variability in the value of a net investment in a foreign operation associated with the translation of the investment's carrying amount in the Group's functional currency. Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged item for which the effective interest method is not used remains until the disposal of the equity security.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

2. Principal accounting policies (continued)

(d) Derivative financial instruments and hedging (continued)

(iii) Net investment hedge

Hedges of net investments in foreign operations, including hedges of monetary items that form part of the net investments in the foreign operations, are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

(iv) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 17.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(f) Income statement

(i) Interest income and expenses

Interest income and expenses are recognised in the income statement for all interest bearing instruments on an accruals basis, using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fees and commissions

Fees and commissions are generally recognised on an accruals basis. Commissions and fees relating to foreign exchange transactions, imports-exports, remittances, bank charges and brokerage activities are recognised on the completion of the underlying transaction.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment are periodically reviewed for impairment, with any impairment charge being recognised immediately in the income statement.

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment, to their residual values over their estimated useful life as follows:

- Land: No depreciation
- Freehold buildings: 40-50 years
- Leasehold improvements: over the life of the lease contract or useful life if shorter
- Computer hardware and software: 4-10 years
- Other furniture and equipment: 4-20 years
- Motor vehicles: 5-7 years

Property held for rental yields and/or capital appreciation that is not occupied by the companies in the Group is classified as investment property. Investment property is carried at cost less accumulated depreciation and accumulated impairment losses.

(h) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. The cost of acquisition is adjusted for changes in the purchase consideration contingent on future events. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'. Negative goodwill is recognised in the income statement. The carrying amount of goodwill is re-assessed annually and if found to be impaired it is written down to its recoverable amount.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Computer software

Costs associated with the maintenance of existing computer software programmes are expensed as incurred. Development costs associated with the production of identifiable and unique products controlled by the Group, that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and are amortised using the straight-line method over 4 years except for core systems whose useful life may extend up to 10 years.

(iii) Other intangible assets

Other intangible assets are assets that are separable or arise from contractual or other legal rights and are amortised over their estimated useful lives. These include intangible assets acquired in business combinations.

(i) Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair-value-through-profit-or-loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss upon initial recognition. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

The Group designates financial assets at fair-value-through-profit-or-loss when any of the following apply:

a) it eliminates or significantly reduces measurement or recognition inconsistencies; or

b) financial assets share the same risks with financial liabilities and those risks are managed and evaluated on a fair value basis ; or

c) structured products containing embedded derivatives that could significantly modify the cash flows of the host contract.

2. Principal accounting policies (continued)

(i) Financial Assets (continued)

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group upon initial recognition designates as at fair-value-through-profit-or-loss and those that the Group upon initial recognition designates as available-for-sale. Securities classified in this category are presented in Investment Securities under Debt Securities Lending portfolio.

(iii) Held-to-maturity
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale
Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Accounting treatment and calculation
Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Loans originated by the Group are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair-value-through-profit-or-loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair-value-through-profit-or-loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair-value-through-profit-or-loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest rate method is recognised in the income statement.

Dividends on equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

(j) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

a) significant financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
   - adverse changes in the payment status of borrowers in the group; or
   - national or local economic conditions that correlate with defaults on the assets in the group.

(i) Assets carried at amortised cost
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

2. Principal accounting policies (continued)

(j) Impairment of financial assets (continued)

(i) Assets carried at amortised cost (continued)

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

(ii) Available-for-sale assets

In case of equity and debt investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity investments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

(k) Sale and repurchase agreements and securities lending

(i) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') continue to be recorded in the Group's Balance Sheet while the counterparty liability is included in amounts due to other banks or due to customers, as appropriate. Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the period of the repo agreements using the effective interest method.

(ii) Securities lending

Securities lent to counterparties are retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

(l) Financial liabilities

The Group classifies its financial liabilities in the following categories: financial liabilities measured at amortised cost and financial liabilities at fair-value-through-profit-or-loss. Financial liabilities at fair-value-through-profit-or-loss have two sub categories: financial liabilities held for trading and financial liabilities designated at fair-value-through-profit-or-loss upon initial recognition.

The Group designates financial liabilities at fair-value-through-profit-or-loss when any of the following apply:

a) it eliminates or significantly reduces measurement or recognition inconsistencies; or

b) financial liabilities share the same risks with financial assets and those risks are managed and evaluated on a fair value basis; or

c) structured products containing embedded derivatives that could significantly modify the cash flows of the host contract.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(m) Leases

(i) Accounting for leases as lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(ii) Accounting for leases as lessor

Finance leases:

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating leases:

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(n) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The principal temporary differences arise from impairment of financial assets, depreciation of fixed assets, pension and other retirement benefit obligations, and revaluation of certain financial assets and liabilities, including derivative instruments.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax related to changes in fair values of available-for-sale investments and cash flow hedges which are taken directly to equity is also charged or credited directly to equity, and is subsequently recognised in the income statement together with the deferred gain or loss.

Income tax payable on profits, based on the applicable tax law in each jurisdiction is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

(o) Employee benefits

(i) Pension obligations

The Group participates in certain defined contribution pension plans under which the Group pays fixed contributions into a separate entity. The Group has no further payment obligations once the contributions have been paid.

The Group's contributions to defined contribution pension plans are recognised as employee benefit expense in the year to which they relate.

2. **Principal accounting policies (continued)**

(o) **Employee benefits (continued)**

(ii) Standard legal staff retirement indemnity obligations (SLSRI)
In accordance with the local labour legislation, the Group provides for staff retirement indemnity obligation for employees which are entitled to a lump sum payment based on the number of years of service and the level of remuneration at the date of retirement, if they remain in the employment of the Group until normal retirement age. Provision has been made for the actuarial value of the lumps sum payable on retirement (SLSRI) using the projected unit credit method. Under this method the cost of providing retirement indemnities is charged to the income statement so as to spread the cost over the period of service of the employees, in accordance with the actuarial valuations which are performed every year. The SLSRI obligation is calculated as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses that arise in calculating the Group's obligation in respect of the SLSRI obligations are charged directly in the profit and loss for the year.

In addition, the Group has enhanced the above provision by taking into consideration potential separations before normal retirement based on the terms of previous voluntary separation schemes. The Group recognises separation indemnity when it is demonstrably committed to separations either according to detailed formal plans which are announced and cannot be withdrawn or as a result of mutually agreed termination terms. Benefits payable in more than 12 months from the balance sheet date are discounted to present value.

(iii) Performance-based cash payments
The Group's Management awards high performing employees with bonuses in cash, from time to time, on a discretionary basis. Cash payments requiring only Management approval are recognised as employee benefit expenses on an accrual basis. Cash payments requiring General Meeting approval as distribution of profits to staff are recognised as employee benefit expense in the accounting period that they are approved by the Group's shareholders.

(iv) Performance-based share-based payments
The Group's Management awards high-performing employees with bonuses in the form of shares and share options, from time to time, on a discretionary basis. The shares vest in the period granted. The fair value of the shares granted is recognised as an employee benefit expense with a corresponding increase in share capital (par value) and share premium.

The fair value of the options granted is recognised as an employee benefit expense with a corresponding increase in a non-distributable reserve over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (par value) and share premium when the options are exercised, with a transfer of the non distributable reserve to share premium.

(p) **Insurance activities**

(i) Revenue recognition
For casualty, property and short-duration life insurance contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

For long-term insurance contracts premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised.

(ii) Provision for insurance liabilities
Insurance provisions are classified as follows:

Mathematical provisions
Mathematical provisions represent insurance provisions for long-term life insurance contracts. They are calculated in accordance with actuarial techniques, after taking into account the technical assumptions imposed by supervisory authorities (mortality tables and the technical interest rate in effect at the contract's inception), as the difference between the actuarial present value of the Group's liabilities and the present value of the premiums to be received.

Unearned premiums' provisions
Unearned premiums' provisions represent part of net premiums received, regarding contracts with annual commencement and termination dates, which differ from the Group's fiscal year, and they cover proportionately the period from the reporting date to the termination of the period covered by the respective premium.

Outstanding claims' provisions
Outstanding claims provisions concern liabilities on claims occurred and reported but not fully settled by the end of the reporting period. The specified liabilities are examined on a case-by-case basis by professional valuers, based on existing information (loss adjustors' reports, medical reports, court decisions etc). The Group recognises additional provisions regarding claims incurred but not reported (IBNR) by the end of the reporting period. The calculation of these provisions is based on statistical methodologies in order to estimate the average cost per claim and the number of claims.

(iii) Liability adequacy
At each reporting date, the Group performs tests to assess the adequacy of the recognised insurance provisions, after deducting deferred acquisition costs, in accordance with IFRS 4. In case the assessment results to inadequate provisions, the entire deficiency is recognised in Profit or Loss.

To assess the mathematical provisions for life insurance contracts, the Group compares the recognised provisions with the present values of the estimated liabilities regarding the specified group of contracts. To assess the adequacy of the outstanding claims provisions the triangulation methodology is used, based on statistical data of the last five years.

(iv) Reinsurance
Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment at each reporting date. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement.

(q) **Repossessed properties**

Land and buildings repossessed through an auction process to recover impaired loans are, except where otherwise stated, included in "Other Assets". Assets acquired from an auction process are held temporarily for liquidation and are valued at the lower of cost and net realisable value. Any gains or losses on liquidation are included in "Other operating income".

2. Principal accounting policies (continued)

(r) Related party transactions

Related parties include associates, fellow subsidiaries, directors and key management personnel, their close families, companies owned or controlled by them and companies whose financial and operating policies they can influence. Transactions of similar nature are disclosed on an aggregate basis. All banking transactions entered into with related parties are in the normal course of business and on an arm's length basis.

(s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimates of the amount of the obligation can be made.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment. The Group is organised into five main business segments. Segment revenue, segment expenses and segment performance include transfers between business segments. Such transfers are accounted for at competitive prices in line with charges to unaffiliated customers for similar services.

(u) Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Dividend distribution on ordinary shares is recognised as a deduction in the Group’s equity when approved by the Company’s shareholders. Interim dividends are recognised as a deduction in the Group's equity when approved by the Board of Directors.

Where any Group company purchases the Company’s equity share capital (treasury shares), the consideration paid including any directly attributable incremental costs (net of income taxes), is deducted from shareholders’ equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders’ equity.

(v) Preferred Securities

Preferred securities issued by the Group are classified as equity when there is no contractual obligation to deliver to the holder cash or another financial asset.

Incremental costs directly attributable to the issue of new preferred securities are shown in equity as a deduction from the proceeds, net of tax.

Dividend distribution on preferred securities is recognised as a deduction in the Group’s equity on the date it is due.

Where preferred securities, issued by the Group, are repurchased, the consideration paid including any directly attributable incremental costs (net of income taxes), is deducted from shareholders’ equity. Where such securities are subsequently called or sold, any consideration received is included in shareholders’ equity.

(w) Financial Guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group’s liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management. Any increase in the liability relating to guarantees is taken to the income statement.

(x) Securitisations

The Group securitises financial assets, which generally results in the sale of the assets to special purpose entities (see accounting policy b (i)), which, in turn issue debt securities to investors and in some instances to Group companies. These securitisations are all consolidated by the Group as it is exposed to the majority of risks and rewards of ownership in the special purpose entities.

(y) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank drafts.

3. Critical accounting estimates and judgements in applying accounting policies

In the process of applying the Group's accounting policies, the Group's Management makes various judgments, estimates and assumptions that affect the reported amounts of assets and liabilities recognized in the financial statements within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances
The Group reviews its loan portfolios to assess impairment continuously. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Estimated impairment of goodwill
The Group assesses annually whether there is an indication of goodwill impairment in accordance with the accounting policy stated in note 2 h(i). The recoverable amounts of cash-generating units are determined based on value in use calculations. These calculations are based on profitability and cash flow projections, which require the use of estimates such as growth rates for revenues and expenses and profit margins.

(c) Fair value of financial instruments
The fair value of financial instruments that are not quoted in an active market are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(d) Impairment of available-for-sale equity investments
The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value of the equity investments below their cost. In determining what is significant or prolonged the Group's management exercises judgment. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(e) Securitisations and special purpose entities
The Group sponsors the formation of special purpose financing entities (SPEs) for various purposes including asset securitisation. The Group may or may not directly own the SPEs and consolidates those SPEs that it controls. In determining whether the Group controls an SPE, it makes judgements about its exposure to the risks and rewards related to the SPE and about its ability to make operational decisions for the SPE in question

(f) Income taxes
The Group is subject to income taxes in various jurisdictions and estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. Financial risk management

4.1 Use of financial instruments

By their nature the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers, at both fixed and floating rates, and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers within a range of credit standing. Such exposures include both on-balance sheet loans and advances and off-balance sheet guarantees and other commitments such as letters of credit.

The Group also trades in financial instruments where it takes positions in traded and over the counter instruments including derivatives, to take advantage of short-term market movements in the equity and bond markets and in currency and interest rates. The Board of Directors' Risk Committee (Eurobank Risk Committee - ERC) places trading limits on the level of exposure that can be taken in relation to overnight and intra-day market positions as well as limits in longer durations. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally concluded to hedge outstanding positions, thereby controlling the variability in the net cash amounts required to offset market positions.

4.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. The Group's overall risk management policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance, financial position and cash flows.

4.2.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are recognised for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review. The level of credit risk by product, industry sector and by country are reviewed quarterly by the ERC. The exposure to any one borrower including banks and brokers is further restricted by sub limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored on a daily basis.

The Group is active in the corporate and retail lending markets. Credit risk is well spread over a diversity of personal and commercial customers. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing the lending limits where appropriate. The Group reduces its credit risk associated with loans and advances to customers by entering into collateralised arrangements. The types of collateral that the Group obtains are cash deposits and other cash equivalents, real estate, receivables, securities, vessels and bank guarantees.

4. Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

(a) Derivatives

The Group maintains control limits on net open derivative positions i.e., the difference between purchase and sale contracts, by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e., derivatives with a positive fair value) which in relation to derivatives is only a small proportion of the contract notional amount used to express the volume of instruments outstanding. The credit risk exposure is managed as part o the overall lending limits with customers together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties. Further details of the Group's derivative instruments are provided in note 17.

(b) Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk is reduced by a master netting agreement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

(c) Credit related commitments

The primary purpose of credit related commitments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans since they represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are secured by the underlying shipment of goods to which they relate and therefore carry less risk than a loan. Commitments to extend credit represent contractual commitments to extend credit in the form of loans, guarantees or letters of credit for which the Group usually receives a commitment fee.

