



**FINANCIAL STATEMENTS  
GROUP  
31 DECEMBER 2007**

## Geniki Group: Management commentary (consolidated accounts) for the year 2007

### 1. Summary of Group financial results and financial position

#### Financial results for 2007

*Amounts in € million*

	1 Jan to 31 Dec 2006	1 Jan to 31 Dec 2007	% change
Operating income	168.5	171	1.5%
Operating expenses (before provisions)	-169.0	-169.0	
Operating results before provisions	-0.5	2.0	
Provisions	-72.1	-40.0	-45% favourable
Profit (Loss) before income tax	-72.6	-38.0	-48% favourable
Net profit (loss) – Geniki Bank	-79.4	-40.4	
Net profit (loss) – Geniki Group	-78.8	-43.6	-45% favourable

  

	Dec 2006	Dec 2007	% change
Loans and advances to customers, net	2 940	3 294	12.0%

**Operating income** arrived at EUR 171m for the annual period to 31 December 2007, 1.5% increase in comparison with 2006. This improvement is the net effect of a mixture of positive and negative developments such as the substantial increase in net loans, the market pressure on margins as well as the adverse effect of bad loans provisioned or written off. The interest free funding from the proceeds of the share capital increase, concluded in November 2007, has positively influenced the operating income but only for one month.

**Operating expenses** before provisions amounted to EUR 169m for the annual period to 31 December 2007 and have been kept constant in comparison with 2006. The Group maintained a strict control over its cost base during 2007, despite the increased personnel cost and the continuous investment in new procedures, processes and training.

**Operating results before provisions** amounted to EUR 2.0m an improvement over the negative operating result of 2006, amounting to EUR -0.5m. This improvement is due to the small increase in the operating income but more importantly to the containment of costs.

**Provisions** have remained at high levels for the annual period to 31 December 2007. However, they have been almost halved in comparison with 2006 (-45% favourable variance).

As a result of the above, the Group has arrived at a **net loss** position amounting to EUR -43.6m for the annual period to 31 December 2007, in comparison with a net loss position amounting to EUR -78.8m for 2006 (-45% favourable variance). The corresponding figures for the Bank are EUR -40.4m and EUR -79.4m respectively.

As at 31 December 2007 **net total loans and advances** amounted to EUR 3.3 billions showing an increase of 12.0% compared to December 2006.

Also, as at 31 December 2007 **customer deposits and repos** amounted to EUR 2.8 billions, showing an increase of 4.6% compared to December 2006.

The Bank has completed successfully in November 2007 its planned share capital increase with the issuance of 52 549 145 new ordinary shares at the price of EUR 4 per share. The share capital increase has been fully subscribed and as a result the holding of the parent entity of the Group, SOCIETE GENERALE has remained constant.

As a result of the share capital increase the Bank has increased its capital adequacy ratio to 11.64% and has the necessary capital to plan for its future growth.

## *2. Management actions*

The Group of Geniki Bank is a financial services provider engaged in retail, corporate and private banking, asset management and insurance. The Group operates through branches, offices and subsidiaries in Greece.

As a result of management actions and sales networks efforts, a substantial growth has been achieved in the volumes of loans (12% overall year-on-year increase).

The number of the Bank branches as at 31 December 2007 was 141 for retail banking and 2 large clients branches.

The Group of Geniki Bank invests in the personnel training. Employees are kept informed of matters of concern to them in a variety of ways, including through corporate new magazines, intranets and meetings. These communications help to achieve a common awareness among employees of the financial and economic factors affecting the performance of the Group.

Cost/Income ratio (before provisions) was 98.8% in 2007, in comparison with 100.3% in 2006.

No post-balance sheet events have occurred.

## *3. Financial risk management*

The main risks incurred on banking activities are the following:

- (a) credit risk: risk of loss arising from a counterparty's inability to meet its financial commitments;
- (b) market risk: risk of loss resulting from changes in market prices and interest rates, in correlations between these elements and their volatility;
- (c) structural risk: risk of loss in the bank's balance sheet arising from variations in interest or exchange rates;
- (d) liquidity risk: the risk of the Group not being able to meet its commitments at their maturities.

Risk management issues are presented in detail in note 4 of the financial statements.

### Financial derivatives and hedge accounting

All financial derivatives are recognized at fair value in the balance sheet as financial assets or financial liabilities. Changes in the fair value of financial derivatives, except those designated as cash-flow hedges (see below), are recognized in the income statement for the period.

Derivatives are divided into two categories:

#### *(i) Trading financial derivatives*

Derivative instruments are considered to be trading financial derivatives by default, unless they are designated as hedging instruments for accounting purposes. They are booked in the balance sheet. Changes in fair value are recorded in the income statement. Derivatives used for economic hedges are included in this category (e.g. cases for which hedging accounting is

not necessary for reducing income statement volatility because gains and losses arising on the hedging and hedged positions are recognised consistently in the income statement).

*(ii) Derivative hedging instruments*

To designate an instrument as a derivative hedging instrument (i.e. for implementing hedging accounting rules) the Group must document the hedging relationship at the inception of the hedge, specifying the asset, liability, or future transaction hedged, the risk to be hedged, the type of financial derivative used and the valuation method applied to measure the effectiveness of the hedge. The derivative designated as a hedging instrument must be highly effective in offsetting the variation in fair value or cash flows arising from the hedged risk, both when the hedge is first set up and throughout its life.

## **EXPLANATORY REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2007**

In this section the he additional information stipulated by the Article 11a of Law 3371/2005, Government Gazette Issue A-18 “CAPITAL MARKET ISSUES is presented.

Share capital is amounting to € 118 702 679.88 and is divided into 110 937 084 ordinary nominal shares with a par value of € 1.07, listed on the Athens Stock Exchange and there are no restrictions to their transfer.

In accordance with the provisions of Presidential Decree 51/92, the most important participations in the Bank's Share Capital are:

- |                     |          |            |          |
|---------------------|----------|------------|----------|
| • SOCIETE GENERALE  | – Shares | 58 058 620 | - 52.33% |
| • ARMY PENSION FUND | – Shares | 5 996 484  | - 5.41%  |

The Bank, to its best knowledge, is not aware of any special audit rights to shareholders or shares or restrictions to voting rights and agreements among shareholders resulting in restrictions in the transfer of shares or the exercising of voting rights.

The rules for appointing and replacing Members of the Board of Directors are in accordance with the provisions of Article 18 (3) of Codified Law 2190/1920; more specifically Article 17 § (1) pas. (1) of the Bank's Articles of Incorporation, stipulates the right of the Army Pension Fund (APF) to appoint three members in the Bank’s Board of Directors, provided the ARF are shareholders of the Bank.

The rules regarding amendments to the Articles of Incorporation and the authority of the Board of Directors to issue new shares or acquire treasury shares are in accordance with the provisions of Codified Law 2190/1920, as amended and currently in force.

There are no agreements that are triggered, modified or expiring in case of changes in the controlling structure of the Bank resulting from a public share acquisition bids.

There are no agreements between the Bank and members of its Board of Directors or its personnel providing for the indemnities payable in case of resignation or dismissal on no serious grounds or termination of term or employment as a result of a public share acquisition bid. -

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **GENERAL BANK OF GREECE S.A.**

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of General Bank of Greece S.A. ("The Bank") and its subsidiaries (on a consolidated basis "The Group"), which comprise the consolidated balance sheet as of 31 December 2007 and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

The Management of the Bank is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as these were adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Greek Auditing Standards which are harmonised with the 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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as these were adopted by the European Union.

Without qualifying our opinion we draw your attention to the fact that the income tax returns of the individual consolidated entities for the corresponding tax periods which are stated in note 11 to the consolidated financial statements, have not yet been examined by the tax authorities. Therefore, there is a possibility that additional taxes and penalties may be assessed upon the corresponding future tax inspections, which can not presently be determined and therefore no provision has been established in the accompanying financial statements in this respect.

### Report on Other Legal and Regulatory Requirements

The Report of the Board of Directors which is presented in the consolidated financial statements contains the information required by articles 43a paragraph 3 of Law 2190/1920 and article 11a of Law 3371/2005 and its content is consistent with the accompanying consolidated financial statements.

Athens, 28 March 2008  
The Certified Public Accountant

Michalis E. Karavas  
RN SOEL: 13371

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## Consolidated income statement

	<u>Notes</u>	<u>Year ended 31 December</u>	
		<u>2007</u>	<u>2006</u>
		<u>€ 000</u>	<u>€ 000</u>
Interest and similar income		243,824	206,388
Interest expense and similar charges		(111,577)	(73,257)
<b>Net interest income</b>	6	<b>132,247</b>	<b>133,131</b>
Fee and commission income		36,959	34,457
Fee and commission expense		(3,898)	(2,073)
<b>Net fee and commission income</b>	7	<b>33,061</b>	<b>32,384</b>
Dividend income		59	79
Financial operations results	8	592	(1,421)
Other operating income		5,012	4,281
<b>Gross operating income</b>		<b>170,971</b>	<b>168,454</b>
Provisions for loans	4	(42,076)	(76,117)
Provisions for other risks		2,085	4,040
Staff costs and related expenses	10	(100,702)	(100,052)
Administration expenses	9	(54,320)	(55,134)
Depreciation and amortization	9,20,21	(13,986)	(13,774)
<b>Operating expenses</b>		<b>(208,999)</b>	<b>(241,037)</b>
<b>Net operating profit (loss)</b>		<b>(38,028)</b>	<b>(72,583)</b>
Income tax expense	11	(5,602)	(6,257)
<b>Profit / (loss) for the year</b>		<b>(43,630)</b>	<b>(78,840)</b>
Attributable to:			
Equity holders of the parent		(43,630)	(78,840)
Earnings per share (in euros)			
- Basic and diluted	12	(0.55)	(1.11)

## Consolidated balance sheet

	Note	Year ended 31 December	
		2007 € 000	2006 € 000
<b>Assets</b>			
Cash and balances with central bank	13	128,406	98,209
Due from banks	15	320,764	180,888
Derivative financial instruments	16	14,113	12,027
Loans and advances to customers, net	4	3,294,190	2,939,570
Investment securities - available for sale	17	332,865	361,251
Investment in associate undertakings	19	743	743
Intangible assets	20	11,439	12,855
Property, plant and equipment	21	125,549	131,578
Deferred income tax assets	29	58,223	58,556
Other assets	22	48,146	37,737
<b>Total assets</b>		<b>4,334,438</b>	<b>3,833,414</b>
<b>Liabilities</b>			
Due to banks	23	1,069,197	853,417
Due to customers	24	2,753,571	2,631,608
Derivative financial instruments	16	931	6,008
Subordinated debt	25	125,201	125,201
Provisions for staff benefits	27	20,666	20,557
Risks & charges provisions	26	5,026	9,749
Other liabilities	28	59,768	54,986
<b>Total liabilities</b>		<b>4,034,360</b>	<b>3,701,526</b>
<b>Equity</b>			
Share capital	30	118,703	336,898
Share premium	30	215,320	62,620
Other reserves and retained earnings		(33,945)	(267,630)
<b>Total equity</b>		<b>300,078</b>	<b>131,888</b>
<b>Total equity and liabilities</b>		<b>4,334,438</b>	<b>3,833,414</b>

## Consolidated statement of changes in equity

<b>Year ended 31 December 2006</b>	<b>Share capital €'000</b>	<b>Share premium €'000</b>	<b>Fair value reserve €'000</b>	<b>Statutory reserves €'000</b>	<b>Non-Taxed reserves €'000</b>	<b>Retained earnings €'000</b>	<b>Treasury shares €'000</b>	<b>Total equity €'000</b>
Balance at 01.01.2006	336.898	62.620	161	5.866	15.395	(210.393)	-	210.547
Revaluation of AFS securities	-	-	(70)	-	-	-	-	(70)
Deffered tax on revaluation of AFS securities	-	-	55	-	-	-	-	55
Cash flow hedges	-	-	533	-	-	-	-	533
Recycled to P & L	-	-	(337)	-	-	-	-	(337)
Transfer	-	-	-	-	(14.957)	14.957	-	-
Loss for the period	-	-	-	-	-	(78.840)	-	(78.840)
<b>Balance at 31.12.2006</b>	<b>336.898</b>	<b>62.620</b>	<b>342</b>	<b>5.866</b>	<b>438</b>	<b>(274.276)</b>	<b>-</b>	<b>131.888</b>
<b>Year ended 31 December 2007</b>	<b>Share capital €'000</b>	<b>Share premium €' 000</b>	<b>Fair value reserve €000</b>	<b>Statutory reserves €'000</b>	<b>Non-Taxed reserves €'000</b>	<b>Retained earnings € 000</b>	<b>Treasury shares € 000</b>	<b>Total equity € 000</b>
Balance at 01.01.2007	336.898	62.620	342	5.866	438	(274.276)	-	131.888
Revaluation of AFS securities	-	-	2.766	-	-	-	-	2.766
Capital increase	56.228	152.700	-	-	-	-	-	208.928
Employee shares purchase plan	-	-	-	-	-	126	-	126
Offsetting of accumulated losses with reduction of nominal value of shares (note 30)	(274.423)	-	-	14	-	274.409	-	-
Loss for the period	-	-	-	-	-	(43.630)	-	(43.630)
<b>Balance at 31.12.2007</b>	<b>118.703</b>	<b>215.320</b>	<b>3.108</b>	<b>5.880</b>	<b>438</b>	<b>(43.371)</b>	<b>-</b>	<b>300.078</b>

