EFG EUROBANK ERGASIAS S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2008

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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

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	Note	Year ended 31 December 2008 €million	Year ended 31 December 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

	Note	At 31 December 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

Eurobank EFG

	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 €million	2007 € 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 €million	Wholesale €million	Total €million	Small business € million	Wholesale € million	Total € 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 €million	2007 € 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 €million	2007 € 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 €million	Available-for-sale securities €million	Held to maturity securities €million	Debt securities lending portfolio €million	Total €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 € million	Available-for-sale securities € million	Held to maturity securities € million	Debt securities lending portfolio € million	Total € 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:

	2008 €million	2007 € million
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:

	2008 €million	2007 € million
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	Fair values Assets	Fair values Liabilities	Contract/ notional amount	Fair values Assets	Fair values Liabilities
	€million	€million	€million	€ million	€ million	€ 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:

	2008	2007
- 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:

	2008	2007
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

The movement in the account is as follows:

	2008 €million	2007 € million
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

Cost:	Land, buildings, leasehold improvements €million	Furniture, equipment motor vehicles €million	Computer hardware, software €million	Investment Property €million	Total fixed assets €million
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