4.2.1.1 Maximum exposure to credit risk before collateral held

	2008	2007
	€ million	€ million
Credit risk exposures relating to on-balance sheet assets are as follows:		
Loans and advances to banks	**4,613**	4,577
Loans and advances to customers:		
- Wholesale lending	**21,577**	17,206
- Consumer lending	**11,738**	10,580
- Mortgage lending	**14,884**	11,270
- Small business lending	**9,089**	7,614
Less: Provision for impairment losses	**(1,410)**	(1,031)
Financial instruments at fair value through profit or loss:		
- Debt securities	**567**	410
Derivative financial instruments	**1,518**	738
Investment securities		
- Debt securities	**11,783**	10,374
Other assets	**593**	584
Credit risk exposures relating to off-balance sheet items	**2,609**	2,775
At 31 December	**77,561**	65,097

The above table represents the maximum credit risk exposure to the Group at 31 December 2008 and 2007, without taking account of any collateral held. For on-balance-sheet-assets, the exposure set out above are based on net carrying amounts as reported in the balance sheet.

4.2.1.2 Loans and advances

Loans and advances are summarised as follows:

	31 December 2008		31 December 2007	
	Loans and advances to customers € million	**Loans and advances to banks € million**	Loans and advances to customers € million	Loans and advances to banks € million
Neither past due nor impaired	**46,817**	**4,601**	39,133	4,577
Past due but not impaired	**8,245**	**-**	6,031	-
Impaired:				
- collectively assessed	**1,175**	**-**	452	-
- individually assessed	**1,051**	**16**	1,053	-
Gross	**57,288**	**4,617**	46,669	4,577
Less: allowance for impairment	**(1,410)**	**(4)**	(1,031)	-
Net	**55,878**	**4,613**	45,638	4,577
Included in gross loans and advances are:				
Past due more than 90 days	**2,236**		1,474	
Of which non-performing loans	**1,577**		1,119	

4. Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.2 Loans and advances (continued)

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired at 31 December 2008 and 2007 can be assessed by reference to the Group's standard grading system. The following information is based on that system:

	31 December 2008		31 December 2007	
	Loans and advances to customers € million	**Loans and advances to banks € million**	Loans and advances to customers € million	Loans and advances to banks € million
Grades:				
Satisfactory risk	**46,429**	**4,613**	38,826	4,577
Watch list and special mention	**388**	**-**	307	-
Total	**46,817**	**4,613**	39,133	4,577

(b) Loans and advances past due but not impaired

	31 December 2008				
	Wholesale € million	**Consumer € million**	**Mortgage € million**	**Small business € million**	**Total € million**
Past due up to 29 days	**1,322**	**2,001**	**1,203**	**865**	**5,391**
Past due 30 - 89 days	**568**	**832**	**446**	**743**	**2,589**
Past due 90 - 180 days	**81**	**-**	**184**	**-**	**265**
Total	**1,971**	**2,833**	**1,833**	**1,608**	**8,245**
Fair value of collateral	**1,064**	**-**	**3,018**	**820**	**4,902**

	31 December 2007				
	Wholesale € million	Consumer € million	Mortgage € million	Small business € million	Total € million
Past due up to 29 days	1,241	1,654	833	688	4,416
Past due 30 - 89 days	255	452	243	504	1,454
Past due 90 - 180 days	58	-	86	17	161
Total	1,554	2,106	1,162	1,209	6,031
Fair value of collateral	924	-	2,109	615	3,648

Based on past experience, consumer and small business loans less than 90 days past due, and mortgage loans and fully collateralised wholesale loans less than 180 days past due, are not considered impaired, unless specific information indicates to the contrary.

(c) Impaired loans and advances collectively assessed

For collectively assessed accounts, loans are treated as impaired based on historical loss data for groups of loans with similar characteristics. The criteria used by the Group to determine that there is objective evidence of impairment are provided in Group's accounting policy 2 (j).

The collectively assessed loans and advances to customers before taking into consideration the cash flows from collateral held are € 1,175 million (2007: € 452 million). The breakdown of the gross amount of collectively assessed loans and advances by class is as follows:

	31 December 2008			
	Consumer € million	**Mortgage € million**	**Small business € million**	**Total € million**
Collectively assessed loans	**632**	**189**	**354**	**1,175**
Fair value of collateral	**-**	**343**	**156**	**499**

	31 December 2007			
	Consumer € million	Mortgage € million	Small business € million	Total € million
Collectively assessed loans	368	84	-	452
Fair value of collateral	-	174	-	174

During 2008, the Group amended its methodology of assessing impairment for a part of SBB loans' portfolio. Specifically, loans with similar credit characteristics (on the basis of Group's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors), which in the previous year were individually assessed, are now grouped and collectively evaluated for impairment.

4. Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.2 Loans and advances (continued)

(d) Impaired loans and advances individually assessed

For individually assessed accounts, loans are treated as impaired as soon as there is objective evidence that an impairment loss has been incurred. The criteria used by the Group to determine that there is objective evidence of impairment are provided in Group's accounting policy 2 (j).

The individually assessed loans and advances to customers before taking into consideration the cash flows from collateral held are € 1,051 million (2007: € 1,053 million). The breakdown of the gross amount of individually assessed loans and advances by class, along with the fair value of related collateral held by the Group as security, are as follows:

	31 December 2008			31 December 2007		
	Small business	**Wholesale**	**Total**	Small business	Wholesale	Total
	€ million	**€ million**	**€ million**	€ million	€ million	€ million
Individually assessed loans	**284**	**767**	**1,051**	379	674	1,053
Fair value of collateral	**121**	**376**	**497**	168	311	479

(e) Loans and advances renegotiated

In this category are included loans and advances, whose terms have been renegotiated and are no longer considered past due nor impaired, as the minimum number of payments and conditions required under the new arrangements have been fulfilled.

	2008	2007
	€ million	€ million
- Wholesale lending	**23**	-

(f) Non-performing loans

Non-performing loans are defined as the loans delinquent for a given period determined in accordance with the Group's policy. Mortgages are considered as non-performing when they are delinquent for more than 180 days and consumer loans for more than 90 days. Loans to corporate entities are considered as non-performing when they are transferred to non accrual status which occurs when the loans are delinquent for more than 180 days or earlier in the case of a material credit event.

	2008	2007
	€ million	€ million
- Wholesale lending	**453**	417
- Consumer lending	**546**	368
- Mortgage lending	**189**	84
- Small business lending	**389**	250
	1,577	1,119

4.2.1.3 Debt Securities

The table below presents an analysis of debt securities by rating agency designation at 31 December 2008, based on Standard & Poor's ratings or their equivalent:

	31 December 2008				
	Trading securities	**Available-for-sale securities**	**Held to maturity securities**	**Debt securities lending portfolio**	**Total**
	€ million	**€ million**	**€ million**	**€ million**	**€ million**
AAA	**1**	**566**	**1,441**	**64**	**2,072**
AA- to AA+	**10**	**48**	**16**	**42**	**116**
A- to A+	**120**	**2,789**	**328**	**2,668**	**5,905**
Lower than A-	**432**	**1,147**	**1,266**	**1,072**	**3,917**
Unrated	**4**	**322**	**1**	**13**	**340**
Total	**567**	**4,872**	**3,052**	**3,859**	**12,350**

	31 December 2007				
	Trading securities	Available-for-sale securities	Held to maturity securities	Debt securities lending portfolio	Total
	€ million	€ million	€ million	€ million	€ million
AAA	0	2,262	-	-	2,262
AA- to AA+	17	542	-	-	559
A- to A+	228	4,141	-	-	4,369
Lower than A-	159	2,582	618	-	3,359
Unrated	6	229	-	-	235
Total	410	9,756	618	-	10,784

€ 2,704 million included in securities rated Lower than A- and unrated, relates to sovereign debt (2007: € 2,990 million).

4. Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.4 Concentration of credit risk

(a) Geographical sectors

The following table breaks down the Group's main credit exposure at their gross carrying amounts, as categorised by geographical region as of 31 December 2008 and 2007. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties.

	31 December 2008				
	Greece **€ million**	**Other Western European countries** **€ million**	**New Europe countries** **€ million**	**Other countries** **€ million**	**Total** **€ million**
Loans and advances to banks	1,590	2,438	479	106	**4,613**
Loans and advances to customers:					
- Wholesale lending	14,770	969	5,652	186	**21,577**
- Consumer lending	8,310	2	3,425	1	**11,738**
- Mortgage lending	10,491	336	4,036	21	**14,884**
- Small business lending	7,082	0	2,007	0	**9,089**
Debt securities	4,480	3,486	3,989	395	**12,350**
Derivative financial instruments	507	817	85	109	**1,518**
Other assets	487	17	89	0	**593**
As at 31 December 2008	**47,717**	**8,065**	**19,762**	**818**	**76,362**

	31 December 2007				
	Greece € million	Other Western European countries € million	New Europe countries € million	Other countries € million	Total € million
Loans and advances to banks	1,512	2,496	521	48	4,577
Loans and advances to customers:					
- Wholesale lending	12,388	624	3,766	428	17,206
- Consumer lending	7,941	1	2,637	1	10,580
- Mortgage lending	9,339	47	1,868	16	11,270
- Small business lending	6,443	0	1,171	0	7,614
Debt securities	2,925	2,861	4,222	776	10,784
Derivative financial instruments	354	337	25	22	738
Other assets	397	51	129	7	584
As at 31 December 2007	41,299	6,417	14,339	1,298	63,353

(b) Industry sectors

The following table breaks down the Group's main credit exposure at their gross carrying amounts, as categorised by the industry sectors of its counterparties.

	31 December 2008						
	Commerce and services **€ million**	**Private individuals** **€ million**	**Manufacturing** **€ million**	**Shipping** **€ million**	**Construction** **€ million**	**Other** **€ million**	**Total** **€ million**
Loans and advances to banks	4,613	-	-	-	-	-	**4,613**
Loans and advances to customers:							
- Wholesale lending	12,431	486	5,319	1,088	1,719	534	**21,577**
- Consumer lending	-	11,738	-	-	-	-	**11,738**
- Mortgage lending	-	14,884	-	-	-	-	**14,884**
- Small business lending	7,240	38	918	22	671	200	**9,089**
Debt securities	3,348	-	34	-	1	8,967	**12,350**
Derivative financial instruments	1,459	-	3	26	-	30	**1,518**
Other assets	408	28	2	1	1	153	**593**
As at 31 December 2008	**29,499**	**27,174**	**6,276**	**1,137**	**2,392**	**9,884**	**76,362**

4. Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.4 Concentration of credit risk (continued)

(b) Industry sectors (continued)

The following table breaks down the Group's main credit exposure at their gross carrying amounts, as categorised by the industry sectors of its counterparties.

	31 December 2007						
	Commerce and services € million	Private individuals € million	Manufacturing € million	Shipping € million	Construction € million	Other € million	Total € million
Loans and advances to banks	4,577	-	-	-	-	-	4,577
Loans and advances to customers:							
- Wholesale lending	9,439	336	3,613	735	1,512	1,571	17,206
- Consumer lending	-	10,580	-	-	-	-	10,580
- Mortgage lending	-	11,270	-	-	-	0	11,270
- Small business lending	6,047	106	749	-	522	190	7,614
Debt securities	2,969	-	8	-	4	7,803	10,784
Derivative financial instruments	691	0	0	11	-	36	738
Other assets	489	42	-	-	10	43	584
As at 31 December 2007	24,212	22,334	4,370	746	2,048	9,643	63,353

Credit exposure to other industry sectors includes mainly sovereign assets (debt securities and loans and advances).

4.2.2 Market risk

The Group takes on exposure to market risks. Market risks arise from exposure on interest rate, currency and equity products or combination of them, all of which are exposed to general and specific market movements. Specifically, the market risks the Group is exposed to are the following:

(a) Interest rate risk
The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board's Risk Committee (ERC) sets limits on the level of mismatch of interest rate repricing that may be undertaken.

(b) Currency risk
The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The ERC sets limits on the level of exposures which are monitored daily.

(c) Equity risk
Equity price risk is the risk that the fair values of the decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity risk that the Group undertakes, arises mainly from the Investment portfolio. The ERC sets limits on the level of the exposures which are monitored daily.

Market risk in Greece is managed and monitored using Value at Risk (VaR) methodology. Market risk in New Europe is managed and monitored using mainly sensitivity analyses. Information from New Europe is presented separately as it originates from significantly different economic environments with different risk characteristics.

(i) VaR summary for 2008 and 2007

VaR is a methodology used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon. The VaR that the Group measures is an estimate based upon a 99% confidence level and a holding period of 10 days and the methodology used for the calculation is Monte Carlo simulation (full repricing).

The VaR models are designed to measure market risk in a normal market environment. It is assumed that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The distribution is calculated using exponentially weighted moving average (EWMA) of 6 months historical data.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to certain limitations. Given this, actual outcomes are monitored regularly, via back testing process, to test the validity of the assumptions and the parameters used in the VaR calculation.

Since VaR constitutes an integral part of the Group's market risk control regime, VaR limits have been established for all (trading and investment portfolios) operations and actual exposure is reviewed daily by management. However, the use of this approach does not prevent losses outside of these limits in the event of extraordinary market movements.

Average VaR by risk type (Trading and Investment portfolios) - Greece and Poland

	2008 € million	2007 € million
Interest rate Risk	**166**	35
Foreign Exchange Risk	**37**	26
Equities Risk	**45**	28
Total VaR	**181**	57

The aggregate of the interest rate, foreign exchange and equities VaR results does not constitute the Group's total VaR due to correlations and consequent diversification effects among risk factors.

4. Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Market risk (continued)

(ii) Sensitivity analysis for 2008 and 2007

Sensitivity analyses used for monitoring market risk in New Europe, excluding Poland, do not represent worse case scenarios.

	31 December 2008			31 December 2007		
	Sensitivity of income statement € million	Sensitivity of equity € million	Total sensitivity € million	Sensitivity of income statement € million	Sensitivity of equity € million	Total sensitivity € million
Interest Rate:						
+100 bps parallel shift	3	(5)	(2)	0	4	4
Equities / Equity Indices / Mutual Funds:						
-10% decrease on prices	(0)	(0)	(0)	-	(1)	(1)
Foreign exchange:						
-10% depreciation of functional currency over foreign currencies	29	(81)	(52)	19	(81)	(62)

4.2.3 Liquidity risk

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees and from margin and other calls on cash-settled derivatives. The Group maintains cash resources to meet all of these needs. The ERC sets liquidity limits to ensure that sufficient funds are available to meet such calls.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the Management of the Group. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

The amounts disclosed in the table below are the contractual undiscounted cash flows for the years 2008 and 2007.