**Consolidated cash flow statement**

	Note	Year ended 31 December	
		2007 € 000	2006 € 000
<b>Cash flow from operating activities</b>			
Profit / (loss) after tax		(43,630)	(78,840)
<i>Adjustment for:</i>			
Depreciation of property plant and equipment	9, 21	10,828	10,841
Depreciation of intangible assets	9, 20	3,158	2,934
Impairment of loans and advances to customers	4	42,076	77,599
Provisions for staff benefits	27	109	(204)
Other provisions	26	(2,085)	(8,475)
Deferred income tax	11	334	510
Dividends from investment portfolio		(59)	-
Employee shares purchase plan		126	-
(Profit) / loss from financial operations		(552)	731
(Profit) / loss from sales of fixed assets		(34)	(98)
Foreign exchange (profit) / loss on cash and cash equivalents		(42)	(14)
		<b>10,229</b>	<b>4,984</b>
<b>Net (increase) / decrease of assets relating to operating activities</b>			
Due from banks		(18,223)	(12,080)
Derivatives		(7,162)	(1,468)
Loans and advances to customers		(396,694)	(370,413)
Other assets		(13,050)	24,607
<b>Net increase / (decrease) of liabilities relating to operating activities</b>			
Due to banks		215,780	231,310
Due to customers		121,962	174,257
Other liabilities		10,384	(127)
Income tax paid	11	(5,602)	(5,676)
		<b>(82,376)</b>	<b>45,394</b>
<b>Cash flow from investing activities</b>			
Purchase of available for sale securities		(115,414)	(245,541)
Purchase of property, plant and equipment	21	(6,063)	(18,683)
Purchase of intangible assets	20	(1,824)	(2,985)
Proceeds from sale/ liquidation of investment in associates and subsidiaries		-	239
Proceeds from dividends from investment portfolio		59	-
Proceeds from sale of available for sale portfolio		127,173	89,324
Proceeds from sale of intangible assets		81	-
Proceeds from sale of fixed assets		1,298	1,105
<b>Net cash flow from investing activities</b>		<b>5,310</b>	<b>(176,541)</b>
<b>Cash flow from financing activities</b>			
Capital increase	30	210,197	-
Cost of capital increase	30	(1,269)	-
Issue of subordinated loan	25	-	125,000
Payments on subordinated loan	25	-	(100,000)
<b>Net Cash flow from financing activities</b>		<b>208,928</b>	<b>25,000</b>
Foreign exchange (profit) loss on cash and cash equivalents		42	14
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>131,904</b>	<b>(106,133)</b>
Cash and cash equivalents at the beginning of the period	14	<b>231,074</b>	<b>337,207</b>
Cash and cash equivalents at the end of the period	14	<b>362,978</b>	<b>231,074</b>

**1. General Information**

Geniki Bank S.A. (the "Bank") and its subsidiaries (the "Group") are active in retail and corporate banking, insurance brokerage services, finance leasing and other services. The Bank is incorporated in Greece and its shares are listed on the Athens Stock Exchange. The Group operates in Greece. Its registered office is located in Greece (109-111 Messogion Avenue 115 10 Athens).

These consolidated financial statements were approved by the Board of Directors on 26 March 2008.

The consolidated financial statements of the Group are included in the consolidated financial statements of SOCIETE GENERALE GROUP, which is the ultimate parent entity that has a holding of 52.33% to the Bank.

**2. Principal accounting policies**

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

**(a) Basis of preparation**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted from EU. The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and of financial assets and financial liabilities (including derivative instruments) at fair-value-through-profit-or-loss.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The 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 5.

The Group's presentation currency is the Euro (€) being the functional currency of the parent Company. All figures are presented in thousand Euros, unless otherwise stated.

The application of the amendments and interpretations listed below did not result in substantial changes to the Group's accounting policies:

the group's financial instruments.

IFRS 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the group's financial statements.

IFRS 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the group's financial statements.

IFRS 11, 'IFRS 2 – Group and treasury share transactions', IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation leads to the recognition of the share purchase plan operated by the parent entity of the Group (i.e. SOCIETE GENERALE).

IFRS 9, 'Re-assessment of embedded derivatives' did not have any significant effect on the financial statements of the Group.

Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the group's operations:

IFRS 4, 'Insurance contracts';

IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies'

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 2008 or later periods, but the group has not early adopted them:

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply IAS 23 (Amended) from 1 January 2009.

IFRS 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 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. IFRIC 14 will not have any impact on the group's accounts.

Standards, amendments and interpretations to existing standards that are not yet effective and will be early adopted by the group.

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 early adopted this standard from 1st January 2007. The number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

Interpretations to existing standards that are not yet effective and not relevant for the group's operations.

The following interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the group's operations:

IFRS 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the group's operations because none of the group's companies provide for public sector services.

IFRS 13, 'Customer loyalty programmes' (effective from 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 in using fair values. IFRIC 13 is not relevant to the current group's operations because none of the group's companies operate any loyalty programmes.

**(b) Consolidation methods****(i) Full Consolidation**

This method is applied to entities over which Geniki Bank exercises sole control. Sole control over a subsidiary is defined as the power to govern the financial and operating policies of the said subsidiary so as to obtain benefits from its activities. It is exercised: (a) either by directly or indirectly holding the majority of voting rights in the subsidiary; (b) or by holding the power to appoint or remove the majority of the members of the subsidiary's governing, management or supervisory bodies, or to command the majority of the voting rights at meetings of these bodies; (c) or by the power to exert a controlling influence over the subsidiary through an agreement or provisions in the company's charter or by laws.

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

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

A listing of the Bank's subsidiaries is set out in note 19.

**(ii) Equity method**

Companies over which the Group exercises significant influence are accounted for under the equity method. Significant influence is the power to influence the financial and operating policies of a subsidiary without exercising control over the said subsidiary. In particular, significant influence can result from Geniki Bank being represented on the board of directors or supervisory board, from involvement in strategic decisions, from the existence of significant intercompany transactions, from the exchange of management staff, or from the company's technical dependency on Geniki Bank. The Group is assumed to exercise significant influence over the financial and operating policies of a subsidiary when it holds directly or indirectly at least 20% of the voting rights in this subsidiary.

A listing of the Group's associate undertakings, accounted for with the equity method, is set out in note 20.

**(c) Transactions denominated in foreign currencies**

At period-end, monetary assets and liabilities denominated in foreign currencies are converted into euros (the Group's functional currency) at the prevailing spot exchange rate. Realized or unrealized foreign exchange losses or gains are recognized in the income statement under the line "Financial operations results".

Forward foreign exchange transactions are recognized at fair value based on the forward exchange rate for the remaining maturity. Spot foreign exchange positions are revalued using official spot rates applying at the end of the period. Unrealized gains and losses are recognized in the income statement under the line "Financial operations results".

Non-monetary assets denominated in foreign currencies, including shares and other variable income securities that are not part of the trading portfolio, are converted into euros at the exchange rate applying at the end of the period. Currency differences arising on these assets are only recognized in the income statement under the line "Financial operations results" when sold or impaired or where the currency risk is fair value hedged.

**(d) Determining the fair value of financial instruments**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of financial instruments traded in active markets is determined from quoted prices. If the instrument is not traded in an active market, fair value is determined using valuation techniques.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

**2. Principal accounting policies (continue)****(d) Determining the fair value of financial instruments (continue)**

When the financial instrument is traded in several markets to which the Group has immediate access, the fair value is the price at which a transaction would occur in the most advantageous active market. Where no price is quoted for a particular instrument but its components are quoted, the fair value is the sum of the various quoted components incorporating bid or asking prices for the net position as appropriate.

If the market for a financial instrument is not active, its fair value is established using a valuation technique (in-house valuation models). Depending on the instrument under consideration, these valuation models may use data derived from recent transactions, from the fair value of substantially similar instruments, from discounted cash flow or option pricing models. Where necessary, these valuations are adjusted to take certain factors into account, depending on the instruments in question and the associated risks, particularly the bid or asking price of the net position and the modelling risk in the case of complex products.

If the valuation parameters used are observable market data the fair value is taken as the market price, and any difference between the transaction price and the price given by the in-house valuation model, i.e. the sales margin, is immediately recognized in the income statement. However, if valuation parameters are not observable or the valuation models are not recognized by the market, the fair value of the financial instrument at the time of the transaction is deemed to be the transaction price and the sales margin is then generally recognized in the income statement over the lifetime of the instrument, except for some complex financial instruments for which it is recognized at maturity or in the event of early sale.

**(e) Financial assets and liabilities**

Purchases and sales of non-derivative financial assets at fair value through profit or loss, financial assets held to maturity and available-for-sale financial assets (see below) are recognized in the balance sheet on the settlement date while derivatives are recognized on the trade date. Changes in fair value between the trade and settlement dates are booked in the income statement or to shareholders' equity depending on the relevant accounting category. Customer loans are recorded in the balance sheet on the date they are paid.

When initially recognized, financial assets and liabilities are measured at fair value including transaction cost (except for financial instruments recognized at fair value through profit or loss) and are classified under one of the following categories.

**ASSETS****(i) Loans and receivables**

Loans and receivables neither held for trading purposes nor intended for sale from the time they are originated or contributed are recognized in the balance sheet under the Due from banks or Loans and advances to customers and there after carried at their amortized cost. An impairment loss may be recorded if appropriate.

**(ii) Financial assets and liabilities at fair value through profit and loss**

These are financial assets and liabilities held for trading purposes. They are booked at fair value at the balance sheet date and recognized in the balance sheet under Derivative financial instruments. Changes in fair value are recorded in the income statement for the period as financial operations results.

This category also includes non-derivative financial assets and liabilities designated by the Group upon initial recognition to be carried at fair value through profit or loss in accordance with the option available under IAS 39. The Group's aim in using the fair value option is:

- first to eliminate or significantly reduce discrepancies in the accounting treatment of certain financial assets and liabilities.
- secondly, the Group can book certain compound financial instruments at fair value so avoiding the need to separate out embedded derivatives that would otherwise have to be booked separately.

**(iii) Held-to-maturity financial assets**

These are non-derivative fixed income assets with a fixed maturity, which the Group has the positive intention and the ability to hold to maturity. They are valued after acquisition at their amortized cost and may be subject to impairment, if appropriate.

The amortized cost includes premiums and discounts as well as transaction costs and they are recognized in the balance sheet under Held-to-maturity financial assets.

**(iv) Investment in securities - Available for sale**

These are non-derivative financial assets held for an indefinite period which the Group may sell at any time. By default, these are any assets that do not fall into one of the above three categories. These financial assets are recognized in the balance sheet under Investment in securities - Available for sale and measured at their fair value at the balance sheet date. Interest accrued or paid on fixed-income securities is recognized in the income statement using the effective interest rate method under Interest and similar income. Changes in fair value other than income are recorded in shareholders' equity under Fair value reserves. The Group only records these changes in fair value in the income statement when the asset is sold or impaired, in which case they are reported as Financial operations results. Dividends on variable income securities classified as available for sale are recorded in the income statement under Dividend income.

**DEBT**

Group borrowings that are not classified as financial liabilities recognized through profit or loss are initially recognized at cost, measured as the fair value of the amount borrowed net of transaction fees. These liabilities are valued at the period end, at amortized cost and are recognized in the balance sheet as due to banks or due to customers.

**(i) Amounts due to banks, due to customers**

Amounts due to banks and due to customers are classified according to their initial maturity and type into: demand (demand deposits and current accounts) and time deposits and borrowings in the case of banks; and into savings accounts and other deposits in the case of customers. They also include securities sold to banks and customers under repurchase agreements.

**(ii) Securitised debt payables**

These liabilities are classified by type of security: loan notes, interbank market certificates, negotiable debt instruments, bonds and other debt securities; with the exemption of subordinated notes which are classified under Subordinated debt.

Bond issuance and redemption premiums are amortized at the effective interest rate over the life of the related borrowings. The resulting charge is recognized under Interest expenses in the income statement.

**Subordinated debt**

This item includes all dated or undated borrowings, whether or not in the form of securitized debt, which in the case of liquidation of the borrowing company may only be redeemed after all other creditors have been paid.

**Derecognition of financial assets and liabilities**

The Group derecognizes all or part of a financial asset (or group of similar assets) when the contractual rights to the cash flows on the asset expire or when the Group has transferred the contractual rights to receive the cash flows and substantially all of the risks and rewards of ownership of the asset.

Where the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has not retained control of the financial asset, the Group derecognizes it and recognizes separately as asset or liability any rights and obligations created or retained as a result of the asset's transfer. If the Group has retained control of the asset, it continues to recognize it in the balance sheet to the extent of its continuing involvement in that asset.

When a financial asset is derecognized in its entirety, a gain or loss on disposal is recorded in the income statement for the difference between the carrying value of the asset and the payment received for it, adjusted where necessary for any unrealized profit or loss previously recognized directly inequity.

The Group only derecognizes all or part of a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

**(f) Financial derivatives and hedge accounting**

All financial derivatives are recognized at fair value in the balance sheet as financial assets or financial liabilities. Changes in the fair value of financial derivatives, except those designated as cash-flow hedges (see below), are recognized in the income statement for the period.

Derivatives are divided into two categories:

**(i) Trading financial derivatives**

Derivative instruments are considered to be trading financial derivatives by default, unless they are designated as hedging instruments for accounting purposes. They are booked in the balance sheet under Derivative financial instruments. Changes in fair value are recorded in the income statement as Net gains or losses on financial transactions. Derivatives used for economic hedges are included in this category (e.g. cases for which hedging accounting is not necessary for reducing income statement volatility because gains and losses arising on the hedging and hedged positions are recognised consistently in the income statement).

**(ii) Derivative hedging instruments**

To designate an instrument as a derivative hedging instrument (i.e. for implementing hedging accounting rules) the Group must document the hedging relationship at the inception of the hedge, specifying the asset, liability, or future transaction hedged, the risk to be hedged, the type of financial derivative used and the valuation method applied to measure the effectiveness of the hedge. The derivative designated as a hedging instrument must be highly effective in offsetting the variation in fair value or cash flows arising from the hedged risk, both when the hedge is first set up and throughout its life. Derivative hedging instruments are recognized in the balance sheet under Derivative financial instruments.

