MARFIN POPULAR BANK

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

MARFIN POPULAR BANK PUBLIC CO LTD GROUP
FINANCIAL REPORT
for the year ended 31 December 2008

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MARFIN POPULAR BANK

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Soud Ba'alawy	-	Non Executive Chairman
Andreas Vgenopoulos	-	Executive Vice Chairman
Neoclis Lysandrou	-	Non Executive Vice Chairman
Efthimios Bouloutas	-	Group Chief Executive Officer
Panayiotis Kounnis	-	Deputy Chief Executive Officer
Christos Stylianides	-	Deputy Chief Executive Officer
Vassilis Theocharakis		
Platon E. Lanitis		
Constantinos Mylonas		
Stelios Stylianou		
Markos Foros		
Eleftherios Hiliadakis		
Sayanta Basu		
Nicholas Wrigley		

Group Executive Committee

Andreas Vgenopoulos	-	Chairman
Efthimios Bouloutas		
Panayiotis Kounnis		
Christos Stylianides		
Eleftherios Hiliadakis		
Iraklis Kounadis		
Kyriakos Magiras		

Secretary

Stelios Hadjiosif

Group Chief Financial Officer

Annita Philippidou

Registered Office

154, Limassol Avenue, 2025 Nicosia, Cyprus

Independent Auditors

PricewaterhouseCoopers Limited

Grant Thornton

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and the audited consolidated financial statements of Marfin Popular Bank Public Co Ltd Group (the "Group") for the year ended 31 December, 2008.

Principal activities

The principal activities of the Group continue to be the provision of banking, financial and insurance services.

The Group operates through subsidiary companies, branches and representative offices in Cyprus and abroad.

On 28 February, 2008 the Bank completed the acquisition of 42,86% of the share capital of Lombard Bank Malta Plc. On 4 September, 2008 the Bank also finalised the acquisition of the Russian Bank Rossiysky Promyishlenny Bank (Rosprombank).

On 18 December, 2008 the long-term cooperation agreement between the French CNP Assurances S.A. and the Group for the development of insurance activities in Greece and Cyprus via the Group's networks was finalised. This agreement includes the transfer of 50,1% of the participation holding in the insurance companies of the Group to CNP Assurances S.A. and the reaching of a ten year renewable, exclusive distribution agreement with the option to expand to other countries that the Group is active.

Details on the Group's disposals and acquisitions are presented in Notes 51 and 52 of the consolidated financial statements.

Results for the year

The results for 2008 are shown in the consolidated income statement on page 7. The Group profit before provision for impairment of advances reached € 494,1 m compared to € 644,7 m in 2007. After provision for impairment of advances of € 129,4 m and share of profit of associates of € 2,5 m, profit before tax reached € 367,2 m against € 549,7 m in 2007. After including the profit from discontinued operations (€ 92,2 m), deducting tax (€ 56,0 m) and minority interest (€ 8,8 m), net profit attributable to the equity holders of the Bank reached € 394,6 m compared to € 563,3 m in 2007.

Dividend

The Board of Directors recommends a dividend payment of € 0,15 per share (2007: € 0,35). The remaining net profit for the year is transferred to reserves.

Share capital

On 15 May, 2008, the Extraordinary General Meeting approved the conversion and reduction of the nominal value of the Bank's share, after rounding, from C£ 0,50 to € 0,85. Furthermore, the Extraordinary General Meeting approved that the Bank's authorised nominal share capital be converted and reduced to € 807.500.000 and the issued share capital to € 677.187.000, and that the reduction on the issued share capital resulting from the above conversion from Cyprus Pounds to Euro totalling € 3.426.000 is recorded into a special reserve account which is called "Difference from the conversion of share capital into Euro" for future capitalisation or other lawful use.

In June 2008 the Bank issued 33.435.000 new ordinary shares, of nominal value € 0,85, which resulted from the re-investment of the dividend for the year 2007, in accordance with the Dividend Re-investment Plan. Based on the Plan the Bank's shareholders had the option of part or full reinvestment of the net 2007 dividend paid, into shares of the Bank. The re-investment price of the 2007 dividend into shares was set at € 4,64 per share, that was 10% lower than the average closing price of the Bank's share in the Cyprus Stock Exchange and the Athens Exchange for the period from 23 to 29 May, 2008. The trading of the newly issued shares commenced on 18 June, 2008. After the issue of 33.435.000 new ordinary shares, the share capital of the Bank amounts to € 705.607.000, divided into 830.126.000 ordinary shares, of nominal value € 0,85 each.

The share capital and share premium are presented in Note 39 of the consolidated financial statements.

Risk Management

As any other financial institution, the Group is exposed to risks. The nature of these risks and the Group's risk management policies are explained in Note 46 of the consolidated financial statements.

Post balance sheet events
Post balance sheet events are disclosed in Note 56 of the consolidated financial statements.

Prospects for the future
In the current unstable and unpredictable economic environment, the Group's key strategic objective is to sustain a strong capital and liquidity position that would in turn enable it to serve the interest of its shareholders and customers in the most effective way. The 2008 results reflect the success of the Group's strategy to maintain only a limited exposure (less than 5% of the total loan book) in emerging Europe which is currently badly affected by the credit crisis. During the last quarter of 2008 the Group took a series of measures that enable it to successfully withstand the impact of the ongoing crisis. Its formulated strategy for 2009 should ensure that it should remain a strong private sector financial group.

Board of Directors
The Members of the Board of Directors of the Bank are shown on page 1.

Soud Ba'alawy, Andreas Vgenopoulos, Neoclis Lysandrou, Efthimios Bouloutas, Christos Stylianides, Panayiotis Kounnis, Eleftherios Hiliadakis, Sayanta Basu, Markos Foros, Platon E. Lanitis, Constantinos Mylonas. Stelios Stylianou, Vassilis Theocharakis and Nicholas Wrigley were re-elected by the Annual General Meeting on 15 May, 2008.

On 14 February, 2008 the Board of Directors appointed Andreas Vgenopoulos Executive Vice Chairman and Efthimios Bouloutas Group Chief Executive Officer.

The remuneration of the Members of the Board of Directors are shown in Note 50 of the consolidated financial statements.

Independent Auditors
The Independent Auditors of the Bank, PricewaterhouseCoopers Limited and Grant Thornton, have expressed their willingness to continue in office. A resolution recommending their reappointment and giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board

Neoclis Lysandrou
Vice Chairman

Nicosia, 26 March, 2009

STATEMENT BY THE MEMBERS OF THE BOARD OF DIRECTORS AND BY THE GROUP CHIEF FINANCIAL OFFICER

In accordance with Article 9(7) of Law 190(I)/2007 on Transparency Requirements in relation to an issuer whose securities are listed for trading on a regulated market, we the Members of the Board of Directors and the Group Chief Financial Officer of Marfin Popular Bank Public Co Ltd (the "Bank") confirm that to the best of our knowledge:

(a) The consolidated financial statements of the Bank for the financial year ended 31 December, 2008 have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and Article 9(4) of Law 190(I)/2007 and in general with the applicable Cyprus Legislation and give a true and fair view of the consolidated assets and liabilities, the consolidated financial position and the consolidated profit of the Bank and the companies included in the consolidated financial statements, as a whole.

(b) The Report of the Board of Directors of the Bank includes a fair review of the developments and performance of the business as well as the position of the Bank and the undertakings included in the consolidated financial statements, as a whole, together with the description of the principal risks and uncertainties that they face.

Soud Ba'alawy	-	Non Executive Chairman
Andreas Vgenopoulos	-	Executive Vice Chairman
Neoclis Lysandrou	-	Non Executive Vice Chairman
Efthimios Bouloutas	-	Group Chief Executive Officer
Christos Stylianides	-	Deputy Chief Executive Officer
Panayiotis Kounnis	-	Deputy Chief Executive Officer
Eleftherios Hiliadakis	-	Executive Director
Platon E. Lanitis	-	Non Executive Director
Vassilis Theocharakis	-	Non Executive Director
Stelios Stylianou	-	Non Executive Director
Sayanta Basu	-	Non Executive Director
Constantinos Mylonas	-	Non Executive Director
Markos Foros	-	Non Executive Director
Nicholas Wrigley	-	Non Executive Director
Annita Philippidou	-	Group Chief Financial Officer

26 March, 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARFIN POPULAR BANK PUBLIC CO LTD

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Marfin Popular Bank Public Co Ltd (the "Bank") and its subsidiaries (the "Group") on pages 7 to 121 which comprise the consolidated balance sheet as at 31 December, 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Bank's Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, 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 consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal Requirements

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Bank.
- The Bank's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 2 to 3 is consistent with the consolidated financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Bank's members as a body in accordance with Section 156 of the Companies Law, Cap. 113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

PricewaterhouseCoopers Limited
Chartered Accountants

Grant Thornton
Chartered Accountants

Nicosia, 26 March, 2009

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	**2008** **€ '000**	2007 € '000
Interest income	4	**2.028.151**	1.629.040
Interest expense	4	**(1.283.747)**	(964.268)
Net interest income		**744.404**	664.772
Fee and commission income	5	**339.548**	373.600
Fee and commission expense	5	**(52.809)**	(64.708)
Net fee and commission income		**286.739**	308.892
(Loss)/profit on disposal and revaluation of securities	6	**(67.696)**	147.679
Foreign exchange income		**64.964**	31.488
Other income	7	**56.875**	23.022
Operating income		**1.085.286**	1.175.853
Staff costs	8	**(349.749)**	(325.221)
Depreciation, amortisation and impairment	9	**(50.519)**	(45.354)
Administrative expenses	10	**(190.957)**	(160.583)
Profit before provision for impairment of advances		**494.061**	644.695
Provision for impairment of advances	11	**(129.414)**	(97.938)
Profit before share of profit from associates		**364.647**	546.757
Share of profit from associates	27	**2.528**	2.946
Profit before tax		**367.175**	549.703
Tax	12	**(56.024)**	(84.481)
Profit after tax from continuing operations		**311.151**	465.222
Profit after tax from discontinued operations	13	**92.194**	127.911
Profit for the year		**403.345**	593.133
Attributable to:			
Minority interest		**8.782**	29.795
Equity holders of the Bank	40	**394.563**	563.338
		403.345	593.133
Earnings per share – for profit attributable to the equity holders of the Bank			
Earnings per share – cent	14	**48,3**	72,1
Earnings per share – for profit after tax from continuing operations attributable to the equity holders of the Bank			
Earnings per share – cent	14	**37,1**	57,7

The notes on pages 14 to 121 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
31 DECEMBER 2008

	Note	**2008 € '000**	2007 € '000
Assets			
Cash and balances with Central Banks	15	**1.839.670**	1.347.119
Due from other banks	16	**4.354.181**	4.978.224
Financial assets at fair value through profit or loss	18	**356.919**	716.080
Advances to customers	19	**23.427.226**	17.615.108
Debt securities lending	22	**938.295**	-
Reinsurance assets	36	**-**	27.883
Available-for-sale financial assets	23	**3.606.173**	2.737.456
Held-to-maturity financial assets	24	**1.164.036**	375.789
Other assets	25	**496.138**	391.419
Tax refundable		**39.006**	23.785
Deferred tax assets	38	**85.375**	36.263
Investments in associates	27	**99.473**	14.798
Intangible assets	28	**1.629.069**	1.649.021
Investment property	29	**42.819**	57.868
Property and equipment	30	**274.858**	286.760
Total assets		**38.353.238**	30.257.573
Liabilities			
Due to other banks	32	**6.863.205**	2.709.374
Customer deposits	33	**24.828.269**	20.694.917
Senior debt	34	**1.079.042**	973.014
Loan capital	35	**725.907**	604.049
Insurance contract liabilities	36	**-**	557.892
Other liabilities	37	**900.089**	829.480
Current tax liabilities		**45.626**	57.993
Deferred tax liabilities	38	**120.931**	128.809
Retirement benefit obligations	8	**228.717**	219.827
Total liabilities		**34.791.786**	26.775.355
Share capital and reserves attributable to equity holders of the Bank			
Share capital	39	**705.607**	680.613
Share premium	39	**2.144.141**	2.017.708
Reserves	40	**580.073**	691.274
		3.429.821	3.389.595
Minority interest		**131.631**	92.623
Total equity		**3.561.452**	3.482.218
Total equity and liabilities		**38.353.238**	30.257.573

A. Vgenopoulos, Executive Vice Chairman
N. Lysandrou, Non Executive Vice Chairman
E. Bouloutas, Group Chief Executive Officer
A. Philippidou, Group Chief Financial Officer

The notes on pages 14 to 121 are an integral part of these consolidated financial statements.

C O N S O L I D A T E D S T A T E M E N T O F C H A N G E S I N E Q U I T Y
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Attributable to equity holders of the Bank					Minority interest	Total
		Share capital € '000	Share premium € '000	Treasury shares € '000	Fair value and currency translation reserves € '000	Revenue reserves € '000	€ '000	€ '000
Balance 1 January 2007		675.169	1.901.767	(181.038)	78.457	401.175	161.863	3.037.393
Revaluation and transfer to results on disposal and impairment of available-for-sale financial assets net of tax	40	-	-	-	(168.910)	-	(3.074)	(171.984)
Revaluation of property net of tax	40	-	-	-	29.682	-	(12)	29.670
Defence tax on deemed distribution	40	-	-	-	-	(157)	(97)	(254)
Exchange differences arising in the year	40	-	-	-	19.609	-	1.253	20.862
Transfer from fair value reserves to revenue reserves	40	-	-	-	(598)	598	-	-
Transfer of reserves due to transfer of subsidiary to available-for-sale financial assets due to reduction in participation	40	-	-	-	(3.314)	3.314	-	-
Loss recognised directly in equity		-	-	-	(123.531)	3.755	(1.930)	(121.706)
Profit for the year		-	-	-	-	563.338	29.795	593.133
Total recognised profit for 2007		-	-	-	(123.531)	567.093	27.865	471.427
Dividend	40,53	-	-	-	-	(245.018)	-	(245.018)
Shares issued	39	5.444	27.271	-	-	-	-	32.715
Treasury shares sold	39	-	92.213	181.038	-	-	-	273.251
Share issue costs	39	-	(3.543)	-	-	-	-	(3.543)
Cost of share-based payments to employees	40	-	-	-	-	3.324	85	3.409
Dividend paid by subsidiaries		-	-	-	-	-	(7.279)	(7.279)
Reduction of capital by subsidiary		-	-	-	-	-	(17.641)	(17.641)
Effect of change in minority interest from group restructuring and other movements	40	-	-	-	-	9.774	(42.065)	(32.291)
Effect of transfer of subsidiary to available-for-sale financial assets due to reduction in participation		-	-	-	-	-	(30.205)	(30.205)
		5.444	115.941	181.038	-	(231.920)	(97.105)	(26.602)
Balance 31 December 2007 / 1 January 2008		680.613	2.017.708	-	(45.074)	736.348	92.623	3.482.218

The notes on pages 14 to 121 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

		Attributable to equity holders of the Bank				Minority interest	Total
	Note	Share capital € '000	Share premium € '000	Fair value, currency translation and other reserves € '000	Revenue reserves € '000	€ '000	€ '000
Balance 1 January 2008		**680.613**	**2.017.708**	**(45.074)**	**736.348**	**92.623**	**3.482.218**
Revaluation and transfer to results on disposal and impairment of available-for-sale financial assets net of tax and amortisation of loss on available-for-sale financial assets reclassified	40	**-**	**-**	**(168.920)**	**-**	**(4.573)**	**(173.493)**
Revaluation of property net of tax	40	**-**	**-**	**(319)**	**-**	**285**	**(34)**
Defence tax on deemed distribution	40	**-**	**-**	**-**	**(245)**	**(98)**	**(343)**
Exchange differences arising in the year	40	**-**	**-**	**(64.369)**	**-**	**(4.019)**	**(68.388)**
Transfer from fair value reserves to revenue reserves	40	**-**	**-**	**(190)**	**190**	**-**	**-**
Transfer of reserves due to disposal of subsidiaries	40	**-**	**-**	**(3.207)**	**3.207**	**-**	**-**
Loss recognised directly in equity		**-**	**-**	**(237.005)**	**3.152**	**(8.405)**	**(242.258)**
Profit for the year		**-**	**-**	**-**	**394.563**	**8.782**	**403.345**
Total recognised profit for 2008		**-**	**-**	**(237.005)**	**397.715**	**377**	**161.087**
Dividend payment and re-investment	39,40,53	**28.420**	**126.717**	**-**	**(278.842)**	**-**	**(123.705)**
Share issue costs	39	**-**	**(284)**	**-**	**-**	**-**	**(284)**
Difference from conversion of share capital into Euro	39,40	**(3.426)**	**-**	**3.426**	**-**	**-**	**-**
Cost of share-based payments to employees	40	**-**	**-**	**-**	**3.780**	**105**	**3.885**
Dividend paid by subsidiaries		**-**	**-**	**-**	**-**	**(1.850)**	**(1.850)**
Increase of capital by subsidiaries		**-**	**-**	**-**	**-**	**1.013**	**1.013**
Acquisition of subsidiaries		**-**	**-**	**-**	**-**	**62.022**	**62.022**
Effect of change in minority interest from changes in shareholdings in subsidiaries and other movements	40	**-**	**-**	**-**	**(275)**	**(22.659)**	**(22.934)**
		24.994	**126.433**	**3.426**	**(275.337)**	**38.631**	**(81.853)**
Balance 31 December 2008		**705.607**	**2.144.141**	**(278.653)**	**858.726**	**131.631**	**3.561.452**

The notes on pages 14 to 121 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	**2008** **€ '000**	2007 € '000
Cash generated from operations	42	**2.643.149**	1.004.843
Tax paid		**(110.250)**	(155.053)
Net cash from operating activities		**2.532.899**	849.790
Cash flows from investing activities			
Purchase of property and equipment	30	**(47.897)**	(32.647)
Purchase of computer software	28	**(11.902)**	(9.909)
Purchase of investment property	29	**(4.391)**	(6.514)
Proceeds from disposal of property and equipment	30	**33.305**	7.615
Proceeds from disposal of investment property		**33.746**	20.146
Additions less proceeds from redemption and sale of available-for-sale financial assets and redemption of held-to-maturity financial assets		**(2.499.707)**	(769.074)
Income received from financial assets		**194.599**	72.003
Dividend received from investments in associates	27	**1.853**	1.698
Acquisition of subsidiaries net of cash and cash equivalents acquired	52(d)	**47.043**	(57.596)
Disposal of subsidiaries net of cash and cash equivalents disposed	51	**67.877**	-
Changes in shareholding in subsidiaries		**(28.500)**	(18.507)
Net cash used in investing activities		**(2.213.974)**	(792.785)
Cash flows from financing activities			
Proceeds from sale of treasury shares		**-**	273.252
Dividend and capital return by subsidiaries to minority holders		**(1.175)**	(24.921)
Dividend paid		**(123.705)**	(245.018)
Interest paid on senior debt and loan capital		**(93.895)**	(70.660)
Share issue costs	39	**(284)**	(3.543)
Proceeds from the exercise of warrants	39	**-**	92
Proceeds from the issue of senior debt and loan capital		**647.534**	715.303
Repayment of senior debt and loan capital		**(442.029)**	(315.287)
Net cash (used in)/from financing activities		**(13.554)**	329.218
Effects of exchange rate changes		**-**	(39.665)
Net increase in cash and cash equivalents		**305.371**	346.558
Cash and cash equivalents at beginning of year		**4.978.401**	4.631.843
Cash and cash equivalents at end of year	43	**5.283.772**	4.978.401

The notes on pages 14 to 121 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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1. GENERAL INFORMATION

Country of incorporation

Marfin Popular Bank Public Co Ltd (the "Bank") was established in Cyprus in 1901 under the name "Popular Savings Bank of Limassol". In 1924 it was registered as the first public company in Cyprus under the name "The Popular Bank of Limassol Ltd". In 1967 the Bank changed its name to "Cyprus Popular Bank Ltd" and on 26 May, 2004 it was renamed to "Cyprus Popular Bank Public Company Ltd". An Extraordinary General Meeting held on 31 October, 2006 unanimously approved the change of its name to "Marfin Popular Bank Public Co Ltd". The Bank's shares are listed on the Cyprus Stock Exchange and the Athens Exchange. The Bank's registered office is at 154, Limassol Avenue, 2025 Nicosia, Cyprus.

Principal activities

The principal activities of the Group, which were unchanged from last year, are the provision of banking, financial and insurance services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), the requirements of the Cyprus Companies Law, Cap. 113 and the Cyprus Stock Exchange Laws and Regulations. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation at fair value of land and buildings, investment property, available-for-sale financial assets and financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

All IFRSs issued by the International Accounting Standards Board (IASB) and effective as at 1 January, 2008 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting and IFRIC 12 "Service Concession Arrangements".

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Adoption of new and revised IFRSs

(i) Standards, amendments and interpretations effective in 2008

Amendments of IAS 39 and IFRS 7 "Reclassification of Financial Assets". The amendments of IAS 39 allow, under certain circumstances, the reclassification of non-derivative financial assets from the held-for-trading category to other categories as well as the reclassification of available-for-sale financial assets to loans and receivables. The amendments of IFRS 7 require additional disclosures in the financial statements of entities which adopt the above amendments of IAS 39. An additional amendment to the above standards clarifies the transition provisions of the amendments. The Group has applied these amendments as explained in Note 17 of the consolidated financial statements.

IFRIC 14, "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The application of this IFRIC had no significant impact on the consolidated financial statements of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised IFRSs (continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January, 2009 or later periods, but the Group has not early adopted them:

(a) IAS 23 (Amendment), Borrowing Costs (effective from 1 January, 2009)

The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The Group will apply IAS 23 (Amendment) from 1 January, 2009, but is currently not applicable to the Group as there are no qualifying assets.

(b) IFRS 8, Operating Segments (effective from 1 January, 2009)

IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131 "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group has assessed the implications of IFRS 8 and will apply IFRS 8 from 1 January, 2009.

(c) IFRIC 13, Customer Loyalty Programmes (effective for annual accounting periods beginning on or after 1 July, 2008)

IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement by using fair values. The Group has assessed the implications of IFRIC 13 and will apply IFRIC 13 from 1 January, 2009.

(d) IAS 1 (Revised 2007), Presentation of Financial Statements (effective from 1 January, 2009)

The revision to IAS 1 affects the presentation of owner changes in equity and of comprehensive income. IAS 1 (Revised 2007) requires an entity to present in a statement of changes in equity all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). The Group has assessed the implications of IAS 1 (Revised 2007) and will apply IAS 1 (Revised 2007) from 1 January, 2009.

(e) IFRS 3 (Revised 2008), Business Combinations (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July, 2009)

This standard is subject to endorsement by the EU. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group is in the process of assessing the implications of IFRS 3 (Revised 2008) and will apply IFRS 3 (Revised 2008) prospectively for business combinations with acquisition date as specified above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised IFRSs (continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

(f) IAS 27 (Revised 2008), Consolidated and Separate Financial Statements (effective for annual accounting periods beginning from 1 July, 2009)
This standard is subject to endorsement by the EU. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group is in the process of assessing the implications of IAS 27 (Revised 2008) and will apply IAS 27 (Revised 2008) prospectively to transactions with non-controlling interests from 1 January, 2010.

(g) IFRS 2, Share-based Payment (Amendment 2008: Vesting Conditions and Cancellations) (effective from 1 January, 2009)
This amendment clarifies that only service conditions and performance conditions are vesting conditions. All other features are not vesting conditions and need to be included in the grant-date fair value and do not impact the number of awards expected to vest or the valuation subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group has assessed the implications of IFRS 2 (Amendment 2008) and will apply the amendment from 1 January, 2009.

(h) IAS 32, Financial Instruments: Presentation and IAS 1, Presentation of Financial Statements (Amendment 2008: Puttable Financial Instruments and Obligations Arising on Liquidation) (effective 1 January, 2009)
The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, as equity, provided the financial instruments have particular features and meet specific conditions. The Group has assessed the implications of IAS 32 and IAS 1 (Amendment 2008) and will apply the amendments from 1 January, 2009 but these amendments are currently not applicable.

(i) IFRS 1 (Amendment), First Time Adoption of IFRS and IAS 27, Consolidated and Separate Financial Statements (effective from 1 January, 2009)
The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Group will apply the amendments from 1 January, 2009. The amendment will not have any impact on the Group's consolidated financial statements.

(j) Amendments resulting from the IASB's Annual Improvements Project published in May 2008
The Group will assess the implications of the following amendments and will apply them from their respective dates:

- **IFRS 5 (Amendment), Non-Current Assets Held-for-Sale and Discontinued Operations (effective from 1 July, 2009)**
  The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held-for-sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January, 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised IFRSs (continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

(j) Amendments resulting from the IASB's Annual Improvements Project published in May 2008 (continued)

- **IAS 23 (Amendment), Borrowing Costs (effective from 1 January, 2009)**
  The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest rate method defined in IAS 39, Financial Instruments: Recognition and Measurement. The Group will apply the IAS 23 (Amendment) from 1 January, 2009, but it is currently not applicable to the Group as there are no qualifying assets.

- **IAS 27 (Amendment), Consolidated and Separate Financial Statements (effective from 1 January, 2009)**
  Where an investment in a subsidiary that is accounted for under IAS 39, Financial Instruments: Recognition and Measurement, is classified as held-for-sale under IFRS 5, Non-Current Assets Held-for-sale and Discontinued Operations, IAS 39 would continue to be applied.

- **IAS 28 (Amendment), Investments in Associates (effective from 1 January, 2009)**
  An investment in associate is treated as a single asset for the purposes of impairment testing and allocation of any impairment loss. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the IAS 28 (Amendment) from 1 January, 2009.

- **IAS 36 (Amendment), Impairment of Assets (effective from 1 January, 2009)**
  Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 36 (Amendment) from 1 January, 2009.

- **IAS 38 (Amendment), Intangible Assets (effective from 1 January, 2009)**
  A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply the IAS 38 (Amendment) from 1 January, 2009.

- **IAS 19 (Amendment), Employee Benefits (effective from 1 January, 2009)**
  IAS 19 (Amendment) introduces some minor amendments including the clarification of curtailments and negative past service costs and amendment to the definition of return on plan assets. The Group will apply the IAS 19 (Amendment) from 1 January, 2009.

- **IAS 39 (Amendment), Financial Instruments: Recognition and Measurement (effective from 1 January, 2009)**
  This amendment clarifies that it is possible that there are movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument and requires use of revised effective interest rate on cessation of fair value hedge accounting. The Group will apply the IAS 39 (Amendment) from 1 January, 2009.

- **IAS 40 (Amendment), Investment Property (effective from 1 January, 2009)**
  The amendment deals with classification and measurement of property that is under construction or development for future use as investment property. The amendment will not have an impact on the Group's operations, as currently there are no investment properties under construction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised IFRSs (continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

(j) Amendments resulting from the IASB's Annual Improvements Project published in May 2008 (continued)

The following amendments are unlikely to have an impact on the Group's financial statements either because they are minor or not applicable to the Group's operations and have therefore not been analysed in detail. The amendments are effective for annual periods beginning on or after 1 January, 2009:

- IFRS 7, Financial Instruments: Disclosures
- IAS 1 (Amendment), Presentation of Financial Statements
- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10, Events after the Reporting Period
- IAS 16 (Amendment), Property, Plant and Equipment
- IAS 18, Revenue
- IAS 20 (Amendment), Accounting for Government Grants and Disclosure of Government Assistance
- IAS 29 (Amendment), Financial Reporting in Hyperinflationary Economies
- IAS 31 (Amendment), Interests in Joint Ventures
- IAS 34, Interim Financial Reporting
- IAS 41 (Amendment), Agriculture

(k) IFRIC 15, Agreements for Construction of Real Estates (effective from 1 January, 2009)
The interpretation is subject to endorsement by the EU. The interpretation clarifies whether IAS 18, Revenue or IAS 11, Construction Contracts, should be applied to particular transactions. IFRIC 15 is not relevant to the Group's operations.

(l) IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective from 1 October, 2008)
The interpretation is subject to endorsement by the EU. IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. The Group will apply IFRIC 16 from 1 January, 2009. It is not expected to have a material impact on the Group's financial statements.

(m) IFRIC 17, Distribution of Non-Cash Assets to Owners (effective from 1 July, 2009)
The interpretation is subject to endorsement by the EU. IFRIC 17 clarifies the accounting treatment and disclosures in the case of distributions (dividends) of non-cash assets to owners.

(n) IFRIC 18, Transfers of Assets from Customers (effective prospectively to transfers of assets from customers received on or after 1 July, 2009)
The interpretation is subject to endorsement by the EU. IFRIC 18 clarifies the accounting treatment for transfers of items of property, plant and equipment by entities that receive such transfers from their customers.

(o) Amendment to IAS 39, Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective from 1 July, 2009)
The amendment is subject to endorsement by the EU. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Group does not expect this amendment to impact its financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised IFRSs (continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

(p) Amendment to IFRIC 9, Reassessment of Embedded Derivatives and IAS 39, Financial Instruments: Recognition and Measurement (effective from 30 June, 2009)

The amendments are subject to endorsement by the EU. The amendment to IFRIC 9 specifies that an entity can reassess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when there is a reclassification of a financial asset out of the fair value through profit or loss category, in which case an assessment is required. The amendment to IAS 39 specifies that if an entity is unable to measure separately the embedded derivative that would have to be separated on reclassification of a hybrid contract out of the fair value through profit or loss category, that reclassification is prohibited. In such circumstances the hybrid contract remains classified as at fair value through profit or loss in its entirety. The Group will apply the above amendments from 30 June, 2009.

(q) Amendment to IFRS 7, Financial Instruments: Disclosure (effective from 1 January, 2009)
This amendment is subject to endorsement by the EU. This amendment requires enhanced disclosures about fair value measurements and liquidity risk. The Group will apply this amendment from 1 January, 2009.

Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group, directly or indirectly, has the power to govern the financial and operating policies. Usually in these entities there is a shareholding of more than 50% 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. The consolidated financial statements consolidate the financial statements of the Bank and its subsidiaries.

Subsidiaries are consolidated from the acquisition date, that is, the date on which control is transferred to the Group and are de-consolidated from the date on which control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, 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 Group's share of the identifiable net assets of the subsidiary acquired 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 consolidated income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the accounting policies adopted by the Group.

(b) Transactions and minority interest

The Group treats transactions with minority interest as transactions with parties external to the Group. Disposals to minority interest result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interest result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation (continued)

(c) Common control transactions

For business combinations involving entities under common control, the Group applies the predecessor values method of consolidation. Under this method, when an existing subsidiary of the Group is transferred within the Group, the predecessor values used to account for the common control transaction are the values that were included in the Group's consolidated financial statements when the subsidiary was first acquired.

(d) Associates

Associates are all entities over which the Group has significant influence but not control. Usually, in these entities the Group has a shareholding between 20% and 50% of the voting rights.

Investments in associates are initially recognised at cost and are then accounted for using the equity method of accounting. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss. The Group's share of post-acquisition profits or losses of associates is recognised in the consolidated income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in the income statement.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). With the introduction of the Euro as the official currency of the Republic of Cyprus as from 1 January, 2008, the functional currency of the Bank and its Cyprus subsidiaries has changed from Cyprus Pounds to Euro. As a result, the financial position of the Bank and the Group at 1 January, 2008 has been converted into Euro based on the definite fixing of the exchange rate €1 = C£ 0,585274.

The consolidated financial statements are presented in Euro, which is the functional and presentation currency of the Bank as from 1 January, 2008. All amounts are rounded to the nearest thousand, unless where otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

(b) Transactions and balances

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 and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except in the cases of qualifying net investment hedges and qualifying cash flow hedges, where foreign exchange gains and losses are recognised in reserves.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial items are recognised as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the fair value reserves in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.
- Income and expenses for each income statement are translated at average exchange rates.
- All resulting exchange differences are recognised in the currency translation reserves in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is disposed of, or partially disposed of, exchange differences that were recorded in equity, are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries are treated as assets and liabilities of the foreign subsidiary and translated at the closing rate.

Non-current assets held for sale and discontinued operations

Non-current assets held for sale (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction and not through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale.

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest income and expense

Interest income and expense are recognised in the consolidated income statement for all interest bearing assets and liabilities on an accrual basis. Interest income includes interest earned on advances, held-to-maturity financial assets, available-for-sale financial assets, debt securities lending, financial assets at fair value through profit or loss, as well as the amortisation of discount and premium on government bonds and treasury bills and other financial instruments.

The Group adopts the policy of suspending income on non-performing loans. In these cases, the recognition of income is suspended until it is received and therefore, it is not included in the consolidated income statement but it is transferred to an income suspense account. In cases where this is imposed by the local authorities, the Group adopts the policy of non-accrual of income for non-performing loans.

Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual services provided as a proportion of the total services to be provided.

Dividend income

Dividend income is recognised in the consolidated income statement when the Group's right to receive payment is established.

Financial guarantee contracts

Financial guarantee contracts (except for those classified as insurance 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 financial 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 at fair value on the date the guarantee was given and subsequently are measured at the higher of:

(a) the initial measurement amount less, when applicable, cumulative amortisation recognised, and

(b) the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. The 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 recognised in the consolidated income statement.

Insurance contracts

Through its insurance subsidiaries, the Group issues insurance contracts to customers. Under these contracts the Group accepts significant insurance risk, by agreeing to compensate the contract holder on the occurrence of a specified, uncertain future event.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance contracts (continued)

(a) Premiums

Gross insurance premiums for general insurance business are recognised in the consolidated income statement over the period covered by the related insurance contract. The proportion of premiums which relates to periods of risk extending beyond the end of the year is reported as unearned premium and is calculated on a daily basis.

Life insurance business premiums are recognised in the consolidated income statement when receivable.

Reinsurance premiums are recognised in the consolidated income statement in the same accounting period as the insurance premiums to which they relate.

(b) Claims and reinsurance recoveries

Gross insurance claims for general insurance business include paid claims and provisions for outstanding claims. The provisions for outstanding claims are based on the estimated ultimate cost of all claims that have occurred but not settled at the balance sheet date, whether reported or not. They also include a reduction for the expected value of salvage and other recoveries. Provisions for claims incurred but not reported (IBNR) are made on an estimated basis, using previous years' experience and taking into account anticipated future changes and developments. The level of IBNR is revised on a yearly basis in accordance with prior years' data.

Gross insurance claims for life insurance reflect the total cost of claims arising during the year, including claim handling costs and any policyholder bonuses allocated in anticipation of a bonus declaration.

(c) Liabilities for life insurance contracts

The technical reserves for non-unit-linked liabilities (long-term business provision) are calculated based on annual actuarial estimates. The technical reserves for unit-linked liabilities are at least the element of any surrender or transfer value which is calculated by reference to the relevant fund.

(d) Reinsurance contracts

Reinsurance contracts are contracts entered into by the Group's insurance subsidiaries, under which the Group is compensated for losses incurred under insurance contracts issued by the Group's insurance subsidiaries. The reinsurance contracts entered into by the Group's insurance subsidiaries, in which the issuer of the insurance contract is another insurer (inwards reinsurance) are included in insurance contracts.

Any amounts recovered from reinsurers, that derive from the reinsurance contracts of the Group, are recognised in assets. The amounts recovered from or to reinsurers are calculated based on the amounts related with the reinsurance contracts and are based on the terms of each reinsurance contract. The reinsurance liabilities are mainly premiums payable for reinsurance contracts and are recognised as expenses on an accrual basis.

The Group evaluates its reinsurance assets for impairment. If there is objective evidence that the reinsurance assets have incurred an impairment, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises the reduction in its value in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance contracts (continued)

(e) Residual value and recovery of claims paid

The insurance contracts allow the general insurance companies to sell (usually destroyed) property that is obtained through the settlement of a claim. Also the insurance companies have the right of legal action against third parties that are considered responsible for an accident which had as a result the payment of a claim by the Group, for the partial payment or full payment of all the expenses of the claim. Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims. The allowance is the amount that can reasonably be recovered from the sale of the destroyed property in the first case and the valuation of the amount that can be recovered in the case of a legal action against the relevant third party in the second case.

(f) Value of life policies in force

A value is placed on life insurance contracts that are in force at the balance sheet date. The value of the life policies in force is determined by discounting future earnings expected to emerge from business currently in force, using appropriate assumptions in assessing factors, such as recent experience and general economic conditions.

(g) Liability adequacy test

At each balance sheet date, liability adequacy tests are performed by the Group’s insurance subsidiary companies to ensure the adequacy of liabilities that arise from their operations. In performing these tests, current best estimates of operational and investment income and operational and administration expenses are based on past experience and financial results.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity, in which case the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the balance sheet date in the countries where the Bank and the Bank’s subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

(a) Retirement benefits

Group companies operate various pension schemes. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. For a defined contribution plan the Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the fair value of plan assets or 10% of the present value of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past service costs are recognised immediately in expenses, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

For defined contribution plans, the Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group also pays contributions to the Government Social Insurance Fund in accordance with legal requirements.

(b) Share-based compensation

The Group's share option scheme is an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding credit in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. The total amount expensed is recognised over the vesting period which is the period over which all of the specified vesting conditions are to be satisfied. The Group recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity, including cash and non-restricted balances with Central Banks and amounts due from other banks.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advances to customers

Advances to customers are presented on the balance sheet net of any accumulated impairment provisions.

The Group assesses at each balance sheet date whether there is objective evidence that advances to customers are impaired. Advances to customers are impaired and impairment losses are incurred only 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 the loss event (or events) has an impact on the estimated future cash flows.

The criteria that the Group uses to determine that there is objective evidence for an impairment loss include:

(a) violation of the contractual terms resulting in the delay of capital or interest payment,

(b) evidence for significant deterioration in the loan repayment ability,

(c) undertaking of legal action,

(d) bankruptcy,

(e) other objective evidence that leads to the conclusion that the Group will not collect the full amount due.

For an advance that has been characterised as impaired, the present value of its future cash flows is considered to be the recoverable value of its securities. In addition, for significant amounts, other factors such as the financial status of the customer, the alternative sources of funds available and the extent to which credit worthy guarantors can support the customer are considered. The provision amount is calculated as the difference between the advance's carrying amount and the recoverable amount, including all securities and guarantees.

Impaired advances are monitored continuously and are reviewed for provisioning purposes on a quarterly basis. If the amount of the impaired loss decreases in a subsequent period, due to an event occurring after the impairment was recognised, the provision is written back by reducing the impairment provision account accordingly.

When an advance is uncollectible, it is written off against the related provision for impairment. Such advances are written off after all the necessary procedures have been completed, there is no realistic potential of recovery, and the amount of the loss has been determined, notwithstanding the Group's right to collect in the future any amounts that have been written off.

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

(a) 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 at inception. A financial asset is classified as held-for-trading if acquired principally for the purpose of selling in the near 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. Derivative financial instruments are also categorised as held-for-trading, unless they are designated as hedging instruments in which case hedge accounting is applied. Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with a documented investment strategy. Information about these financial assets is provided internally on a fair value basis to key management personnel.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(b) 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: (a) those that the Group intends to sell immediately or in the short-term, which are classified as held-for-trading, and those that the Group upon initial recognition designates as at fair value through profit or loss; (b) those that the Group upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets 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.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Regular-way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the financial asset. 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 carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and 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 financial assets are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the consolidated income statement within "(Loss)/profit on disposal and revaluation of securities" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payment is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

In particular circumstances the Group may reclassify non-derivative financial assets (other than those designated at fair value through profit or loss upon initial recognition) and for which there is no longer intention to trade or sell in the foreseeable future, out of the fair value through profit or loss category. In such cases any gain or loss already recognised in the consolidated income statement is not reversed and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The Group may also transfer out of the available-for-sale category to either the loans and receivables or the held-to-maturity category, a financial asset that would have met the definition of loans and receivables or held-to-maturity, if it has the intention and ability to hold that financial asset for the foreseeable future or until maturity. Any previous gain or loss on that asset that has been recognised directly in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate method.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as "(Loss)/profit on disposal and revaluation of securities".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the consolidated income statement as interest income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

The fair value of investments quoted in an active market is based on quoted 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 other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator of possible impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss, which is 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 consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

Repurchase agreements

The Group enters into agreements for purchases (sales) of investments and to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price.

Investments sold subject to repurchase agreements (repos) continue to be recognised in the consolidated balance sheet and are measured according to their classification. The proceeds from the sale of the investments are reported as liabilities to either banks or customers. Investments purchased, on condition that they will be resold in the future (reverse repos), are not recognised in the consolidated balance sheet. The amounts paid for purchase thereof are recognised as receivables from either banks or customers. The difference between the sale and repurchase consideration is recognised as interest income or expense during the repurchase agreement period using the effective interest rate method.

The Group enters into share purchase agreements with a commitment to resell them (stock reverse repos) through the Athens Derivatives Exchange. The acquired shares are then sold in the Athens Exchange. The shares are not recognised as assets but the commitment to resell the shares is recognised as a liability in the balance sheet, and is measured at the fair value of the securities that the Group is committed to repurchase and return to the Athens Derivatives Exchange Clearing House.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

Derivative financial instruments and hedge accounting

Derivative financial instruments include forward exchange contracts, currency and interest rate swaps, currency and index futures, equity and currency options and other derivative financial instruments. These are initially recognised in the consolidated balance sheet at fair value on the date a derivative contract is entered into, and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and other pricing models as appropriate. All derivatives are shown within assets when fair value is positive and within liabilities when fair value is negative.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Certain derivatives embedded in other financial instruments, are treated as separate derivatives when their economic characteristics and risks 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 consolidated income statement.

The Group uses derivative financial instruments for hedging risks that arise from changes in interest rates and exchange rates. The Group applies fair value hedges or cash flow hedges to these derivatives that meet the criteria for hedge accounting. For derivatives that do not meet the criteria for hedge accounting, any profit or loss arising from the changes in fair values is recorded in the consolidated income statement.

A hedge relationship for the purposes of applying hedge accounting exists when:

- At the inception of the hedge, the Group designates and documents the hedging relationship as well as its risk management objective and strategy for undertaking the hedge.

- The hedge is expected to be highly effective in offsetting changes in fair values or cash flows attributed to the hedged risk, pursuant to the documented risk management strategy for the said hedge relationship.

- For cash flow hedges, the forecast transaction that is the subject of the hedge is highly probable and must present an exposure to variations in cash flows that could ultimately affect the results.

- The effectiveness of the hedge can be reliably measured.

- The hedge is assessed as highly effective throughout the period.

The Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, 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.

(a) Fair value hedge

For fair value hedges that meet the criteria for hedge accounting, any profit or loss from the revaluation of the derivative at fair value is recognised in the consolidated income statement. Any profit or loss of the hedged instrument that is due to the hedged risk, adjusts the carrying amount of the hedged instrument and is recognised in the consolidated income statement, irrespective of the classification of the financial instrument.

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 rate method is used is amortised to profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in revenue reserves until the disposal of the equity security.

(b) 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 in the consolidated income statement. Amounts accumulated in equity are recycled in the consolidated income statement in the periods when the hedged item affects profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

(c) Net investment hedge

Hedges of net investments in 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 consolidated income statement. Gains and losses accumulated in equity are included in the consolidated income statement when the foreign operation is partially disposed of or sold.

(d) Derivatives that do not qualify for hedge accounting

For derivative instruments that do not qualify for hedge accounting, changes in the fair value are recognised immediately in the consolidated income statement.

Investment property

Investment property includes land and buildings, owned by the Group with the intention of earning rentals or for capital appreciation or both, and are not used by the Group. Investment property is carried at fair value, representing open market value, as is determined annually by external independent professional valuers who apply recognised valuation techniques. Changes in fair values are included within "Other income" in the consolidated income statement.

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 subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in the balance sheet in "Intangible assets". Goodwill on acquisitions of associates is included in "Investments in associates" and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested for impairment annually and whenever there are indications of impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill using the country of operation and economic segment as the allocation basis.

Other intangible assets

Other intangible assets represent the estimated value of intangible assets in relation to acquired subsidiaries (Notes 28 and 52). Other intangible assets are shown at cost less accumulated amortisation and any accumulated impairment losses. Other intangible assets that have a finite useful life are amortised on a straight line basis during their useful economic life (7 to 23 years). Amortisation is included within "Depreciation, amortisation and impairment" in the consolidated income statement. Other intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually and whenever there is an indication that the intangible assets may be impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software programmes are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement.

Costs associated with maintenance of computer software programmes are recognised as an expense when incurred. Computer software costs are amortised using the straight line method over their useful economic life, not exceeding a period of five years. Amortisation commences when the computer software is available for use and is included within “Depreciation, amortisation and impairment” in the consolidated income statement.

Leases

(a) A Group company as a lessee

Finance lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Finance leases are capitalised at the lease’s commencement at the lower of the fair value of the leased property and 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 corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases is depreciated over the shorter of the useful economic life of the asset or the lease term.

Operating lease

An operating lease is a lease other than a finance lease. Payments made under operating leases (net of any incentives received by the lessor) are charged to the consolidated income statement on a straight line basis over the period of the lease.

(b) A Group company as a lessor

Finance lease and hire purchase

When assets are leased out under finance lease/hire purchase, 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. The present value of the receivable is recognised in the consolidated balance sheet under “Advances to customers”. Lease income and hire purchase fees are recognised in the consolidated income statement in a systematic manner, based on instalments receivable during the year so as to provide a constant periodic rate of interest using the net investment method.

Operating lease

Assets leased out under operating leases are presented in the consolidated balance sheet and are depreciated over their useful economic lives. Payments received under operating leases are recorded in the consolidated income statement on a straight line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Land and buildings are shown at fair value, based on periodic valuations by external independent professional valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net carrying amount is restated to the revalued amount of the asset. Revaluations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of property and equipment.

Increases in the carrying amount arising on revaluation of land and buildings are credited to fair value reserves in equity. Decreases that offset previous increases of the same asset are charged against those reserves. All other decreases are charged to the consolidated income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the consolidated income statement and depreciation based on the asset's original cost is transferred from property fair value reserves to revenue reserves.

Land is not depreciated. Depreciation on other property and equipment is calculated using the straight line method to allocate the cost or revalued amount of each asset less their residual values, over their estimated useful economic lives. The estimated useful economic lives are as follows:

	Years
Buildings	33 - 50
Furniture and equipment	3 – 10

The assets' residual values and useful economic lives are reviewed and adjusted if appropriate at each balance sheet date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Gains and losses on disposal of property and equipment are determined by comparing proceeds with carrying amount and are included in the consolidated income statement. When revalued assets are sold, the amounts included in the property fair value reserves are transferred to revenue reserves.

Properties under construction are carried at cost less any impairment loss where the recoverable amount of the property under construction is estimated to be lower than its carrying value. Depreciation for these assets commences when the assets are ready for their intended use.

Impairment of non-financial assets

Assets that have an indefinite useful economic life are not subject to depreciation or amortisation and are tested for impairment annually and whenever there is an indication that these assets may be impaired. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Borrowings

Borrowings, comprising of senior debt and loan capital, are recognised initially at fair value, being the issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the proceeds net of transaction costs and the redemption value is recognised in the consolidated income statement over the period of the borrowings. A financial liability is derecognised when it is extinguished, that is, when the obligation is discharged, cancelled or expired.

Share capital

Ordinary shares are classified as equity.

(a) Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the share issue proceeds.

(b) Dividends on ordinary shares

The dividend distribution to the Bank's ordinary shareholders is recognised in the period in which the dividend is approved by the Bank's shareholders.

Dividend for the year that is declared after the balance sheet date is disclosed in Note 53.

(c) Treasury shares

Where any group company purchases the Bank's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Bank's equity holders until the shares are sold or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs is included in equity attributable to the Bank's equity holders.

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 will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Credit-related transactions

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. The Group is also involved in trading transactions whereby it issues guarantees and documentary credits (known as credit-related instruments) on behalf of its customers. Assets arising from payments to a third party where the Group is awaiting reimbursement from the customer are shown on the consolidated balance sheet, less any necessary provisions.

Fiduciary activities

Where the Group acts in a fiduciary capacity such as nominee, trustee or agent, assets and related income arising thereon together with related undertakings to return such assets to customers are excluded from these consolidated financial statements.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The primary segment of the Group is by business segment. There are three major classes of business:

(a) Banking services, which include the activities of the banks.

(b) Insurance services, which include the activities of the life insurance and general insurance companies of the Group (discontinued operations as disclosed in Note 13).

(c) Financial and other services, which include the activities of all other subsidiaries of the Group.

The secondary geographical segments of the Group are analysed as follows:

(a) Operations in Cyprus, which incorporate the activities of all Group companies in Cyprus.

(b) Operations in Greece.

(c) Operations in other countries.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. The consolidated balance sheet at 31 December, 2007 has been restated to reflect the adjustments to the initial accounting in relation to the initial results of the purchase price allocation regarding the acquisition of Marine Transport Bank as explained in Note 52. The consolidated income statement for the year ended 31 December, 2007 has been restated to reflect the classification of the insurance operations of the Group as discontinued operations.

With the introduction of the Euro as the official currency of the Republic of Cyprus as from 1 January, 2008, the functional currency of the Bank and its Cyprus subsidiaries has changed from Cyprus pounds to Euro. As a result, the financial position of the Bank and the Group at 1 January, 2008 has been converted into Euro based on the definite fixing of the exchange rate €1 = C£ 0,585274. The presentation currency used in the Group's consolidated financial statements as from 1 January, 2008 is the Euro and all comparatives have been converted into Euro using the above exchange rate.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Accounting 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.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment losses on advances to customers

The Group assesses at each balance sheet date whether there is objective evidence that advances to customers are impaired. Advances to customers are impaired and impairment losses are incurred only 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 the loss event (or events) has an impact on the estimated future cash flows.

The criteria that the Group uses to determine that there is objective evidence for an impairment loss include:

(i) violation of the contractual terms resulting in the delay of capital or interest payment,

(ii) evidence for significant deterioration in the loan repayment ability,

(iii) undertaking of legal action,

(iv) bankruptcy,

(v) other objective evidence that leads to the conclusion that the Group will not collect the full amount due.

For an advance that has been characterised as impaired, the present value of its future cash flows is considered to be the recoverable value of its securities. In addition, for significant amounts, other factors are taken into consideration, such as the financial status of the customer, the alternative sources of funds available and the extent to which credit worthy guarantors can support the customer. The provision amount is calculated as the difference between the advance's carrying amount and the recoverable amount, including all securities and guarantees.

(b) Fair value of financial instruments

The fair value of financial instruments that are not quoted in an active market is determined using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The valuation techniques used are frequently assessed to ensure their validity and appropriateness. Changes in methods and assumptions about these factors could affect the reported fair value of financial instruments.

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of estimates and assumptions as disclosed in Note 28.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical accounting estimates and assumptions (continued)

(c) Impairment of goodwill (continued)

For the banking operations in Greece, if the estimated return on equity was 10% lower than management's estimates, the Group would not have to recognise any impairment of goodwill. If the discount rate applied to the discounting of cash flows was 8% higher than the management's estimates, the Group would not have to recognise any impairment of goodwill.

For the banking operations in Romania, if the estimated return on equity was 4% lower than management's estimates, or the discount rate applied to the discounting of cash flows was 3% higher than the management's estimates, the Group would not have to recognise any impairment of goodwill.

For the banking operations in Ukraine, if the estimated return on equity was 22% lower than management's estimates, the Group would not have to recognise any impairment of goodwill. If the discount rate applied to the discounting of cash flows was 19% higher than the management's estimates, the Group would not have to recognise any impairment of goodwill.

Finally, for the banking operations in Serbia, if the estimated return on equity was 3% lower than management's estimates, or the discount rate applied to the discounting of cash flows was 2,5% higher than the management's estimates, the Group would not have to recognise any impairment of goodwill.

(d) Value of life policies in force

The value of life policies in force is determined in consultation with qualified actuaries as stated in Note 2. The value of life policies in force is calculated by discounting future profits that are expected to emerge from in force business at a discount rate that includes a risk margin. The risk margin reflects the uncertainty in expected future profits. Projections of profit are based on prudent assumptions relating to macroeconomic fundamentals, future mortality, persistency and level of administrative and selling expenses, and average return on investments. The assumptions used in the actuarial valuation are disclosed in Note 28. The assumptions and valuation method are reviewed on each reporting date. Any changes in the estimates and assumptions made are likely to have an effect on the value of life policies in force.

(e) Life insurance business

The estimate for future benefits for long term life insurance contracts is determined by an actuarial valuation by using appropriate assumptions such as mortality rates, returns on investments made to cover the future insurance claims, the growth in administrative expenses and the maintainability of insurance policies. Mortality rates used are based on international standardised tables that reflect past experience. The average return of investment estimate is established by using current returns, as well as, predictions for the performance of the economy and capital markets.

The assumptions and valuation method are reviewed on each reporting date. Any adjustments are reflected in the insurance contract liabilities in the balance sheet.