	31 December 2008					
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	1 - 5 years € million	Over 5 years € million	Gross nominal (inflow) / outflow € million
Non-derivative liabilities:						
- Due to other banks & repurchase agreements with banks	10,426	4,710	3,054	827	52	19,069
- Due to customers	26,900	11,008	6,864	528	1,243	46,543
- Euro Commercial Papers (ECP)	65	172	27	-	-	264
- Debt issued and other borrowed funds	189	173	1,370	4,937	2,719	9,388
- Other liabilities	477	296	190	94	507	1,564
Derivative financial instruments:						
- Outflows from gross and net settled	12,331	1,844	1,000	1,628	1,934	18,737
- Inflows from gross settled	(12,367)	(1,980)	(674)	(916)	(130)	(16,067)
	38,021	16,223	11,831	7,098	6,325	79,498

Off-balance sheet items

	Less than 1 year € million	1 - 5 years € million	Over 5 years € million
Guarantees and standby letters of credit	1,518	471	470
Capital expenditure	63	-	-
Operating lease commitments	70	103	33
	1,651	574	503

4. Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk (continued)

	31 December 2007					
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	1 - 5 years € million	Over 5 years € million	Gross nominal (inflow) / outflow € million
Non-derivative liabilities:						
- Due to other banks & repurchase agreements with banks	8,444	3,188	1,554	24	-	13,210
- Due to customers	24,521	3,413	4,747	2,644	1,572	36,897
- Euro Commercial Papers (ECP)	1,009	486	173	-	-	1,668
- Debt issued and other borrowed funds	126	410	2,101	6,100	5,058	13,795
- Other liabilities	822	26	128	67	782	1,825
Derivative financial instruments:						
- Outflows from gross and net settled	8,410	1,946	2,495	1,594	501	14,946
- Inflows from gross settled	(8,378)	(1,913)	(2,404)	(1,193)	(236)	(14,124)
	34,954	7,556	8,794	9,236	7,677	68,217

Off-balance sheet items

	Less than 1 year € million	1 - 5 years € million	Over 5 years € million
Guarantees and standby letters of credit	931	809	926
Capital expenditure	52	-	-
Operating lease commitments	75	86	24
	1,058	895	950

4.3 Capital management

2008 under Basel II IRB methodology (2007 figures are based on Basel II Standardised methodology)	**2008**			2007
	Excluding capital floor [(1)] € million	**Proforma € million**	**Including capital floor [(1)] € million**	€ million
Ordinary and Preferred shareholders' equity	**4,292**	**5,242**	**4,292**	5,029
Add: Regulatory minority interest	**404**	**404**	**404**	384
Less: Goodwill	**(573)**	**(573)**	**(573)**	(605)
Less: Other regulatory adjustments	**(255)**	**(255)**	**(255)**	(537)
Total Tier I capital	**3,868**	**4,818**	**3,868**	4,271
Tier II capital - subordinated debt	**1,258**	**1,258**	**1,258**	1,330
Less: Other regulatory adjustments	**(100)**	**(100)**	**(100)**	67
Total Regulatory Capital	**5,026**	**5,976**	**5,026**	5,668
Risk Weighted Assets	**48,375**	**48,375**	**51,630**	46,343
Ratios:	**%**	**%**	**%**	%
Core Tier I	**8.0**	**8.3**	**7.5**	9.2
Tier I	**8.0**	**10.0**	**7.5**	9.2
Capital Adequacy Ratio	**10.4**	**12.4**	**9.7**	12.2

[(1)]For banks using the IRB approach for credit risk, there are statutory limits to the percentage by which the capital requirement may be reduced in the first two years of implementation. In 2008, the requirement may not be reduced by more than 10% of the requirement under the Basel I rules, whereas in 2009 not more than 20%. As of January 2009, this no longer affects the Risk Weighted Assets calculation.

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the European Union and the Bank of Greece in supervising the Bank.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, processes and policies from previous years.

According to a draft law submitted by the Ministry of Finance to the Greek Parliament on 25 February 2009, banks participating in the Greek Economy Liquidity Support Program are not allowed to declare a cash dividend to their ordinary shareholders for 2008 (see note 41).

Accounting for the € 950 million new preference shares issued to the Hellenic Republic, as part of the Greek Economy Liquidity Support Program, Core Tier I ratio improves to 8.3%, the Tier I ratio becomes 10% and the Capital Adequacy Ratio increases to 12.4%.

Regulatory diclosures regarding capital adequacy and risk management, based on Bank of Greece Act 2592/2007 (Basel II, Pillar 3), are available at the Bank's website.

4. Financial risk management (continued)

4.4 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. Where market prices are not available, the fair value of financial assets and liabilities is estimated using present value or other estimation and valuation techniques where all significant inputs are observable.

The values derived using these techniques are significantly affected by underlying assumptions concerning both the amounts and timing of future cash flows and the discount rated used. The fair values of financial assets and liabilities approximate their carrying amounts due to the following reasons:

a) trading assets, derivatives and other transactions undertaken for trading purposes as well as treasury bills, available-for-sale securities and assets and liabilities designated at fair-value-through-profit-or-loss are measured at fair value (see notes 16, 17, 20, 28, 29 and 30) by reference to quoted market prices when available. If quoted market prices are not available, then the fair values are estimated using valuation techniques.

b) substantially all of the Group's other financial assets and liabilities are at floating rates of interest, which re-price at frequent intervals. Therefore the Group has no significant exposure to fair value fluctuations and the carrying value of the financial assets and liabilities is substantially equivalent to their fair values, other than financial assets and financial liabilities which are referred to in notes 20 and 29.

4.5 Fiduciary activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties. This involves the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

5. Net interest income

	2008 € million	2007 € million
Interest income		
Banks and customers	**6,787**	5,373
Trading securities	**31**	20
Other securities	**670**	587
Total interest income	**7,488**	5,980
Interest expense		
Banks and customers	**(4,528)**	(3,503)
Debt issued and other borrowed funds	**(575)**	(473)
Total interest expense	**(5,103)**	(3,976)
Net interest income	**2,385**	2,004

Derivative financial instruments contribute € 1,900 million (2007: € 1,788 million) to interest income and € 1,977 million (2007: € 1,833 million) to interest expense.

6. Net banking fee and commission income

	2008 € million	2007 € million
Lending related fees and commissions	**247**	169
Mutual funds and assets under management related fees	**75**	116
Capital markets related fees	**114**	154
Other fees	**107**	119
Net banking fee and commission income	**543**	558

7. Income from non banking services

Income from non banking services includes rental income from investment properties and other recurring income from services provided by the Group (e.g. payroll services, e-commerce).

8. Operating expenses

	2008 € million	2007 € million
Staff costs (note 9)	**828**	727
Administrative expenses	**475**	432
Amortisation and impairment of intangible assets (note 23)	**24**	22
Depreciation and impairment of property, plant and equipment (note 24)	**110**	98
Operating lease rentals	**129**	95
	1,566	1,374

9. Staff costs

	2008 € million	2007 € million
Wages, salaries and staff bonuses	**619**	538
Social security costs	**110**	97
Additional pension and other post employment costs	**27**	30
Other	**72**	62
	828	727

The average number of employees of the Group during the year was 24,042 (2007: 20,947).

10. Income tax expense

	2008 € million	2007 € million
Current tax	**101**	171
Deferred tax	**6**	25
Overseas taxes	**34**	23
Total tax charge	**141**	219

The Greek corporate rate of tax in 2008 is 25% (2007: 25%). The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2008 € million	2007 € million
Profit before tax	**818**	1,050
Tax at the applicable tax rates of 25%	**204**	262
Tax effect of:		
- income and expenses not subject to tax	**(20)**	(32)
- effect of different tax rates in different countries	**(46)**	(25)
- other	**3**	14
Income tax expense	**141**	219

11. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method at the rate in effect at the time the reversal takes place.

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

	2008 € million	2007 € million
At 1 January	**71**	88
Income statement credit / (charge)	**(6)**	(25)
Available for sale Investment securities:		
- fair value measurement (note 20.1)	**112**	(3)
- transfer to net profit (note 20.1)	**20**	16
Cash flow hedges	**7**	(0)
Other	**24**	(5)
At 31 December	**228**	71

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

Valuation temporary differences accounted directly to special reserves	**132**	(3)
Valuation temporary differences accounted through the income statement	**(38)**	(7)
Cash flow hedges	**2**	(5)
Fixed assets temporary differences	**(1)**	2
Pensions and other post retirement benefits	**25**	27
Loan impairment	**94**	34
Unused tax losses	**18**	16
Other temporary differences	**17**	22
Deferred income tax assets (note 25)	**249**	86
Deferred income tax liabilities (note 30)	**21**	15
Net deferred income tax	**228**	71

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

Valuation temporary differences	**28**	18
Fixed assets temporary differences	**3**	9
Pensions and other post retirement benefits	**2**	(3)
Loan impairment	**(48)**	24
Other temporary differences	**21**	(23)
Deferred income tax (credit) / charge	**6**	25

12. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has two categories of dilutive potential ordinary shares: share options and contingently (performance based) issuable shares. In order to adjust the weighted average number of shares for the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Bank's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is added to the weighted average number of ordinary shares in issue in order to determine the weighted average number of ordinary shares used for the calculation of the diluted earnings per share.

		2008	2007
Net profit for year attributable to ordinary shareholders (after deducting dividend attributable to preferred securities holders)	*€ million*	**616**	776
Weighted average number of ordinary shares in issue	*Number of shares*	*512,026,892*	*486,361,482*
Weighted average number of ordinary shares for diluted earnings per share	*Number of shares*	*513,250,334*	*487,752,900*
Basic earnings per share	€	**1.20**	1.60
Diluted earnings per share	€	**1.20**	1.59

Basic and diluted earnings per share for 2007 have been adjusted taking into account the distribution of free shares in accordance with the decisions of the Annual General Shareholders' Meeting held on 8 April 2008.

13. Cash and balances with central banks

	2008 € million	2007 € million
Cash in hand	**724**	705
Balances with central banks	**3,317**	2,027
	4,041	2,732
of which:		
Mandatory deposits with central banks	**1,206**	1,691

Mandatory deposits with central banks represent the minimum level of average monthly deposits which the Group is required to maintain. Balances with central banks can be withdrawn at any time provided the average monthly minimum deposits are maintained.

14. Cash and cash equivalents

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

	2008 € million	2007 € million
Cash and balances with central banks (excluding mandatory deposits with central banks)	**2,834**	1,041
Loans and advances to banks	**1,981**	3,141
Financial instruments at fair value through profit or loss	**365**	508
	5,180	4,690

15. Loans and advances to banks

	2008 € million	2007 € million
Pledged deposits with banks	**2,189**	1,033
Items in course of collection and current accounts with banks	**683**	928
Placements with other banks	**1,741**	2,616
	4,613	4,577
Included in loans and advances to banks are unsubordinated amounts due from:		
- fellow subsidiary and associated undertakings	**28**	0
- settlement balances with banks	**9**	200

The fair value of financial assets that the Group accepted as collateral and may be sold or repledged is € 1,224 million (2007: € 2,067 million).

16. Financial instruments at fair value through profit or loss (including trading)

	2008 € million	2007 € million
Trading portfolio		
Issued by public bodies:		
- government	**314**	285
- other public sector securities	**4**	-
	318	285
Issued by other issuers:		
- banks	**159**	54
- other corporations	**104**	159
	263	213
Total trading portfolio	**581**	498
Other financial assets designated at fair value through profit or loss		
- unit linked products	**326**	287
- hedge funds	**79**	103
- convertible bonds	**26**	72
Other portfolios	**431**	462
Total	**1,012**	960
Equity securities	**15**	88
Treasury bills	**4**	-
Debt securities	**562**	410
Other financial assets at fair value through profit or loss	**431**	462
	1,012	960

The fair value of the securities under repurchase agreements that continue to be recognised in the Balance Sheet at 31 December 2008 amounts to € 422 million (2007: € 353 million) and the carrying amount of their associated liabilities amounts to € 420 million (2007: € 379 million).

17. Derivative financial instruments and hedge accounting

17.1 Derivative financial instruments

The Group utilises the following derivative instruments for both hedging and non-hedging purposes:

Currency forwards represent commitments to purchase or sell foreign and domestic currency. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates or to buy or sell foreign currency or a financial instrument on a future date at a specified price established in an organized financial market. Since future contracts are collateralised by cash or marketable securities and changes in the futures contract value are settled daily with the exchange, the credit risk is negligible.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). Except for certain currency swaps, no exchange of principal takes place. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities and/or marks to market with bilateral collateralisation agreements over and above an agreed threshold.

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. In consideration for the assumption of foreign exchange or interest rate risk, the seller receives a premium from the purchaser. Options may be either exchange-traded or negotiated between the Group and a customer (OTC). The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following table:

	31 December 2008			31 December 2007		
	Contract/ notional amount € million	Fair values Assets € million	Fair values Liabilities € million	Contract/ notional amount € million	Fair values Assets € million	Fair values Liabilities € million
Derivatives held for trading						
OTC currency derivatives						
- Currency forwards	**1,590**	**66**	**40**	2,777	48	29
- Currency swaps	**12,900**	**41**	**441**	2,281	23	29
- OTC currency options bought and sold	**10,701**	**213**	**248**	3,560	90	85
		320	**729**		161	143
OTC interest rate derivatives						
- Interest rate swaps	**50,894**	**888**	**1,265**	32,196	421	521
- Cross-currency interest rate swaps	**3,274**	**179**	**86**	1,050	31	114
- Forward Rate Agreements	**1,252**	**1**	**5**	2,412	4	2
- OTC interest rate options	**13,306**	**58**	**77**	14,603	26	27
		1,126	**1,433**		482	664
Exchange traded interest rate futures	**350**	**10**	**12**	360	4	5
Exchange traded interest rate options	**119**	**1**	**1**	80	1	1
		1,137	**1,446**		487	670
Other derivatives						
OTC index options bought and sold	**-**	**-**	**-**	7	1	1
Forward security contracts	**334**	**3**	**3**	127	0	0
Other derivative contracts (see below)	**550**	**45**	**35**	644	11	9
		48	**38**		12	10
Total derivative assets/liabilities held for trading		**1,505**	**2,213**		660	823
Derivatives designated as fair value hedges						
Interest rate swaps	**7,730**	**5**	**807**	3,685	56	174
Cross-currency interest rate swaps	**92**	**2**	**20**	114	7	7
		7	**827**		63	181
Derivatives designated as cash flow hedges						
Interest rate swaps	**349**	**1**	**37**	2,970	12	39
Derivatives designated as net investment hedges						
Currency forwards	**161**	**5**	**0**	190	3	7
Total derivatives assets/liabilities used for hedging purposes		**13**	**864**		78	227
Total derivatives assets / liabilities		**1,518**	**3,077**		738	1,050

Other derivative contracts include credit default swaps, exchange traded index futures, exchange traded index options bought and sold and commodity swaps.