**2. Principal accounting policies (continue)****(f) Financial derivatives and hedge accounting (continue)**Fair value hedge

In a fair value hedge, the book value of the hedged item is adjusted for gains or losses attributable to the hedged risk which are reported under Financial operations results. As the hedging is highly effective, changes in the fair value of the hedged item are faithfully reflected in the fair value of the derivative hedging instrument. Accrued interest income or expenses on hedging derivatives are booked to the income statement under Interest income and expense at the same time as the interest income or expense related to the hedged item.

If it becomes apparent that the derivative has ceased to meet the effectiveness criteria for hedge accounting or is sold, hedge accounting is prospectively discontinued. Thereafter, the carrying amount of the hedged asset or liability ceases to be adjusted for changes in fair value and the cumulative adjustments previously recognized under the hedge accounting are amortized over its remaining life. Hedge accounting is discontinued automatically if the hedged item is sold before maturity.

Cash flow hedge

In a cash flow hedge, the effective portion of the changes in fair value of the hedging derivative instrument is recognized in a specific equity account, while the ineffective portion is recognized in the income statement under Net gains or losses on financial instruments.

Amounts directly recognized in equity under cash flow hedge accounting are reclassified in interest income and expenses in the income statement at the same time as the cash flows being hedged. Accrued interest income or expense on hedging derivatives is booked to the income statement under Interest income and expense at the same time as the interest income or expense related to the hedged item.

Whenever the hedging derivative ceases to meet the effectiveness criteria for hedge accounting or is terminated or sold, hedge accounting is prospectively discontinued. Amounts previously recognized directly in equity are reclassified to Interest income and expense in the income statement over the periods where the interest margin is affected by cash flows arising from the hedged item. If the hedged item is sold earlier than expected or if the forecast transaction hedged ceases to be highly probable, unrealized gains and losses booked to equity are immediately reclassified in the income statement.

Macro fair value hedge

In this type of hedge, financial derivatives are used to hedge on an overall basis structural interest rate risks usually arising from Retail Banking activities. In accounting for these transactions, the Group applies the IAS 39 "carve-out" standard as adopted by the European Union, which facilitates: (a) the application of fair value hedge accounting to macro hedges used for asset-liability management including customer demand deposits in the fixed-rate positions being hedged; (b) the carrying out of effectiveness tests required by the standard.

The accounting treatment for financial derivatives designated as a macro fair value hedge is similar to that for other fair value hedging instruments. Changes in fair value of the portfolio of macro-hedged instruments are reported in the balance sheet under Derivative financial instruments.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument. If this hybrid instrument is not valued at fair value through profit and loss the Group separates out the embedded derivative from its host contract if, at the inception of the operation, the economic characteristics and risks of the derivative are not closely related to the economic characteristics and risk profile of the host contract and it would separately meet the definition of a derivative. Once separated out, the derivative is recognized at its fair value in the balance sheet under derivative financial instruments and accounted for as above. There are no such cases in the financial statements for 2007.

**(g) Impairment of financial assets****(i) Financial assets valued at amortized cost**

At each balance sheet date, the Group assesses whether there is objective evidence that any financial asset or group of financial assets has been impaired as a result of one or more events occurring since they were initially recognized (a "loss event") and whether that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that loans or other receivables, or financial assets classified as held-to-maturity financial assets are impaired, an impairment loss is booked for the difference between the carrying amount and the present value of estimated future recoverable cash flows, taking into account any guarantees, discounted at the financial assets' original effective interest rate. This loss is booked to Cost of risk in the income statement and the value of the financial asset is reduced accordingly. Allocations to and reversals of impairments are recorded under Cost of risk. The impaired loans / receivables are debited with interest reflecting the unwinding of their discounting to present value, which is recorded under Interest income in the income statement.

As soon as a credit risk is incurred in a homogenous portfolio / group of financial instruments, impairment loss is recognized without waiting for the risk to individually affect one or more receivables. The amount of impairment is determined on the basis of historical loss experience for assets with credit risk characteristics similar to those in the portfolio, or using hypothetical extreme loss scenarios or, if necessary, ad-hoc studies, adjusted to reflect any relevant current economic conditions.

Where a loan is restructured, the Group books a loss in Cost of risk representing the change in terms of the loan if the present value of expected recoverable future cash flows, discounted at the loan's original effective interest rate, is less than the amortized cost of the loan.

**(ii) Available-for-sale financial assets**

Where there is objective evidence of long-term impairment to a financial asset available for sale, an impairment loss is recognized through profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in the shareholders' equity account under Unrealized or deferred capital gains or losses and subsequent objective evidence of impairment emerges, the Group recognizes the total accumulated unrealized loss previously booked to shareholders' equity in the income statement – under Cost of risk for debt instruments and under Net gains or losses on available-for-sale financial assets for equity securities.

This cumulative loss is measured as the difference between acquisition cost (net of any repayments of principal and amortization) and the current fair value, less any loss of value on the financial asset that has already been booked through profit or loss.

Impairment losses recognized through profit and loss on an equity instrument classified as available for sale are only reversed through profit and loss when the instrument is sold. Once a shareholders' equity instrument has been recognized as impaired, any further loss of value is booked as an additional impairment loss. For debt instruments, however, an impairment loss is reversed through profit and loss if they subsequently recover in value.

**(h) Lease financing and similar agreements**

Leases are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Otherwise they are classified as operating leases.

Lease finance receivables are recognized in the balance sheet under loans and advances to customers and represent the Group's net investment in the lease, calculated as the present value of the minimum payments to be received from the lessee, plus any unguaranteed residual value, discounted at the interest rate implicit in the lease.

Interest included in the lease payments is booked under Interest and similar income in the income statement such that the lease generates a constant periodic rate of return on the lessor's net investment. If there has been a reduction in the estimated unguaranteed residual value used to calculate the lessor's gross investment in the finance lease, an expense is recorded to adjust the financial income already recorded.

Fixed-assets arising from operating lease activities are presented in the balance sheet under Tangible and intangible fixed assets. In the case of buildings, they are booked under Investment Property. Lease payments are recognized in the income statement on a straight-line basis over the life of the lease under Income from other activities.

**(i) Tangible and intangible fixed assets**

Operating and investment fixed assets are booked in the balance sheet at cost. Investment subsidies received are deducted from the cost of the relevant assets.

Software designed in-house is booked as an asset in the balance sheet at its direct cost of development, calculated as spending on external supplies and services and personnel costs directly attributable to producing the asset and making it ready for use.

As soon as they are fit for use, fixed assets are depreciated over their useful life. Any residual value of the asset is deducted from its depreciable amount.

Where one or several components of a fixed asset are used for different purposes or to generate economic benefits over a different time period from the combined (whole) asset, these components are depreciated over their individual useful lives, through profit and loss under amortization, depreciation and impairment of tangible and intangible fixed assets.

The Group applied this approach to its operating and investment property, breaking down its assets into at least the following components with their corresponding depreciation periods:

Infrastructure

Major structures	50 years
Doors and windows, roofing	20 years
Façades	30 years

Technical installations

Elevators	} 10-30 years
Electrical installations	
Electricity generators	
Air conditioning, extractors	
Technical wiring	
Security and surveillance installations	
Plumbing	

Fire safety equipmentFixtures and fittings

Finishing, surroundings	10 years
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Depreciation periods for fixed assets other than buildings depend on their useful life, usually estimated in the following ranges:

Plant and equipment	5 years
Transport	5-7 years
Furniture	10-20 years
Office equipment	5-10 years
IT equipment	3-5 years
Software, developed or acquired	3-5 years
Concessions, patents, licenses, etc.	5-20 years

Fixed assets are tested for impairment whenever there is any indication that their value might have been diminished. Evidence of a loss in value is assessed at every balance sheet date. Where a loss is established, an impairment loss is booked to the income statement under Amortization, depreciation and impairment of tangible and intangible fixed assets. This impairment loss will reduce the depreciable amount of the asset and so also affect its future depreciation schedule.

Realized capital gains or losses on operating fixed assets are recognized under Net income on other assets, while profits or losses on investment real estate are booked as Net Banking Income under Income from other activities.

**2. Principal accounting policies (continue)****(j) Provisions**

Provisions, other than those for credit risk or employee benefits, represent liabilities whose timing or amount cannot be accurately determined. Provisions may be booked where, by virtue of a commitment to a third-party, the Group will probably or certainly incur an outflow of resources to this third-party without receiving at least equivalent value in exchange.

The expected outflows are then discounted to present value to determine the amount of the provision, where this discounting has a significant impact. Allocations to and reversals of provisions are booked through profit and loss under the items corresponding to the future expense.

**(k) Loan commitments**

The Group initially recognizes loan commitments that are not considered as financial derivatives, at fair value. Thereafter, these commitments are provisioned, as necessary, in accordance with the accounting principles for Provisions.

**(l) Liabilities/shareholders' equity distinction**

Financial instruments issued by the Group are classified in whole or in part to debt or to equity depending on whether or not they contractually oblige the issuer to remunerate the holders of the security in cash. The Group has analyzed the substance of these instruments considering the implicit obligation to reimburse the holders.

**(m) Interest income and expense**

Interest income and expense are booked to the income statement for all financial instruments valued at amortized cost using the effective interest rate method.

The effective interest rate is taken to be the rate that discounts the future cash inflows and outflows over the expected life of the instrument to the book value of the financial asset or liability. To calculate the effective interest rate the Group estimates future cash flows as the product of all the contractual provisions of the financial instrument without taking account of possible future loan losses. This calculation includes commissions paid or received between the parties where these are interest related, transaction costs and all types of premiums and discounts.

When a financial asset or group of similar financial assets have been impaired following an impairment of value, subsequent interest income is booked through profit or loss under Interest and similar income using the same interest rate that was used to discount the future cash flows when measuring the loss of value. Provisions that are booked as balance sheet liabilities, except for those related to employee benefits, generate interest expense for accounting purposes. This expense is calculated using the same interest rate as was used to discount to present value the expected outflow of resources that gave rise to the provision.

**(n) Net fees for services**

The Group recognizes fee income and expense for services provided and received in different ways depending on the type of service.

Fees for recurring services, such as some payment services, custody fees, or telephone subscriptions are booked as income over the lifetime of the service. Fees for one-off services, such as fund transfers, finder's fees received, arbitrage fees, or penalties following payment incidents are booked to income when the service is provided under Fees paid for services provided and other.

In syndication deals, underwriting fees and participation fees proportional to the share of the issue placed are booked to income at the end of the syndication period provided that the effective interest rate for the share of the issue retained on the Group's balance sheet is comparable to that applying to the other members of the syndicate. Arrangement fees are booked to income when the placement is legally complete. These fees are recognized in the income statement under Fee income – Primary market transactions.

**(o) Personnel expenses**

Personnel expenses include all expenses related to personnel, notably the cost of the legal employee profit sharing and incentive plans for the year as well as the costs of the various Group pension and retirement schemes and expenses arising from the application of IFRS 2 "Share-based payments"

**(p) Employee benefits****(i) post-employment benefits**

Defined contribution plans limit the Group's liability to the subscriptions paid into the plan but do not commit the Group to a specific level of future benefits. Contributions paid are booked as an expense for the year in question.

Defined benefit plans commit the Group, either formally or constructively, to pay a certain amount or level of future benefits, and the company therefore bears the medium- or long-term risk.

Provisions are booked to cover the whole of these retirement obligations. This is assessed regularly by independent actuaries using the projected unit credit method. This valuation technique incorporates assumptions about demographics, early retirement, salary rises and discount and inflation rates.

When these plans are financed from external funds classed as plan assets, the fair value of these funds is subtracted from the provision to cover the obligations.

Differences arising from changes in the calculation assumptions (early retirements, discount rates, etc.) or from differences between actuarial assumptions and real performance (return on plan assets) are booked as actuarial gains or losses. They are amortized in the income statement according to the "corridor" method: i.e. over the expected average remaining working lives of the employees participating in the plan, as soon as they exceed the greater of: (a) 10% of the present value of the defined benefit obligation (before deducting plan assets); (b) 10% of the fair value of the assets at the end of the previous financial year.

Where a new or amended plan comes into force the cost of past services is spread over the remaining period until vesting.

An annual charge is booked under Personnel expenses for defined benefit plans, consisting of: (a) additional entitlements vested by each employee (current service cost); (b) the financial expense resulting from the discount rate; (c) expected return on plan assets (gross return); (d) amortization of actuarial gains and losses and past service cost; (e) settlement or curtailment of plans.

**(ii) Long-term benefits**

These are benefits paid to employees more than 12 months after the end of the period in which they provided the related services. Long-term benefits are measured in the same way as post employment benefits, except for the treatment of actuarial gains and losses and past service costs which are booked immediately to income.

**(q) Cost of risk**

The Cost of risk account is limited to allocations, net of reversals, to impairment charge for counterparty risks and provisions for legal disputes.

**(r) Deferred Tax**

Deferred taxes are recognized whenever the Group identifies a temporary difference between the book value and tax value of balance sheet assets and liabilities that will affect future tax payments. Deferred tax assets and liabilities are measured based on the tax rate enacted or substantively enacted which is expected to apply when the asset is realized or the liability settled. The impact of changes to tax rates is booked in the income statement under Deferred taxes. Net deferred tax assets are not recognised unless it is probable that the deferred tax asset will be used.

For 2007 and following years, the tax rate applied for deferred tax calculation is 25%.

Deferred taxes are not discounted to present value.

**3. Fair value of financial instruments**

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

For financial instruments recognized at fair value through profit and loss, fair value is determined, wherever possible, after prices quoted on an actively-traded market, adjusted if no price is available at the balance sheet date. However, for many of the financial instruments held or issued by the group no actively traded market exists. In these cases, fair value is determined through valuation techniques (in-house valuation models) using valuation parameters that reflect market conditions at the balance sheet date and which are heavily influenced by assumptions on issues such as the amount and timing of estimated future cash flows, discount rates, volatility or credit risk. The Group's in-house valuation models are based on current valuation techniques used by market participants to value financial instruments, such as discounted future cash flows for swaps or Black & Scholes valuation for some options.