An estimate for gross claims relating to short term general and health insurance contracts, is made at the balance sheet date, whether reported or not. The estimate takes into account past experience and related insurance market trends.

(f) Insurance policy claims

Insurance liabilities for claims are calculated by using information relating to the claim. The Group assesses each claim separately and the estimated liability is based on the facts of each claim, experience and other relevant factors, on a case-by-case basis.

The Group is liable for all events covered by the policy even if the loss is discovered after the policy's expiry date. A provision is made for claims incurred but not yet reported (IBNR). The method employed to estimate the total cost of claims incurred but not reported is disclosed in Note 46.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical accounting estimates and assumptions (continued)

(g) Retirement benefits

The present value of liabilities arising from staff retirement benefits is determined with an actuarial valuation using specific assumptions. These assumptions are disclosed in Note 8. According to the Group's accounting policy for retirement benefits, any changes in the assumptions are likely to have an effect on the level of the unrecognised actuarial gain or loss.

(h) Tax

The Group is subject to income tax in various jurisdictions in which it operates. In order to establish the current and deferred tax, as presented in the consolidated balance sheet, significant assumptions are required. For specific transactions and calculations the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax 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.

Critical judgments in applying Group accounting policies

(a) Held-to-maturity financial assets

The Group follows the guidance provided in IAS 39 in relation to the classification of non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity financial assets. Critical judgment is required when applying the classification, which takes into account the Group's intention and ability to hold investments to maturity. If the Group fails to hold the investments to maturity for any reason other than those explained in IAS 39, all financial assets held in the asset class will have to be reclassified as available-for-sale financial assets. Under these circumstances, investments will be presented at fair value and not amortised cost, in which case the book value of investments will decrease by € 57.858.000 (2007: increase € 1.799.000) with a corresponding debit in the fair value reserves within equity.

(b) Impairment of available-for-sale financial assets

The Group follows the guidance in IAS 39 to determine if an investment has been impaired. This decision requires critical judgment as to whether there is objective evidence of impairment. In making this judgment, the Group evaluates among other factors whether there is objective evidence of impairment as a result of a loss event or events and whether there has been a significant or prolonged decline in the fair value of a financial asset compared to cost, as well as the financial viability and the short-term future of the investment by considering factors such as the industry and sector performance, changes in technology and operational and financing cash flows.

4. NET INTEREST INCOME

	2008 € '000	2007 € '000
Interest income		
Interest from advances to customers	**1.482.056**	1.076.803
Interest from other banks	**295.779**	359.604
Interest from bonds and other interest	**250.316**	192.633
	2.028.151	1.629.040
Interest expense		
Interest on customer deposits	**886.472**	722.612
Interest to other banks	**299.065**	133.277
Interest on loan capital and other interest	**98.210**	108.379
	1.283.747	964.268

5. NET FEE AND COMMISSION INCOME

	2008 € '000	2007 € '000
Fee and commission income		
Banking related fees and commissions	**183.426**	151.546
Portfolio and other management fees	**119.778**	166.886
Other fees and commissions	**36.344**	55.168
	339.548	373.600
Fee and commission expense		
Fees	**15.944**	13.632
Commissions	**36.865**	51.076
	52.809	64.708

6. (LOSS)/PROFIT ON DISPOSAL AND REVALUATION OF SECURITIES

	2008 € '000	2007 € '000
(Loss)/profit on disposal of financial assets at fair value through profit or loss	**(4.488)**	4.414
Profit on disposal of available-for-sale financial assets	**7.209**	119.221
(Loss)/profit on revaluation of financial assets at fair value through profit or loss	**(48.799)**	25.535
Impairment of available-for-sale financial assets	**(21.618)**	(1.491)
	(67.696)	147.679

Included within profit on disposal and revaluation of securities for 2007 is an amount of € 12 m which relates to the profit from the sale of shares of Universal Life Insurance Public Co Ltd, an amount of € 38,2 m which relates to the profit from the sale of shares and warrants of Hellenic Bank Public Company Ltd and an amount of € 68,5 m which relates to the profit from the sale of shares of Bank of Cyprus Public Company Ltd held by the Group.

7. OTHER INCOME

	2008 € '000	2007 € '000
Dividend from available-for-sale financial assets	**14.129**	9.337
Dividend from financial assets at fair value through profit or loss	**3.189**	3.108
Fair value gain on investment property (Note 29)	**5.509**	676
(Loss)/profit on disposal of investment property	**(56)**	271
Profit on disposal of property and equipment (Note 30)	**4.411**	282
Other income	**29.693**	9.348
	56.875	23.022

8. STAFF COSTS

	2008 € '000	2007 € '000
Salaries and employer's contributions	**291.972**	250.272
Retirement benefit costs:		
Defined benefit plans	**26.978**	30.657
Defined contribution plans	**551**	398
Share-based payment compensation	**3.841**	3.387
Other staff costs	**26.407**	40.507
	349.749	325.221

The amounts recognised in the consolidated income statement with respect to the defined benefit plans are as follows:

	2008 € '000	2007 € '000
Current service cost	**21.828**	19.196
Interest cost on plan liabilities	**18.687**	15.950
Expected return on plan assets	**(13.489)**	(3.425)
Actuarial (gain)/loss recognised in the year	**(43)**	362
Loss on curtailments and settlements	**2.297**	-
	29.280	32.083
Less: Discontinued operations	**(2.302)**	(1.426)
	26.978	30.657

Defined Benefit Plans

The amounts recognised in the consolidated balance sheet with respect to the defined benefit plans are shown below:

	2008 € '000	2007 € '000
Present value of funded obligations	**80.944**	150.773
Fair value of plan assets	**(43.635)**	(170.679)
	37.309	(19.906)
Present value of unfunded obligations	**186.400**	205.240
Unrecognised actuarial gain	**5.008**	34.493
Retirement benefit obligations in the consolidated balance sheet	**228.717**	219.827

Included in the amount of plan assets there is an amount of € 17.118.000 (2007: € 46.670.000) which relates to the fair value of the Bank's assets.

8. STAFF COSTS (continued)

Defined Benefit Plans (continued)

The movement in the retirement benefit obligations recognised in the consolidated balance sheet is as follows:

	2008	2007
	€ '000	€ '000
Balance 1 January	**219.827**	196.421
Total expense charged in the consolidated income statement:		
Continuing operations	**26.978**	30.657
Discontinued operations	**2.302**	1.426
Benefits paid	**(8.700)**	(7.629)
Contributions	**(526)**	(1.091)
Decrease due to subsidiaries disposed	**(10.858)**	-
Exchange differences	**(306)**	43
Balance 31 December	**228.717**	219.827

The movement in the present value of funded and unfunded obligations is as follows:

	2008	2007
	€ '000	€ '000
Balance 1 January	**356.013**	322.180
Current service cost	**21.828**	19.196
Interest cost	**18.687**	15.950
Contributions	**134**	125
Benefits paid	**(12.406)**	(11.137)
Actuarial (gain)/loss on obligation	**(103.556)**	12.927
Loss on curtailments and settlements	**2.297**	-
Decrease due to subsidiaries disposed	**(11.328)**	(1.597)
Exchange differences	**(4.325)**	(1.631)
Balance 31 December	**267.344**	356.013

The movement in the fair value of plan assets is as follows:

	2008	2007
	€ '000	€ '000
Balance 1 January	**170.679**	143.228
Expected return on plan assets	**13.489**	3.425
Contributions	**660**	1.216
Benefits paid	**(3.706)**	(3.508)
Actuarial (loss)/gain on plan assets	**(134.590)**	29.128
Decrease due to subsidiaries disposed	**(470)**	(1.837)
Exchange differences	**(2.427)**	(973)
Balance 31 December	**43.635**	170.679

8. STAFF COSTS (continued)

Defined Benefit Plans (continued)

Plan assets are comprised as follows:

	2008		2007	
	€ '000	**%**	€ '000	%
Equities	**38.242**	**87,6**	164.834	96,6
Bonds	**1.122**	**2,6**	1.039	0,6
Cash	**4.271**	**9,8**	4.806	2,8
	43.635	**100,0**	170.679	100,0

Equities include shares of Marfin Popular Bank Public Co Ltd of a value of € 32,2 m (2007: € 155,2 m).

The principal assumptions used in the actuarial valuations were:

	2008			2007		
	Cyprus	**United Kingdom**	**Greece**	Cyprus	United Kingdom	Greece
Discount rate	**5,75%**	**6,2%**	**5,5%**	5,25%	5,7%	5,0%
Average expected return on plan assets	**7,8%**	**7,5%**	**5,0%**	8,0%	6,0%	5,0%
Average increase in basic insurable earnings	**4,0%**	**-**	**-**	4,0%	-	-
Average increase in total salaries	**6,75%**	**3,2%**	**4,0%**	7,0%	4,3%	4,5%
Average increase in inflation	**2,0%**	**2,5%**	**2,5%**	2,5%	3,3%	2,5%
Rate of increase of pension payments	**-**	**2,3%**	**-**	-	2,7%	-

	2008	2007	2006
	€ '000	€ '000	€ '000
At 31 December			
Present value of obligations	**267.344**	356.013	322.003
Fair value of plan assets	**(43.635)**	(170.679)	(143.206)
Unrecognised actuarial gain	**5.008**	34.493	17.624
Retirement benefit obligations in the consolidated balance sheet	**228.717**	219.827	196.421
Experience adjustments on obligations	**48.118**	(30.662)	(10.957)
Experience adjustments on plan assets	**(134.590)**	29.128	68.328

9. DEPRECIATION, AMORTISATION AND IMPAIRMENT

	2008 € '000	2007 € '000
Depreciation of property and equipment (Note 30)	**21.390**	17.378
Fair value adjustment on property (a)	**184**	(1.720)
Amortisation of computer software (Note 28)	**7.601**	7.176
Amortisation of other intangible assets (Note 28)	**20.944**	22.520
Impairment of goodwill (Note 28)	**400**	-
	50.519	45.354

(a) The fair value adjustment on property for 2007 relates to an increase in the carrying amount of property that reverses a revaluation decrease that was previously recognised in the consolidated income statement.

10. ADMINISTRATIVE EXPENSES

	2008 € '000	2007 € '000
Occupancy costs	**24.579**	12.762
Computer maintenance costs	**11.788**	10.946
Marketing and sales expenses	**26.224**	21.521
Operating lease rentals	**33.144**	27.584
Printing and stationery expenses	**5.882**	5.922
Telephone expenses	**8.474**	5.811
Auditors' remuneration	**1.503**	1.037
Other administrative expenses	**79.363**	75.000
	190.957	160.583

11. PROVISION FOR IMPAIRMENT OF ADVANCES

	2008 € '000	2007 € '000
Provision for impairment of advances for the year (Note 21)	**194.688**	168.325
Release of provision and recoveries (Note 21)	**(65.274)**	(70.387)
	129.414	97.938

12. TAX

	2008 € '000	2007 € '000
Current year tax		
Cyprus corporation tax	**27.611**	29.300
Defence tax	**32**	36
Overseas tax	**49.005**	49.033
Deferred tax (Note 38)	**(20.745)**	4.782
Total current year tax	**55.903**	83.151
Prior years' tax	**121**	1.330
Total tax charge	**56.024**	84.481

12. TAX (continued)

The profit of the Bank and its subsidiaries in Cyprus is subject to corporation tax at the rate of 10%. The profit from overseas operations is subject to taxation at the tax rates applicable in the countries in which the profit is derived. In Greece and Ukraine, the tax rate applicable is 25%, in Australia 30%, in Guernsey and Serbia 10%, in Romania 16%, in Malta 35% and in Russia 24%. In the United Kingdom the tax rate has decreased from 30% to 28%. In Estonia the income tax rate is 22% and it is applied on the gross amount of actual and deemed profit distributions and not on profit earned.

For tax purposes in Cyprus, under certain circumstances, interest may be subject to defence tax at the rate of 10%. In this case 50% of interest income is exempted from corporation tax, leading to an effective tax rate of 15%. In certain circumstances dividends from overseas may be subject to defence tax at the rate of 15%.

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	2007
	€ '000	€ '000
Profit before tax	**367.175**	549.703
Tax calculated at the applicable tax rates	**36.718**	54.970
Tax effect of expenses not deductible for tax purposes	**4.885**	12.193
Tax effect of income not subject to tax	**(26.816)**	(13.829)
Tax effect of different tax rates in other countries	**41.116**	29.817
Total current year tax	**55.903**	83.151

13. DISCONTINUED OPERATIONS

(a) Group insurance businesses

On 18 December, 2008 the long-term cooperation agreement between the French CNP Assurances S.A. (CNP) and the Group for the development of insurance activities in Greece and Cyprus via the Group's networks was finalised. This agreement includes the transfer of 50,1% of the share capital of Marfin Insurance Holdings Ltd from the Bank to CNP and the reaching of a ten year renewable, exclusive distribution agreement with the option to expand to other countries that the Group is active. Marfin Insurance Holdings Ltd holds 100% of Laiki Cyprialife Ltd (life insurance in Cyprus), Laiki Insurance Ltd (general insurance in Cyprus and Greece), Marfin Life S.A. (life insurance in Greece) and Marfin Insurance Brokers S.A. (agency insurance activities in Greece).

As a result of the aforementioned and in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", the assets and liabilities of the insurance companies are no longer consolidated as from the date which CNP assumed management control of these companies. The Bank's 49,9% participation in these companies is now classified as investment in associate (Note 27).

13. DISCONTINUED OPERATIONS (continued)

(a) Group insurance businesses (continued)

The results of the insurance companies for 2007 and 2008 when the Bank owned 100% of the companies, are included in the consolidated income statement as profit after tax from discontinued operations. This profit is analysed as follows:

	2008	2007
	€ '000	€ '000
Net interest income	**5.672**	4.520
Net fee and commission income	**2.395**	1.028
(Loss)/profit on disposal and revaluation of securities	**(708)**	12.404
Net premiums and other income from insurance contracts	**138.009**	130.735
Net benefits, claims and other expenses from insurance contracts	**(52.068)**	(125.876)
Net (expenses)/income from assets backing policyholders' liabilities	**(50.627)**	35.415
Other income	**19.972**	8.100
Operating income	**62.645**	66.326
Staff costs	**(15.577)**	(13.900)
Depreciation and amortisation	**(648)**	(673)
Administrative expenses	**(6.708)**	(5.736)
Profit before provision for impairment of advances	**39.712**	46.017
Provision for impairment of advances	**216**	27
Profit before tax	**39.928**	46.044
Tax	**(6.108)**	(4.320)
Profit after tax	**33.820**	41.724
Profit on disposal of insurance companies (Note 51)	**58.374**	-
Profit after tax from discontinued operations	**92.194**	41.724

(b) Marfin Investment Group Holdings S.A.

In accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", the Group's investment in the non-banking activities of the group of Marfin Investment Group Holdings S.A. is presented during the year 2007 as a discontinued operation due to reduction in participation and as held for sale at the date of acquisition. The criteria for classification as a disposal group held for sale had been fulfilled within a short period following the acquisition according to the provisions of IFRS 5. Consequently, the assets and liabilities which relate to the non-banking activities of the group of Marfin Investment Group Holdings S.A. were presented as held for sale at 31 December, 2006 and the results for the six-monthly period ended 30 June, 2007, during which Marfin Investment Group Holdings S.A. was a subsidiary of Marfin Popular Bank Public Co Ltd are included in the consolidated income statement for the year ended 31 December, 2007 as profit after tax from discontinued operations due to reduction in participation.

It is noted that on 12 July, 2007 the share capital increase of € 5,19 bln of Marfin Investment Group Holdings S.A. was completed and the Bank did not participate in this share capital increase. As a result, the Bank's percentage holding in the share capital of Marfin Investment Group Holdings S.A. decreased from 97% to 6,45% in July 2007 and the investment is now classified as an available-for-sale financial asset.

13. DISCONTINUED OPERATIONS (continued)

(b) Marfin Investment Group Holdings S.A. (continued)

Profit after tax from discontinued operations due to reduction in participation as presented on the consolidated income statement is analysed as follows:

	2007
	€ '000
Net interest income	330
Net fee and commission expense	(100)
Profit on disposal and revaluation of securities	83.380
Foreign exchange income	(212)
Other income	12.081
Operating income	95.479
Staff costs	(777)
Depreciation and amortisation	(13)
Administrative expenses	(1.768)
Profit before share of profit from associates	92.921
Share of profit from associates	302
Profit before tax	93.223
Tax	(7.036)
Profit after tax from discontinued operations due to reduction in participation	86.187

14. EARNINGS PER SHARE

Earnings per share was calculated by dividing profit attributable to the equity holders of the Bank with the weighted average number of ordinary shares in issue during the year.

	2008	2007
	€ '000	€ '000
Profit attributable to the equity holders of the Bank	**394.563**	563.338

	2008	2007
	'000	'000
Weighted average number of ordinary shares in issue during the year	**816.111**	781.275
Earnings per share - cent	**48,3**	72,1

14. EARNINGS PER SHARE (continued)

	2008 € '000	2007 € '000
Profit after tax from continuing operations	**311.151**	465.222
Minority interest	**(8.666)**	(14.801)
Profit after tax from continuing operations attributable to the equity holders of the Bank	**302.485**	450.421

	2008 '000	2007 '000
Weighted average number of ordinary shares in issue during the year	**816.111**	781.275
Earnings per share - cent	**37,1**	57,7

Diluted earnings per share in relation to the Share Options is not presented, as the exercise price of the Share Options was higher than the average market price of Marfin Popular Bank Public Co Ltd shares at the Cyprus Stock Exchange and Athens Exchange during the year ended 31 December, 2008 and 31 December, 2007.

15. CASH AND BALANCES WITH CENTRAL BANKS

Cash and balances with Central Banks include obligatory minimum reserves held for liquidity purposes. These reserves are not available for financing the Group's operational transactions.

	2008 € '000	2007 € '000
Cash in hand	**178.860**	149.626
Balances with Central Banks other than obligatory reserves for liquidity purposes	**1.146.505**	366.768
Obligatory reserves for liquidity purposes	**514.305**	830.725
	1.839.670	1.347.119

16. DUE FROM OTHER BANKS

	2008 € '000	2007 € '000
Advances to other banks	**9.273**	39.604
Items in course of collection from other banks	**503.501**	443.692
Placements with other banks	**3.841.407**	4.494.928
	4.354.181	4.978.224
Current	**4.170.811**	4.912.536
Non-current	**183.370**	65.688
	4.354.181	4.978.224

17. RECLASSIFICATION OF FINANCIAL ASSETS

The Group adopted the amendments to IAS 39 and IFRS 7 "Reclassification of Financial Assets" and proceeded to reclassify held-for-trading and available-for-sale bonds to debt securities lending. Additionally, it reclassified bonds from available-for-sale to held-to-maturity and from held-for-trading to available-for-sale. In accordance with the provisions of amended IAS 39, the Group identified the financial assets for which on 1 July, 2008 there was no intention of trading or sale in the foreseeable future and which met the criteria for reclassification. Under IAS 39, as amended, the reclassifications were made with effect from 1 July, 2008 at the fair value on that date.

The book and fair value of the available-for-sale financial assets reclassified to debt securities lending at 1 July, 2008 was € 684 m and their book and fair value at 31 December, 2008 were € 718,5 m and € 618,1 m respectively. Out of the reclassified available-for-sale financial assets € 224,3 m have been hedged for changes in their fair value, which arise because of the risk of change in interest rates. The Group will continue to use hedge accounting for these financial assets.

The book and fair value of the available-for-sale financial assets reclassified to held-to-maturity financial assets at 1 July, 2008 was € 79,9 m and their book and fair value at 31 December, 2008 after redemptions were € 42,4 m and € 42,3 m respectively.

The book and fair value of the held-for-trading financial assets reclassified to debt securities lending at 1 July, 2008 was € 33,3 m and their book and fair value at 31 December, 2008 were € 34,6 m and € 31,6 m respectively.

The book and fair value of the held-for-trading financial assets reclassified to available-for-sale financial assets at 1 July, 2008 was € 11,4 m and their book and fair value at 31 December, 2008 were € 9,8 m.

Had the Group not reclassified the bonds on 1 July, 2008 the consolidated income statement for the last six months of 2008 would have included additional unrealised fair value losses for the six months July to December 2008 on the reclassified held-for-trading financial assets of € 4,4 m.

If the reclassification had not been made the fair value reserves would have included € 99,3 m of additional unrealised fair value losses for the six months July to December 2008 as a result of the change in the fair value of the bonds reclassified in and out of the available-for-sale financial assets.

At 1 October, 2008 the Group reclassified equity securities held-for-trading to available-for-sale financial assets. Their book and fair value at 1 October, 2008 and 31 December, 2008 were € 1,3 m and € 0,7 m respectively. Had the Group not reclassified these equity securities, € 0,5 m unrealised fair value losses for the period 1 October, 2008 to 31 December, 2008 would have been included in the consolidated income statement instead of in the fair value reserves.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Held for trading		Designated at fair value through profit or loss at inception		Total	
	2008	2007	**2008**	2007	**2008**	2007
	€ '000	€ '000	**€ '000**	€ '000	**€ '000**	€ '000
Debt securities	**84.250**	180.379	**-**	117.961	**84.250**	298.340
Government bonds and treasury bills	**14.884**	57.657	**-**	-	**14.884**	57.657
Equity securities and funds	**108.416**	215.949	**-**	116.668	**108.416**	332.617
Derivative financial instruments with positive fair value (Note 41)	**149.369**	27.466	**-**	-	**149.369**	27.466
	356.919	481.451	**-**	234.629	**356.919**	716.080
Current	**279.083**	247.843	**-**	27.031	**279.083**	274.874
Non-current	**77.836**	233.608	**-**	207.598	**77.836**	441.206
	356.919	481.451	**-**	234.629	**356.919**	716.080
Debt securities						
Listed on the Cyprus Stock Exchange	**438**	415	**-**	66.446	**438**	66.861
Listed on other Stock Exchanges	**68.766**	166.840	**-**	28.438	**68.766**	195.278
Not listed	**15.046**	13.124	**-**	23.077	**15.046**	36.201
	84.250	180.379	**-**	117.961	**84.250**	298.340
Government bonds and treasury bills						
Listed on the Cyprus Stock Exchange	**2.990**	3.068	**-**	-	**2.990**	3.068
Listed on other Stock Exchanges	**11.894**	54.589	**-**	-	**11.894**	54.589
	14.884	57.657	**-**	-	**14.884**	57.657
Government bonds and treasury bills eligible for rediscounting with the Central Bank of Cyprus	**2.990**	3.068	**-**	-	**2.990**	3.068
Other government bonds and treasury bills	**11.894**	54.589	**-**	-	**11.894**	54.589
	14.884	57.657	**-**	-	**14.884**	57.657
Equity securities and funds						
Listed on the Cyprus Stock Exchange	**3.691**	16.985	**-**	65.422	**3.691**	82.407
Listed on other Stock Exchanges	**19.853**	90.473	**-**	51.161	**19.853**	141.634
Not listed	**84.872**	108.491	**-**	85	**84.872**	108.576
	108.416	215.949	**-**	116.668	**108.416**	332.617

Financial assets at fair value through profit or loss amounting to € 43.973.000 have been pledged in relation to funding from Central Banks.

Financial assets at fair value through profit or loss are presented as part of "Cash generated from operations" in the consolidated cash flow statement (Note 42).

Changes in fair values of financial assets at fair value through profit or loss are recorded in "(Loss)/profit on disposal and revaluation of securities" in the consolidated income statement (Note 6).

Financial assets designated at fair value through profit or loss at inception are those whose performance is evaluated on a fair value basis, in accordance with a documented investment strategy. Information about these financial assets is provided internally on a fair value basis to key management personnel.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The value of financial assets and liabilities related to customer insurance contracts is determined at their fair value. If financial assets linked with insurance contract liabilities were not designated at inception as fair value through profit or loss they would have been classified as available-for-sale and any change in fair value would have been recognised in fair value reserves in equity. The designation of financial assets and liabilities linked with customer insurance contracts as fair value through profit or loss allows the recognition of fair value changes in the consolidated income statement.

19. ADVANCES TO CUSTOMERS

	2008 **€ '000**	2007 € '000
Advances to individuals	**7.654.705**	6.316.800
Advances to corporate entities:		
Large corporate customers	**8.297.091**	5.890.429
Small and medium size enterprises (SMEs)	**8.200.292**	6.080.275
Advances to customers - gross	**24.152.088**	18.287.504
Provision for impairment of advances (Note 21)	**(724.862)**	(672.396)
Advances to customers - net	**23.427.226**	17.615.108
Current	**7.740.226**	6.227.711
Non-current	**15.687.000**	11.387.397
	23.427.226	17.615.108

The gross amount of advances to customers, includes gross receivables from instalment finance and leasing, amounting to € 1.032.238.000 (2007: € 963.174.000) (Note 20).

The amount of income suspended is included in provision for impairment of advances.

20. INSTALMENT FINANCE AND LEASING

	2008 **€ '000**	2007 € '000
Gross investment in hire purchase and finance leases	**1.176.884**	1.053.251
Unearned finance income	**(144.646)**	(90.077)
Present value of minimum hire purchase and finance lease payments (Note 19)	**1.032.238**	963.174
Provision for impairment of hire purchase and finance leases	**(111.464)**	(98.007)
	920.774	865.167
Gross investment in hire purchase and finance leases		
Less than one year	**382.630**	357.074
Over one but less than five years	**536.156**	494.636
Over five years	**258.098**	201.541
	1.176.884	1.053.251
Present value of minimum hire purchase and finance lease payments		
Less than one year	**352.050**	330.066
Over one but less than five years	**453.327**	442.944
Over five years	**226.861**	190.164
	1.032.238	963.174

20. INSTALMENT FINANCE AND LEASING (continued)

The most important terms of the hire purchase contracts are as follows:

- The hirer pays a nominal fee at the end of the hire purchase term in exchange for the right to purchase the goods.
- The hirer pays monthly instalments including interest on the amount outstanding.
- The hirer is responsible for any loss or damage incurred on the goods concerned.

The most important terms of the finance lease contracts are as follows:

- The lessee undertakes the equipment under lease for the rental period concerned and pays during that period rentals and any other amounts that are payable in accordance with the terms of the contract.
- The rentals and any other amounts payable are subject to interest.
- The lessee is obliged to maintain the equipment in good condition and to compensate the owner for any damage or fault occurred.
- Upon expiry of the agreement, the lessee can either return the equipment to the owner or pay a minimal annual nominal fee in exchange for the right to continue to use the equipment.

21. PROVISION FOR IMPAIRMENT OF ADVANCES

The following is an analysis of the total provision for impairment of advances:

	Provisions € '000	Suspension of income € '000	Total € '000
2008			
Balance 1 January	**570.386**	**102.010**	**672.396**
Provision for impairment of advances from:			
Business acquisitions	**14.321**	**1.765**	**16.086**
Business disposals	**(73)**	**(57)**	**(130)**
Provision for impairment of advances for the year:			
Continuing operations (Note 11)	**194.688**	**-**	**194.688**
Discontinued operations	**73**	**-**	**73**
Release of provision and recoveries:			
Continuing operations (Note 11)	**(65.274)**	**(18.595)**	**(83.869)**
Discontinued operations	**(289)**	**(157)**	**(446)**
Advances written-off	**(75.050)**	**(24.686)**	**(99.736)**
Exchange differences	**(8.446)**	**-**	**(8.446)**
Suspension of income for the year	**-**	**34.246**	**34.246**
Balance 31 December	**630.336**	**94.526**	**724.862**
2007			
Balance 1 January	502.626	119.281	621.907
Provision for impairment of advances from business acquisitions	7.103	-	7.103
Provision for impairment of advances for the year (Note 11)	168.325	-	168.325
Release of provision and recoveries:			
Continuing operations (Note 11)	(70.387)	(39.886)	(110.273)
Discontinued operations	(27)	-	(27)
Advances written-off	(39.090)	(8.519)	(47.609)
Exchange differences	1.836	-	1.836
Suspension of income for the year	-	31.134	31.134
Balance 31 December	570.386	102.010	672.396

21. PROVISION FOR IMPAIRMENT OF ADVANCES (continued)

The following is an analysis of the movement of the provision for impairment of advances by class:

		Corporate entities		
	Individuals € '000	Large corporate customers € '000	Small and medium size enterprises € '000	Total € '000
2008				
Balance 1 January	**275.074**	**178.896**	**218.426**	**672.396**
Provision for impairment of advances from:				
Business acquisitions	**24**	**7.616**	**8.446**	**16.086**
Business disposals	**(130)**	**-**	**-**	**(130)**
Provision for impairment of advances, including suspension of income, for the year	**101.926**	**21.719**	**105.362**	**229.007**
Release of provision and recoveries	**(22.656)**	**(28.555)**	**(33.104)**	**(84.315)**
Advances written-off	**(42.378)**	**(36.013)**	**(21.345)**	**(99.736)**
Exchange differences	**(2.615)**	**(4.287)**	**(1.544)**	**(8.446)**
Balance 31 December	**309.245**	**139.376**	**276.241**	**724.862**
2007				
Balance 1 January	230.395	191.604	199.908	621.907
Provision for impairment of advances from business acquisitions	1.169	3.856	2.078	7.103
Provision for impairment of advances, including suspension of income, for the year	98.356	43.369	57.734	199.459
Release of provision and recoveries	(29.071)	(55.054)	(26.175)	(110.300)
Advances written-off	(26.296)	(5.332)	(15.981)	(47.609)
Exchange differences	521	453	862	1.836
Balance 31 December	275.074	178.896	218.426	672.396

The total amount of non-performing loans, including accumulated income suspended, amounts to € 1.141.659.000 (2007: € 976.337.000). The total amount of non-performing loans excluding accumulated income suspended amounts to € 1.047.133.000 (2007: € 874.327.000).

22. DEBT SECURITIES LENDING

The Group adopted the amendments to IAS 39 and IFRS 7 "Reclassification of Financial Assets" and proceeded to reclassify held-for-trading and available-for-sale bonds to debt securities lending. In accordance with the provisions of amended IAS 39, the Group identified the financial assets for which on 1 July, 2008 there was no intention of trading or sale in the foreseeable future and which met the criteria for reclassification. Under IAS 39, as amended, the reclassifications were made with effect from 1 July, 2008 at the fair value on that date (Note 17).

	2008 **€ '000**	2007 € '000
Debt securities	**850.520**	-
Government bonds and treasury bills	**87.775**	-
	938.295	-
Current	**22.703**	-
Non-current	**915.592**	-
	938.295	-
Movement for the year		
Balance 1 January	**-**	-
Debt securities lending from business acquisitions (Note 52(b))	**18.853**	-
Transfer from financial assets at fair value through profit or loss	**33.335**	-
Transfer from available-for-sale financial assets (Note 23)	**684.013**	-
Revaluation of hedged debt securities lending in relation to hedged risk	**28.597**	-
Additions	**208.050**	-
Redemptions	**(45.129)**	-
Amortisation of premium/discount	**5.902**	-
Exchange differences	**4.674**	-
Balance 31 December	**938.295**	-

Debt securities lending amounting to € 657.429.000 have been pledged in relation to funding from Central Banks.

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2008 € '000	2007 € '000
Debt securities	**2.545.514**	1.785.856
Government bonds and treasury bills eligible for rediscounting with the Central Bank of Cyprus	**12.500**	17.952
Other government bonds and treasury bills	**762.200**	496.893
Equity securities and funds	**285.959**	436.755
	3.606.173	2.737.456
Listed on the Cyprus Stock Exchange	**12.149**	30.265
Listed on other Stock Exchanges	**3.424.822**	2.603.550
Not listed	**169.202**	103.641
	3.606.173	2.737.456
Current	**424.992**	848.195
Non-current	**3.181.181**	1.889.261
	3.606.173	2.737.456
Movement for the year		
Balance 1 January	**2.737.456**	1.904.630
Available-for-sale financial assets from:		
Business acquisitions (Note 52(a), (b))	**13.426**	792
Business disposals (Note 51)	**(13.040)**	-
Transfer from investments in associates due to loss of significant influence (Note 27)	**-**	1.087
Transfer of subsidiary due to reduction in participation (Note 13(b))	**-**	408.039
Transfer from financial assets at fair value through profit or loss	**12.714**	-
Transfer to held-to-maturity financial assets (Note 24)	**(114.608)**	-
Transfer to debt securities lending (Note 22)	**(684.013)**	-
Additions	**3.213.315**	1.996.217
Redemptions and disposals	**(1.307.037)**	(1.447.264)
Revaluation for the year	**(186.360)**	(87.002)
Amortisation of premium/discount	**(18.669)**	(3.952)
Exchange differences	**(47.011)**	(35.091)
Balance 31 December	**3.606.173**	2.737.456

Included in available-for-sale financial assets as at 31 December, 2008 is a 2,79% (2007: 7,26%) shareholding in Marfin Investment Group Holdings S.A.

Available-for-sale financial assets include debt securities amounting to € 2.062.043.000 which have been pledged in relation to funding from Central Banks.

24. HELD-TO-MATURITY FINANCIAL ASSETS

	2008 € '000	2007 € '000
Debt securities	**801.204**	38.704
Government bonds and treasury bills eligible for rediscounting with the Central Bank of Cyprus	**214.377**	273.778
Other government bonds and treasury bills	**148.455**	63.307
	1.164.036	375.789
Listed on the Cyprus Stock Exchange	**214.377**	275.486
Listed on other Stock Exchanges	**881.429**	100.303
Not listed	**68.230**	-
	1.164.036	375.789
Current	**170.289**	88.573
Non-current	**993.747**	287.216
	1.164.036	375.789
Movement for the year		
Balance 1 January	**375.789**	438.128
Held-to-maturity financial assets from:		
Business acquisitions (Note 52(a), (b))	**65.959**	-
Business disposals (Note 51)	**(3.412)**	-
Transfer from available-for-sale financial assets (Note 23)	**114.608**	-
Additions	**1.050.578**	46.037
Redemptions	**(424.598)**	(107.882)
Amortisation of premium/discount	**(14.846)**	(758)
Exchange differences	**(42)**	264
Balance 31 December	**1.164.036**	375.789

Held-to-maturity financial assets amounting to € 952.635.000 have been pledged in relation to funding from Central Banks.

25. OTHER ASSETS

	2008 € '000	2007 € '000
Interest receivable	**265.099**	142.510
Non-current assets held for sale	**12.055**	3.478
Receivables arising from insurance and reinsurance contracts (Note 26)	**-**	20.006
Hedging derivative financial instruments with positive fair value (Note 41)	**2.658**	2.308
Other assets	**216.326**	223.117
	496.138	391.419
Current	**366.169**	329.392
Non-current	**129.969**	62.027
	496.138	391.419

26. RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE CONTRACTS

	2007
	€ '000
Amounts due from contract holders	14.946
Provision for impairment of receivables from contract holders	(1.573)
Amounts due from agents, brokers and intermediaries	6.966
Provision for impairment of receivables from agents, brokers and intermediaries	(438)
Amounts due from reinsurers	447
Provision for impairment of receivables from reinsurers	(342)
	20.006

27. INVESTMENTS IN ASSOCIATES

	2008	2007
	€ '000	€ '000
Balance 1 January	**14.798**	15.132
Share of profit after tax	**2.528**	2.946
Dividend from associates	**(1.853)**	(1.698)
Transfer due to disposal of insurance companies	**84.056**	-
Transfer to available-for-sale financial assets due to loss of significant influence (Note 23)	**-**	(1.087)
Exchange differences	**(56)**	(495)
Balance 31 December	**99.473**	14.798

The investments in associates relate to a 30% interest (2007: 30%) in the share capital of JCC Payment Systems Ltd, a 29,1% (2007: 28,5%) effective interest in the share capital of Aris Capital Management LLC and a 49,9% interest in the share capital of Marfin Insurance Holdings Ltd.

The summary financial information of the associates is as follows:

	2008				
	Assets € '000	**Liabilities € '000**	**Revenues € '000**	**Profit € '000**	**Issued share capital € '000**
JCC Payment Systems Ltd	**61.349**	**17.202**	**22.533**	**7.504**	**1.800**
Aris Capital Management LLC	**1.542**	**394**	**1.550**	**864**	**7**
Marfin Insurance Holdings Ltd	**745.987**	**577.539**	**-**	**-**	**90**

	2007				
	Assets € '000	**Liabilities € '000**	**Revenues € '000**	**Profit € '000**	**Issued share capital € '000**
JCC Payment Systems Ltd	58.676	15.857	20.767	8.911	1.709
Aris Capital Management LLC	1.615	583	1.516	940	7

Marfin Insurance Holdings Ltd holds 100% of Laiki Cyprialife Ltd, Laiki Insurance Ltd, Marfin Life S.A. and Marfin Insurance Brokers S.A. (Note 13(a)). No information is presented regarding its revenues and profit for the year ended 31 December, 2008 as the company was set up at the end of 2008 and will start consolidating its subsidiaries' results from 1 January, 2009.

28. INTANGIBLE ASSETS

	Goodwill € '000	Computer software € '000	Value of policies in force € '000	Other(1) €'000	Total € '000
At 1 January 2007					
Cost or valuation	1.134.470	67.139	43.694	365.062	1.610.365
Accumulated amortisation and impairment	(15.060)	(51.307)	-	(3.570)	(69.937)
Net book value	1.119.410	15.832	43.694	361.492	1.540.428
Year ended 31 December 2007					
Net book value at the beginning of the year	1.119.410	15.832	43.694	361.492	1.540.428
Goodwill from business acquisitions (Note 52(e))	65.299	-	-	-	65.299
Intangible assets from business acquisitions (Note 52(c))	-	-	-	17.529	17.529
Additions(2)	31.961	9.909	-	128	41.998
Disposals	(1.798)	-	-	-	(1.798)
Amortisation charge:					
Continuing operations (Note 9)	-	(7.176)	-	(22.520)	(29.696)
Discontinued operations	-	(78)	-	(128)	(206)
Change in the value of life policies in force	-	-	2.201	-	2.201
Exchange differences	8.932	90	-	4.244	13.266
Net book value at the end of the year	1.223.804	18.577	45.895	360.745	1.649.021
At 31 December 2007					
Cost or valuation	1.238.864	77.984	45.895	387.127	1.749.870
Accumulated amortisation and impairment	(15.060)	(59.407)	-	(26.382)	(100.849)
Net book value	1.223.804	18.577	45.895	360.745	1.649.021
Year ended 31 December 2008					
Net book value at the beginning of the year	**1.223.804**	**18.577**	**45.895**	**360.745**	**1.649.021**
Goodwill from:					
Business acquisitions (Note 52(e))	**85.275**	**-**	**-**	**-**	**85.275**
Business disposals (Note 51)	**(25.273)**	**-**	**-**	**-**	**(25.273)**
Intangible assets from:					
Business acquisitions (Note 52(a), (b))	**-**	**602**	**-**	**418**	**1.020**
Business disposals (Note 51)	**-**	**(350)**	**(47.576)**	**-**	**(47.926)**
Additions(2)	**16.500**	**11.902**	**-**	**-**	**28.402**
Amortisation charge:					
Continuing operations (Note 9)	**-**	**(7.601)**	**-**	**(20.944)**	**(28.545)**
Discontinued operations	**-**	**(141)**	**-**	**-**	**(141)**
Change in the value of life policies in force	**-**	**-**	**1.681**	**-**	**1.681**
Impairment (Note 9)	**(400)**	**-**	**-**	**-**	**(400)**
Exchange differences	**(28.221)**	**(137)**	**-**	**(5.687)**	**(34.045)**
Net book value at the end of the year	**1.271.685**	**22.852**	**-**	**334.532**	**1.629.069**
At 31 December 2008					
Cost	**1.279.968**	**89.359**	**-**	**381.308**	**1.750.635**
Accumulated amortisation and impairment	**(8.283)**	**(66.507)**	**-**	**(46.776)**	**(121.566)**
Net book value	**1.271.685**	**22.852**	**-**	**334.532**	**1.629.069**

(1) The category "Other" included in "Intangible assets" relates to the estimated value amount of trade names, customer relationships and intangible assets in relation to core deposits, computer software and asset management of the Group's subsidiaries in Greece which were acquired in 2006 and the estimated fair value for core deposits and customer relationships of the Group's subsidiary in Ukraine which was acquired in 2007. For the year ended 31 December, 2007 it also relates to the estimated value for the existing branch network and the estimated value for the client base of the Group subsidiary in Serbia which was acquired in 2006 and were fully amortised until 31 December, 2007.

(2) The additions to goodwill during the year relate to the increase in participation of existing subsidiaries of the Group.

28. INTANGIBLE ASSETS (continued)

Intangible assets with indefinite useful lives amount to € 50.790.000 (2007: € 50.790.000). These intangibles have been recognised in relation to the acquisition of the Group's subsidiaries in Greece and relate to trade names. The indefinite useful life of intangible assets have been allocated to the Greek banking operations cash generating unit and they have been assessed as having an indefinite useful life on the basis that there is no foreseeable limit to the period over which the trade names will generate net cash inflows for the Group.

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) according to the country of operation and the business segment for impairment test purposes. The analysis of goodwill is presented below:

	Banking business € '000	**Financial services € '000**	**Total € '000**
Cyprus	-	5.558	5.558
Greece	1.095.611	-	1.095.611
Romania	27.700	-	27.700
Serbia	14.113	-	14.113
Estonia	21	-	21
Ukraine	50.249	-	50.249
Malta	28.562	-	28.562
Russia	49.871	-	49.871
Total	1.266.127	5.558	1.271.685

The recoverable amount for the above CGUs has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three to five year period. Cash flows beyond the period covered by financial budgets are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the business in which each CGU operates.

Key assumptions used for the calculation of value-in-use of the banking operations of the Group are:

	Greece	**Romania**	**Serbia**	**Ukraine**
Average deposit growth rate	12,8%	22,8%	9,6%	29,8%
Average gross advances growth rate	16,4%	9,5%	27,2%	55,3%
Return on equity	19,9%	19,5%	20,0%	28,5%
Cash flow growth rate	2,5%	3,0%	3,0%	2,5%
Discount rate	10,1%	14,9%	16,6%	16,4%

The first impairment test for goodwill in relation to the acquisition of the banking subsidiaries of the Group in Malta and Russia will take place during 2009 following the completion of the initial accounting for the acquisition determined provisionally according to IFRS 3 (Note 52(a), (b)).

Management determines the budgeted net profit margin based on past performance and its expectations for the market development. The weighted average profit growth rate used is consistent with the macroeconomic forecasts for the country of operation. The discount rate used reflects specific risks relating to the CGU.

The impairment tests for goodwill show no impairment of goodwill relating to the banking operations of the Group during 2008.

28. INTANGIBLE ASSETS (continued)

Value of life policies in force

The value of life policies in force is determined in consultation with qualified actuaries and is calculated by discounting future profits that are expected to emerge from in-force business at a discount rate that includes a risk margin. The risk margin is designed to reflect uncertainties in expected profit. Projections of profits that will emerge from policies are based on prudent assumptions relating to long-term economic conditions, future mortality, persistency and level of administrative and selling expenses, and average return on investments. The key assumptions used in the actuarial valuation were risk discount rate (net of tax) of 9,25% (2007: 9,25%), average return on investments (gross of tax) of 5,5% (2007: 5,5%) and inflation rate of 3,5% (2007: 3,5%).

29. INVESTMENT PROPERTY

	2008	2007
	€ '000	€ '000
Balance 1 January	**57.868**	65.272
Transfer from the category "Property and equipment" (Note 30)	**-**	1.984
Investment property from:		
Business acquisitions (Note 52(a))	**745**	-
Business disposals (Note 51)	**(7.221)**	-
Additions	**4.391**	6.514
Disposals	**(33.823)**	(19.284)
Transfer from the category "Non-current assets held for sale"	**-**	274
Fair value gains:		
Continuing operations (Note 7)	**5.509**	676
Discontinued operations	**15.345**	2.122
Exchange differences	**5**	310
Balance 31 December	**42.819**	57.868

The investment properties are revalued annually on 31 December through reference to market prices by independent, professionally qualified valuers with adequate and relevant experience on the nature and the location of the property. Changes in the fair value are included in the consolidated income statement.

Within "Other income" in the consolidated income statement, an amount of € 152.000 (2007: € 895.000) is also included, that concerns income from operating lease rentals from investment properties held by the Group and within "Administrative expenses" an amount of € 375.000 (2007: € 265.000) which represents direct operating expenses arising from investment properties that did not generate rental income during the year.

At 31 December, 2008 there were contractual obligations to purchase, construct or develop investment property amounting to € 486.000 (2007: € 6.317.000).

30. PROPERTY AND EQUIPMENT

	Property € '000	Equipment € '000	Total € '000
At 1 January 2007			
Cost or valuation	231.098	162.616	393.714
Accumulated depreciation	(39.702)	(120.857)	(160.559)
Net book value	191.396	41.759	233.155
Year ended 31 December 2007			
Net book value at the beginning of the year	191.396	41.759	233.155
Property and equipment from business acquisitions	11.004	3.018	14.022
Transfer to the category "Investment property" (Note 29)	(1.984)	-	(1.984)
Additions	14.977	17.670	32.647
Disposals	(1.797)	(5.570)	(7.367)
Revaluation of property	34.861	-	34.861
Depreciation charge:			
Continuing operations (Note 9)	(5.350)	(12.028)	(17.378)
Discontinued operations	(226)	(240)	(466)
Exchange differences	(796)	66	(730)
Net book value at the end of the year	242.085	44.675	286.760
At 31 December 2007			
Cost or valuation	281.147	175.049	456.196
Accumulated depreciation	(39.062)	(130.374)	(169.436)
Net book value	242.085	44.675	286.760
Year ended 31 December 2008			
Net book value at the beginning of the year	**242.085**	**44.675**	**286.760**
Property and equipment from:			
Business acquisitions (Note 52 (a), (b))	**11.167**	**3.101**	**14.268**
Business disposals (Note 51)	**(15.643)**	**(975)**	**(16.618)**
Additions	**25.849**	**22.048**	**47.897**
Disposals	**(25.065)**	**(771)**	**(25.836)**
Revaluation of property	**(230)**	**-**	**(230)**
Depreciation charge:			
Continuing operations (Note 9)	**(6.978)**	**(14.412)**	**(21.390)**
Discontinued operations	**(242)**	**(265)**	**(507)**
Exchange differences	**(8.152)**	**(1.334)**	**(9.486)**
Net book value at the end of the year	**222.791**	**52.067**	**274.858**
At 31 December 2008			
Cost or valuation	**265.158**	**186.161**	**451.319**
Accumulated depreciation	**(42.367)**	**(134.094)**	**(176.461)**
Net book value	**222.791**	**52.067**	**274.858**

30. PROPERTY AND EQUIPMENT (continued)

Included within the property of the Group is an amount of € 8.878.000 (2007: € 9.821.000) which represents buildings under construction.

In the consolidated cash flow statement, proceeds from disposal of property and equipment comprise:

	2008	2007
	€ '000	€ '000
Net book value	**25.836**	7.367
Profit/(loss) on disposal of property and equipment:		
Continuing operations (Note 7)	**4.411**	282
Discontinued operations	**3.058**	(34)
Proceeds from disposal of property and equipment	**33.305**	7.615

At 31 December, 2007 a valuation of the Group's property was performed by independent professional valuers. The fair value of the Group's property is based on market values. Increases in the carrying amount arising on the revaluation of the Group's property were credited to property fair value reserves. Decreases that offset previous increases of the same asset are charged against those reserves. All other decreases are charged to the consolidated income statement.

Included within the property of the Group is an amount of € 7.026.000 (2007: € 2.351.000) which represents leasehold buildings.

The net book value of revalued property that would have been included in the financial statements had the assets been carried at cost less depreciation is € 129.020.000 (2007: € 148.352.000).

31. NET ASSETS ATTRIBUTABLE TO LIFE POLICYHOLDERS

	2007
	€ '000
Deposits with banks	197.797
Financial assets at fair value through profit or loss	234.795
Advances to policyholders	29.977
Balances recoverable from reinsurers and other assets	13.366
Investment property	9.095
Liabilities	(1.546)
	483.484

The aforementioned assets and liabilities attributable to life policyholders of the insurance subsidiaries of the Group are included in the respective assets and liabilities of the consolidated balance sheet for 2007.

32. DUE TO OTHER BANKS

	2008	2007
	€ '000	€ '000
Current	**6.812.805**	2.624.822
Non-current	**50.400**	84.552
	6.863.205	2.709.374
Analysis by geographical area		
Cyprus	**1.433.850**	429.944
Greece	**5.006.971**	1.931.942
Other countries	**422.384**	347.488
	6.863.205	2.709.374

32. DUE TO OTHER BANKS (continued)

On 17 November, 2008 Marfin Egnatia Bank S.A. issued the first series of (common) covered bonds amounting to € 1 bln, with maturity of up to 2 years from the date of issuance with the option of 1 year extension. The issuance was effected as part of a programme for the issuance of (common) covered bonds of up to € 3 bln. The cover pool assets constituting the “cover” for the bonds comprises residential mortgage loans. Moreover, as security of any claims of the bondholders and all secured creditors, Marfin Popular Bank Public Co Ltd has agreed to provide Marfin Egnatia Bank S.A. with credit facilities. The bonds were listed for trading at the Stock Exchange of Ireland and, upon issuance, were retained by Marfin Egnatia Bank S.A. at the price of issuance, for the purpose of re-disposing them to institutional investors at any time until maturity. Until their disposal, the bonds are used as security for obtaining liquid funds from the European Central Bank through the Bank of Greece.

33. CUSTOMER DEPOSITS

	2008	2007
	€ ‘000	€ ‘000
Current	**24.529.518**	20.069.484
Non-current	**298.751**	625.433
	24.828.269	20.694.917
Analysis by geographical area		
Cyprus	**11.368.292**	10.164.558
Greece	**11.587.849**	9.163.970
Other countries	**1.872.128**	1.366.389
	24.828.269	20.694.917

34. SENIOR DEBT

	2008	2007
	€ ‘000	€ ‘000
Debentures Marfin Popular Bank Public Co Ltd (2007/2010)	**683.897**	723.104
Debentures Egnatia Finance Plc (2005/2008)	**-**	199.915
Bond loan (Schuldschein) Marfin Egnatia Bank S.A. (2007/2010)	**50.000**	49.995
Bond loan (Schuldschein) Marfin Egnatia Bank S.A. (2008/2011)	**50.000**	-
Syndicated loan Marfin Egnatia Bank S.A. (2008/2010)	**250.000**	-
Promissory notes Rossiysky Promyishlenny Bank	**45.145**	-
	1.079.042	973.014
Current	**18.493**	199.915
Non-current	**1.060.549**	773.099
	1.079.042	973.014

34. SENIOR DEBT (continued)

Debentures Marfin Popular Bank Public Co Ltd (2007/2010)

During 2004 the Bank set up a Euro Medium Term Note (EMTN) Programme for a total amount of € 750 m. In May 2006, an increase of the size of the Programme to € 1 bln was approved and in May 2007 a further increase to € 3 bln was approved. Pursuant to the Programme the Bank has the ability to issue senior and/or subordinated debt in accordance to its needs.

In May 2007, the Bank issued € 750 m of senior debt due in 2010. The bonds are repayable within three years from their issue and pay interest every three months. The interest rate is set at the three-month rate of Euro (Euribor) plus 0,29%.

The bonds are listed on the Luxembourg Stock Exchange and their market value at 31 December, 2008 was € 636,4 m (31 December, 2007: € 718,9 m).

Debentures Egnatia Finance Plc (2005/2008)

In August 2005, Egnatia Finance Plc, subsidiary of Marfin Egnatia Bank S.A., issued € 200 m three year debentures due in August 2008. The debentures paid three-month interest rate of Euro (Euribor) plus 0,55%. Interest was paid on 11 February, 11 May, 11 August and 11 November of each year. The debentures were listed on the Luxemburg Stock Exchange. The debentures were repaid in full, in accordance with their term of issue, on 11 August, 2008, and an amount equal to the nominal value of the debentures plus accrued interest was paid to the holders.

Bond loan (Schuldschein) Marfin Egnatia Bank S.A. (2007/2010)

In December 2007, Marfin Egnatia Bank S.A. issued € 50 m three year bond loan (Schuldschein) due in December 2010. Interest is paid monthly, quarterly or half yearly, based on the decision of Marfin Egnatia Bank S.A., with the interest rate of Euro (Euribor) of the respective period (month, quarter, half year) plus 0,25%. The debentures or part of them can be repurchased earlier after a decision of Marfin Egnatia Bank S.A.

Bond loan (Schuldschein) Marfin Egnatia Bank S.A. (2008/2011)

In March 2008, Marfin Egnatia Bank S.A. issued € 50 m three year bond loan (Schuldschein) due in March 2011. Interest is paid half yearly, with the six-month interest rate of Euro (Euribor) plus 0,25%. The debentures or part of them can be repurchased earlier after a decision of Marfin Egnatia Bank S.A.