17. Derivative financial instruments and hedge accounting (continued)

17.2 Hedge accounting

The Group uses derivatives for hedging purposes in order to reduce its exposure to market risks and non-derivative financial instruments to manage foreign currency risk. The hedging practices and accounting treatment are disclosed in Note 2 (d).

(a) Fair value hedges
The Group hedges a proportion of its existing interest rate risk resulting from any potential decrease in the fair value of fixed rate financial assets denominated both in local and foreign currencies using interest rate and cross currency interest rate swaps. The net fair value of these swaps at 31 December 2008 was € 820 million liability (2007: € 118 million liability). The gains on the hedged items attributable to the hedged risk less the losses on the hedging instruments were € 11 million (2007: € 30 million).

(b) Cash flow hedges
The Group hedges a proportion of its existing interest rate risk resulting from any cash flow variability associated with future interest rate changes on variable rate assets or liabilities or unrecognised highly probable forecast transactions using interest rate swaps. At 31 December 2008, interest rate swaps had a net fair value of € 36 million liability (2007: € 27 million liability). In 2008, the ineffectiveness recognised in income statements that arises from cash flow hedges was € 1 million gain (2007: € 7 million gain).

(c) Net investment hedges
The Group hedges part of the currency translation risk of net investments in foreign operations through currency forwards and borrowings designated as hedging instruments, the results of which have been deferred in the translation reserve component of equity.

Borrowings amounting to € 184 million (2007: nil) and currency forwards amounting to € 161 million (2007: € 190 million), analysed in RON 175 million (2007: RON 132 million), RSD 8.7bn (2007: RSD 3.9bn) and TRY 329 million (2007: TRY 179 million), gave rise to currency gains for the year of € 53 million (2007: € 2.5 million losses).

18. Loans and advances to customers

	2008 € million	2007 € million
Wholesale lending	**21,577**	17,206
Consumer lending	**11,738**	10,580
Mortgage lending	**14,884**	11,270
Small business lending	**9,089**	7,614
Gross loans and advances to customers	**57,288**	46,669
Less: Provision for impairment losses (note 19)	**(1,410)**	(1,031)
	55,878	45,638

The loans and advances to customers include the following amounts:		
- maturing after 1 year	**31,049**	23,252
- securitised loans	**13,787**	9,389

Loans and advances to customers include finance lease receivables as detailed below:

	2008 € million	2007 € million
Gross investment in finance leases receivable:		
Not later than 1 year	**512**	541
Later than 1 year and not later than 5 years	**1,132**	1,012
Later than 5 years	**1,281**	1,096
	2,925	2,649
Unearned future finance income on finance leases	**(609)**	(704)
Net investment in finance leases	**2,316**	1,945
Less: provision for impairment losses	**(45)**	(28)
	2,271	1,917

The net investment in finance leases is analysed as follows:		
Not later than 1 year	**421**	429
Later than 1 year and not later than 5 years	**906**	722
Later than 5 years	**989**	794
	2,316	1,945
Less: provision for impairment losses	**(45)**	(28)
	2,271	1,917

19. Provision for impairment losses on loans and advances to customers

A reconciliation of the provision for impairment losses on loans and advances by class is as follows:

	31 December 2008				
	Wholesale € million	**Consumer € million**	**Mortgage € million**	**Small business € million**	**Total € million**
Balance at 1 January	**414**	**351**	**23**	**243**	**1,031**
Impairment losses on loans and advances charged in the year	**49**	**478**	**24**	**95**	**646**
Additional collective provision for the effect of financial turmoil [(1)]	**18**	**178**	**9**	**35**	**240**
Amounts recovered during the year	**2**	**29**	**2**	**0**	**33**
Loans written off during the year as uncollectible	**(86)**	**(409)**	**(6)**	**(31)**	**(532)**
Foreign exchange differences	**(3)**	**(4)**	**(1)**	**(0)**	**(8)**
Balance at 31 December	**394**	**623**	**51**	**342**	**1,410**

[(1)] In view of the worsening macroeconomic conditions the Bank has reflected the effects of the financial turmoil in the estimates of expected future cash flows as part of its loan impairment assessment. As a result, an additional collective loan loss provision amounting to € 240 million was recorded in 2008, increasing the total provision balance to € 1,410 million.

	31 December 2007				
	Wholesale € million	Consumer € million	Mortgage € million	Small business € million	Total € million
Balance at 1 January	389	271	18	183	861
Arising from acquisitions	23	8	3	4	38
Impairment losses on loans and advances charged in the year	28	315	1	57	401
Amounts recovered during the year	1	17	1	1	20
Loans written off during the year as uncollectible	(28)	(257)	(0)	(2)	(287)
Foreign exchange differences	1	(3)	(0)	(0)	(2)
Balance at 31 December	414	351	23	243	1,031

Repossessed properties

During the year, the Group obtained assets amounting to € 22 million (2007: € 17 million), by taking possession of collateral held as security.

20. Investment Securities

	2008 € million	2007 € million
Available-for-sale investment securities	**5,289**	10,477
Debt securities lending portfolio	**3,859**	-
Held-to maturity investment securities	**3,052**	618
	12,200	11,095
Pledged securities with stock market clearing houses	**6**	51
Maturing after 1 year	**11,459**	9,330

The fair value of the investment securities under repurchase agreements that continue to be recognised in the Balance Sheet at 31 December 2008 amounts to € 8,841 million (2007: € 9,984 million) and the carrying amount of their associated liabilities amounts to € 9,054 million (2007: € 10,228 million).

Debt Securities Lending Portfolio

In accordance with the amendments to IAS 39, in 2008 the Group has reclassified debt securities of € 3,215 million from the "Available-for-sale" portfolio to “Debt Securities Lending” portfolio carried at amortised cost.

The reclassified securities are not quoted in an active market and the Group has the intention and ability to hold them for the foreseeable future. From the reclassified amount, € 2,514 million are hedged for changes in the fair value attributable to interest rate risk, for which the Group will continue to apply hedge accounting. Interest on the reclassified securities will continue to be recognized in interest income using the effective interest rate method.

The carrying amount of the reclassified securities as at 31 December 2008 is € 3,859 million. In 2008, until the reclassification dates, losses of € 50 million net of tax, arising from changes in the fair value of the securities, are recorded in the available-for-sale revaluation reserve (2007: losses of € 28 million, net of tax). If the financial assets had not been reclassified, changes in the fair value for the period from the reclassification dates until the year-end would have resulted in € 466 million losses net of tax, which would have been recognized in the available-for-sale revaluation reserve.

Held-to-maturity investment securities

In 2008, the Group reclassified from the "Available-for-sale" portfolio to the "Held-to-maturity" portfolio debt securities of € 1,497 million due to change of intention to hold the securities to maturity.

20. Investment Securities (continued)

20.1 Available-for-sale investment securities

	2008 € million	2007 € million
Issued by public bodies:		
- government	**4,037**	6,870
- other public sector	**-**	130
	4,037	7,000
Issued by other issuers:		
- banks	**292**	728
- other	**960**	2,749
	1,252	3,477
Total	**5,289**	10,477
Listed	**4,757**	9,238
Unlisted	**532**	1,239
	5,289	10,477
Equity	**416**	721
Debt	**4,873**	9,756
	5,289	10,477

	2008 € million	2007 € million
The movement in the account is as follows:		
Net book value at 1 January	**10,477**	10,936
Arising from acquisitions	**21**	32
Exchange adjustments	**(103)**	(120)
Additions	**7,406**	8,332
Disposals and redemptions	**(7,203)**	(8,620)
Reclassification to associated undertakings	**(4)**	-
Reclassification to held-to-maturity investment securities	**(1,497)**	-
Reclassification to debt securities lending portfolio	**(3,215)**	-
Amortisation of discounts / premiums and interest	**(47)**	7
Net gains / (losses) from changes in fair value for the year	**(546)**	(90)
Net book value at 31 December	**5,289**	10,477

Equity reserve : revaluation of the available-for-sale investments
Gains and losses arising from the changes in the fair value of available-for-sale investments are recognised in a revaluation reserve for available for sale financial assets in equity. The movement of the reserve is as follows:

	2008 € million	2007 € million
At 1 January	**(12)**	139
Deferred income taxes on AFS equities opening reserves	**-**	(24)
Net gains / (losses) from changes in fair value	**(546)**	(90)
Deferred income taxes	**112**	21
Minority share of changes in fair value	**2**	0
	(432)	(69)
Net (gains) / losses transferred to net profit on disposal	**(64)**	(103)
Impairment losses transferred to net profit	**17**	-
Deferred income taxes	**7**	23
	(40)	(80)
Net (gains) / losses transferred to net profit from fair value hedges	**(56)**	29
Deferred income taxes	**13**	(7)
	(43)	22
Balance at 31 December	**(527)**	(12)

20. Investment Securities (continued)

20.2 Debt securities lending portfolio

	2008 € million	2007 € million
Issued by public bodies:		
- government	3,362	-
- other public sector	-	-
	3,362	-
Issued by other issuers:		
- banks	173	-
- other	324	-
	497	-
Total	3,859	-
Listed	-	-
Unlisted	3,859	-
	3,859	-

	2008 € million	2007 € million
The movement in the account is as follows:		
Reclassification from available for sale investment securities	3,215	-
Additions	94	-
Changes in fair value due to hedging	491	-
Amortisation of discounts / premiums and interest	(28)	-
Exchange and other adjustments	87	-
Net book value at 31 December	3,859	-

20.3 Held-to-maturity investment securities

	2008 € million	2007 € million
Issued by public bodies:		
- government	1,197	618
Issued by other issuers:		
- banks	354	-
- other	1,501	-
	1,855	-
Total	3,052	618
Listed	3,035	562
Unlisted	17	56
	3,052	618

	2008 € million	2007 € million
The movement in the account is as follows:		
Net book value at 1 January	618	-
Arising from acquisitions	-	20
Exchange adjustments	(113)	8
Additions	1,116	574
Reclassification from available for sale investment securities	1,497	
Redemptions	(82)	(24)
Amortisation of discounts / premiums and interest	16	40
Net book value at 31 December	3,052	618

21. Shares in subsidiary undertakings

Name	Note	Percentage Holding	Country of incorporation	Line of business
Activa Insurance S.A.	a	100.00	Greece	Insurance services
Be-Business Exchanges S.A.		97.26	Greece	Business-to business e-commerce
Best Direct S.A.		100.00	Greece	Sundry services
EFG Eurobank Ergasias Leasing S.A.		100.00	Greece	Leasing
EFG Eurolife General Insurance S.A.		100.00	Greece	Insurance services
EFG Eurolife Life Insurance S.A.		100.00	Greece	Insurance services
EFG Insurance Services S.A.		100.00	Greece	Insurance brokerage
EFG Internet Services S.A.		100.00	Greece	Internet and electronic banking
EFG Mutual Funds Mngt Company S.A.		100.00	Greece	Mutual fund management
Eurobank EFG Asset Management S.A.		100.00	Greece	Asset management
Eurobank EFG Business Services S.A.		100.00	Greece	Payroll and advisory services
Eurobank EFG Cards S.A.		100.00	Greece	Credit card management
Eurobank EFG Securities S.A.		100.00	Greece	Capital markets and investment services
Eurobank EFG Factors S.A.		100.00	Greece	Factoring
Eurobank EFG Telesis Finance S.A.		100.00	Greece	Investment banking
Eurobank Fin and Rent S.A.		100.00	Greece	Vehicle leasing and rental
Eurobank Properties R.E.I.C.	b	55.91	Greece	Real estate investments
Eurobank Property Services S.A.		100.00	Greece	Real estate services
Financial Planning Services S.A.		100.00	Greece	Management of receivables
Global Fund Management S.A.	c	99.50	Greece	Investment advisors
Kalabokis Tours & Cargo SA	d	55.91	Greece	Real Estate
OPEN 24 S.A.		100.00	Greece	Sundry services
Eurobank EFG Bulgaria A.D.		99.70	Bulgaria	Banking
Bulgarian Retail Services A.D.		100.00	Bulgaria	Credit card management
EFG Auto Leasing E.O.O.D.		100.00	Bulgaria	Vehicle leasing and rental
EFG Leasing E.A.D.		100.00	Bulgaria	Leasing
EFG Property Services Sofia A.D.		80.00	Bulgaria	Real estate services
EFG Securities Bulgaria E.A.D.		100.00	Bulgaria	Capital markets and investment services
EFG Hellas (Cayman Islands) Ltd		100.00	Cayman Islands	Special purpose financing vehicle
EFG Hellas II (Cayman Islands) Ltd		100.00	Cayman Islands	Special purpose financing vehicle
Berberis Investments Limited		100.00	Channel Islands	Holding company
EFG Hellas Funding Limited		100.00	Channel Islands	Special purpose financing vehicle
Eurobank EFG Cyprus Ltd	e	100.00	Cyprus	Banking
CEH Balkan Holdings Ltd		100.00	Cyprus	Holding company
Eurocredit Retail Services Ltd		100.00	Cyprus	Credit card management
Eurobank EFG Private Bank (Luxembourg) S.A.		100.00	Luxembourg	Banking
Aristolux Investment Fund Management Company S.A.		98.40	Luxembourg	Investment fund management
Eurobank EFG Fund Management Company, (Luxembourg) S.A.		100.00	Luxembourg	Fund management
Eurobank EFG Holding (Luxembourg) S.A.		100.00	Luxembourg	Holding company
EFG New Europe Funding B.V.		100.00	Netherlands	Finance company
EFG New Europe Holding B.V.		100.00	Netherlands	Holding company
EFG New Europe Funding II B.V.	f	100.00	Netherlands	Finance company
EFG Leasing Poland Sp. z.o.o		100.00	Poland	Leasing
EFG Property Services Polska Sp. z.o.o		100.00	Poland	Real estate services
Polbank Dystrybucja Sp. z o.o.		100.00	Poland	Sundry services
Bancpost S.A.	g	77.63	Romania	Banking
Bancpost Fond de Pensii S.A.	h	77.62	Romania	Pension fund
EFG Eurobank Securities S.A.		100.00	Romania	Stock brokerage
EFG Eurobank Finance S.A.		100.00	Romania	Investment banking
EFG Leasing IFN S.A.		100.00	Romania	Leasing
EFG Eurobank Mutual Funds Management Romania S.A.I. S.A.		97.43	Romania	Mutual fund management
EFG Eurobank Property Services S.A.		80.00	Romania	Real estate services
EFG IT Shared Services S.A.		100.00	Romania	Informatics data processing
EFG Retail Services IFN S.A.		99.96	Romania	Credit card management
Eliade Tower S.A.	i	55.91	Romania	Real estate
Retail Development S.A.	j	55.91	Romania	Real estate
S.C. EFG Eurolife Asigurari de Viata S.A.		100.00	Romania	Insurance services
S.C. EFG Eurolife Asigurari Generale S.A.		100.00	Romania	Insurance services
Seferco Development S.A.	k	55.91	Romania	Real estate
Eurobank EFG a.d. Beograd		99.98	Serbia	Banking
BDD EFG Securities a.d. Beograd		88.32	Serbia	Capital market services
EFG Asset Fin d.o.o. Beograd		100.00	Serbia	Asset management
EFG Business Services d.o.o. Beograd		100.00	Serbia	Payroll and advisory services
EFG Leasing a.d. Beograd		99.99	Serbia	Leasing
EFG Property Services d.o.o. Beograd		80.00	Serbia	Real estate services
EFG Retail Services a.d. Beograd		100.00	Serbia	Credit card management
Reco Real Property a.d.	l	55.91	Serbia	Real estate
Eurobank Tekfen A.S.		98.23	Turkey	Banking
EFG Finansal Kiralama A.S.		98.22	Turkey	Leasing
EFG Istanbul Holding A.S.		100.00	Turkey	Holding company
EFG Istanbul Menkul Degerler A.S.		98.23	Turkey	Capital market services
Anaptyxi 2006-1 PLC		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi APC Ltd.		-	United Kingdom	Special purpose financing vehicle (SIC 12)