For financial instruments that are not recognized at fair value in the balance sheet, the figures given in the notes should not be taken as an estimate of the amount that would be realized if all such financial instruments were to be settled immediately.

The fair values of financial instruments include, if applicable, any accrued interest.

**(a) Loans and lease financing receivables**

The fair value of loans and lease financing receivables is determined, in the absence of an actively traded market for these loans, by discounting the related future cash flows to present value at market rates in force at the balance sheet date for each type of loan and each maturity. For all floating-rate loans and lease financing receivables and fixed-rate loans with an initial maturity of less than one year, fair value is assumed to be the same as book value.

**(b) Shares and other variable income securities**

For listed shares, fair value is taken to be the quoted price at the balance sheet date.

**(c) Debt (fixed-income) instruments held in portfolio measured at fair value and financial derivatives**

The fair value of all these financial instruments is determined based on the quoted price at the balance sheet date or prices provided by brokers at the same date, where available. For unlisted financial instruments, fair value is determined using valuation techniques (in-house valuation models) as described in note 2 on Principal accounting policies.

**(d) Customers deposits**

The fair value of retail customers deposits, mainly individuals or small or medium-sized companies, is assumed to correspond, as there is no actively-traded market in these liabilities, to the value of future cash flows discounted to present value at the market rate prevailing on the balance sheet date.

For floating-rate deposits, demand deposits and borrowings with an initial maturity of less than one year, fair value is assumed to be the same as book value.

**(e) Other debt and subordinated debt**

For listed financial instruments, fair value is taken as their quoted price at the balance sheet date. For unlisted financial instruments, fair value is determined by discounting future cash flows to present value at market rates.

#### 4. Financial risk management

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up to date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by Risk Management Unit under policies approved by the Board of Directors. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate and other price risk.

This note describes the main risks linked to financial instruments and the way in which they are managed by the Group.

The main risks incurred on banking activities are the following: credit risks: (a) risk of loss arising from a counterparty's inability to meet its financial commitments; (b) market risks: risk of loss resulting from changes in market prices and interest rates, in correlations between these elements and their volatility; (c) structural risks: risk of loss in the bank's balance sheet arising from variations in interest or exchange rates; (d) liquidity risk: the risk of the Group not being able to meet its commitments at their maturities.

##### (a) Organization procedures and methods

Risks are inherent to all banking activities and must therefore to be taken into account from the inception of a transaction through to its completion. As such, responsibility for risk management lies first with the operating divisions.

Geniki Bank's Risk Division is responsible for: (a) defining and validating the methods used to analyze, assess, approve and monitor risks; (b) the critical review of sales strategies for high-risk areas; (c) contributing to the independent assessment of credit risks by commenting on transactions proposed by sales units and monitoring them from start to finish; (d) identifying all Group risks and monitoring the adequacy and consistency of risk management information systems.

A systematic review of the bank's key risk management issues is carried out during the quarterly Risk Committee meetings, which bring together the members of the Executive Committee and Risk Division managers.

This Committee meets to review all core strategic issues: risk-taking policies, measuring methods, material and human resources, analysis of portfolios and the cost of risk, market and credit concentration limits.

All new products and activities or products under development must be submitted to the New Product Committee. This New Product Committee aims to ensure that, prior to the launch of a new activity or product, all associated risks are fully understood, measured, approved and subjected to adequate procedures and controls, using the appropriate information systems and processing chains.

##### (b) Market risks linked to trading activities

The organization of market risk management has been continually adjusted with a view to harmonizing existing procedures within the Group and guaranteeing that risk management team remain independent from the operating divisions.

At the proposal of this department, the Group's Risk Committee sets the levels of authorized risk by type of activity and takes the main decisions concerning Group risk management.

##### (c) Structural interest rate and exchange rate risks

Structural interest rate and exchange rate risks are incurred in commercial and proprietary activities (transactions involving shareholders' equity, investments, bond issues).

The general principle is to concentrate structural interest rate and exchange rate risks for monitoring and controlling using market risk methods, and to reduce structural interest rate and exchange rate as much as possible.

Wherever possible, commercial transactions are hedged against interest rate and exchange rate risks, either through micro hedging (individual hedging of each commercial transaction) or macro-hedging techniques (hedging of portfolios of similar commercial transactions within the treasury department).

Interest rate and exchange rate risks on proprietary transactions are hedged to the extent possible.

Consequently, structural interest rate and exchange rate risks are only born on the residual positions remaining after this hedging.

###### (i) organization of the management of structural interest rate and exchange rate risks

The responsibility for managing structural risks lies with the Asset Liabilities Committee (ALCO), which is supported by the Asset and Liability Management Department (ALM Department).

The Group's ALCO Committee, chaired by the General Management and attended by members of the Executive Committee and Finance Department: validates the basic principles for the organization and management of the Group's structural risks; sets the limits; examines the reports on these risks provided by the ALM Department; validates the hedging programs implemented by Treasury.

The ALM Department, which is part of the Group Finance Department: defines standards for the management of structural risks (organization, monitoring methods); validates the models used by the entities; informs the entities of their respective limits; centralizes, consolidates and reports on structural risk exposure, and carries out controls.

###### (ii) structural interest rate risks

Structural interest rate risk arises from residual gaps in fixed-rate positions with future maturities.

###### Objective of the Group

The Group's principal aim is to reduce each entity's exposure to interest rate risk as much as possible.

Any residual structural interest rate risk exposure must comply with the sensitivity limits set by the ALCO. This sensitivity defines the variation in the net present value of future residual fixed-rate positions (surplus or deficits on assets and liabilities) for a 1% parallel shift in the yield curve (i.e. this sensitivity does not relate to the sensitivity of annual net interest income). The limit for the overall Group is set at EUR 15m.

###### Measurement and monitoring of structural interest rate risk

In order to quantify its exposure to structural interest rate risks, the Group analyzes all fixed-rate assets and liabilities with future maturities to identify any gaps.

Assets and liabilities are generally analyzed independently, without any prior matching. Maturities on outstanding positions are determined on the basis of the contractual terms governing transactions, assumptions of client behaviour patterns (savings and sight accounts, early repayments etc.), as well as conventional assumptions relating to certain aggregates (principally shareholders' equity).

Once the Group has identified the gaps in its fixed rate positions (surplus or deficit), it calculates their sensitivity (as defined above) to variations in interest rates. The current sensitivity used considers an immediate parallel shift of 1% in the yield curve.

###### (iii) structural exchange rate risks

Structural exchange rate risks essentially arise from investments made in a currency other than the base currency of the Group (EUR).

###### Measurement and monitoring of structural exchange rate risk

The Group quantifies its exposure to structural exchange rate risk by analyzing all assets and liabilities denominated in foreign currencies, arising from commercial and proprietary transactions.

As commercial transactions are hedged against exchange rate risk, the Group's residual exposure results primarily from proprietary transactions.

The Group's Finance Department monitors structural exchange rate positions.

##### (d) Hedging interest rate and exchange rate risk

In order to hedge certain market risks, the Group has set up hedges which, in accounting terms, are referred to as fair value hedges or cash flow hedges depending on the risks and/or financial instruments hedged.

In order to qualify these transactions as hedges for IFRS accounting purposes, the Group documents such hedge transactions in detail, specifying the risk covered, the risk management strategy and the method used to measure the effectiveness of the hedge from its inception. This effectiveness is verified when changes in the fair value or cash flow of the hedged instrument are almost entirely offset by changes in the fair value or cash flow of the hedging instrument—the expected ratio between the two changes in fair value being within the range 80%-125%. Effectiveness is measured each quarter on a prospective and retrospective basis. Where the effectiveness falls outside the range specified above, hedge accounting is discontinued. However, economic hedges may continue to be in place, irrespective to the IFRS accounting treatment.

###### (i) fair value hedge

Within the framework of its activities and in order to hedge its fixed-rate financial assets and liabilities against variations in long interest rates (essentially loans/borrowings, securities issues and fixed-rate securities), the Group uses fair value hedges primarily in the form of interest rate swaps and interest rate options.

Prospective effectiveness is assessed via a sensitivity analysis based on probable market trends between certain components of the hedged and hedging instruments.

Retrospective effectiveness is assessed by comparing any changes in the fair value of the hedging instrument with any changes in the fair value of the hedged instrument.

###### (ii) cash flow hedge

Cash flow hedges on interest rates are used to hedge against the risk that the future cash flow of a floating rate financial instrument fluctuate in line with market interest rates.

The aim of such a hedge is to protect against unfavourable changes in future cash flow that are liable to impact on the income statement.

##### (e) Liquidity risk

Liquidity risk management covers all areas of Geniki Bank's business, from market transactions to structural transactions (commercial or proprietary transactions).

The Group manages this exposure using a system designed to manage liquidity risk under normal day-to-day conditions.

###### (i) organization of the management of liquidity risk

The ALM Department manages liquidity for the overall Group, in conjunction with the treasury department.

The Group's ALCO, chaired by the General Management and attended by members of the Executive Committee and Finance Department: (a) validates the basic principles for the organization and management of the Group's liquidity risk; (b) examines the reports on liquidity risk provided by the ALM Department; (c) considers liquidity crisis scenarios; (d) validates the Group's financing programs.

The ALM Department, which is part of the Group Finance Sector (a) defines the standards for the management of liquidity risks; (b) centralizes, consolidates and reports on liquidity risk exposure; (c) defines the Group's financing programs.

Treasury is responsible for managing short-term liquidity (less than one year).

###### Objective of the Group

The Group's objective is to finance its activities at the best possible rate under normal conditions of operation, and to ensure it can meet its obligations in the event of a crisis.

The main principles of the Group's liquidity management are as follows: (a) central management of liquidity to the extent possible; (b) diversification of sources of funding, both in terms of geographical regions and sectors of activity; (c) management of short-term liquidity in accordance with the regulatory framework; issuance of financial instruments to achieve the target solvency capital ratio.

###### Measurement and monitoring of liquidity risk

The Group's liquidity management system assesses the Group's financing requirements on the basis of budget forecasts in order to plan appropriate funding solutions.

The risk analysis is conducted with reports for on and off-balance sheet items per currency and residual maturity. Maturities on outstanding assets and liabilities are determined on the basis of the contractual terms of the transactions, assumptions for client behaviour patterns (savings and sight accounts, early repayments, etc.), as well as conventional assumptions relating to certain aggregates (principally shareholders' equity).

## 4. Financial risk management (continue)

## (f) Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Group's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

Credit risk management reports directly to both local Management and Group Risk Management.

## (i) Credit risk measurement

The Group assesses the probability of default of individual counterparties using internal rating tools. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

Table 1 : Group's internal rating and external ratings (Standard & Poor's) equivalent :

SG rating scale	S&P rating scale	SG rating scale	S&P rating scale
1	AAA	5	BB
2+	AA+	5-	BB-
2	AA	6+	B+
2-	AA-	6	B
3+	A+	6-	B-
3	A	7+	CCC+
3-	A-	7	CCC
4+	BBB+	7-	CCC-
4	BBB	8	} D
4-	BBB-	9	
5+	BB+	10	

## (ii) Risk limit control &amp; mitigation policies

The Group manages limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and countries. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to a review when considered necessary.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below :

(a) Collateral : The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

(b) Credit-related commitments : The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

## (iii) Impairment and provisioning policies

The internal and external rating systems described in Note 3.1.1 focus more on credit-quality mapping from the inception of the lending activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for the financial statements are usually lower than those obtained based on the application of rules provided by the banking supervisor.

The majority of the impairment provision shown in the balance sheet at year-end is derived from the bottom part of table 1 and more precisely grades 8, 9 and 10. An impairment provision is also calculated for the middle part of the table (part of 5, 6 and 7) on the basis of expert judgement, as reflected in the BHFQ qualitative rating grid.

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (eg equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts.

The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for portfolios of corporate assets that are individually below materiality thresholds and under the assumption of PD of 100% and LGD of 50%, based primarily on expert judgement.

Finally, the impairment of retail exposures (consumer lending & mortgage loans) is performed on the basis of the 2442 Act of the Governor of BoG (minimum required amount of provisions for supervisory purposes), using as policy the balances of previous quarters.

## f.1 Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposure relating to on balance sheet assets are as follows:	Maximum exposure	
	2007 € 000	2006 € 000
<b>Treasury bills and other eligible bills</b>	-	-
<b>Loans and advances to banks</b>	<b>320,764</b>	<b>180,888</b>
<b>Loans and advances to customers:</b>		
Loans to individuals:		
- Overdrafts	63	43
- Credit cards	239,517	243,573
- Term loans (Consumer loans)	356,285	331,585
- Mortgages	1,042,631	871,106
- Other retail	448,588	394,292
<b>Total loans and advances to customers</b>	<b>2,087,084</b>	<b>1,840,599</b>
<b>Loans to corporate entities:</b>		
- Large corporate customers	569,804	575,668
- Small and medium size enterprises (SMEs)	782,833	698,003
- Other non retail	143,280	121,922
<b>Total loans to corporate entities</b>	<b>1,495,917</b>	<b>1,395,593</b>
<b>Investment securities</b>		
- Debt securities	327,581	355,895
<b>Total investment securities</b>	<b>327,581</b>	<b>355,895</b>
<b>Pledged assets</b>	<b>57,000</b>	<b>65,000</b>
<b>Other assets</b>	<b>48,146</b>	<b>37,737</b>

Credit risk exposures relating to off-balance sheet items are as follows:

<b>Financial guarantees</b>	<b>829,341</b>	<b>726,686</b>
<b>Loan commitments and other credit related liabilities</b>	-	-

The Group's exposure in market price risk is insignificant.