Syndicated loan Marfin Egnatia Bank S.A. (2008/2010)

In September 2008, Marfin Egnatia Bank S.A. issued € 250 m two year syndicated loan due in September 2010. Interest is paid every three months, with the three-month rate of Euro (Euribor) plus 0,60%. The loan or part of it can be repurchased earlier after a decision of Marfin Egnatia Bank S.A.

Promissory Notes Rossiysky Promyishlenny Bank

Rossiysky Promyishlenny Bank issues promissory notes to customers. As at 31 December, 2008 the issued promissory notes bore interest rates for Russian Rubles up to 17,98% and for Euro and USD up to 10,47%. These promissory notes were issued at a discount and will be repaid at face value on their maturity.

35. LOAN CAPITAL

	2008 € '000	2007 € '000
Convertible debentures 2003/2013	**231**	366
Non-convertible debentures 2005/2015	**80.000**	79.990
Eurobonds due 2016	**437.162**	438.263
Capital securities	**199.974**	85.430
Subordinated debt 2004/2014	**8.540**	-
	725.907	604.049
Current	**-**	-
Non-current	**725.907**	604.049
	725.907	604.049

Convertible debentures 2003/2013

In January 2003, Marfin Egnatia Bank S.A. issued € 30 m convertible debentures due in 2013. Interest rate is equal to the three-month rate of Euro (Euribor) plus 1,75% until their call in date and 3,25% until maturity. The interest is paid every three months on 31 March, 30 June, 30 September and 31 December.

The issuing bank has the right to call in the debentures after the end of the fifth year.

The debentures are not secured and they rank for payment after the claims of depositors and other creditors.

The convertible debentures form a series of nominal debentures convertible into new ordinary shares of the issuing bank of a nominal value of € 1,27 at the conversion rate of ten to ten. At 31 December, 2008 there were in issue 72.110 convertible debentures, of a nominal value of € 3,20.

Non-convertible debentures 2005/2015

In May 2005, Egnatia Finance Plc issued € 80 m non-convertible debentures due on 4 May, 2015. Interest is set at 1,10% above the three-month rate of Euro (Euribor) until their call in date and 2,40% until maturity. The debentures pay interest every three months on 4 February, 4 May, 4 August and 4 November.

The issuing company has the right to call in the debentures after the end of the fifth year.

The debentures are not secured, but are guaranteed by Marfin Egnatia Bank S.A., and they rank for payment after the claims of depositors and other creditors. The debentures are listed on the Luxembourg Stock Exchange and their market value at 31 December, 2008 was € 60 m (31 December, 2007: € 80,1 m).

35. LOAN CAPITAL (continued)

Eurobonds due 2016

During 2004 the Bank set up a Euro Medium Term Note (EMTN) Programme for a total amount of € 750 m. In May 2006, an increase of the size of the Programme to € 1 bln was approved and in May 2007 a further increase to € 3 bln was approved. Pursuant to the Programme the Bank has the ability to issue senior and/or subordinated debt in accordance to its needs.

In May 2006, the Bank issued € 450 m of subordinated debt (Tier II capital). The issue was in the form of subordinated bonds, maturing in 10 years. The Bank has the right to call in the bonds after five years from the issue date. Interest rate is set at the three-month rate of Euro (Euribor) plus 0,75%, increased by 1% if the bonds are not called in.

The bonds constitute direct, unsecured, subordinated obligations of the Bank and rank for payment after the claims of the depositors and other creditors. The bonds are listed on the Luxembourg Stock Exchange and their market value at 31 December, 2008 was € 349,7 m (31 December, 2007: € 430,5 m).

Capital securities

The capital securities of the June 2003 issue, amounting to € 85 m were repaid in full in accordance with their terms of issue on 27 June, 2008 and an amount equal to the nominal value plus accrued interest was paid to the holders. For the period 31 March, 2008 to 26 June, 2008 these securities carried interest at the rate of 5,20%.

On 17 March, 2008 the Board of Directors of the Bank approved the issue of new capital securities up to the amount of € 200 m which would be included in the Hybrid Tier I Capital of the Bank. Capital securities of € 116 m (1st Tranche) that were offered to a limited group of individuals, professional investors and individuals who each invested at least € 50.000, were issued on 14 April, 2008 at a nominal value of € 1.000 each. During the second phase (2nd Tranche), capital securities of € 84 m that were offered to the general public through a Public Offer, were issued on 30 June, 2008, at a nominal value of € 1.000 each.

The capital securities do not have a maturity date but may, at the Bank's discretion, after approval by the Central Bank of Cyprus, be acquired in their entirety at their nominal value, together with any accrued interest, five years after the date of issue or on any interest payment date after that. The capital securities of the 1st Tranche pay 6,50% fixed interest rate for the first four quarters and the capital securities of the 2nd Tranche pay 6,50% fixed interest rate for the first three quarters, and subsequently a floating rate, which is reviewed on a quarterly basis. The interest rate is equal to the three-month rate of Euro (Euribor) at the beginning of each quarter plus 1,50% and interest is payable every three months, at 31 March, 30 June, 30 September and 31 December.

The capital securities constitute direct, unsecured, subordinated obligations of the Bank and rank for payment after the claims of the depositors and other creditors. The capital securities of the 1st Tranche were listed on the Cyprus Stock Exchange on 24 July, 2008 and of the 2nd Tranche on 6 November, 2008.

Subordinated debt 2004/2014

In December 2004, Rossiysky Promyishlenny Bank received a deposit maturing in 2014. Interest rate is set at 8% annually. The deposit constitutes direct obligation and ranks for payment after the claims of other creditors.

36. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

	2007 € '000
Gross liabilities	
Short-term insurance contracts:	
Claims reported	32.738
Claims incurred but not reported	6.693
Unearned premiums	29.769
Long-term insurance contracts:	
With fixed and guaranteed terms	34.898
With discretionary participating features	70.130
Without fixed terms (unit-linked)	383.664
	557.892
Recoverable from reinsurers	
Short-term insurance contracts:	
Claims reported	14.180
Claims incurred but not reported	2.387
Unearned premiums	8.796
Long-term insurance contracts:	
With fixed and guaranteed terms	429
With discretionary participating features	267
Without fixed terms (unit-linked)	1.824
	27.883
Net liabilities	
Short-term insurance contracts:	
Claims reported	18.558
Claims incurred but not reported	4.306
Unearned premiums	20.973
Long-term insurance contracts:	
With fixed and guaranteed terms	34.469
With discretionary participating features	69.863
Without fixed terms (unit-linked)	381.840
	530.009

36. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS (continued)

Movement in insurance contract liabilities and reinsurance assets

Claims – Short-term insurance contracts

	2007		
	Gross € '000	Reinsurance € '000	Net € '000
Notified claims	29.869	(9.780)	20.089
Incurred but not reported	5.247	(2.098)	3.149
Balance 1 January	35.116	(11.878)	23.238
Cash paid for claims settled in the year	(37.310)	9.067	(28.243)
Increase in liabilities arising from:			
Current year claims	38.916	(12.382)	26.534
Prior years claims	2.767	(1.374)	1.393
Exchange differences	(58)	-	(58)
Balance 31 December	39.431	(16.567)	22.864
Notified claims	32.738	(14.180)	18.558
Incurred but not reported	6.693	(2.387)	4.306
Balance 31 December	39.431	(16.567)	22.864

Provisions for unearned premiums

	2007		
	Gross € '000	Reinsurance € '000	Net € '000
Balance 1 January	27.208	(7.786)	19.422
Increase in the year	3.595	(1.010)	2.585
Release in the year	(1.034)	-	(1.034)
Balance 31 December	29.769	(8.796)	20.973

Long-term insurance contracts with fixed and guaranteed terms

	2007		
	Gross € '000	Reinsurance € '000	Net € '000
Balance 1 January	33.721	(223)	33.498
Liabilities released for payments on death, surrender and other terminations in the year	(827)	191	(636)
Other movements	2.004	(397)	1.607
Balance 31 December	34.898	(429)	34.469

36. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS (continued)

Movement in insurance contract liabilities and reinsurance assets (continued)

Long-term insurance contracts with discretionary participating features

	2007		
	Gross € '000	Reinsurance € '000	Net € '000
Balance 1 January	72.027	(162)	71.865
Liabilities released for payments on death, surrender and other terminations in the year	(8.460)	150	(8.310)
Other movements	6.563	(255)	6.308
Balance 31 December	70.130	(267)	69.863

Long-term insurance contracts without fixed terms (unit-linked)

	2007		
	Gross € '000	Reinsurance € '000	Net € '000
Balance 1 January	350.918	(1.106)	349.812
Liabilities released for payments on death, surrender and other terminations in the year	(39.490)	1.024	(38.466)
Changes in unit prices	72.236	(1.742)	70.494
Balance 31 December	383.664	(1.824)	381.840

37. OTHER LIABILITIES

	2008 € '000	2007 € '000
Interest payable	**251.709**	128.272
Derivative financial instruments with negative fair value (Note 41)	**327.017**	51.317
Other liabilities	**321.363**	649.891
	900.089	829.480
Current	**669.781**	582.342
Non-current	**230.308**	247.138
	900.089	829.480

38. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are calculated on all temporary differences under the liability method using the applicable tax rates (Note 12). Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The movement in deferred tax is as follows:

	2008 € '000	2007 € '000
Balance 1 January	**92.546**	92.322
Deferred tax (liabilities)/assets from:		
Business acquisitions (Note 52 (a), (b))	**(64)**	8.195
Business disposals (Note 51)	**(5.802)**	-
(Credit)/debit in consolidated income statement:		
Continuing operations (Note 12)	**(20.745)**	4.782
Discontinued operations	**(32)**	1.669
(Credit)/debit in property fair value reserves	**(58)**	3.470
Credit in available-for-sale financial assets fair value reserves	**(26.920)**	(18.765)
Exchange differences	**(3.369)**	873
Balance 31 December	**35.556**	92.546

Deferred tax assets and liabilities are attributable to the following items:

	2008 € '000	2007 € '000
Deferred tax liabilities		
Differences between depreciation and wear and tear allowances	**2.207**	2.178
Revaluation of property	**11.663**	11.490
Intangible assets	**88.044**	94.898
Financial assets	**106**	2.058
Other temporary differences	**18.911**	18.185
	120.931	128.809
Deferred tax assets		
Available-for-sale financial assets	**45.858**	19.404
Financial instruments	**7.752**	-
Tax losses	**6.659**	102
Provision for impairment of advances	**12.886**	3.468
Retirement benefit obligations	**2.333**	2.708
Other temporary differences	**9.887**	10.581
	85.375	36.263

The (credit)/debit relating to deferred tax from continuing operations in the consolidated income statement is analysed by temporary differences as follows:

	2008 € '000	2007 € '000
Differences between depreciation and wear and tear allowances	**282**	309
Intangible assets	**(2.278)**	4.740
Finance lease contracts	**-**	90
Tax losses	**(6.168)**	(810)
Financial instruments	**(9.155)**	-
Provision for impairment of advances	**(11.330)**	-
Other temporary differences	**7.904**	453
	(20.745)	4.782

39. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of shares '000	Share capital € '000	Share premium € '000	Treasury shares € '000	Total € '000
1 January 2007	790.319	675.169	1.901.767	(181.038)	2.395.898
Shares issued (a)	6.364	5.437	27.186	-	32.623
Shares issued through exercise of warrants (b)	8	7	85	-	92
Treasury shares sold (c)	-	-	92.213	181.038	273.251
Share issue costs	-	-	(3.543)	-	(3.543)
31 December 2007 / 1 January 2008	**796.691**	**680.613**	**2.017.708**	**-**	**2.698.321**
Difference from conversion of share capital into Euro (d)	**-**	**(3.426)**	**-**	**-**	**(3.426)**
Dividend re-investment (e)	**33.435**	**28.420**	**126.717**	**-**	**155.137**
Share issue costs	**-**	**-**	**(284)**	**-**	**(284)**
31 December 2008	**830.126**	**705.607**	**2.144.141**	**-**	**2.849.748**

(a) The shares issued during the year ended 31 December, 2007 relate to shares issued to the shareholders of Marfin Investment Group Holdings S.A., who exercised their right to exit. These shares were issued on 17 April, 2007 and were listed on the Cyprus Stock Exchange and Athens Exchange on 23 April, 2007.

(b) In December 2007 the share capital increased by 8.000 ordinary shares of a nominal value of C£ 0,50 (€ 0,85) each which resulted from the exercise of warrants.

(c) The treasury shares, which were held as at 31 December, 2006 by Marfin Investment Group Holdings S.A. in Marfin Popular Bank Public Co Ltd were sold during the year ended 31 December, 2007 and the gain from the disposal was taken to the share premium account in the consolidated financial statements.

(d) On 15 May, 2008 the Extraordinary General Meeting approved the conversion and reduction of the nominal value of the Bank's share, after rounding, from C£ 0,50 to € 0,85. Furthermore, the Extraordinary General Meeting approved that the Bank's authorised nominal share capital be converted and reduced to € 807.500.000 and the issued share capital to € 677.187.000, and that the reduction on the issued share capital resulting from the above conversion of Cyprus Pounds to Euro totalling € 3.426.000 is recorded into a special reserve account which is called "Difference from the conversion of share capital into Euro" (Note 40) for future capitalisation or other lawful use.

(e) In June 2008, the Bank issued 33.435.000 new ordinary shares, of nominal value € 0,85, which resulted from the re-investment of the dividend for the year 2007 in accordance with the Dividend Re-investment Plan. Based on the Plan the Bank's shareholders had the option of part or full re-investment of the net 2007 dividend into shares of the Bank. The re-investment price of the 2007 dividend into shares was set at € 4,64 per share, that was 10% lower than the average closing price of the Bank's share in the Cyprus Stock Exchange and the Athens Exchange for the period from 23 to 29 May, 2008. The trading of the newly issued shares commenced on 18 June, 2008. After the issue of 33.435.000 new ordinary shares, the share capital of the Bank amounts to € 705.607.000, divided into 830.126.000 ordinary shares, of nominal value € 0,85 each.

As at 31 December, 2008 the Bank's authorised share capital comprises 950 m shares (2007: 950 m shares) of € 0,85 (2007: C£ 0,50) each.

All issued ordinary shares are fully paid and carry the same rights.

The share premium is not available for distribution to equity holders.

39. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (continued)

Share Options

In April 2007, the Extraordinary General Meeting of the shareholders approved the introduction of a Share Options Scheme (the "Scheme") for the members of the Board of Directors of the Bank and the Group's employees. The shares to be issued with the application of this Scheme will have the same nominal value as the existing issued shares, that is, € 0,85 each. The exercise price of each share option (the "Option") was set at € 10.

Following the aforementioned approval and the ensuant decision of the Bank's Board of Directors on 9 May, 2007, 70.305.000 Options were granted with a maturity date 15 December, 2011. The Options can be exercised by the holders during the years 2007 to 2011, according to the allocation determined by the Board of Directors, following a recommendation by the Remuneration Committee, based on the holders' performance being up to the Bank's expectations.

The fair value of the Options granted was measured during the year 2007 using the Black and Scholes model. The significant inputs into the model were: share price of € 8,48 at the grant date, risk-free Euro interest rate curve for the duration of the Scheme 4,15% (average), share price volatility determined on the basis of historic volatility 12% and dividend yield 3,82%. The weighted average fair value of Options granted during the year was € 0,19 per Option. The total expense recognised in the consolidated income statement for continuing and discontinued operations for the year ended 31 December, 2008 for Options granted amounts to € 3.885.000 (2007: € 3.409.000). During the year 2007 and 2008 no Options were exercised and as at 31 December, 2008 and 31 December, 2007 the number of Options outstanding were 70.305.000.

40. RESERVES

	2008 € '000	2007 € '000
Revenue reserves		
Balance 1 January	**736.348**	401.175
Profit for the year attributable to equity holders of the Bank	**394.563**	563.338
Transfer from property fair value reserves	**190**	598
Cost of share-based payments to employees	**3.780**	3.324
Effect of change in minority interest from group restructuring, changes in shareholdings in subsidiaries and other movements	**(275)**	9.774
Transfer from fair value and currency translation reserves due to transfer of subsidiary to available-for-sale financial assets due to reduction in participation and business disposals	**3.207**	3.314
Dividend (Note 53)	**(278.842)**	(245.018)
Defence tax on deemed distribution	**(245)**	(157)
Balance 31 December	**858.726**	736.348
Property fair value reserves		
Balance 1 January	**55.644**	26.560
Revaluation for the year	**(470)**	33.152
Deferred tax on revaluation	**151**	(3.470)
Transfer to revenue reserves	**(190)**	(598)
Transfer to revenue reserves due to business disposals	**(4.916)**	-
Balance 31 December	**50.219**	55.644
Available-for-sale financial assets fair value reserves		
Balance 1 January	**(116.261)**	52.573
Revaluation for the year	**(246.053)**	(83.467)
Transfer to results on disposal of available-for-sale financial assets	**27.060**	(104.776)
Transfer to results due to impairment	**20.955**	1.458
Deferred tax on revaluation	**25.890**	17.875
Amortisation of loss on available-for-sale financial assets reclassified	**3.228**	-
Transfer to revenue reserves due to transfer of subsidiary to available-for-sale financial assets due to reduction in participation and business disposals	**(157)**	76
Balance 31 December	**(285.338)**	(116.261)
Currency translation reserves		
Balance 1 January	**15.543**	(676)
Exchange differences arising in the year	**(64.369)**	19.609
Transfer to revenue reserves due to transfer of subsidiary to available-for-sale financial assets due to reduction in participation and business disposals	**1.866**	(3.390)
Balance 31 December	**(46.960)**	15.543
Difference from conversion of share capital into Euro reserve		
Balance 1 January	**-**	-
Difference arising on conversion of share capital into Euro	**3.426**	-
Balance 31 December	**3.426**	-
	580.073	691.274

40. RESERVES (continued)

According to the Companies Law and the Articles of Association of the Bank there is no restriction in the distribution of reserves. According to the regulations of the Central Bank of Cyprus the reserves arising from exchange differences are not available for distribution.

From the tax year commencing 1 January, 2003 onwards, companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution Defence Law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividend 70% of these profits. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders (companies and individuals) at the end of the period of the two years after the end of the relevant tax year, are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividend paid out of the profits of the relevant year during the following two years. This special contribution for defence is payable for the account of the shareholders.

41. FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Group primarily uses derivative financial instruments to hedge risks stemming from interest rate and foreign exchange fluctuations. In addition, the Group uses derivative financial instruments for own trading with the purpose of increasing its earnings. The derivative financial instruments, used by the Group, and the method of determining their fair value are as follows.

Forward foreign exchange contracts specify the rate at which two currencies will be exchanged at a future date. The exchange rate agreed is determined when the deal is made. Forward foreign exchange contracts are revalued daily (using the current exchange rates) by calculating the new forward rate until the settlement of the contract, based on the current market rates.

Currency swaps are commitments to exchange specific amounts of two different currencies including interest, at a future date. The currency swaps are revalued to fair value (using the current exchange rates) by calculating the new swap points at the time of the revaluation.

Interest rate swaps are commitments to exchange one set of cash flows based on a fixed interest rate with one set of cash flows based on a floating interest rate. The cash flows are calculated on a fixed notional amount and for a fixed period of time. The fair value of interest rate swaps is calculated by comparing the present value of the discounted cash flows at the date of the revaluation with the current outstanding notional amount of the swap.

Furthermore, the Group deals in equity futures and foreign exchange and equity options as well as forward rate agreements, foreign exchange and index forwards.

The notional amounts of those contracts provide a basis for comparison with other financial instruments recognised on the balance sheet, but they do not indicate the amounts of future cash flows or the fair value of the instruments and, therefore, do not present the Group's exposure to credit and other market 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.

41. FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The notional and fair value of derivatives were:

	2008			2007		
	Contract/ notional amount € '000	**Fair value Assets € '000**	**Fair value Liabilities € '000**	Contract/ notional amount € '000	Fair value Assets € '000	Fair value Liabilities € '000
Trading derivatives:						
Foreign currency derivatives						
Currency fowards	**145.141**	**5.461**	**8.104**	315.498	768	11.529
Currency swaps	**3.520.631**	**105.593**	**119.124**	2.147.850	17.135	23.647
		111.054	**127.228**		17.903	35.176
Interest rate derivatives						
Interest rate swaps	**2.525.010**	**22.849**	**18.700**	1.417.779	6.382	5.481
Interest rate options	**-**	**-**	**-**	103.987	2.554	-
Forward rate agreements	**100.000**	**-**	**279**	-	-	-
		22.849	**18.979**		8.936	5.481
Index/equity derivatives						
Futures	**-**	**-**	**-**	144.665	-	420
Options	**3.486**	**1.971**	**795**	244.242	489	272
Credit default swaps	**214.185**	**30**	**14.233**	93.764	111	1.494
Other (Index swaps, asset swaps, etc)	**3.195**	**13.465**	**13.264**	2.154	27	7
		15.466	**28.292**		627	2.193
Total trading derivatives (Note 18)		**149.369**	**174.499**		27.466	42.850
Hedging derivatives:						
Derivatives designated as fair value hedges						
Options	**37.955**	**90**	**-**	64.751	13	447
Futures	**-**	**-**	**-**	137.031	-	-
		90	**-**		13	447
Derivatives designated as cash flow hedges						
Options	**71.379**	**2.567**	**2.788**	70.863	2.295	2.399
Interest rate swaps	**2.176.055**	**1**	**77.513**	952.533	-	5.621
Asset swaps	**1.062.927**	**-**	**72.217**	-	-	-
		2.568	**152.518**		2.295	8.020
Total hedging derivatives (Note 25)		**2.658**	**152.518**		2.308	8.467
Total derivatives (Note 37)		**152.027**	**327.017**		29.774	51.317

42. CASH GENERATED FROM OPERATIONS

	2008	2007
	€ '000	€ '000
Profit before tax from continuing operations	**367.175**	549.703
Profit before tax from discontinued operations	**98.302**	139.267
Adjustments for:		
Share of results of associates after tax (Note 27)	**(2.528)**	(2.946)
Depreciation of property and equipment (Note 30)	**21.897**	17.844
Amortisation of intangible assets (Note 28)	**28.686**	29.902
Impairment of goodwill (Note 9)	**400**	-
Fair value gain on investment property (Note 29)	**(20.854)**	(2.798)
Fair value adjustment on property (Note 9)	**184**	(1.720)
Cost of share-based payment to employees:		
Continuing operations (Note 8)	**3.841**	3.387
Discontinued operations	**44**	22
Impairment of available-for-sale financial assets (Note 6)	**21.618**	1.491
Increase in the value of life policies in force (Note 28)	**(1.681)**	(2.201)
Exchange differences	**39.665**	(20.401)
Income received from financial assets	**(258.070)**	(72.003)
Interest paid on loan capital	**93.895**	70.660
Profit on disposal of property and equipment (Note 30)	**(7.469)**	(248)
(Profit)/loss on disposal of available-for-sale financial assets:		
Continuing operations (Note 6)	**(7.209)**	(119.221)
Discontinued operations	**41**	(12.450)
Profit on disposal of insurance companies (Notes 13, 51)	**(58.374)**	-
Loss/(profit) on disposal of investment property	**77**	(862)
Excess of the acquirer's interest in the fair value of acquiree's identifiable net assets over cost (Note 52(c))	**-**	(96)
	319.640	577.330
Change in:		
Due to other banks	**4.150.397**	1.949.186
Customer deposits	**3.578.583**	4.540.603
Insurance contract liabilities	**(52.350)**	38.899
Other liabilities	**76.035**	352.714
Retirement benefit obligations	**19.749**	23.405
Restricted balances with Central Banks	**331.660**	(519.105)
Due from other banks	**(142.074)**	(220.644)
Financial assets at fair value through profit or loss	**147.876**	51.188
Advances to customers	**(5.389.485)**	(5.621.407)
Debt securities lending	**(202.094)**	-
Reinsurance assets	**(6.531)**	(6.730)
Other assets	**(188.257)**	(160.596)
	2.643.149	1.004.843

Non-cash transactions

The shareholding in Marfin Insurance Holdings Ltd was partly acquired through cash and partly acquired through the exchange of shares. The exchange of shares had no effect on the consolidated cash flow statement.

43. CASH AND CASH EQUIVALENTS

	2008	2007
	€ ‘000	€ ‘000
Cash and non-restricted balances with Central Banks	**1.298.418**	487.956
Due from other banks – due within three months	**3.985.354**	4.530.110
	5.283.772	5.018.066
Exchange differences	**-**	(39.665)
	5.283.772	4.978.401

44. SEGMENTAL ANALYSIS

By business class (primary segment)

	Banking services € '000	Insurance services (discontinued operations) € '000	Financial and other services € '000	Eliminations € '000	Total € '000
2008					
External revenues	2.202.171	-	219.671	-	2.421.842
Revenues from other group companies	106.679	-	4.249	(110.928)	-
Total revenues	2.308.850	-	223.920	(110.928)	2.421.842
Profit before tax	269.995	-	97.180		367.175
Tax					(56.024)
Profit after tax from continuing operations					311.151
Profit after tax from discontinued operations	-	92.194	-		92.194
Profit for the year					403.345
Assets	37.118.334	-	1.135.431		38.253.765
Investments in associates	-	84.056	15.417		99.473
Total assets					38.353.238
Liabilities	34.691.533	-	100.253		34.791.786
Other items					
Share of results of associates after tax (Note 27)	-	-	2.528		2.528
Capital expenditure	56.170	4.917	3.103		64.190
Depreciation of property and equipment (Note 30)	19.296	507	2.094		21.897
Amortisation of intangible assets (Note 28)	28.045	141	500		28.686
Provision for impairment of advances	110.104	(216)	19.310		129.198
Impairment of available-for-sale financial assets (Note 6)	19.643	-	1.975		21.618
Impairment of goodwill (Note 9)	-	-	400		400

44. SEGMENTAL ANALYSIS (continued)

By business class (primary segment) (continued)

	Banking services € '000	Insurance services (discontinued operations) € '000	Financial and other services € '000	Eliminations € '000	Total € '000
2007					
External revenues	1.883.802	-	321.027	-	2.204.829
Revenues from other group companies	106.247	-	10.214	(116.461)	-
Total revenues	1.990.049	-	331.241	(116.461)	2.204.829
Profit before tax	366.316	-	183.387		549.703
Tax					(84.481)
Profit after tax from continuing operations					465.222
Profit after tax from discontinued operations	-	41.724	86.187		127.911
Profit for the year					593.133
Assets	28.298.692	521.990	1.422.093		30.242.775
Investments in associates	-	-	14.798		14.798
Total assets					30.257.573
Liabilities	26.052.842	603.108	119.405		26.775.355
Other items					
Share of results of associates after tax (Note 27)	-	-	2.946		2.946
Capital expenditure	41.488	4.996	2.586		49.070
Depreciation of property and equipment (Note 30)	16.038	466	1.340		17.844
Amortisation of intangible assets (Note 28)	28.892	206	804		29.902
Provision for impairment of advances	92.150	(27)	5.788		97.911
Impairment of available-for-sale financial assets (Note 6)	1.491	-	-		1.491

44. SEGMENTAL ANALYSIS (continued)

By geographical segment

	Cyprus € '000	Greece € '000	Other countries € '000	Total € '000
2008				
Total revenues	**988.505**	**1.061.208**	**372.129**	**2.421.842**
Capital expenditure	**21.623**	**29.424**	**13.141**	**64.188**
Assets	**14.383.340**	**19.555.424**	**4.414.474**	**38.353.238**
Liabilities	**13.471.128**	**17.658.299**	**3.662.359**	**34.791.786**
2007				
Total revenues	1.005.314	993.260	206.255	2.204.829
Capital expenditure	16.677	26.123	6.270	49.070
Assets	12.729.363	14.289.724	3.238.486	30.257.573
Liabilities	11.664.536	11.853.887	3.256.932	26.775.355

Reconciliation with the amounts included in the consolidated income statement:

	2008 € '000	2007 € '000
Total revenues	**2.421.842**	2.204.829
Interest expense per consolidated income statement	**(1.283.747)**	(964.268)
Fee and commission expense per consolidated income statement	**(52.809)**	(64.708)
Operating income per consolidated income statement	**1.085.286**	1.175.853

45. CONTINGENCIES AND COMMITMENTS

Credit-related financial instruments

Credit-related financial instruments include commitments relating to documentary credits and guarantees, which are designed to meet the financial requirements of the Group's customers. The credit risk on these transactions represents the contract amount. However, the majority of these facilities are offset by corresponding obligations of third parties.

	2008 € '000	2007 € '000
Acceptances	**120.746**	166.287
Guarantees	**1.186.218**	1.060.764
	1.306.964	1.227.051

45. CONTINGENCIES AND COMMITMENTS (continued)

Trustee services

The Bank acts as a trustee of approved investments of insurance companies according to the provisions of the Insurance Companies Laws of 1984 and 1990.

Capital commitments

Capital expenditure contracted at 31 December, 2008 amounted to € 10,0 m (2007: € 15,9 m).

Legal proceedings

As at 31 December, 2008 there were pending litigations against the Group in connection with its activities. Based on legal advice the Board of Directors believes that there is adequate defence against all claims and it is not probable that the Group will suffer any significant damage. Therefore, no provision has been made in the consolidated financial statements regarding these cases.

Operating lease commitments

The Group leases various branches, offices and warehouses under non-cancelable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	2008	2007
	€ '000	€ '000
Less than one year	**27.465**	23.752
Over one but less than five years	**85.397**	68.178
Over five years	**57.763**	33.954
	170.625	125.884

46. FINANCIAL AND INSURANCE RISK MANAGEMENT

As is the case for all other financial institutions, the Group is exposed to risks. These risks are being continuously monitored using various methods, so as to avoid the excessive concentration of risk. The nature of the risks undertaken and the ways in which they are managed by the Group are outlined below.

In the current unstable and unpredictable economic environment, the Group's key strategic objective is to sustain a strong capital and liquidity position that would in turn enable it to serve the interest of its shareholders and customers in the most effective way. The Group's strategy is to maintain only a limited exposure in emerging Europe which is currently badly affected by the credit crisis. During the last quarter of 2008 the Group took a series of measures that enable it to successfully withstand the impact of the ongoing crisis. Its formulated strategy for 2009 should ensure that it should remain a strong private sector financial Group.

CREDIT RISK

Credit risk stems from the possibility of non-prompt repayment of existing and contingent obligations of the Group's counterparties, resulting in the loss of funds and earnings. Credit risk management focuses on ensuring a disciplined risk culture, risk transparency and rational risk taking, based on international common practices.

Credit risk management

The credit risk management function covers a wide range of activities, which commences at the stage of the credit risk undertaken, continues at the stage of credit risk management, ending up at the collection stage.

Credit risk management methodologies are reviewed and modified to reflect the changing financial environment. The various credit risk assessment methods used are being revised at least annually or whenever deemed necessary and adjusted to be in line with the Group's overall strategy and objectives.

Credit risk undertaken

Credit policy

The Group's lending portfolio is split into retail, commercial and corporate lending. Retail lending comprises of individuals and very small businesses, commercial lending comprises of small and medium size enterprises and corporate lending comprises of large and listed companies.

The Group's primary lending criterion is the borrower's repayment ability. Additionally, emphasis is placed on the quality of collateral, either in the form of tangible collateral or guarantees. The majority of the Group's customers are either private borrowers or small and medium businesses whilst customers often borrow in both capacities utilizing a number of different lending products and facilities.

In the area of corporate and commercial lending, periodical sectoral studies are prepared to identify those areas that may present problems and the target areas for credit expansion. These studies are also used in the formulation and review of the credit policy.

In order for the Group to determine its target markets, it takes into account aspects such as macroeconomic indicators, the local banking system, empirical evidence on the effects of stress scenarios, guidance from the regulator and current mix of the lending portfolio. Taking into consideration materiality issues and the local socio-economic environment, the main target markets are summarised based on the following: (a) economic sector, (b) banking division, (c) Basel asset class, (d) country, (e) types of facility, (f) types of security, (g) credit quality, and (h) currency. Once the above are identified further detailed analysis is carried out to decide the amount of credit to be granted.

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Credit risk undertaken (continued)

Stress tests
Stress testing is used to capture the impact of exceptional but possible scenarios that could have a major impact on a portfolio. It could generally be implemented using one or a combination of the two following concepts: scenario tests (multiple factors) and sensitivity analysis (single factor). The purpose of stress testing is to assist the Group to assess the impact of a stress scenario on its profitability, loan portfolio and capital requirements.

Stress tests are performed on a semi-annual basis or whenever deemed necessary. Each subsidiary of the Group performs its own stress test, which depends on the particular risks that it faces.

Limits of authority
Credit limits of authority indicate the hierarchy of approving credit facilities to the Group's customers indicating that the higher the credit risk involved in the transaction, the higher the level of authority required to approve the transaction. The structure of the credit limits of authority is based on: (a) the quality of the customer which is expressed through the customer grade, (b) the quality of the collateral/security, (c) the type of facility e.g. loan or letter of guarantee, (d) the facility duration and (e) the level of approving authority.

Limits of authority can be divided into two categories:

(a) Front line limits, i.e. limits given to branch and sectoral managers and subsidiaries; and

(b) Head office limits, i.e. limits given to various Credit and Executive Committees in Head Office Cyprus and Greece.

All limits are usually reviewed on a yearly basis or whenever deemed necessary. The Risk Management Division may initiate limit changes based on specific guidelines of the Central Bank of Cyprus and Greece, with which the Group needs to conform or with new management policy decisions that need to be adopted.

Rating models
The methods for assessing credit quality vary according to the counterparty type, which falls in one of the following categories: central governments (for buy and hold strategies with respect to bonds), financial institutions, small, medium and large businesses and private individuals.

In respect of the credit assessment of governments and financial institutions, this is analysed in the subsections "Counterparty banks' risk" and "Country risk".

Private individuals are being assessed by two different internal rating systems, depending on the Group subsidiary in which they belong, as well as the availability of data. The first system is applicable to existing customers and is based on their past credit behaviour and overall cooperation with the Group. The second system includes: (a) credit scoring that utilizes both demographic factors and other objectively defined criteria, such as income and property owned, and (b) a separate credit scorecard for different product types.

For the assessment of small, medium and large businesses, the Group uses both the behavioural system, as outlined above, and the Moody's Risk Advisor system, which assesses the financial strength of a business based on both financial and qualitative data, as well as on the industry sector in which the business operates.

Counterparties are assessed by the internal rating systems on a monthly basis, in order to ensure that ratings are up to date with respect to the risk taken and act as a warning sign for monitoring purposes.

A counterparty's credit rating is used during the approval process of new credit facilities and for defining the respective credit limits. In addition, it is used for the internal calculation of probabilities of default, as well as for the monitoring of changes in the quality of the Group's lending portfolio, with the aim of developing prompt strategic actions in order to minimize any potential increase in the risks undertaken.

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Credit risk undertaken (continued)

Assessment of new products
As part of monitoring credit risk, the Risk Management Division ensures that the credit risk inherent in new products is identified and analysed in order to ensure that the Group will comply with the credit risk policy, the procedures of the Group and the directives issued by the Central Banks of Cyprus and Greece. In addition, based on a cost-benefit analysis, the Risk Management Division assesses the effect of the new product on the Group's product portfolio and ensures that the credit risk of the portfolio does not exceed the desired levels.

Management of credit risk

Rating models
Rating models have been explained in detail in the previous section.

Monitoring of problematic loans
Problematic credit exposures are identified and monitored at an early stage through the internal rating system, the credit facilities approval procedures and controls and lending portfolio evaluation. These exposures are closely monitored at both the divisional management level and at head office level (by the Risk Management Division and the Group Internal Audit). Action plans and specific targets for improvement are set in co-operation with the banking units and regular follow up takes place to ensure that timely corrective action is taken.

Furthermore, specialised reports analysing and evaluating the credit portfolio and overdue amounts are prepared by the Risk Management Division and sent to the appropriate Committees and Senior Management of the Group with recommendations for actions.

Reporting
The Risk Management Division is responsible for preparing extensive reporting to the Group Risk Management Committee and Executive Committee of the Board of Directors and Assets and Liabilities Committee on credit risk management issues, including credit risk limits, limits of authority and results of stress tests. The Risk Management Division is also responsible for preparing reports on a solo and on a consolidated basis for the Central Bank of Cyprus regarding the quality of the lending portfolio and the percentage of accomplishment of quantitative targets set.

Collateral policy
The collateral policy followed by the Group enables the Group to better manage credit risk and common principles exist for all subsidiaries. Minor differences with regards to the acceptable collaterals exist between Group subsidiaries due to different environments and country specific rules and culture.

The collateral policy principles determine (a) the desired cover per collateral type, (b) the types of acceptable collaterals, which vary depending on the country specific environment, and (c) that periodic revaluations should be performed, either by the credit officers or by external official valuers.

The main types of collateral taken by the Group are: (a) mortgages, (b) bank guarantees, (c) cash, (d) shares pledged, and (e) other charges.

Collection

The Risk Management Division is responsible for the early detection of problematic credit exposures through the internal rating system. The Risk Management Division is also responsible for setting criteria for the referral of customers to the specialised Debt Collection Division.

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Concentration risk

Concentration risk is defined as the risk that arises from the uneven distribution of exposures to individual borrowers, specific industry or economic sectors, geographical regions or product type.

The Group recognises that concentration of exposures in credit portfolios is an important aspect of credit risk. Concentration portfolios imply volatile returns and have to be supported by capital buffers, therefore the effective management and limit setting for this risk are fundamentally important.

Concentration of exposures in credit portfolios is an important aspect of credit risk. It may principally arise from the following types of imperfect diversification:

- Name concentration, which relates to imperfect diversification risk in the portfolio because of large exposures to a single borrower or a group of related borrowers.
- Sector concentration, which relates to imperfect diversification across systematic components of risk, namely sectoral factors (industry or geographical sectors).
- Collateral concentration, which relates to concentration in respect of individual collateral types.
- Foreign currency concentration, which arises from lending activities in non-domestic currencies.

The Risk Management Division ensures that exposures to individual borrowers, groups, geographical areas and other concentrations do not become excessive in relation to the Group's capital base and that are in line with limits set by the Board of Directors. The Risk Management Division is also responsible for reporting concentrations of risks to the Risk Management Committee, Assets and Liabilities Committee and the Central Banks of Cyprus and Greece.

The monitoring and control of concentration risk is achieved by limit setting (e.g. industry limits) and reporting.

Credit rating of advances

The following table analyses the percentages of advances and the related impairment provision for each internal credit rating category of the Group.

	2008		2007	
	Advances	**Impairment provision**	Advances	Impairment provision
	%	**%**	%	%
Credit rating category:				
Low risk	**46**	**0,07**	52	0,07
Medium risk	**46**	**0,11**	40	0,27
High risk	**8**	**37,72**	8	45,63
	100	**3,00**	100	3,68

The impairment provision percentages disclosed above relate to the cumulative impairment provision for each credit rating category as a percentage of the gross advances per credit rating category.

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

The following table presents the Group's maximum credit risk exposure as at the balance sheet date, without taking into account any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out are based on the net carrying amounts as reported in the balance sheet.

	Maximum exposure	
	2008	2007
	€ '000	€ '000
Credit risk exposures relating to on-balance sheet assets:		
Balances with Central Banks (Note 15)	**1.660.810**	1.197.493
Due from other banks (Note 16)	**4.354.181**	4.978.224
Financial assets at fair value through profit or loss:		
Debt securities (Note 18)	**99.134**	355.997
Derivative financial instruments with positive fair value (Note 18)	**149.369**	27.466
Advances to customers:		
Advances to individuals	**7.345.460**	6.041.726
Advances to corporate entities:		
Large corporate customers	**8.157.715**	5.711.533
Small and medium size enterprises (SMEs)	**7.924.051**	5.861.849
Debt securities lending (Note 22)	**938.295**	-
Available-for-sale financial assets – debt securities (Note 23)	**3.320.214**	2.300.701
Held-to-maturity financial assets (Note 24)	**1.164.036**	375.789
Other assets	**381.351**	166.295
	35.494.616	27.017.073
Credit risk exposures relating to off-balance sheet items:		
Acceptances (Note 45)	**120.746**	166.287
Guarantees (Note 45)	**1.186.218**	1.060.764
	1.306.964	1.227.051
	36.801.580	28.244.124

As shown above, 75% of the total maximum exposure is derived from due from other banks and advances to customers (2007: 80%), 9% represents available-for-sale financial assets – debt securities (2007: 8%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both the loan and advances portfolio and debt securities based on the following:

- 92% of advances portfolio is categorised in the top two rating categories of the internal rating system (2007: 92%).
- 83% of the advances portfolio are considered to be neither past due nor impaired (2007: 82%).
- € 1.142 m or 5% of advances have been assessed to be individually impaired (2007: € 976 m or 5%).
- 89% of investment in debt securities have at least A- credit rating or a better credit rating (2007: 93%).

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Advances

The following table analyses the credit quality of the Group's advances.

	2008			2007		
	Advances to customers € '000	Due from other banks € '000	Balances with Central Banks € '000	Advances to customers € '000	Due from other banks € '000	Balances with Central Banks € '000
Neither past due nor impaired	**20.001.440**	**4.354.181**	**1.660.810**	14.976.428	4.978.224	1.197.493
Past due but not impaired	**3.008.989**	**-**	**-**	2.334.739	-	-
Impaired	**1.141.659**	**-**	**-**	976.337	-	-
Gross	**24.152.088**	**4.354.181**	**1.660.810**	18.287.504	4.978.224	1.197.493
Provision for impairment of advances	**(724.862)**	**-**	**-**	(672.396)	-	-
Net	**23.427.226**	**4.354.181**	**1.660.810**	17.615.108	4.978.224	1.197.493

(a) Advances neither past due nor impaired

The following table analyses the Group's advances classified as neither past due nor impaired, for each credit rating category.

	Advances to customers					
		Corporate entities				
	Individuals € '000	Large corporate customers € '000	Small and medium size enterprises € '000	Total € '000	Due from other banks € '000	Balances with Central Banks € '000
2008						
Credit rating category:						
Low risk	**4.089.776**	**2.457.466**	**3.001.293**	**9.548.535**	**4.352.050**	**1.660.810**
Medium risk	**1.852.439**	**4.731.641**	**3.508.886**	**10.092.966**	**2.065**	**-**
High risk	**61.878**	**95.093**	**202.968**	**359.939**	**66**	**-**
	6.004.093	**7.284.200**	**6.713.147**	**20.001.440**	**4.354.181**	**1.660.810**
2007						
Credit rating category:						
Low risk	3.681.874	2.496.557	2.683.375	8.861.806	4.978.224	1.197.493
Medium risk	1.333.767	2.546.621	2.145.470	6.025.858	-	-
High risk	31.583	28.742	28.439	88.764	-	-
	5.047.224	5.071.920	4.857.284	14.976.428	4.978.224	1.197.493

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Advances (continued)

(b) Advances past due but not impaired

Advances less than 90 days past due are not considered impaired unless other information is available to indicate the contrary.

The following table presents advances which were past due but not impaired as at the balance sheet date by category, as well as the fair value of collateral held as security.

		Corporate entities		
	Individuals € '000	Large corporate customers € '000	Small and medium size enterprises € '000	Total € '000
2008				
Past due up to 30 days	**602.563**	**648.754**	**503.689**	**1.755.006**
Past due 31 to 60 days	**278.268**	**103.047**	**150.123**	**531.438**
Past due 61 to 90 days	**177.236**	**40.462**	**173.947**	**391.645**
Past due over 90 days	**91.476**	**54.750**	**184.674**	**330.900**
Advances past due but not impaired	**1.149.543**	**847.013**	**1.012.433**	**3.008.989**
Fair value of collateral	**537.926**	**718.218**	**681.589**	**1.937.733**
2007				
Past due up to 30 days	582.559	423.405	612.308	1.618.272
Past due 31 to 60 days	156.586	47.255	99.927	303.768
Past due 61 to 90 days	82.708	89.737	89.556	262.001
Past due over 90 days	40.490	48.954	61.254	150.698
Advances past due but not impaired	862.343	609.351	863.045	2.334.739
Fair value of collateral	521.850	448.312	653.947	1.624.109

The fair value of collateral is based on valuation techniques commonly used for the corresponding assets, which include reference to market prices.

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Advances (continued)

(c) Advances individually impaired

The following table presents advances which have been individually impaired, as well as the fair value of collateral held as security, for each category. Advances included in this table are more than 90 days past due and are classified as non performing.

		Corporate entities		
	Individuals € '000	**Large corporate customers € '000**	**Small and medium size enterprises € '000**	**Total € '000**
2008				
Individually impaired advances	**501.069**	**165.878**	**474.712**	**1.141.659**
Fair value of collateral	**137.079**	**56.489**	**194.122**	**387.690**
2007				
Individually impaired advances	407.233	209.158	359.946	976.337
Fair value of collateral	110.034	90.436	165.068	365.538

(d) Advances renegotiated

The carrying amount of advances which would have been categorised as past due or impaired and have been renegotiated is € 96.746.000 (2007: € 91.362.000).

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Debt securities, treasury bills and other eligible bills

The table below presents an analysis of debt securities, treasury bills and other eligible bills by credit rating based on rating agency ratings.

	Treasury bills and other bills € '000	Trading securities € '000	Investment securities € '000	Designated at fair value through profit or loss at inception € '000	Total € '000
2008					
AAA	**93.003**	**1.809**	**870.705**	**-**	**965.517**
AA- to AA+	**229.765**	**22.129**	**1.690.173**	**-**	**1.942.067**
A- to A+	**803.597**	**58.666**	**1.149.404**	**-**	**2.011.667**
Lower than A-	**113.826**	**1.646**	**446.260**	**-**	**561.732**
Unrated	**-**	**-**	**40.696**	**-**	**40.696**
	1.240.191	**84.250**	**4.197.238**	**-**	**5.521.679**
2007					
AAA	15.762	3.699	58.868	13.022	91.351
AA- to AA+	3.068	92.852	1.388.236	2.611	1.486.767
A- to A+	820.347	69.696	261.896	91.440	1.243.379
Lower than A-	70.410	14.036	105.961	8.222	198.629
Unrated	-	96	9.599	2.666	12.361
	909.587	180.379	1.824.560	117.961	3.032.487

Repossessed collateral

The table below presents the nature and carrying amount of assets that have been obtained by the Group during the year, either by taking possession of collateral held as security or by activating other credit enhancements which satisfy the criteria of recognition of other standards.

	2008 € '000	2007 € '000
Land	**17.201**	10.645
Buildings	**10.977**	8.852
Other	**3.198**	4.593
	31.376	24.090

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Concentration of risks of financial assets with credit exposure

(a) Geographical sectors

The table below analyses the Group's main credit exposures at carrying amount, as categorised by geographical region. For this table, the Group has allocated exposures to regions, based on the country of domicile of the counterparties.

	Cyprus € '000	Greece € '000	Other countries € '000	Total € '000
Balances with Central Banks (Note 15)	**113.178**	**1.242.671**	**304.961**	**1.660.810**
Due from other banks (Note 16)	**43.090**	**1.582.437**	**2.728.654**	**4.354.181**
Financial assets at fair value through profit or loss:				
Debt securities (Note 18)	**14.662**	**25.289**	**59.183**	**99.134**
Derivative financial instruments with positive fair value (Note 18)	**-**	**-**	**149.369**	**149.369**
Advances to customers:				
Advances to individuals	**2.439.229**	**4.070.288**	**835.943**	**7.345.460**
Advances to corporate entities:				
Large corporate customers	**2.314.452**	**2.255.910**	**3.587.353**	**8.157.715**
Small and medium size enterprises	**3.429.442**	**3.241.205**	**1.253.404**	**7.924.051**
Debt securities lending (Note 22)	**2.099**	**47.101**	**889.095**	**938.295**
Available-for-sale financial assets - debt securities (Note 23)	**21.139**	**707.233**	**2.591.842**	**3.320.214**
Held-to-maturity financial assets (Note 24)	**214.377**	**258.399**	**691.260**	**1.164.036**
Other assets	**16.317**	**291.433**	**73.601**	**381.351**
31 December 2008	**8.607.985**	**13.721.966**	**13.164.665**	**35.494.616**
31 December 2007	7.598.563	10.111.290	9.307.220	27.017.073

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Concentration of risks of financial assets with credit exposure (continued)

(b) Industry sectors

The table below analyses the Group's main credit exposures at carrying amount, as categorised by the industry sectors in which counterparties operate.

	Manu-facturing € '000	Tourism € '000	Trade € '000	Property and construction € '000	Personal, professional and home loans € '000	Financial institutions € '000	Other sectors € '000	Total € '000
Balances with Central Banks (Note 15)	-	-	-	-	-	1.660.810	-	1.660.810
Due from other banks (Note 16)	-	-	-	-	-	4.354.181	-	4.354.181
Financial assets at fair value through profit or loss:								
Debt securities (Note 18)	-	438	-	-	-	98.696	-	99.134
Derivative financial instruments with positive fair value (Note 18)	-	-	-	-	-	149.369	-	149.369
Advances to customers:								
Advances to individuals	153	1.222	7.765	647.245	6.582.632	-	106.443	7.345.460
Advances to corporate entities:								
Large corporate customers	382.208	289.088	792.425	1.196.564	974.630	-	4.522.800	8.157.715
Small and medium size enterprises	713.006	632.573	2.122.458	2.012.576	914.042	-	1.529.396	7.924.051
Debt securities lending (Note 22)	67.786	-	-	-	-	870.509	-	938.295
Available-for-sale financial assets – debt securities (Note 23)	48	2.111	1.184	418	63	3.316.390	-	3.320.214
Held-to-maturity financial assets (Note 24)	-	151	815	3.960	-	1.159.110	-	1.164.036
Other assets	260	1.228	2.156	4.739	12.057	58.662	302.249	381.351
31 December 2008	**1.163.461**	**926.811**	**2.926.803**	**3.865.502**	**8.483.424**	**11.667.727**	**6.460.888**	**35.494.616**
31 December 2007	872.752	786.250	1.968.616	2.350.133	6.983.189	9.287.520	4.768.613	27.017.073

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

COUNTERPARTY BANKS' RISK

The Group runs the risk of loss of funds due to the possibility a counterparty (i.e. a bank or a financial institution) with which the Group enters into a specific transaction, defaults before the final settlement of the transaction.

This risk may include derivative transactions, interbank transactions and capital market transactions.

Roles and responsibilities

The Risk Management Division is responsible for setting prudent and appropriate policies, procedures and common risk methodologies for controlling, evaluating and measuring all major sources of counterparty credit risk embedded in Group operations. The Risk Management Committee and/or the Executive Committees have the responsibility for approving the limit framework for counterparty bank risk, the Group risk profile and the relative risk management strategies, policies and risk methodologies.

Upon approval of limits these are communicated to the respective Treasury location. Responsibility for monitoring this risk is performed by local risk management units.

Policies and procedures

The Group Market Risk Manual describes the principles of managing and controlling counterparty bank risk, sets the responsibilities of the relevant authorities and describes the procedures for allocating limits and monitoring counterparty risk. The Group is in the process of extending the application of common policies to all subsidiaries. Also, a Methodology Manual exists which describes the methodologies and formulae used to calculate credit risk exposure to external counterparties. These methodologies are applicable for those entities that are using the Group's Treasury System.

Measurement assessment and control

The Bankscope model is the basis for the Group's rating system, which sets the maximum allowable Group limits on the basis of a score derived as a result of assessment of specific quantitative and qualitative criteria. The total score is multiplied by own funds of the counterparty in order to calculate the maximum allowable limit. The analysis of counterparties' creditworthiness is supplemented by the Moody's Reporting Tools. In addition, other factors, which are taken into account, include:

- requirements imposed by regulatory authorities;
- the credit rating of the counterparties and the rating of country of operation; and
- other internal controls imposed.

Monitoring and reporting

The Group monitors and controls limits and excesses while it consolidates major exposures on a daily basis.

Positions against counterparty limits are monitored daily. The review of the limits per counterparty takes place at least once a year and if necessary, these are revised depending on the Group's strategy and current market conditions, following their approval by the relevant authorities.

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

COUNTRY RISK

Country risk involves various risks that may be generated at country level as a result of political or economic events (these include political risk, risk of government default, inability of converting local currency to any major currency (convertibility risk) and transferring it out of the country (transferability risk)).

Country risk affects the Group via its international capital markets, interbank transactions and other banking activities. In addition, the Group is exposed to country risk through facilities provided to customers for their international operations.

Roles and responsibilities

The Board of Directors and Executive Committees ensure that any approved business decisions regarding the Group's international operations have taken into account country risk considerations and that they are in line with the Group's strategy and desired risk profile. The Risk Management Division and Risk Management Units of subsidiaries are responsible for ensuring that all required systems are in place in order to measure, report and monitor country risk exposures accurately and promptly.

Policies and procedures

The Risk Management Committee has approved the Group Country Risk Policy Manual, which is applicable at Group level and sets general standards for the management of country risk, including roles and responsibilities, evaluation of country risk, measurement, monitoring and reporting. This policy, especially the allocation of Group country limits, is currently in process.