21. Shares in subsidiary undertakings (continued)

Name	Note	Percentage Holding	Country of incorporation	Line of business
Anaptyxi Holdings Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi Options Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi SME I Holdings Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi SME I PLC		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Andromeda Leasing I Holdings LTD	m	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Andromeda Leasing I Plc.	m	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Daneion 2007-1 PLC		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Daneion APC Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Daneion Holdings Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
EFG Hellas PLC		100.00	United Kingdom	Special purpose financing vehicle
Karta 2005 -1 PLC		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta APC Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta Holdings Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta LNI 1 Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta Options Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Saturn Holdings Limited	n	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Saturn Finance Plc	n	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion Mortgage Finance PLC		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion II Mortgage Finance PLC		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion III Mortgage Finance PLC		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion III Holdings Limited		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion IV Mortgage Finance PLC		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion IV Holdings Limited		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion V Mortgage Finance PLC	o	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion V Holdings Ltd	o	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion VI Mortgage Finance Plc	p	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion VI Holdings Limited	p	-	United Kingdom	Special purpose financing vehicle (SIC 12)
O.J.S.C. Universal Bank		99.95	Ukraine	Banking
EFG Property Services Ukraine LLC	q	100.00	Ukraine	Real estate services
Eurobank EFG Ukraine Distribution LLC		100.00	Ukraine	Sundry services

(a) **Activa Insurance S.A., Greece**
In December 2008, the Group acquired 100% of the share capital of Activa Insurance S.A., an insurance services company operating in Greece.

(b) **Eurobank Properties R.E.I.C.., Greece**
In December 2008, the Group increased its shareholding in Eurobank Properties R.E.I.C., from 55.25% to 55.91%.

(c) **Global Fund Management S.A., Greece**
In July 2008, the Group increased its participation in Global Fund Management S.A. from 72% to 99.5%.

(d) **Kalabokis Tours & Cargo S.A., Greece**
In February 2008, the Group completed the acquisition of 55.25% of the share capital of Kalabokis Tours and Cargo S.A., a real estate company. Following the increase in shareholding of Eurobank Properties R.E.I.C. in December 2008, the Group increased its shareholding in Kalabokis Tours & Cargo S.A. to 55.91%.

(e) **Eurobank EFG Cyprus Ltd**
In March 2008, the Cyprus branch was converted into a 100% subsidiary.

(f) **EFG New Europe Funding II B.V., The Netherlands**
In July 2008, the Group established, as a 100% subsidiary, EFG New Europe Funding II BV, a finance company operating in the Netherlands.

(g) **Bancpost S.A., Romania**
During the year, the Group increased its participation in Bancpost S.A. from 77.56% to 77.63%.

(h) **Bancpost Fond de Pensii S.A., Romania**
Following the increase in shareholding of Bancpost S.A., the Group increased its shareholding in Bancpost Fond de Pensii S.A. from 77.55% to 77.62% .

(i) **Eliade Tower S.A, Romania**
Following the increase in shareholding of Eurobank Properties R.E.I.C. in December 2008, the Group increased its shareholding in Eliade Tower S.A. from 55.25% to 55.91%.

(j) **Retail Development S.A., Romania**
In June 2008, the Group completed the acquisition of 55.25% of the share capital of Retail Development S.A., a real estate company. Following the increase in shareholding of Eurobank Properties R.E.I.C. in December 2008, the Group increased its shareholding in Retail Development S.A. to 55.91%.

(k) **Seferco Development S.A., Romania**
In August 2008, the Group completed the acquisition of 55.25% of the share capital of Seferco Development S.A., a real estate company. Following the increase in shareholding of Eurobank Properties R.E.I.C. in December 2008, the Group increased its shareholding in Seferco Development S.A. to 55.91%.

(l) **Reco Real Property a.d., Serbia**
Following the increase in shareholding of Eurobank Properties R.E.I.C. in December 2008, the Group increased its shareholding in Reco Real Property a.d. from 55.25% to 55.91%.

(m) **Anromeda, UK**
In October 2008, the Group established Andromeda Leasing I Holdings Limited and Andromeda I Leasing PLC, special purpose entities, as part of the first securitisation of leasing loans.

(n) **Saturn, UK**
In October 2008, the Group established Saturn Holdings Limited and Saturn Finance PLC, special purpose entities, as part of the securitisation of securities.

(o) **Themeleion V, UK**
In February 2008, the Group established Themeleion V Holdings Limited and Themeleion V Mortgage Finance PLC, special purpose entities, as part of the fifth securitisation of mortgage loans.

21. Shares in subsidiary undertakings (continued)

(p) Themeleion VI, UK

In November 2008, the Group established Themeleion VI Holdings Limited and Themeleion VI Mortgage Finance PLC, special purpose entities, as part of the sixth securitisation of mortgage loans.

(q) EFG Property Services Ukraine LLC, Ukraine

In July 2008, the Group established, as a 100% subsidiary, EFG Property Services Ukraine LLC, a real estate services company operating in Ukraine.

(r) GFM Levant Capital (Cayman) Ltd, Cayman

In July 2008, the Group disposed of its 72.5% participation in GFM Levant Capital (Cayman) Ltd.

(s) Representative office, Russia

In March 2008, the Group established a representative office in Moscow.

22. Investments in associated undertakings

	2008 € million	2007 € million
At 1 January	**46**	48
Additions / disposals of associated undertakings	**8**	(8)
Dividends collected	**(3)**	(2)
Share of available-for-sale revaluation reserve	**(8)**	-
Share of results for the year	**(7)**	8
Balance at 31 December	**36**	46

The following is a listing of the Group's associates and joint ventures as at 31 December 2008:

Name	Notes	Country of Incorporation	Line of business	Percentage Holding	Assets € million	Liabilities € million	Share of Net Assets € million	Profit / (loss) € million
BD Financial Limited	a	British Virgin Islands	Financing company	49.90	**10**	**-**	**5**	**-**
Cardlink S.A.		Greece	POS administration	50.00	**1**	**0**	**0**	**(0)**
Dias S.A.	b	Greece	Closed-end investment fund	25.11	**93**	**1**	**23**	**(4)**
Tefin S.A.		Greece	Motor vehicle sales financing	50.00	**8**	**1**	**4**	**(0)**
Unitfinance S.A.		Greece	Financing company	40.00	**38**	**29**	**4**	**2**
					150	**31**	**36**	**(2)**

As at 31 December 2008, all of the Group's associates are unlisted except for Dias S.A. (31 December 2007: Dias S.A.). The fair value of the investments in the Group's associates that are listed based on quoted market prices as at 31 December 2008 was € 12 million (31 December 2007: € 30 million).

Tefin S.A., Cardlink S.A. and Unitfinance S.A are the Group's joint ventures.

(a) BD Financial Limited

In December 2008, the Group acquired 49.9% of the share capital of BD Financial Limited, a financing company located in British Virgin Islands.

(b) Dias SA

In June 2008, the Group decreased its participation from 42.3% to 42.04%. In September 2008, the General Meeting of Shareholders of Dias SA and Global New Europe Fund approved the merger of Dias SA with Global New Europe Fund by absorption of the latter by the former. The share exchange ratio was determined at 3.6 Dias S.A. shares for each Global New Europe Fund share. Following the transaction, the Group decreased its participation in Dias S.A. to 25.11% from 42.04%

23. Intangible assets

	31 December 2008			31 December 2007		
	Goodwill € million	Other intangible assets € million	Total intangible assets € million	Goodwill € million	Other intangible assets € million	Total intangible assets € million
Cost:						
Balance at 1 January	**606**	**173**	**779**	285	86	371
Arising from acquisition of subsidiaries	**21**	**0**	**21**	306	7	313
Transfers	**-**	**(1)**	**(1)**	-	33	33
Additions	**-**	**60**	**60**	-	51	51
Disposals and write - offs	**-**	**(1)**	**(1)**	-	(3)	(3)
Exchange adjustments	**-**	**(10)**	**(10)**	-	(1)	(1)
Adjustment to goodwill (see below)	**(53)**	**-**	**(53)**	15	-	15
Balance at 31 December	**574**	**221**	**795**	606	173	779
Accumulated impairment / amortisation:						
Balance at 1 January	**(1)**	**(43)**	**(44)**	-	(17)	(17)
Arising from acquisition of subsidiaries	**-**	**0**	**-**	-	(6)	(6)
Transfers	**-**	**(0)**	**-**	-	(1)	(1)
Amortisation charge for the year	**-**	**(24)**	**(24)**	-	(21)	(21)
Disposals and write - offs	**-**	**0**	**-**	(0)	2	2
Impairment	**-**	**-**	**-**	(1)	-	(1)
Exchange adjustments	**-**	**4**	**4**	-	(0)	(0)
Balance at 31 December	**(1)**	**(63)**	**(64)**	(1)	(43)	(44)
Net book value at 31 December	**573**	**158**	**731**	605	130	735

23. Intangible assets (continued)

Goodwill for 2007 was adjusted for contingent purchase consideration and fair value adjustments in accordance with the provisions of the acquisition agreements for Intertrust Mutual Funds Co S.A. (€ 0.8 million reduction), EFG Istanbul Menkul Degerler A.S. (€ 1.7 million increase) and DZI Bank A.D. (€ 14.6 million increase).

Goodwill for 2008 was adjusted for contingent purchase consideration and fair value adjustments in accordance with the provisions of the acquisition agreements for Accentis S.A. absorbed by Eurobank EFG Telesis Finance at the end of 2007 (€ 2 million increase), EFG Istanbul Menkul Degerler A.S. (€ 3.8 million increase), TekfenBank Co. Inc. (€ 54.4 million decrease) and BDD EFG Securities AD Beograd (€ 4 million decrease) and Intertrust (€ 0.8 million decrease).

The estimated useful lives of the intangible assets arising from the acquisitions range from 6 to 11 years.

Impairment testing of goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash - generating units (CGUs) that are expected to benefit from that business combination and form part of the Group's primary business segments. The carrying amount of goodwill is allocated as follows:

	2008	2007
	€ million	€ million
Global and Capital Markets	**3**	1
Wealth Management	**64**	44
New Europe (NE)	**506**	560
Total goodwill	**573**	605

Goodwill arising from business combinations that were effected during the period is based on provisional values since the determination of the subsidiaries' identifiable assets, liabilities or contingent liabilities, or the cost of the combinations has not been finalized.

During the year ended 31 December 2008, no impairment losses of the CGUs to which goodwill has been allocated, arise.

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and cash flow projections based on financial budgets approved by Management covering a 5-year period. Cash flow projections for years six to ten have been projected based on operation and market specific assumptions. Cash flows beyond the ten-year period (the period in perpetuity) have been extrapolated using the estimated growth rates stated below. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on respective market growth forecasts.

(i) Wealth Management and Global and Capital Markets segments
The pre-tax discount rate applied to cash flow projections is 14%. The growth rate used to extrapolate cash flows beyond the initial ten - year period is 3% and does not exceed the average long-term growth rate for the relevant markets.

(ii) New Europe segment
The pre-tax discount rate applied to cash flow projections for NE entities is 14% for Bulgaria, 15% for Romania, 16% for Serbia, 17% for Turkey and 24% for Ukraine. The growth rate used to extrapolate cash flows beyond the initial ten - year period is 3% and does not exceed the average long-term growth rate for the relevant markets.

