Eurobank EFG Cyprus Ltd

Report and financial statements for the period from 21 December 2007 (date of incorporation) to 31 December 2008

Contents

Eurobank EFG Cyprus Ltd

Board of Directors and other officers

Board of Directors

N. Karamouzis	Chairman
M. Zampelas	Vice Chairman
M. Louis	Executive
D. Shacallis	Executive
M. Colakides	Non Executive (appointed 11 July 2008)
P. Hadjisotiriou	Non Executive
K. Morianos	Non Executive
K. Vasiliou	Non Executive
V. Asser	Non Executive (resigned 11 July 2008)
D. Hadjiargyrou	Independent Non Executive
V. Nicolaides	Independent Non Executive
C. Papaellinas	Independent Non Executive
C. Zachariou	Independent Non Executive

Executive Committee

Michalis Louis
Demetris Shacallis
Charalambos Hambakis
Achilleas Malliotis
Andreas Petsas
Antonis Antoniou
Stefanos Kassianides

Company Secretary

D. Shacallis

Registered office

41 Makariou Avenue
5^{th} floor
CY-1065 Nicosia
Cyprus

Eurobank EFG Cyprus Ltd

Report of the Board of Directors

The Board of Directors presents its first report together with the audited financial statements of Eurobank EFG Cyprus Ltd (the "Bank") for the period from 21 December 2007 (date of incorporation) to 31 December 2008.

Principal activities

Eurobank EFG Cyprus Ltd was incorporated on 21 December 2007 and remained dormant until the date of transfer of assets and activities of EFG Eurobank Ergasias S.A. – Cyprus Branch which took place on 26 March 2008.

The transfer of assets and activities was effected following the permit granted by the Central Bank of Cyprus dated 11 March 2008 to carry out banking services through the operation of a Cyprus subsidiary company and in accordance with the Transfer of Banking Business and Securities Law 64 (I)/1997, as amended (the "Transfer Law') N 118(I)/2002 (as amended) articles 26-30.

The principal activity of the Bank is the provision of banking and financial services.

Review of developments, position and performance of the Company's business

The main financial highlights for the period end are as follows:

	€'000
Operating income	30.090
Operating expenses including provision for impairment of loans and advances	7.160
Profit before tax	22.930
Profit for the period	20.557
Client deposits	922.055
Loans and advances to customers	1.251.736
Total assets	13.709.548

The financial position, development and performance of the Company as presented in these financial statements is considered satisfactory.

Principal risks and uncertainties

The Bank considers risk management to be a major process and a major factor contributing to the stability of the Bank's performance. The financial risks which are managed and monitored are credit risk, operational risk, market risk and liquidity risk. Detailed information relating to risk management is set out in Notes 3, 28, 29 and 30 of the financial statements.

Report of the Board of Directors (continued)

Future developments

The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in increased volatility in the currency and equity markets. Management believes is taking all the necessary measures to support the sustainability and growth of the Bank's business in the current circumstances.

The Bank currently operates through a network of 3 business centres in Nicosia, Limassol and Larnaca. It is expected that the Bank will expand its network with 3 more business centres, 1 each in Nicosia, Limassol and Paphos, thus providing banking services all over the country. In addition, the Bank will strengthen its back office support operations investing in human capital and procedures in various areas.

Results

The Bank's results for the period are set out on page 7. The Board of Directors does not recommend the payment of a dividend and the net profit for the period is retained.

Share capital

On incorporation, the Bank issued 1 share of a nominal value €10.000 issued at par. During the period the share capital of the Bank increased by €187,4m through 3 new share issues. The movement of the issued share capital during the period was as follows:

Date	**No. of shares issued**	**Amount €'000**
21 December 2007 - incorporation	1	10
26 March 2008	750	47.374
11 June 2008	249	100.000
21 December 2008	100	50.000
Total issued share capital	**1.100**	**197.384**

On incorporation the authorised share capital of the Bank was 1.000 shares of a nominal of €10.000 each. During the period the authorised share capital of the Bank increased from 1.000 shares to 1.500 shares with the creation of 500 additional ordinary shares of a nominal value of €10.000 each.

Capital adequacy

The capital adequacy of the Bank stands at 9,1% and the minimum requirement in accordance with the Capital Requirements Directive is 8%.

Report of the Board of Directors (continued)

Board of Directors

The members of the Board of Directors of the Bank at 31 December 2008 and at the date of this report are shown on page 1. All of them were appointed as Directors on 21 December 2007 with the exception of Mr M. Colakides who was appointed on 11 July 2008 in replacement of Mr V. Asser who resigned from the Board of Directors on the same day.

Bank Management

The Bank's Executive Committee as at 31 December 2008 and at the date of this report is shown on page 1.

Events after the balance sheet date

In the context of a group reorganisation, the Bank will undertake the assets and liabilities of the company Eurocredit Retail Services Limited, a group related company, incorporated in Cyprus. The reorganisation is subject to approval by the shareholders and creditors of Eurocredit Retail Services Limited and to court approval under the provisions of Cap.113, Articles 198-200. The financial effect of this proposed reorganisation cannot be currently assessed.

Auditors

The Independent Auditors, PricewaterhouseCoopers Limited, were appointed on 24 October 2008 and they have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Michalis Louis
Executive Director

Nicosia, 27 April 2009

Independent Auditors' Report
To the Members of Eurobank EFG Cyprus Ltd

Report on the Financial Statements

We have audited the financial statements of Eurobank EFG Cyprus Ltd (the "Company") on pages 7 to 46 which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the period from 21 December 2007 (date of incorporation) to 31 December 2008, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Eurobank EFG Cyprus Limited as of 31 December 2008, and of its financial performance and its cash flows for the period from 21 December 2007 (date of incorporation) to 31 December 2008 in accordance with International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards as issued by the IASB and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal Requirements

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

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 2 to 4 is consistent with the financial statements.

Other Matter

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

PricewaterhouseCoopers Limited
Chartered Accountants

Nicosia, 27 April 2009

Eurobank EFG Cyprus Ltd

Income statement
for the period from 21 December 2007 (date of incorporation) to 31 December 2008

	Note	€'000
Interest income	5	166.395
Interest expense	5	(140.536)
Net interest income		25.859
Banking fee and commission income	6	1.808
Banking fee and commission expense	6	(552)
Net fee and commission income		1.256
Foreign exchange income		1.040
Fair value gains on financial instruments	7	1.858
Other income		68
Dividend income		9
Operating income		30.090
Staff costs	8	(4.455)
Other operating expenses	9	(2.384)
Profit before provisions		23.251
Provisions for impairment of loans and advances		(321)
Profit before tax		22.930
Tax	10	(2.373)
Profit for the period		**20.557**

The notes on pages 11 to 46 form an integral part of these financial statements.