Measurement and control

Country risk is mainly evaluated through credit opinion reports from rating agencies, as well as from information obtained from various international publications and organisations.

INTEREST RATE RISK

Interest rate risk is defined as the exposure of a bank's financial condition to adverse movements in interest rates.

The primary form of interest rate risk for the Group is considered to be the repricing risk, which arises from the timing differences in the maturity (for fixed rate) and repricing date (for floating rate) of assets, liabilities and off-balance sheet positions.

Roles and responsibilities

The Risk Management Committee and/or the Executive Committees approve the interest rate risk strategy, policy and limits. The Assets and Liabilities Committee (ALCO) and Risk Management Committee review the Group's interest rate risk profile.

Policies and procedures

The Group Interest Rate Risk Policy Manual describes the risk management practices and guidelines for effective measurement, management and monitoring of interest rate risk. This policy manual applies to the entire Group. The implementation of this manual by the Group's subsidiaries is currently in progress.

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

INTEREST RATE RISK (continued)

Measurement

The main methodology for measuring, monitoring and managing interest rate risk is the Present Value of a Basis Point methodology (PVBP).

Other subsidiaries of the Group use the Static Repricing Gap methodology in order to assess the interest rate risk exposure of the banking book.

Interest rate risk exposures are mainly created from the retail and corporate activity and are usually hedged through transactions in derivative products (mainly interest rate swaps) or in the interbank market. In addition, there is limited activity in the trading book, with positions in capital market securities and interest rate futures.

Exposure calculations and associated limit structures are used for monitoring:

(a) interest rate risk exposure in each currency per predefined time period;

(b) interest rate risk total exposure in each main currency;

(c) interest rate risk exposure in all currencies per predefined time period;

(d) interest rate risk total exposure in all periods and all currencies.

Approved limits are monitored on a frequent basis and reviewed at least annually and amended whenever necessary according to the strategy of the Group and the prevailing market conditions, after the approval by the eligible authorities. Moreover, at regular time intervals interest rate risk exposure is evaluated by using stress test scenarios at bank level and at consolidated level.

A parallel 200 basis points (2007: 200 basis points) increase in market interest rates across all currencies, applied to the Group's balance sheet banking book as at 31 December, 2008, would result in an increase in yearly net interest income by € 16,1 m (2007: € 3,6 m) and a decrease in the fair value of financial instruments by € 108 m (2007: € 14,7 m). For those currencies where the base interest rate levels were below 2% (Euro, United States Dollar, Sterling Pound and Japanese Yen) a parallel decrease averaging approximately 1% and varying on a case by case basis would result in a decrease in yearly net interest income by € 5,9 m (2007: € 7,3 m) and an increase in the fair value of financial instruments by € 58 m (2007: € 9,1 m). For the above sensitivity analysis for those currencies where the base interest rate was above 2%, a parallel 200 basis points (2007: 200 basis points) decrease was used.

The following tables summarise the Group's exposure to interest rate risk. Included in the tables are the Group's assets and liabilities at carrying amounts categorised by contractual repricing date for floating rate items and maturity date for fixed rate items. The tables also present the notional amount of interest rate derivatives, which are used to reduce the Group's exposure to interest rate movement.

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

INTEREST RATE RISK (continued)

	Up to 1 month € '000	Over 1 month but less than 3 months € '000	Over 3 months but less than 1 year € '000	Over 1 year but less than 5 years € '000	Over 5 years € '000	Non-interest bearing € '000	Total € '000
2008							
Assets							
Cash and balances with Central Banks	1.645.234	15.422	154	-	-	178.860	1.839.670
Due from other banks	2.991.670	1.034.332	277.335	-	-	50.844	4.354.181
Financial assets at fair value through profit or loss	97.896	57.765	6.224	8.498	3.687	182.849	356.919
Advances to customers	15.625.661	2.832.464	2.074.257	2.023.309	865.873	5.662	23.427.226
Debt securities lending	120.936	372.354	14.546	74.154	356.305	-	938.295
Available-for-sale financial assets	676.898	1.322.626	175.688	256.087	888.616	286.258	3.606.173
Held-to-maturity financial assets	452.191	363.408	112.505	153.094	82.838	-	1.164.036
Other assets	86.280	20.471	426	620	55	512.667	620.519
Investments in associates	-	-	-	-	-	99.473	99.473
Intangible assets	-	-	-	-	-	1.629.069	1.629.069
Investment property	-	-	-	-	-	42.819	42.819
Property and equipment	-	-	-	-	-	274.858	274.858
Total assets	21.696.766	6.018.842	2.661.135	2.515.762	2.197.374	3.263.359	38.353.238
Liabilities							
Due to other banks	5.430.151	1.024.907	352.031	50.000	-	6.116	6.863.205
Customer deposits	13.980.604	4.786.087	5.533.968	255.865	53.148	218.597	24.828.269
Senior debt	50.806	996.086	5.499	26.651	-	-	1.079.042
Loan capital	231	717.136	-	-	8.540	-	725.907
Other liabilities	2.526	437	116	185	336	1.063.046	1.066.646
Retirement benefit obligations	-	-	-	-	-	228.717	228.717
Total liabilities	19.464.318	7.524.653	5.891.614	332.701	62.024	1.516.476	34.791.786
Net on-balance sheet position	2.232.448	(1.505.811)	(3.230.479)	2.183.061	2.135.350		
Net notional position of derivative financial instruments	1.044.354	638.853	1.455.001	(2.041.373)	(1.096.835)		
Net interest sensitivity gap	3.276.802	(866.958)	(1.775.478)	141.688	1.038.515		

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

INTEREST RATE RISK (continued)

	Up to 1 month € '000	Over 1 month but less than 3 months € '000	Over 3 months but less than 1 year € '000	Over 1 year but less than 5 years € '000	Over 5 years € '000	Non-interest bearing € '000	Total € '000
2007							
Assets							
Cash and balances with Central Banks	1.197.340	-	153	-	-	149.626	1.347.119
Due from other banks	3.936.466	603.986	436.445	1.327	-	-	4.978.224
Financial assets at fair value through profit or loss	85.206	128.820	58.647	50.451	50.342	342.614	716.080
Advances to customers	12.436.625	2.074.763	1.170.326	1.589.102	344.292	-	17.615.108
Reinsurance assets	-	-	4.636	-	-	23.247	27.883
Available-for-sale financial assets	373.252	1.099.524	469.924	118.406	239.213	437.137	2.737.456
Held-to-maturity financial assets	16.499	59.240	60.625	156.908	82.517	-	375.789
Other assets	350	181	392	126	32	450.386	451.467
Investments in associates	-	-	-	-	-	14.798	14.798
Intangible assets	-	-	-	-	-	1.649.021	1.649.021
Investment property	-	-	-	-	-	57.868	57.868
Property and equipment	-	-	-	-	-	286.760	286.760
Total assets	18.045.738	3.966.514	2.201.148	1.916.320	716.396	3.411.457	30.257.573
Liabilities							
Due to other banks	1.979.653	673.704	56.017	-	-	-	2.709.374
Customer deposits	14.902.271	2.706.533	2.700.433	219.628	-	166.052	20.694.917
Senior debt	49.994	923.020	-	-	-	-	973.014
Loan capital	365	603.684	-	-	-	-	604.049
Insurance contract liabilities	-	-	-	-	-	557.892	557.892
Other liabilities	53.344	2.307	1.579	63	14.836	944.153	1.016.282
Retirement benefit obligations	-	-	-	-	101	219.726	219.827
Total liabilities	16.985.627	4.909.248	2.758.029	219.691	14.937	1.887.823	26.775.355
Net on-balance sheet position	1.060.111	(942.734)	(556.881)	1.696.629	701.459		
Net notional position of derivative financial instruments	250.615	580.863	334.820	(1.039.048)	(127.250)		
Net interest sensitivity gap	1.310.726	(361.871)	(222.061)	657.581	574.209		

A significant part of the interest rate exposure is hedged through interest rate swaps instruments.

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

CURRENCY RISK

Currency risk relates to the risk of fluctuations in the value of financial instruments and assets and liabilities due to changes in exchange rates. Currency risk arises from an open position, either overbought or oversold, in a foreign currency, creating an exposure to a change in the relevant exchange rate. This may arise from the holding of assets in one currency funded by liabilities in another currency or from a spot or forward foreign exchange trade or forward exchange derivative.

Roles and responsibilities

The Risk Management Division is responsible for setting prudent and appropriate policies, procedures and common risk methodologies for controlling, evaluating and measuring currency risk embedded in Group operations. The Risk Management Committee and/or the Executive Committees have the responsibility to approve the limit framework for currency risk and the relative policies and risk methodologies. The Assets and Liabilities Committee and Risk Management Committee review the foreign exchange risk profile.

Policies and procedures

Internal policies and procedures are set so as to take into consideration and adhere to the foreign exchange position limits prescribed by the Central Bank of Cyprus and Greece and any other local regulator.

Measurement and control

The Group enters into foreign exchange transactions in order to accommodate customer needs and for hedging its own exposure. The Treasuries also enter into spot foreign exchange transactions within predefined and approved limits, as well as into derivative products in foreign exchange futures, forwards and options.

The following exposure calculations and associated limit structures are used for monitoring:

(a) open position by currency – net long/short position of each currency;

(b) total net short position;

(c) maximum loss limits – maximum level of losses resulting from foreign exchange fluctuations on a daily/monthly/yearly basis.

The Group employs the Value at Risk methodology (VaR). Specifically for assessing the VaR, the Group uses the variance-covariance methodology at a confidence level of 99% and a holding period of one day.

Monitoring and reporting

The maximum potential loss is calculated from the open positions in different currencies by working on stress testing scenarios. These scenarios assume extreme fluctuations in all currencies in a way that could adversely affect the Group's profitability.

The approved limits are monitored and controlled regularly and reviewed at least annually, but these are changed, if necessary, according to the strategy of the Group and the prevailing market conditions.

Under the scenario that all currencies depreciate against the euro by 20% (2007: 20%) the effect would be a decrease of € 13,7 m (2007: € 6,4 m) in the fair value of financial instruments. Under a scenario that all currencies appreciate against the euro by 20% (2007: 20%) the effect would be a gain of € 13,7 m (2007: € 6,4 m) in the fair value of financial instruments.

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

CURRENCY RISK (continued)

Monitoring and reporting (continued)

The following table summarises the Group's exposure to currency risk. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by currency. The table also presents the notional amount of foreign exchange derivatives, which are used to reduce the Group's exposure to currency movements, categorised by currency.

	Euro € '000	United States Dollar € '000	Sterling Pound € '000	Australian Dollar € '000	Other currencies € '000	Total € '000
2008						
Assets						
Cash and balances with Central Banks	**1.535.571**	**158.035**	**3.969**	**19.369**	**122.726**	**1.839.670**
Due from other banks	**1.742.228**	**2.082.070**	**336.061**	**18.025**	**175.797**	**4.354.181**
Financial assets at fair value through profit or loss	**223.166**	**115.229**	**17.969**	**537**	**18**	**356.919**
Advances to customers	**18.313.299**	**2.497.566**	**858.153**	**376.158**	**1.382.050**	**23.427.226**
Debt securities lending	**809.246**	**114.576**	**2.099**	**-**	**12.374**	**938.295**
Available-for-sale financial assets	**2.910.878**	**492.463**	**177.898**	**-**	**24.934**	**3.606.173**
Held-to-maturity financial assets	**1.076.083**	**22.048**	**-**	**42.396**	**23.509**	**1.164.036**
Other assets	**539.691**	**31.266**	**6.812**	**3.142**	**39.608**	**620.519**
Investments in associates	**97.271**	**2.202**	**-**	**-**	**-**	**99.473**
Intangible assets	**1.617.138**	**-**	**449**	**389**	**11.093**	**1.629.069**
Investment property	**42.819**	**-**	**-**	**-**	**-**	**42.819**
Property and equipment	**240.439**	**-**	**8.822**	**2.222**	**23.375**	**274.858**
Total assets	**29.147.829**	**5.515.455**	**1.412.232**	**462.238**	**1.815.484**	**38.353.238**
Liabilities						
Due to other banks	**5.955.224**	**670.289**	**185.840**	**601**	**51.251**	**6.863.205**
Customer deposits	**16.924.572**	**5.747.493**	**984.383**	**564.197**	**607.624**	**24.828.269**
Senior debt	**1.044.010**	**11.034**	**-**	**-**	**23.998**	**1.079.042**
Loan capital	**717.367**	**8.540**	**-**	**-**	**-**	**725.907**
Other liabilities	**899.975**	**82.121**	**34.781**	**14.237**	**35.532**	**1.066.646**
Retirement benefit obligations	**227.581**	**-**	**1.136**	**-**	**-**	**228.717**
	25.768.729	**6.519.477**	**1.206.140**	**579.035**	**718.405**	**34.791.786**
Minority interest	**106.724**	**-**	**-**	**-**	**24.907**	**131.631**
Equity	**3.187.324**	**-**	**12.055**	**44.999**	**185.443**	**3.429.821**
Total liabilities and equity	**29.062.777**	**6.519.477**	**1.218.195**	**624.034**	**928.755**	**38.353.238**
Net on-balance sheet position	**85.052**	**(1.004.022)**	**194.037**	**(161.796)**	**886.729**	
Net notional position of derivative financial instruments	**(153.404)**	**1.075.742**	**(246.471)**	**161.893**	**(837.760)**	
Net currency position	**(68.352)**	**71.720**	**(52.434)**	**97**	**48.969**	
2007						
Total assets	22.161.521	4.671.657	1.598.456	549.696	1.276.243	30.257.573
Total liabilities and equity	21.887.533	5.403.549	1.439.213	706.353	820.925	30.257.573
Net on-balance sheet position	273.988	(731.892)	159.243	(156.657)	455.318	
Net notional position of derivative financial instruments	(305.826)	764.481	(156.130)	145.240	(447.765)	
Net currency position	(31.838)	32.589	3.113	(11.417)	7.553	

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

RISK FROM CHANGES IN THE PRICES OF EQUITY SECURITIES

The risk in relation to the changes of the prices of equity securities that are owned by the Group is stemming from adverse changes of the current prices of equity securities. The Group is mostly investing in equity shares listed on the Athens Exchange and the Cyprus Stock Exchange and depending on the purpose of acquisition the investments are classified in the appropriate portfolio. The Risk Management Committee, the Executive Committees and the local Assets and Liabilities Committees receive information for monitoring this risk.

For the equity securities that are measured at fair value through profit or loss, a change in the price affects the profit of the Group, whereas for the equity securities classified as available-for-sale a change in the price affects the equity of the Group. The table below indicates how the net profit and equity of the Group will be affected from a change in the price of the equity securities held.

	Available-for-sale			Trading		
2008	**Position € '000**	**Change in index**	**Impact on equity € '000**	**Position € '000**	**Change in index**	**Impact on income statement € '000**
Equity securities and funds						
Listed on the Cyprus Stock Exchange	**12.149**	**25%**	**3.037**	**3.691**	**25%**	**923**
Listed on Athens Exchange	**131.287**	**25%**	**32.822**	**19.846**	**25%**	**4.961**
Listed on other Stock Exchanges	**10.104**	**15%**	**1.516**	**7**	**15%**	**1**
Not listed	**132.419**	**-**	**-**	**84.872**	**-**	**-**
Total	**285.959**		**37.375**	**108.416**		**5.885**

The Group is not exposed to commodities price risk.

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

LIQUIDITY RISK

Liquidity risk is the risk that the Group either does not have sufficient financial resources available to meet its obligations as they fall due, or can secure them only at excessive cost.

A substantial portion of the Group's assets is funded by customer deposits, loan capital and senior debt. Savings and sight deposits cover immediate cash needs while long-term investment needs are usually covered by the issue of loan capital, senior debt and time deposits. Although certain deposits may be withdrawn on demand with no advance notice, the large diversification by number and type of depositors helps to protect against unexpected fluctuations and constitutes a stable deposit base.

Roles and responsibilities

The Board of Directors and the Risk Management Committee are responsible for the following:

- approve the Group's Liquidity Policy Manual;
- allocate to the appropriate Senior Managers the authority and responsibility to manage liquidity risk;
- monitor the liquidity profile of the Group as well as any material changes in current or future liquidity profile; and
- review the contingency plans of the Group.

The members of the Assets and Liabilities Committee and Senior Management ensure that liquidity is effectively managed, and that the appropriate liquidity strategies are formulated. Day-to-day liquidity management is performed by local Treasuries. Medium term and long term liquidity management strategies are determined by the Group Treasury and the respective actions are approved by the Board of Directors and/or the Executive Committees.

Policies and procedures

The Group Liquidity Management Policy Manual documents the policies and principles for the management of liquidity risk.

Measurement and control

The measurement of liquidity risk is facilitated by the following:

(a) evaluation of the maturity profile of liabilities on the balance sheet;

(b) ability to access the wholesale markets and interbank markets;

(c) intra-Group liquidity;

(d) liquidity assessment of capital markets holdings and of other liquid assets;

(e) off-balance commitments.

The Group manages to control the risk through a developed liquidity management structure comprising a diverse range of controls, procedures and limits. In this way, the Group complies with liquidity ratios set by both foreign and local banking regulators, as well as with internal limits.

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

Measurement and control (continued)

The main liquidity ratios calculated by the Bank and by each subsidiary of the Group are the following:

- maturity mismatches between maturing assets and liabilities for time periods of up to one month (usually 0 – 7 days and 0 – 1 month); and

- ratio of liquid assets over borrowed funds.

Other criteria used to assess the liquidity profile are the following:

- liquid assets to total assets;
- advances to retail deposits; and
- concentration risk on largest retail and interbank depositors.

Monitoring and reporting

The Executive Committees, the Risk Management Committee and the local Assets and Liabilities Committees receive regular reporting as to the liquidity position of the Group by the Risk Management Division and Risk Management Units.

The Group performs stress test scenarios on liquidity risk, while there are appropriate contingency plans in place.

Non-derivative cash flows

The following liquidity tables analyse the financial liabilities of the Group (due to other banks, customer deposits, senior debt and loan capital) into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and hence differ from the carrying amounts disclosed on the consolidated balance sheet.

	Within 1 month € '000	Over 1 month but less than 3 months € '000	Over 3 months but less than 1 year € '000	Over 1 year but less than 5 years € '000	Over 5 years € '000	Total € '000
2008						
Financial liabilities						
Due to other banks	**5.322.311**	**1.149.711**	**364.058**	**50.388**	**-**	**6.886.468**
Customer deposits	**13.234.980**	**5.673.096**	**5.846.263**	**217.848**	**112.010**	**25.084.197**
Senior debt	**1.946**	**23.607**	**38.757**	**1.091.874**	**-**	**1.156.184**
Loan capital	**1.517**	**9.588**	**25.675**	**132.692**	**822.394**	**991.866**
	18.560.754	**6.856.002**	**6.274.753**	**1.492.802**	**934.404**	**34.118.715**
2007						
Financial liabilities						
Due to other banks	1.948.026	556.944	130.482	88.356	-	2.723.808
Customer deposits	13.049.114	4.346.593	2.823.797	655.882	-	20.875.386
Senior debt	1.113	13.004	233.672	860.584	-	1.108.373
Loan capital	406	8.983	25.770	140.065	740.047	915.271
	14.998.659	4.925.524	3.213.721	1.744.887	740.047	25.622.838

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

Non-derivative cash flows (continued)

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and balances with Central Banks, treasury and other eligible bills, due from other banks and advances to customers. The Group would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources.

Derivative cash flows

The following liquidity tables analyse the cash flows arising from the Group's derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the tables are contractual undiscounted cash flows and hence differ from the carrying amounts included in the consolidated balance sheet.

(a) Derivatives settled on a net basis

	Within 1 month € '000	Over 1 month but less than 3 months € '000	Over 3 months but less than 1 year € '000	Over 1 year but less than 5 years € '000	Over 5 years € '000	Total € '000
2008						
Derivatives held for trading:						
Foreign exchange derivatives	**(16.251)**	**-**	**-**	**-**	**-**	**(16.251)**
Interest rate derivatives	**464**	**97**	**6.067**	**(5.665)**	**(89)**	**874**
	(15.787)	**97**	**6.067**	**(5.665)**	**(89)**	**(15.377)**
2007						
Derivatives held for trading:						
Foreign exchange derivatives	-	1.222	(11)	8	-	1.219
Interest rate derivatives	(359)	449	5.632	(9.865)	(2.730)	(6.873)
	(359)	1.671	5.621	(9.857)	(2.730)	(5.654)

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

Derivative cash flows (continued)

(b) Derivatives settled on a gross basis

	Within 1 month € '000	Over 1 month but less than 3 months € '000	Over 3 months but less than 1 year € '000	Over 1 year but less than 5 years € '000	Over 5 years € '000	Total € '000
2008						
Derivatives held for trading:						
Foreign exchange derivatives						
Outflow	**(2.561.803)**	**(650.987)**	**(155.106)**	**(17.541)**	**-**	**(3.385.437)**
Inflow	**2.513.485**	**641.750**	**151.735**	**16.923**	**-**	**3.323.893**
Interest rate derivatives						
Outflow	**(1.339)**	**(2.714)**	**(17.857)**	**(51.897)**	**(28.199)**	**(102.006)**
Inflow	**1.413**	**2.622**	**17.917**	**53.111**	**30.357**	**105.420**
Derivatives held for hedging:						
Foreign exchange derivatives						
Outflow	**(113.305)**	**-**	**(366)**	**-**	**-**	**(113.671)**
Inflow	**111.150**	**-**	**366**	**-**	**-**	**111.516**
Interest rate derivatives						
Outflow	**(9.267)**	**(43.346)**	**(146.334)**	**(370.989)**	**(164.923)**	**(734.859)**
Inflow	**20.542**	**38.222**	**117.408**	**269.640**	**141.763**	**587.575**
Total outflow	**(2.685.714)**	**(697.047)**	**(319.663)**	**(440.427)**	**(193.122)**	**(4.335.973)**
Total inflow	**2.646.590**	**682.594**	**287.426**	**339.674**	**172.120**	**4.128.404**
2007						
Derivatives held for trading:						
Foreign exchange derivatives						
Outflow	(510.236)	(1.418.337)	(57.259)	(18.275)	-	(2.004.107)
Inflow	509.214	1.391.333	57.422	18.393	-	1.976.362
Interest rate derivatives						
Outflow	(177)	(6.030)	(6.835)	(24.939)	(4.946)	(42.927)
Inflow	177	5.769	7.159	21.979	4.929	40.013
Derivatives held for hedging:						
Foreign exchange derivatives						
Outflow	(267)	-	-	-	-	(267)
Inflow	269	-	-	-	-	269
Interest rate derivatives						
Outflow	(432)	(11.024)	(33.017)	(78.742)	(1.616)	(124.831)
Inflow	69	11.309	33.023	75.078	1.857	121.336
Total outflow	(511.112)	(1.435.391)	(97.111)	(121.956)	(6.562)	(2.172.132)
Total inflow	509.729	1.408.411	97.604	115.450	6.786	2.137.980

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

FAIR VALUE OF ASSETS AND LIABILITIES

Fair value represents the amount at which an asset could be exchanged, or a liability settled, in an arm's length transaction. Differences can therefore arise between carrying values and fair values. The definition of fair value assumes that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Generally accepted methods of determining fair value include reference to quoted market prices or to prices prevailing for similar financial instruments.

With reference to the above, the carrying value of the Group's assets and liabilities is not materially different from their fair value with the exception of held-to-maturity financial assets and debt securities lending.

(a) Due from other banks
Due from other banks include inter-bank placements and items in the course of collection. The fair value of floating as well as fixed rate placements closely approximates their carrying value since their average maturity is approximately one month.

(b) Advances to customers
Advances to customers are presented net of provisions for impairment. The vast majority of advances earns interest at floating rates and hence their fair value approximates carrying value.

(c) Held-to-maturity financial assets
The fair value of held-to-maturity financial assets amounts to € 1.106.179.000 (2007: € 377.587.000). Fair value for held-to-maturity financial assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

(d) Debt securities lending
The fair value of debt securities lending amounts to € 807.144.000. Fair value for debt securities lending is based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

(e) Deposits
The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed as well as floating interest-bearing deposits closely approximates their carrying value since their average maturity is less than one year.

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

CAPITAL MANAGEMENT

The Group's capital management is driven by its strategy which takes into account the regulations and business environment in which it operates. The Group's objectives when managing capital, which is a broader concept than the "equity" on the face of the consolidated balance sheet, are:

- to comply with the requirements set by the regulators of the markets where the Group operates;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for its shareholders;
- to maintain a strong capital base to support the development of its business.

The capital adequacy of the Group is monitored based on the Directive for the Computation of Capital Requirements and Large Exposures ("Directive") issued by the Central Bank of Cyprus in December 2006. With this Directive, the Central Bank of Cyprus adopted the provisions of the European Union's Capital Requirements Directive. The Capital Requirements Directive brought into force the requirements of Basel II, issued by the Basel Committee on Banking Supervision, in the European Union. The Group adopted the provisions of the Directive as of 1 January, 2008. Basel II is structured around three Pillars:

- Pillar I : Computation of minimum capital requirements,
- Pillar II : Supervisory review and evaluation process (SREP) and
- Pillar III : Market Discipline.

The Central Bank of Cyprus supervises the Group on a consolidated basis. In addition, the overseas subsidiaries are supervised by the local regulators.

The Central Bank of Cyprus, under Pillar I, requires a minimum capital adequacy ratio of 8%. The Central Bank of Cyprus may impose additional capital requirements for risks not covered under Pillar I.

The table below summarises the composition of regulatory capital and the capital adequacy ratio of the Group for the years ended 31 December, 2008 and 2007 as they were submitted to the Central Bank of Cyprus. During these two years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements.

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

CAPITAL MANAGEMENT (continued)

	Basel II 2008 € '000	Basel I 2007 € '000
Tier I capital		
Share capital	**705.607**	680.613
Share premium	**2.144.141**	2.017.708
Retained earnings (net of foreseeable dividends)	**679.336**	621.485
Minority interest	**131.631**	92.529
Capital securities	**199.974**	80.326
Less: Goodwill and other intangibles and prudential filters	**(1.909.252)**	(1.701.193)
50% of investments in non-banking subsidiaries and investments in companies in the financial sector that exceed 10% of their capital	**(14.728)**	-
Total qualifying Tier I capital	**1.936.709**	1.791.468
Tier II capital		
Qualifying subordinated loan capital	**525.933**	518.619
Revaluation reserves and prudential filters	**53.387**	48.608
Less: 50% of investments in non-banking subsidiaries and investments in companies in the financial sector that exceed 10% of their capital	**(14.728)**	-
Total qualifying Tier II capital	**564.592**	567.227
Less: Investments in associates and insurance undertakings	**-**	(187.010)
Investments in insurance undertakings	**(84.056)**	-
Total regulatory capital	**2.417.245**	2.171.685
Total risk-weighted assets	**23.915.955**	19.438.753
Capital adequacy ratio	**10,1%**	11,2%

The Group's regulatory capital is divided into two tiers:

- Tier I capital mostly comprises of share capital (net of the book value of any treasury shares), minority interests and retained earnings net of foreseeable dividends. The book value of goodwill and other intangibles is deducted in arriving at Tier I capital; and

- Tier II capital mostly comprises of qualifying subordinated loan capital and unrealised gains arising on the fair valuation of property and available-for-sale financial assets.

Investments in non-banking subsidiaries and investments in companies in the financial sector that exceed 10% of their capital are equally deducted from the Tier I and Tier II capital. Investments in insurance undertakings are deducted from the total Tier I and Tier II capital to arrive at the regulatory capital.

Risk-weighted assets are calculated for credit risk using the standardised approach same as the capital requirements for market risk. For operational risk the capital requirements are calculated in accordance with the Basic Indicator approach.

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

INSURANCE RISK

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts, the principal risk that the Group faces under its insurance contracts is that the actual claim and benefit payments exceed the carrying amount of the insurance liabilities. The Group has developed its insurance underwriting strategy to diversify the type and geographical location of insurance risks accepted.

(a) Long-term life insurance contracts

For contracts where death is the insured risk, the main source of uncertainty is that epidemics such as AIDS and wide-ranging lifestyle changes (eating, smoking and exercise habits), could result in future mortality being significantly higher than in the past.

This risk is taken into account when the periodical adjustment of the mortality risk charges takes place, in accordance with the provisions of the insurance contracts.

The Group manages this risk through reinsurance arrangements and its underwriting strategy. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits and to reflect the medical history of the applicant.

(b) Short-term life insurance contracts

These contracts are mainly team contracts renewable annually, issued to employers to insure their commitments to their employees for death and disability.

The insurance risk is affected by the factors affecting long-term life insurance contracts, as mentioned above. Additionally it depends on the industry in which each insured party operates.

(c) General business – frequency and severity of claims

The principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the book amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy aims to ensure that only acceptable risks are undertaken by the Group. There are in place underwriting instructions and limits that facilitate the Group’s objective. Furthermore, the Group has an internal Risk & Survey Department, which is responsible for the proactive compliance of its clients with specific safety standards. The department is also responsible to inform large clients for the risks that their properties may face, through proactive seminars.

46. FINANCIAL AND INSURANCE RISK MANAGEMENT (continued)

INSURANCE RISK (continued)

(c) General business – frequency and severity of claims (continued)

The Group has in place a conservative reinsurance program, which includes proportional, excess of loss and catastrophe coverage. All reinsurance companies are at least A rated by Standard & Poor's (or similar rating agencies). The objective of the reinsurance program is to reduce the Group's exposure within acceptable limits. The annual treaty reinsurance program is reviewed and approved by the Reinsurance Committee of the Board of Directors of the general insurance companies of the Group.

The claims handling strategy of the Group aims to ensure that the Group deals efficiently and effectively with every claim from the time it occurs in order to proceed with a speedy settlement and to avoid adverse developments and increased cost.

(d) General business – sources of uncertainty in the estimation of future claim payments

The provisions for outstanding claims are based on the estimated cost of all claims incurred but not settled at the balance sheet date, regardless of whether they have been reported, less the expected subrogation value and other recoveries.

For the calculation of the cost of the reported claims that have not been paid yet, the Group evaluates each claim separately case-by-case and their estimated cost is based on the facts of each claim, on the information available and on the information available from the settlement of claims with similar characteristics in previous periods.

The estimation of provision for claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group because for the latter, the events of the claim are to a great extent known.

The provisions for claims incurred but not reported are made based on previous years' experience and taking into account anticipated future changes and developments.

47. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables € '000	Assets at fair value through profit or loss € '000	Derivatives used for hedging € '000	Available-for sale assets € '000	Held-to-maturity assets € '000	Total € '000
2008						
Assets as per consolidated balance sheet						
Cash and balances with Central Banks	**1.839.670**	**-**	**-**	**-**	**-**	**1.839.670**
Due from other banks	**4.354.181**	**-**	**-**	**-**	**-**	**4.354.181**
Financial assets at fair value through profit or loss	**-**	**356.919**	**-**	**-**	**-**	**356.919**
Advances to customers	**23.427.226**	**-**	**-**	**-**	**-**	**23.427.226**
Debt securities lending	**938.295**	**-**	**-**	**-**	**-**	**938.295**
Available-for-sale financial assets	**-**	**-**	**-**	**3.606.173**	**-**	**3.606.173**
Held-to-maturity financial assets	**-**	**-**	**-**	**-**	**1.164.036**	**1.164.036**
Other assets	**-**	**-**	**2.658**	**-**	**-**	**2.658**
	30.559.372	**356.919**	**2.658**	**3.606.173**	**1.164.036**	**35.689.158**

	Derivative liabilities at fair value through profit or loss € '000	Derivatives used for hedging € '000	Other financial liabilities € '000	Total € '000
2008				
Liabilities as per consolidated balance sheet				
Due to other banks	**-**	**-**	**6.863.205**	**6.863.205**
Customer deposits	**-**	**-**	**24.828.269**	**24.828.269**
Senior debt	**-**	**-**	**1.079.042**	**1.079.042**
Loan capital	**-**	**-**	**725.907**	**725.907**
Other liabilities	**174.499**	**152.518**	**-**	**327.017**
	174.499	**152.518**	**33.496.423**	**33.823.440**

47. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	Loans and receivables € '000	Assets at fair value through profit or loss € '000	Derivatives used for hedging € '000	Available-for-sale assets € '000	Held-to-maturity assets € '000	Total € '000
2007						
Assets as per consolidated balance sheet						
Cash and balances with Central Banks	1.347.119	-	-	-	-	1.347.119
Due from other banks	4.978.224	-	-	-	-	4.978.224
Financial assets at fair value through profit or loss	-	716.080	-	-	-	716.080
Advances to customers	17.615.108	-	-	-	-	17.615.108
Available-for-sale financial assets	-	-	-	2.737.456	-	2.737.456
Held-to-maturity financial assets	-	-	-	-	375.789	375.789
Other assets	-	-	2.308	-	-	2.308
	23.940.451	716.080	2.308	2.737.456	375.789	27.772.084

	Derivative liabilities at fair value through profit or loss € '000	Derivatives used for hedging € '000	Other financial liabilities € '000	Total € '000
2007				
Liabilities as per consolidated balance sheet				
Due to other banks	-	-	2.709.374	2.709.374
Customer deposits	-	-	20.694.917	20.694.917
Senior debt	-	-	973.014	973.014
Loan capital	-	-	604.049	604.049
Other liabilities	42.850	8.467	-	51.317
	42.850	8.467	24.981.354	25.032.671

48. DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE BANK

The beneficial interest in the Bank's share capital owned by members of the Board of Directors, their spouses and minor children and by companies in which they hold directly or indirectly at least 20% of the voting rights in a general meeting was as follows:

	Beneficial interest at 31 December, 2008	Beneficial interest 26 February, 2009
Platon E. Lanitis	**4,09%**	**4,09%**
Vassilis Theocharakis	**2,45%**	**2,45%**
Andreas Vgenopoulos	**0,44%**	**0,44%**
Eleftherios Hiliadakis	**0,05%**	**0,05%**
Efthimios Bouloutas	**0,04%**	**0,04%**
Constantinos Mylonas	**0,03%**	**0,03%**
Christos Stylianides	**0,01%**	**0,01%**
Neoclis Lysandrou	**0,01%**	**0,01%**

The percentages are based on the total issued share capital.

49. SHAREHOLDERS WITH MORE THAN 5% OF SHARE CAPITAL

	Shareholding at 31 December, 2008	Shareholding at 26 February, 2009
Dubai Financial Limited Liability Company	**19,08%**	**19,08%**
Marfin Investment Group Holdings S.A.	**9,69%**[(1)]	**9,69%**[(1)]

(1) Of the above percentage holding 3,15% related to 26.135.000 shares that Marfin Investment Group Holdings S.A. held directly and 6,54% related to 54.309.000 shares that Marfin Investment Group Holdings S.A. held indirectly and which it had the right to acquire according to the terms of total return equity swaps and whose voting rights are exercised according to its instructions.

The percentages are based on the total issued share capital.

50. RELATED PARTY TRANSACTIONS

	2008 Number of Directors	2007 Number of Directors	**2008 € '000**	2007 € '000
Advances to Directors and their connected persons:				
More than 1% of the net assets of the Group	**2**	2	**271.744**	188.573
Less than 1% of the net assets of the Group	**12**	13	**8.339**	4.659
	14	15	**280.083**	193.232
Advances to other key management personnel and their connected persons			**7.153**	449
Total advances			**287.236**	193.681
Commitments for guarantees and letters of credit:				
Guarantees to Directors and their connected persons:				
More than 1% of the net assets of the Group			**14.239**	23.784
Total guarantees			**14.239**	23.784
Letters of credit to Directors and their connected persons:				
More than 1% of the net assets of the Group			**14.603**	16.280
Total letters of credit			**14.603**	16.280
Total advances and commitments			**316.078**	233.745
Tangible securities			**382.521**	250.343
Interest income			**13.598**	4.256
Deposits			**122.939**	147.092
Interest expense			**7.217**	1.360

50. RELATED PARTY TRANSACTIONS (continued)

There were no commitments relating to other key management personnel of the Group.

The amount of tangible securities is presented aggregately in the preceding table. Therefore, it is possible that some individual facilities are not fully covered with tangible securities. The total amount of facilities that are unsecured at 31 December, 2008 amounts to € 58.558.000 (2007: € 54.334.000).

Connected persons include the spouse, minor children and companies in which key management personnel hold directly or indirectly at least 20% of the voting rights in a general meeting.

The deposits and advances of the group of Marfin Insurance Holdings Ltd as at 31 December, 2008 amounted to € 251.765.000 and € 28.499.000, respectively. The deposits of other associates of the Group at 31 December, 2008 were € 20.621.000 (2007: € 22.249.000), the advances were € 1.695.000, the interest expense was € 1.532.000 (2007: € 497.000) and the interest income was € 10.000. In addition, during 2008 the Group also received dividend of € 1.853.000 (2007: € 1.698.000) from associates. The deposits of the Provident Funds of the employees of the Group in Cyprus at 31 December, 2008, which are also regarded as related parties, were € 12.446.000 (2007: € 25.929.000) and the interest expense was € 610.000 (2007: € 667.000). In addition, the Group had total income during 2008 from Dubai Financial Limited Liability Company of € 1.230.000 (2007: € 1.113.000) relating to interest and commissions.

Other transactions with connected persons

During 2008, the Group received commissions on stock exchange transactions from key management personnel amounting to € 164.000 (2007: € 153.000) and purchased goods and received services amounting to € 214.000 (2007: € 305.000) from companies connected to Lanitis Group. Additionally, the Group sold land to a company connected to Lanitis group at a consideration of € 29.600.000, realising a profit of € 14.200.000.

The above transactions are carried out as part of the normal activities of the Group, on commercial terms.

Group key management personnel compensation

	2008	2007
	€ '000	€ '000
Fees paid to Directors as members of the Board	**190**	146
Remuneration of Directors under executive role:		
Salaries and other short-term benefits	**1.704**	1.355
Employer's social insurance contributions	**72**	33
Retirement benefits scheme expense	**95**	83
	1.871	1.471
Consultancy services fees of Directors under non executive role	**320**	331
Compensation of other key management personnel:		
Salaries and other short-term benefits	**1.129**	774
Employer's social insurance contributions	**57**	77
Retirement benefits scheme expense	**26**	111
	1.212	962
Share-based payment compensation	**1.381**	970
	4.974	3.880

50. RELATED PARTY TRANSACTIONS (continued)

Group key management personnel compensation (continued)

During 2008, the Group's key management personnel received a total bonus of € 3,6 m based on the results of 2007.

In addition to the above, the members of the Board of Directors who retired received:

	2008 € '000	2007 € '000
Fees as members of the Board	**10**	119
Remuneration under executive role:		
Salaries and other short-term benefits	**-**	135
Employer's social insurance contributions	**-**	10
Retirement benefits scheme expense	**-**	18
	-	163
Total compensation	**10**	282

Key management personnel for 2008 include the 14 members of the Board of Directors, 5 of which had executive duties and the members of the executive management. For 2007, key management personnel included the 15 members of the Board of Directors, 5 of which had executive duties and the members of the executive management.

During 2008, 2 Executive Directors' total remuneration, including contributions to retirement fund, was in the range of € 255.000 to € 340.000, an Executive Director's total remuneration, including contributions to retirement fund, was in the range of € 340.000 to € 425.000, an Executive Director's total remuneration, including contributions to retirement fund, was in the range of € 510.000 to € 595.000 and an Executive Director's total remuneration, including contributions to retirement fund, was in the range of € 1.955.000 to € 2.040.000. During 2007, 3 Executive Directors' total remuneration, including contributions to retirement fund, was in the range of € 255.000 to € 340.000, an Executive Director's total remuneration, including contributions to retirement fund, was in the range of € 510.000 to € 595.000 and an Executive Director's total remuneration, including contributions to retirement fund, was in the range of € 935.000 to € 1.020.000.

51. BUSINESS DISPOSAL

On 18 December, 2008 the long-term cooperation agreement between the French CNP Assurances S.A. (CNP) and the Group for the development of insurance activities in Greece and Cyprus via the Group's networks was finalised. This agreement includes the transfer of 50,1% of the share capital of Marfin Insurance Holdings Ltd from the Bank to CNP and the reaching of a ten year renewable, exclusive distribution agreement with the option to expand to other countries that the Group is active. Marfin Insurance Holdings Ltd holds 100% of Laiki Cyprialife Ltd (life insurance in Cyprus), Laiki Insurance Ltd (general insurance in Cyprus and Greece), Marfin Life S.A. (life insurance in Greece) and Marfin Insurance Brokers S.A. (agency insurance activities in Greece).

As a result of the aforementioned and in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", the assets and liabilities of the insurance companies are no longer consolidated as from the date CNP assumed management control of these companies. The Bank's 49,9% participation in these companies is now classified as investment in associates (Note 27).

The results of the insurance companies for 2007 and 2008 when they were still subsidiaries of the Bank are included in the consolidated income statement as profit after tax from discontinued operations. For 2008 the effect on the income and profit for the year of the Group from the insurance companies was € 62,6 m (2007: € 66,3 m) and € 33,8 m (2007: € 41,7 m) respectively. The profit from the disposal of the insurance companies amounted to € 58,4 m (Note 13).

51. BUSINESS DISPOSAL (continued)

As at the disposal date, the assets and liabilities of the insurance companies that were disposed were as follows:

	€ '000
Cash and cash equivalents	74.950
Due from other banks	261.027
Financial assets at fair value through profit or loss	162.156
Advances to customers	25.158
Reinsurance assets	34.414
Available-for-sale financial assets (Note 23)	13.040
Held-to-maturity financial assets (Note 24)	3.412
Other assets	74.041
Tax refundable	751
Goodwill (Note 28)	25.273
Intangible assets (Note 28)	47.926
Investment property (Note 29)	7.221
Property and equipment (Note 30)	16.618
Insurance contract liabilities	(505.541)
Other liabilities	(52.480)
Current tax liabilities	(2.857)
Deferred tax liabilities (Note 38)	(5.802)
Retirement benefit obligations	(10.859)
Net assets	168.448
Net assets disposed of	84.453
Profit from disposal (Note 13)	58.374
Net proceeds from sale	142.827
Proceeds from sale	144.290
Sale expenses	(1.463)
Net proceeds from sale	142.827
Cash and cash equivalents in subsidiaries sold	(74.950)
Net cash inflow on sale	67.877

52. BUSINESS ACQUISITIONS

(a) Acquisition of Lombard Bank Malta Plc

On 28 February, 2008 the Bank acquired 42,86% of the share capital of Lombard Bank Malta Plc for € 50,1 m. During 2008 Lombard Bank Malta Plc paid a dividend of € 2.243.000. The amount attributable to the Bank, which was re-invested, was € 962.000. This re-investment brings the Bank's holding to 43,08% and the goodwill arising was € 98.000.

The Bank exercises control over Lombard Bank Malta Plc through the power to appoint the majority of members of the Board of Directors and therefore Lombard Bank Malta Plc is accounted for as a subsidiary company of the Group.

Lombard Bank Malta Plc is Malta's third largest bank listed on the local stock exchange and operates under the supervision of the Central Bank of Malta. It was established in 1969 in Valletta and it offers complete banking services via a network of six branches. Lombard Bank Malta Plc also offers services via MaltaPost Plc, in which it is a major shareholder.

For the year 2008 the effect on the income and the profit for the year of the Group from the acquisition of Lombard Bank Malta Plc from the date of the acquisition 28 February, 2008 to 31 December, 2008 was € 30,7 m and € 7,4 m respectively.

52. BUSINESS ACQUISITIONS (continued)

(a) Acquisition of Lombard Bank Malta Plc (continued)

Details regarding the net assets acquired are as follows:

	€ '000
Consideration for acquisition	49.663
Acquisition expenses	424
Total consideration for acquisition	50.087
Fair value of net assets acquired	(22.479)
Goodwill	27.608

The assets and liabilities acquired at the acquisition date were as follows:

	Fair value € '000	**Book value € '000**
Cash and cash equivalents	132.251	132.251
Restricted balances with Central Bank	8.810	8.810
Due from other banks (due in more than 3 months)	3.020	3.020
Advances to customers	263.072	263.072
Available-for-sale financial assets	8.175	8.175
Held-to-maturity financial assets	63.717	63.717
Other assets	11.611	11.611
Deferred tax assets	3.060	3.060
Goodwill	856	856
Intangible assets	504	504
Investment property	745	745
Property and equipment	10.329	10.329
Due to other banks	(344)	(344)
Customer deposits	(401.782)	(401.782)
Other liabilities	(44.591)	(44.591)
Current tax liabilities	(2.483)	(2.483)
Deferred tax liabilities	(843)	(843)
Net assets	56.107	56.107
Minority interest	(33.628)	(33.628)
Net assets acquired	22.479	22.479
Consideration for acquisition		(49.663)
Acquisition expenses		(424)
Cash and cash equivalents in subsidiary acquired		132.251
Cash inflow from acquisition		82.164

The aforementioned information is based on initial accounting determined provisionally according to the provisions of IFRS 3. The Group is in the process of carrying out the fair valuation of the net assets acquired, including intangible assets and the purchase price allocation. The accounting will be completed within twelve months from the date of acquisition and as a result any adjustment to the preliminary values and to the purchase price allocation will be recognised within a period of twelve months from the acquisition date according to the provisions of IFRS 3.

52. BUSINESS ACQUISITIONS (continued)

(b) Acquisition of Rossiysky Promyishlenny Bank (Rosprombank)

On 4 September, 2008 the Bank finalised the acquisition of Rosprombank, after securing all necessary approvals by the supervisory authorities of Russia and Cyprus. The acquisition was finalised with the transfer of 50,04% of the share capital of the Russian Closed Joint-Stock Company RPB Holding, parent company of Rosprombank against the sum of € 85,2 m.

Rosprombank was established in 1997 and has a dynamic presence in Russia via a network of 32 branches and selling points covering the big cities of the Russian Federation.

For the year 2008 the effect on the income and the profit for the year of the Group from the acquisition of the Russian companies from the date of the acquisition 4 September, 2008 to 31 December, 2008 was € 8,3 m and € 0,4 m respectively.

Details regarding the net assets acquired are as follows:

	€ ‘000
Consideration for acquisition	83.648
Acquisition expenses	1.568
Total consideration for acquisition	85.216
Fair value of net assets acquired	(28.405)
Goodwill	56.811

The assets and liabilities acquired at the acquisition date were as follows:

	Fair value € ‘000	**Book value € ‘000**
Cash and cash equivalents	50.095	50.095
Restricted balances with Central Bank	4.938	4.938
Due from other banks (due in more than 3 months)	2.759	2.759
Advances to customers	184.719	187.636
Debt securities lending	18.853	18.853
Available-for-sale financial assets	5.251	5.251
Held-to-maturity financial assets	2.242	2.242
Other assets	13.061	13.061
Tax refundable	1.011	1.011
Intangible assets	516	516
Property and equipment	3.939	3.939
Due to other banks	(3.091)	(3.091)
Customer deposits	(152.986)	(152.986)
Senior debt	(61.722)	(61.722)
Loan capital	(8.128)	(8.128)
Other liabilities	(2.462)	(2.462)
Current tax liabilities	(43)	(43)
Deferred tax liabilities	(2.153)	(2.153)
Net assets	56.799	59.716
Minority interest	(28.394)	(29.852)
Net assets acquired	28.405	29.864
Consideration for acquisition		(83.648)
Acquisition expenses		(1.568)
Cash and cash equivalents in subsidiary acquired		50.095
Cash outflow from acquisition		(35.121)

52. BUSINESS ACQUISITIONS (continued)

(b) Acquisition of Rossiysky Promyishlenny Bank (Rosprombank) (continued)

The aforementioned information is based on initial accounting determined provisionally according to IFRS 3. The Group is in the process of carrying out the fair valuation of the net assets acquired, including intangible assets and the purchase price allocation. The accounting will be completed within twelve months from the date of acquisition and as a result any adjustment to the preliminary values and to the purchase price allocation will be recognised within a period of twelve months from the acquisition date according to the provisions of IFRS 3.

(c) Acquisition of Marine Transport Bank

On 18 September, 2007, following the obtaining of the necessary approvals by the competent authorities of Cyprus and Ukraine, the Bank completed the acquisition of 99,21% of the share capital of Marine Transport Bank (MTB) in Ukraine for € 103,6 m.

MTB is a bank organised as an Open Joint-Stock Company under the laws of Ukraine. It is a universal bank having licenses for a full range of banking operations.

Details regarding the net assets acquired are as follows:

	€ '000
Consideration for acquisition	100.721
Acquisition expenses	2.916
Total consideration for acquisition	103.637
Fair value of net assets acquired	(38.348)
Goodwill	65.289

Goodwill is attributable to securing a banking license in Ukraine achieved through the acquisition which will allow the Group to take advantage of the high margins enjoyed by the ukrainian banking sector.

The assets and liabilities acquired at the acquisition date were as follows:

	Fair value € '000	Book value € '000
Cash and cash equivalents	47.857	47.857
Advances to customers	112.696	112.696
Other assets	1.793	1.793
Intangible assets	17.529	-
Property and equipment	13.779	13.779
Due to other banks	(4.193)	(4.193)
Customer deposits	(138.333)	(138.333)
Deferred tax liabilities	(8.195)	(3.813)
Other liabilities	(4.280)	(2.939)
Net assets	38.653	26.847
Minority interest	(305)	(211)
Net assets acquired	38.348	26.636

52. BUSINESS ACQUISITIONS (continued)

(c) Acquisition of Marine Transport Bank (continued)

	€ '000
Consideration for acquisition	(100.721)
Acquisition expenses	(2.916)
Acquisition of subsidiary's loan capital	(1.301)
Cash and cash equivalents in subsidiary acquired	47.857
Cash outflow from acquisition	(57.081)

In addition on 18 September, 2007 the acquisition of three affiliated companies of MTB operating in the area of leasing was completed; 100% of the share capital of Investment Lease Company Renta, 91% of the share capital of Premier Capital and 81,24% of the share capital of Sintez Autoservice were acquired for € 515.000. The acquisitions gave rise to € 10.000 goodwill. An amount of € 96.000 relating to the excess of the acquirer's interest in the fair value of the acquiree's identifiable net assets was recognised in the results for 2007.

In September 2008, the Bank completed the fair valuation and purchase price allocation for the acquisition of MTB. Based on adjustments to the preliminary accounting adopted in the consolidated financial statements for the year ended 31 December, 2007, the Group recognised € 17,5 m intangible assets, which relate to the estimated fair value for core deposits and customer relationships. The results were charged with amortisation of the intangible assets recognised amounting to € 1,8 m. A deferred tax liability of € 4,4 m in relation to the aforementioned intangible assets has also been recognised.

In November 2008, an increase of the share capital of MTB was made for the amount of € 30 m, which was fully covered by the Bank. As a result, the Bank's holding increased to 99,9% and an additional goodwill of € 8,3 m arose.

(d) Cash flow from business acquisitions

	2008 € '000	2007 € '000
Cash inflow from the acquisition of Lombard Bank Malta Plc (a)	**82.164**	-
Cash outflow from the acquisition of Rosprombank (b)	**(35.121)**	-
Cash outflow from the acquisition of Marine Transport Bank, Investment Lease Company Renta, Premier Capital and Sintez Autoservice (c)	**-**	(57.596)
Acquisition of subsidiaries net of cash and cash equivalents acquired per consolidated cash flow statement	**47.043**	(57.596)

(e) Goodwill from business acquisitions

	2008 € '000	2007 € '000
Goodwill arising on the acquisition of Lombard Bank Malta Plc (a)	**27.608**	-
Goodwill acquired from the acquisition of Lombard Bank Malta Plc (a)	**856**	-
Goodwill arising on the acquisition of Rosprombank (b)	**56.811**	-
Goodwill arising on the acquisition of Marine Transport Bank and Premier Capital (c)	**-**	65.299
Total (Note 28)	**85.275**	65.299

53. DIVIDEND

On 2 June, 2008 a dividend payment of € 278.842.000 was made, € 0,35 per share of nominal value € 0,85 (2007: € 245.018.000, € 0,31 per share). The dividend has been accounted for in shareholders' equity as an appropriation of retained earnings (Note 40). Part of the dividend amounting to € 155.137.000 was re-invested into shares of the Bank.

The Board of Directors decided on 26 March, 2009 to propose to the Annual General Meeting a dividend of € 0,15 per share.