## f.2 Loans and advances

Loans and advances are summarised as follows:

	Year ended 31 December			
	2007		2006	
	€ 000	€ 000	€ 000	€ 000
	<b>Loans and advances to customers</b>	<b>Loans and advances to banks</b>	<b>Loans and advances to customers</b>	<b>Loans and advances to banks</b>
Neither past due nor impaired	2.694.703	320.764	2.341.668	180.888
Past due but not impaired	341.505	-	368.334	-
Impaired	546.794	-	526.190	-
<b>Gross</b>	<b>3.583.002</b>	<b>320.764</b>	<b>3.236.192</b>	<b>180.888</b>
Less: allowance for impairment	(279.346)	-	(288.836)	-
Less: allowance for losses on finance leases	(7.115)	-	(7.949)	-
<b>Net</b>	<b>3.296.541</b>	<b>320.764</b>	<b>2.939.407</b>	<b>180.888</b>
Revaluation of hedged items - macro-hedge	507	-	2.228	-
Revaluation of hedged items - micro-hedge	(2.858)	-	(2.065)	-
<b>Total loans and advances to customers, net</b>	<b>3.294.190</b>	<b>320.764</b>	<b>2.939.570</b>	<b>180.888</b>

Housing loans with embedded interest rate guarantees are macro-hedged (collar). The above mentioned amount has been reflected in the Income statement under Financial operations results.

Individually impaired loans as at 31 December 2007 amounted to 209.591 thousand euros (239.018 thousand euros as at 31.12.2006).

	Year ended 31 December	
	2007 € 000	2006 € 000
<b>Allowance for losses on loan and advances by class as follows :</b>		
<b>Retail customers</b>		
Balance at 1 January	91.383	82.227
Impairment losses on loans and advances charged in the year	28.007	31.342
Loans written off during the year as uncollectible	-	(22.186)
<b>Balance at 31 December</b>	<b>119.390</b>	<b>91.383</b>

	Year ended 31 December	
	2007 € 000	2006 € 000
<b>b) Non - retail customers</b>		
Balance at 1 January	205.403	191.027
Impairment losses on loans and advances charged in the year	28.439	63.643
Recoveries on allowances on doubtful loans	(14.196)	(18.867)
Loans written off during the year as uncollectible	(52.575)	(30.400)
<b>Balance at 31 December</b>	<b>167.071</b>	<b>205.403</b>

	Year ended 31 December	
	2007 € 000	2006 € 000
Impairment losses on loans and advances charged in the year	56.446	94.984
Recoveries on allowances on doubtful loans	(14.196)	(18.867)
Recoveries of loans written-off commercial risks	(174)	-
<b>Balance at 31 December</b>	<b>42.076</b>	<b>76.117</b>

IFRS interest on the unwinding of the provisions is booked in Loans as per Group's accounting policy and it amounts to 17.601 thousand euros as of 31 December 2007 (18.285 thousand euros as of 31 December 2006).

The fair value of Loans with remaining maturity more than one year and a fixed interest rate is 724.813 thousand euros for year 2007 (577.253 for year 2007).

## f.2.1 Loans and advances to customers

Analysis of loan portfolio neither past due nor impaired by reference to the standard rating of the bank

	Year ended 31 December 2007							
	Retail				Non retail			€ 000
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	
	<b>Credit cards</b>	<b>Mortgages</b>	<b>Term</b>	<b>Other</b>	<b>Large clients</b>	<b>SME's</b>	<b>Other</b>	<b>Total loans &amp; advances to customers</b>
<b>Grades</b>								
1.Non Rated	136.074	817.124	230.724	291.775	-	-	-	1.475.697
2.Investment grade	-	-	-	-	545.468	592.366	63.959	1.201.793
3.Sensitive	-	-	-	-	8.954	8.200	59	17.213
<b>Total</b>	<b>136.074</b>	<b>817.124</b>	<b>230.724</b>	<b>291.775</b>	<b>554.422</b>	<b>600.566</b>	<b>64.018</b>	<b>2.694.703</b>

	Year ended 31 December 2006							
	Retail				Non retail			€ 000
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	
	<b>Credit cards</b>	<b>Mortgages</b>	<b>Term</b>	<b>Other</b>	<b>Large clients</b>	<b>SME's</b>	<b>Other</b>	<b>Total loans &amp; advances to customers</b>
<b>Grades</b>								
1.Non Rated	153.247	676.211	219.890	231.893	-	-	-	1.281.241
2.Investment grade	-	-	-	-	485.860	457.495	99.585	1.042.940
3.Sensitive	-	-	-	-	6.863	10.623	-	17.486
<b>Total</b>	<b>153.247</b>	<b>676.211</b>	<b>219.890</b>	<b>231.893</b>	<b>492.723</b>	<b>468.118</b>	<b>99.585</b>	<b>2.341.667</b>

## f.2.2 Loans and advances past due not impaired

	Year ended 31 December 2007							
	Retail				Non retail			€ 000
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	
	<b>Credit cards</b>	<b>Mortgages</b>	<b>Term</b>	<b>Other</b>	<b>Large clients</b>	<b>SME's</b>	<b>Other</b>	<b>Total past due not impaired</b>
Past due up to 30 days	21.120	99.331	36.926	14.678	2.494	19.119	-	193.668
Past due 30-60 days	7.050	35.119	17.847	11.741	5.287	11.675	-	88.719
Past due 60-90 days	3.536	20.965	10.918	8.736	52	14.911	-	59.118
<b>Total</b>	<b>31.706</b>	<b>155.415</b>	<b>65.691</b>	<b>35.155</b>	<b>7.833</b>	<b>45.705</b>	<b>-</b>	<b>341.505</b>

	Year ended 31 December 2006							
	Retail				Non retail			€ 000
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	
	<b>Credit cards</b>	<b>Mortgages</b>	<b>Term</b>	<b>Other</b>	<b>Large clients</b>	<b>SME's</b>	<b>Other</b>	<b>Total past due not impaired</b>
Past due up to 30 days	21.796	98.213	39.434	26.013	1.366	31.511	19.563	237.896
Past due 30-60 days	5.873	32.951	19.342	10.727	3.818	9.838	6.190	88.739
Past due 60-90 days	2.734	14.385	8.962	5.625	-	6.893	3.100	41.699
<b>Total</b>	<b>30.403</b>	<b>145.549</b>	<b>67.738</b>	<b>42.365</b>	<b>5.184</b>	<b>48.242</b>	<b>28.853</b>	<b>368.334</b>

## f.2.3 Debt Securities, treasury bills and other eligible bills

External rate	Year ended 31 December 2007		
	€ 000	€ 000	€ 000
	AFS Bonds	AFS Equity Shares	Total
A	318.260	-	318.260
A-	2.988	-	2.988
BBB+	6.333	-	6.333
Unrated	-	5.284	5.284
<b>Total</b>	<b>327.581</b>	<b>5.284</b>	<b>332.865</b>

External rate	Year ended 31 December 2006		
	€ 000	€ 000	€ 000
	AFS Bonds	AFS Equity Shares	Total
A	318.694	-	318.694
A-	2.008	-	2.008
AAA	7	-	7
BBB	11	-	11
BBB+	4.784	-	4.784
Unrated	30.391	5.356	35.747
<b>Total</b>	<b>355.895</b>	<b>5.356</b>	<b>361.251</b>

## f.2.4 Concentration of risks of financial assets with credit risk exposure

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by the industry sectors or our counterparties.

	Year ended 31 December 2007										
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
	Banks	Public	Agriculture & food manufacturing	Capital goods	Intermediary goods & materials	Trade	Construction	Financial activities	Other	Individuals	Total
Credit risk exposure relating to on balance sheet assets are as follows:											
<b>Treasury bills and other eligible bills</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Loans and advances to banks</b>	<b>320.764</b>	-	-	-	-	-	-	-	-	-	<b>320.764</b>
<b>Loans and advances to customers :</b>											
<b>a) Loans to individuals:</b>											
- Overdrafts	-	-	-	-	-	-	-	-	-	63	63
- Credit cards	-	-	-	-	-	-	-	-	-	239.517	239.517
- Term loans	-	-	-	-	-	-	-	-	-	356.285	356.285
- Mortgages	-	-	-	-	-	-	-	-	-	1.042.631	1.042.631
- Other retail	-	-	-	-	-	-	-	-	-	448.588	448.588
<b>Total loans to individuals</b>	-	-	-	-	-	-	-	-	-	<b>2.087.084</b>	<b>2.087.084</b>
<b>b) Loans to corporate entities:</b>											
- Large corporate customers	-	12.365	53.245	115.536	91.800	105.008	43.134	4.234	144.482	-	569.804
- Small and medium size enterprises (SMEs)	-	-	81.380	40.213	109.539	317.469	89.880	-	144.352	-	782.833
- Other	-	-	-	-	-	-	-	25.920	117.360	-	143.280
<b>Total loans to corporate entities</b>	-	<b>12.365</b>	<b>134.625</b>	<b>155.749</b>	<b>201.339</b>	<b>422.477</b>	<b>133.014</b>	<b>30.154</b>	<b>406.194</b>	-	<b>1.495.917</b>
<b>Derivative financial instruments</b>	<b>14.113</b>	-	-	-	-	-	-	-	-	-	<b>14.113</b>
<b>Financial assets designated at fair value:</b>											
- Debt securities	-	-	-	-	-	-	-	-	-	-	-
- Loans and advances to banks	-	-	-	-	-	-	-	-	-	-	-
- Loans and advances to customers	-	-	-	-	-	-	-	-	-	-	-
<b>Total financial assets designated at fair value:</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Investment securities - Debt Securities</b>	<b>9.321</b>	<b>318.260</b>	-	-	-	-	-	-	-	-	<b>327.581</b>
Of which pledged assets	-	57.000	-	-	-	-	-	-	-	-	57.000
<b>Other assets</b>	-	-	-	-	-	-	-	-	<b>48.146</b>	-	<b>48.146</b>
<b>Total as at 31 December 2007</b>	<b>344.198</b>	<b>330.625</b>	<b>134.625</b>	<b>155.749</b>	<b>201.339</b>	<b>422.477</b>	<b>133.014</b>	<b>30.154</b>	<b>454.340</b>	<b>2.087.084</b>	<b>4.293.605</b>
<b>Total as at 31 December 2006</b>	<b>409.428</b>	<b>152.308</b>	<b>97.044</b>	<b>57.048</b>	<b>177.807</b>	<b>333.353</b>	<b>102.843</b>	<b>2.218</b>	<b>650.092</b>	<b>1.840.598</b>	<b>3.822.739</b>

## 5. Estimations and judgements

The Group makes estimates and assumptions that affect the reported amounts recognised in the financial statements. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that appear to be reasonable under the circumstances.

## (a) Impairment of loans and advances

The Group reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recognised in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a decrease in the estimated future cash flows from outstanding loans and advances.

The individual provisions relate to loans and advances separately examined for impairment and their calculation is based on the best possible estimation of the present value of the related recoverable future cash flows. For estimating the cash flows, the management estimates the financial position of each customer and the recoverable amount from the foreclosure of assets with fixed charges (e.g. pre-notation of property) or guarantees. Each case is evaluated separately, whereas the followed methodology and the estimation of recoverable cash flows are reviewed by independent parties.

Provisions for losses on aggregated positions take into consideration factors such as credit quality, portfolio size etc. For estimating the required provisions, assumptions are made in respect of models and parameters, adjusted for past experience and prevailing financial conditions.

Accuracy of provisions is dependent on the quality of the estimation of expected cash flows, at individual and aggregate level. Although the above estimations involve subjective judgments, the management believes that recognized provisions are adequately and sufficiently justified.

## (b) Fair value of derivatives (including embedded derivatives)

The fair value of financial instruments not quoted in active markets are determined by using valuation techniques. To the extent practical models use only observable data.

## (c) Income tax

The Group is subject to income tax according to the Greek Tax Legislation. The calculation of income tax expense requires the exercise of significant subjective judgment. In the context of the usual Group activity, there are many transactions and calculations for which the final tax assessment is not certain. The management of the Group has taken into consideration income tax expense that may arise from a future tax audit. In case the final level of income tax that will be assessed, differs from the estimates, the difference may affect the income tax in the period of assessment or it may reduce the amount of the contingent asset relating to the tax losses carried forward.

## 6. Net interest income

	Year ended 31 December	
	2007	2006
	€ 000	€ 000
<b>(a) Interest income</b>		
Banks	10.347	6.964
Customers	205.684	179.525
Financial instruments		
<i>Available for sale</i>	13.765	8.043
<i>Hedging instruments</i>	3.754	4.614
Financial Leases	10.274	7.242
<b>Total interest income</b>	<b>243.824</b>	<b>206.388</b>

	Year ended 31 December	
	2007	2006
	€ 000	€ 000
<b>(b) Interest expense</b>		
Banks	(37.761)	(23.632)
Customers	(68.241)	(41.894)
Financial instruments		
<i>Subordinated Debt</i>	(5.575)	(4.891)
<i>Hedging instruments</i>	-	(2.840)
<b>Total interest expense</b>	<b>(111.577)</b>	<b>(73.257)</b>

## 7. Fee income and expenses

	Year ended 31 December	
	2007	2006
	€ 000	€ 000
<b>(a) Fee income</b>		
Customer transactions	10.230	8.625
Securities transactions	3.183	2.643
Investment and guarantees	6.323	6.514
Credit card fee income	7.379	8.710
Other service fee income	9.844	7.965
<b>Total fee income</b>	<b>36.959</b>	<b>34.457</b>

	Year ended 31 December	
	2007	2006
	€ 000	€ 000
<b>(b) Fee expenses</b>		
Credit institutions transactions	(387)	(281)
Financial instruments operations	(68)	(1)
Financial services	(277)	(214)
Other service fee expenses	(3.166)	(1.577)
<b>Total fee expenses</b>	<b>(3.898)</b>	<b>(2.073)</b>

## 8. Net income on financial operations

	Year ended 31 December	
	2007	2006
	€ 000	€ 000
Derivative financial instruments	(915)	(1.851)
Available for sale financial instruments	458	(592)
Foreign exchange transactions	1.049	1.022
<b>Total net income on financial operations</b>	<b>592</b>	<b>(1.421)</b>

## 9. Operating expenses

	Year ended 31 December	
	2007	2006
	€ 000	€ 000
Staff costs (note 10)	100.702	100.052
Taxes	1.550	1.403
Advertising expenses & other administrative expenses	23.262	27.234
Computer equipment & software maintenance	14.513	10.769
Consulting and other legal expenses	1.671	3.583
Building rental and maintenance	13.324	12.145
Depreciation and amortisation	13.986	13.774
<b>Total operating expenses</b>	<b>169.008</b>	<b>168.960</b>

## 10. Staff costs

	Year ended 31 December	
	2007	2006
	€ 000	€ 000
Wages, salaries and other similar costs	96.078	96.076
Defined contribution plans	4.515	4.178
Defined benefit plans (note 27)	109	(202)
<b>Total staff costs</b>	<b>100.702</b>	<b>100.052</b>

The number of employees of the Group as at 31 December 2007 was 2.104 (2.303 for 2006)

## Share-based payments

The employees of the Group are entitled to participate in a Societe Generale (SG) supported share-based payment scheme. The scheme is presented in summary below.