Eurobank EFG Cyprus Ltd

Balance sheet
at 31 December 2008

	Note	€'000
Assets		
Cash and balances with central banks	11	13.911
Loans and advances to banks	12	10.747.143
Derivative financial instruments	13	2.844
Loans and advances to customers	14	1.251.736
Available-for-sale financial assets	15	1.469.693
Debt securities lending	16	212.468
Property, plant and equipment	17	3.066
Intangible assets	18	1.403
Other assets	19	7.284
Total assets		**13.709.548**
Liabilities		
Due to other banks	20	7.919.244
Repurchase agreements with banks	20	4.652.262
Derivative financial instruments	13	18.112
Due to customers	21	922.055
Other liabilities	22	9.237
Deferred tax liability	10	71
Retirement benefit obligations	8	5.464
Total liabilities		13.526.445
Equity		
Share capital	23	11.000
Share premium	23	186.384
Other reserves		(34.838)
Retained earnings		20.557
Total equity		183.103
Total equity and liabilities		**13.709.548**

On 27 April 2009 the Board of Directors of Eurobank EFG Cyprus Ltd authorised the issuance of these financial statements.

Michalis Louis, Chief Executive Officer

Demetris Shacallis, Chief Financial Officer

The notes on pages 11 to 46 form an integral part of these financial statements.

Eurobank EFG Cyprus Ltd

Statement of changes in equity for the period from 21 December 2007 (date of incorporation) to 31 December 2008

	Note	Share capital €'000	Share premium €'000	Available-for-sale revaluation reserve €'000	Retained earnings €'000	**Total €'000**
On incorporation – issue of shares	23	10	-	-	-	**10**
Available for sale securities:						
- net changes in fair value	15	-	-	(20.622)	-	**(20.622)**
- transfer to net profit	15	-	-	(14.216)	-	**(14.216)**
Net expense recognised directly in equity		-	-	(34.838)	-	**(34.838)**
Profit for the period		-	-	-	20.557	**20.557**
Total recognised (expense)/ income for the year 2008		-	-	(34.838)	20.557	**(14.281)**
Share capital increases	23	10.990	186.384	-	-	**197.374**
		10.990	186.384	-	-	**197.374**
Balance at 31 December 2008		11.000	186.384	(34.838)	20.557	**183.103**

The notes on pages 11 to 46 form an integral part of these financial statements.

Eurobank EFG Cyprus Ltd

Cash flow statement
for the period from 21 December 2007 (date of incorporation) to 31 December 2008

	Note	€'000
Net cash flow from operating activities	26	3.742.462
Cash flows from investing activities		
Purchase of available-for-sale financial assets	15	(1.490.315)
Purchases of property, plant and equipment	17	(2.150)
Purchases of Intangible assets	18	(555)
Acquisition of business under common control net of cash acquired	31 (iv)	173.934
Net cash flow used in investing activities		(1.319.086)
Cash flows from financing activities		
Issue of ordinary shares	23	150.010
Net cash flow from financing activities		150.010
Net increase in cash and cash equivalents		**2.573.386**
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	26	**2.573.386**

The notes on pages 11 to 46 form an integral part of these financial statements.

Notes to the financial statements

1 General information

Country of incorporation

Eurobank EFG Cyprus Ltd (the “Bank”) was incorporated in Cyprus as a private limited liability company on 21 December 2007 in accordance with the provisions of the Companies Law, Cap. 113.

The registered office and business address of the Bank is at 41 Makariou Avenue, 5th floor, 1065 Nicosia, Cyprus.

Principal activities

The principal activity of the Bank is the provision of banking and financial services.

Following the approval from the Central Bank of Cyprus on 11 March 2008 to carry out banking services through the operation of a Cyprus subsidiary company and in accordance with the Transfer of Banking Business and Securities Law 64 (I)/1997, as amended (the ‘Transfer Law’) N 118(I)/2002 (as amended) articles 26-30, the assets and activities of the EFG Eurobank Ergasias S.A. – Cyprus Branch (the “Branch”) were transferred to Eurobank EFG Cyprus Ltd on 26 March 2008.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The financial statements of Eurobank EFG Cyprus Ltd have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). In addition the financial statements have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss and derivative financial instruments.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Bank’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised IFRSs

The Bank has adopted all new and amended IFRSs that are relevant to its operations and are effective for accounting periods beginning on 1 January 2008. This adoption did not have a material impact on the Bank's financial statements.

At the date of approval of these financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

Standard / Interpretation	**Effective for annualperiods beginningon or after**
(i) Adopted by the European Union	
Improvements to IFRSs – 2008	1 January 2009
Amendments to IFRS 1 and International Accounting Standard (IAS) 27 "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"	1 January 2009
Amendment to IFRS 2 "Share Based Payment: Vesting Conditions and Cancellations"	1 January 2009
IFRS 8 "Operating Segments"	1 January 2009
IAS 1 (Revised) "Presentation of Financial Statements"	1 January 2009
IAS 23 (Revised) "Borrowing Costs"	1 January 2009
Amendments to IAS 32 and IAS 1 "Puttable Financial Instruments and Obligations arising on Liquidation"	1 January 2009
International Financial Reporting Interpretation Committee (IFRIC12) "Service Concession Arrangements"	29 March 2009
International Financial Reporting Interpretation Committee (IFRIC) 13 "Customer Loyalty Programmes"	1 July 2008
(ii) Not adopted by the European Union	
IFRS 1 (Revised) "First Time Adoption of International Financial Reporting Standards"	1 January 2009
IFRS7 (Amendments) – "Financial Instruments: Disclosures: Improving disclosures about financial instruments"	1 January 2009
IFRS 3 (Revised) "Business Combinations"	1 July 2009
IAS 27 (Revised) "Consolidated and Separate Financial Statements"	1 July 2009
Amendment to IAS 39 "Eligible Hedged Items"	1 July 2009
Amendment to IAS 39 "Reclassification of Financial Assets: Effective date and Transition"	1 July 2008
IFRIC 15 "Agreements for the Construction of Real Estate"	1 January 2009
IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"	1 October 2008
IFRIC 17 "Distributions of Non cash Assets to Owners"	1 July 2009
IFRIC 18 "Transfers of Assets from Customers"	1 July 2009

The Board of Directors expects that the adoption of these accounting standards will not have a material effect on the Bank's financial statements in the period of initial application, except from the application of IAS 1 (Revised) which will have an effect on the "Presentation of the Financial Statements".