54. INVESTMENTS IN SUBSIDIARY COMPANIES

The main subsidiary companies of the Group, as at 31 December, 2008 were as follows:

Company name	Effective shareholding (1)	Country of incorporation	Issued share capital € '000	Activity sector
Marfin Egnatia Bank S.A. (a)	97%	Greece	366.846	Banking
Investment Bank of Greece S.A. (b)	89%	Greece	110.427	Investment banking
Laiki Investments E.P.E.Y. Public Company Ltd ((c), Note 56)	71%	Cyprus	68.000	Investment and brokerage services and investments
Marfin Leasing S.A. (d)	97%	Greece	53.444	Leasing
Laiki Bank (Australia) Ltd	100%	Australia	39.459	Banking
Marfin Bank JSC Belgrade (e)	98%	Serbia	35.908	Banking
Marfin Bank Romania S.A. (f)	96%	Romania	31.994	Banking
Open Joint-Stock Company Marine Transport Bank (Note 52(c))	100%	Ukraine	31.948	Banking
Rossiysky Promyishlenny Bank Company Ltd (Note 52(b))	50%	Russia	26.387	Banking
Closed Joint-Stock Company RPB Holding (Note 52(b))	50%	Russia	24.223	Investment company
Paneuropean Insurance Co Ltd	100%	Cyprus	14.025	Investment company
Marfin Pank Eesti AS (g)	53%	Estonia	12.814	Banking
Marfin Factors & Forfaiters S.A.	97%	Greece	10.870	Factoring, invoice discounting
Philiki Insurance Co Ltd	100%	Cyprus	9.800	Investment company
Lombard Bank Malta Plc ((h), Note 52(a))	43%	Malta	8.762	Banking
Cyprialife Ltd	100%	Cyprus	8.550	Investment company
Marfin Global Asset Management Mutual Funds Management S.A. (i)	96%	Greece	4.572	Mutual funds and private portfolio management
Laiki Bank (Guernsey) Ltd	100%	Guernsey	2.100	Banking
Laiki Factors Ltd	100%	Cyprus	855	Factoring, invoice discounting
IBG Investments S.A. (j)	89%	British Virgin Islands	686	Investment services
Marfin Capital Partners Ltd (k)	68%	United Kingdom	188	Investment management

(1) The effective shareholding includes the direct holding of Marfin Popular Bank Public Co Ltd and the indirect holding through its subsidiary companies.

Marfin Popular Bank Public Co Ltd is registered in Cyprus and operates in Cyprus and through branches in the United Kingdom.

The full consolidation method is applied to all the subsidiary companies of the Group.

54. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

(a) Increase in shareholding in Marfin Egnatia Bank S.A.

During 2008, 5.438.000 shares of Marfin Egnatia Bank S.A. were acquired and the convertible bonds held by the Bank were converted into 206.000 shares. These acquisitions bring the Bank's holding to 97% and the goodwill arising on the additional shares was € 8.359.000.

(b) Merger of Investment Bank of Greece S.A. with Laiki Attalos A.E.P.E.Y.

Laiki Attalos A.E.P.E.Y. merged by absorption with Investment Bank of Greece S.A. on 28 November, 2008. The share capital of Investment Bank of Greece S.A. increased by € 3 m, which represents the total offered capital of the absorbed company. The total share capital of Investment Bank of Greece S.A. after the merger increased to € 110,4 m divided into 3.762.000 shares of nominal value of € 29,35 each.

(c) Transfer of Egnatia Financial Services (Cyprus) Ltd and increase in shareholding in Laiki Investments E.P.E.Y. Public Company Ltd

In January 2008 the Bank sold 100% of the share capital of Egnatia Financial Services (Cyprus) Ltd to Laiki Investments E.P.E.Y. Public Company Ltd. This transaction reduces the effective holding of the Bank in Egnatia Financial Services (Cyprus) Ltd to 71,4%.

In March 2008, the Bank acquired 3,6 m shares of Laiki Investments E.P.E.Y. Public Company Ltd for € 1,4 m. This acquisition brings the Bank's holding to 71,4%. Goodwill arising on the additional shares acquired was € 0,4 m.

(d) Increase of share capital of Marfin Leasing S.A.

In December 2008, Marfin Leasing S.A. increased its share capital by € 18,1 m with payment of the amount by the company's sole shareholder, Marfin Egnatia Bank S.A.

(e) Increase of share capital of Marfin Bank JSC Belgrade

On 31 March, 2008 Laiki Bank a.d. was renamed to Marfin Bank JSC Belgrade.

In December 2008, an increase of the share capital of Marfin Bank JSC Belgrade was made for the amount of € 15,5 m, which was fully covered by the Bank. As a result the Bank's holding increased to 98% and an additional goodwill of € 22.000 arose.

(f) Increase of share capital of Marfin Bank Romania S.A.

On 15 May, 2008 Egnatia Bank Romania S.A. was renamed to Marfin Bank Romania S.A.

In June 2008 an increase of the share capital of Marfin Bank Romania S.A. was made for the amount of € 20 m, which was covered by Marfin Egnatia Bank S.A. (98,98%), pro rata, based on the respective shareholdings.

(g) Increase in shareholding in Marfin Pank Eesti AS

On 14 May, 2008 AS SBM Pank was renamed to Marfin Pank Eesti AS.

In November 2008 the Bank acquired 544.000 shares of Marfin Pank Eesti AS for the amount of € 340.000. This acquisition brings the Bank's holding to 53%. Goodwill arising on the additional shares was € 21.000.

54. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

(h) Changes in the shareholdings of Lombard Bank Malta Plc's subsidiaries

During 2008, Lombard Bank Malta Plc increased its shareholding in MaltaPost Plc by 3,8% for the amount of € 865.000 and its shareholding in Lombard Asset Managers Ltd by 25% for the amount of € 51.000. Additionally, it acquired, for the amount of € 925.000, 86,5% of the share capital of Lombard Funds SICAV Plc, which was consolidated for the first time in 2008.

(i) Decrease of share capital of Marfin Global Asset Management Mutual Funds Management S.A.

The decrease of the share capital of Marfin Global Asset Management Mutual Funds Management S.A. was approved during February and March 2008 by the decisions of the Executive Committee of the Capital Market Commission and the Ministry of Development in Greece. The decrease of the share capital for the amount of € 4 m was made by a respective decrease of the nominal value of each share for the amount of € 14, in order to return the amount to the shareholders.

(j) Increase of share capital of IBG Investments S.A.

During 2008 an increase of the share capital of IBG Investments S.A. was made, for the amount of € 236.000, which was covered by Investment Bank of Greece S.A. (90%) and IBG Capital S.A. (10%) pro rata, based on the respective shareholdings.

(k) Change of name of Marfin Capital Partners Ltd

On 7 May, 2008 MFG Capital Partners Ltd was renamed to Marfin Capital Partners Ltd.

(l) Merger of the Cyprus Popular Bank (Finance) Ltd with the Bank

Effective from 1 January, 2008 the Cyprus Popular Bank (Finance) Ltd, a 100% subsidiary of the Bank specialising in hire purchase and leasing, merged with the Bank and the Bank has undertaken its operations, assets and liabilities, rights and obligations and offers now these services. The Bank and the Cyprus Popular Bank (Finance) Ltd, the General Meeting of the Cyprus Popular Bank (Finance) Ltd Creditors and the Court of Law, based on the relevant Cyprus legislation, approved the Restructuring and Merger.

55. TRANSACTIONS WITH THE GROUP OF MARFIN INVESTMENT GROUP HOLDINGS S.A.

As at 31 December, 2008 the Group's total exposure regarding facilities granted to Marfin Investment Group Holdings S.A. group amounted to € 598 m (2007: € 473 m) and deposits placed by Marfin Investment Group Holdings S.A. group amounted to € 1.013 m (2007: € 462 m). Additionally, the total income and expenses recognised by the Group amounted to € 80 m and € 51 m respectively (Note 56).

56. POST BALANCE SHEETS EVENTS

On 5 January, 2009 the Companies Registrar certified the change of name of Laiki Investments E.P.E.Y. Public Company Ltd to Marfin CLR Public Co Ltd.

On 9 January, 2009 Marfin CLR Public Co Ltd announced that after taking into account the terms of the Reorganisation and Merger Plan dated 1 August, 2008 according to which CLR Capital Public Ltd merged with Laiki Investments E.P.E.Y. Public Company Ltd (which has been approved by the General Meetings of the shareholders and the creditors of Laiki Investments E.P.E.Y. Public Company Ltd and CLR Capital Public Ltd on 17 October, 2008 and has been further approved and ratified by the Nicosia District Court on 12 December, 2008) the Board of Directors decided to issue and allocate 85.712.953 new ordinary shares of Marfin CLR Public Co Ltd to the shareholders of CLR Capital Public Ltd. The Reorganisation and Merger Plan of Laiki Brokerage Ltd, Laiki Asset Management Ltd, Egnatia Financial Services (Cyprus) Ltd and CLR Securities and Financial Services Ltd has also been approved on 17 December, 2008 by the Nicosia District Court.

The investment advisory agreement between the Group and Marfin Investment Group Holdings S.A. expired on 28 February, 2009 and will not be renewed. As from 1 March, 2009 any investment advisory services provided by the Group to Marfin Investment Group Holdings S.A. will be on a contract by contract basis.

On 19 March, 2009 the Board of Directors of the Bank approved the issue of capital securities up to the amount of € 250 m, of € 1.000 nominal value, in one or more series. The rights and claims of the capital securities' holders will be subordinated and will be of secondary priority compared to claims by creditors including the Bank depositors, but will have priority over the Bank's shareholders. The capital securities issued will not have a maturity date but may, at the Bank's discretion, after approval by the Central Bank of Cyprus, be acquired in their entirety at their nominal value, together with any accrued interest, five years after the date of issue or on any interest payment date after that. The capital securities will have a 7% fixed interest rate and interest will be payable every three months. The capital securities will be initially offered to a limited group of individuals, professional investors and individuals who will invest at least € 50.000 each. At a later stage the possibility of offering them to the public through a Public Offer will be examined. The capital securities will be included in the Hybrid Tier I Capital subject to the approval of the Central Bank of Cyprus. The Bank intends to apply for the listing of the Capital Securities at the Cyprus Stock Exchange.

57. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 26 March, 2009.

Independent Auditors' Report on pages 5 to 6.

MARFIN POPULAR BANK

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

M A R F I N   P O P U L A R   B A N K   P U B L I C   C O   L T D
F I N A N C I A L   S T A T E M E N T S

BOARD OF DIRECTORS

Board of Directors

Soud Ba'alawy	-	Non Executive Chairman
Andreas Vgenopoulos	-	Executive Vice Chairman
Neoclis Lysandrou	-	Non Executive Vice Chairman
Efthimios Bouloutas	-	Group Chief Executive Officer
Panayiotis Kounnis	-	Deputy Chief Executive Officer
Christos Stylianides	-	Deputy Chief Executive Officer
Vassilis Theocharakis		
Platon E. Lanitis		
Constantinos Mylonas		
Stelios Stylianou		
Markos Foros		
Eleftherios Hiliadakis		
Sayanta Basu		
Nicholas Wrigley		

Secretary

Stelios Hadjiosif

Group Chief Financial Officer

Annita Philippidou

Registered Office

154, Limassol Avenue, 2025 Nicosia, Cyprus

Independent Auditors

PricewaterhouseCoopers Limited

Grant Thornton

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and the audited financial statements of Marfin Popular Bank Public Co Ltd (the "Bank") for the year ended 31 December, 2008.

Principal activities
The Bank is the parent company of the Marfin Popular Bank Public Co Ltd Group. The principal activity of the Bank continues to be the provision of banking services. The Bank operates in Cyprus and through a branch in the United Kingdom.

Results for the year
The results for 2008 are shown in the income statement on page 7. The Bank's profit before provision for impairment of advances reached € 434,3 m compared to € 496,1 m in 2007. After provision for impairment of advances of € 19,5 m, profit before tax reached € 414,8 m compared to € 465,6 m in 2007. After tax (€ 33,4 m) profit for the year reached € 381,4 m compared to € 421,6 m in 2007.

Dividend
The Board of Directors recommends a dividend payment of € 0,15 (2007: € 0,35) per share. The remaining net profit for the year is transferred to reserves.

Share capital
On 15 May, 2008, the Extraordinary General Meeting approved the conversion and reduction of the nominal value of the Bank's share, after rounding, from C£ 0,50 to € 0,85. Furthermore, the Extraordinary General Meeting approved that the Bank's authorised nominal share capital be converted and reduced to € 807.500.000 and the issued share capital to € 677.187.000 and that the reduction on the issued share capital resulting from the above conversion from Cyprus Pounds to Euro totaling € 3.426.000 is recorded into a special reserve account which is called "Difference from the conversion of share capital into Euro" for future capitalisation or other lawful use.

In June 2008 the Bank issued 33.435.000 new ordinary shares, of nominal value € 0,85, which resulted from the reinvestment of the dividend for the year 2007, in accordance with the Dividend Reinvestment Plan. Based on the Plan the Bank's shareholders had the option of part or full reinvestment of the net 2007 dividend into shares of the Bank. The re-investment price of the 2007 dividend into shares was set at € 4,64 per share, that was 10% lower than the average closing price of the Bank's share in the Cyprus Stock Exchange and the Athens Exchange for the period from 23 to 29 May, 2008. The trading of the newly issued shares commenced on 18 June, 2008. After the issue of 33.435.000 new ordinary shares, the share capital of the Bank amounts to € 705.607.000, divided into 830.126.000 ordinary shares, of nominal value € 0,85 each.

The share capital and share premium are presented in Note 36 of the financial statements.

Risk management
As any other financial institution, the Bank is exposed to risks. The nature of these risks and the Bank's risk management policies are explained in Note 43 of the financial statements.

Post balance sheet events
Post balance sheet events are disclosed in Note 50 of the financial statements.

Prospects for the future
In the current unstable and unpredictable economic environment, the Bank's key strategic objective is to sustain a strong capital and liquidity position that would in turn enable it to serve the interest of its shareholders and customers in the most effective way. During the last quarter of 2008 the Bank took a series of measures that enable it to successfully withstand the impact of the ongoing crisis. The formulated strategy for 2009 should ensure that the Bank remains a strong private sector financial institution.

Board of Directors
The Members of the Board of Directors of the Bank are shown on page 1.

Soud Ba'alawy, Andreas Vgenopoulos, Neoclis Lysandrou, Efthimios Bouloutas, Christos Stylianides, Panayiotis Kounnis, Eleftherios Hiliadakis, Sayanta Basu, Markos Foros, Platon E. Lanitis, Constantinos Mylonas, Stelios Stylianou, Vassilis Theocharakis and Nicholas Wringley were re-elected by the Annual General Meeting on 15 May, 2008.

On 14 February, 2008 the Board of Directors appointed Andreas Vgenopoulos Executive Vice Chairman and Efthimios Bouloutas Group Chief Executive Officer.

The remuneration of the Members of the Board of Directors are shown in Note 47 of the financial statements.

Independent Auditors
The Independent Auditors of the Bank, PricewaterhouseCoopers Limited and Grant Thornton, have expressed their willingness to continue in office. A resolution recommending their reappointment and giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board

Neoclis Lysandrou
Vice Chairman

Nicosia, 26 March, 2009

STATEMENT BY THE MEMBERS OF THE BOARD OF DIRECTORS AND BY THE GROUP CHIEF FINANCIAL OFFICER

In accordance with Article 9(7) of Law 190(I)/2007 on Transparency Requirements in relation to an issuer whose securities are listed for trading on a regulated market, we the Members of the Board of Directors and the Group Chief Financial Officer of Marfin Popular Bank Public Co Ltd (the “Bank”) confirm that to the best of our knowledge:

(a) The financial statements of the Bank for the financial year ended 31 December, 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and Article 9(4) of Law 190(I)/2007 and in general with the applicable Cyprus Legislation and give a true and fair view of the assets and liabilities, the financial position and the profit of the Bank.

(b) The Report of the Board of Directors of the Bank includes a fair review of the developments and performance of the business as well as the position of the Bank together with the description of the principal risks and uncertainties that it faces.

Soud Ba’alawy	-	Non Executive Chairman
Andreas Vgenopoulos	-	Executive Vice Chairman
Neoclis Lysandrou	-	Non Executive Vice Chairman
Efthimios Bouloutas	-	Group Chief Executive Officer
Christos Stylianides	-	Deputy Chief Executive Officer
Panayiotis Kounnis	-	Deputy Chief Executive Officer
Eleftherios Hiliadakis	-	Executive Director
Platon E. Lanitis	-	Non Executive Director
Vassilis Theocharakis	-	Non Executive Director
Stelios Stylianou	-	Non Executive Director
Sayanta Basu	-	Non Executive Director
Constantinos Mylonas	-	Non Executive Director
Markos Foros	-	Non Executive Director
Nicholas Wrigley	-	Non Executive Director
Annita Philippidou	-	Group Chief Financial Officer

26 March, 2009

INDEPENDENT AUDITORS´ REPORT TO THE MEMBERS OF MARFIN POPULAR BANK PUBLIC CO LTD

Report on the Financial Statements

We have audited the parent company financial statements of Marfin Popular Bank Public Co Ltd (the "Bank") on pages 7 to 99, which comprise the balance sheet as at 31 December, 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

We have reported separately on the consolidated financial statements of the Bank and its subsidiaries for the year ended 31 December, 2008.

Board of Directors' Responsibility for the Financial Statements

The Bank's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. 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.

Auditors´ Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the parent company Marfin Popular Bank Public Co Ltd as of 31 December, 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

I N D E P E N D E N T A U D I T O R S´ R E P O R T T O T H E M E M B E R S O F M A R F I N P O P U L A R B A N K P U B L I C C O L T D (continued)

Report on Other Legal Requirements

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Bank.
- The Bank's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 2 to 3 is consistent with the financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Bank's members as a body in accordance with Section 156 of the Companies Law, Cap. 113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

PricewaterhouseCoopers Limited
Chartered Accountants

Grant Thornton
Chartered Accountants

Nicosia, 26 March, 2009

I N C O M E   S T A T E M E N T
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	**2008**	2007
		€ '000	€ '000
Interest income	4	**976.898**	827.056
Interest expense	4	**(599.460)**	(492.649)
Net interest income		**377.438**	334.407
Fee and commission income	5	**123.722**	105.121
Fee and commission expense	5	**(11.922)**	(8.468)
Net fee and commission income		**111.800**	96.653
Profit on disposal and revaluation of securities	6	**71.116**	110.210
Foreign exchange income		**37.313**	22.871
Other income	7	**46.207**	143.833
Operating income		**643.874**	707.974
Staff costs	8	**(148.047)**	(146.705)
Depreciation and amortisation	9	**(10.381)**	(7.489)
Administrative expenses	10	**(51.142)**	(57.693)
Profit before provision for impairment of advances		**434.304**	496.087
Provision for impairment of advances	11	**(19.540)**	(30.469)
Profit before tax		**414.764**	465.618
Tax	12	**(33.382)**	(43.987)
Profit for the year		**381.382**	421.631
Earnings per share – cent	13	**46,7**	53,4

The notes on pages 13 to 99 are an integral part of these financial statements.

B A L A N C E   S H E E T
31 DECEMBER 2008

	Note	**2008** **€ '000**	2007 € '000
Assets			
Cash and balances with the Central Bank	14	**191.301**	656.950
Due from other banks	15	**3.438.808**	3.155.418
Financial assets at fair value through profit or loss	17	**122.581**	107.573
Advances to customers	18	**9.031.470**	6.829.822
Debt securities lending	21	**303.306**	-
Balances with subsidiary companies	47	**1.151.507**	1.036.747
Available-for-sale financial assets	22	**1.942.238**	2.065.745
Held-to-maturity financial assets	23	**502.302**	283.973
Other assets	24	**105.354**	94.383
Investments in subsidiary companies	25	**2.441.385**	2.550.443
Investments in associates	26	**97.272**	12.799
Intangible assets	27	**5.927**	5.314
Investment property	28	**8.105**	2.614
Property and equipment	29	**151.345**	144.676
Total assets		**19.492.901**	16.946.457
Liabilities			
Due to other banks	30	**1.779.912**	638.627
Customer deposits	31	**11.902.439**	10.699.132
Senior debt	32	**712.050**	723.104
Loan capital	33	**638.805**	523.693
Balances with subsidiary companies	47	**576.784**	577.762
Other liabilities	34	**264.644**	219.091
Current tax liabilities		**4.308**	6.161
Deferred tax liabilities	35	**11.123**	11.196
Retirement benefit obligations	8	**211.576**	185.406
Total liabilities		**16.101.641**	13.584.172
Share capital and reserves			
Share capital	36	**705.607**	680.613
Share premium	36	**2.054.004**	1.927.571
Reserves	37	**631.649**	754.101
Total equity		**3.391.260**	3.362.285
Total equity and liabilities		**19.492.901**	16.946.457

A. Vgenopoulos, Executive Vice Chairman
N. Lysandrou, Non Executive Vice Chairman
E. Bouloutas, Group Chief Executive Officer
A. Philippidou, Group Chief Financial Officer

The notes on pages 13 to 99 are an integral part of these financial statements.

S T A T E M E N T O F C H A N G E S I N E Q U I T Y
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Share capital € '000	Share premium € '000	Fair value, currency translation and other reserves € '000	Revenue reserves € '000	Total € '000
Balance 1 January 2007		675.169	1.901.767	232.679	326.902	3.136.517
Revaluation and transfer to results on disposal and impairment of available-for-sale financial assets and investments in subsidiary companies and associates	37	-	-	(8.730)	-	(8.730)
Revaluation of property net of tax	37	-	-	26.708	-	26.708
Exchange differences arising in the year	37	-	-	(438)	-	(438)
Transfer from fair value reserves to revenue reserves	37	-	-	(21)	21	-
Other movements	37	-	-	(1.026)	(291)	(1.317)
Profit recognised directly in equity		-	-	16.493	(270)	16.223
Profit for the year		-	-	-	421.631	421.631
Total recognised profit for 2007		-	-	16.493	421.361	437.854
Dividend	37,48	-	-	-	(245.018)	(245.018)
Shares issued	36	5.444	27.271	-	-	32.715
Share issue costs	36	-	(1.467)	-	-	(1.467)
Cost of share-based payments to employees	37	-	-	-	1.684	1.684
		5.444	25.804	-	(243.334)	(212.086)
Balance 31 December 2007 / 1 January 2008		**680.613**	**1.927.571**	**249.172**	**504.929**	**3.362.285**
Revaluation and transfer to results on disposal and impairment of available-for-sale financial assets, investments in subsidiary companies and associates and amortization of loss on available-for-sale financial assets reclassified	37	**-**	**-**	**(235.027)**	**-**	**(235.027)**
Deferred tax	37	**-**	**-**	**120**	**-**	**120**
Exchange differences arising in the year	37	**-**	**-**	**4.564**	**-**	**4.564**
Transfer from fair value reserves to revenue reserves	37	**-**	**-**	**(189)**	**189**	**-**
Loss recognised directly in equity		**-**	**-**	**(230.532)**	**189**	**(230.343)**
Profit for the year		**-**	**-**	**-**	**381.382**	**381.382**
Total recognised profit for 2008		**-**	**-**	**(230.532)**	**381.571**	**151.039**
Dividend payment and re-investment	36,37,48	**28.420**	**126.717**	**-**	**(278.842)**	**(123.705)**
Share issue costs	36	**-**	**(284)**	**-**	**-**	**(284)**
Difference from conversion of share capital into Euro	36,37	**(3.426)**	**-**	**3.426**	**-**	**-**
Cost of share-based payments to employees	37	**-**	**-**	**-**	**1.925**	**1.925**
Effect of merger of Cyprus Popular Bank (Finance) Ltd with the Bank	37	**-**	**-**	**(44.178)**	**44.178**	**-**
		24.994	**126.433**	**(40.752)**	**(232.739)**	**(122.064)**
Balance 31 December 2008		**705.607**	**2.054.004**	**(22.112)**	**653.761**	**3.391.260**

The notes on pages 13 to 99 are an integral part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	**2008**	2007
		€ '000	€ '000
Cash generated from operations	39	**808.681**	104.462
Tax paid		**(35.068)**	(30.858)
Net cash from operating activities		**773.613**	73.604
Cash flows from investing activities			
Purchase of property and equipment	29	**(14.827)**	(9.294)
Purchase of computer software	27	**(4.284)**	(3.296)
Proceeds from disposal of property and equipment	29	**435**	293
Additions less proceeds from redemption and sale of available-for-sale financial assets and redemptions of held-to-maturity financial assets		**(410.253)**	(235.556)
Income received from financial assets		**128.126**	71.150
Dividend received		**22.569**	367.617
Payment for acquisition of associate		**(9.038)**	-
Proceeds from disposal of subsidiary companies		**150.215**	-
Payments less proceeds from changes in shareholdings and capital of subsidiary companies		**(217.795)**	(171.307)
Net cash (used in)/from investing activities		**(354.852)**	19.607
Cash flows from financing activities			
Dividend paid		**(123.705)**	(245.018)
Interest paid on senior debt and loan capital		**(72.051)**	(56.258)
Share issue costs	36	**(284)**	(1.467)
Proceeds from the exercise of warrants	36	**-**	92
Proceeds from the issue of senior debt and loan capital		**199.974**	665.309
Repayment of senior debt and loan capital		**(85.430)**	(289.418)
Net cash (used in)/from financing activities		**(81.496)**	73.240
Effects of exchange rate changes		**-**	(11.883)
Net increase in cash and cash equivalents		**337.265**	154.568
Cash and cash equivalents at beginning of year		**2.994.743**	2.840.175
Cash and cash equivalents at end of year	40	**3.332.008**	2.994.743

The notes on pages 13 to 99 are an integral part of these financial statements.

N O T E S T O T H E F I N A N C I A L S T A T E M E N T S

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1. GENERAL INFORMATION

Country of incorporation

Marfin Popular Bank Public Co Ltd (the "Bank") was established in Cyprus in 1901 under the name "Popular Savings Bank of Limassol". In 1924 it was registered as the first public company in Cyprus under the name "The Popular Bank of Limassol Ltd". In 1967 the Bank changed its name to "Cyprus Popular Bank Ltd'' and on 26 May, 2004 it was renamed to "Cyprus Popular Bank Public Company Ltd". An Extraordinary General Meeting held on 31 October, 2006, unanimously approved the change of its name to "Marfin Popular Bank Public Co Ltd". The Bank's shares are listed on the Cyprus Stock Exchange and the Athens Exchange. The Bank's registered office is at 154, Limassol Avenue, 2025 Nicosia, Cyprus.

Principal activities

The principal activity of the Bank, which was unchanged from last year, is the provision of banking services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these separate financial statements of the Bank are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), the requirements of the Cyprus Companies Law, Cap. 113 and the Cyprus Stock Exchange Laws and Regulations. The financial statements have been prepared under the historical cost convention as modified by the revaluation at fair value of land and buildings, investment property, available-for-sale financial assets and financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

All IFRSs issued by the International Accounting Standards Board (IASB) and effective as at 1 January, 2008 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting and IFRIC 12 "Service Concession Arrangements".

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The Bank has prepared consolidated financial statements in accordance with IFRSs as adopted by the EU for the Bank and its subsidiary companies (the "Group"). These consolidated financial statements are available at the Bank's registered office and at the internet site www.laiki.com. The users of these separate financial statements of the parent company, should read them in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December, 2008, so as to better understand the financial position, the financial performance and the cash flows of the Bank and the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised IFRSs

(i) Standards, amendments and interpretations effective in 2008

Amendments of IAS 39 and IFRS 7 "Reclassification of Financial Assets". The amendments of IAS 39 allow, under certain circumstances, the reclassification of non-derivative financial assets from the held-for-trading category to other categories as well as the reclassification of available-for-sale financial assets to loans and receivables. The amendments of IFRS 7 require additional disclosures in the financial statements of entities which adopt the above amendments of IAS 39. An additional amendment to the above standards clarifies the transition provisions of the amendments. The Bank has applied these amendments as explained in Note 16 of the financial statements.

IFRIC 14, "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The application of this IFRIC had no significant impact on the financial statements of the Bank.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Bank's accounting periods beginning on or after 1 January, 2009 or later periods, but the Bank has not early adopted them:

(a) IAS 23 (Amendment), Borrowing Costs (effective from 1 January, 2009)

The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The Bank will apply IAS 23 (Amendment) from 1 January, 2009, but is currently not applicable for the Bank as there are no qualifying assets.

(b) IFRS 8, Operating Segments (effective from 1 January, 2009)

IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131 "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Bank has assessed the implications of IFRS 8 and will apply IFRS 8 from 1 January, 2009.

(c) IFRIC 13, Customer Loyalty Programmes (effective for annual accounting periods beginning on or after 1 July, 2008)

IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement by using fair values. The Bank has assessed the implications of IFRIC 13 and will apply IFRIC 13 from 1 January, 2009.

(d) IAS 1 (Revised 2007), Presentation of Financial Statements (effective from 1 January, 2009)

The revision to IAS 1 affects the presentation of owner changes in equity and of comprehensive income. IAS 1 (Revised 2007) requires an entity to present in a statement of changes in equity all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). The Bank has assessed the implications of IAS 1 (Revised 2007) and will apply IAS 1 (Revised 2007) from 1 January, 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised IFRSs (continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank (continued)

(e) IFRS 3 (Revised 2008), Business Combinations (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July, 2009)
This standard is subject to endorsement by the EU. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Bank is in the process of assessing the implications of IFRS 3 (Revised 2008) and will apply IFRS 3 (Revised 2008) prospectively for business combinations with acquisition date as specified above.

(f) IAS 27 (Revised 2008), Consolidated and Separate Financial Statements (effective for annual accounting periods beginning from 1 July, 2009)
This standard is subject to endorsement by the EU. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Bank is in the process of assessing the implications of IAS 27 (Revised 2008) and will apply IAS 27 (Revised 2008) prospectively to transactions with non-controlling interests from 1 January, 2010.

(g) IFRS 2, Share-based Payment (Amendment 2008: Vesting Conditions and Cancellations) (effective from 1 January, 2009)
This amendment clarifies that only service conditions and performance conditions are vesting conditions. All other features are not vesting conditions and need to be included in the grant-date fair value and do not impact the number of awards expected to vest or the valuation subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Bank has assessed the implications of IFRS 2 (Amendment 2008) and will apply the amendment from 1 January, 2009.

(h) IAS 32, Financial Instruments: Presentation and IAS 1, Presentation of Financial Statements (Amendment 2008: Puttable Financial Instruments and Obligations Arising on Liquidation) (effective 1 January, 2009)
The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Bank has assessed the implications of IAS 32 and IAS 1 (Amendment 2008) and will apply the amendments from 1 January, 2009 but these amendments are currently not applicable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised IFRSs (continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank (continued)

(i) IFRS 1 (Amendment), First Time Adoption of IFRS and IAS 27, Consolidated and Separate Financial Statements (effective from 1 January, 2009)
The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Bank will apply the amendments from 1 January, 2009.

(j) Amendments resulting from the IASB's Annual Improvements Project published in May 2008
The Bank will assess the implications of the following amendments and will apply them from their respective dates:

- **IFRS 5 (Amendment), Non-Current Assets Held-for-Sale and Discontinued Operations (effective from 1 July, 2009)**
The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held-for-sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. The Bank will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January, 2010.

- **IAS 23 (Amendment), Borrowing Costs (effective from 1 January, 2009)**
The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest rate method defined in IAS 39, Financial Instruments: Recognition and Measurement. The Bank will apply the IAS 23 (Amendment) from 1 January, 2009, but it is currently not applicable to the Bank as there are no qualifying assets.

- **IAS 27 (Amendment), Consolidated and Separate Financial Statements (effective from 1 January, 2009)**
Where an investment in a subsidiary that is accounted for under IAS 39, Financial Instruments: Recognition and Measurement, is classified as held-for-sale under IFRS 5, Non-Current Assets Held-for-Sale and Discontinued Operations, IAS 39 would continue to be applied.

- **IAS 28 (Amendment), Investments in Associates (effective from 1 January, 2009)**
An investment in associate is treated as a single asset for the purposes of impairment testing and allocation of any impairment loss. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Bank will apply the IAS 28 (Amendment) from 1 January, 2009.

- **IAS 36 (Amendment), Impairment of Assets (effective from 1 January, 2009)**
Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Bank will apply the IAS 36 (Amendment) from 1 January, 2009.

- **IAS 38 (Amendment), Intangible Assets (effective from 1 January, 2009)**
A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Bank will apply the IAS 38 (Amendment) from 1 January, 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised IFRSs (continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank (continued)

(j) Amendments resulting from the IASB's Annual Improvements Project published in May 2008 (continued)

- **IAS 19 (Amendment), Employee Benefits (effective from 1 January, 2009)**
  IAS 19 (Amendment) introduces some minor amendments including the clarification of curtailments and negative past service costs and amendment to the definition of return on plan assets. The Bank will apply the IAS 19 (Amendment) from 1 January, 2009.

- **IAS 39 (Amendment), Financial Instruments: Recognition and Measurement (effective from 1 January, 2009)**
  This amendment clarifies that it is possible that there are movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument and requires use of revised effective interest rate on cessation of fair value hedge accounting. The Bank will apply the IAS 39 (Amendment) from 1 January, 2009.

- **IAS 40 (Amendment), Investment Property (effective from 1 January, 2009)**
  The amendment deals with classification and measurement of property that is under construction or development for future use as investment property. The amendment will not have an impact on the Bank's operations, as currently there are no investment properties under construction.

The following amendments are unlikely to have an impact on the Bank's financial statements either because they are minor or not applicable to the Bank's operations and have therefore not been analysed in detail. The amendments are effective for annual periods beginning on or after 1 January, 2009:

- IFRS 7, Financial Instruments: Disclosures
- IAS 1 (Amendment), Presentation of Financial Statements
- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10, Events after the Reporting Period
- IAS 16 (Amendment), Property, Plant and Equipment
- IAS 18, Revenue
- IAS 20 (Amendment), Accounting for Government Grants and Disclosure of Government Assistance
- IAS 29 (Amendment), Financial Reporting in Hyperinflationary Economies
- IAS 31 (Amendment), Interests in Joint Ventures
- IAS 34, Interim Financial Reporting
- IAS 41 (Amendment), Agriculture

(k) IFRIC 15, Agreements for Construction of Real Estates (effective from 1 January, 2009)
The interpretation is subject to endorsement by the EU. The interpretation clarifies whether IAS 18, Revenue or IAS 11, Construction Contracts, should be applied to particular transactions. IFRIC 15 is not relevant to the Bank's operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised IFRSs (continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank (continued)

(l) IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective from 1 October, 2008)
The interpretation is subject to endorsement by the EU. IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. The Bank will apply IFRIC 16 from 1 January, 2009. It is not expected to have a material impact on the Bank's financial statements.

(m) IFRIC 17, Distribution of Non-Cash Assets to Owners (effective from 1 July, 2009)
The interpretation is subject to endorsement by the EU. IFRIC 17 clarifies the accounting treatment and disclosures in the case of distributions (dividends) of non-cash assets to owners.

(n) IFRIC 18, Transfers of Assets from Customers (effective prospectively to transfers of assets from customers received on or after 1 July, 2009)
The interpretation is subject to endorsement by the EU. IFRIC 18 clarifies the accounting treatment for transfers of items of property, plant and equipment by entities that receive such transfers from their customers.

(o) Amendment to IAS 39, Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective from 1 July, 2009)
The amendment is subject to endorsement by the EU. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Bank does not expect this amendment to impact its financial statements.

(p) Amendment to IFRIC 9, Reassessment of Embedded Derivatives and IAS 39, Financial Instruments: Recognition and Measurement (effective from 30 June, 2009)
The amendments are subject to endorsement by the EU. The amendment to IFRIC 9 specifies that an entity can reassess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when there is a reclassification of a financial asset out of the fair value through profit or loss category, in which case an assessment is required. The amendment to IAS 39 specifies that if an entity is unable to measure separately the embedded derivative that would have to be separated on reclassification of a hybrid contract out of the fair value through profit or loss category, that reclassification is prohibited. In such circumstances the hybrid contract remains classified as at fair value through profit or loss in its entirety. The Bank will apply the above amendments from 30 June, 2009.

(q) Amendment to IFRS 7, Financial Instruments: Disclosure (effective from 1 January, 2009)
This amendment is subject to endorsement by the EU. This amendment requires enhanced disclosures about fair value measurements and liquidity risk. The Bank will apply this amendment from 1 January, 2009.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). With the introduction of the Euro as the official currency of the Republic of Cyprus as from 1 January, 2008, the functional currency of the Bank has changed from Cyprus Pounds to Euro. As a result, the financial position of the Bank at 1 January, 2008 has been converted into Euro based on the definite fixing of the exchange rate € 1 = C£ 0,585274.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

(a) Functional and presentation currency (continued)

The financial statements are presented in Euro, which is the functional and presentation currency of the Bank as from 1 January, 2008. All amounts are rounded to the nearest thousand, unless where otherwise stated.

(b) Transactions and balances

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 and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial items are recognised as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the fair value reserves in equity.

Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing assets and liabilities on an accrual basis. Interest income includes interest earned on advances, held-to-maturity financial assets, available-for-sale financial assets, debt securities lending, financial assets at fair value through profit or loss, as well as the amortisation of discount and premium on government bonds and treasury bills and other financial instruments.

The Bank adopts the policy of suspending income on non-performing loans. In these cases, the recognition of income is suspended until it is received and therefore, it is not included in the income statement but it is transferred to an income suspense account.

Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual services provided as a proportion of the total services to be provided.

Dividend income

Dividend income is recognised in the income statement when the Bank's right to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial guarantee contracts

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 financial 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 at fair value on the date the guarantee was given and subsequently are measured at the higher of:

(a) the initial measurement amount less, when applicable, cumulative amortisation recognised, and

(b) the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. The 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 recognised in the income statement.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity, in which case the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the balance sheet date in the countries where the Bank operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Employee benefits

(a) Retirement benefits

The Bank operates defined benefit pension plans in Cyprus and in the United Kingdom for the staff employed by the Bank's branch in the United Kingdom. A defined contribution plan is a pension plan under with the Bank pays fixed contributions into a separate entity. For a defined contribution plan the Bank has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service and compensation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

(a) Retirement benefits (continued)

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the fair value of plan assets or 10% of the present value of the defined benefit obligation are charged or credited to income over the employees´ expected average remaining working lives.

Past service costs are recognised immediately in expenses, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

The Bank also pays contributions to the Government Social Insurance Fund in accordance with legal requirements.

(b) Share-based compensation

The Bank's share option scheme is an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding credit in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Bank revises its estimates of the number of options that are expected to vest. The total amount expensed is recognised over the vesting period which is the period over which all of the specified vesting conditions are to be satisfied. The Bank recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months´ maturity, including cash and non-restricted balances with the Central Bank and amounts due from other banks.

Advances to customers

Advances to customers are presented on the balance sheet net of accumulated impairment provisions.

The Bank assesses at each balance sheet date whether there is objective evidence that advances to customers are impaired. Advances to customers are impaired and impairment losses are incurred only 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 the loss event (or events) has an impact on the estimated future cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advances to customers (continued)

The criteria that the Bank uses to determine that there is objective evidence for an impairment loss include:

(a) violation of the contractual terms resulting in the delay of capital or interest payment,

(b) evidence for significant deterioration in the loan repayment ability,

(c) undertaking of legal action,

(d) bankruptcy,

(e) other objective evidence that leads to the conclusion that the Bank will not collect the full amount due.

For an advance that has been characterised as impaired, the present value of its future cash flows is considered to be the recoverable value of its securities. In addition, for significant amounts, other factors such as the financial status of the customer, the alternative sources of funds available and the extent to which credit worthy guarantors can support the customer are considered. The provision amount is calculated as the difference between the advance's carrying amount and the recoverable amount, including all securities and guarantees.

Impaired advances are monitored continuously and are reviewed for provisioning purposes on a quarterly basis. If the amount of the impaired loss decreases in a subsequent period, due to an event occurring after the impairment was recognised, the provision is written back by reducing the impairment provision account accordingly.

When an advance is uncollectible, it is written off against the related provision for impairment. Such advances are written off after all the necessary procedures have been completed, there is no realistic potential of recovery, and the amount of the loss has been determined, notwithstanding the Bank's right to collect in the future any amounts that have been written off.

Financial assets

The Bank classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

(a) 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 at inception. A financial asset is classified as held-for-trading if acquired principally for the purpose of selling in the near 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. Derivative financial instruments are also categorised as held-for-trading, unless they are designated as hedging instruments in which case hedge accounting is applied. Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with a documented investment strategy. Information about these financial assets is provided internally on a fair value basis to key management personnel.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(b) 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: (a) those that the Bank intends to sell immediately or in the short-term, which are classified as held-for-trading, and those that the Bank upon initial recognition designates as at fair value through profit or loss; (b) those that the Bank upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Regular-way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Bank commits to purchase or sell the financial asset. 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 carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Bank 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 financial assets are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the income statement within "Profit on disposal and revaluation of securities" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Bank's right to receive payment is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

In particular circumstances the Bank may reclassify non-derivative financial assets (other than those designated at fair value through profit or loss upon initial recognition) and for which there is no longer intention to trade or sell in the foreseeable future, out of the fair value through profit or loss category. In such cases any gain or loss already recognised in the income statement is not reversed and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The Bank may also transfer out of the available-for-sale category to either the loans and receivables or the held-to-maturity category, a financial asset that would have met the definition of loans and receivables or held-to-maturity, if it has the intention and ability to hold that financial asset for the foreseeable future or until maturity. Any previous gain or loss on that asset that has been recognised directly in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "Profit on disposal and revaluation of securities".

Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the income statement as interest income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Bank's right to receive payments is established.

The fair value of investments quoted in an active market is based on quoted bid prices. If the market for a financial asset is not active and for unlisted securities, the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator of possible impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss, which is 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 instruments are not reversed through the income statement.

Repurchase agreements

The Bank enters into agreements for purchases (sales) of investments and to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price.

Investments sold subject to repurchase agreements (repos) continue to be recognised in the balance sheet and are measured according to their classification. The proceeds from the sale of the investments are reported as liabilities to either banks or customers. Investments purchased, on condition that they will be resold in the future (reverse repos), are not recognised in the balance sheet. The amounts paid for purchase thereof are recognised as receivables from either banks or customers. The difference between the sale and repurchase consideration is recognised as interest income or expense during the repurchase agreement period using the effective interest rate method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported 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.

Derivative financial instruments and hedge accounting

Derivative financial instruments include forward exchange contracts, currency and interest rate swaps, currency and index futures, equity and currency options and other derivative financial instruments. These are initially recognised in the balance sheet at fair value on the date a derivative contract is entered into, and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and other pricing models as appropriate. All derivatives are shown within assets when fair value is positive and within liabilities when fair value is negative.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Certain derivatives embedded in other financial instruments, are treated as separate derivatives when their economic characteristics and risks 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 Bank uses derivative financial instruments for hedging risks that arise from changes in interest rates and exchange rates. The Bank applies fair value hedge accounting or cash flow hedge accounting to those derivatives that meet the criteria for hedge accounting.

A hedge relationship for the purposes of applying hedge accounting exists when:

- At the inception of the hedge, the Bank designates and documents the hedging relationship as well as its risk management objective and strategy for undertaking the hedge.

- The hedge is expected to be highly effective in offsetting changes in fair values or cash flows attributed to the hedged risk, pursuant to the documented risk management strategy for the said hedge relationship.

- For cash flow hedges, the forecast transaction that is the subject of the hedge is highly probable and must present an exposure to variations in cash flows that could ultimately affect the results.

- The effectiveness of the hedge can be reliably measured.

- The hedge is assessed as highly effective throughout the period.

The Bank documents, at the inception of the transaction, the relationship between hedged items and hedging instruments as well as its risk management objective and strategy for undertaking various hedge transactions. The Bank 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.

(a) Fair value hedge

For fair value hedges that meet the criteria for hedge accounting, any profit or loss from the revaluation of the derivative at fair value is recognised in the income statement. Any profit or loss of the hedged instrument that is due to the hedged risk, adjusts the carrying amount of the hedged instrument and is recognised in the income statement, irrespective of the classification of the financial instrument.

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 rate method is used is amortised to profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in revenue reserves until the disposal of the equity security.

(b) 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 in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

(b) Cash flow hedge (continued)

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 transferred to the income statement.

(c) Net investment hedge

Hedges of net investments in 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 partially disposed of or sold.

(d) Derivatives that do not qualify for hedge accounting

For derivative instruments that do not qualify for hedge accounting, changes in the fair value are recognised immediately in the income statement.

Investments in subsidiary companies and associates

In these separate financial statements of the Bank, investments in subsidiary companies and in associates are accounted for according to IAS 39 as available-for-sale financial assets according to the provisions of IAS 27, paragraph 37(b). Therefore, investments in subsidiary companies and associates are accounted for according to the accounting policy for “Financial assets” as stated above.

Investment property

Investment property includes land and buildings, owned by the Bank with the intention of earning rentals or for capital appreciation or both, and are not used by the Bank. Investment property is carried at fair value, representing open market value, as is determined annually by external independent professional valuers who apply recognised valuation techniques. Changes in fair values are included within “Other income” in the income statement.

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Bank and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software programmes are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement.

Costs associated with maintenance of computer software programmes are recognised as an expense when incurred. Computer software costs are amortised using the straight line method over their useful economic life, not exceeding a period of five years. Amortisation commences when the computer software is available for use and is included within “Depreciation and amortisation” in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

(a) The Bank as a lessee

Finance lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and 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 corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases is depreciated over the shorter of the useful economic life of the asset or the lease term.

Operating lease

An operating lease is a lease other than a finance lease. Payments made under operating leases (net of any incentives received by the lessor) are charged to the income statement on a straight line basis over the period of the lease.

(b) The Bank as a lessor

Finance lease and hire purchase

When assets are leased out under finance lease/hire purchase, 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. The present value of the receivable is recognised in the balance sheet under "Advances to customers". Lease income and hire purchase fees are recognised in the income statement in a systematic manner, based on instalments receivable during the year so as to provide a constant periodic rate of interest using the net investment method.

Operating lease

Assets leased out under operating leases are presented in the balance sheet and are depreciated over their useful economic lives. Payments received under operating leases are recorded in the income statement on a straight line basis.

Property and equipment

Land and buildings are shown at fair value, based on periodic valuations by external independent professional valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net carrying amount is restated to the revalued amount of the asset. Revaluations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of property and equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Increases in the carrying amount arising on revaluation of land and buildings are credited to fair value reserves in equity. Decreases that offset previous increases of the same asset are charged against those reserves. All other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from property fair value reserves to revenue reserves.

Land is not depreciated. Depreciation on other property and equipment is calculated using the straight line method to allocate the cost or revalued amount of each asset less their residual values, over their estimated useful economic lives. The estimated useful economic lives are as follows:

	Years
Buildings	33 – 50
Furniture and equipment	3 – 10

The assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposal of property and equipment are determined by comparing proceeds with carrying amount and are included in the income statement. When revalued assets are sold, the amounts included in the property fair value reserves are transferred to revenue reserves.

Properties under construction are carried at cost less any impairment loss where the recoverable amount of the property under construction is estimated to be lower than its carrying value. Depreciation for these assets commences when the assets are ready for their intended use.

Impairment of non-financial assets

Assets that have an indefinite useful economic life are not subject to depreciation or amortisation and are tested for impairment annually and whenever there is an indication that these assets may be impaired. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowings

Borrowings, comprising of senior debt and loan capital, are recognised initially at fair value, being the issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings. A financial liability is derecognised when it is extinguished, that is, when the obligation is discharged, cancelled or expires.

Share capital

Ordinary shares are classified as equity.

(a) Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the share issue proceeds.

(b) Dividends on ordinary shares

The dividend distribution to the Bank's ordinary shareholders is recognised in the period in which the dividend is approved by the Bank's shareholders.

Dividend for the year that is declared after the balance sheet date is disclosed in Note 48.

Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Bank expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Bank recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Credit-related transactions

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers. The Bank is also involved in trading transactions whereby it issues guarantees and documentary credits (known as credit-related instruments) on behalf of its customers. Assets arising from payments to a third party where the Bank is awaiting reimbursement from the customer are shown on the balance sheet, less any necessary provisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary activities

Where the Bank acts in a fiduciary capacity such as nominee, trustee or agent, assets and related income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Bank mainly operates in the banking sector and geographically in Cyprus and in the United Kingdom. Therefore, no analysis is presented by business segment and the primary segment of the Bank is by geographical segment.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. With the introduction of the Euro as the official currency of the Republic of Cyprus as from 1 January, 2008, the functional currency of the Bank has changed from Cyprus Pounds to Euro. As a result, the financial position of the Bank at 1 January, 2008 has been converted into Euro based on the definite fixing of the exchange rate € 1 = C£ 0,585274. The presentation currency used in the Bank's financial statements as from 1 January, 2008 is the Euro and all comparatives have been converted into Euro using the above exchange rate.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Accounting 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.

Critical accounting estimates and assumptions

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment losses on advances to customers

The Bank assesses at each balance sheet date whether there is objective evidence that advances to customers are impaired. Advances to customers are impaired and impairment losses are incurred only 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 the loss event (or events) has an impact on the estimated future cash flows.

The criteria that the Bank uses to determine that there is objective evidence for an impairment loss include:

(i) violation of the contractual terms resulting in the delay of capital or interest payment,

(ii) evidence for significant deterioration in the loan repayment ability,

(iii) undertaking of legal action,

(iv) bankruptcy,

(v) other objective evidence that leads to the conclusion that the Bank will not collect the full amount due.

For an advance that has been characterised as impaired, the present value of its future cash flows is considered to be the recoverable value of its securities. In addition, for significant amounts other factors are taken into consideration, such as the financial status of the customer, the alternative sources of funds available and the extent to which credit worthy guarantors can support the customer. The provision amount is calculated as the difference between the advance’s carrying amount and the recoverable amount, including all securities and guarantees.

(b) Fair value of financial instruments

The fair value of financial instruments that are not quoted in an active market is determined using valuation techniques. The Bank uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The valuation techniques used are frequently assessed to ensure their validity and appropriateness. Changes in methods and assumptions about these factors could affect the reported fair value of financial instruments.

(c) Retirement benefits

The present value of liabilities arising from staff retirement benefits is determined with an actuarial valuation using specific assumptions. These assumptions are disclosed in Note 8. According to the Bank’s accounting policy for retirement benefits, any changes in the assumptions are likely to have an effect on the level of the unrecognised actuarial gain or loss.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical accounting estimates and assumptions (continued)

(d) Tax

The Bank is subject to income tax in various jurisdictions in which it operates. In order to establish the current and deferred tax, as presented in the balance sheet, significant assumptions are required. For specific transactions and calculations the ultimate tax determination is uncertain. The Bank recognises liabilities for anticipated tax 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.

Critical judgments in applying Bank accounting policies

(a) Held-to-maturity financial assets

The Bank follows the guidance provided in IAS 39 in relation to the classification of non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity financial assets. Critical judgment is required when applying the classification, which takes into account the Bank's intention and ability to hold investments to maturity. If the Bank fails to hold the investments to maturity for any reason other than those explained in IAS 39, all financial assets held in the asset class will have to be reclassified as available-for-sale financial assets. Under these circumstances, investments will be presented at fair value and not amortised cost, in which case the book value of investments will decrease by € 12.753.000 (2007: increase € 2.734.000) with a corresponding debit in the fair value reserves within equity.

(b) Impairment of available-for-sale financial assets

The Bank follows the guidance in IAS 39 to determine if an investment has been impaired. This decision requires critical judgment as to whether there is objective evidence of impairment. In making this judgment, the Bank evaluates among other factors whether there is objective evidence of impairment as a result of a loss event or events and whether there has been a significant or prolonged decline in the fair value of a financial asset compared to cost, as well as the financial viability and the short-term future of the investment by considering factors such as the industry and sector performance, changes in technology and operational and financing cash flows.

4. NET INTEREST INCOME

	2008 € '000	2007 € '000
Interest income		
Interest from advances to customers	**574.069**	446.004
Interest from other banks	**270.300**	282.965
Interest from bonds and other interest	**132.529**	98.087
	976.898	827.056
Interest expense		
Interest on customer deposits	**358.552**	319.528
Interest to other banks	**168.103**	116.860
Interest on loan capital and other interest	**72.805**	56.261
	599.460	492.649

5. NET FEE AND COMMISSION INCOME

	2008 € '000	2007 € '000
Fee and commission income		
Banking related fees and commissions	**118.070**	100.892
Portfolio and other management fees	**4.572**	4.048
Other fees and commissions	**1.080**	181
	123.722	105.121
Fee and commission expense	**11.922**	8.468

6. PROFIT ON DISPOSAL AND REVALUATION OF SECURITIES

	2008 € '000	2007 € '000
(Loss)/profit on disposal of financial assets at fair value through profit or loss	**(2)**	38
Profit on disposal of available-for-sale financial assets	**66.103**	118.180
Profit on disposal of subsidiary companies	**29.120**	-
Loss on revaluation of financial assets at fair value through profit or loss	**(7.765)**	(7.258)
Impairment of available-for-sale financial assets (Note 37)	**(16.340)**	(750)
	71.116	110.210

Included within profit on disposal and revaluation of securities for 2007 is an amount of € 12 m which relates to the profit from the sale of shares of Universal Life Insurance Public Co Ltd, an amount of € 24 m which relates to the profit from the sale of shares and warrants of Hellenic Bank Public Company Ltd and an amount of € 68 m which relates to the profit from the sale of shares of Bank of Cyprus Public Company Ltd.