- Employees are eligible to buy SG shares at a discount of 20% on the price of the share prevailing at the announcement date

- Participation per employee is limited to EUR 20 000

- Employees should hold the shares for a period of five years. However, they are entitled to sell them in certain occasions such as marriage, resignation, purchase of new home etc.

As part of the Group employee shareholding policy, Société Générale offered on the 04/26/07 to employees of the Group to subscribe to a reserved capital increase at a share price of EUR 108.90, with a discount of 20% reported at the average of the 20 Société Générale share prices before this date.

Number of shares subscribed has been 7.808, representing an 2007 expense of EUR 125.7 k. euros for the Group taking into account the qualified 5-year holding period. The valuation model used, which complies with the recommendation of the French Accounting Council on the accounting treatment of company savings plans, compares the gain the employee would have obtained if he had been able to sell the shares immediately and the notional cost that the 5-year holding period represents to the employee.

This notional 5-year holding period cost is valued as the net cost of the Société Générale shares cash purchase financed by a non affected and non revolving five years credit facilities and by a forward sale of these same 5 years maturity shares.

The main market parameters to value these 5-year holding period cost at the subscription date are : a) average SG share price retained for the subscription period: EUR 151.29, b) risk-free interest rate : 4.39% and c) interest rate of a non-affected five years facilities credit applicable to market actors which are benefiting of non-transferable shares: 7.57%. This notional 5-year holding period cost is valued at 17.4% SG share cash price at the subscription date.

## 11. Income tax expense

	Year ended 31 December	
	2007	2006
	€ 000	€ 000
Current income tax	(5,268)	(5,747)
Deferred tax	(334)	(510)
<b>Total income tax expense</b>	<b>(5,602)</b>	<b>(6,257)</b>

Further information about deferred income tax is presented in note 30. The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the parent as follows:

Note	2007	2006
<i>Profit before tax</i>	(38.028)	(72.583)
Tax calculated at a statutory tax rate of 25% (2006 29%)	9.507	21.049
Income not subject to tax (perm. diff.)	69	23
Expenses not deductible for tax purposes (perm. Diff.)	(379)	(233)
One-off taxation of special reserves	-	(2.394)
Tax withheld on bond interest - not recoverable	(2.101)	(1.760)
De-recognition of deferred tax asset on the tax loss e/f	-	(21.748)
Not recognised deferred tax asset on tax loss of the year	(8.314)	(1.194)
Other	(4.384)	(1.194)
<b>Income tax expense</b>	<b>(5,602)</b>	<b>(6,257)</b>

Group entities have been audited by the tax authorities as presented below.

- Geniki Bank SA up to 2004 (included)
- General Cards SA up to 2005 (included)
- General Finance SA up to 2002 (included)
- General Insurance Brokerage up to 2002 (included)
- General Leasing SA up to 2002 (included)
- GBG Finance PLC (tax resident in the United Kingdom) has not been audited for the years 2001 to 2007 (included)
- § General Securities (AXEPEY), merged in 2004 with the Bank, has been tax audited up to the year 2004 (included)
- § Gaiognomon SA which has been liquidated, has been tax audited up to 2001 (included)
- § Genap SA which under liquidation, has been tax audited up to 2001 (included)

Due to the fact that a tax audit may disallow some expenses, it is possible that additional taxes may be assessed; it is estimated that these taxes are not going to have a significant impact on the financial position of the Group.

## 12. Earnings / (losses) per share

Basic earnings per share is calculated by dividing the net profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

Measurement unit	Year ended 31 December		
	2007	2006	2006 *
Net profit (loss) for period attributable to ordinary shareholders	€ 000 (43.630)	(78.840)	(78.840)
Weighted average number of ordinary shares in issue	Number of shares 78.723.379	71.079.449	58.387.939
Basic and diluted earnings per share	€ (0,55)	(1,11)	(1,35)

\* as originally reported before the effect of the rights issues share capital increase

## 13. Cash and balances with central bank

	Year ended 31 December	
	2007	2006
	€ 000	€ 000
Cash in hand	43.107	38.355
Balances with central banks	85.299	59.854
<b>Total cash and balances with central banks</b>	<b>128.406</b>	<b>98.209</b>
Included in cash and cash equivalents (note 14)	75.187	51.869
Compulsory deposit & requirements reserves in Bank of Greece *	53.219	46.340

\* Requirements reserves in Bank of Greece, represent the minimum level of average monthly deposits, which the Bank is required to maintain. Balances with central banks can be withdrawn at any time provided the average monthly minimum deposits are maintained.

## 14. Cash and cash equivalents

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

	Year ended 31 December	
	2007	2006
	€ 000	€ 000
Cash and balances with central banks	75.187	51.869
Loans and advances to banks	287.791	159.255
Available for sale investment securities	-	19.950
	<b>362.978</b>	<b>231.074</b>

## Notes to the consolidated financial statements

	Year ended 31 December	
	2007 € 000	2006 € 000
<b>15. Due from banks</b>		
Items in course of collection from other banks	52.764	123.071
Placements with other banks	268.000	57.817
<b>Total due from other banks</b>	<b>320.764</b>	<b>180.888</b>
Included in cash and cash equivalents (note 14)		
Loans and advances to other banks	287.791	159.255

	Year ended 31 December 2007			Year ended 31 December 2006		
	Contract amount	Fair values		Contract amount	Fair values	
Assets		Liabilities	Assets		Liabilities	
<b>(a) Derivatives held for trading (incl. economic hedging)</b>						
<i>(i) Foreign exchange derivatives</i>						
Currency swaps	53.267	390	(494)	187.790	545	5.282
<b>Total foreign exchange derivatives</b>		390	(494)		545	5.282
<i>(ii) Interest rate derivatives</i>						
Interest rate swaps	-	-	-	175.000	478	428
Interest rate options						
<b>Total interest rate derivatives</b>		-	-		478	428
<i>(ii) Other financial derivatives</i>						
Forward instruments	3.466	34	(42)		-	-
<b>Total other financial derivatives</b>		34	(42)		-	-
<b>Total recognized derivative held for trading</b>		424	(536)		1.023	5.710
<b>(b) Derivatives held for hedging (accounting hedging)</b>						
<i>(i) Derivatives designated as fair value hedges</i>						
Interest rate swaps	88.000	3.351	(395)	73.000	2.311	298
Interest rate options	503.150	10.338	-	436.050	8.693	-
<b>Total derivatives designated as fair value hedges</b>		13.689	(395)		11.004	298
<b>Total recognized derivative held for hedging (accounting hedging)</b>		13.689	(395)		11.004	298
<b>Total recognized derivative assets/(liabilities)</b>		<b>14.113</b>	<b>(931)</b>		<b>12.027</b>	<b>6.008</b>

	Year ended 31 December	
	2007 € 000	2006 € 000
<b>17. Available for sale investment securities</b>		
Debt securities-at fair value		
-listed	327.581	355.895
-unlisted	-	-
Equity securities-at fair value		
-listed	-	-
-unlisted	5.284	5.356
<b>Total available for sale investment securities</b>	<b>332.865</b>	<b>361.251</b>
Included in cash and cash equivalents (note 14)	-	19.950
Of which pledged for liquidity purposes from Bank of Greece	57.000	65.000
Of which used for repo collaterals	72.298	97.714

The movement of available for sale investment securities is summarised as follows:

	Year ended 31 December	
	2007 € 000	2006 € 000
Balance at 1 January	361.251	186.057
Additions	118.026	269.820
Disposals	(149.179)	(94.219)
Revaluation adjustments	2.767	(70)
Recyclement to P&L	-	(337)
<b>Balance at 31 December</b>	<b>332.865</b>	<b>361.251</b>

**18. Investment in subsidiaries**

The following is a listing of the Bank's subsidiaries as at 31 December 2007:

	Year ended 31 December			
	2007		2006	
	Direct holding	Indirect holding	Direct holding	Indirect holding
General Cards & Financial Services S.A.	100%		100%	
General Finance S.A.	100%		100%	
General Insurance Agency S.A.	80%	20%	80%	20%
General Leasing S.A.	100%		100%	
GBG Finance Plc	99%	1%	99%	1%
Genap S.A.	100%		100%	

**19. Investment in associates**

	Year ended 31 December	
	2007 € 000	2006 € 000
Beginning of the year	743	1.143
Share of results	-	-
Disposals	-	(400)
<b>At the end of the period</b>	<b>743</b>	<b>743</b>

Genap S.A. has been consolidated with the net equity method and has been presented in the Investment in associates line in the Balance sheet because the figures are immaterial and there is no commercial activity of any kind. Also the entity is under liquidation.

## Notes to the consolidated financial statements

## 20. Intangible assets

	Computer software € 000	Other € 000	Total intangible assets € 000
<b>Cost</b>			
Balance at 1 January 2006	28.647	11.152	39.799
Transfers	-	-	-
Additions	2.971	16	2.987
Disposals and write - offs	(3)	-	(3)
<b>Balance at 31 December 2006</b>	<b>31.615</b>	<b>11.168</b>	<b>42.783</b>
<b>Accumulated depreciation</b>			
Balance at 1 January 2006	25.704	1.291	26.995
Transfers	-	-	-
Additions	-	-	-
Disposals and write - offs	-	-	-
Charge of the year	1.821	1.112	2.933
<b>Balance at 31 December 2006</b>	<b>27.525</b>	<b>2.403</b>	<b>29.928</b>
<b>Net book value at 31 December 2006</b>	<b>4.090</b>	<b>8.765</b>	<b>12.855</b>
<b>Cost</b>			
Balance at 1 January 2007	31.615	11.168	42.783
Transfers	-	-	-
Additions	1.824	-	1.824
Disposals and write - offs	(150)	-	(150)
<b>Balance at 31 December 2007</b>	<b>33.289</b>	<b>11.168</b>	<b>44.457</b>
<b>Accumulated depreciation</b>			
Balance at 1 January 2007	27.525	2.403	29.928
Transfers	-	-	-
Additions	-	-	-
Disposals and write - offs	(68)	-	(68)
Charge of the year	2.063	1.095	3.158
<b>Balance at 31 December 2007</b>	<b>29.520</b>	<b>3.498</b>	<b>33.018</b>
<b>Net book value at 31 December 2007</b>	<b>3.769</b>	<b>7.670</b>	<b>11.439</b>

## 21. Property, plant and equipment

	Land, buildings, leasehold improvements € 000	Leasehold land and buildings € 000	Furniture, equipment, motor vehicles € 000	Computer hardware € 000	Under construction € 000	Total fixed assets € 000
<b>Cost</b>						
Balance at 1 January 2006	127.889	7.555	19.096	31.477	4.625	190.642
Transfers	5.215	-	2.131	154	(7.500)	-
Additions	2.071	-	1.427	3.723	11.462	18.683
Disposals and write - offs	(825)	-	(1.243)	(2.633)	-	(4.701)
<b>Balance at 31 December 2006</b>	<b>134.350</b>	<b>7.555</b>	<b>21.411</b>	<b>32.721</b>	<b>8.587</b>	<b>204.624</b>
<b>Accumulated depreciation</b>						
Balance at 1 January 2006	28.494	428	12.550	24.427	-	65.899
Transfers	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals and write - offs	(183)	-	(996)	(2.515)	-	(3.694)
Charge of the year	6.040	169	1.936	2.696	-	10.841
<b>Balance at 31 December 2006</b>	<b>34.351</b>	<b>597</b>	<b>13.490</b>	<b>24.608</b>	<b>-</b>	<b>73.046</b>
<b>Net book value at 31 December 2006</b>	<b>99.999</b>	<b>6.958</b>	<b>7.921</b>	<b>8.113</b>	<b>8.587</b>	<b>131.578</b>
<b>Cost</b>						
Balance at 1 January 2007	134.350	7.555	21.411	32.721	8.587	204.624
Transfers	5.209	-	819	115	(5.807)	336
Additions	765	-	551	1.176	3.235	5.727
Disposals and write - offs	(1.028)	-	(1.576)	(4.788)	(5)	(7.397)
<b>Balance at 31 December 2007</b>	<b>139.296</b>	<b>7.555</b>	<b>21.205</b>	<b>29.224</b>	<b>6.010</b>	<b>203.290</b>
<b>Accumulated depreciation</b>						
Balance at 1 January 2007	34.351	597	13.490	24.608	-	73.046
Transfers	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals and write - offs	(167)	-	(1.206)	(4.760)	-	(6.133)
Charge of the year	6.279	169	1.811	2.569	-	10.828
<b>Balance at 31 December 2007</b>	<b>40.463</b>	<b>766</b>	<b>14.095</b>	<b>22.417</b>	<b>-</b>	<b>77.741</b>
<b>Net book value at 31 December 2007</b>	<b>98.833</b>	<b>6.789</b>	<b>7.110</b>	<b>6.807</b>	<b>6.010</b>	<b>125.549</b>

## 22. Other assets

	Year ended 31 December	
	2007 € 000	2006 € 000
Prepaid expenses and accrued income	4.045	4.053
Auction (repossessed) items	10.377	9.456
Other assets	21.107	24.228
Cheques clearing account *	12.617	-
<b>Total other assets</b>	<b>48.146</b>	<b>37.737</b>

\* As at 31 December 2007 the balance of cheques clearing account has increased substantially by an amount of € 11.048 thousand (Debit € 56.861 thousand - Credit € 45.813 thousand) moving the balance of the account as at the year ended to € 12.617 thousand. As at 3 January 2008 the balance of the account was back to € 2.186 thousand. This movement as at the 31st December 2008 is being investigated by the bank.