2 Summary of significant accounting policies (continued)

2.3 Derivative financial instruments and hedging

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

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

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

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Bank designates derivatives as hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments (fair value hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 13.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Bank only applies fair value hedge accounting for hedging fixed interest rate risk on bonds classified as available-for-sale financial assets or as debt securities lending. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate bonds is recognized in the income statement. There is no ineffective portion of interest rate swaps. The changes in the fair value of the hedge fixed rate bonds attributable to interest rate risk are recognised in the statement of changes in equity within “Available-for-sale reserve” for bonds classified as available-for-sale financial assets. The foreign exchange element is also hedged.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity.

2 Summary of significant accounting policies (continued)

2.4 Sale and repurchase agreements

Securities sold subject to repurchase agreements (‘repos’) are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks or due to customers, as appropriate. Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the period of the repo agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

2.5 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading are recognised within “interest income” and “interest expense” in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

2.6 Fee and commission income

Fees and commissions are generally recognised in the income statement on an accrual basis. Commissions and fees relating to foreign exchange transactions, private banking activities, remittances and bank charges are recognised on the completion of the underlying transaction.

2.7 Dividend income

Dividends are recognised in the income statement when the Bank’s right to receive payment is established.

2 Summary of significant accounting policies (continued)

2.8 Employee benefits

The Bank and the employees contribute to the Government Social Insurance Fund based on employees' salaries.

In addition, the Bank operates a defined benefit scheme the assets of which are held by the Bank, and hence, do not qualify as plan assets. The scheme provides for a lump sum payment upon retirement taking into account the years of service and salary of each employee. The scheme is currently unfunded.

The liability recognised in the balance sheet in respect of defined benefit scheme is the present value of the defined benefit obligation at the balance sheet date.

Actuarial gains or losses that arise in calculating the Bank obligation are charged directly in the income statement for the period in full.

The cost of providing benefits is part of staff costs and is estimated annually using the projected unit credit actuarial valuation method. According to this method, the cost of providing benefits is debited to the income statement over the working lives of the employees participating in the scheme according to the guidance and provisions of independent professional actuaries that carry out actuarial valuations at least every three years. The calculation of the cost of providing benefits for this scheme is based on the present value of the expected future outflow using as discount rate the yield from high quality corporate bond indices in Europe, given Cyprus' accession to the Eurozone as of 1 January 2008.

2.9 Foreign currency translation

2.9.1 Functional and presentation currency

Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). The financial statements are presented in Euro, which is the Bank's functional and presentation currency.

2.9.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

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

2 Summary of significant accounting policies (continued)

2.10 Taxation

Taxation on income is provided in accordance with the provisions of the Income Tax Law and is recognised as an expense in the period in which the income arises. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretations and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is calculated using the liability method.

Deferred income tax liabilities are recognised for all taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts at the balance sheet date for financial reporting purposes, which will result in taxable amounts in future periods.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity and relate to the same tax authority and when the legal right to offset exists.

2.11 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

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

Depreciation is calculated using the straight-line method to allocate the cost of property, plant and equipment to their residual values, over their estimated useful lives. The estimated useful economic lives are as follows:

	Useful economic life
Motor vehicles	5,0 years
Furniture, fixtures and office equipment	6,7 years
Leasehold property improvements	12,0 years
Computer Hardware	4,2 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

2 Summary of significant accounting policies (continued)

2.11 Property, plant and equipment (continued)

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in other operating expenses in the income statement.

2.12 Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight line method to allocate the cost of computer software, over their estimated useful lives. The annual depreciation rate is 10%.

2.13 Operating leases

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

2.14 Impairment of non-financial assets

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

2.15 Financial assets

2.15.1. Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

2 Summary of significant accounting policies (continued)

2.15 Financial assets (continued)

2.15.1. Classification (continued)

(c) Available-for-sale financial assets

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

2.15.2. Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date of which the Bank commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have transferred and the Bank has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans are receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "Fair value gains on financial instruments" in the period in which they arise.

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

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities".

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2 Summary of significant accounting policies (continued)

2.16 Impairment of financial assets

2.16.1 Assets carried at amortised cost

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that 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 criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings; and
- Deterioration in the value of collateral.

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three months and twelve months; in exceptional cases, longer periods are warranted.

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

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

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

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

2 Summary of significant accounting policies (continued)

2.16 Impairment of financial assets (continued)

2.16.1 Assets carried at amortised cost (continued)

Estimates of changes in future cash flows for groups of assets are reflected and are directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude).

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement in impairment charge for credit losses.

2.16.2 Assets classified as available-for-sale

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

2.17 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

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

2.18 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and current accounts and placements with banks, including Central Banks, that mature within three months of the balance sheet date, other than mandatory reserves.

2 Summary of significant accounting policies (continued)

2.19 Share capital

Ordinary shares including share premium are classified as equity and they are recorded at the amount received from the issue.
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2.20 Offsetting financial instruments

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

2.21 Derecognition of financial assets and financial liabilities

(a) Financial assets

A financial asset is derecognised when: (a) the rights to receive cash flows from the asset have expired, or (b) the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full to a third party and has either (a) transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

2.22 Financial guarantee contracts

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

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

Any increase in the liability relating to guarantees is taken to the income statement under other operating expenses.

2 Summary of significant accounting policies (continued)

2.23 Business combinations under common control transactions

Business combinations involving entities or businesses under common control (ultimately controlled by the same party, before and after the business combination, and that control is not transitory) are accounted using the predecessor basis of accounting. Under this method, the financial statements of the acquiree are included in the financial statements using pre-acquisition IFRS carrying amounts using uniform accounting policies. The excess of the cost of acquisition over the carrying amount of the Company's share of identifiable net assets acquired, including goodwill, arising at the date on which the transaction occurs, is recorded in equity in retained earnings. The acquired entity's or business' results are incorporated from the date on which the transaction occurs.

3 Financial risk management

3.1 Financial risk factors

The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Bank's business in the current circumstances.