7. OTHER INCOME

	2008	2007
	€ '000	€ '000
Dividend from subsidiary companies and associates	**23.531**	131.864
Dividend from available-for-sale financial assets	**12.380**	9.182
Fair value gain on investment property (Note 28)	**5.491**	14
Loss on disposal of property and equipment (Note 29)	**(50)**	(413)
Other income	**4.855**	3.186
	46.207	143.833

8. STAFF COSTS

	2008	2007
	€ '000	€ '000
Salaries and employer's contributions	**115.494**	104.663
Retirement benefit costs:		
Defined benefit plans	**22.356**	27.076
Share-based payment compensation (Note 37)	**1.925**	1.684
Other staff costs	**8.272**	13.282
	148.047	146.705

The amounts recognised in the income statement with respect to the defined benefit plans are as follows:

	2008	2007
	€ '000	€ '000
Current service cost	**18.367**	13.337
Interest cost on plan liabilities	**16.814**	14.201
Expected return on plan assets	**(12.887)**	(824)
Actuarial loss recognised in the year	**62**	362
	22.356	27.076

Defined Benefit Plans

The amounts recognised in the balance sheet with respect to the defined benefit plans are shown below:

	2008	2007
	€ '000	€ '000
Present value of funded obligations	**80.528**	142.408
Fair value of plan assets	**(43.517)**	(163.137)
	37.011	(20.729)
Present value of unfunded obligations	**173.113**	177.464
Unrecognised actuarial gain	**1.452**	28.671
Retirement benefit obligations in the balance sheet	**211.576**	185.406

Included in the amount of plan assets there is an amount of € 17.118.000 (2007: € 46.670.000) which relates to the fair value of the Bank's assets.

8. STAFF COSTS (continued)

Defined Benefit Plans (continued)

The movement in the retirement benefit obligations recognised in the balance sheet is as follows:

	2008	2007
	€ '000	€ '000
Balance 1 January	**185.406**	165.188
Retirement benefit obligations of Cyprus Popular Bank (Finance) Ltd which merged with the Bank	**10.190**	-
Total expense charged in the income statement	**22.356**	27.076
Benefits paid	**(5.543)**	(5.680)
Contributions	**(526)**	(1.091)
Exchange differences	**(307)**	(87)
Balance 31 December	**211.576**	185.406

The movement in the present value of funded and unfunded obligations is as follows:

	2008	2007
	€ '000	€ '000
Balance 1 January	**319.872**	283.827
Retirement benefit obligations of Cyprus Popular Bank (Finance) Ltd which merged with the Bank	**10.190**	-
Current service cost	**18.367**	13.337
Interest cost	**16.814**	14.201
Contributions	**134**	125
Benefits paid	**(8.284)**	(19.694)
Actuarial (gain)/loss on obligation	**(99.127)**	29.707
Exchange differences	**(4.325)**	(1.631)
Balance 31 December	**253.641**	319.872

The movement in the fair value of plan assets is as follows:

	2008	2007
	€ '000	€ '000
Balance 1 January	**163.137**	135.177
Expected return on plan assets	**12.887**	10.730
Contributions	**660**	1.216
Benefits paid	**(2.741)**	(14.014)
Actuarial (loss)/gain on plan assets	**(127.998)**	31.002
Exchange differences	**(2.428)**	(974)
Balance 31 December	**43.517**	163.137

8. **STAFF COSTS** (continued)

Defined Benefit Plans (continued)

Plan assets are comprised as follows:

	2008		2007	
	€ '000	**%**	€ '000	%
Equities	**38.136**	**87,6**	157.458	96,5
Bonds	**1.122**	**2,6**	1.039	0,6
Cash	**4.259**	**9,8**	4.640	2,9
	43.517	**100**	163.137	100

Equities include shares of Marfin Popular Bank Public Co Ltd of a value of € 32,2 m (2007: € 147,9 m).

The principal assumptions used in the actuarial valuations were:

	2008		2007	
	Cyprus	**United Kingdom**	Cyprus	United Kingdom
Discount rate	**5,75%**	**6,2%**	5,25%	5,7%
Average expected return on plan assets	**7,8%**	**7,5%**	8,0%	6,0%
Average increase in basic insurable earnings	**4,0%**	**-**	4,0%	-
Average increase in total salaries	**6,75%**	**3,2%**	7,0%	4,3%
Average increase in inflation	**2,0%**	**2,5%**	2,5%	3,3%
Rate of increase of pension payments	**-**	**2,3%**	-	2,7%

	2008	2007
	€ '000	€ '000
At 31 December		
Present value of obligations	**253.641**	319.872
Fair value of plan assets	**(43.517)**	(163.137)
Unrecognised actuarial gain	**1.452**	28.671
Retirement benefit obligations in the balance sheet	**211.576**	185.406
Experience adjustments on obligations	**46.225**	(41.855)
Experience adjustments on plan assets	**(127.998)**	31.002

9. **DEPRECIATION AND AMORTISATION**

	2008	2007
	€ '000	€ '000
Depreciation of property and equipment (Note 29)	**6.363**	5.603
Fair value adjustment on property (a)	**-**	(1.743)
Amortisation of computer software (Note 27)	**4.018**	3.629
	10.381	7.489

(a) The fair value adjustment on property relates to an increase in the carrying amount of property that reverses a revaluation decrease that was previously recognised in the income statement.

10. ADMINISTRATIVE EXPENSES

	2008 € '000	2007 € '000
Occupancy costs	**7.088**	3.955
Computer maintenance costs	**5.343**	5.809
Marketing and sales expenses	**8.125**	10.101
Operating lease rentals	**6.807**	6.344
Printing and stationery expenses	**3.422**	3.135
Telephone expenses	**1.929**	1.384
Auditors' remuneration	**400**	231
Other administrative expenses	**18.028**	26.734
	51.142	57.693

11. PROVISION FOR IMPAIRMENT OF ADVANCES

	2008 € '000	2007 € '000
Provision for impairment of advances for the year (Note 20)	**69.302**	92.205
Release of provision and recoveries (Note 20)	**(49.762)**	(61.736)
	19.540	30.469

12. TAX

	2008 € '000	2007 € '000
Current year tax		
Cyprus corporation tax	**28.275**	21.886
Defence tax	**20**	26
Overseas tax	**5.013**	5.348
Deferred tax (Note 35)	**47**	(3)
Total current year tax	**33.355**	27.257
Prior years´ tax	**27**	16.730
Total tax charge	**33.382**	43.987

The profit of the Bank in Cyprus is subject to corporation tax at the rate of 10%. In the United Kingdom the tax rate has decrease from 30% to 28%.

For tax purposes in Cyprus, under certain circumstances, interest may be subject to defence tax at the rate of 10%. In this case 50% of interest income is exempted from corporation tax, leading to an effective tax rate of 15%. In certain circumstances dividends from overseas may be subject to defence tax at the rate of 15%.

12. TAX (continued)

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2008 € '000	2007 € '000
Profit before tax	**414.764**	465.618
Tax calculated at the applicable tax rates	**41.476**	46.562
Tax effect of expenses not deductible for tax purposes	**4.292**	3.147
Tax effect of income not subject to tax	**(15.719)**	(25.927)
Tax effect of different tax rates in the United Kingdom	**3.306**	3.475
Total current year tax	**33.355**	27.257

13. EARNINGS PER SHARE

Earnings per share was calculated by dividing profit for the year with the weighted average number of ordinary shares in issue during the year.

	2008 € '000	2007 € '000
Profit for the year	**381.382**	421.631

	2008 '000	2007 '000
Weighted average number of ordinary shares in issue during the year	**816.111**	789.500
Earnings per share – cent	**46,7**	53,4

Diluted earnings per share in relation to the Share Options is not presented, as the exercise price of the Share Options was higher than the average market price of Marfin Popular Bank Public Co Ltd shares at the Cyprus Stock Exchange and Athens Exchange during the year ended 31 December, 2008 and 31 December, 2007.

14. CASH AND BALANCES WITH THE CENTRAL BANK

Cash and balances with the Central Bank include obligatory minimum reserves held for liquidity purposes. These reserves are not available for financing the Bank's operational transactions.

	2008 € '000	2007 € '000
Cash in hand	**78.277**	81.295
Balances with the Central Bank other than obligatory reserves for liquidity purposes	**-**	28.439
Obligatory reserves for liquidity purposes	**113.024**	547.216
	191.301	656.950

15. DUE FROM OTHER BANKS

	2008 € '000	2007 € '000
Items in course of collection from other banks	**66.961**	97.780
Placements with other banks	**3.371.847**	3.057.638
	3.438.808	3.155.418
Current	**3.436.988**	3.155.418
Non-current	**1.820**	-
	3.438.808	3.155.418

16. RECLASSIFICATION OF FINANCIAL ASSETS

The Bank adopted the amendments to IAS 39 and IFRS 7 "Reclassification of Financial Assets" and proceeded to reclassify held-for-trading and available-for-sale bonds to debt securities lending. In accordance with the provisions of amended IAS 39, the Bank identified the financial assets for which on 1 July, 2008 there was no intention of trading or sale in the foreseeable future and which met the criteria for reclassification. Under IAS 39, as amended, the reclassifications were made with effect from 1 July, 2008 at the fair value on that date. The book and fair value of the reclassified bonds is presented below:

	1 July 2008	31 December 2008	
	Book and fair value € '000	Book value € '000	Fair value € '000
Available-for-sale financial assets reclassified to debt securities lending	**170.476**	**175.002**	**160.520**
Held-for-trading financial assets reclassified to debt securities lending	**33.335**	**34.611**	**31.631**
Total financial assets reclassified to debt securities lending		**209.613**	**192.151**

Had the Bank not reclassified the bonds on 1 July, 2008 the income statement for the last six months of 2008 would have included additional unrealised fair value losses for the six months July to December 2008 on the reclassified held-for-trading financial assets of € 2,8 m.

If the reclassification had not been made the fair value reserves would have included € 14,3 m of additional unrealised fair value losses for the six months July to December 2008 as a result of the change in the fair value of the reclassified available-for-sale financial assets.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008 € '000	2007 € '000
Held-for-trading		
Debt securities	**47.658**	90.001
Derivative financial instruments with positive fair value (Note 38)	**74.923**	17.572
	122.581	107.573
Current	**92.540**	-
Non-current	**30.041**	107.573
	122.581	107.573
Debt securities		
Listed on other Stock Exchanges (other than the Cyprus Stock Exchange)	**44.858**	90.001
Not listed	**2.800**	-
	47.658	90.001

Financial assets at fair value through profit or loss amounting to € 19.582.000 have been pledged in relation to funding from the Central Bank.

Financial assets at fair value through profit or loss are presented as part of "Cash generated from operations" in the cash flow statement (Note 39).

Changes in fair values of financial assets at fair value through profit or loss are recorded in "Profit on disposal and revaluation of securities" in the income statement (Note 6).

18. ADVANCES TO CUSTOMERS

	2008 € '000	2007 € '000
Advances to individuals	**3.027.300**	2.322.979
Advances to corporate entities:		
Large corporate customers	**2.637.597**	2.001.693
Small and medium size enterprises (SMEs)	**3.747.989**	2.830.394
Advances to customers - gross	**9.412.886**	7.155.066
Provision for impairment of advances (Note 20)	**(381.416)**	(325.244)
Advances to customers - net	**9.031.470**	6.829.822
Current	**1.924.536**	1.951.901
Non-current	**7.106.934**	4.877.921
	9.031.470	6.829.822

The gross amount of advances to customers includes gross receivables from instalment finance and leasing amounting to € 436.455.000 (Note 19).

The amount of income suspended is included in provision for impairment of advances.

19. INSTALMENT FINANCE AND LEASING

	2008 € '000	2007 € '000
Gross investment in hire purchase and finance leases	**501.370**	-
Unearned finance income	**(64.915)**	-
Present value of minimum hire purchase and finance lease payments (Note 18)	**436.455**	-
Provision for impairment of hire purchase and finance leases	**(73.631)**	-
	362.824	-
Gross investment in hire purchase and finance leases		
Less than one year	**200.178**	-
Over one but less than five years	**287.896**	-
Over five years	**13.296**	-
	501.370	-
Present value of minimum hire purchase and finance lease payments		
Less than one year	**182.857**	-
Over one but less than five years	**243.206**	-
Over five years	**10.392**	-
	436.455	-

The most important terms of the hire purchase contracts are as follows:

- The hirer pays a nominal fee at the end of the hire purchase term in exchange for the right to purchase the goods.
- The hirer pays monthly instalments including interest on the amount outstanding.
- The hirer is responsible for any loss or damage incurred on the goods concerned.

The most important terms of the finance lease contracts are as follows:

- The lessee undertakes the equipment under lease for the rental period concerned and pays during that period rentals and any other amounts that are payable in accordance with the terms of the contract.
- The rentals and any other amounts payable are subject to interest.
- The lessee is obliged to maintain the equipment in good condition and to compensate the owner for any damage or fault occurred.
- Upon expiry of the agreement, the lessee can either return the equipment to the owner or pay a minimal annual nominal fee in exchange for the right to continue to use the equipment.

20. PROVISION FOR IMPAIRMENT OF ADVANCES

The following is an analysis of the total provision for impairment of advances:

	Provisions € '000	Suspension of income € '000	Total € '000
2008			
Balance 1 January	**230.035**	**95.209**	**325.244**
Provision for impairment of advances from the merger of Cyprus Popular Bank (Finance) Ltd with the Bank	**82.642**	**4.624**	**87.266**
Provision for impairment of advances for the year (Note 11)	**69.302**	**-**	**69.302**
Release of provision and recoveries (Note 11)	**(49.762)**	**(17.811)**	**(67.573)**
Advances written-off	**(39.843)**	**(23.607)**	**(63.450)**
Exchange differences	**(675)**	**-**	**(675)**
Suspension of income for the year	**-**	**31.302**	**31.302**
Balance 31 December	**291.699**	**89.717**	**381.416**
2007			
Balance 1 January	223.598	111.468	335.066
Provision for impairment of advances for the year (Note 11)	92.205	-	92.205
Release of provision and recoveries (Note 11)	(61.736)	(38.057)	(99.793)
Advances written-off	(23.766)	(7.787)	(31.553)
Exchange differences	(266)	-	(266)
Suspension of income for the year	-	29.585	29.585
Balance 31 December	230.035	95.209	325.244

The following is an analysis of the movement of the provision for impairment of advances by class:

		Corporate entities		
	Individuals € '000	Large corporate customers € '000	Small and medium size enterprises € '000	Total € '000
2008				
Balance 1 January	**124.782**	**95.429**	**105.033**	**325.244**
Provision for impairment of advances from the merger of Cyprus Popular Bank (Finance) Ltd with the Bank	**65.946**	**5.006**	**16.314**	**87.266**
Provision for impairment of advances, including suspension of income, for the year	**45.520**	**1.185**	**53.899**	**100.604**
Release of provision and recoveries	**(22.011)**	**(18.485)**	**(27.077)**	**(67.573)**
Advances written-off	**(28.222)**	**(18.922)**	**(16.306)**	**(63.450)**
Exchange differences	**(259)**	**(202)**	**(214)**	**(675)**
Balance 31 December	**185.756**	**64.011**	**131.649**	**381.416**
2007				
Balance 1 January	112.147	122.742	100.177	335.066
Provision for impairment of advances, including suspension of income, for the year	58.084	24.246	39.460	121.790
Release of provision and recoveries	(27.441)	(47.839)	(24.513)	(99.793)
Advances written-off	(17.878)	(3.584)	(10.091)	(31.553)
Exchange differences	(130)	(136)	-	(266)
Balance 31 December	124.782	95.429	105.033	325.244

20. PROVISION FOR IMPAIRMENT OF ADVANCES (continued)

The total amount of non-performing loans, including accumulated income suspended, amounts to € 448.183.000 (2007: € 420.729.000). The total amount of non-performing loans excluding accumulated income suspended amounts to € 358.466.000 (2007: € 325.520.000).

21. DEBT SECURITIES LENDING

The Bank adopted the amendments to IAS 39 and IFRS 7 "Reclassification of Financial Assets" and proceeded to reclassify held-for-trading and available-for-sale bonds to debt securities lending. In accordance with the provisions of amended IAS 39, the Bank identified the financial assets for which on 1 July, 2008 there was no intention of trading or sale in the foreseeable future and which met the criteria for reclassification. Under IAS 39, as amended, the reclassifications were made with effect from 1 July, 2008 at the fair value on that date (Note 16).

	2008	2007
	€ '000	€ '000
Debt securities	**303.306**	-
	303.306	-
Current	**4.014**	-
Non-current	**299.292**	-
	303.306	-
Movement for the year		
Balance 1 January	**-**	-
Transfer from financial assets at fair value through profit or loss	**33.335**	-
Transfer from available-for-sale financial assets (Note 22)	**170.476**	-
Additions	**96.266**	-
Amortisation of premium/discount	**1.212**	-
Exchange differences	**2.017**	-
Balance 31 December	**303.306**	-

Debt securities lending amounting to € 252.907.000 have been pledged in relation to funding from the Central Bank.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2008 € '000	2007 € '000
Debt securities	**1.576.536**	1.528.228
Government bonds and treasury bills eligible for rediscounting with the Central Bank of Cyprus	**12.500**	12.567
Other government bonds and treasury bills	**98.248**	117.956
Equity securities and funds	**254.954**	406.994
	1.942.238	2.065.745
Listed on the Cyprus Stock Exchange	**10.602**	11.037
Listed on other Stock Exchanges	**1.804.803**	2.053.256
Not listed	**126.833**	1.452
	1.942.238	2.065.745
Current	**347.922**	670.368
Non-current	**1.594.316**	1.395.377
	1.942.238	2.065.745
Movement for the year		
Balance 1 January	**2.065.745**	1.466.401
Available-for-sale financial assets from merger of Cyprus Popular Bank (Finance) Ltd with the Bank	**1.406**	-
Transfer of subsidiary due to reduction in participation (Note 25)	**-**	528.071
Transfer to debt securities lending (Note 21)	**(170.476)**	-
Additions	**874.838**	1.201.106
Redemptions and disposals	**(659.098)**	(960.631)
Revaluation for the year	**(109.555)**	(133.095)
Amortisation of premium/discount	**(16.798)**	(98)
Exchange differences	**(43.824)**	(36.009)
Balance 31 December	**1.942.238**	2.065.745

Included in available-for-sale financial assets at 31 December, 2008 is a 2,79% (2007: 7,26%) shareholding in Marfin Investment Group Holdings S.A.

Available-for-sale financial assets include debt securities amounting to € 942.238.000 which have been pledged in relation to funding from the Central Bank.

23. HELD-TO-MATURITY FINANCIAL ASSETS

	2008	2007
	€ '000	€ '000
Debt securities	**287.925**	10.195
Government bonds and treasury bills eligible for rediscounting with the Central Bank of Cyprus	**214.377**	273.778
	502.302	283.973
Listed on the Cyprus Stock Exchange	**214.377**	273.778
Listed on other Stock Exchanges	**287.925**	10.195
	502.302	283.973
Current	**47.048**	63.410
Non-current	**455.254**	220.563
	502.302	283.973
Movement for the year		
Balance 1 January	**283.973**	328.913
Additions	**294.294**	35.541
Redemptions	**(76.854)**	(78.946)
Amortisation of premium/discount	**306**	(476)
Exchange differences	**583**	(1.059)
Balance 31 December	**502.302**	283.973

Held-to-maturity financial assets amounting to € 486.520.000 have been pledged in relation to funding from the Central Bank.

24. OTHER ASSETS

	2008 € '000	2007 € '000
Interest receivable	**85.573**	66.764
Non-current assets held for sale	**7.693**	3.468
Other assets	**12.088**	24.151
	105.354	94.383
Current	**105.354**	94.383
Non-current	**-**	-
	105.354	94.383

25. INVESTMENTS IN SUBSIDIARY COMPANIES

	2008 € '000	2007 € '000
Balance 1 January	**2.550.443**	2.884.711
Disposal of Laiki Cyprialife Ltd and Laiki Insurance Ltd (Note 26)	**(190.163)**	-
Acquisition of Closed Joint-Stock Company RPB Holding and Rossiysky Promyishlenny Bank Company Ltd	**85.216**	-
Restructuring and merger with the Cyprus Popular Bank (Finance) Ltd	**(53.251)**	-
Acquisition of Lombard Bank Malta Plc	**50.087**	-
Acquisition and capital injection of Open Joint-Stock Company Marine Transport Bank, Investment Lease Company Renta, Premier Capital and Sintez Autoservice	**40.133**	102.506
Changes in shareholdings in subsidiary companies in Greece	**28.160**	60.729
Increase of share capital and shareholding in Marfin Bank JSC Belgrade	**15.500**	30.167
Disposal of Egnatia Financial Services (Cyprus) Ltd	**(5.181)**	-
Increase of shareholding in Laiki Investments E.P.E.Y. Public Company Ltd and Egnatia Financial Services (Cyprus) Ltd	**1.373**	15.929
Re-investment of dividend from Lombard Bank Malta Plc	**962**	-
Acquisition and increase of shareholding in Marfin Pank Eesti AS	**340**	6.440
Other changes in subsidiary shareholdings	**(289)**	-
Transfer of Marfin Investment Group Holdings S.A. to available-for-sale financial assets due to reduction in participation (Note 22)	**-**	(528.071)
Dividend from Marfin Investment Group Holdings S.A.	**-**	(235.754)
Revaluation for the year	**(81.945)**	213.786
Balance 31 December	**2.441.385**	2.550.443

25. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

The main subsidiary companies of the Bank, as at 31 December, 2008 were as follows:

Company name	Effective shareholding (1)	Country of incorporation	Issued share capital € '000	Activity sector
Marfin Egnatia Bank S.A. (a)	97%	Greece	366.846	Banking
Investment Bank of Greece S.A. (b)	89%	Greece	110.427	Investment banking
Laiki Investments E.P.E.Y. Public Company Ltd ((c), Note 50)	71%	Cyprus	68.000	Investment and brokerage services and investments
Marfin Leasing S.A. (d)	97%	Greece	53.444	Leasing
Laiki Bank (Australia) Ltd	100%	Australia	39.459	Banking
Marfin Bank JSC Belgrade (e)	98%	Serbia	35.908	Banking
Marfin Bank Romania S.A. (f)	96%	Romania	31.994	Banking
Open Joint-Stock Company Marine Transport Bank (g)	100%	Ukraine	31.948	Banking
Rossiysky Promyishlenny Bank Company Ltd (h)	50%	Russia	26.387	Banking
Closed Joint-Stock Company RPB Holding (h)	50%	Russia	24.223	Investment company
Paneuropean Insurance Co Ltd	100%	Cyprus	14.025	Investment company
Marfin Pank Eesti AS (i)	53%	Estonia	12.814	Banking
Marfin Factors & Forfaiters S.A.	97%	Greece	10.870	Factoring, invoice discounting
Philiki Insurance Co Ltd	100%	Cyprus	9.800	Investment company
Lombard Bank Malta Plc (j)	43%	Malta	8.762	Banking
Cyprialife Ltd	100%	Cyprus	8.550	Investment company
Marfin Global Asset Management Mutual Funds Management S.A. (k)	96%	Greece	4.572	Mutual funds and private portfolio management
Laiki Bank (Guernsey) Ltd	100%	Guernsey	2.100	Banking
Laiki Factors Ltd	100%	Cyprus	855	Factoring, invoice discounting
IBG Investments S.A. (l)	89%	British Virgin Islands	686	Investment services
Marfin Capital Partners Ltd (m)	68%	United Kingdom	188	Investment management

(1) The effective shareholding includes the direct holding of Marfin Popular Bank Public Co Ltd and the indirect holding through its subsidiary companies.

Marfin Popular Bank Public Co Ltd is registered in Cyprus and operates in Cyprus and through branches in the United Kingdom.

25. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

(a) Increase in shareholding in Marfin Egnatia Bank S.A.

During 2008, 5.438.000 shares of Marfin Egnatia Bank S.A. were acquired and the convertible bonds held by the Bank were converted into 206.000 shares. These acquisitions bring the Bank's holding to 97%.

(b) Merger of Investment Bank of Greece S.A. with Laiki Attalos A.E.P.E.Y.

Laiki Attalos A.E.P.E.Y. merged by absorption with Investment Bank of Greece S.A. on 28 November, 2008. The share capital of Investment Bank of Greece S.A. increased by € 3 m, which represents the total offered capital of the absorbed company. The total share capital of Investment Bank of Greece S.A. after the merger increased to € 110,4 m divided into 3.762.000 shares of nominal value of € 29,35 each.

(c) Transfer of Egnatia Financial Services (Cyprus) Ltd and increase in shareholding in Laiki Investments E.P.E.Y. Public Company Ltd

In January 2008 the Bank sold 100% of the share capital of Egnatia Financial Services (Cyprus) Ltd to Laiki Investments E.P.E.Y. Public Company Ltd. This transaction reduces the effective holding of the Bank in Egnatia Financial Services (Cyprus) Ltd to 71,4%.

In March 2008 the Bank acquired 3,6 m shares of Laiki Investments E.P.E.Y. Public Company Ltd for € 1,4 m. This acquisition brings the Bank's holding to 71,4%.

(d) Increase of share capital of Marfin Leasing S.A.

In December 2008, Marfin Leasing S.A. increased its share capital by € 18,1 m with payment of the amount by the company's sole shareholder, Marfin Egnatia Bank S.A.

(e) Increase of share capital of Marfin Bank JSC Belgrade

On 31 March, 2008 Laiki Bank a.d. was renamed to Marfin Bank JSC Belgrade.

In December 2008 an increase of the share capital of Marfin Bank JSC Belgrade was made for the amount of € 15,5 m, which was fully covered by the Bank. As a result the Bank's holding increased to 98%.

(f) Increase of share capital of Marfin Bank Romania S.A.

On 15 May, 2008 Egnatia Bank Romania S.A. was renamed to Marfin Bank Romania S.A.

In June 2008 an increase of the share capital of Marfin Bank Romania S.A. was made for the amount of € 20 m, which was covered by Marfin Egnatia Bank S.A. (98,98%), pro rata, based on the respective shareholdings.

(g) Increase of share capital of Open Joint-Stock Company Marine Transport Bank

In November 2008, an increase of the share capital of Marine Transport Bank was made for the amount of € 30 m, which was fully covered by the Bank. As a result the Bank's holding increased to 99,9%.

25. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

(h) Acquisition of Rossiysky Promyishlenny Bank Company Ltd (Rosprombank)

On 4 September, 2008 the Bank finalised the acquisition of the Russian bank Rosprombank, after securing all necessary approvals by the supervisory authorities of Russia and Cyprus. The acquisition was finalised with the transfer of 50,04% of the share capital of the Russian Closed Joint-Stock Company RPB Holding, parent company of Rosprombank against the sum of € 85,2 m.

Rosprombank was established in 1997 and has a dynamic presence in Russia via a network of 32 branches and selling points covering the big cities of the Russian Federation.

(i) Increase in shareholding in Marfin Pank Eesti AS

On 14 May, 2008 AS SBM Pank was renamed to Marfin Pank Eesti AS.

In November 2008 the Bank acquired 544.000 shares of Marfin Pank Eesti AS for the amount of € 340.000. This acquisition brings the Bank's holding to 53%.

(j) Acquisition of Lombard Bank Malta Plc and changes in the shareholdings of Lombard Bank Malta Plc subsidiaries

On 28 February, 2008 the Bank acquired 42,86% of the share capital of Lombard Bank Malta Plc for € 50,1 m. During 2008, Lombard Bank Malta Plc paid a dividend of € 2.243.000. The amount attributable to the Bank, which was re-invested, was € 962.000. This reinvestment brings the Bank's holding to 43,08%.

The Bank exercises control over Lombard Bank Malta Plc through the power to appoint the majority of members of the Board of Directors and therefore Lombard Bank Malta Plc is accounted for as a subsidiary company.

Lombard Bank Malta Plc is Malta's third largest bank listed on the local stock exchange and operates under the supervision of the Central Bank of Malta. It was established in 1969 in Valletta and it offers complete banking services via a network of six branches. Lombard Bank Malta Plc also offers services via MaltaPost Plc, in which it is a major shareholder.

During 2008, Lombard Bank Malta Plc increased its shareholding in MaltaPost Plc by 3,8% for the amount of € 865.000 and its shareholding in Lombard Asset Managers Ltd by 25% for the amount of € 51.000. Additionally, it acquired for the amount of € 925.000 86,5% of the share capital of Lombard Funds SICAV Plc.

(k) Decrease of share capital of Marfin Global Asset Management Mutual Funds Management S.A.

The decrease of the share capital of Marfin Global Asset Management Mutual Funds Management S.A. was approved during February and March 2008 by the decisions of the Executive Committee of the Capital Market Commission and the Ministry of Development in Greece. The decrease of the share capital for the amount of € 4 m was made by a respective decrease of the nominal value of each share for the amount of € 14, in order to return the amount to the shareholders.

(l) Increase of share capital of IBG Investments S.A.

During 2008 an increase of the share capital of IBG Investments S.A. was made for the amount of € 236.000, which was covered by Investment Bank of Greece S.A. (90%) and IBG Capital S.A. (10%), pro rata, based on the respective shareholdings.

25. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

(m) Change of name of Marfin Capital Partners Ltd

On 7 May, 2008 MFG Capital Partners Ltd was renamed to Marfin Capital Partners Ltd.

(n) Merger of the Cyprus Popular Bank (Finance) Ltd with the Bank

Effective from 1 January, 2008 the Cyprus Popular Bank (Finance) Ltd, a 100% subsidiary of the Bank specialising in hire purchase and leasing, merged with the Bank and the Bank has undertaken its operations, assets and liabilities, rights and obligations and offers now these services. The Bank and the Cyprus Popular Bank (Finance) Ltd, the General Meeting of the Cyprus Popular Bank (Finance) Ltd Creditors and the Court of Law, based on the relevant Cyprus legislation, approved the Restructuring and Merger.

26. INVESTMENTS IN ASSOCIATES

	2008	2007
	€ '000	€ '000
Balance 1 January	**12.799**	11.745
Revaluation for the year	**417**	1.054
Investment in Marfin Insurance Holdings Ltd	**84.056**	-
Balance 31 December	**97.272**	12.799

The investments in associates relates to a 30% interest (2007: 30%) in the share capital of JCC Payment Systems Ltd and a 49,9% interest in the share capital of Marfin Insurance Holdings Ltd.

Marfin Insurance Holdings Ltd holds 100% of Laiki Cyprialife Ltd, Laiki Insurance Ltd, Marfin Life S.A. and Marfin Insurance Brokers S.A. On 18 December, 2008 50,1% of the share capital of Marfin Insurance Holdings Ltd was transferred to the French CNP Assurances S.A. (CNP) according to a long-term cooperation agreement between Marfin Popular Bank Public Co Ltd Group and CNP. As a result the Bank's 49,9% participation in Marfin Insurance Holdings Ltd is now classified as investment in associate.

The summary financial information of the associates is as follows:

	2008				
	Assets	**Liabilities**	**Revenues**	**Profit**	**Issued share capital**
	€ '000	**€ '000**	**€ '000**	**€ '000**	**€ '000**
JCC Payment Systems Ltd	**61.349**	**17.202**	**22.533**	**7.504**	**1.800**
Marfin Insurance Holdings Ltd	**745.987**	**577.539**	**-**	**-**	**90**

	2007				
	Assets	**Liabilities**	**Revenues**	**Profit**	**Issued share capital**
	€ '000	**€ '000**	**€ '000**	**€ '000**	**€ '000**
JCC Payment Systems Ltd	58.676	15.857	20.767	8.911	1.709

No information is presented regarding Marfin Insurance Holdings Ltd revenues and profit for the year ended 31 December, 2008, as the company was set up at the end of 2008 and will start consolidating its subsidiaries' results from 1 January, 2009.

27. INTANGIBLE ASSETS

	Computer software € '000
At 1 January 2007	
Cost	29.588
Accumulated amortization	(23.926)
Net book value	5.662
Year ended 31 December 2007	
Net book value at the beginning of the year	5.662
Additions	3.296
Amortisation charge (Note 9)	(3.629)
Exchange differences	(15)
Net book value at the end of the year	5.314
At 31 December 2007	
Cost	32.632
Accumulated amortisation	(27.318)
Net book value	5.314
Year ended 31 December 2008	
Net book value at the beginning of the year	**5.314**
Net book value of computer software of subsidiaries merged with the Bank	**425**
Additions	**4.284**
Amortisation charge (Note 9)	**(4.018)**
Exchange differences	**(78)**
Net book value at the end of the year	**5.927**
At 31 December 2008	
Cost	**37.963**
Accumulated amortization	**(32.036)**
Net book value	**5.927**

28. INVESTMENT PROPERTY

	2008 € '000	2007 € '000
Balance 1 January	**2.614**	2.600
Fair value gain (Note 7)	**5.491**	14
Balance 31 December	**8.105**	2.614

The investment properties are revalued annually on 31 December through reference to market prices by independent, professionally qualified valuers with adequate and relevant experience on the nature and the location of the property. Changes in the fair value are included in the income statement.

Within "Other income" in the income statement, an amount of € 6.000 (2007: € 29.000) is also included, that concerns income from operating lease rentals from investment properties held by the Bank, and within "Administrative expenses" an amount of € 1.000 (2007: € 24.000) which represents direct operating expenses arising from investment properties that did not generate rental income during the year.

At 31 December, 2008 there were contractual obligations to purchase, construct or develop investment property amounting to € 38.000.

29. PROPERTY AND EQUIPMENT

	Property € '000	Equipment € '000	Total € '000
At 1 January 2007			
Cost or valuation	95.725	72.291	168.016
Accumulated depreciation	(1.296)	(54.889)	(56.185)
Net book value	94.429	17.402	111.831
Year ended 31 December 2007			
Net book value at the beginning of the year	94.429	17.402	111.831
Additions	2.783	6.511	9.294
Disposals	(542)	(164)	(706)
Revaluation of property	31.921	-	31.921
Depreciation charge (Note 9)	(530)	(5.073)	(5.603)
Exchange differences	(2.028)	(33)	(2.061)
Net book value at the end of the year	126.033	18.643	144.676
At 31 December 2007			
Cost or valuation	126.033	77.482	203.515
Accumulated depreciation	-	(58.839)	(58.839)
Net book value	126.033	18.643	144.676
Year ended 31 December 2008			
Net book value at the beginning of the year	**126.033**	**18.643**	**144.676**
Net book value of property and equipment of subsidiaries merged with the Bank	**314**	**241**	**555**
Additions	**5.782**	**9.045**	**14.827**
Disposals	**-**	**(485)**	**(485)**
Depreciation charge (Note 9)	**(887)**	**(5.476)**	**(6.363)**
Exchange differences	**(1.762)**	**(103)**	**(1.865)**
Net book value at the end of the year	**129.480**	**21.865**	**151.345**
At 31 December 2008			
Cost or valuation	**130.318**	**84.159**	**214.477**
Accumulated depreciation	**(838)**	**(62.294)**	**(63.132)**
Net book value	**129.480**	**21.865**	**151.345**

Included within the property of the Bank is an amount of € 8.682.000 (2007: € 5.254.000) which represents buildings under construction.

In the cash flow statement, proceeds from disposal of property and equipment comprise:

	2008 € '000	2007 € '000
Net book value	**485**	706
Loss on disposal of property and equipment (Note 7)	**(50)**	(413)
Proceeds from disposal of property and equipment	**435**	293

29. PROPERTY AND EQUIPMENT (continued)

At 31 December, 2007 a valuation of the Bank's property was performed by independent professional valuers. The fair value of the Bank´s property is based on market values. Increases in the carrying amount arising on the revaluation were credited to property fair value reserves. Decreases that offset previous increases of the same asset are charged against those reserves. All other decreases are charged to the income statement.

Included within the property of the Bank is an amount of € 2.206.000 (2007: € 428.000) which represents leasehold buildings.

The net book value of revalued property that would have been included in the financial statements had the assets been carried at cost less depreciation is € 49.134.000 (2007: € 51.408.000).

30. DUE TO OTHER BANKS

	2008 **€ '000**	2007 € '000
Current	**1.779.912**	638.627
Non-current	**-**	-
	1.779.912	638.627
Analysis by geographical area		
Cyprus	**1.433.850**	429.943
United Kingdom	**346.062**	208.684
	1.779.912	638.627

31. CUSTOMER DEPOSITS

	2008 **€ '000**	2007 € '000
Current	**11.793.373**	10.543.455
Non-current	**109.066**	155.677
	11.902.439	10.699.132
Analysis by geographical area		
Cyprus	**11.367.247**	10.161.480
United Kingdom	**535.192**	537.652
	11.902.439	10.699.132

32. SENIOR DEBT

	2008	2007
	€ '000	€ '000
Debentures (2007/2010)	**712.050**	723.104
Current	**-**	-
Non-current	**712.050**	723.104
	712.050	723.104

During 2004 the Bank set up a Euro Medium Term Note (EMTN) Programme for a total amount of € 750 m. In May 2006, an increase of the size of the Programme to € 1 bln was approved and in May 2007 a further increase to € 3 bln was approved. Pursuant to the Programme the Bank has the ability to issue senior and/or subordinated debt in accordance to its needs.

In May 2007, the Bank issued € 750 m of senior debt due in 2010. The bonds are repayable within three years from their issue and pay interest every three months. The interest rate is set at the three-month rate of Euro (Euribor) plus 0,29%.

The bonds are listed on the Luxembourg Stock Exchange and their market value at 31 December, 2008 was € 662,6 m (2007: € 718,9 m).

33. LOAN CAPITAL

	2008	2007
	€ '000	€ '000
Eurobonds due 2016	**438.831**	438.263
Capital securities	**199.974**	85.430
	638.805	523.693
Current	**-**	-
Non-current	**638.805**	523.693
	638.805	523.693

33. LOAN CAPITAL (continued)

Eurobonds due 2016

During 2004 the Bank set up a Euro Medium Term Note (EMTN) Programme for a total amount of € 750 m. In May 2006, an increase of the size of the Programme to € 1 bln was approved and in May 2007 a further increase to € 3 bln was approved. Pursuant to the Programme the Bank has the ability to issue senior and/or subordinated debt in accordance to its needs.

In May 2006, the Bank issued € 450 m of subordinated debt (Tier II capital). The issue was in the form of subordinated bonds, maturing in 10 years. The Bank has the right to call in the bonds after five years from the issue date. Interest rate is set at the three-month rate of Euro (Euribor) plus 0,75%, increased by 1% if the bonds are not called in.

The bonds constitute direct, unsecured, subordinated obligations of the Bank and rank for payment after the claims of the depositors and other creditors. The bonds are listed on the Luxembourg Stock Exchange and their market value at 31 December, 2008 was € 351,1 m (2007: € 430,5 m).

Capital securities

The capital securities of the June 2003 issue, amounting to € 85 m were repaid in full in accordance with their terms of issue on 27 June, 2008 and an amount equal to the nominal value plus accrued interest was paid to the holders. For the period 31 March, 2008 to 26 June, 2008 these securities carried interest at the rate of 5,20%.

On 17 March, 2008 the Board of Directors of the Bank approved the issue of new capital securities up to the amount of € 200 m which would be included in the Hybrid Tier I Capital of the Bank. Capital securities of € 116 m (1st Tranche) that were offered to a limited group of individuals, professional investors and individuals who each invested at least € 50.000, were issued on 14 April, 2008 at a nominal value of € 1.000 each. During the second phase (2nd Tranche), capital securities of € 84 m that were offered to the general public through a Public Offer, were issued on 30 June, 2008, at a nominal value of € 1.000 each.

The capital securities do not have a maturity date but may, at the Bank's discretion, after approval by the Central Bank of Cyprus, be acquired in their entirety at their nominal value, together with any accrued interest, five years after the date of issue or on any interest payment date after that. The capital securities of the 1st Tranche pay 6,50% fixed interest rate for the first four quarters and the capital securities of the 2nd Tranche pay 6,50% fixed interest rate for the first three quarters, and subsequently a floating rate, which is reviewed on a quarterly basis. The interest rate is equal to the three-month rate of Euro (Euribor) at the beginning of each quarter plus 1,50% and interest is payable every three months, at 31 March, 30 June, 30 September and 31 December.

The capital securities constitute direct, unsecured, subordinated obligations of the Bank and rank for payment after the claims of the depositors and other creditors. The capital securities of the 1st Tranche were listed on the Cyprus Stock Exchange on 24 July, 2008 and of the 2nd Tranche on 6 November, 2008.

34. OTHER LIABILITIES

	2008 € '000	2007 € '000
Interest payable	**117.456**	71.284
Derivative financial instruments with negative fair value (Note 38)	**79.421**	17.444
Other liabilities	**67.767**	130.363
	264.644	219.091
Current	**254.619**	219.091
Non-current	**10.025**	-
	264.644	219.091

35. DEFERRED TAX LIABILITIES

Deferred tax liabilities are calculated on all temporary differences under the liability method using the applicable tax rates (Note 12). Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The movement in deferred tax is as follows:

	2008 € '000	2007 € '000
Balance 1 January	**11.196**	7.890
Debit/(credit) in income statement (Note 12)	**47**	(3)
(Credit)/debit in property fair value reserves (Note 37)	**(120)**	3.470
Other movements	**-**	(161)
Balance 31 December	**11.123**	11.196

Deferred tax liabilities are attributable to the following items:

	2008 € '000	2007 € '000
Differences between depreciation and wear and tear allowances	**1.278**	1.231
Revaluation of property	**9.845**	9.965
	11.123	11.196

The deferred tax debit/(credit) in the income statement at 31 December 2008 of € 47.000 (2007: € 3.000) relates to differences between depreciation and wear and tear allowances.

36. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares '000	Share capital € '000	Share premium € '000	Total € '000
1 January 2007	790.319	675.169	1.901.767	2.576.936
Shares issued (a)	6.364	5.437	27.186	32.623
Shares issued through exercise of warrants (b)	8	7	85	92
Share issue costs	-	-	(1.467)	(1.467)
31 December 2007 / 1 January 2008	**796.691**	**680.613**	**1.927.571**	**2.608.184**
Difference from conversion of share capital into Euro (c)	**-**	**(3.426)**	**-**	**(3.426)**
Dividend re-investment (d)	**33.435**	**28.420**	**126.717**	**155.137**
Share issue costs	**-**	**-**	**(284)**	**(284)**
31 December 2008	**830.126**	**705.607**	**2.054.004**	**2.759.611**

(a) The shares issued during the year ended 31 December, 2007 relate to shares issued to the shareholders of Marfin Investment Group Holdings S.A. who exercised their right to exit. These shares were issued on 17 April, 2007 and were listed on the Cyprus Stock Exchange and the Athens Exchange on 23 April, 2007.

(b) In December 2007, the share capital increased by 8.000 ordinary shares of a nominal value of C£ 0,50 (€ 0,85) each which resulted from the exercise of warrants.

(c) On 15 May, 2008, the Extraordinary General Meeting approved the conversion and reduction of the nominal value of the Bank's share, after rounding, from C£ 0,50 to € 0,85. Furthermore, the Extraordinary General Meeting approved that the Bank's authorized nominal share capital be converted and reduced to € 807.500.000 and the issued share capital to € 677.187.000, and that the reduction on the issued share capital resulting from the above conversion of Cyprus Pounds to Euro totaling € 3.426.000 is recorded into a special reserve account which is called "Difference from the conversion of share capital into Euro" (Note 37) for future capitalisation or other lawful use.

(d) In June 2008 the Bank issued 33.435.000 new ordinary shares, of nominal value € 0,85, which resulted from the re-investment of the dividend for the year 2007, in accordance with the Dividend Re-investment Plan. Based on the Plan the Bank's shareholders had the option of part or full re-investment of the net 2007 dividend into shares of the Bank. The re-investment price of the 2007 dividend into shares was set at € 4,64 per share, that was 10% lower than the average closing price of the Bank's share in the Cyprus Stock Exchange and the Athens Exchange for the period from 23 to 29 May, 2008. The trading of the newly issued shares commenced on 18 June, 2008. After the issue of 33.435.000 new ordinary shares, the share capital of the Bank amounts to € 705.607.000, divided into 830.126.000 ordinary shares, of nominal value € 0,85 each.

As at 31 December, 2008 the Bank's authorised share capital comprises 950 m shares (2007: 950 m shares) of € 0,85 (2007: C£ 0,50) each.

All issued ordinary shares are fully paid and carry the same rights.

The share premium is not available for distribution to equity holders.

Share Options

In April 2007, the Extraordinary General Meeting of the shareholders approved the introduction of a Share Options Scheme (the "Scheme") for the members of the Board of Directors of the Bank and the Group's employees. The shares to be issued with the application of this Scheme will have the same nominal value as the existing issued shares, that is, € 0,85 each. The exercise price of each share option (the "Option") was set at € 10.

36. SHARE CAPITAL AND SHARE PREMIUM (continued)

Share Options (continued)

Following the aforementioned approval and the ensuant decision of the Bank's Board of Directors on 9 May, 2007, 70.305.000 Options were granted with a maturity date 15 December, 2011. The Options can be exercised by the holders during the years 2007 to 2011, according to the allocation determined by the Board of Directors, following a recommendation by the Remuneration Committee, based on the holder's performance being up to the Bank's expectations.

The fair value of the Options granted was measured during the year 2007 using the Black and Scholes model. The significant inputs into the model were: share price of € 8,48 at the grant date, risk-free Euro interest rate curve for the duration of the Scheme 4,15% (average), share price volatility determined on the basis of historic volatility 12% and dividend yield 3,82%. The weighted average fair value of Options granted during the year was € 0,19 per Option. The total expense recognised in the income statement for the year ended 31 December, 2008 for Options granted amounts to € 1.925.000 (2007: € 1.684.000) (Note 8). During the year 2007 and 2008 no Options were exercised and as at 31 December, 2008 and 31 December, 2007 the number of Options outstanding were 70.305.000.

37. RESERVES

	2008 € '000	2007 € '000
Revenue reserves		
Balance 1 January	**504.929**	326.902
Effect of merger of Cyprus Popular Bank (Finance) Ltd with the Bank	**44.178**	-
Profit for the year	**381.382**	421.631
Transfer from property fair value reserves	**189**	21
Dividend (Note 48)	**(278.842)**	(245.018)
Cost of share-based payments to employees (Note 8)	**1.925**	1.684
Other movements	**-**	(291)
Balance 31 December	**653.761**	504.929
Property fair value reserves		
Balance 1 January	**44.957**	19.296
Revaluation for the year	**-**	30.178
Deferred tax (Note 35)	**120**	(3.470)
Transfer to revenue reserves	**(189)**	(21)
Other movements	**-**	(1.026)
Balance 31 December	**44.888**	44.957
Available-for-sale financial assets and investments in subsidiary companies and associates fair value reserves		
Balance 1 January	**203.923**	212.653
Effect of merger of Cyprus Popular Bank (Finance) Ltd with the Bank	**(44.178)**	-
Revaluation for the year	**(207.886)**	81.745
Transfer to results on disposal of available-for-sale financial assets and investments in subsidiary companies	**(44.209)**	(91.225)
Transfer to results due to impairment (Note 6)	**16.340**	750
Amortisation of loss on available-for-sale financial assets reclassified	**728**	-
Balance 31 December	**(75.282)**	203.923
Currency translation reserves		
Balance 1 January	**292**	730
Exchange differences arising in the year	**4.564**	(438)
Balance 31 December	**4.856**	292
Difference from conversion of share capital into Euro reserve		
Balance 1 January	-	-
Difference arising on conversion of share capital into Euro	**3.426**	-
Balance 31 December	**3.426**	-
	631.649	754.101

37. RESERVES (continued)

According to the Companies Law and the Articles of Association of the Bank there is no restriction in the distribution of reserves. According to the regulations of the Central Bank of Cyprus the reserves arising from exchange differences are not available for distribution.

From the tax year commencing 1 January, 2003 onwards, companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution Defence Law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 15% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) at the end of the period of the two years after the end of the relevant tax year, are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year during the following two years. This special contribution for defence is payable for the account of the shareholders.

38. FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Bank primarily uses derivative financial instruments to hedge risks stemming from interest rate and foreign exchange fluctuations. The derivative financial instruments, used by the Bank, and the method of determining their fair value are as follows.

Forward foreign exchange contracts specify the rate at which two currencies will be exchanged at a future date. The exchange rate agreed is determined when the deal is made. Forward foreign exchange contracts are revalued daily (using the current exchange rates), by calculating the new forward rate until the settlement of the contract, based on the current market rates.

Currency swaps are commitments to exchange specific amounts of two different currencies including interest, at a future date. The currency swaps are revalued to fair value (using the current exchange rates) by calculating the new swap points at the time of the revaluation.

Interest rate swaps are commitments to exchange one set of cash flows based on a fixed interest rate with one set of cash flows based on a floating interest rate. The cash flows are calculated on a fixed notional amount and for a fixed period of time. The fair value of interest rate swaps is calculated by comparing the present value of the discounted cash flows at the date of the revaluation with the current outstanding notional amount of the swap.

The notional amounts of those contracts provide a basis for comparison with other financial instruments recognised on the balance sheet, but they do not indicate the amounts of future cash flows or the fair value of the instruments and, therefore, do not present the Bank's exposure to credit and other market 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.

38. FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The notional and fair value of derivatives were:

	2008			2007		
	Contract/ notional amount € '000	**Fair value Assets € '000**	**Fair value Liabilities € '000**	Contract/ notional amount € '000	Fair value Assets € '000	Fair value Liabilities € '000
Trading derivatives:						
Foreign currency derivatives						
Currency forwards	**123.391**	**5**	**3**	180.587	22	5
Currency swaps	**2.528.238**	**67.463**	**68.073**	1.391.224	14.357	13.625
Interest rate derivatives						
Interest rate swaps	**1.630.772**	**7.455**	**4.868**	1.129.867	3.193	3.814
Total trading derivatives (Note 17)		**74.923**	**72.944**		17.572	17.444
Hedging derivatives:						
Derivatives designated as fair value hedges						
Interest rate swaps	**87.921**	**-**	**6.477**	-	-	-
Total hedging derivatives		**-**	**6.477**		-	-
Total derivatives (Note 34)		**74.923**	**79.421**		17.572	17.444

39. CASH GENERATED FROM OPERATIONS

	2008	2007
	€ '000	€ '000
Profit before tax	**414.764**	465.618
Adjustments for:		
Depreciation of property and equipment (Note 29)	**6.363**	5.603
Amortisation of computer software (Note 27)	**4.018**	3.629
Fair value gain on investment property (Note 28)	**(5.491)**	(14)
Fair value adjustment on property (Note 9)	**-**	(1.743)
Cost of share-based payments to employees (Note 8)	**1.925**	1.684
Impairment of available-for-sale financial assets (Note 6)	**16.340**	750
Exchange differences	**11.883**	2.041
Income received from financial assets	**(144.909)**	(71.150)
Interest paid on loan capital	**72.051**	56.258
Dividend from subsidiary companies and associates (Note 7)	**(23.531)**	(131.864)
Loss on disposal of property and equipment (Note 29)	**50**	413
Profit on disposal of available-for-sale financial assets (Note 6)	**(66.103)**	(118.180)
Profit on disposal of subsidiary companies (Note 6)	**(29.120)**	-
	258.240	213.045
Change in:		
Due to other banks	**1.141.285**	341.490
Customer deposits	**1.203.307**	1.946.983
Balances with subsidiary companies	**(267.773)**	363.726
Other liabilities	**42.286**	20.678
Retirement benefit obligations	**15.981**	20.217
Restricted balances with the Central Bank	**462.631**	(394.444)
Due from other banks	**153.464**	(186.780)
Financial assets at fair value through profit or loss	**(48.343)**	95.564
Debt securities lending	**(99.495)**	-
Advances to customers	**(1.873.003)**	(1.998.594)
Balances with subsidiary companies	**(114.760)**	(469.229)
Other assets	**(65.139)**	151.806
	808.681	104.462

Non-cash transactions

The shareholding in Marfin Insurance Holdings Ltd was partly acquired through cash and partly acquired through the exchange of shares. The exchange of shares has no effect on the cash flow statement.