## Auction (repossessed) items

Auction (repossessed) items are accounted as stocks in accordance with IAS 2 and this is an active programme of disposing of them.

	Year ended 31 December	
	2007 € 000	2006 € 000
Balance at 1 January	9.456	10.083
Additions	1.804	821
Impairment	-	(100)
Disposals and write - offs	(883)	(1.348)
<b>Balance at 31 December</b>	<b>10.377</b>	<b>9.456</b>

## Notes to the consolidated financial statements

## 23. Due to other banks

	Year ended 31 December	
	2007 € 000	2006 € 000
Items in course of payment	65.397	65.452
Deposits from other banks	1.003.800	787.965
	<b>1.069.197</b>	<b>853.417</b>
Included in the amounts due to other banks are amounts due to: - Parent, fellow subsidiary and affiliate undertakings	1.024.070	729.062

## 24. Due to customers

	Year ended 31 December	
	2007 € 000	2006 € 000
Savings and current accounts	1.435.110	1.482.324
Term deposits and repurchase agreements	1.318.461	1.149.284
	<b>2.753.571</b>	<b>2.631.608</b>

## 25. Subordinated debt

The Bank issued on 18 December 2006 a subordinated (bonded) loan amounting to 125m Euros. The (bonded) loan has been wholly placed to Societe Generale. The tenor of the loan is 10 years with fixed interest rate of 4.46% for the first five years and floating rate for the remaining years. The loan is callable after five years.

## 26. Provisions

## Provisions for litigations and risks

	Year ended 31 December	
	2007 € 000	2006 € 000
At 1 January	2.597	3.126
Additions	231	1.202
Utilised during the year	(1.407)	(308)
Other	-	(1.423)
<b>Balance at 31 December</b>	<b>1.421</b>	<b>2.597</b>

## 26. Provisions (continue)

## Other provisions

	Year ended 31 December	
	2007 € 000	2006 € 000
At 1 January	7.152	14.187
Additions	150	880
Utilised during the year	(1.059)	(5.827)
Write offs	(2.638)	(488)
Other	-	(1.600)
<b>Balance at 31 December</b>	<b>3.605</b>	<b>7.152</b>

## 27. Staff leaving indemnity provision

	Year ended 31 December	
	2007 € 000	2006 € 000
At 1 January	20.557	20.759
Current cost	1.415	1.315
Interest expense (unwinding of discount)	1.352	951
Recognised actuarial losses	315	82
Used provisions for exited employees	(2.973)	(2.550)
<b>Balance at 31 December</b>	<b>20.666</b>	<b>20.557</b>

The amount recognised in the balance sheet are determined as follows:

	Year ended 31 December			
	2007 € 000	2006 € 000	2005 € 000	2004 € 000
Initial amount for staff leaving indemnity provision (according to Greek Accounting Standards)	-	-	-	19.964
Adjustments due to the adoption of IFRS	-	-	-	910
Present value of unfunded obligations	26.505	28.098	24.490	-
Unrecognised actuarial losses	(5.839)	(7.541)	(3.731)	-
<b>Liability in the balance sheet</b>	<b>20.666</b>	<b>20.557</b>	<b>20.759</b>	<b>20.874</b>

Staff leaving indemnity provision is calculated in accordance with the stipulations of law 2112/20. The Group considers all benefits of employees with over than 15 years of service as vested.

	2007		2006	
	Bank	Subsidiaries	Bank	Subsidiaries
Long term inflation rate	2,50%	2,00%	3,30%	2,00%
Employee turnover	1,42%	1,42%	1,42%	1,42%
Discount rate	5,31%	5,70%	4,69%	5,03%

## 28. Other liabilities

	Year ended 31 December	
	2007 € 000	2006 € 000
Current tax liabilities	1	1.953
Deferred income and accrued expenses	7.542	10.907
Other liabilities	52.225	42.126
	<b>59.768</b>	<b>54.986</b>

## Finance leasing

The financial lease contracts, where the group is the lessee, are cancelable at the Group's request with a purchase option at the carrying amount of the related obligation. The future minimum lease payments and unguaranteed residual values from finance leases where the Group is the lessee (including sale and leaseback transactions) are analyzed as follows:

	Present value of minimum lease payments		Present value of minimum lease payments	
	2007	2006	2007	2006
- not later than one year	794	473	776	457
- later than one year and not later than five years	4.728	3.637	3.851	2.723
- later than five years	1.544	1.430	3.008	2.808
<b>Total</b>	<b>7.066</b>	<b>5.540</b>	<b>7.635</b>	<b>5.988</b>
Less : future finance charges	(1.526)	-	(1.647)	-
Minimum lease payments	5.540	5.540	5.988	5.988

**29. Deferred income tax**

Deferred income taxes are calculated on all temporary differences under the liability method using effective tax rate of 25%.

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

	Year ended 31 December	
	2007 € 000	2006 € 000
At 1 January	58.556	59.013
Income statement credit	(334)	(510)
Available for sale securities	-	55
Other differences	-	(2)
<b>Balance at 31 December</b>	<b>58.223</b>	<b>58.556</b>

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

**Deferred income tax assets**

Tax loss carried forward	1.450	-
Allowance for impairment on loans & advances to customers	46.419	51.975
Defined benefits obligations	5.108	5.098
Loans commissions and other adjustments to loans	10.414	3.696
Provisions for other risks	2.557	2.376
Other financial instrument	-	(142)
Derivatives & financial instruments	(1.853)	516
Fixed assets	(7.800)	(6.801)
Other differences	1.928	1.838
	<b>58.223</b>	<b>58.556</b>

The contingent asset mentioned in the financial statements as at and for the year ended 31 December 2006 amounting to EUR 21 million, for deferred tax asset arising from carrying forward tax losses of year 2004 until 2006 is not applicable anymore, due to the off setting of this losses with the reduction of nominal value of shares.

The Group has also a new contingent asset amounting to EUR 8.314 thousand approximately. This figure represents the ceiling of this contingent asset.

Tax loss year	Carried forward until	Tax loss for the year	Deferred tax asset corresponding to the tax loss for the year	Deferred tax asset recognised	Contingent deferred tax asset
2007	2012	39.056	9.764	1.450	8.314

**30. Share capital, share premium****Share capital**

	Year ended 31 December			
	2007		2006	
	Number of shares	€ 000	Number of shares	€ 000
At 1st January	58.387.939	336.898	58.387.939	336.898
Capital stock decrease with par value share decrease from € 5,77 to € 1,07 & clearing with before years losses.	58.387.939	(274.423)	-	-
Capital stock increase with issue option 9/10 & cash paid (nominal amount € 1,07).	52.549.145	56.228	-	-
<b>Balance at 31 December</b>	<b>110.937.084</b>	<b>118.703</b>	<b>58.387.939</b>	<b>336.898</b>

**Share premium**

At 1st January	-	62.620	-	62.620
Rights issue 9/10 (paid in cash & issue price € 4 - € 1,07 nominal value = € 2,93)	52.549.145	153.969	-	-
Less: Rights issue expenses	-	(1.269)	-	-
<b>Balance at 31 December</b>		<b>215.320</b>		<b>62.620</b>

**31. Geographical concentration of assets, liabilities and off-balance sheet items**

As geographical concentration risk is concerned, the Group is mainly active in Greece. For management information purposes Greece as a whole is considered as one geographical region.

**32. Operating lease commitments**

The obligations of the Group (as lessee) from leases relate to the occupancy of premises and vehicles used for its operations. The duration of leases varies from 9 to 12 years with an option to renew or extend their duration at the agreement of both counterparties. Lease payments are usually adjusted annually on the basis of the consumer inflation index. Group policy is to renew such contracts.

The future minimum lease payments for operating leases are as follows:

	Year ended 31 December			
	2007 € 000		2006 € 000	
	Land and buildings	Furniture, equipment, vehicles	Land and buildings	Furniture, equipment, vehicles
- not later than one year	8.788	270	8.099	209
- later than one year and not later than five years	28.778	305	26.561	296
- later than five years	14.361	-	16.563	-
<b>Total</b>	<b>51.927</b>	<b>575</b>	<b>51.223</b>	<b>505</b>

The total expenses of the Group for real estate leases for 2007 amount to 9,199 (2006: 8,718) thousands euro and are included in administration expenses.

## Notes to the consolidated financial statements

## 33. Contingent liabilities and commitments

	Year ended 31 December	
	2007 € 000	2006 € 000
Contingent liabilities :		
Guarantees		
- guarantees and standby letters of credit	565.664	368.917
- other guarantees low and medium risk	263.678	357.769
Documentary credits	9.836	12.044
	<b>839.178</b>	<b>738.730</b>
Commitments :		
Capital expenditure	15.267	21.065

**Legal cases**

Pending litigation cases against the Group are not expected to have a significant impact on its financial position and future operation.

**Tax issues**

See note 11 on income tax and note 5c "Estimations and judgments".

**Social security issues**

The employees of Geniki Bank are socially secured in IKA (main fund) and therefore, the stipulations of the Law 3371/2005 relating to the transfer of employees to IKA-ETAM will not have an effect to the Group. The employees of the Bank have set up - without any participation of the Bank in the set-up, management and administration - a supplementary fund for pensions and lump-sum payments at retirement. The only obligation of the Bank in respect of the supplementary fund is the payment of contributions. In accordance with the provisions of Law 3371/2005, the employees can decide to dissolve and transfer their fund to IKA - ETEAM - ETAT. The effect on the contributions payable by the Bank in future periods or other impact from the introduction of the Law 3371/2005 cannot be assessed.

**Contingent liabilities and probable, remote liabilities**

The amount of pending litigation cases and other legal actions against the Bank is € 145,5 mil. No provision is created for them because there is estimated that they will not be realised.

## 34. Business segmentation

## Segmented reporting

Segment information is presented in respect of the Group's business segments. Business segments are based on the group's management and internal reporting structure. This is an early adoption of IFRS 8 with comparative figures for 2006 under the same method Geniki Bank only activates into Greek Market so, there is no information about geographic areas (countries, according to paragraph 105 IFRS 8).

Operating segments meeting the quantitative thresholds set by IFRS 8 have not been aggregated. Other segments below the thresholds have been presented on an aggregated basis. Management primarily relies on net interest revenue, not the gross revenue and expenses amounts, in managing the Group's business segments. Therefore, as per IFRS 8.13 & 8.23, only the net amount is disclosed. Business segments pay and receive interest to and from the Central Treasury on an arm's length basis to reflect the allocation of capital and funding costs. Cost sharing is based on the allocation of common overhead costs to business segments on a reasonable basis.

## Business segments

The Group comprises the following six main business segments:

- Corporate & Investment banking: Includes loans, deposits and other transactions with large enterprises and more specifically products like open account, business loans, working capital in euro or foreign currency, multi-optional loan for business' premises, fixed assets-financing in euro or foreign currency, letters of guarantee and letters of credit, import and export operations, sight accounts, time deposits, repos, and other investment programs.
- Small & Medium Size Enterprises: Includes loans, deposits, and other transactions and balances with small and medium size enterprises. The products offered are almost the same as the ones offered to Corporate & Investment Banking segment, but the pricing, servicing of the customer and the way of promoting being totally different, it is considered and followed by the management in a different segment.
- Retail Banking: Includes loans, deposits and other transactions with individuals, professionals and very small businesses. More specifically, the products offered are business loans and working capital for very small businesses and professionals, consumer loans, personal loans, open credits, loans for car's purchase, loans for stocks' buying, loans for buying of mutual funds' shares, fixed or floating mortgage loans, mortgage loans with protection, savings accounts in local and foreign currency, special saving accounts linked with ECB rate, time deposits, current deposits with or without overdraft, payroll accounts.
- Custody: With individuals, mutual funds, securities and investment companies as customers, custody holds in safekeeping assets such as equities and bonds, arrange settlement of any purchases and sales of such securities, collect income from such assets (dividends in the case of equities and interest in the case of bonds), offers a wide variety of products such as time deposits, current accounts and repos, remittances, bonds of the Hellenic and Foreign Public etc.
- Treasury: Undertakes the Group's funding and centralized market risk management activities through borrowings, issues of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short term placements and corporate and government debt securities.
- All other segments: Includes bank's transactions which are not included in any of the previous mentioned segments (leasing, insurance brokerage, management of capital and other accounts etc.)