The Bank's activities expose it to a variety of financial risks: credit risk, market risk (including currency and interest rate risk) and liquidity risk.

The risk management policies employed by the Bank are directly connected with the policies of the EFG Eurobank Ergasias S.A. and are summarised below:

3.1.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will default in the repayment of their obligations to the Bank in respect of the credit facilities granted to them by the Bank. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the balance sheet date. Therefore, management at group level carefully manages its exposure to credit risk.

The Bank minimises the risk by spreading its loan portfolio over all economic sectors (Note 3.1.1.1) and by adopting appropriate procedures and controls to evaluate the quality of the credit facilities granted.

In addition there are limits to the level of lending that the Bank's Management can authorise. Facilities higher than these limits are authorized and monitored by the EFG Eurobank Ergasias S.A..

Credit risk measurement – Loans and advances

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations, (ii) current exposure to the counterparty and its likely future development, from which the Bank derive the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations ('the loss given default').

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.1 Credit risk (continued)

Risk limit control and mitigation policies – Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types for loans and advances to customers 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.

The Bank policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Materiality thresholds are set by management.
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.

3.1.1.1. Maximum exposure to credit risk before collateral held

The maximum credit risk exposures relating to on and off balance sheet assets as at 31 December 2008 before collateral held or other credit enhancements are as follows:

	€'000
Credit risk exposures relating to on-balance sheet assets:	
Balances with Central Banks	12.922
Loans and advances to banks	10.747.143
Loans and advances to customers:	
Wholesale	1.242.338
Consumer	2.968
Mortgages	6.430
Derivative financial instruments	2.844
Available-for-sale investments	1.44.093
Debt securities lending	212.468
Other assets	4.900
Total	**12.232.013**
Credit risk exposures relating to off-balance sheet items (Note 25)	
Guarantees and LCs	7.870
Approved unutilised credit facilities	82.007
Total	**89.877**

For on-balance sheet-assets, the maximum credit risk exposure to credit risk set out above is based on the net carrying amounts as reported in the balance sheet.

3 Financial risk management (continued)

3.1.1.2 Debt securities

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

	Loans and advances to banks €'000	Available-for-sale securities €'000	Debt securities lending €'000	**Total €'000**
AAA	4.175.261	175.086	-	**4.350.347**
AA- to AA+	-	9.152	-	**9.152**
A- to A+	-	1.178.088	212.468	**1.390.556**
Lower than A+	-	66.745	-	**66.745**
Unrated	1.096.980	40.622	-	**1.137.602**
Total	**5.272.241**	**1.469.693**	**212.468**	**6.954.402**

The credit quality of unrated loans and receivables to banks is the based on the credit rating of EFG Eurobank Ergasias S.A. (Long-term Deposits rating: A1) since there are lien agreements with EFG Eurobank Ergasias S.A. for these loans [Note 31(iii)]

3.1.1.3 Concentration of credit risk

(a) Industry sectors

The maximum credit risk exposures of balance sheet assets as categorized by the industry sectors of the Branch's counterparties as at 31 December 2008 are as follows:

	Commerce & Services €'000	Banks & financial institutions €'000	Private individuals €'000	Constru-ction €'000	Manufa-cturing €'000	Other €'000	**Total €'000**
Cash and balances with central banks	-	12.922	-	-	-	-	**12.922**
Loans and advances to banks	-	10.747.143	-	-	-	-	**10.747.143**
Loans and advances to customers:							
Wholesale	300.147	752.683	33.776	70.551	37.065	48.116	**1.242.338**
Consumer	-	-	2.968	-	-	-	**2.968**
Mortgages	-	-	6.430	-	-	-	**6.430**
Debt securities lending	-	212.468	-	-	-	-	**212.468**
Derivative financial instruments	-	2.844	-	-	-	-	**2.844**
Other assets	-	-	-	-	-	4.900	**4.900**
As at 31 December 2008	300.147	11.728.060	43.174	70.551	37.065	53.016	**12.232.013**

(b) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by geographical region as of 31 December 2008.

For this table, the Bank has allocated exposures to regions based on the country of domicile of counterparties.

3 Financial risk management (continued)

3.1.1.3 Concentration of credit risk (continued)

(b) Geographical sectors (continued)

	Greece	Cyprus	Other Western European countries	New Europe	Other non European countries	**Total**
	€'000	€'000	€'000	€'000	€'000	**€'000**
Cash and balances with central banks	-	12.922	-	-	-	**12.922**
Loans and advances to banks	10.746.647	496	-	-	-	**10.747.143**
Loans and advances to customers:						
Wholesale	15.423	315.985	53.611	832.513	24.806	**1.242.338**
Consumer	-	1.738	1.230	-	-	**2.968**
Mortgages	-	6.430	-	-	-	**6.430**
Debt securities lending	212.468	-	-	-	-	**212.468**
Derivative financial instruments	2.844	-	-	-	-	**2.844**
Other assets	-	4.900	-	-		**4.900**
As at 31 December 2008	10.977.382	342.471	54.841	832.513	24.806	**12.232.013**

3.1.1.4 Credit quality

As at 31 December 2008 loans and advances to customers of the Bank amounting to €101K were past due but not impaired. These receivables are up to 3 months. The fair value of the collaterals for these receivables is €1,9M.
A provision for loans and advances to customers amounting to €321K was recognised in the income statement.

The majority of placements with banks are held with EFG Eurobank Ergasias S.A. which as at 31 December 2008 had a Long-term Bank Deposits rating of A1 (Moody's). Also for many of the loans receivable and bonds, there are lien agreements between the Bank and EFG Eurobank Ergasias S.A. [Note 31(iii)].

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired as at 31 December 2008 can be assessed by reference to the Bank's standard grading system. Based on the Bank's credit assessment methodology, the credit quality of the total portfolio of loans and advances to customers is graded as satisfactory.

3.1.2 Market risk

Market risk is the risk of loss arising from adverse movements in interest rates, currency and equity products.

The Bank's monitoring of market risk is performed by EFG Eurobank Ergasias S.A. with the use of 'value at risk' (VaR) methodology to estimate the market risk of positions held and the potential economic loss based upon a number of assumptions and variables.

The VaR is an estimate, with confidence level set at 99%, of the potential loss that might arise if the current positions were to be held unchanged for a 10-day horizon (holding period). The measurement is structured so that within a 10-day horizon losses exceeding VaR figure should occur, on average, not more than once every 4 years.

Actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in VaR calculation.

3 Financial risk management (continued)

3.1.2.1 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Bank's functional currency. The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial positions and cash flows. The Bank generally hedges against currency risk by placing foreign currency deposits into placements with matching currency.

In the normal course of business, certain currency mismatches may arise despite their daily monitoring by both EFG Eurobank Ergasias S.A. and the Bank's management.

The table in Note 28 summarises the Bank's exposure to foreign currency exchange risk at 31 December 2008. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by currency.

3.1.2.2 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank's placements, takings and loans and receivables, which carry variable rates, expose the Bank to cash flow interest rate risk.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes which may increase losses in the event that unexpected adverse movements arise.

The interest rate risk associated with these financial instruments is minimal because substantially all interest-bearing financial assets are appropriately matched with interest bearing financial liabilities. In the course of business technical mismatches arise. For these mismatches EFG Eurobank Ergasias S.A. has set limits within which the Bank operates. The management of the Bank monitors these mismatches on a daily basis.

The Bank also enters into fixed-to-floating interest rate swaps to hedge the fair value interest rate risk arising on bonds classified as available-for-sale financial assets or as debt securities lending.

The table in Note 29 summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

3.1.2.3 Equity price risk

Equity price risk is the risk that the fair value of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks.

The majority of the Bank's investments in equities are publicly traded in the Athens Stock Exchange. A 10% increase/decrease in the Athens Stock Exchange index, with all other variables held constant, will increase/decrease the results for the year by €2.6M

3 Financial risk management (continued)

3.1.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match, and as a result there may be inability to meet cash calls. The Bank is exposed to daily risks on its available cash resources. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

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

The Bank's management considers the matching of assets and liabilities maturity dates as fundamental. Rarely do maturity dates of assets and liabilities within banking organisations, exactly match, as the products offered and the payment/deposit terms vary.

The table in Note 30 analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

3.1.4 Financial and operating risks

During 2008 the global macroeconomic environment deteriorated significantly, ultimately affecting Greece, Cyprus and emerging Europe. The Bank has significant exposure in Greece and a result is affected by the Greek economic environment. Greece recorded lower positive growth in the fourth quarter of 2008 but the estimates for 2009's growth range from 0,2% to 0,5%, significantly better than that of the European Union average of -1,8%. There are risks associated with relatively high public indebtedness and the fiscal and current account accounts deficits. But the relatively robust Greek banking system further strengthened by the Greek Economy Liquidity Support Program, can support the continued extension of credit to households and corporations. Furthermore, lower interest rates are improving affordability.

Cyprus is politically stable and fiscally strong country. It is also a member of EMU, thus containing currency volatility and is expected to register positive rates of growth in 2009.

The main risks for 2009 concern the macroeconomic environment and economic growth. A slowdown or recession could adversely affect the region and could lead to lower profitability and deterioration of asset quality. In addition, foreign exchange rate risk is high, due to the unstable nature of some currencies. The Bank also holds positions in the bond, stock and foreign exchange markets. It is possible that these positions may be adversely affected by fluctuations in the financial and other markets and along with the continuous instability of the global markers the risk of losses is increased.

3.2 Fair value estimation

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 values of the Bank's financial assets and liabilities approximate their carrying amounts at the balance sheet date. The nominal value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. In addition, loans and advances are issued at variable rates and as a result their carrying values approximate the fair values.

3 Financial risk management (continued)

3.3 Off balance sheet instruments

In common with other banks, the Bank conducts business involving guarantees, documentary letters of credit and acceptances (Note 25).

Guarantees are generally written by a bank to support the performance of a customer to third parties. As the Bank will only be required to meet obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Documentary credits commit the Bank to make payments to third parties on production of documents and provided that the terms of the documentary credits are satisfied. The repayment by the customer is usually immediate.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer in the event that the customer does not honour payment.

Endorsements are residual liabilities in respect of bills of exchange, which have been discounted by a bank and subsequently rediscounted.

Commitments to lend are agreements to lend to a customer in the future subject to certain conditions. Such commitments are made for fixed periods and are cancellable by the Bank subject to notice requirements.

3.4 Capital risk management

	€'000
Tier 1 capital	181.700
Less other regulatory deductions	(28.937)
Total regulatory capital	**152.763**
Risk Weighted Assets	**1.681.361**
Capital Adequacy Ratio	**9,1%**

Tier 1 capital represents ordinary share capital, share premium and reserves less intangible assets as at 31 December 2008.

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

4 Significant accounting judgements and estimates

The preparation of the financial statements requires the Bank's management to make judgments and estimates that can significantly affect the amounts recognised in the financial statements, the most significant of which are presented below:

4.1 Impairment of available-for-sale equity investments

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

5 Net interest income

	€'000
Interest income	
Interest from loans and advances to customers	38.968
Interest from available-for-sale investments	2.792
Interest from Debt securities lending	469
Interest from other banks	124.166
	166.395
Interest expense	
Interest on customer deposits	(23.742)
Interest due to other banks, including repurchase agreements	(116.794)
	(140.536)
Net interest income	**25.859**

6 Net fee and commission income

	€'000
Fee and commission income	
Assets under management related fees	402
Lending related fees and commissions	116
Bank transfer commissions	1.028
Other fees and commissions	262
	1.808
Fees and commission expense	
Fees and commission expense	(552)
Net fee and commission income	**1.256**

7 Fair value gains on financial instruments

	€'000
Fair value of interest rate/cross currency swaps: fair value hedge	12.358
Transfer from reserves: fair value hedge (Note 15)	14.216
	1.858

Fair value of interest rate swaps amounted to (€12,9M) and currency interest rate swaps €500K.

Fair value hedges transferred from reserves include an amount equal to €14,5M relating to interest rate swaps and (€301K) to currency interest rate swaps.