24. Property, plant and equipment

	Land, buildings, leasehold improvements € million	Furniture, equipment motor vehicles € million	Computer hardware, software € million	Investment Property € million	Total fixed assets € million
Cost:					
Balance at 1 January 2007	634	237	429	244	**1,544**
Arising from acquisition of subsidiaries	26	8	6	50	**90**
Transfers	(26)	1	(14)	9	**(30)**
Additions	161	45	50	24	**280**
Disposals and write - offs	(72)	(13)	(22)	(2)	**(109)**
Impairment	0	(0)	-	-	**-**
Exchange adjustments	(7)	(4)	(3)	(1)	**(15)**
Balance at 31 December 2007	716	274	446	324	**1,760**
Accumulated depreciation:					
Balance at 1 January 2007	(122)	(140)	(298)	(11)	**(571)**
Arising from acquisition of subsidiaries	(10)	(7)	(4)	(0)	**(21)**
Transfers	0	1	(0)	(0)	**1**
Disposals and write-offs	17	12	15	0	**44**
Charge for the year	(27)	(25)	(43)	(3)	**(98)**
Exchange adjustments	1	2	2	0	**5**
Balance at 31 December 2007	(141)	(157)	(328)	(14)	**(640)**
Cost:					
Balance at 1 January 2008	716	274	446	324	**1,760**
Arising from acquisition of subsidiaries	3	1	1	62	**67**
Transfers	(0)	6	(6)	1	**1**
Additions	93	72	53	23	**241**
Disposals and write - offs	(13)	(17)	(15)	(21)	**(66)**
Impairment	(2)	(0)	-	(1)	**(3)**
Exchange adjustments	(39)	(21)	(9)	(6)	**(75)**
Balance at 31 December 2008	758	315	470	382	**1,925**
Accumulated depreciation:					
Balance at 1 January 2008	(141)	(157)	(328)	(14)	**(640)**
Arising from acquisition of subsidiaries	(0)	(1)	(1)	-	**(2)**
Transfers	(0)	(0)	1	(0)	**1**
Disposals and write-offs	8	13	15	1	**37**
Charge for the year	(31)	(28)	(43)	(5)	**(107)**
Exchange adjustments	6	7	4	0	**17**
Balance at 31 December 2008	(158)	(166)	(352)	(18)	**(694)**
Net book value at 31 December 2008	600	149	118	364	**1,231**
Net book value at 31 December 2007	575	117	118	310	**1,120**

Leasehold improvements relate to premises occupied by the Group for its own activities.

Included in the above as at 31 December 2008 is € 45 million (31 December 2007: € 51 million) relating to assets under construction.

The net book value of finance leases included in property, plant and equipment as at 31 December 2008 was € 24 million (31 December 2007: € 39 million).

Investment property

Investment property is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight line method over a period of 40-50 years. The fair value of investment property as at 31 December 2008 was € 426 million (31 December 2007: € 399 million). The fair values are open-market values provided by professionally qualified valuers.

During the year ended 31 December 2008 an amount of € 26 million (31 December 2007: € 19 million) was recognised as rental income from investment property in income from non banking services. Capital commitments in relation to investment property as at 31 December 2008 was nil (31 December 2007:€ 36 million).

25. Other assets

	2008 € million	2007 € million
Prepaid expenses and accrued income	**50**	98
Deferred tax asset (note 11)	**249**	86
Repossessed properties	**100**	78
Settlement balances with customers	**22**	72
Other assets	**521**	414
	942	748

26. Due to other banks

	2008 € million	2007 € million
Items in course of collection and current accounts with banks	**259**	353
Deposits from other banks	**2,533**	1,659
	2,792	2,012
Included in the amounts due to other banks are amounts due to:		
- fellow subsidiary and associated undertakings	**196**	88
- settlement balances with banks	**2**	200

27. Repurchase agreements with banks

	2008 € million	2007 € million
Repurchase agreements with central banks	**10,953**	3,297
Repurchase agreements with other banks	**4,972**	7,457
	15,925	10,754

28. Due to customers

	2008 € million	2007 € million
Savings and current accounts	**12,716**	12,765
Term deposits and repurchase agreements	**29,042**	16,687
Unit linked products	**729**	729
Other term products	**3,169**	5,970
	45,656	36,151
Included in the amounts due to customers are amounts due to:		
- parent undertaking	**6**	0
- fellow subsidiary and associate undertakings	**57**	14
- maturing after 1 year	**1,988**	3,892

The carrying amount of structured deposits and liabilities of unit-linked products classified as at fair value through profit or loss at 31 December 2008 is € 2,196 million (31 December 2007: € 2,497 million). The fair value change as at 31 December 2008 amounts to € 193 million gain (31 December 2007: € 65 million gain), which is attributable to changes in market conditions.

The changes in the fair value of structured deposits and liabilities of unit-linked products are offset in the income statement against changes in the fair value of structured derivatives and assets classified as at fair value through profit or loss, respectively.

The difference between the carrying amount and the contractual undiscounted amount that will be required to be paid at the maturity of the structured deposits is € 106 million (2007: € 68 million)

29. Debt issued and other borrowed funds

	2008 € million	2007 € million
Short-term debt		
- Commercial Paper (ECP)	**258**	1,648
Long-term debt		
- Medium-term notes (EMTN)	**4,388**	4,943
- Subordinated	**885**	991
- Securitised	**3,034**	3,656
	8,307	9,590
Total	**8,565**	11,238

There is an unrecognised valuation gain of € 1,211 million related to long term debt of € 7,803 million (2007: € 8,437 million) carried at amortised cost, whereas its fair value is € 6,592 million (2007: € 8,437 million). The remaining long term debt consists of structured notes classified as at fair-value-through-profit-or-loss, whose carrying amount as at 31 December 2008 amounted to € 504 million (31 December 2007: € 1,153 million). The fair value change as at 31 December 2008 amounts to € 183 million gain (31 December 2007: € 26 million gain). The fair value of the structured notes takes into account the credit risk of the Group. The cumulative change in fair value of these instruments attributable to changes in credit risk, as at 31 December 2008 was a gain of € 160 million (2007: immaterial) recorded in net trading income. The changes in the fair value of the structured notes due to market risks other than the Group's credit risk are offset in the income statement against changes in the fair value of structured derivatives.

The difference between the carrying amount and the contractual undiscounted amount that will be required to be paid at the maturity of the structured notes is € 367 million (2007: € 98 million)

The EMTNs held by Group's customers which, as at 31 December 2008 amounted to€ 3,169 million (2007: € 5,970 million) are included in “Due to customers”.

The Group's funding consists of the securitisations of various classes of loans and notes under Euro Medium Term Note (EMTN) and Euro Commercial Paper (ECP) programs:

Asset Backed Securities

(a) Residential Mortgage Backed Securities (RMBS)

In June 2004, the Group proceeded with the issuance of residential mortgage backed securities at an average funding cost of three month Euribor plus 19 basis points for seven years. As at 31 December 2008 the liability amounted to€ 107 million (2007: € 199 million).

In June 2005, the Group proceeded with the issuance of residential mortgage backed securities at an average funding cost of three month Euribor plus 17.5 basis points for seven years. As at 31 December 2008 the liability amounted to€ 163 million (2007: € 236 million).

In June 2006, the Group proceeded with the issuance of residential mortgage backed securities at an average funding cost of three month Euribor plus 16 basis points for seven years. As at 31 December 2008 the liability amounted to€ 289 million (2007: € 391 million).

In June 2007, the Group proceeded with the issuance of residential mortgage backed securities at par with a coupon of three month Euribor plus 13 basis points for five years. As at 31 December 2008 the liability amounted to€ 991 million (2007: € 1,195 million).

(b) Credit Card Asset Backed Securities

In July 2005, the Group proceeded with the issuance of credit card asset backed securities at an average funding cost of three month Euribor plus 21.7 basis points. As at 31 December 2008 the liability amounted to€ 652 million (2007: € 727 million).

(c) Small Business Loan Asset Backed Securities

In October 2006, the Group proceeded with the issuance of small business loan asset backed securities at par with a coupon of three month Euribor plus 17 basis points for class A notes. As at 31 December 2008 the liability amounted to€ 832 million (2007: € 889 million).

29. Debt issued and other borrowed funds (continued)

Lower Tier-II

In June 2004 the Group issued € 400 million unsecured subordinated floating rate notes through its subsidiary EFG Hellas Plc. The notes have a ten year maturity with a call provision after five years. The notes pay floating rate interest quarterly based on a coupon of 3-month Euribor plus 50 basis points for the first five years. The notes qualify as lower tier II capital for the Group and are listed on the Luxembourg Stock Exchange. As at 31 December 2008 the liability amounted to € 324 million (2007: € 399 million), of which an amount of € 140 million (2007: € 202 million) is held by Group's customers.

In May 2005 the Group issued € 216 million unsecured subordinated fixed rate notes denominated in JPY through its subsidiary EFG Hellas Plc. The notes have a thirty year maturity with a call provision after ten years. The notes pay fixed rate interest on a semester basis on a coupon of 2.76% per annum. The notes qualify as Lower Tier-II capital for the Group and are listed on the Luxembourg Stock Exchange. In October 2005 the Group issued € 29 million unsecured subordinated fixed rate notes through its subsidiary EFG Hellas Plc, which is consolidated and form a single series with the existing Lower Tier-II of € 216 million issued in May 2005. As at 31 December 2008 the liability amounted to € 124 million (2007: € 182 million).

In June 2007, the Group issued €750 million subordinated floating rate notes, through its subsidiary EFG Hellas PLC. The notes have a ten year maturity with a call provision after five years. The notes pay floating rate interest quarterly based on a coupon of 3-month Euribor plus 30 basis points for the first five years. The notes qualify as Lower Tier II capital for the Group and are listed on the Luxembourg Stock Exchange. As at 31 December 2008 the liability amounted to € 688 million (2007: € 749 million), of which an amount of € 111 million (2007: € 137 million) is held by Group's customers.

The notes held by Group's customers, which as at 31 December 2008 amounted to € 251 million are included in "Due to customers" (2007: € 339 million).

The following tables analyse the debt issued and other borrowed funds by contractual maturity and also into fixed and floating rate.

	31 December 2008			
	Within 1 year € million	**1 - 5 years € million**	**Over 5 years € million**	**Total € million**
EMTN				
Fixed rate	226	173	3	**402**
Accrued interest	12	-	-	**12**
Floating rate	819	2,473	631	**3,923**
Accrued interest	50	-	-	**50**
ECP				
Fixed rate	259	-	-	**259**
Accrued interest	-	-	-	**-**
Subordinated				
Fixed rate	-	-	123	**123**
Accrued interest	1	-	-	**1**
Floating rate	-	-	759	**759**
Accrued interest	2	-	-	**2**
Securitised				
Floating rate	-	643	2,315	**2,958**
Accrued interest	76	-	-	**76**
Total debt issued and other borrowed funds	**1,445**	**3,289**	**3,831**	**8,565**

	31 December 2007			
	Within 1 year € million	1 - 5 years € million	Over 5 years € million	Total € million
EMTN				
Fixed rate	36	266	15	**317**
Accrued interest	13	-	-	**13**
Floating rate	1,080	2,740	752	**4,572**
Accrued interest	41	-	-	**41**
ECP				
Fixed rate	1,648	-	-	**1,648**
Accrued interest	-	-	-	**-**
Subordinated				
Fixed rate	-	-	181	**181**
Accrued interest	1	-	-	**1**
Floating rate	-	-	807	**807**
Accrued interest	2	-	-	**2**
Securitised				
Fixed rate	15	-	-	**15**
Accrued interest	0	-	-	**0**
Floating rate	-	719	2,878	**3,597**
Accrued interest	44	-	-	**44**
Total debt issued and other borrowed funds	2,880	3,725	4,633	**11,238**

30. Other liabilities

	2008 € million	2007 € million
Acquisition obligations	**144**	208
Deferred income and accrued expenses	**138**	174
Standard legal staff retirement indemnity obligations (note 31)	**81**	75
Insurance liabilities	**551**	494
Trading liabilities	**41**	95
Deferred tax liabilities (note 11)	**21**	15
Settlement balances with customers	**8**	66
Other liabilities	**580**	698
	1,564	1,825

31. Standard legal staff retirement indemnity obligations

	2008 € million	2007 € million
Movement in the liability for standard legal staff retirement indemnity obligations		
Liability for staff retirement indemnity obligations at 1 January	**75**	68
Arising from acquisitions	**2**	3
Cost for the year (see below)	**13**	17
Benefits paid	**(9)**	(13)
Exchange and other adjustments	**(0)**	-
Liability for staff retirement indemnity obligations at 31 December	**81**	75
Expense recognised in profit or loss		
Current service cost	**4**	5
Interest cost	**4**	3
Additional cost	**9**	8
Actuarial gains / losses	**(4)**	1
Total included in staff costs (note 9)	**13**	17

Actuarial assumptions Principal actuarial assumptions (expressed as weighted averages)	2008 %	2007 %
Discount rate	**5.4**	4.8
Future salary increases	**3.6**	3.5
Inflation rate	**2.6**	2.5

32. Share capital, share premium and treasury shares

The par value of the Bank's shares is € 2.75 per share. All shares are fully paid. The movement of share capital, share premium and treasury shares is as follows:

	Ordinary share capital € million	Treasury shares € million	Net € million	Share premium € million	Treasury shares € million	Net € million
At 1 January 2007	1,264	(22)	1,242	313	(137)	176
3 April 2007:						
- Distribution of free shares to executive directors, management and staff	3	-	3	22	-	22
14 September 2007:						
- Share capital increase	169	(0)	169	1,060	(3)	1,057
- Share capital increase expenses	-	-	-	(17)	-	(17)
9 November 2007:						
- Distribution of free shares	0	-	0	4	-	4
21 November 2007:						
- Share capital increase due to re-investment of dividend	2	-	2	13	-	13
Share capital increase due to exercise of share options issued to executives directors, management and staff	5	-	5	17	-	17
Purchase of treasury shares	-	(24)	(24)	-	(192)	(192)
Sale of treasury shares	-	35	35	-	245	245
At 31 December 2007	1,443	(11)	1,432	1,412	(87)	1,325
At 1 January 2008	**1,443**	**(11)**	**1,432**	**1,412**	**(87)**	**1,325**
8 April 2008:						
- Distribution of free shares to executive directors, management and staff	4	-	4	23	-	23
21 April 2008:						
- Share capital increase due to re-investment of dividend	4	-	4	20	-	20
Purchase of treasury shares	-	(63)	(63)	-	(276)	(276)
Sale of treasury shares	-	1	1	-	8	8
At 31 December 2008	**1,451**	**(73)**	**1,378**	**1,455**	**(355)**	**1,100**

32. Share capital, share premium and treasury shares (continued)

The following is an analysis of the movement in the number of shares issued by the Bank:

	Number of shares			
	Issued	Treasury shares under special scheme	Other treasury shares	Net
At 1 January 2007	383,188,108	(6,406,864)	(305,543)	376,475,701
3 April 2007:				
- Distribution of free shares to executive directors, management and staff	839,992	-	-	839,992
- Issue of 2 shares for every 10 held with the adjustment of the par value of the shares from € 3.30 to € 2.75	76,805,620	(290,588)	(42,545)	76,472,487
14 September 2007:				
- Share capital increase	61,444,496	-	(165,174)	61,279,322
9 November 2007:				
- Distribution of free shares to executive directors, management and staff	170,000	-	-	170,000
21 November 2007:				
- Share capital increase due to re-investment of dividend	649,605	-	-	649,605
Share capital increase due to exercise of share options issued to executives directors, management and staff	1,847,817	-	-	1,847,817
Purchase of treasury shares	-	(7,480,332)	(787,909)	(8,268,241)
Sale of treasury shares	-	10,746,158	602,091	11,348,249
At 31 December 2007	524,945,638	(3,431,626)	(699,080)	520,814,932
At 1 January 2008	**524,945,638**	**(3,431,626)**	**(699,080)**	**520,814,932**
8 April 2008:				
- Distribution of free shares to executive directors, management and staff	1,400,000	-	-	1,400,000
21 April 2008:				
- Share capital increase due to re-investment of dividend	1,245,604	-	-	1,245,604
Purchase of treasury shares	-	(22,580,144)	(240,576)	(22,820,720)
Sale of treasury shares	-	-	503,106	503,106
At 31 December 2008	**527,591,242**	**(26,011,770)**	**(436,550)**	**501,142,922**

In April 2008, the Annual General Meeting and the Repeat Annual General Meeting approved the following:

(a) the acquisition of treasury shares for up to 5% of the Bank's total shares in issue at any time, through the establishment of a share acquisition program (see below).
(b) the distribution of 1,400,000 free shares to employees in May 2008.
(c) the increase of the share capital of the Bank by up to € 70 million through the reinvestment of dividends for the year 2008.
(d) the formation of a special reserve of € 3.3 million to enable the 2010 Annual General Meeting to distribute up to 1,200,000 free shares to strong performers among employees. The distribution will be possible only if profitability targets set for 3 years are met or exceeded.