	Year ended 31 December 2007						Total € 000
	Corporate & Investment Banking € 000	Small & Medium Size Enterprises € 000	Retail Banking € 000	Treasury € 000	Custody € 000	All Other Segments € 000	
Revenue from external customers							
Net interest income	14.301	19.699	84.641	4.121	134	9.351	132.247
Net fee and commission income	4.854	5.551	17.458	-	5.196	2	33.061
Other operating income	-	-	-	723	31	4.909	5.663
<b>Total segmented revenue</b>	<b>19.155</b>	<b>25.250</b>	<b>102.099</b>	<b>4.844</b>	<b>5.361</b>	<b>14.262</b>	<b>170.971</b>
Segmented result	6.553	(10.402)	(52.872)	3.280	3.016	12.397	(38.028)
Income tax expenses							(5.602)
<b>Net Profit after tax</b>							<b>(43.630)</b>
Reportable segment gross loans	862.074	675.629	1.868.623	-	-	176.676	<b>3.583.002</b>
Reportable segment deposits	349.650	200.576	2.157.907	-	-	45.438	<b>2.753.571</b>
Depreciation and amortization	(380)	(1.990)	(9.778)	(128)	(199)	(1.511)	<b>(13.986)</b>

	Year ended 31 December 2006						Total € 000
	Corporate & Investment Banking € 000	Small & Medium Size Enterprises € 000	Retail Banking € 000	Treasury € 000	Custody € 000	All Other Segments € 000	
Revenue from external customers							
Net interest income	12.739	17.245	88.308	4.263	153	10.423	133.131
Net fee and commission income	4.876	5.086	18.360	-	4.062	-	32.384
Other operating income	-	-	-	643	31	2.265	2.939
<b>Total segmented revenue</b>	<b>17.615</b>	<b>22.331</b>	<b>106.668</b>	<b>4.906</b>	<b>4.246</b>	<b>12.688</b>	<b>168.454</b>
Segmented result	(12.353)	(20.783)	(59.639)	3.313	2.213	14.666	(72.583)
Income tax expenses							(6.257)
<b>Net Profit after tax</b>							<b>(78.840)</b>
Reportable segment gross loans	840.647	632.040	1.630.423	-	-	133.082	<b>3.236.192</b>
Reportable segment deposits	622.013	232.457	1.749.960	-	-	27.178	<b>2.631.608</b>
Depreciation and amortization	(443)	(2.097)	(10.520)	(107)	(282)	(325)	<b>(13.774)</b>

## 35. Currency risk

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2007 and 31 December 2006. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by currency.

	Year ended 31 December 2007			
	Euro € 000	USD € 000	Other € 000	Total € 000
<b>Assets</b>				
Cash and balances with central bank	128.082	224	100	128.406
Due from banks	253.835	45.116	21.813	320.764
Derivative financial instruments	14.044	60	9	14.113
Loans and advances to customers, net	3.234.940	55.069	4.181	3.294.190
Investment securities - available for sale	322.145	10.720	-	332.865
Investment in associate undertakings	743	-	-	743
Intangible assets	11.439	-	-	11.439
Property, plant and equipment	125.549	-	-	125.549
Deferred income tax assets	58.223	-	-	58.223
Other assets	47.730	341	75	48.146
<b>Total assets</b>	<b>4.196.730</b>	<b>111.530</b>	<b>26.178</b>	<b>4.334.438</b>
<b>Liabilities</b>				
Due to banks	1.030.471	33.365	5.361	1.069.197
Due to customers	2.655.347	67.777	30.447	2.753.571
Derivative financial instruments	851	59	21	931
Subordinated debt	125.201	-	-	125.201
Provisions for staff benefits	20.666	-	-	20.666
Risks & charges provisions	5.026	-	-	5.026
Other liabilities	58.753	1.014	1	59.768
<b>Total liabilities</b>	<b>3.896.315</b>	<b>102.215</b>	<b>35.830</b>	<b>4.034.360</b>
<b>Net on balance sheet position</b>	<b>300.415</b>	<b>9.315</b>	<b>(9.652)</b>	<b>300.078</b>
Off balance sheet net notional position	434.129	(52)	9.874	443.951
Contingent liabilities and commitments (note 33)	719.602	76.190	43.386	839.178

	Year ended 31 December 2006			
	Euro € 000	USD € 000	Other € 000	Total € 000
Net on balance sheet position	285.098	4.822	(158.032)	131.888
Off balance sheet net notional position	7.282	(5.715)	157.602	159.169

The measurement of Currency Risk sensitivity of the Group Balance Sheet items in respect to a parallel shift of 1% in foreign currency rates showed no material effect on the net Asset position of the Group.

## 36. Interest rate risk

The Group's Asset Liability Management Department quantifies the Group's exposure to interest rate risk by analyzing all fixed rate assets and liabilities in Euro and Foreign currencies with future maturities identifying any gaps in fixed rate position. The measurement of Interest Rate Risk is realized by the estimation of the Sensitivity of the Group's Balance Sheet items which is defined as the variation in the Net Present Value of fixed-rate position corresponding to a parallel shift of 1% in the yield curve.

As at end of December 2007, Geniki Group's global sensitivity to interest rate risk reached + 477 thousand € (2006 : - 3.426 thousand €) remaining, as always, within the Société Générale set limit of 15.000 thousand €. The following recapitulative table presents the indicators which explain the 2007 and 2006 Geniki Group Balance Sheet position :

	Year ended 31 December 2007				
	Sensitivity € 000	Sensitivity (%)	Duration (in years)	Survey date outstanding amounts	Sensitivity / Total balance sheet (%)
	Net Sensitivity all currencies	477	-	-	-
<b>Liabilities</b>	44.589	1,090%	1,176	4.334.438	0,01%
<b>Assets</b>	(44.112)	1,083%	1,182	(4.334.438)	

  

	Year ended 31 December 2006				
	Sensitivity € 000	Sensitivity (%)	Duration (in years)	Survey date outstanding amounts	Sensitivity / Total balance
	Net Sensitivity all currencies	(3.426)	-	-	-
<b>Liabilities</b>	33.721	0,918%	0,986	3.833.414	-0,09%
<b>Assets</b>	(37.147)	1,018%	1,100	(3.833.414)	

The total gap of +0.5 mil. € (2006 : -3.4 mil. €) expresses a slight sensitivity to a decrease of interest rates (2006 gap expresses a sensitivity to an increase of interest rates). Additionally, commenting on the duration indicators, assets' duration is 1.182 year (2006 : 1.1 year) is almost equal to the liabilities' duration 1.176 year (2006 : 0.986 year). In other words, in case of 1% parallel decrease of the yield curve, assets will generate a loss of 1.083%, while liabilities' value will be 1.090% lower as well. Finally, it is worth noting that the capital increase of 209 mil. € realized during 2007 is the basic factor of the Group's net sensitivity neutralization and the inversion of 2006 negative sensitivity.

## 37. Maturity of assets and liabilities

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Year ended 31 December 2007					
	Up to 1 month € 000	1-3 months € 000	3-12 months € 000	1-5 years € 000	Over 5 years € 000	Total € 000
<b>Assets</b>						
Cash and balances with central bank	128.406	-	-	-	-	128.406
Due from banks	284.293	29.505	6.943	-	23	320.764
Derivative financial instruments	256	68	100	2.666	11.023	14.113
Loans and advances to customers, net	1.420.813	66.284	220.604	968.695	1.207.385	3.883.781
Investment securities - available for sale	4.046	4.160	17.243	97.699	342.339	465.487
Investment in associate undertakings	-	-	-	-	743	743
Intangible assets	-	-	-	-	11.439	11.439
Property, plant and equipment	-	-	-	-	125.549	125.549
Deferred income tax assets	-	-	3.130	37.761	17.332	58.223
Other assets	48.146	-	-	-	-	48.146
<b>Total assets</b>	<b>1.885.960</b>	<b>100.017</b>	<b>248.020</b>	<b>1.106.821</b>	<b>1.715.833</b>	<b>5.056.651</b>
<b>Liabilities</b>						
Due to banks	433.012	44.361	99.673	-	492.151	1.069.197
Due to customers	2.229.219	414.223	110.051	78	-	2.753.571
Derivative financial instruments	256	11	30	502	132	931
Subordinated debt	-	-	5.776	141.725	-	147.501
Provisions for staff benefits	-	-	617	7.152	12.897	20.666
Risks & charges provisions	-	-	-	5.026	-	5.026
Other liabilities	59.768	-	-	-	-	59.768
<b>Total liabilities</b>	<b>2.722.255</b>	<b>458.595</b>	<b>216.147</b>	<b>154.483</b>	<b>505.180</b>	<b>4.056.660</b>
<b>Net liquidity gap</b>	<b>(836.295)</b>	<b>(358.578)</b>	<b>31.873</b>	<b>952.338</b>	<b>1.210.653</b>	

  

	Year ended 31 December 2006					
	Up to 1 month € 000	1-3 months € 000	3-12 months € 000	1-5 years € 000	Over 5 years € 000	Total € 000
Total assets	1.624.538	272.707	348.060	713.496	1.296.884	4.255.685
Total liabilities	2.713.141	507.522	331.546	162.450	21.027	3.735.686
<b>Net liquidity gap</b>	<b>(1.088.603)</b>	<b>(234.815)</b>	<b>16.514</b>	<b>551.046</b>	<b>1.275.857</b>	<b>519.999</b>

## 37. Maturity of assets and liabilities (continue)

Financial leases operations of the Group are included in Loans and advances to customers and are analysed in maturity groupings as follows :

	Present value of		Present value of	
	Minimum lease payments	minimum lease payments	Minimum lease payments	minimum lease payments
	2007	2006	2007	2006
- not later than one year	39.772	29.150	29.204	21.912
- later than one year and not later than five years	96.309	65.726	69.700	50.395
- later than five years	111.363	81.800	79.832	60.775
<b>Total</b>	<b>247.444</b>	<b>176.676</b>	<b>178.736</b>	<b>133.082</b>
Less future finance charges	70.768	-	45.654	-
Present value of minimum lease payments	176.676	176.676	133.082	133.082

## 38. Post balance sheet events

There are no post balance sheets events for the reporting period.

## 39. Related parties transactions

## Parent and ultimate controlling party

The ultimate controlling party of the Group is Societe Generale S.A. which is incorporated in France. Societe Generale Group holds 52,33% of the ordinary shares of the Bank.

In the below table there are included the intercompanies transactions of Geniki Bank with Societe Generale. All transactions with related parties are performed at arm's length terms conditions.

Related party transactions	Year ended	
	2007	2006
	€ 000	€ 000
<b>Assets</b>		
Due from banks	26.438	21.793
Derivative financial instruments	5.165	5.155
<b>Total</b>	<b>31.603</b>	<b>26.948</b>
<b>Liabilities</b>		
Due to banks	1.024.270	729.062
Subordinated Debt	125.201	125.201
<b>Total</b>	<b>1.149.471</b>	<b>854.263</b>
<b>Income</b>		
Interest and similar income	2.485	1.913
Net commission income	908	-
<b>Total</b>	<b>3.393</b>	<b>1.913</b>
<b>Expenses</b>		
Interest and similar expenses	41.392	18.739
Staff cost	2.527	-
<b>Total</b>	<b>43.919</b>	<b>18.739</b>

Guarantees issued to related parties as 31.12.2007 were amounting to € 158,969 thousands (€ 79,827 thousands as at 31.12.2006).

## Transactions with key management personnel

The remuneration of the Board of Directors (BoD) members and General Managers of the Group for the period ended 31 December 2007 amounted to € 2.168 thousand (2006 € 940 thousand).

The outstanding loans granted to BoD members or to General Managers of the Group amounted to € 29 thousand ; their deposits amounted to € 474 thousand as at 31 December 2007.

## 40. Regulatory ratios

The Bank's objectives when managing capital, which is a broader concept than the "equity" on the face of balance sheets are :

- To comply with the capital requirements set by the regulators of the banking markets.
- To safeguard the Bank's ability to continue as a going concern.
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored regularly by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by Bank of Greece, for supervisory purposes. The required information is filed with the Authority on a quarterly basis.

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

- Tier 1 capital** : share capital (net of any book values of the treasury shares), retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill and intangible assets, is deducted in arriving at Tier 1 capital; and
- Tier 2 capital** : mainly qualifying subordinated loan capital.

The risk - weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of - and reflecting an estimate of credit, risks associated with - each asset and counterparty.

Table below summarises the composition of regulatory capital and the ratios of the Group for the years ended 31 December.

Tier 1 capital	Year ended	
	2007	2006
Retained earnings	(43.371)	(274.276)
Share capital (net of the treasury shares)	118.703	336.898
Share premium	215.320	62.620
Other reserves (fair value reserves are not included)	6.318	6.304
Other additions	-	7.452
Less: intangible assets	(11.439)	(12.855)
<b>Total qualifying Tier 1 capital</b>	<b>285.531</b>	<b>126.143</b>
<b>Tier 2 capital</b>		
Lower Tier 2 capital	125.201	63.072
Other deduction	-	(7.452)
<b>Total qualifying Tier 2 capital</b>	<b>125.201</b>	<b>55.620</b>
<b>Total regulatory capital</b>	<b>410.732</b>	<b>181.763</b>
<b>Risk - weighted assets</b>		
<b>Total risk -weighted assets</b>	<b>3.449.622</b>	<b>3.086.961</b>
<b>Basel ratio</b>	<b>11,91%</b>	<b>5,89%</b>
<b>Liquidity ratio</b>	<b>19,70%</b>	<b>15,40%</b>

## 41. Reclassification

The following reclassifications were made in order to achieve better presentation : a) Deferred Tax - deferred tax asset has been offsetted with deferred tax liability with the amount of 6.285 thousand euros, b) From the Cash Equivalent it is excluded it, the amount of the required reserves in Bank of Greece. The corresponding change in Cash Equivalent of year 2006 is 46.430 thousand euros (Note 13).

**42. Board of directors**

The Board of Directors of the Bank is the following:

Koutalidis Tryfon	Chairman (Non Executive)	
Rokas Meletios	Vice chairman (Non Executive)	until 29.11.2007
Siakavellas Elias	Vice chairman (Non Executive)	from 29.11.2007
Patrick Couste	Chief Executive Officer	
Emmanuel Martin	Executive Director	
Georgopoulos Dimitrios	Executive Director	
Jean Didier Reigner	Non Executive	
Marc Breillout	Non Executive	
Jean Louis Mattei	Non Executive	
Kalyvas Elias	Non Executive	
Akkas Christos	Independent Non-Executive Member	
Gouloussis Dimitrios	Independent Non-Executive Member	

The Chairman of Board of Directors

The Managing Director

The Chief Financial Officer

The Manager of Accounting & Tax Division

TRYFON J.KOUTALIDIS

PATRICK COUSTE

NIKOLAOS C.PATERAKIS

NIKOLAOS D.DALIANIS