8 Staff costs

	€'000
Salaries and staff bonuses	3.358
Social insurance and other costs	258
Retirement benefit costs – defined benefits scheme	839
	4.455

According to the actuarial valuation conducted for the period ended 31 December 2008, the amounts appearing in the balance sheet of the Bank are as follows:

	€'000
Present value of the obligation – unfunded	5.464
Retirement benefit obligations recognised in balance sheet	**5.464**

8 Staff costs (continued)

The principal actuarial assumptions used for the actuarial valuation were:

	%
Discount rate of obligations	5,25
Future salary increases	5,00
Future price inflation	2,50
Average future working life	26,39

The amounts recognised in the income statement for the period in respect of the defined benefit scheme are as follows:

	€'000
Service cost	282
Interest cost	131
Amortisation of unrecognised gain	(141)
Amortisation of past service cost	567
Total Income statement charge	**839**

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

	€'000
Liability transferred from Branch [note 31 (ii)]	3.733
Total expense recognised in Income statement	839
Past service cost adjustment	892
	5.464

The amount of €892K represents past service obligations for the members of staff following their transfer from their previous employers and was placed by these members of staff on their commencement of employment with the Bank.

9 Other operating expenses

	€'000
Depreciation of property, plant and equipment (Note 17)	240
Amortisation of computer software (Note 18)	171
Operating lease rentals	211
Repairs and maintenance	254
Auditors' remuneration	122
Directors' remuneration	116
Professional fees	527
Insurance	49
Advertising and promotion	170
Telecommunication expenses	139
Stationery	78
Traveling expenses	80
Lighting, heating and water expenses	59
Other administrative expenses	168
	2.384

10 Tax

	€'000
Corporation tax	2.057
Deferred tax charge	316
	2.373

The tax on the Bank's results differs from the theoretical amount that would arise using the applicable tax rate as follows:

	€'000
Profit before tax	22.930
Tax calculated at the applicable corporation tax rate of 10%	2.293
Tax effect of expenses not deductible for tax purposes	278
Tax effect of allowances and income not subject to tax	(198)
Tax charge	**2.373**

Corporation tax in Cyprus is calculated at the rate of 10% on the taxable income.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

EFG Eurobank Ergasias S.A. – Cyprus Branch was transferred to Eurobank EFG Cyprus Ltd on 26 March 2008 under the provisions of article 30 (c) of the Income Tax Law N118(I)/2002 as amended and the tax losses of the Branch will be carried forward for future set off with the taxable profits of Eurobank EFG Cyprus Ltd.

The movement in deferred income tax assets and liabilities (non-current) during the period, without taking into consideration the offsetting of balances within the same jurisdiction is as follows:

	Tax losses	Differences between wear & tear and depreciation	Total
	€'000	€'000	€'000
Transfer from Branch (Note 31)	(287)	42	(245)
Charged to income statement	287	29	316
Balance at 31 December 2008	**-**	**71**	**71**

11 Cash and balances with central banks

	€'000
Cash in hand	989
Balances with central banks	12.922
	13.911
Mandatory deposits with central banks	12.922

	€'000
Current	13.911
Non-current	-
	13.911

11 Cash and balances with central banks (continued)

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

12 Loans and advances to banks

	€'000
Bonds held as part of assets securitization transaction – repurchase receivables	5.272.241
Placements with other banks	5.474.902
	10.747.143
Maturity analysis	
- on demand	149.585
- within three months	2.422.812
- between three months and one year	2.926.246
- more than one year	5.248.500
	10.747.143

During the period the Bank acquired bonds issued by special purpose entities (SPEs) of EFG Eurobank Ergasias S.A. incorporated for the purpose of asset securitisation transactions. The management is of the opinion that in substance, these bonds are loans provided to EFG Eurobank Ergasias S.A. These bonds are held for repurchase transactions. The fair value of these bonds approximates their carrying amount at the balance sheet date.

Placements and takings bear interest which is based on the interbank rate of the relevant term and currency.

Loans and advances to banks are categorised as loans and receivables.

13 Derivative financial instruments and hedge accounting

The Bank utilises currency and interest rate swaps for hedging purposes.

Currency forwards represent commitments to purchase or sell foreign and domestic currency. Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). Except for certain currency swaps, no exchange of principal takes place.

The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market.

	Fair Values	
	Assets	Liabilities
	€'000	€'000
Derivatives designated as fair value hedges		
Cross currency/interest rate swaps	2.670	17.946
Forward foreign exchange contracts – held-for-trading	174	166
	2.844	**18.112**

13 Derivative financial instruments and hedge accounting (continued)

	Fair Values Assets €'000	Fair Values Liabilities €'000
Analysed as follows:		
Current	561	166
Non-current	2.283	17.946
	2.844	**18.112**

There was no ineffectiveness to be recorded from fair value hedges.

(a) Cross currency/interest rate swaps

The notional principal amounts of the outstanding cross currency/interest rate swap contracts at 31 December 2008 were €1.204m.

At 31 December 2008, the fixed interest rates vary from 2,3869% to 10,3504% and the main floating rates are EURIBOR and LIBOR.

(b) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2008 were €40,4m.

Derivative financial instruments are categorised as derivatives used for hedging.

14 Loans and advances to customers

	€'000
Private individuals:	
- Overdrafts	692
- Term loans	2.276
- Mortgages	6.430
	9.398
Corporate entities:	
- Large corporates	1.162.799
- Private banking loans	74.229
- International business banking loans	5.631
	1.242.659
Total	**1.252.057**
Gross loans and advances to customers	1.252.057
Less: loan loss impairment provision	(321)
Net amount of loans and advances to customers	**1.251.736**

Analysed as follows:	
Current	1.243.091
Non current	8.645
	1.251.736

14 Loans and advances to customers (continued)

	€'000
Analysis by Group sector	
Wholesale	1.242.338
Consumer	2.968
Mortgages	6.430
	1.251.736

	€'000
Analysis by industry sector	
Commerce and services	300.147
Private individuals	43.174
Construction	70.551
Financial institutions	752.683
Other	85.181
	1.251.736

	€'000
Analysis by geographical area	
Greece	15.423
Cyprus	324.153
Other Western European countries	54.841
New Europe countries	832.513
Other non European countries	24.806
	1.251.736

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

	€'000
Balance at beginning of period	-
Impairment losses on loans and advances charged in the period	321
Balance at 31 December 2008	**321**

As at 31 December 2008, loans and advances to customer of €101K were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. These receivables are up to 3 months. The fair value of the collaterals for these receivables is €1,9M.

As at 31 December 2008, loan impairment provision was €321K, and it relates to one loan receivable from related company. The impairement provision was estimated based on the credit quality of the assets held by the related company. The loan is repayable in 2018.

The fair value of the Bank's loans and advances to customers approximates their carrying amount at the balance sheet date as they bear interest at variable rates.

Loans and advances to customers are categorised as loans and receivables.