Post balance sheet event

On 12 January 2009 the Extraordinary General Meeting approved the issue of 345,500,000 non-voting, non-listed, non-transferable 10% Preference shares, with nominal value € 2.75 each, under Law 3723/2008 "Greek Economy Liquidity Support Program", which will be subscribed to by the Greek Government. This entitles the Government to appoint its representative to the Board of Directors, veto dividend distributions and restrict management remuneration. The proceeds of the issue total € 950 million and are expected to be paid shortly (see note 41).

Treasury shares

a. Treasury shares under special scheme

As resolved by the Annual General Meeting in April 2008, the Bank established a special scheme, for the acquisition of up to 5% of the Bank's shares under Article 16 of Company Law, to optimise on a medium and long term basis the Group's equity, profits per share, dividends per share and capital adequacy ratios, as well as for use in a possible acquisition. The program expires in twenty four months (April 2010); the shares may be acquired within the price range of the nominal value (currently € 2.75) and € 34 per share.

Post balance sheet event

According to the draft law submitted by the Ministry of Finance to the Greek Parliament on 25 February 2009, banks participating in the Government's Greek Economy Liquidity Support Program are not allowed to acquire treasury shares under Article 16.

b. Other treasury shares

In the ordinary course of business the group has acquired treasury shares the majority of which relates to life insurance activity. These shares are included in its accounts at a cost of € 10.8 million (2007: € 17.4 million).

33. Preferred securities

On 18 March 2005, the Group, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 200 million preferred securities which represent Lower Tier 1 capital for the Group. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 18 March 2010 and annually thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative annual dividend of 6.75% for the first two years and non-cumulative annual dividends that are determined based on the ten year Euro swap rate plus a spread of 0.125% capped at 8% thereafter. The rate of preferred dividends for the Tier 1 Issue series A has been determined to 4.45% for the period March 18, 2008 to March 17, 2009. The preferred dividend must be declared and paid if the Bank declares a dividend. The preferred securities are listed on the Luxembourg and Frankfurt Stock Exchanges.

On 2 November 2005, the Group, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 400 million preferred securities which represent Lower Tier 1 capital for the Group. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 2 November 2015 and quarterly thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative annual dividend of 4.565% for the first ten years and non-cumulative annual dividends that are determined based on the 3month Euribor plus a spread of 2.22% thereafter. The preferred dividend must be declared and paid if the Bank declares as dividend. The preferred securities are listed on the London Stock Exchange.

On 9 November 2005, the Group, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 150 million preferred securities which represent Lower Tier 1 capital for the Group. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 9 January 2011 and quarterly thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative dividend on a quarterly basis at a rate of 6% per annum. The preferred dividend must be declared and paid if the Bank declares a dividend. The preferred securities are listed on the London, Frankfurt and Euronext Amsterdam Stock Exchanges.

On 21 December 2005, the Group, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 50 million preferred securities which is consolidated and form a single series with the existing € 150 million preferred securities issued on 9 November 2005.

The movement of preferred securities issued by the Group through its Special Purpose Entity, EFG Hellas Funding Limited, is as follows:

	Series A € million	Series B € million	Series C € million	Total € million
At 1 January 2008	184	397	196	777
Purchase of preferred securities	(42)	(28)	(5)	(75)
Sale of preferred securities	0	1	2	3
At 31 December 2008	**142**	**370**	**193**	**705**

As at 31 December 2008, the dividend attributable to preferred securities holders amounts to € 36 million (31 December 2007: € 39 million).

34. Share options

The Group grants share options to executive directors, management and employees. All options are equity-settled and may be exercised wholly or partly and converted into shares, at their owners' option provided that the vesting requirements are met.

The movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

	31 December 2008		31 December 2007	
	Exercise price in € per share	**Number of share options**	Exercise price in € per share	Number of share options
At 1 January	**12.89**	**3,375,190**	15.19	2,991,784
Adjustment for corporate actions	**12.81**	**7,904**	12.15	748,394
Granted in the year	**10.00**	**2,600,000**	13.82	1,483,851
Waived	**11.62**	**(5,962,258)**	0.00	-
Granted at modified terms	**11.78**	**5,624,631**	0.00	-
Exercised	**-**	**-**	12.14	(1,847,817)
Expired and cancelled	**11.45**	**(22,985)**	12.08	(1,022)
Balance at 31 December and average exercise price per share	**11.77**	**5,622,482**	12.89	3,375,190

Share options outstanding and exercisable at the end year have the following expiry dates and exercise prices:

Expiry date - 31 December

2010	**-**	**-**	12.14	412,292
2011	**12.25**	**413,287**	12.17	1,479,047
2012	**12.25**	**1,426,070**	13.82	1,483,851
2013	**13.85**	**1,451,370**	-	-
2014	**10.10**	**2,331,755**	-	-
	11.77	**5,622,482**	12.89	3,375,190

34. Share options (continued)

In April 2006, the Annual General Meeting approved the establishment of an umbrella share options programme allowing the Board of Directors (through the Board's Remuneration Committee) to issue share options within the next 5 years (i.e. until the Annual General Meeting of the year 2011) totalling up to 3% of the Bank's shares within the defined framework similar to the share options issued in the past. The Repeat Extraordinary General Shareholders' Meeting on 21 November 2007 amended the terms of the programme so that the vesting period and exercise dates may be determined at the discretion of the Board following recommendation by the Remuneration Committee.

In April 2008, within the umbrella share options programme approved by the Annual General Meeting in April 2006, the Board of Directors has issued stock options on 2,600,000 shares to executive directors, management and employees with a strike price of € 10 per share. The options may be exercised from December 2010 to December 2013 only if the holders are still employed by the Group.

In September 2008, the Board of Directors authorised the issue of new stock options with amended terms which have been offered to employees who chose to cancel their existing unexercised options. The approved modifications to the existing schemes, involved small increases in the strike price and extension of the exercise periods by one year.

The fair value of options granted is determined using the Monte Carlo valuation method, which simulates the share price path taking into account the terms and conditions upon which the options were granted. The fair value measurement is based on the assumption that the options will be exercised by the employees on the first possible occasion the options are in-the-money.

The fair value of the options granted in April 2008 was € 7.09 (2007: € 9.11). The significant inputs into the model were share price of € 17.46 (2007: € 22.93) at the grant date, exercise price of € 10.00, dividend yield of 4% (2007: 3.3%), expected average volatility of 27% (2007: 25%), expected option life of 3 years, and risk-free interest rate equal to 3 year swap rate. The expected volatility is measured at the grant date of the options and is based on the average historical volatility of the share price over the last 3 to 6 years.

The incremental fair value of the option granted in September 2008 was € 1 million. The significant inputs were share price of € 12.28 at the grant date, weighted average exercise price of € 11.78, dividend yield of 5.5%, expected option lives of 15 to 40 months, risk-free interest rate equal to the swap rate corresponding to the new exercise periods of the options and expected volatility ranging from 29% to 32%, based on the average historical volatility of the share price over the new exercise periods of the options.

35. Special reserves

	Statutory reserves € million	Non-taxed reserves € million	IAS 39 reserves € million	Other reserves € million	Total € million
Balance at 1 January 2007	237	615	154	(15)	991
Transfers between reserves	66	152	-	63	281
Available-for-sale securities					
- net changes in fair value net of tax	-	-	(93)	-	(93)
- transfer to net profit net of tax	-	-	(58)	-	(58)
Cash flow hedges					
- net changes in fair value net of tax	-	-	5	-	5
- transfer to net profit net of tax	-	-	(4)	-	(4)
Currency translation differences, net of hedging	-	-	-	4	4
Value of employee services	-	-	-	9	9
Profit/(loss) from sale of treasury shares	-	-	-	25	25
At 31 December 2007	303	767	4	86	1,160
Balance at 1 January 2008	303	767	4	86	1,160
Transfers between reserves	(15)	155	-	(81)	59
Available-for-sale securities					
- net changes in fair value net of tax	-	-	(438)	-	(438)
- transfer to net profit net of tax	-	-	(77)	-	(77)
Cash flow hedges					
- net changes in fair value net of tax	-	-	(27)	-	(27)
- transfer to net profit net of tax	-	-	4	-	4
Currency translation differences, net of hedging	-	-	-	(213)	(213)
Value of employee services	-	-	-	14	14
Profit/(loss) from sale of treasury shares	-	-	-	(1)	(1)
At 31 December 2008	288	922	(534)	(195)	481

Statutory reserves and IAS39 reserves are not distributable. Included in IAS39 reserves as at 31 December 2008 is € 7 million loss (31 December 2007: € 16 million gain) relating to Cash flow hedging reserve.

Non-taxed reserves are taxed when distributed. As at 31 December 2008, non-taxed reserves include an amount of € 246 million which consists of € 289 million which following L.3513/2006 were subject to one-off taxation amounting to € 43.3 million. The Bank has contested the above taxation in the courts.

Included in Other reserves as at 31 December 2008 is € 174 million loss (31 December 2007: € 39 million gain) relating to currency translation reserve, net of hedging.

36. Operating leases

Leases as lessee - Non-cancellable operating lease rentals are payable as follows:

	31 December 2008		31 December 2007	
	Land and buildings € million	Furniture, equipment, vehicles € million	Land and buildings € million	Furniture, equipment, vehicles € million
Not later than one year	**68**	**2**	69	6
Later than one year and no later than five years	**102**	**3**	79	7
Later than five years	**33**	**-**	24	-
	203	**5**	172	13

The total of future minimum sublease payments to be received under non-cancellable subleases at the balance sheet date is € 12 million (31 December 2007: € 26 million).

Leases as lessor - Non-cancellable operating lease rentals are receivable as follows:

	31 December 2008		31 December 2007	
	Land and buildings € million	Furniture, equipment, vehicles € million	Land and buildings € million	Furniture, equipment, vehicles € million
Not later than one year	**25**	**0**	18	0
Later than one year and no later than five years	**76**	**1**	50	0
Later than five years	**48**	**-**	39	-
	149	**1**	107	1

37. Contingent liabilities and commitments

	2008 € million	2007 € million
Contingent liabilities :		
Guarantees		
- guarantees and standby letters of credit	**1,589**	1,390
- other guarantees	**769**	1,132
	2,358	2,522
Commitments :		
Documentary credits	**101**	145
Capital expenditure	**63**	52
	164	197
	2,522	2,719

As at 31 December 2008 a guarantee that the Bank issued in favour of EFG Ora Funding Limited II amounted to € 393 million (2007: € 385 million) is included, against which the ultimate parent company of the Bank has guaranteed unconditionally and without the right of cancellation.

Legal proceedings

There were a number of legal proceedings outstanding against the Group as at the period end. The Group's management and its legal advisors believe that the outcome of existing lawsuits will not have a significant impact on the Group's financial statements.

38. Business segments

The Group is organised into five main business segments:

- Retail - incorporating customer current accounts, savings, deposits and investment savings products, credit and debit cards, consumer loans, small business banking and mortgages.
- Corporate - incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products to corporate entities.
- Wealth Management - incorporating private banking services, including total wealth management, to medium and high net worth individuals, insurance, mutual fund and investment savings products, and institutional asset management.
- Global and Capital Markets - incorporating investment banking services including corporate finance, merger and acquisitions advice, custody, equity brokerage, financial instruments trading and institutional finance to corporate and institutional entities, as well as, specialised financial advice and intermediation to private and large retail individuals as well as small and large corporate entities.
- New Europe - incorporating operations in Romania, Bulgaria, Serbia, Cyprus, Poland, Turkey and Ukraine.

Other operations of the Group comprise mainly of investing activities, including property management and investment, electronic commerce and the management of unallocated capital. Transactions between the business segments are on normal commercial terms and conditions. With the exception of Greece no other individual country contributed more than 10% of consolidated income or assets.