40. CASH AND CASH EQUIVALENTS

	2008 € '000	2007 € '000
Cash and non-restricted balances with the Central Bank	**78.277**	81.295
Due from other banks – due within three months	**3.253.731**	2.925.331
	3.332.008	3.006.626
Exchange differences	**-**	(11.883)
	3.332.008	2.994.743

41. SEGMENTAL ANALYSIS

By geographical region (primary segment)

	Cyprus € '000	United Kingdom € '000	Eliminations € '000	Total € '000
2008				
External revenues	**1.131.166**	**124.090**	**-**	**1.255.256**
Revenues from other segments	**1.739**	**39.268**	**(41.007)**	**-**
Total revenues	**1.132.905**	**163.358**	**(41.007)**	**1.255.256**
Profit before tax	**397.689**	**17.075**		**414.764**
Tax				**(33.382)**
Profit for the year				**381.382**
Assets	**17.258.072**	**2.137.557**		**19.395.629**
Investments in associates	**97.272**	**-**		**97.272**
Total assets				**19.492.901**
Liabilities	**13.973.880**	**2.127.761**		**16.101.641**
Other items				
Capital expenditure	**16.349**	**2.762**		**19.111**
Depreciation of property and equipment (Note 29)	**5.870**	**493**		**6.363**
Amortisation of computer software (Note 27)	**3.804**	**214**		**4.018**
Provision for impairment of advances (Note 11)	**19.474**	**66**		**19.540**
Impairment of available-for-sale financial assets (Note 6)	**16.340**	**-**		**16.340**

41. SEGMENTAL ANALYSIS (continued)

By geographical region (primary segment) (continued)

	Cyprus € '000	**United Kingdom € '000**	**Eliminations € '000**	**Total € '000**
2007				
External revenues	1.101.795	107.296	-	1.209.091
Revenues from other segments	15.261	36.998	(52.259)	-
Total revenues	1.117.056	144.294	(52.259)	1.209.091
Profit before tax	446.897	18.721		465.618
Tax				(43.987)
Profit for the year				421.631
Assets	14.884.809	2.048.849		16.933.658
Investments in associates	12.799	-		12.799
Total assets				16.946.457
Liabilities	11.988.502	1.595.670		13.584.172
Other items				
Capital expenditure	11.657	933		12.590
Depreciation of property and equipment (Note 29)	5.267	336		5.603
Amortisation of computer software (Note 27)	3.430	199		3.629
Provision for impairment of advances (Note 11)	30.507	(38)		30.469
Impairment of available-for-sale financial assets (Note 6)	750	-		750

Reconciliation with the amounts included in the income statement:

	2008 € '000	2007 € '000
Total revenues	**1.255.256**	1.209.091
Interest expense per income statement	**(599.460)**	(492.649)
Fee and commission expense per income statement	**(11.922)**	(8.468)
Operating income per income statement	**643.874**	707.974

The Bank operates mainly in the banking sector and geographically in Cyprus and in the United Kingdom. Therefore, no analysis by business sector is presented and the primary segment is by geographical region.

42. CONTINGENCIES AND COMMITMENTS

Credit-related financial instruments

Credit-related financial instruments include commitments relating to documentary credits and guarantees, which are designed to meet the financial requirements of the Bank's customers. The credit risk on these transactions represents the contract amount. However, the majority of these facilities are offset by corresponding obligations of third parties.

	2008	2007
	€ '000	€ '000
Acceptances	**109.752**	161.218
Guarantees	**469.204**	551.936
	578.956	713.154

Trustee services

The Bank acts as a trustee of approved investments of insurance companies according to the provisions of the Insurance Companies Laws of 1984 and 1990.

Capital commitments

Capital expenditure contracted at 31 December, 2008 amounted to € 10,0 m (2007: € 15,9 m).

Legal proceedings

As at 31 December, 2008 there were pending litigations against the Bank in connection with its activities. Based on legal advice the Board of Directors believes that there is adequate defence against all claims and it is not probable that the Bank will suffer any significant damage. Therefore, no provision has been made in the financial statements regarding these cases.

Operating lease commitments

The Bank leases various branches, offices and warehouses under non-cancelable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	2008	2007
	€ '000	€ '000
Less than one year	**3.271**	1.563
Over one but less than five years	**10.215**	3.310
Over five years	**2.554**	52
	16.040	4.925

43. FINANCIAL RISK MANAGEMENT

As is the case for all other financial institutions, the Bank is exposed to risks. These risks are being continuously monitored using various methods, so as to avoid the excessive concentration of risk. The nature of the risks undertaken and the ways in which they are managed by the Bank are outlined below.

In the current unstable and unpredictable economic environment, the Bank's key strategic objective is to sustain a strong capital and liquidity position that would in turn enable it to serve the interest of its shareholders and customers in the most effective way. During the last quarter of 2008 the Bank took a series of measures that enable it to successfully withstand the impact of the ongoing crisis. The formulated strategy for 2009 should ensure that the Bank remains a strong private sector financial institution.

CREDIT RISK

Credit risk stems from the possibility of non-prompt repayment of existing and contingent obligations of the Bank's counterparties, resulting in the loss of funds and earnings. Credit risk management focuses on ensuring a disciplined risk culture, risk transparency and rational risk taking, based on international common practices.

Credit risk management

The credit risk management function covers a wide range of activities, which commences at the stage of the credit risk undertaken, continues at the stage of credit risk management, ending up at the collection stage.

Credit risk management methodologies are reviewed and modified to reflect the changing financial environment. The various credit risk assessment methods used are being revised at least annually or whenever deemed necessary and adjusted to be in line with the Bank's overall strategy and objectives.

Credit risk undertaken

Credit policy
The Bank's lending portfolio is split into retail, commercial and corporate lending. Retail lending comprises individuals and very small businesses, commercial lending comprises small and medium size enterprises and corporate lending comprises large and listed companies.

The Bank's primary lending criterion is the borrower's repayment ability. Additionally, emphasis is placed on the quality of collateral, either in the form of tangible collateral or guarantees. The majority of the Bank's customers are either private borrowers or small and medium businesses whilst customers often borrow in both capacities utilising a number of different lending products and facilities.

In the area of corporate and commercial lending, periodical sectoral studies are prepared to identify those areas that may present problems and the target areas for credit expansion. These studies are also used in the formulation and review of the credit policy.

In order for the Bank to determine its target markets, it takes into account aspects such as macroeconomic indicators, the local banking system, empirical evidence on the effects of stress scenarios, guidance from the regulator and current mix of the lending portfolio. Taking into consideration materiality issues and the local socio-economic environment, the main target markets are summarised based on the following: (a) economic sector, (b) banking division, (c) Basel asset class, (d) country of risk, (e) type of facility, (f) type of security, (g) credit quality and (h) currency. Once the above are identified further detailed analysis is carried out to decide the amount of credit to be granted.

43. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Credit risk undertaken (continued)

Stress tests
Stress testing is used to capture the impact of exceptional but possible scenarios that could have a major impact on a portfolio. It could generally be implemented using one or a combination of the two following concepts: scenario tests (multiple factors) and sensitivity analysis (single factor). The purpose of stress testing is to assist the Bank to assess the impact of a stress scenario on its profitability, loan portfolio and capital requirements. Stress tests are performed on a semi-annual basis or whenever deemed necessary.

Limits of authority
Credit limits of authority indicate the hierarchy of approving credit facilities to the Bank's customers indicating that the higher the credit risk involved in the transaction, the higher the level of authority required to approve the transaction. The structure of the credit limits of authority is based on: (a) the quality of the customer which is expressed through the customer grade, (b) the quality of the collateral/security, (c) the type of facility e.g. loan or letter of guarantee, (d) the facility duration and (e) the level of approving authority.

Limits of authority can be divided into two categories:

(a) Front line limits, i.e. limits given to branch and sectoral managers.

(b) Head office limits, i.e. limits given to Credit and Executive Committees of the Bank.

All limits are usually reviewed on a yearly basis or whenever deemed necessary. The Risk Management Division may initiate limit changes based on specific guidelines of the Central Bank of Cyprus, with which the Bank needs to conform or with new management policy decisions that need to be adopted.

Rating models
The methods for assessing credit quality vary according to the counterparty type, which falls in one of the following categories: central governments (for buy and hold strategies with respect to bonds), financial institutions, small, medium and large businesses and private individuals.

In respect of the credit assessment of governments and financial institutions, this is analysed in the subsections "Counterparty banks' risk" and "Country risk".

In respect of the credit assessment of private individuals and legal entities, this is reflected on a rating scale from 1 to 10. The ten grade internal rating system of the Bank applies to both new and existing customers. It is made up from three separate systems, the ratings of which are combined to give a final rating.

Private individuals are assessed by two different systems and the combination of the two results gives the final rating. The first system is based on their past credit behaviour and overall cooperation with the Bank. The second system (credit scoring) utilises both demographic factors and other objectively defined criteria, such as income and property owned.

For the assessment of businesses, the behavioural rating system, as outlined above, is combined with the Moody's Risk Advisor system, which assesses the financial strength of a business based on both financial and qualitative data, as well as on the industry sector in which the business operates.

The internal rating system assesses counterparties automatically, on a monthly basis, in order to ensure that ratings are up to date with respect to the risk taken and acts as a warning sign for monitoring purposes. The ongoing quality evaluation is supported by periodic audits conducted by both the Risk Management Division and the Internal Audit Department.

43. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Credit risk undertaken (continued)

Rating models (continued)
A counterparty's credit rating is used during the approval process of new credit facilities and for defining the respective credit limits. In addition, it is used for the internal calculation of probabilities of default, as well as for the monitoring of changes in the quality of the Bank's lending portfolio, with the aim of developing prompt strategic actions in order to minimise any potential increase in the risks undertaken.

Assessment of new products
As part of monitoring credit risk, the Risk Management Division ensures that the credit risk inherent in new products is identified and analysed in order to ensure that the Bank will comply with the credit risk policy, the procedures of the Bank and the directives issued by the Central Bank of Cyprus. In addition, based on a cost-benefit analysis, the Risk Management Division assesses the effect of the new product on the Bank's product portfolio and ensures that the credit risk of the portfolio does not exceed the desired levels.

Management of credit risk

Rating models
Rating models have been explained in detail in the previous section.

Monitoring of problematic loans
Problematic credit exposures are identified and monitored at an early stage through the internal rating system, the credit facilities approval procedures and controls and lending portfolio evaluation. These exposures are closely monitored at both the divisional management level and at head office level (by the Risk Management Division and the Internal Audit Department). Action plans and specific targets for improvement are set in co-operation with the banking units and regular follow up takes place to ensure that timely corrective action is taken.

Furthermore, specialised reports analysing and evaluating the credit portfolio and overdue amounts are prepared by the Risk Management Division and sent to the appropriate Committees and Senior Management of the Bank with recommendations for actions.

Reporting
The Risk Management Division is responsible for preparing extensive reporting to the Risk Management Committee and Executive Committee of the Board of Directors and Assets and Liabilities Committee on credit risk management issues, including credit risk limits, limits of authority and results of stress tests. The Risk Management Division is also responsible for preparing reports for the Central Bank of Cyprus regarding the quality of the lending portfolio and the percentage of accomplishment of quantitative targets set.

Collateral policy
The collateral policy followed by the Bank enables the Bank to better manage credit risk. The collateral policy principles determine: (a) the desired cover per collateral type, (b) the types of acceptable collaterals and (c) that periodic revaluations should be performed, either by the credit officers or by external official valuers.

The main types of collateral taken by the Bank are: (a) mortgages, (b) bank guarantees, (c) cash, (d) shares pledged and (e) other charges.

Collection

The Risk Management Division is responsible for the early detection of problematic credit exposures through the internal rating system. The Risk Management Division is also responsible for setting criteria for the referral of customers to the specialised Debt Collection Division.

43. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Concentration risk

Concentration risk is defined as the risk that arises from the uneven distribution of exposures to individual borrowers, specific industry or economic sectors, geographical regions or product type.

The Bank recognises that concentration of exposures in credit portfolios is an important aspect of credit risk. Concentrated portfolios imply volatile returns and have to be supported by capital buffers, therefore the effective management and limit setting for this risk are fundamentally important.

Concentration of exposures in credit portfolios is an important aspect of credit risk. It may principally arise from the following types of imperfect diversification:

- Name concentration, which relates to imperfect diversification risk in the portfolio because of large exposures to a single borrower or a group of related borrowers.
- Sector concentration, which relates to imperfect diversification across systematic components of risk, namely sectoral factors (industry or geographical sectors).
- Collateral concentration, which relates to concentration in respect of individual collateral types.
- Foreign currency concentration, which arises from lending activities in non-domestic currencies.

The Risk Management Division ensures that exposures to individual borrowers, groups, geographical areas and other concentrations do not become excessive in relation to the Bank's capital base and that they are in line with limits set by the Board of Directors. The Risk Management Division is also responsible for reporting concentrations to the Risk Management Committee, Assets and Liabilities Committee and the Central Bank of Cyprus.

The monitoring and control of concentration risk is achieved by limit setting (e.g. industry limits) and reporting.

Credit rating of advances

The following table analyses the percentages of advances and the related impairment provision for each internal credit rating category of the Bank:

	2008		2007	
	Advances	**Impairment provision**	Advances	Impairment provision
	%	**%**	%	%
Credit rating category:				
Low risk	**68**	**-**	78	-
Medium risk	**24**	**-**	14	0,01
High risk	**8**	**48,12**	8	58,15
	100	**4,05**	100	4,55

The impairment provision percentages disclosed above relate to the cumulative impairment provision for each credit rating category as a percentage of the gross advances per credit rating category.

43. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

The following table presents the Bank's maximum credit risk exposure as at the balance sheet date, without taking into account any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out are based on the net carrying amounts as reported in the balance sheet.

	Maximum exposure	
	2008	2007
	€ '000	€ '000
Credit risk exposures relating to on-balance sheet assets are as follows:		
Balances with the Central Bank (Note 14)	**113.024**	575.655
Due from other banks (Note 15)	**3.438.808**	3.155.418
Financial assets at fair value through profit or loss:		
Debt securities (Note 17)	**47.658**	90.001
Derivative financial instruments with positive fair value (Note 17)	**74.923**	17.572
Advances to customers:		
Advances to individuals	**2.841.544**	2.198.197
Advances to corporate entities:		
Large corporate customers	**2.573.586**	1.906.264
Small and medium size enterprises (SMEs)	**3.616.340**	2.725.361
Debt securities lending (Note 21)	**303.306**	-
Available-for-sale financial assets – debt securities (Note 22)	**1.687.284**	1.658.751
Held-to-maturity financial assets (Note 23)	**502.302**	283.973
Other assets	**85.573**	66.764
	15.284.348	12.677.956
Credit risk exposures relating to off-balance sheet items are as follows:		
Acceptances (Note 42)	**109.752**	161.218
Guarantees (Note 42)	**469.204**	551.936
	578.956	713.154
	15.863.304	13.391.110

As shown above, 79% of the total maximum exposure is derived from due from other banks and advances to customers (2007: 75%), 11% represents available-for-sale financial assets – debt securities (2007: 12%).

The management of the Bank is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both the advances portfolio and debt securities based on the following:

- 92% of advances portfolio is categorised in the top two grades of the internal rating system (2007: 92%).
- 85% of the advances portfolio are considered to be neither past due nor impaired (2007: 81%).
- € 448 m or 5% of advances have been assessed to be individually impaired (2007: € 421 m or 6%).
- An improvement in the credit quality of advances has resulted in a lower percentage of impairment charge over total gross advances in the income statement.
- 98,7% of investment in debt securities have at least A- credit rating or a better credit rating (2007: 99,6%).

43. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Advances

The following table analyses the credit quality of the Bank's advances.

	2008			2007		
	Advances to customers € '000	**Due from other banks € '000**	**Balances with the Central Bank € '000**	Advances to customers € '000	Due from other banks € '000	Balances with the Central Bank € '000
Neither past due nor impaired	**7.981.761**	**3.438.808**	**113.024**	5.764.806	3.155.418	575.655
Past due but not impaired	**982.942**	**-**	**-**	969.531	-	-
Impaired	**448.183**	**-**	**-**	420.729	-	-
Gross	**9.412.886**	**3.438.808**	**113.024**	7.155.066	3.155.418	575.655
Provision for impairment of advances	**(381.416)**	**-**	**-**	(325.244)	-	-
Net	**9.031.470**	**3.438.808**	**113.024**	6.829.822	3.155.418	575.655

(a) Advances neither past due nor impaired

The following table analyses the Bank's advances classified as neither past due nor impaired, for each credit rating category.

	Advances to customers					
		Corporate entities				
	Individuals € '000	**Large corporate customers € '000**	**Small and medium size enterprises € '000**	**Total € '000**	**Due from other banks € '000**	**Balances with the Central Bank € '000**
2008						
Credit rating category:						
Low risk	**2.260.131**	**1.686.591**	**1.898.993**	**5.845.715**	**3.438.808**	**113.024**
Medium risk	**223.444**	**453.550**	**1.245.244**	**1.922.238**	**-**	**-**
High risk	**33.231**	**46.461**	**134.116**	**213.808**	**-**	**-**
	2.516.806	**2.186.602**	**3.278.353**	**7.981.761**	**3.438.808**	**113.024**
2007						
Credit rating category:						
Low risk	1.721.137	1.372.335	1.898.116	4.991.588	3.155.418	575.655
Medium risk	91.454	223.128	396.237	710.819	-	-
High risk	15.336	21.604	25.459	62.399	-	-
	1.827.927	1.617.067	2.319.812	5.764.806	3.155.418	575.655

43. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Advances (continued)

(b) Advances past due but not impaired

Advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary.

The following table presents advances which were past due but not impaired as at the balance sheet date by category, as well as the fair value of collateral held as security.

		Corporate entities		
	Individuals € '000	Large corporate customers € '000	Small and medium size enterprises € '000	Total € '000
2008				
Past due up to 30 days	**151.323**	**287.362**	**145.166**	**583.851**
Past due 31 to 60 days	**47.484**	**48.305**	**36.530**	**132.319**
Past due 61 to 90 days	**37.297**	**14.446**	**37.240**	**88.983**
Past due over 90 days	**36.070**	**42.749**	**98.970**	**177.789**
Advances past due but not impaired	**272.174**	**392.862**	**317.906**	**982.942**
Fair value of collateral	**194.301**	**336.595**	**366.067**	**896.963**
2007				
Past due up to 30 days	263.229	198.981	295.087	757.297
Past due 31 to 60 days	28.863	25.015	25.287	79.165
Past due 61 to 90 days	11.120	21.899	7.398	40.417
Past due over 90 days	21.404	25.938	45.310	92.652
Advances past due but not impaired	324.616	271.833	373.082	969.531
Fair value of collateral	244.073	226.523	402.349	872.945

The fair value of collateral is based on valuation techniques commonly used for the corresponding assets, which include reference to market prices.

(c) Advances individually impaired

The following table presents advances which have been individually impaired, as well as the fair value of collateral held as security, for each category. Advances included in this table are more than 90 days past due and are classified as non-performing.

		Corporate entities		
	Individuals € '000	Large corporate customers € '000	Small and medium size enterprises € '000	Total € '000
2008				
Individually impaired advances	**238.320**	**58.133**	**151.730**	**448.183**
Fair value of collateral	**64.550**	**24.709**	**72.462**	**161.721**
2007				
Individually impaired advances	170.436	112.793	137.500	420.729
Fair value of collateral	48.714	70.392	85.007	204.113

43. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Advances (continued)

(d) Advances renegotiated

The carrying amount of advances which would have been categorised as past due or impaired and have been renegotiated is € 76.555.000 (2007: € 79.002.000).

Debt securities, treasury bills and other eligible bills

The table below presents an analysis of debt securities, treasury bills and other eligible bills by credit rating based on rating agency ratings.

	Treasury bills and other bills € '000	Trading securities € '000	Investment securities € '000	Total € '000
2008				
AAA	**-**	**-**	**363.737**	**363.737**
AA- to AA+	**226.775**	**8.676**	**1.394.715**	**1.630.166**
A- to A+	**98.350**	**38.982**	**376.813**	**514.145**
Lower than A-	**-**	**-**	**32.502**	**32.502**
	325.125	**47.658**	**2.167.767**	**2.540.550**
2007				
AAA	-	-	31.968	31.968
AA- to AA+	-	51.867	1.335.455	1.387.322
A- to A+	404.301	38.134	162.640	605.075
Lower than A-	-	-	8.360	8.360
	404.301	90.001	1.538.423	2.032.725

Repossessed collateral

The table below presents the nature and book value of assets that have been obtained by the Bank during the year, either by taking possession of collateral held as security or by activating other credit enhancements which satisfy the criteria of recognition of other standards.

	2008 € '000	2007 € '000
Land	**5.010**	-
Buildings	**130**	1.001
	5.140	1.001

43. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Concentration of risks of financial assets with credit exposure

(a) Geographical sectors

The table below analyses the Bank's main credit exposures at carrying amount, as categorised by geographical region. For this table, the Bank has allocated exposures to regions, based on the country of domicile of the counterparties.

	Cyprus € '000	Greece € '000	Other countries € '000	Total € '000
Balances with the Central Bank (Note 14)	**113.024**	**-**	**-**	**113.024**
Due from other banks (Note 15)	**34.909**	**1.249.315**	**2.154.584**	**3.438.808**
Financial assets at fair value through profit or loss:				
Debt securities (Note 17)	**11.233**	**10.660**	**25.765**	**47.658**
Derivative financial instruments with positive fair value (Note 17)	**-**	**-**	**74.923**	**74.923**
Advances to customers:				
Advances to individuals	**2.408.426**	**19.706**	**413.412**	**2.841.544**
Advances to corporate entities:				
Large corporate customers	**2.085.336**	**6.791**	**481.459**	**2.573.586**
Small and medium size enterprises	**3.326.567**	**1.673**	**288.100**	**3.616.340**
Debt securities lending (Note 21)	**-**	**-**	**303.306**	**303.306**
Available-for-sale financial assets - debt securities (Note 22)	**21.139**	**113.907**	**1.552.238**	**1.687.284**
Held-to-maturity financial assets (Note 23)	**214.377**	**72.787**	**215.138**	**502.302**
Other assets	**16.010**	**2.597**	**66.966**	**85.573**
31 December 2008	**8.231.021**	**1.477.436**	**5.575.891**	**15.284.348**
31 December 2007	6.720.506	421.925	5.535.525	12.677.956

43. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Concentration of risks of financial assets with credit exposure (continued)

(b) Industry sectors

The table below analyses the Bank's credit exposures at carrying amount, as categorised by the industry sectors in which counterparties operate.

	Manufacturing € '000	Tourism € '000	Trade € '000	Property and construction € '000	Personal, professional and home loans € '000	Financial institutions € '000	Other sectors € '000	Total € '000
Balances with the Central Bank (Note 14)	-	-	-	-	-	113.024	-	113.024
Due from other banks (Note 15)	-	-	-	-	-	3.438.808	-	3.438.808
Financial assets at fair value through profit or loss:								
Debt securities (Note 17)	-	-	-	-	-	47.658	-	47.658
Derivative financial instruments with positive fair value (Note 17)	-	-	-	-	-	74.923	-	74.923
Advances to customers:								
Advances to individuals	-	-	-	629.958	2.210.832	-	754	2.841.544
Advances to corporate entities:								
Large corporate customers	90.261	131.513	367.295	417.221	843.948	-	723.348	2.573.586
Small and medium size enterprises	177.794	421.975	465.752	1.412.447	781.965	-	356.407	3.616.340
Debt securities lending (Note 21)	-	-	-	-	-	303.306	-	303.306
Available-for-sale financial assets – debt securities (Note 22)	-	-	-	-	-	1.687.284	-	1.687.284
Held-to-maturity financial assets (Note 23)	-	-	-	-	-	502.302	-	502.302
Other assets	188	1.133	1.755	3.916	10.841	58.662	9.078	85.573
31 December 2008	**268.243**	**554.621**	**834.802**	**2.463.542**	**3.847.586**	**6.225.967**	**1.089.587**	**15.284.348**
31 December 2007	273.538	533.849	664.048	1.704.407	2.951.421	5.811.977	738.716	12.677.956

43. FINANCIAL RISK MANAGEMENT (continued)

COUNTERPARTY BANKS´ RISK

The Bank runs the risk of loss of funds due to the possibility that a counterparty (i.e. a bank or a financial institution) with which the Bank enters into a specific transaction, defaults before the final settlement of the transaction.

This risk may include derivative transactions, interbank transactions and capital market transactions.

Roles and responsibilities

The Risk Management Division is responsible for setting prudent and appropriate policies, procedures and common risk methodologies for controlling, evaluating and measuring all major sources of counterparty bank risk embedded in the Bank operations. The Risk Management Committee and/or the Executive Committee have the responsibility for approving the limit framework for counterparty bank risk, the Bank risk profile and the relative risk management strategies, policies and risk methodologies.

Upon approval of limits these are communicated to the Bank's Treasury. Responsibility for monitoring this risk is performed by the Risk Management Division of the Bank.

Policies and procedures

The Bank's Market Risk Manual describes the principles of managing and controlling counterparty bank risk, sets the responsibilities of the relevant authorities and describes the procedures for allocating limits and monitoring counterparty bank risk. Also, a Methodologies Manual describes the methodologies and formulae used to calculate credit risk exposure to counterparties.

Measurement assessment and control

The Bankscope model is the basis for the Bank's rating system, which sets the maximum allowable bank limits on the basis of a score derived as a result of assessment of specific quantitative and qualitative criteria. The total score is multiplied by own funds of the counterparty in order to calculate the maximum allowable limit. The analysis of counterparties' creditworthiness is supplemented by the Moody's Reporting Tools. In addition, other factors taken into account include:

- requirements imposed by regulatory authorities;
- the credit rating of the counterparties and the rating of country of operation; and
- other internal controls imposed.

Monitoring and reporting

The Bank monitors and controls limits and excesses while it consolidates major exposures on a daily basis.

Positions against counterparty limits are monitored daily. The review of the limits per counterparty takes place at least once a year and if necessary, these are revised depending on the Bank's strategy and current market conditions, following their approval by the relevant authorities.

43. FINANCIAL RISK MANAGEMENT (continued)

COUNTRY RISK

Country risk involves various risks that may be generated at country level as a result of political or economic events (these include political risk, risk of government default, inability of converting local currency to any major currency (convertibility risk) and transferring it out of the country (transferability risk)).

Country risk affects the Bank via its international capital markets, interbank transactions and other banking activities. In addition, the Bank is exposed to country risk through facilities provided to customers for their international operations.

Roles and responsibilities

The Board of Directors and the Executive Committee ensure that any approved business decisions regarding the Bank's international operations have taken into account country risk considerations and that they are in line with the Bank's strategy and desired risk profile. The Risk Management Division is responsible for ensuring that all required systems are in place in order to measure, report and monitor country risk exposures accurately and promptly.

Policies and procedures

The Risk Management Committee has approved the Bank's Country Risk Policy Manual which sets general standards for the management of country risk, including roles and responsibilities, evaluation of country risk, measurement, monitoring and reporting.

Measurement and control

Country risk is mainly evaluated through credit opinion reports from rating agencies, as well as from information obtained from various international publications and organizations.

INTEREST RATE RISK

Interest rate risk is defined as the exposure of the Bank's financial condition to adverse movements in interest rates.

The primary form of interest rate risk for the Bank is considered to be the repricing risk, which arises from the timing differences in the maturity (for fixed rate) and repricing date (for floating rate) of assets, liabilities and off-balance sheet positions.

Roles and responsibilities

The Risk Management Committee and/or the Executive Committee approve the interest rate risk strategy, policy and limits. The Assets and Liabilities Committee (ALCO) and Risk Management Committee review the Bank's interest rate risk profile.

Policies and procedures

The Bank's Interest Rate Risk Policy Manual describes the risk management practices and guidelines for effective measurement, management and monitoring of interest rate risk.

43. FINANCIAL RISK MANAGEMENT (continued)

INTEREST RATE RISK (continued)

Measurement

The main methodology for measuring, monitoring and managing interest rate risk is the Present Value of a Basis Point methodology (PVBP).

Interest rate risk exposures are mainly created from the retail and corporate activity and are usually hedged through transactions in derivative products (mainly interest rate swaps) or in the interbank market. In addition, there is limited activity in the trading book, with positions in capital market securities and interest rate futures.

Exposure calculations and associated limit structures are used for monitoring:

(a) interest rate risk exposure in each currency per predefined time period;

(b) interest rate risk total exposure in each main currency;

(c) interest rate risk exposure in all currencies per predefined time period;

(d) interest rate risk total exposure in all periods and all currencies.

Approved limits are monitored on a frequent basis and reviewed at least annually and amended whenever necessary according to the strategy of the Bank and the prevailing market conditions, after the approval by the eligible authorities. Moreover, at regular time intervals interest rate risk exposure is evaluated by using stress test scenarios.

A parallel 200 basis points (2007: 200 basis points) increase in market interest rates across all currencies, applied to the Bank's balance sheet banking book as at 31 December, 2008, would result in an increase in yearly net interest income by € 49 m (2007: € 0,1 m) and a decrease in the fair value of financial instruments by € 21 m (2007: € 16,4 m). For those currencies where the base interest rate levels were below 2% (Euro, United States Dollar, Sterling Pound and Japanese Yen) a parallel decrease averaging approximately 1% and varying on a case by case basis would result in a decrease in yearly net interest income by € 12 m (2007: € 0,1 m) and an increase in the fair value of financial instruments by € 8,8 m (2007: € 16,4 m). For the above sensitivity analysis for those currencies where the base interest rate was above 2%, a parallel 200 basis points (2007: 200 basis points) decrease was used.

The following tables summarise the Bank's exposure to interest rate risk. Included in the tables are the Bank's assets and liabilities at carrying amounts categorised by contractual repricing date for floating rate items and maturity date for fixed rate items. The tables also present the notional amount of interest rate derivatives, which are used to reduce the Bank's exposure to interest rate movements.

43. FINANCIAL RISK MANAGEMENT (continued)

INTEREST RATE RISK (continued)

2008	Up to 1 month € '000	Over 1 month but less than 3 months € '000	Over 3 months but less than 1 year € '000	Over 1 year but less than 5 years € '000	Over 5 years € '000	Non-interest bearing € '000	Total € '000
Assets							
Cash and balances with the Central Bank	113.024	-	-	-	-	78.277	191.301
Due from other banks	2.133.915	1.033.993	270.900	-	-	-	3.438.808
Financial assets at fair value through profit or loss	89.893	32.688	-	-	-	-	122.581
Advances to customers	6.766.162	810.872	924.992	527.764	1.680	-	9.031.470
Debt securities lending	77.855	221.058	4.393	-	-	-	303.306
Balances with subsidiary companies	207.120	801.401	142.986	-	-	-	1.151.507
Available-for-sale financial assets	521.207	951.059	58.347	57.858	98.813	254.954	1.942.238
Held-to-maturity financial assets	154.210	144.013	29.134	109.789	65.156	-	502.302
Other assets	85.230	20.124	-	-	-	-	105.354
Investments in subsidiary companies	-	-	-	-	-	2.441.385	2.441.385
Investments in associates	-	-	-	-	-	97.272	97.272
Intangible assets	-	-	-	-	-	5.927	5.927
Investment property	-	-	-	-	-	8.105	8.105
Property and equipment	-	-	-	-	-	151.345	151.345
Total assets	10.148.616	4.015.208	1.430.752	695.411	165.649	3.037.265	19.492.901
Liabilities							
Due to other banks	1.589.380	188.514	2.018	-	-	-	1.779.912
Customer deposits	7.338.374	1.508.612	2.949.382	104.589	1.482	-	11.902.439
Senior debt	-	712.050	-	-	-	-	712.050
Loan capital	-	638.805	-	-	-	-	638.805
Balances with subsidiary companies	288.411	272.409	8.316	7.648	-	-	576.784
Other liabilities	-	-	-	-	-	280.075	280.075
Retirement benefit obligations	-	-	-	-	-	211.576	211.576
Total liabilities	9.216.165	3.320.390	2.959.716	112.237	1.482	491.651	16.101.641
Net on balance sheet position	932.451	694.818	(1.528.964)	583.174	164.167		
Net notional position of derivative financial instruments	(27.872)	(534.030)	755.662	(52.911)	(140.849)		
Net interest sensitivity gap	904.579	160.788	(773.302)	530.263	23.318		

43. FINANCIAL RISK MANAGEMENT (continued)

INTEREST RATE RISK (continued)

2007	Up to 1 month € '000	Over 1 month but less than 3 months € '000	Over 3 months but less than 1 year € '000	Over 1 year but less than 5 years € '000	Over 5 years € '000	Non-interest bearing € '000	Total € '000
Assets							
Cash and balances with the Central Bank	575.655	-	-	-	-	81.295	656.950
Due from other banks	2.199.219	574.749	381.450	-	-	-	3.155.418
Financial assets at fair value through profit or loss	20.628	84.446	2.499	-	-	-	107.573
Advances to customers	6.145.171	315.100	362.531	3.959	3.061	-	6.829.822
Balances with subsidiary companies	528.111	508.636	-	-	-	-	1.036.747
Available-for-sale financial assets	297.049	1.014.598	214.459	37.119	95.527	406.993	2.065.745
Held-to-maturity financial assets	15.321	32.655	25.629	146.850	63.518	-	283.973
Other assets	-	-	-	-	-	94.383	94.383
Investments in subsidiary companies	-	-	-	-	-	2.550.443	2.550.443
Investments in associates	-	-	-	-	-	12.799	12.799
Intangible assets	-	-	-	-	-	5.314	5.314
Investment property	-	-	-	-	-	2.614	2.614
Property and equipment	-	-	-	-	-	144.676	144.676
Total assets	9.781.154	2.530.184	986.568	187.928	162.106	3.298.517	16.946.457
Liabilities							
Due to other banks	336.341	246.559	55.727	-	-	-	638.627
Customer deposits	8.087.882	1.028.802	1.504.299	76.467	1.682	-	10.699.132
Senior debt	-	723.104	-	-	-	-	723.104
Loan capital	-	523.693	-	-	-	-	523.693
Balances with subsidiary companies	557.914	4.644	15.204	-	-	-	577.762
Other liabilities	51.978	-	-	-	-	184.470	236.448
Retirement benefit obligations	-	-	-	-	-	185.406	185.406
Total liabilities	9.034.115	2.526.802	1.575.230	76.467	1.682	369.876	13.584.172
Net on balance sheet position	747.039	3.382	(588.662)	111.461	160.424		
Net notional position of derivative financial instruments	(101.332)	10.718	365.668	(167.011)	(108.043)		
Net interest sensitivity gap	645.707	14.100	(222.994)	(55.550)	52.381		

A significant part of the interest rate exposure is hedged through interest rate swaps instruments.

43. FINANCIAL RISK MANAGEMENT (continued)

CURRENCY RISK

Currency risk relates to the risk of fluctuations in the value of financial instruments and assets and liabilities due to changes in exchange rates. Currency risk arises from an open position, either overbought or oversold, in a foreign currency, creating an exposure to a change in the relevant exchange rate. This may arise from the holding of assets in one currency funded by liabilities in another currency or from a spot or forward foreign exchange trade or forward exchange derivative.

Roles and responsibilities

The Risk Management Division is responsible for setting prudent and appropriate policies, procedures and common risk methodologies for controlling, evaluating and measuring currency risk embedded in the Bank's operations. The Risk Management Committee and/or the Executive Committee have the responsibility to approve the limit framework for currency risk and the relative policies and risk methodologies. The Assets and Liabilities Committee and Risk Management Committee review the foreign exchange risk profile.

Policies and procedures

Internal policies and procedures are set so as to take into consideration and adhere to the foreign exchange position limits prescribed by the Central Bank of Cyprus.

Measurement and control

The Bank enters into foreign exchange transactions in order to accommodate customer needs and for hedging its own exposure. The Bank's Treasury also enters into spot foreign exchange transactions within predefined and approved limits, as well as into derivative products in foreign exchange futures, forwards and options.

The following exposure calculations and associated limit structures are used for monitoring:

(a) open position by currency – net long/short position of each currency;

(b) total net short position;

(c) maximum loss limits – maximum level of losses resulting from foreign exchange fluctuations on a daily/monthly/yearly basis.

The Bank employs the Value at Risk methodology (VaR). Specifically, for assessing the VaR, the Bank uses the variance-covariance methodology at a confidence level of 99% and a holding period of one day.

43. FINANCIAL RISK MANAGEMENT (continued)

CURRENCY RISK (continued)

Monitoring and reporting

The maximum potential loss is calculated from the open positions in different currencies by working on stress testing scenarios. These scenarios assume extreme fluctuations in all currencies in a way that could adversely affect the Bank's profitability.

The approved limits are monitored and controlled regularly and reviewed at least annually, but limits may be modified, if necessary, according to the strategy of the Bank and the prevailing market conditions.

Under the scenario that all currencies depreciate against the euro by 20% (2007: 20%) the effect would be a decrease of € 5,4 m (2007: € 5,7 m) in the fair value of financial instruments. Under a scenario that all currencies appreciate against the euro by 20% (2007: 20%) the effect would be a gain of € 5,4 m (2007: € 5,7 m) in the fair value of financial instruments.

The following table summarises the Bank's exposure to currency risk. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by currency. The table also presents the notional amount of foreign exchange derivatives, which are used to reduce the Bank's exposure to currency movements, categorised by currency.

42. FINANCIAL RISK MANAGEMENT (continued)

CURRENCY RISK (continued)

2008	Euro € '000	United States Dollar € '000	Sterling Pound € '000	Australian Dollar € '000	Other currencies € '000	Total € '000
Assets						
Cash and balances with the Central Bank	**185.933**	**3.066**	**1.793**	**143**	**366**	**191.301**
Due from other banks	**1.178.689**	**1.801.335**	**315.522**	**-**	**143.262**	**3.438.808**
Financial assets at fair value through profit or loss	**91.874**	**12.200**	**17.969**	**538**	**-**	**122.581**
Advances to customers	**6.959.277**	**464.831**	**842.271**	**921**	**764.170**	**9.031.470**
Debt securities lending	**260.723**	**40.484**	**2.099**	**-**	**-**	**303.306**
Balances with subsidiary companies	**526.686**	**324.014**	**651**	**72**	**300.084**	**1.151.507**
Available-for-sale financial assets	**1.322.060**	**437.613**	**177.898**	**-**	**4.667**	**1.942.238**
Held-to-maturity financial assets	**491.401**	**10.901**	**-**	**-**	**-**	**502.302**
Other assets	**83.840**	**13.462**	**5.944**	**458**	**1.650**	**105.354**
Investments in subsidiary companies	**2.392.688**	**-**	**2.899**	**45.798**	**-**	**2.441.385**
Investments in associates	**97.272**	**-**	**-**	**-**	**-**	**97.272**
Intangible assets	**5.478**	**-**	**449**	**-**	**-**	**5.927**
Investment property	**8.105**	**-**	**-**	**-**	**-**	**8.105**
Property and equipment	**142.639**	**-**	**8.706**	**-**	**-**	**151.345**
Total assets	**13.746.665**	**3.107.906**	**1.376.201**	**47.930**	**1.214.199**	**19.492.901**
Liabilities						
Due to other banks	**1.347.019**	**244.513**	**185.023**	**601**	**2.756**	**1.779.912**
Customer deposits	**7.616.845**	**3.183.983**	**869.663**	**84.242**	**147.706**	**11.902.439**
Senior debt	**712.050**	**-**	**-**	**-**	**-**	**712.050**
Loan capital	**638.805**	**-**	**-**	**-**	**-**	**638.805**
Balances with subsidiary companies	**516.311**	**21.784**	**38.212**	**477**	**-**	**576.784**
Other liabilities	**232.674**	**13.286**	**31.610**	**1.963**	**542**	**280.075**
Retirement benefit obligations	**210.441**	**-**	**1.135**	**-**	**-**	**211.576**
	11.274.145	**3.463.566**	**1.125.643**	**87.283**	**151.004**	**16.101.641**
Equity	**3.381.464**	**-**	**9.796**	**-**	**-**	**3.391.260**
Total liabilities and equity	**14.655.609**	**3.463.566**	**1.135.439**	**87.283**	**151.004**	**19.492.901**
Net on-balance sheet position	**(908.944)**	**(355.660)**	**240.762**	**(39.353)**	**1.063.195**	
Net notional position of derivative financial instruments	**881.848**	**365.724**	**(246.471)**	**49.981**	**(1.051.082)**	
Net currency position	**(27.096)**	**10.064**	**(5.709)**	**10.628**	**12.113**	
2007						
Total assets	11.477.003	2.812.557	1.534.347	58.664	1.063.886	16.946.457
Total liabilities and equity	11.949.261	3.407.223	1.335.535	82.100	172.338	16.946.457
Net on-balance sheet position	(472.258)	(594.666)	198.812	(23.436)	891.548	
Net notional position of derivative financial instruments	443.734	611.337	(182.596)	23.473	(895.948)	
Net currency position	(28.524)	16.671	16.216	37	(4.400)	

43. FINANCIAL RISK MANAGEMENT (continued)

RISK FROM CHANGES IN THE PRICES OF EQUITY SECURITIES

The risk in relation to the changes of the prices of equity securities that are owned by the Bank is stemming from adverse changes of the current prices of equity securities. The Bank is mostly investing in equity shares listed on the Athens Exchange and the Cyprus Stock Exchange and depending on the purpose of acquisition the investments are classified in the appropriate portfolio. The Risk Management Committee, the Executive Committee and the Assets and Liabilities Committee receive information for monitoring this risk.

For the equity securities that are measured at fair value through profit or loss a change in the price affects the profit of the Bank, whereas for the equity securities classified as available-for-sale a change in the price affects the equity of the Bank. The table below indicates how the equity of the Bank will be affected from a change in the price of the equity securities held.

	Available-for-sale		
	Position € '000	Change in index	Impact on equity € '000
2008			
Equity securities and funds			
Listed on the Cyprus Stock Exchange	**10.602**	**25%**	**2.651**
Listed on Athens Exchange	**115.983**	**25%**	**28.996**
Listed on other Stock Exchanges	**1.536**	**15%**	**230**
Not listed	**126.833**	**-**	**-**
Total	**254.954**		**31.877**

The Bank is not exposed to commodities price risk.

43. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK

Liquidity risk is the risk that the Bank either does not have sufficient financial resources available to meet its obligations, as they fall due, or can secure them only at excessive cost.

A substantial portion of the Bank's assets is funded by customer deposits, loan capital and senior debt. Savings and sight deposits cover immediate cash needs while long-term investment needs are usually covered by the issue of loan capital, senior debt and time deposits. Although certain deposits may be withdrawn on demand with no advance notice, the large diversification by number and type of depositors helps to protect against unexpected fluctuations and constitutes a stable deposit base.

Roles and responsibilities

The Board of Directors and the Risk Management Committee are responsible for the following:

- allocate to the appropriate Senior Managers the authority and responsibility to manage liquidity risk;
- monitor the liquidity profile of the Bank as well as any material changes in current or future liquidity profile; and
- review the contingency plans of the Bank.

The members of the Assets and Liabilities Committee and Senior Management ensure that liquidity is effectively managed, and that the appropriate liquidity strategies are formulated. Day-to-day liquidity management is performed by the Bank's Treasury. Medium term and long term liquidity management strategies of the Bank are determined by the Bank's Treasury and the respective actions are approved by the Board of Directors and/or the Executive Committee.

Policies and procedures

The Bank's Liquidity Management Policy Manual documents the policies and principles for the management of liquidity risk.

Measurement and control

The measurement of liquidity risk is facilitated by the following:

(a) evaluation of the maturity profile of liabilities on the balance sheet;

(b) ability to access the wholesale markets and interbank markets;

(c) intra-Bank liquidity;

(d) liquidity assessment of capital markets holdings and of other liquid assets; and

(e) off-balance commitments.

The Bank manages to control the risk through a developed liquidity management structure comprising a diverse range of controls, procedures and limits. In this way, the Bank complies with liquidity ratios set by the Central Bank of Cyprus, as well as with internal limits.

43. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

Measurement and control (continued)

The main liquidity ratios calculated by the Bank are the following:

- maturity mismatches between maturing assets and liabilities for time periods of up to one month (usually 0 – 7 days and 0 – 1 month) and
- ratio of liquid assets over borrowed funds.

Other criteria used to assess the liquidity profile are the following:

- liquid assets to total assets;
- advances to retail deposits; and
- concentration risk on largest retail and interbank depositors.

Monitoring and reporting

The Executive Committee, the Risk Management Committee and the Assets and Liabilities Committee receive regular reporting as to the liquidity position of the Bank by the Risk Management Division.

The Bank performs stress test scenarios on liquidity risk, while there are appropriate contingency plans in place.

43. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

Non-derivative cash flows

The following liquidity tables analyse the financial liabilities of the Bank (due to other banks, customer deposits, senior debt, loan capital and balances with subsidiary companies) into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows and hence differ from the carrying amount disclosed on the balance sheet.

	Within 1 month € '000	Over 1 month but less than 3 months € '000	Over 3 months but less than 1 year € '000	Over 1 year but less than 5 years € '000	Over 5 years € '000	Total € '000
2008						
Financial liabilities						
Due to other banks	**1.471.218**	**308.079**	**9.031**	**-**	**-**	**1.788.328**
Customer deposits	**6.331.254**	**2.362.606**	**3.193.915**	**66.110**	**56.451**	**12.010.336**
Senior debt	**-**	**7.870**	**23.868**	**727.789**	**-**	**759.527**
Loan capital	**1.104**	**8.633**	**21.494**	**110.269**	**728.499**	**869.999**
Balances with subsidiary companies	**263.272**	**279.364**	**31.056**	**7.648**	**-**	**581.340**
	8.066.848	**2.966.552**	**3.279.364**	**911.816**	**784.950**	**16.009.530**
2007						
Financial liabilities						
Due to other banks	473.539	44.007	125.192	-	-	642.738
Customer deposits	6.424.616	2.725.855	1.454.782	169.123	-	10.774.376
Senior debt	-	9.460	28.381	806.125	-	843.966
Loan capital	-	7.455	22.296	118.800	646.124	794.675
Balances with subsidiary companies	186.759	173.502	22.907	207.133	-	590.301
	7.084.914	2.960.279	1.653.558	1.301.181	646.124	13.646.056

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash balances with the Central Bank, treasury and other eligible bills, due from other banks and advances to customers. The Bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources.

43. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

Derivative cash flows

The following liquidity tables analyse the cash flows arising from the Bank's derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the tables are contractual undiscounted cash flows and hence differ from the carrying amount included in the balance sheet.

(a) Derivatives settled on a net basis

	Within 1 month € '000	Over 1 month but less than 3 months € '000	Over 3 months but less than 1 year € '000	Over 1 year but less than 5 years € '000	Over 5 years € '000	Total € '000
2008						
Foreign exchange derivatives	**(16.251)**	**-**	**-**	**-**	**-**	**(16.251)**
Interest rate derivatives	**458**	**169**	**7.759**	**(4.300)**	**49**	**4.135**
	(15.793)	**169**	**7.759**	**(4.300)**	**49**	**(12.116)**
2007						
Foreign exchange derivatives	-	1.222	(11)	8	-	1.219
Interest rate derivatives	(359)	449	5.632	(9.865)	(2.730)	(6.873)
	(359)	1.671	5.621	(9.857)	(2.730)	(5.654)

(b) Derivatives settled on a gross basis

	Within 1 month € '000	Over 1 month but less than 3 months € '000	Over 3 months but less than 1 year € '000	Over 1 year but less than 5 years € '000	Total € '000
2008					
Foreign exchange derivatives					
Outflow	**(975.210)**	**(219.956)**	**(37.925)**	**(4)**	**(1.233.095)**
Inflow	**942.956**	**212.679**	**31.969**	**-**	**1.187.604**
Interest rate derivatives					
Outflow	**-**	**-**	**-**	**-**	**-**
Inflow	**-**	**-**	**-**	**-**	**-**
Total outflow	**(975.210)**	**(219.956)**	**(37.925)**	**(4)**	**(1.233.095)**
Total inflow	**942.956**	**212.679**	**31.969**	**-**	**1.187.604**
2007					
Foreign exchange derivatives					
Outflow	-	(493.618)	(16.194)	-	(509.812)
Inflow	-	485.681	16.015	-	501.696
Interest rate derivatives					
Outflow	-	(3.503)	(58)	(3.698)	(7.259)
Inflow	-	3.503	6	4	3.513
Total outflow	-	(497.121)	(16.252)	(3.698)	(517.071)
Total inflow	-	489.184	16.021	4	505.209

43. FINANCIAL RISK MANAGEMENT (continued)

FAIR VALUE OF ASSETS AND LIABILITIES

Fair value represents the amount at which an asset could be exchanged, or a liability settled, in an arm's length transaction. Differences can therefore arise between carrying values and fair values. The definition of fair value assumes that the Bank is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Generally accepted methods of determining fair value include reference to quoted market prices or to prices prevailing for similar financial instruments.

With reference to the above, the carrying value of the Bank's assets and liabilities is not materially different from their fair value with the exception of held-to-maturity financial assets and debt securities lending.

(a) Due from other banks
Due from other banks include inter-bank placements and items in the course of collection. The fair value of floating as well as fixed rate placements closely approximates their carrying value since their average maturity is approximately one month.

(b) Advances to customers
Advances to customers are presented net of provisions for impairment. The vast majority of advances earns interest at floating rates and hence their fair value approximates carrying value.

(c) Held-to-maturity financial assets
The fair value of held-to-maturity financial assets amounts to € 489.549.000 (2007: € 286.709.000). Fair value for held-to-maturity financial assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

(d) Debt securities lending
The fair value of debt securities lending amounts to € 278.663.000. Fair value for debt securities lending is based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

(e) Deposits
The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed as well as floating interest-bearing deposits closely approximates their carrying value since their average maturity is less than one year.

43. FINANCIAL RISK MANAGEMENT (continued)

CAPITAL MANAGEMENT

The Bank's and the Group's capital management is driven by its strategy which takes into account the regulations and business environment in which it operates. The Bank's and the Group's objectives when managing capital, which is a broader concept than the "equity" on the face of the consolidated balance sheet, are:

- to comply with the requirements set by the regulators of the markets where the Group operates;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for its shareholders;
- to maintain a strong capital base to support the development of its business.

The capital adequacy of the Bank and the Group is monitored based on the Directive for the Computation of Capital Requirements and Large Exposures ("Directive") issued by the Central Bank of Cyprus in December 2006. With this Directive, the Central Bank of Cyprus adopted the provisions of the European Union's Capital Requirements Directive. The Capital Requirements Directive brought into force the requirements of Basel II, issued by the Basel Committee on Banking Supervision, in the European Union. The Bank and the Group adopted the provisions of the Directive as of 1 January, 2008. Basel II is structured around three Pillars:

- Pillar I : Computation of minimum capital requirements,
- Pillar II : Supervisory review and evaluation process (SREP) and
- Pillar III : Market Discipline.

The Central Bank of Cyprus supervises the Group on a stand-alone and on a consolidated basis. In addition the overseas subsidiaries are supervised by the local regulators.

The Central Bank of Cyprus, under Pillar I, requires a minimum capital adequacy ratio of 8%. The Central Bank of Cyprus may impose additional capital requirements for risks not covered under Pillar I.

The table below summarises the composition of regulatory capital and the capital adequacy ratio of the Group for the years ended 31 December, 2008 and 2007 as they were submitted to the Central Bank of Cyprus. During these two years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements.

43. FINANCIAL RISK MANAGEMENT (continued)

CAPITAL MANAGEMENT (continued)

	Basel II 2008 € '000	Basel I 2007 € '000
Tier I capital		
Share capital	**705.607**	680.613
Share premium	**2.144.141**	2.017.708
Retained earnings (net of foreseeable dividends)	**679.336**	621.485
Minority interest	**131.631**	92.529
Capital securities	**199.974**	80.326
Less: Goodwill and other intangibles and prudential filters	**(1.909.252)**	(1.701.193)
50% of investments in non-banking subsidiaries and investments in companies in the financial sector that exceed 10% of their capital	**(14.728)**	-
Total qualifying Tier I capital	**1.936.709**	1.791.468
Tier II capital		
Qualifying subordinated loan capital	**525.933**	518.619
Revaluation reserves and prudential filters	**53.387**	48.608
Less: 50% of investments in non-banking subsidiaries and investments in companies in the financial sector that exceed 10% of their capital	**(14.728)**	-
Total qualifying Tier II capital	**564.592**	567.227
Less: Investments in associates and insurance undertakings	**-**	(187.010)
Investments in insurance undertaking	**(84.056)**	-
Total regulatory capital	**2.417.245**	2.171.685
Total risk-weighted assets	**23.915.955**	19.438.573
Capital adequacy ratio	**10,1%**	11,2%

The Group's regulatory capital is divided into two tiers:

- Tier I capital mostly comprises of share capital (net of the book value of any treasury shares), minority interests and retained earnings net of foreseeable dividends. The book value of goodwill and other intangibles is deducted in arriving at Tier I capital; and

- Tier II Capital mostly comprises of qualifying subordinated loan capital and unrealised gains arising on the fair valuation of property and available-for-sale financial assets.

Investments in non-banking subsidiaries and investments in companies in the financial sector that exceed 10% of their capital are equally deducted from the Tier I and Tier II capital. Investments in insurance undertakings are deducted from the total Tier I and Tier II capital to arrive at the regulatory capital.

Risk-weighted assets are calculated for credit risk using the standardised approach same as the capital requirements for market risk. For operational risk the capital requirements are calculated in accordance with the Basic Indicator approach.

44. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

2008	Loans and receivables € '000	Assets at fair value through profit or loss € '000	Available-for-sale assets € '000	Held-to-maturity assets € '000	Total € '000
Assets as per balance sheet					
Cash and balances with the Central Bank	191.301	-	-	-	191.301
Due from other banks	3.438.808	-	-	-	3.438.808
Financial assets at fair value through profit or loss	-	122.581	-	-	122.581
Advances to customers	9.031.470	-	-	-	9.031.470
Debt securities lending	303.306	-	-	-	303.306
Balances with subsidiary companies	1.151.507	-	-	-	1.151.507
Available-for-sale financial assets	-	-	1.942.238	-	1.942.238
Held-to-maturity financial assets	-	-	-	502.302	502.302
Investments in subsidiary companies	-	-	2.441.385	-	2.441.385
Investments in associates	-	-	97.272	-	97.272
	14.116.392	122.581	4.480.895	502.302	19.222.170

2008	Derivative liabilities at fair value through profit or loss € '000	Derivatives used for hedging € '000	Other financial liabilities € '000	Total € '000
Liabilities as per balance sheet				
Due to other banks	-	-	1.779.912	1.779.912
Customer deposits	-	-	11.902.439	11.902.439
Senior debt	-	-	712.050	712.050
Loan capital	-	-	638.805	638.805
Balances with subsidiary companies	-	-	576.784	576.784
Other liabilities	72.944	6.477	-	79.421
	72.944	6.477	15.609.990	15.689.411

44. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2007	Loans and receivables € '000	Assets at fair value through profit or loss € '000	Available-for-sale assets € '000	Held-to-maturity assets € '000	Total € '000
Assets as per balance sheet					
Cash and balances with the Central Bank	656.950	-	-	-	656.950
Due from other banks	3.155.418	-	-	-	3.155.418
Financial assets at fair value through profit or loss	-	107.573	-	-	107.573
Advances to customers	6.829.822	-	-	-	6.829.822
Balances with subsidiary companies	1.036.747	-	-	-	1.036.747
Available-for-sale financial assets	-	-	2.065.745	-	2.065.745
Held-to-maturity financial assets	-	-	-	283.973	283.973
Investments in subsidiary companies	-	-	2.550.443	-	2.550.443
Investments in associates	-	-	12.799	-	12.799
	11.678.937	107.573	4.628.987	283.973	16.699.470

2007	Derivative liabilities at fair value through profit or loss € '000	Other financial liabilities € '000	Total € '000
Liabilities as per balance sheet			
Due to other banks	-	638.627	638.627
Customer deposits	-	10.699.132	10.699.132
Senior debt	-	723.104	723.104
Loan capital	-	523.693	523.693
Balances with subsidiary companies	-	577.762	577.762
Other liabilities	17.444	-	17.444
	17.444	13.162.318	13.179.762

45. DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE BANK

The beneficial interest in the Bank's share capital owned by the members of the Board of Directors, their spouses and minor children and by companies in which they hold directly or indirectly at least 20% of the voting rights in a general meeting was as follows:

	Beneficial interest at 31 December, 2008	Beneficial interest at 26 February, 2009
Platon E. Lanitis	**4,09%**	**4,09%**
Vassilis Theocharakis	**2,45%**	**2,45%**
Andreas Vgenopoulos	**0,44%**	**0,44%**
Eleftherios Hiliadakis	**0,05%**	**0,05%**
Efthimios Bouloutas	**0,04%**	**0,04%**
Constantinos Mylonas	**0,03%**	**0,03%**
Christos Stylianides	**0,01%**	**0,01%**
Neoclis Lysandrou	**0,01%**	**0,01%**

The percentages are based on the total issued share capital.

46. SHAREHOLDERS WITH MORE THAN 5% OF SHARE CAPITAL

	Shareholding at 31 December, 2008	Shareholding at 26 February, 2009
Dubai Financial Limited Liability Company	**19,08%**	**19,08%**
Marfin Investment Group Holdings S.A.	**9,69%**(1)	**9,69%**(1)

(1) Of the above percentage holding 3,15% related to 26.135.000 shares that Marfin Investment Group Holdings S.A. held directly and 6,54% related to 54.309.000 shares that Marfin Investment Group Holdings S.A. held indirectly and which it had the right to acquire according to the terms of total return equity swaps and whose voting rights are exercised according to its instructions.

The percentages are based on the total issued share capital.

47. RELATED PARTY TRANSACTIONS

	2008 Number of Directors	2007 Number of Directors	**2008 € '000**	2007 € '000
Advances to Directors and their connected persons:				
More than 1% of the net assets of the Bank	**1**	1	**187.266**	93.924
Less than 1% of the net assets of the Bank	**13**	14	**4.758**	1.849
	14	15	**192.024**	95.773
Advances to other key management personnel and their connected persons			**351**	449
Total advances			**192.375**	96.222
Commitments for guarantees and letters of credit:				
Guarantees to Directors and their connected persons:				
More than 1% of the net assets of the Bank			**13.415**	21.346
Total guarantees			**13.415**	21.346
Letters of credit to Directors and their connected persons:				
More than 1% of the net assets of the Bank			**14.603**	16.275
Total letters of credit			**14.603**	16.275
Total advances and commitments			**220.393**	133.843
Tangible securities			**332.567**	187.121
Interest income			**8.707**	3.014
Deposits			**18.387**	11.383
Interest expense			**755**	232

47. RELATED PARTY TRANSACTIONS (continued)

There were no commitments relating to other key management personnel of the Bank.

The amount of tangible securities is presented aggregately in the preceding table. Therefore, it is possible that some individual facilities are not fully covered with tangible securities. The total amount of facilities that are unsecured at 31 December, 2008 amounts to € 5.261.000 (2007: € 2.612.000).

Connected persons include the spouse, minor children and companies in which key management personnel hold directly or indirectly at least 20% of the voting rights in a general meeting.

The deposits and advances of the group of Marfin Insurance Holdings Ltd as at 31 December, 2008 amounted to € 217.784.000 and € 962.000 respectively. The deposits of JCC Payment Systems Ltd, associate of the Bank, at 31 December, 2008 were € 20.621.000 (2007: € 22.249.000), the advances were € 1.695.000, the interest expense was € 1.532.000 (2007: € 497.000) and the interest income was € 10.000. In addition, during 2008, the Bank received dividend from JCC Payment Systems Ltd amounting to € 1.853.000 (2007: € 1.698.000). The deposits of the Provident Funds of the employees of the Bank at 31 December, 2008, which are also regarded as related parties, were € 12.446.000 (2007: € 25.929.000) and the interest expense was € 610.000 (2007: € 667.000).

Other transactions with connected persons

During 2008, the Bank purchased goods and received services amounting to € 214.000 (2007: € 305.000) from companies connected to Lanitis group.

The above transactions are carried out as part of the normal activities of the Bank, on commercial terms.

Key management personnel compensation

	2008	2007
	€ '000	€ '000
Fees paid to Directors as members of the Board	**190**	143
Remuneration of Directors under executive role:		
Salaries and other short-term benefits	**418**	277
Employer's social insurance contributions	**41**	15
Retirement benefits scheme expense	**95**	83
	554	375
Consultancy services fees of Directors under non executive role	**320**	331
Compensation of other key management personnel:		
Salaries and other short-term benefits	**114**	384
Employer's social insurance contributions	**10**	61
Retirement benefits scheme expense	**26**	111
	150	556
Share-based payment compensation	**1.105**	970
	2.319	2.375

During 2008 the Bank's key management personnel received a total bonus of € 485.000 based on the results of 2007.

47. RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation (continued)

In addition to the above, the members of the Board of Directors who retired received:

	2008	2007
	€ '000	€ '000
Fees as members of the Board	**10**	4
Remuneration under executive role:		
Salaries and other short-term benefits	**-**	65
Employer's social insurance contributions	**-**	5
Retirement benefits scheme expense	**-**	18
	-	88
Total compensation	**10**	92

Key management personnel for 2008 include the 14 members of the Board of Directors, 5 of which had executive duties and the members of the executive management. For 2007 key management personnel included the 15 members of the Board of Directors, 5 of which had executive duties and the members of the executive management.

During 2008, an Executive Director's total remuneration, including contributions to retirement fund, was up to € 85.000, an Executive Director's total remuneration, including contributions to retirement fund, was in the range of € 170.000 to € 255.000, two Executive Directors´ total remuneration, including contributions to retirement fund, was in the range of € 255.000 to € 340.000 and an Executive Director's total remuneration, including contributions to retirement fund, was in the range of € 340.000 to € 425.000. During 2007, an Executive Director's total remuneration, including contributions to retirement fund, was up to € 85.000, an Executive Director's total remuneration including contribution to retirement fund, was in the range of € 85.000 to € 170.000 and three Executive Directors' total remuneration, including contribution to retirement fund, was in the range of € 255.000 to € 340.000.

Transactions with subsidiary companies

(a) Income and expenses from transactions with subsidiary companies

	2008	2007
	€ '000	€ '000
Interest income	**48.596**	36.147
Interest expense	**26.062**	20.320
Dividends received	**21.678**	130.166
Other income	**1.603**	1.408
Other expenses	**2.604**	3.665

47. RELATED PARTY TRANSACTIONS (continued)

Transactions with subsidiary companies (continued)

(b) Year-end balances with subsidiary companies

	2008	2007
	€ '000	€ '000
Placements	**1.151.507**	1.036.747
Deposits	**576.784**	577.762

48. DIVIDEND

On 2 June, 2008 a dividend payment of € 278.842.000 was made, € 0,35 per share of nominal value € 0,85 (2007: € 245.018.000, € 0,31 per share). The dividend has been accounted for in shareholders' equity as an appropriation of retained earnings (Note 37). Part of the dividend amounting to € 155.137.000 has been re-invested into shares of the Bank.

The Board of Directors decided on 26 March, 2009 to propose to the Annual General Meeting a dividend of € 0,15 per share.

49. TRANSACTIONS WITH THE GROUP OF MARFIN INVESTMENT GROUP HOLDINGS S.A.

As at 31 December, 2008 the Bank's total exposure regarding facilities granted to Marfin Investment Group Holdings S.A. group amounted to € 344 m (2007: € 259 m) and deposits placed by Marfin Investment Group Holdings S.A. group amounted to € 4 m (2007: € 668.000). Additionally, the total income and expenses recognised by the Bank amounted to € 21 m and € 608.000 respectively.

50. POST BALANCE SHEET EVENTS

On 5 January, 2009 the Companies Registrar certified the change of name of Laiki Investments E.P.E.Y. Public Company Ltd to Marfin CLR Public Co Ltd.

On 9 January, 2009 Marfin CLR Public Co Ltd announced that after taking into account the terms of the Reorganisation and Merger Plan dated 1 August, 2008 according to which CLR Capital Public Ltd merged with Laiki Investments E.P.E.Y. Public Company Ltd (which has been approved by the General Meetings of the shareholders and the creditors of Laiki Investment E.P.E.Y. Public Company Ltd and CLR Capital Public Ltd on 17 October, 2008 and has been further approved and ratified by the Nicosia District Court on 12 December, 2008) the Board of Directors decided to issue and allocate 85.712.953 new ordinary shares of Marfin CLR Public Co Ltd to the shareholders of CLR Capital Public Ltd. The Reorganisation and Merger Plan of Laiki Brokerage Ltd, Laiki Asset Management Ltd, Egnatia Financial Services (Cyprus) Ltd and CLR Securities and Financial Services Ltd has also been approved on 17 December, 2008 by the Nicosia District Court.

The investment advisory agreement between the Marfin Popular Bank Public Co Ltd Group and Marfin Investment Group Holdings S.A. expired on 28 February, 2009 and will not be renewed. As from 1 March, 2009 any investment advisory services provided by the Marfin Popular Bank Public Co Ltd Group to Marfin Investment Group Holdings S.A. will be on a contract by contract basis.

50. POST BALANCE SHEET EVENTS (continued)

On 19 March, 2009 the Board of Directors of the Bank approved the issue of capital securities up to the amount of € 250 m, of € 1.000 nominal value, in one or more series. The rights and claims of the capital securities' holders will be subordinated and will be of secondary priority compared to claims by creditors including the Bank depositors, but will have priority over the Bank's shareholders. The capital securities issued will not have a maturity date but may, at the Bank's discretion, after approval by the Central Bank of Cyprus, be acquired in their entirety at their nominal value, together with any accrued interest, five years after the date of issue or on any interest payment date after that. The capital securities will have a 7% fixed interest rate and interest will be payable every three months. The capital securities will be initially offered to a limited group of individuals, professional investors and individuals who will invest at least € 50.000 each. At a later stage the possibility of offering them to the public through a Public Offer will be examined. The capital securities will be included in the Hybrid Tier I Capital subject to the approval of the Central Bank of Cyprus. The Bank intends to apply for the listing of the Capital Securities at the Cyprus Stock Exchange.

51. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 26 March, 2009.

Independent Auditors´ Report on pages 5 to 6.

MARFIN POPULAR BANK

DATA AND INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2008

MARFIN POPULAR BANK PUBLIC CO LTD

H.E. 1 - ADDRESS: 154, LIMASSOL AVENUE, P.O. BOX 22032, 1598 NICOSIA, CYPRUS

DATA AND INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2008

In accordance with Codified Law 2190/20 Article 135, concerning businesses preparing annual financial statements, consolidated or not, in accordance with IFRS

The data and information below aim to provide a general update on the financial standing and results of the Marfin Popular Bank Public Co Group (the "Group") and the holding company Marfin Popular Bank Public Co Ltd (the "Company"). We therefore recommend to the reader, before making any kind of investment decision or entering into any transaction with the Group, to visit the Group's website (www.laiki.com - Investor Relations / Financial Results) where the periodic financial statements are posted, in accordance with International Financial Reporting Standards, the Auditors' Review/Audit Report whenever required, and the detailed Explanatory Note, which are also available at the Registered Office of Marfin Popular Bank Public Co Ltd, at 154 Limassol Avenue, PO Box 22032, 1598 Nicosia, Cyprus, tel. +357 22 552000. Independent Auditors: PricewaterhouseCoopers Ltd, Grant Thornton. Audit Report: WITHOUT qualifications, 26 March, 2009.

Composition of Board of Directors: Soud Ba'alawy – Non Executive Chairman, Andreas Vgenopoulos – Executive Vice Chairman, Neoclis Lysandrou – Non Executive Vice Chairman, Efthimios Bouloutas – Group Chief Executive Officer, Panayiotis Kounnis – Deputy Chief Executive Officer, Christos Stylianides – Deputy Chief Executive Officer, Vassilis Theocharakis – Member, Platon E. Lanitis - Member, Constantinos Mylonas - Member, Stelios Stylianou – Member, Marcos Foros – Member, Eleftherios Hiliadakis – Member, Sayanta Basu – Member, Nicholas Wrigley – Member.

MARFIN POPULAR BANK PUBLIC CO LTD GROUP
CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2008

	Continuing operations 2008 € '000	**Discontinued operations 2008 € '000**	**Total 2008 € '000**	Continuing operations 2007 € '000	Discontinued operations 2007 € '000	Total 2007 € '000
Net interest income	**744.404**	**5.672**	**750.076**	664.772	4.850	669.622
Net fee and commission income	**286.739**	**2.395**	**289.134**	308.892	928	309.820
(Loss)/profit on disposal and revaluation of securities	**(67.696)**	**57.666**	**(10.030)**	147.679	95.784	243.463
Foreign exchange income	**64.964**	**1.336**	**66.300**	31.488	(212)	31.276
Other income (Note 2)	**56.875**	**53.950**	**110.825**	23.022	60.455	83.477
Operating income	**1.085.286**	**121.019**	**1.206.305**	1.175.853	161.805	1.337.658
Staff costs	**(349.749)**	**(15.577)**	**(365.326)**	(325.221)	(14.677)	(339.898)
Depreciation, amortisation and impairment	**(50.519)**	**(648)**	**(51.167)**	(45.354)	(686)	(46.040)
Administrative expenses	**(190.957)**	**(6.708)**	**(197.665)**	(160.583)	(7.504)	(168.087)
Profit before provision for impairment of advances	**494.061**	**98.086**	**592.147**	644.695	138.938	783.633
Provision for impairment of advances	**(129.414)**	**216**	**(129.198)**	(97.938)	27	(97.911)
Profit before share of profit from associates	**364.647**	**98.302**	**462.949**	546.757	138.965	685.722
Share of profit from associates	**2.528**	**-**	**2.528**	2.946	302	3.248
Profit before tax	**367.175**	**98.302**	**465.477**	549.703	139.267	688.970
Tax	**(56.024)**	**(6.108)**	**(62.132)**	(84.481)	(11.356)	(95.837)
Profit for the year	**311.151**	**92.194**	**403.345**	465.222	127.911	593.133
Attributable to:						
Minority interest	**8.666**	**116**	**8.782**	14.801	14.994	29.795
Equity holders of the Bank	**302.485**	**92.078**	**394.563**	450.421	112.917	563.338
	311.151	**92.194**	**403.345**	465.222	127.911	593.133
Earnings per share – for profit attributable to the equity holders of the Bank						
Earnings per share – cent	**37,1**	**11,2**	**48,3**	57,7	14,4	72,1

MARFIN POPULAR BANK PUBLIC CO LTD
INCOME STATEMENT
for the year ended 31 December 2008

	2008 € '000	2007 € '000
Net interest income	**377.438**	334.407
Net fee and commission income	**111.800**	96.653
Profit on disposal and revaluation of securities	**71.116**	110.210
Foreign exchange income	**37.313**	22.871
Other income (Note 2)	**46.207**	143.833
Operating income	**643.874**	707.974
Staff costs	**(148.047)**	(146.705)
Depreciation, amortisation and impairment	**(10.381)**	(7.489)
Administrative expenses	**(51.142)**	(57.693)
Profit before provision for impairment of advances	**434.304**	496.087
Provision for impairment of advances	**(19.540)**	(30.469)
Profit before tax	**414.764**	465.618
Tax	**(33.382)**	(43.987)
Profit for the year	**381.382**	421.631
Earnings per share – cent	**46,7**	53,4

MARFIN POPULAR BANK PUBLIC CO LTD GROUP
CONSOLIDATED BALANCE SHEET
31 December 2008

	2008 € '000	2007 € '000
Assets		
Cash and balances with Central Banks	**1.839.670**	1.347.119
Due from other banks	**4.354.181**	4.978.224
Financial assets at fair value through profit or loss (Note 5)	**356.919**	716.080
Advances to customers	**23.427.226**	17.615.108
Debt securities lending (Note 6)	**938.295**	-
Reinsurance assets	**-**	27.883
Available-for-sale financial assets	**3.606.173**	2.737.456
Held-to-maturity financial assets	**1.164.036**	375.789
Other assets (Note 5)	**496.138**	391.419
Tax refundable	**39.006**	23.785
Deferred tax assets	**85.375**	36.263
Investments in associates	**99.473**	14.798
Intangible assets	**1.629.069**	1.649.021
Investment property	**42.819**	57.868
Property and equipment	**274.858**	286.760
Total assets	**38.353.238**	30.257.573
Liabilities		
Due to other banks	**6.863.205**	2.709.374
Customer deposits	**24.828.269**	20.694.917
Senior debt	**1.079.042**	973.014
Loan capital	**725.907**	604.049
Insurance contract liabilities	**-**	557.892
Other liabilities (Note 7)	**900.089**	829.480
Current tax liabilities	**45.626**	57.993
Deferred tax liabilities	**120.931**	128.809
Retirement benefit obligations	**228.717**	219.827
Total liabilities	**34.791.786**	26.775.355
Share capital and reserves attributable to equity holders of the Bank		
Share capital (Note 15)	**705.607**	680.613
Share premium	**2.144.141**	2.017.708
Reserves	**580.073**	691.274
	3.429.821	3.389.595
Minority interest	**131.631**	92.623
Total equity	**3.561.452**	3.482.218
Total equity and liabilities	**38.353.238**	30.257.573

MARFIN POPULAR BANK PUBLIC CO LTD
BALANCE SHEET
31 December 2008

	2008 € '000	2007 € '000
Assets		
Cash and balances with the Central Bank	**191.301**	656.950
Due from other banks	**3.438.808**	3.155.418
Financial assets at fair value through profit or loss (Note 5)	**122.581**	107.573
Advances to customers	**9.031.470**	6.829.822
Debt securities lending (Note 6)	**303.306**	-
Balances with subsidiary companies (Note 4)	**1.151.507**	1.036.747
Available-for-sale financial assets	**1.942.238**	2.065.745
Held-to-maturity financial assets	**502.302**	283.973
Other assets (Note 5)	**105.354**	94.383
Investments in subsidiary companies	**2.441.385**	2.550.443
Investments in associates	**97.272**	12.799
Intangible assets	**5.927**	5.314
Investment property	**8.105**	2.614
Property and equipment	**151.345**	144.676
Total assets	**19.492.901**	16.946.457
Liabilities		
Due to other banks	**1.779.912**	638.627
Customer deposits	**11.902.439**	10.699.132
Senior debt	**712.050**	723.104
Loan capital	**638.805**	523.693
Balances with subsidiary companies (Note 4)	**576.784**	577.762
Other liabilities (Note 7)	**264.644**	219.091
Current tax liabilities	**4.308**	6.161
Deferred tax liabilities	**11.123**	11.196
Retirement benefit obligations	**211.576**	185.406
Total liabilities	**16.101.641**	13.584.172
Share capital and reserves		
Share capital (Note 15)	**705.607**	680.613
Share premium	**2.054.004**	1.927.571
Reserves	**631.649**	754.101
Total equity	**3.391.260**	3.362.285
Total equity and liabilities	**19.492.901**	16.946.457

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2008

	2008 € '000	2007 € '000
Total equity, 1 January	**3.482.218**	3.037.393
Profit for the year	**403.345**	593.133
Increase of share capital	**151.427**	29.172
Dividend	**(278.842)**	(245.018)
Loss recognised directly in equity	**(242.258)**	(121.706)
Other changes in minority interest	**38.631**	(97.105)
Treasury shares sold	**-**	273.251
Other changes	**6.931**	13.098
Total equity, 31 December	**3.561.452**	3.482.218

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2008

	2008 € '000	2007 € '000
Total equity, 1 January	**3.362.285**	3.136.517
Profit for the year	**381.382**	421.631
Increase of share capital	**151.427**	31.248
Dividend	**(278.842)**	(245.018)
(Loss)/profit recognised directly in equity	**(230.343)**	16.223
Other changes	**5.351**	1.684
Total equity, 31 December	**3.391.260**	3.362.285

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2008

	2008 € '000	2007 € '000
Net cash from operating activities from continuing operations	**2.472.515**	942.147
Net cash from/(used in) operating activities from discontinued operations	**60.384**	(92.357)
Total net cash from operating activities	**2.532.899**	849.790
Net cash used in investing activities from continuing operations	**(2.313.677)**	(851.740)
Net cash from investing activities from discontinued operations	**99.703**	58.955
Total net cash used in investing activities	**(2.213.974)**	(792.785)
Net cash (used in)/from financing activities from continuing operations	**(13.554)**	105.411
Net cash from financing activities from discontinued operations	**-**	223.807
Total net cash (used in)/from financing activities	**(13.554)**	329.218
Net increase in cash and cash equivalents	**305.371**	386.223
Effects of exchange rate changes	**-**	(39.665)
Total cash for the year	**305.371**	346.558
Cash and cash equivalents at beginning of year	**4.978.401**	4.631.843
Cash and cash equivalents at end of year	**5.283.772**	4.978.401

CASH FLOW STATEMENT
for the year ended 31 December 2008

	2008 € '000	2007 € '000
Net cash from operating activities	**773.613**	73.604
Net cash (used in)/from investing activities	**(354.851)**	19.607
Net cash (used in)/from financing activities	**(81.497)**	73.240
Net increase in cash and cash equivalents	**337.265**	166.451
Effects of exchange rate changes	**-**	(11.883)
Total cash for the year	**337.265**	154.568
Cash and cash equivalents at beginning of year	**2.994.743**	2.840.175
Cash and cash equivalents at end of year	**3.332.008**	2.994.743

NOTES

1.	The Financial Statements for the year ended 31 December, 2008 were approved for publication by decision of the Board of Directors of the Bank on 26 March, 2009. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. With the introduction of the Euro as the official currency of the Republic of Cyprus as from 1 January, 2008, the functional currency of the Bank and its Cyprus subsidiaries has changed from Cyprus Pounds to Euro. As a result, the financial position of the Bank and the Group at 1 January, 2008 has been converted into Euro based on the definite fixing of the exchange rate € 1 = C£ 0,585274. The Financial Statements are presented in Euro, which is the functional and presentation currency of the Bank as from 1 January, 2008.
2.	Other income for the year ended 31 December, 2008 include dividend income of € 17.318 thousands for the Group (corresponding period in 2007: € 12.445 thousands) and for the Bank € 35.911 thousands (corresponding period in 2007: € 141.048 thousands).
3.	On 18 December, 2008 the long-term cooperation agreement between the French CNP Assurances S.A. (CNP) and the Group for the development of insurance activities in Greece and Cyprus via the Group's networks was finalised. This agreement includes the transfer of 50,1% of the share capital of Marfin Insurance Holdings Ltd from the Bank to CNP and the reaching of a ten year renewable, exclusive distribution agreement with the option to expand to other countries that the Group is active. Marfin Insurance Holdings Ltd holds 100% of Laiki Cyprialife Ltd (life insurance in Cyprus), Laiki Insurance Ltd (general insurance in Cyprus and Greece), Marfin Life S.A. (life insurance in Greece) and Marfin Insurance Brokers S.A. (agency insurance activities in Greece). As a result of the aforementioned and in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", the assets and liabilities of the insurance companies are no longer consolidated as from the date which CNP assumed management control of these companies. The Bank's 49,9% participation in these companies is now classified as investment in associate.
4.	Balances as at 31 December, 2008 arising from transactions with subsidiary companies are presented on the Bank's Balance Sheet as "Balances with subsidiary companies".
5.	Financial assets at fair value through profit or loss for the Group at 31 December, 2008 include the positive fair value of derivative financial instruments of € 149.369 thousands (31 December, 2007: € 27.466 thousands) and for the Bank € 74.923 thousands (31 December, 2007: € 17.572 thousands). Other assets for the Group at 31 December, 2008 include the positive fair value of derivative financial instruments, for which hedge accounting is applied of € 2.658 thousands (31 December, 2007: € 2.308 thousands).
6.	The Group adopted the amendments to IAS 39 and IFRS 7 "Reclassification of Financial Assets" and proceeded to reclassify held-for-trading and available-for-sale bonds to debt securities lending. Additionally, it reclassified bonds from available-for-sale to held-to-maturity and from held-for-trading to available-for-sale. In accordance with the provisions of amended IAS 39, the Group identified the financial assets for which on 1 July, 2008 there was no intention of trading or sale in the foreseeable future and which met the criteria for reclassification. Under IAS 39, as amended, the reclassifications were made with effect from 1 July, 2008 at the fair value on that date. Details on the reclassification of financial assets are presented in note 17 of the consolidated financial statements.
7.	Other liabilities for the Group at 31 December, 2008 include the negative fair value of derivative financial instruments of € 327.017 thousands (31 December, 2007: € 51.317 thousands) and for the Bank € 79.421 thousands (31 December, 2007: € 17.444 thousands).
8.	The number of staff employed by the Group at 31 December, 2008 was 8.936 (31 December, 2007: 7.979) and by the Bank 2.493 (31 December, 2007: 2.379).
9.	Information for the subsidiary companies that is included in consolidation at 31 December, 2008 are presented in note 54 of the consolidated financial statements.
10.	*Prior year adjustments:* (a) *Acquisition of Marine Transport Bank* In September 2008, the Bank completed the fair valuation and purchase price allocation for the acquisition of MTB. Based on adjustments to the preliminary accounting adopted in the consolidated financial statements for the year ended 31 December, 2007, the Group recognised € 17,5 m intangible assets, which relate to the estimated fair value for core deposits and customer relationships. The results were charged with amortisation of the intangible assets recognised amounting to € 1,8 m. A deferred tax liability of € 4,4 m in relation to the aforementioned intangible assets has also been recognised. (b) *Group insurance businesses* The results of the insurance companies for 2007 when Bank owned 100% of the companies are included in the consolidated income statement as profit after tax from discontinued operations.
11.	*Investments in subsidiary companies:* (a) *Increase in shareholding in Marfin Egnatia Bank S.A.* During 2008, 5.438.000 shares of Marfin Egnatia Bank S.A. were acquired and the convertible bonds held by the Bank were converted into 206.000 shares. These acquisitions bring the Bank's holding to 97% and the goodwill arising on the additional shares was € 8.359.000. (b) *Merger of Investment Bank of Greece S.A. with Laiki Attalos A.E.P.E.Y.* Laiki Attalos A.E.P.E.Y. merged by absorption with Investment Bank of Greece S.A. on 28 November, 2008. The share capital of Investment Bank of Greece S.A. increased by € 3 m, which represents the total offered capital of the absorbed company. The total share capital of Investment Bank of Greece S.A. after the merger increased to € 110,4 m divided into 3.762.000 shares of nominal value of € 29,35 each. (c) *Transfer of Egnatia Financial Services (Cyprus) Ltd and increase in shareholding in Laiki Investments E.P.E.Y. Public Company Ltd* In January 2008 the Bank sold 100% of the share capital of Egnatia Financial Services (Cyprus) Ltd to Laiki Investments E.P.E.Y. Public Company Ltd. This transaction reduces the effective holding of the Bank in Egnatia Financial Services (Cyprus) Ltd to 71,4%. In March 2008, the Bank acquired 3,6 m shares of Laiki Investments E.P.E.Y. Public Company Ltd for € 1,4 m. This acquisition brings the Bank's holding to 71,4%. Goodwill arising on the additional shares acquired was € 0,4 m. (d) *Increase of share capital of Marfin Leasing S.A.* In December 2008, Marfin Leasing S.A. increased its share capital by € 18,1 m with payment of the amount by the company's sole shareholder, Marfin Egnatia Bank S.A. (e) *Increase of share capital of Marfin Bank JSC Belgrade* On 31 March, 2008 Laiki Bank a.d. was renamed to Marfin Bank JSC Belgrade. In December 2008, an increase of the share capital of Marfin Bank JSC Belgrade was made for the amount of € 15,5 m, which was fully covered by the Bank. As a result the Bank's holding increased to 98% and an additional goodwill of € 22.000 arose. (f) *Increase of share capital of Marfin Bank Romania S.A.* On 15 May, 2008 Egnatia Bank Romania S.A. was renamed to Marfin Bank Romania S.A. In June 2008 an increase of the share capital of Marfin Bank Romania S.A. was made for the amount of € 20 m, which was covered by Marfin Egnatia Bank S.A. (98,98%), pro rata, based on the respective shareholdings. (g) *Increase in shareholding in Marfin Pank Eesti AS* On 14 May, 2008 AS SBM Pank was renamed to Marfin Pank Eesti AS. In November 2008 the Bank acquired 544.000 shares of Marfin Pank Eesti AS for the amount of € 340.000. This acquisition brings the Bank's holding to 53%. Goodwill arising on the additional shares was € 21.000. (h) *Decrease of share capital of Marfin Global Asset Management Mutual Funds Management S.A.* The decrease of the share capital of Marfin Global Asset Management Mutual Funds Management S.A. was approved during February and March 2008 by the decisions of the Executive Committee of the Capital Market Commission and the Ministry of Development in Greece. The decrease of the share capital for the amount of € 4 m was made by a respective decrease of the nominal value of each share for the amount of € 14, in order to return the amount to the shareholders. (i) *Increase of share capital of IBG Investments S.A.* During 2008 an increase of the share capital of IBG Investments S.A. was made, for the amount of € 236.000, which was covered by Investment Bank of Greece S.A. (90%) and IBG Capital S.A. (10%) pro rata, based on the respective shareholdings. (j) *Change of name of Marfin Capital Partners Ltd* On 7 May, 2008 MFG Capital Partners Ltd was renamed to Marfin Capital Partners Ltd. (k) *Merger of the Cyprus Popular Bank (Finance) Ltd with the Bank* Effective from 1 January, 2008 the Cyprus Popular Bank (Finance) Ltd, a 100% subsidiary of the Bank specialising in hire purchase and leasing, merged with the Bank and the Bank has undertaken its operations, assets and liabilities, rights and obligations and offers now these services. The Bank and the Cyprus Popular Bank (Finance) Ltd, the General Meeting of the Cyprus Popular Bank (Finance) Ltd Creditors and the Court of Law, based on the relevant Cyprus legislation, approved the Restructuring and Merger. (l) *Increase of share capital of Marine Transport Bank* In November 2008, an increase of the share capital of Marine Transport Bank was made for the amount of € 30 m, which was fully covered by the Bank. As a result, the Bank's holding increased to 99,9% and an additional goodwill of € 8,3 m arose. (m) *Acquisition of Lombard Bank Malta Plc and changes in the shareholdings of Lombard Bank Malta Plc's subsidiaries* On 28 February, 2008 the Bank acquired 42,86% of the share capital of Lombard Bank Malta Plc for € 50,1 m. The acquisition gave rise to € 27,6 m goodwill. During 2008 Lombard Bank Malta Plc paid a dividend of € 2.243.000. The amount attributable to the Bank, which was re-invested, was € 962.000. This re-investment brings the Bank's holding to 43,08% and the additional goodwill arising was € 98.000. The Bank exercises control over Lombard Bank Malta Plc through the power to appoint the majority of members of the Board of Directors and therefore Lombard Bank Malta Plc is accounted for as a subsidiary company of the Group. Lombard Bank Malta Plc is Malta's third largest bank listed on the local stock exchange and operates under the supervision of the Central Bank of Malta. It was established in 1969 in Valletta and it offers complete banking services via a network of six branches. Lombard Bank Malta Plc also offers services via MaltaPost Plc, in which it is a major shareholder. For the year 2008 the effect on the income and the profit for the year of the Group from the acquisition of Lombard Bank Malta Plc from the date of the acquisition 28 February, 2008 to 31 December, 2008 was € 30,7 m and € 7,4 m respectively. During 2008, Lombard Bank Malta Plc increased its shareholding in MaltaPost Plc by 3,8% for the amount of € 865.000 and its shareholding in Lombard Asset Managers Ltd by 25% for the amount of € 51.000. Additionally, it acquired, for the amount of € 925.000, 86,5% of the share capital of Lombard Funds SICAV Plc, which was consolidated for the first time in 2008. (n) *Acquisition of Rossiysky Promyishlenny Bank (Rosprombank)* On 4 September, 2008 the Bank finalised the acquisition of Rosprombank, after securing all necessary approvals by the supervisory authorities of Russia and Cyprus. The acquisition was finalised with the transfer of 50,04% of the share capital of the Russian Closed Joint-Stock Company RPB Holding, parent company of Rosprombank against the sum of € 85,2 m. The acquisition gave rise to € 56,8 m goodwill. Rosprombank was established in 1997 and has a dynamic presence in Russia via a network of 32 branches and selling points covering the big cities of the Russian Federation. For the year 2008 the effect on the income and the profit for the year of the Group, from the acquisition of the Russian companies from the date of the acquisition 4 September, 2008 to 31 December, 2008 was € 8,3 m and € 0,4 m respectively.

12.	On 2 June, 2008 a dividend payment of € 278.842.000 was made, € 0,35 per share of nominal value € 0,85 (2007: € 245.018.000, € 0,31 per share). The dividend has been accounted for in shareholders' equity as an appropriation of retained earnings. Part of the dividend amounting to € 155.137.000 has been re-invested into shares of the Bank. The Board of Directors decided on 26 March, 2009 to propose to the Annual General Meeting a dividend of € 0,15 per share.
13.	There are no charges in favour of third parties against Group fixed assets at 31 December, 2008.
14.	As at 31 December, 2008 there were pending litigations against the Group in connection with its activities. Based on legal advice the Board of Directors believes that there is adequate defence against all claims and it is not probable that the Group will suffer any significant damage. Therefore, no provision has been made in the consolidated financial statements regarding these cases.
15.	During the year ended 31 December, 2008, the share capital of the Bank decreased by € 3.426 thousands, due to the conversion in Euro and the reduction of the nominal value of the Bank's share, after rounding, from C£ 0,50 to € 0,85. Also, the share capital of the Bank increased by € 28.420 thousands, due to the dividend re-investment. Details regarding the movement in share capital are presented in note 39 of the consolidated financial statements.
16.	*Related party transactions for the year ended 31 December, 2008:*

	Group € '000	Bank € '000
Income	46.655	82.447
Expenses	9.573	31.777
Placements	30.194	1.154.164
Deposits	284.832	827.635
Transactions and compensation of directors and key management personnel	4.984	2.329
Advances and commitments of directors and key management personnel	316.078	220.393
Deposits by directors and key management personnel	122.939	18.387

17. *Post Balance Sheet Events:*

On 5 January, 2009 the Companies Registrar certified the change of name of Laiki Investments E.P.E.Y. Public Company Ltd to Marfin CLR Public Co Ltd.

On 9 January, 2009 Marfin CLR Public Co Ltd announced that after taking into account the terms of the Reorganisation and Merger Plan dated 1 August, 2008 according to which CLR Capital Public Ltd merged with Laiki Investments E.P.E.Y. Public Company Ltd (which has been approved by the General Meetings of the shareholders and the creditors of Laiki Investments E.P.E.Y. Public Company Ltd and CLR Capital Public Ltd on 17 October, 2008 and has been further approved and ratified by the Nicosia District Court on 12 December, 2008) the Board of Directors decided to issue and allocate 85.712.953 new ordinary shares of Marfin CLR Public Co Ltd to the shareholders of CLR Capital Public Ltd. The Reorganisation and Merger Plan of Laiki Brokerage Ltd, Laiki Asset Management Ltd, Egnatia Financial Services (Cyprus) Ltd and CLR Securities and Financial Services Ltd have also been approved on 17 December, 2008 by the Nicosia District Court.

The investment advisory agreement between the Group and Marfin Investment Group Holdings S.A. expired on 28 February, 2009 and will not be renewed. As from 1 March, 2009 any investment advisory services provided by the Group to Marfin Investment Group Holdings S.A. will be on a contract by contract basis.

On 19 March, 2009 the Board of Directors of the Bank approved the issue of capital securities up to the amount of € 250 m, of € 1.000 nominal value, in one or more series. The rights and claims of the capital securities' holders will be subordinated and will be of secondary priority compared to claims by creditors including the Bank depositors, but will have priority over the Bank's shareholders. The capital securities issued will not have a maturity date but may, at the Bank's discretion, after approval by the Central Bank of Cyprus, be acquired in their entirety at their nominal value, together with any accrued interest , five years after the date of issue or on any interest payment date after that. The capital securities will have a 7% fixed interest rate and interest will be payable every three months. The capital securities will be initially offered to a limited group of individuals, professional investors and individuals who will invest at least € 50.000 each. At a later stage the possibility of offering them to the public through a Public Offer will be examined. The capital securities will be included in the Hybrid Tier I Capital subject to the approval of the Central Bank of Cyprus. The Bank intends to apply for the listing of the Capital Securities at the Cyprus Stock Exchange.

Nicosia, 26 March, 2009

EXECUTIVE VICE CHAIRMAN	**NON EXECUTIVE VICE CHAIRMAN**	**GROUP CHIEF EXECUTIVE OFFICER**	**GROUP CHIEF FINANCIAL OFFICER**
ANDREAS VGENOPOULOS	**NEOCLIS LYSANDROU**	**EFTHIMIOS BOULOUTAS**	**ANNITA PHILIPPIDOY**
Identity Card No. K231260	**Identity Card No. 156006**	**Identity Card No. X501092/02**	**Identity Card No. 704873**

MARFIN POPULAR BANK

TABLE OF ANNOUNCEMENTS THAT

MARFIN POPULAR BANK PUBLIC CO LTD

HAS ISSUED TO THE PUBLIC DURING THE FINANCIAL YEAR 2008

Date	Subject	Website
02/01/2008	Announcement of interest rate on Capital Securities (LGCS) for the period 31/12/2007 – 30/03/2008	www.laiki.com
17/01/2008	Acquisition of Egnatia Financial Services (Cyprus) Ltd by Laiki Investments E.P.E.Y. Public Co Ltd	www.laiki.com
31/01/2008	The Board of Directors will meet on 14/02/2008 to examine and approve the preliminary results of the Group for the year 2007	www.laiki.com
07/02/2008	Sale of 53.532.184 shares of Marfin Investment Group (MIG) to Dubai Financial Group LLC at € 7 per share	www.laiki.com
11/02/2008	Announcement of Regulated Information – Reply to a question by the Hellenic Capital Market Commission regarding the sale of MIG shares to Dubai Financial Group LLC	www.laiki.com
14/02/2008	Approval of preliminary results of the Group for 2007 by the Board of Directors	www.laiki.com
15/02/2008	Presentation to the analysts of the preliminary financial results of the Group for the year 2007	www.laiki.com
20/02/2008	Payment of interest on Capital Securities (LGCS) on 31/03/2008	www.laiki.com
26/02/2008	Necessary approvals have been obtained for the acquisition of 43% of the share capital of Lombard Bank Malta Plc	www.laiki.com
28/02/2008	Final Audited Financial Statements of the Group and the Bank for the year 2007	www.laiki.com
03/03/2008	Completion of the acquisition of 42,86% of the share capital of Lombard Bank Malta Plc	www.laiki.com
05/03/2008	Annual Bulletin for the period 28/04/2007 – 28/02/2008	www.laiki.com
06/03/2008	Clarifications regarding the shareholding percentage held in Marfin Popular Bank Public Co Ltd (MPB) by The Royal Bank of Scotland Plc	www.laiki.com
07/03/2008	Meeting of the Board of Directors on 17/03/2008	www.laiki.com
18/03/2008	Decision of the Board of Directors for the issue of Capital Securities	www.laiki.com
19/03/2008	Announcement of Regulated Information – Increase of shareholding percentage held by Morgan Stanley	www.laiki.com
21/03/2008	Completion of the Restructuring and Merger of Cyprus Popular Bank (Finance) Ltd with MPB	www.laiki.com
27/03/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. E. Bouloutas, Group Chief Executive Officer	www.laiki.com
27/03/2008	Central Bank of Cyprus granted permission to Dubai Financial Group LLC to increase the shareholding percentage held in MPB	www.laiki.com
27/03/2008	Announcement of Regulated Information – Sale of MPB shares by Mr. M. Foros, Member of the Board of Directors	www.laiki.com

Date	Subject	Website
31/03/2008	Resignation of Mr. A. Moneta from his position as Chairman of the Executive Committee of the Bank	www.laiki.com
31/03/2008	MPB disposed of MIG shares to Dubai Financial Group LLC	www.laiki.com
01/04/2008	Financial Calendar for the year 2008	www.laiki.com
03/04/2008	Resignation of Mr. A. Vgenopoulos from his position as Chairman of Dubai Financial Group Southeastern Europe	www.laiki.com
21/04/2008	Issue of Capital Securities – Interest rate and repayment of 2003 Capital Securities (LGCS)	www.laiki.com
21/04/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. E. Bouloutas, Group Chief Executive Officer	www.laiki.com
21/04/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. D. Spanodemos, Director – Group Strategic Development	www.laiki.com
22/04/2008	Dividend Re-investment Scheme for the year 2007	www.laiki.com
22/04/2008	Annual General Meeting and Extraordinary General Meeting on 15/05/2008	www.laiki.com
24/04/2008	Annual Bulletin 2007	www.laiki.com
08/05/2008	Meeting of the Board of Directors on 29/05/2008 to examine and approve the Financial Results for the period January – March 2008	www.laiki.com
16/05/2008	Decisions of the Annual and Extraordinary General Meeting and the Board of Directors on 15/05/2008	www.laiki.com
16/05/2008	2008 Earnings Guidance	www.laiki.com
16/05/2008	Announcement of Regulated Information – Purchase of MPB Futures by Mr. D. Spanodemos, Director – Group Strategic Development	www.laiki.com
16/05/2008	Announcement of Regulated Information – Proxies for the General Meetings on 15/05/2008	www.laiki.com
19/05/2008	Announcement of Regulated Information – Purchase of MPB Futures by Mr. D. Spanodemos, Director – Group Strategic Development	www.laiki.com
20/05/2008	Method of payment for the dividend for the year 2007	www.laiki.com
20/05/2008	Announcement of Regulated Information – Purchase of MPB shares by MIG	www.laiki.com
29/05/2008	Financial Statements of the Group for the period January – March 2008	www.laiki.com
30/05/2008	Revision of profit target for the year 2008	www.laiki.com
30/05/2008	Re-investment price of the 2007 dividend into shares of MPB	www.laiki.com
02/06/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. F. Karatzenis, Legal Advisor	www.laiki.com

Date	Subject	Website
02/06/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. E. Bouloutas, Group Chief Executive Officer	www.laiki.com
02/06/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. A. Vgenopoulos, Executive Vice Chairman	www.laiki.com
02/06/2008	Announcement of Regulated Information – Purchase of MPB Futures by Mr. D. Spanodemos, Director – Group Strategic Development	www.laiki.com
09/06/2008	Capital Securities: Payment of interest and re-payment on 27/06/2008	www.laiki.com
09/06/2008	Offer and issue of Capital Securities and listing thereof in the Cyprus Stock Exchange (CSE)	www.laiki.com
09/06/2008	Prospectus for the re-investment of 2007 dividend and the listing of the new shares in CSE and Athens Exchange (AE)	www.laiki.com
13/06/2008	Listing of shares from share capital increase resulting from re-investment of dividend	www.laiki.com
19/06/2008	Capital Securities: Extension of period for the acceptance of applications until 25/06/2008	www.laiki.com
23/06/2008	Announcement of Regulated Information – Increase of share capital by listing the new shares resulted from the re-investment of 2007 dividend	www.laiki.com
25/06/2008	Capital Securities: Extension of period for the acceptance of applications until 27/06/2008	www.laiki.com
26/06/2008	Regulatory changes by Central Bank of Cyprus	www.laiki.com
09/07/2008	Results of the Public Offer for 2008 Capital Securities	www.laiki.com
15/07/2008	Meeting of the Board of Directors on 28/08/2008 to examine and approve the Financial Results for the period January – June 2008	www.laiki.com
18/07/2008	Approval of Management changes by the Board of Directors	www.laiki.com
22/07/2008	CNP Assurances and MPB set up a strategic partnership in Greece and Cyprus	www.laiki.com
25/07/2008	Listing of Capital Securities of € 116.159.000 value on CSE	www.laiki.com
28/08/2008	Six-monthly Financial Report of the Group for the period January – June 2008	www.laiki.com
29/08/2008	Announcement of Regulated Information – Election of home member state	www.laiki.com
01/09/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. E. Bouloutas, Group Chief Executive Officer	www.laiki.com
01/09/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. A. Vgenopoulos, Executive Vice Chairman	www.laiki.com

Date	Subject	Website
02/09/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. A. Vgenopoulos, Executive Vice Chairman	www.laiki.com
03/09/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. A. Vgenopoulos, Executive Vice Chairman	www.laiki.com
03/09/2008	Completion of acquisition of the Russian bank "OOO Rossiysky Promyishlenny Bank" (Rosprombank)	www.laiki.com
04/09/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. A. Vgenopoulos, Executive Vice Chairman	www.laiki.com
05/09/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. A. Vgenopoulos, Executive Vice Chairman	www.laiki.com
08/09/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. A. Vgenopoulos, Executive Vice Chairman	www.laiki.com
09/09/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. A. Vgenopoulos, Executive Vice Chairman	www.laiki.com
10/09/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. A. Vgenopoulos, Executive Vice Chairman	www.laiki.com
11/09/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. A. Vgenopoulos, Executive Vice Chairman	www.laiki.com
12/09/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. A. Vgenopoulos, Executive Vice Chairman	www.laiki.com
16/09/2008	Capital Securities 2008 (CPBCS): Payment of interest on 30/09/2008	www.laiki.com
19/09/2008	Announcement of Regulated Information – Sale of MPB shares by Mr. D. Spanodemos, Director – Group Strategic Development	www.laiki.com
19/09/2008	Announcement of Regulated Information – Sale of MPB Futures by Mr. D. Spanodemos, Director – Group Strategic Development	www.laiki.com
29/09/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. A. Vgenopoulos, Executive Vice Chairman	www.laiki.com
09/10/2008	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Tereza Laniti, daughter of Mr. Pl. Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
09/10/2008	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Antigoni Laniti, daughter of Mr. Pl. Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
09/10/2008	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Joanna Laniti, daughter of Mr. Pl. Lanitis, Non Executive Member of the Board of Directors	www.laiki.com

Date	Subject	Website
09/10/2008	MIG, MPB and Wind Hellas enter a Strategic Alliance	www.laiki.com
10/10/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. A. Vgenopoulos, Executive Vice Chairman	www.laiki.com
14/10/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. A. Vgenopoulos, Executive Vice Chairman	www.laiki.com
14/10/2008	Announcement of Regulated Information – Purchase of MPB shares by Marfin Life S.A., closely associated to Mr. E. Bouloutas, Group Chief Executive Officer	www.laiki.com
21/10/2008	MPB, Marfin Egnatia Bank S.A. and Investment Bank of Greece S.A. do not need and do not intend to use any state aid	www.laiki.com
24/10/2008	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Joanna Laniti, daughter of Mr. Pl. Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
24/10/2008	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Antigoni Laniti, daughter of Mr. Pl. Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
24/10/2008	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Tereza Laniti, daughter of Mr. Pl. Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
24/10/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. Pl. Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
24/10/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. N. Lysandrou, Non Executive Vice Chairman	www.laiki.com
27/10/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. Pl. Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
27/10/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. N. Lysandrou, Non Executive Vice Chairman	www.laiki.com
04/11/2008	Capital Securities (CPBCS) – Issue of Supplementary Prospectus – Listing on the CSE	www.laiki.com
05/11/2008	Meeting of the Board of Directors on 27/11/2008 to examine, approve and announce the Financial Results for the period January – September 2008	www.laiki.com
11/11/2008	Increase of percentage participation in the share capital of the Estonian bank Marfin Pank Eesti A.S. to 52,838%	www.laiki.com
18/11/2008	Announcement of Regulated Information – The Board of Directors of MPB approved the granting of credit facilities to Marfin Egnatia Bank S.A.	www.laiki.com
25/11/2008	Information of the investors – Press Release by MIG	www.laiki.com
26/11/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. V. Theocharakis, Non Executive Member of the Board of Directors	www.laiki.com

Date	Subject	Website
27/11/2008	Announcement of Regulated Information – Purchase of MPB shares by Mrs. A. Mylona Christou	www.laiki.com
27/11/2008	Financial Results of the Group for the period January – September 2008	www.laiki.com
28/11/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. Pl. Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
28/11/2008	Capital Securities (CPBCS) – Payment of interest on 31/12/2008	www.laiki.com
01/12/2008	Announcement of Regulated Information – Purchase of MPB shares by Mr. Pl. Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
01/12/2008	Announcement of Regulated Information – Purchase of MPB shares by Mrs. I. Laniti	www.laiki.com
19/12/2008	Completion of the agreement for the partnership of CNP Assurances and MPB	www.laiki.com
23/12/2008	Clarification on profits regards the completion of the agreement for the partnership of MPB and CNP Assurances	www.laiki.com
16/02/2009	Meeting of the Board of Directors on 26/02/2009 to examine the Preliminary Results for the year 2008	www.laiki.com
24/02/2009	Press Release by MIG	www.laiki.com
26/02/2009	Preliminary Results of the Group for the year 2008	www.laiki.com
27/02/2009	Decision for the payment of dividend will be taken on 26/03/2009	www.laiki.com
04/03/2009	Announcement of Regulated Information – Purchase of MPB shares by MIG	www.laiki.com
04/03/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. Pl. Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
04/03/2009	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Joanna Laniti, daughter of Mr. Pl. Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
04/03/2009	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Tereza Laniti, daughter of Mr. Pl. Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
04/03/2009	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Antigoni Laniti, daughter of Mr. Pl. Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
05/03/2009	Capital Securities (CPBCS) – Payment of interest on 31/03/2009	www.laiki.com
06/03/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. Pl. Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
06/03/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. Marios Lanitis, brother of Mr. Pl. Lanitis, Non Executive Member of the Board of Directors	www.laiki.com

Date	Subject	Website
17/03/2009	Announcement of Regulated Information – Reduction of the percentage of MPB shares held by Tosca Fund	www.laiki.com
20/03/2009	Announcement of Regulated Information – Purchase of MPB shares by Mrs. I. Laniti, wife of Mr. Pl. Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
20/03/2009	Announcement for the issue of Capital Securities	www.laiki.com
23/03/2009	Announcement of Regulated Information – Purchase of MPB shares by Mrs. I. Laniti, wife of Mr. Pl. Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
24/03/2009	Announcement of Regulated Information – Purchase of MPB shares by Mrs. I. Laniti, wife of Mr. Pl. Lanitis, Non Executive Member of the Board of Directors	www.laiki.com