Eurobank EFG Cyprus Ltd

15 Available for sale financial assets

	€'000
Issued by public organizations – government bonds:	
- Greece	1.142.242
- Germany	175.299
- Hungary	9.617
- USA	40.622
- Russia	35.002
- Lithuania	11.857
	1.414.639
Issued by other issuers:	
- Banks	14.413
- Other	40.641
	55.054
Total	**1.469.693**
Listed	1.469.693
Unlisted	-
	1.469.693

	€'000
Equity	25.600
Debt	1.444.093
	1.469.693
Unamortised discounts and premiums included above	6.261
Pledged securities under repurchase agreements	1.444.093

The movement in the account is as follows:

	€'000
Movement:	
Additions	1.490.315
Disposals and redemptions	**-**
Net losses from changes in fair values for the period	(20.622)
Balance as at 31 December 2008	**1.469.693**

Equity reserve: Revaluation of the available-for-sale investments

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

	€'000
Net losses from changes in fair value	(20.622)
Net losses/(gains) transferred to net profit from fair value hedges (Note 7)	(14.216)
Balance at 31 December 2008	**(34.838)**

16 Debt securities lending

Debt securities lending represent government bonds acquired during the period which are classified and treated as “loans and receivables”.

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities. None of these financial assets are either past due or impaired.

All securities are pledged under repurchase agreements.

17 Property, plant and equipment

	Leasehold improvements	Motor vehicles	Equipment	**Total**
	€’000	€’000	€’000	**€’000**
Period ended 31 December 2008				
Transfer from Branch – cost [Note 31(ii)]	455	264	558	**1.277**
Transfer from Branch – accumulated depreciation [Note 31(ii)]	(25)	(24)	(72)	**(121)**
Additions	1.663	63	424	**2.150**
Depreciation charge	(72)	(47)	(121)	**(240)**
Net book value	2.021	256	789	**3.066**
At 31 December 2008				
Cost	2.118	327	982	**3.427**
Accumulated depreciation	(97)	(71)	(193)	**(361)**
	2.021	256	789	**3.066**

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

The fair value of property, plant and equipment is not materially different from their carrying amounts.

18 Intangible assets

	Computer licences & software	**Total**
	€’000	**€’000**
Period ended 31 December 2008		
Transfer from Branch – cost [Note 31(ii)]	1.171	**1.171**
Transfer from Branch – accumulated deprecation [Note 31(ii)]	(152)	**(152)**
Additions	555	**555**
Amortisation charge	(171)	**(171)**
Net book value	1.403	**1.403**
At 31 December 2008		
Cost	1.726	**1.726**
Accumulated amortisation	(323)	**(323)**
	1.403	**1.403**

19 Other assets

	€'000
Prepaid expenses and deferred expenses	2.384
Other assets	4.900
	7.284

20 Due to other banks

	€'000
Placements from other banks	7.919.244
	7.919.244
Maturity analysis	
- on demand	843.418
- within 3 months	4.424.359
- 3 months to 1 year	2.636.997
- 1 to 5 years	14.470
	7.919.244

The fair value of amounts due to other banks approximates their carrying amount at the balance sheet date as the amounts fall due within one year.

Amounts related to repurchase agreements with banks are presented in a separate line on the face of the balance sheet. The repurchase agreements are classified as follows:

	€'000
- Current	4.652.252
- Non – current	-
	4.652.252

The fair value of repurchase agreements approximates the fair value. The interest rates on repurchase agreements are 1,04%- 5,85%.

The carrying amount of pledged assets relating to repurchase agreements is as follows:

	€'000
Available for sale financial assets	1.444.093
Loans to banks	5.272.241
Debt securities lending	212.468
	6.928.802

Due to other banks are categorised as other financial liabilities at amortised cost.

21 Due to customers

	€'000
Current accounts	70.348
Notice accounts	1.439
Term deposits	850.268
	922.055
Maturity analysis	
- up to 1 month	421.401
- within three months	158.640
- between three months and one year	342.014
	922.055

The fair value of amounts due to customers approximates their carrying amount at the balance sheet date as the amounts fall due within one year.

21 Due to customers (continued)

Total client deposits pledged as collateral for credit facilities granted to clients as at 31 December 2008 amounted to €276,4m.

Amounts due to customers are categorized as other financial liabilities at amortised cost.

22 Other liabilities

	€'000
Bills payable	3.790
Current income tax liabilities	584
Other liabilities and accruals	4.863
	9.237

23 Share capital

	No. of shares	Ordinary shares €'000	Share premium €'000	Total €'000
Authorised				
At 21 December 2007	1.000	10.000	-	10.000
Increase in authorised share capital during 2008	500	5.000	-	5.000
Total	**1.500**	**15.000**	**-**	**15.000**
Issued				
At 21 December 2007	1	10	-	10
New share issues:				
at 26 March 2008 (Note 31(ii))	750	7.500	39.874	47.374
at 12 June 2008	249	2.490	97.510	100.000
at 21 December 2008	100	1.000	49.000	50.000
Total	**1.100**	**11.000**	**186.384**	**197.384**

The consideration for the issue of 750 shares on 26 March 2008 was the assets and liabilities of the Cyprus branch of EFG Eurobank Ergasias S.A.. The other issue of shares was for cash consideration.

All the shares have the same rights.

24 Operating lease commitments – where the Bank is the lessee

The Bank leases various offices under non-cancellable operating lease agreements with varying terms and renewal rights. The future aggregate minimum lease payments under non-cancellable building operating leases are as follows:

	€'000
Not later than one year	339
Later than one year and not later than five years	1.044
	1.383

25 Contingencies and commitments

The following analysis indicates the contractual amounts of the Bank's off-balance sheet financial instruments that commit the Bank to make payments in relation to acceptances, guarantees, indemnities and letters of credit drawn on customers:

	€'000
Contingent liabilities	
Guarantees	6.211
Other	1.659
	7.870
Commitments	
Approved unutilised credit facilities	82.007
	82.007

Capital commitments
As at 31 December 2008, commitments for contracted capital expenditures for the Bank amount to €440K

Legal proceedings
As at 31 December 2008 there were no legal proceedings outstanding against the Bank.