	31 December 2008							
	Retail € million	**Corporate € million**	**Wealth Management € million**	**Global & Capital Markets € million**	**Other € million**	**New Europe € million**	**Elimination center € million**	**Total € million**
External revenue	1,261	381	145	273	173	1,044	-	**3,277**
Inter-segment revenue	51	16	(34)	(16)	40	(2)	(55)	-
Total revenue	1,312	397	111	257	213	1,042	(55)	**3,277**
Operating expenses	(606)	(115)	(63)	(76)	(64)	(697)	55	**(1,566)**
Impairment losses on loans and advances	(401)	(24)	(0)	(1)	(240)	(220)	-	**(886)**
Profit from operations	305	258	48	180	(91)	125	-	**825**
Profit before tax	306	258	48	180	(99)	125	-	**818**
Minority interest	-	-	(0)	-	(14)	(14)	-	**(28)**
Profit before tax attributable to shareholders	306	258	48	180	(113)	111	-	**790**
Income tax expense								**(138)**
Net profit attributable to shareholders								**652**
Segment assets	25,987	15,978	1,181	13,895	3,884	21,242		**82,167**
Associates	7	-	-	-	28	-		**35**
	25,994	15,978	1,181	13,895	3,912	21,242		**82,202**
Segment liabilities	20,748	6,983	7,547	17,358	5,442	19,501		**77,579**

	31 December 2007							
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	Other € million	New Europe € million	Elimination center € million	Total € million
External revenue	1,238	324	239	343	35	638	-	2,817
Inter-segment revenue	98	20	(61)	(36)	29	(0)	(50)	-
Total revenue	1,336	344	178	307	64	638	(50)	2,817
Operating expenses	(591)	(109)	(61)	(70)	(71)	(522)	50	(1,374)
Impairment losses on loans and advances	(310)	(20)	-	(1)	-	(70)	-	(401)
Profit from operations	435	215	117	236	(7)	46	-	1,042
Profit before tax	436	215	117	236	0	46	-	1,050
Minority interest	-	-	(1)	-	(6)	(9)	-	(16)
Profit before tax attributable to shareholders	436	215	116	236	(6)	37	-	1,034
Income tax expense								(219)
Net profit attributable to shareholders								815
Segment assets	23,933	13,094	1,061	13,493	2,450	14,312		68,343
Associates	6	-	-	-	40	-		46
	23,939	13,094	1,061	13,493	2,490	14,312		68,389
Segment liabilities	17,287	5,100	7,058	18,391	8,409	6,785		63,030

39. Post balance sheet events

Details of significant post balance sheet events are provided in the following notes:

Note 32: Share capital, share premium and treasury shares
Note 41: Greek economy liquidity support program
Note 43: Board of Directors
Note 44: Dividends

40. Acquisition of subsidiaries

Details of acquisitions of subsidiaries during the year ended 31 December 2008 that gave rise to goodwill are as follows:

	Fair value of total assets acquired € million	Fair value of total liabilities acquired € million	Fair value of net assets acquired € million	Consi- deration € million	Goodwill € million
Retail Development S.A.	8	6	2	2	0
Activa Insurance S.A.	85	68	17	37	21
Total goodwill asset (note 23)	**93**	**74**	**19**	**39**	**21**

	Fair value of total assets acquired € million	Fair value of total liabilities acquired € million	Fair value of net assets acquired € million	Consi- deration € million	Goodwill € million
Seferco Development SA	25	12	13	11	(2)
Kalabokis Tours & Cargo SA	3	1	2	2	(0)
Total negative goodwill	**28**	**13**	**15**	**13**	**(2)**

The above acquisitions have been accounted for by the purchase method of accounting. The acquired companies contributed a net gain of € 0.2 million to the Group during the period from the date of their acquisition to 31 December 2008. If the acquisitions had been completed on 1 January 2008, the acquired companies would have contributed revenue of € 3 million and net gain of € 1.4 million for the year ended 31 December 2008.

Included in the € 34 million of fair value of net assets acquired are € 23.4 million of cash and cash equivalents.

Changes in participating interests of subsidiary undertakings that have been recognised directly in equity include Global Fund Management S.A., Eurobank Properties R.E.I.C., Reco Real Property a.d., Eliade Tower S.A., Retail Development S.A., Kalabokis Tours & Cargo SA, Seferco Development S.A., Bancpost S.A. and Bancpost Fond de Pensii S.A.

With respect to the acquisition of Seferco Development S.A., negative goodwill amounted to € 2 million has been recognised in the Income Statement and is included in operating expenses.

The initial accounting for the business combinations that were effected during the period is presented provisionally since the determination of the subsidiaries' identifiable assets, liabilities or contingent liabilities, or the cost of the combinations has not been yet finalised.

Adjustments to the provisional values of previous year acquisitions

With respect to the acquisition of 98.23% of the share capital of Eurobank Tekfen A.S. effected and presented provisionally in 2007, total goodwill has decreased by € 54.5 million as a result of adjustments that decreased the provisional values of net assets acquired by € 2 million, and adjustments, related to the valuation of the put option, that decreased total acquisition cost by € 56 million.

41. Greek Economy Liquidity Support Program

EFG Eurobank Group participates in the Greek Government's € 28bn plan to support liquidity in the Greek economy under Law 3723/2008. The program consists of three streams which enable the Bank to raise more than € 5bn additional liquidity. The Board of Directors resolved in December 2008 to participate in all three streams which are as follows:

(a) First stream - preference shares for which the law allocates € 5bn.
On 12 January 2009 the Bank's Extraordinary General Meeting approved a share capital increase of € 950 million, through the issuance of 345,500,000 non-voting preference shares, which will be subscripted to by the Greek Government.

(b) Second stream - bonds guaranteed by the Hellenic Republic, for which the law allocates € 15bn.
The Bank may issue up to € 3,155 million of bonds guaranteed by the Hellenic Republic, with duration up to 3 years.

(c) Third stream - lending of Greek Government bonds for which the law allocates € 8bn.
The Bank may obtain additional liquidity of up to € 1,368 million in order to fund mortgages and loans to small and medium-size enterprises by borrowing newly issued Greek Government bonds.

According to the above law, for the period the Bank participates in the program through the preference shares or the guaranteed bonds (streams (a) and (b) above), the Government is entitled to appoint its representative to the Board of Directors, veto dividend distributions and restrict management remuneration.

In addition, according to a draft law submitted by the Ministry of Finance to the Greek Parliament on 25 February 2009, banks participating in the Greek Economy Liquidity Support Program are not allowed to declare a cash dividend to their ordinary shareholders for 2008, or to acquire treasury shares under Article 16 of company law.

42. Related party transactions

The Bank is a member of the EFG Group, which consists of banks and financial services companies, the ultimate parent company of which is EFG Bank European Financial Group, a credit institution based in Switzerland. All voting rights at the general meetings of EFG Bank European Financial Group are held by the Latsis family. As at 31 December 2008, the EFG Group held 43.7 % (2007: 41.2%) of the share capital of the Bank. The remaining shares are held by institutional and retail investors.

A number of banking transactions are entered into with related parties in the normal course of business and are conducted on an arms length basis. These include loans, deposits, guarantees and derivatives. In addition, as part of its normal course of business in investment banking activities, the Group at times may hold positions in debt and equity instruments of related parties. The volume of related party transactions and outstanding balances at the year-end are as follows:

	31 December 2008			31 December 2007		
	EFG Group € million	**Key management personnel € million**	**Other € million**	EFG Group € million	Key management personnel € million	Other € million
Loans and advances to banks	**28**	**-**	**0**	0	-	-
Financial instruments at fair value through profit or loss	**-**	**-**	**-**	-	-	-
Investment securities	**77**	**-**	**10**	56	-	43
Loans and advances to customers	**118**	**17**	**220**	24	16	38
Other assets	**1**	**-**	**1**	-	0	3
Due to other banks	**196**	**-**	**-**	88	-	-
Due to customers	**7**	**60**	**305**	2	38	118
Other liabilities	**2**	**1**	**1**	2	2	0
Net Interest income/(expense)	**(8)**	**(1)**	**(4)**	(6)	(0)	(4)
Net banking fee and commission income/(expense)	**0**	**-**	**2**	(1)	0	4
Dividend income	**-**	**-**	**3**	-	-	2
Other operating income / (expense)	**-**	**-**	**(0)**	(1)	-	(0)
Guarantees issued	**395**	**1**	**5**	386	-	3
Guarantees received	**409**	**89**	**-**	411	-	-

Key management personnel includes directors and key management personnel of the Group and its parent, and their close family members.

No provisions have been recognised in respect of loans given to related parties (2007: nil).

Based on agreements the Group provides portfolio management, custodian and share registry services to DIAS S.A. as associated undertaking.

Key management compensation (including directors)

Key management personnel are entitled to compensation in the form of short-term employee benefits € 14.9 million (31 December 2007: € 12.8 million) out of which € 3.1 million (31 December 2007: € 4.1 million) are share-based payments, and long-term employee benefits € 4.2 million (31 December 2007: € 3.9 million) out of which € 3.9 million (31 December 2007: € 3.6 million) are share-based payments.

43. Board of Directors

The Board of Directors of the Bank since the Bank's Annual General Meeting of 3 April 2007, other as noted below, is the following:

X. C. Nickitas	Chairman	
G. C. Gondicas	Honorary Chairman (non executive)	
Ms A.M.L. Latsis	1st Vice Chairman (non executive)	
L. D. Efraimoglou	2nd Vice Chairman (non executive)	
N. C. Nanopoulos	Chief Executive Officer	
B. N. Ballis	Deputy Chief Executive Officer	
N. B. Karamouzis	Deputy Chief Executive Officer	
M. H. Colakides	Deputy Chief Executive Officer	From 1 November 2007
H. M. Kyrkos	Executive	Until 25 October 2007
N. K. Pavlidis	Executive	
F. S. Antonatos	Non Executive	
A. K. Bibas	Non Executive	
E. L. Bussetil	Non Executive	
S. J. Latsis	Non Executive	
P. P. Petalas	Non Executive	
P. K. Lambropoulos	Independent Non Executive	Deceased
P. V. Tridimas	Independent Non Executive	
S.L. Lorentziadis	Independent Non Executive	From 25 June 2007

The Board of Directors' term expires at the Annual General Meeting which will take place in 2010

Post balance sheet event

Following the Bank's participation in the Greek Government's Greek Economy Liquidity Support Program, the Government appointed as of 16 March 2009, Mr. Damianos Damianos, as its representative under Law 3723/2008 to the Board of Directors. His appointment will be ratified at the following Annual General Meeting.

44. Dividends

Final dividends are not accounted for until they have been ratified by the Annual General Meeting.

The Annual General Meeting on 8 April 2008 approved a total dividend in respect of 2007 of € 0.82 per share. An interim dividend of € 0.32 per share amounting to € 166 million had been paid in December 2007 in accordance with the decision of the Extraordinary General Meeting on 9 November 2007. The remaining final dividend of € 0.50 per share amounting to € 257 million has been paid in May 2008 and has been accounted for in shareholders' equity as an appropriation of retained earnings during the period from 1 April 2008 to 30 June 2008.

Post balance sheet event

According to a draft law submitted by the Ministry of Finance to the Greek Parliament on 25 February 2009, banks participating in the Greek Economy Liquidity Support Program are not allowed to declare a cash dividend to their ordinary shareholders for 2008 (see note 41).

Athens, 23 March 2009

Xenophon C. Nickitas	**Nicholas C. Nanopoulos**	**Paula N. Hadjisotiriou**	**Harris V. Kokologiannis**
I.D. No Θ - 914611	I.D. No AE - 586794	I.D. No T - 005040	I.D No AE - 083615
CHAIRMAN OF THE BOARD OF DIRECTORS	CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	HEAD OF GROUP FINANCIAL SERVICES

EFG Group

EFG GROUP

The EFG Group is an international banking group, headquartered in Geneva. It comprises two subgroups: EFG International, a global private banking and asset management group, headquartered in Zurich and listed in the Zurich Stock Exchange, and Eurobank EFG, one of the largest banking groups in Greece, operating in Central and SE Europe and listed in the Athens Stock Exchange.

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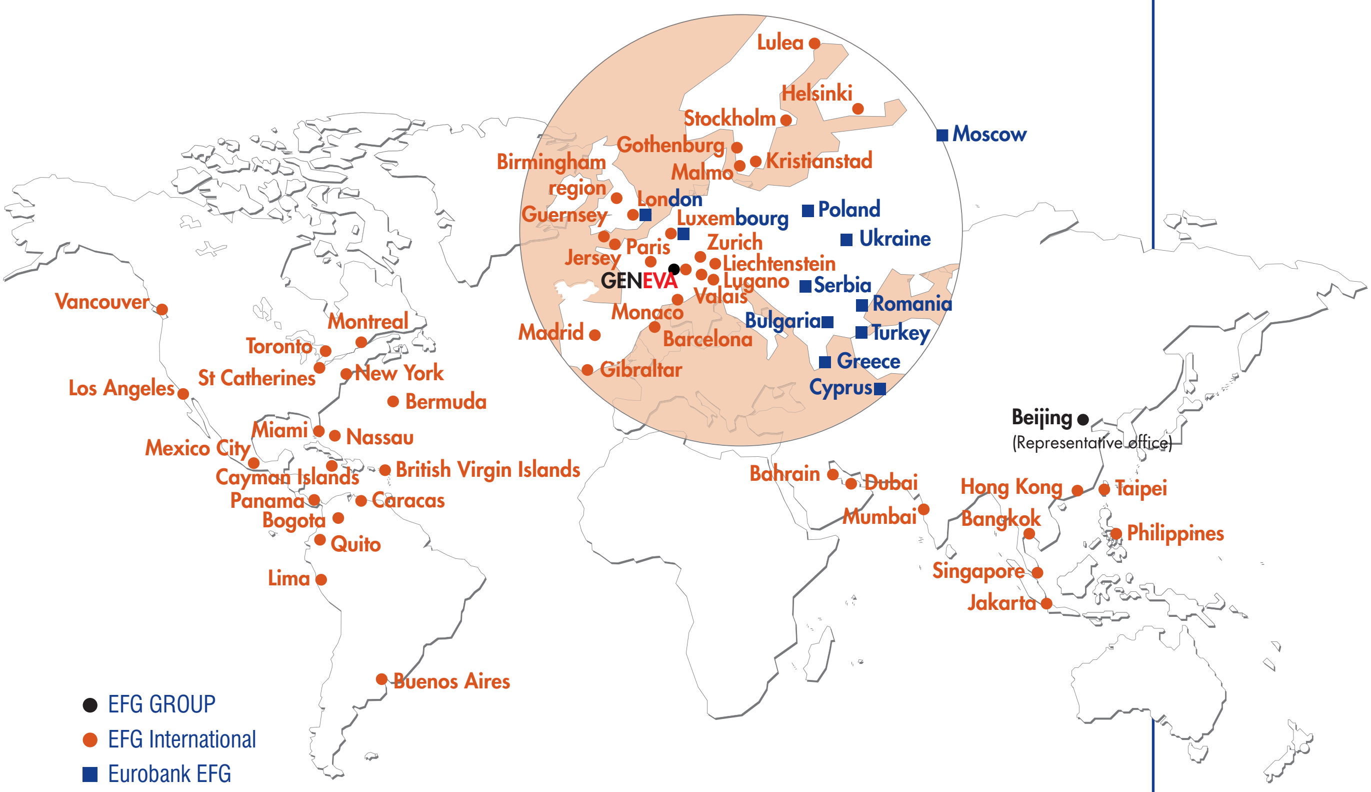

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