26 Net cash flow from operating activities

	€'000
Profit before tax	22.930
Adjustments for:	
Provision for defined benefit retirement obligation	839
Depreciation of property, plant and equipment (Note 17)	240
Amortisation of intangible assets (Note 18)	171
Provision for impairment of loans and advances (Note 14)	321
Net fair value gain on available-for-sale financial assets transferred to income statement (Note 15)	(14.216)
	10.285
Increase in operating assets	
Mandatory reserve deposit with central banks (net of Branch)	(3.516)
Loans and advances to banks	(8.078.726)
Derivative financial instruments	18.112
Loans and advances to customers	(1.046.775)
Debt securities lending	(212.468)
Other assets	(6.940)
Increase in operating liabilities	
Due to banks	7.880.952
Repurchase agreements with banks	4.652.262
Due to customers	526.507
Derivative financial instruments	(2.844)
Provisions for retirement obligations	892
Other liabilities	6.194
Cash generated from operations	3.743.935
Tax paid	(1.473)
Net cash flow from operating activities	**3.742.462**

26 Net cash flow from operating activities (continued)

Non-cash transactions
The principal non-cash transaction is the issue of 750 shares on 26 March 2008 (Note 23) as consideration for the acquisition of the assets and liabilities of Cyprus branch of EFG Eurobank Ergasias S.A.

Cash and cash equivalents

	€'000
Cash and balances with central banks (Note 11)	13.911
Placements with other banks (Note 12)	2.572.397
	2.586.308
Less Mandatory Deposits with Central Bank (Note 11)	(12.922)
	2.573.386

27 Currency risk

The table below summarises the Bank's exposure to foreign currency exchange risk at 31 December 2008.
Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by currency.

	U.S. Dollars €'000	Euro €'000	British Pounds €'000	Swiss Francs €'000	Other currencies €'000	**Total €'000**
Assets						
Cash and balances with central banks	135	13.704	56	2	14	**13.911**
Loans and advances to banks	201.233	10.339.746	71.177	6.917	128.070	**10.747.143**
Derivative financial instruments	200	2.584	57	-	3	**2.844**
Loans and advances to customers	133.074	710.424	5.627	401.540	1.071	**1.251.736**
Available for sale investments	75.624	1.368.723	-	-	25.346	**1.469.693**
Debt securities lending	-	174.817	-	-	37.651	**212.468**
Property, plant & equipment	-	3.066	-	-	-	**3.066**
Intangible assets	-	1.403	-	-	-	**1.403**
Other assets	-	7.284	-	-	-	**7.284**
Total assets	**410.266**	**12.621.751**	**76.917**	**408.459**	**192.155**	**13.709.548**
Liabilities						
Due to other banks	113.064	7.339.206	-	402.487	64.487	**7.919.244**
Repurchase agreements	73.942	4.515.357	-	-	62.963	**4.652.262**
Derivative financial instruments	1.677	16.268	48	-	119	**18.112**
Due to customers	228.255	602.815	77.458	4.332	9.195	**922.055**
Other liabilities	20	9.199	14	-	4	**9.237**
Deferred tax liability	-	71	-	-	-	**71**
Retirement benefit obligations	-	5.464	-	-	-	**5.464**
Total liabilities	**416.958**	**12.488.380**	**77.520**	**406.819**	**136.768**	**13.526.445**
Net balance sheet position	**(6.692)**	**133.371**	**(603)**	**1.640**	**55.387**	**183.103**
Off balance sheet position	1.016	6.854	**-**	**-**	**-**	**7.870**

To manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Bank use forward contracts and cross currency swaps. Other currencies mainly include Japanese Yen (total assets: €188K and liabilities €133K) which are hedged.

28 Currency risk (continued)

Currency risk sensitivity

At 31 December 2008, if the Euro had weakened/strengthened by 10% against the US Dollar with all other variables held constant, the effect in the income statement for the period would have been €262K lower/higher, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated cash balances, placements/takings with banks, loans and advances and customer deposits.

At 31 December 2008, if the Euro had weakened/strengthened by 10% against the British Pound with all other variables held constant, the effect in the income statement for the period would have been €27K lower/higher, mainly as a result of foreign exchange gains/losses on translation of British Pound denominated cash balances, placements/takings with banks, loans and advances and customer deposits.

At 31 December 2008, if the Euro had weakened/strengthened by 10% against other currencies with all other variables held constant, the effect in the income statement for the period would have been €77K lower/higher, mainly as a result of foreign exchange gains/losses on translation of Swiss Franc denominated cash balances, placements/takings with banks, loans and advances and customer deposits.

29 Interest rate risk

The table below summarises the Bank’s exposure to interest rate risks as at 31 December 2008.

It includes the Bank’s financial instruments at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

	Up to 1 month €’000	1-3 Months €’000	3-12 months €’000	More than 12 months €’000	Non-interest bearing €’000	**Total** €’000
Assets						
Cash and balances with central banks	12.922	-	-	-	989	**13.911**
Loans and advances to banks	509.550	7.311.347	2.926.246	-	-	**10.747.143**
Derivative financial instruments	-	-	-	-	2.844	**2.844**
Loans and advances to customers	977.420	171.519	94.152	8.645	-	**1.251.736**
Available-for-sale investments	276.277	164.849	1.002.967	-	25.600	**1.469.693**
Debt securities lending	77.763	81.101	53.604	-	-	**212.468**
Property, plant and equipment	-	-	-	-	3.066	**3.066**
Intangible assets	-	-	-	-	1.403	**1.403**
Other assets	-	-	-	-	7.284	**7.284**
Total assets	**1.846.373**	**7.728.816**	**4.076.969**	**8.645**	**48.745**	**13.709.548**

29 Interest rate risk (continued)

	Up to 1 month €'000	1-3 Months €'000	3-12 months €'000	More than 12 months €'000	Non-interest bearing €'000	**Total €'000**
Liabilities						
Due to other banks	905.548	4.407.584	2.583.634	-	22.478	**7.919.244**
Repurchase agreements	3.320.220	147.587	1.184.455	-	-	**4.652.262**
Derivative financial instruments	-	-	-	-	18.112	**18.112**
Due to customers	426.363	149.982	342.208	3.502	-	**922.055**
Other liabilities	-	-	-	-	9.237	**9.237**
Deferred tax liability	-	-	-	-	71	**71**
Retirement benefit obligations	-	-	-	-	5.464	**5.464**
Total liabilities	**4.652.131**	**4.705.153**	**4.110.297**	**3.502**	**55.362**	**13.526.445**
Interest sensitivity gap	692.939	3.236.269	(4.081.127)	5.143	(26.041)	**183.103**

Interest rate risk sensitivity

At 31 December 2008, if interest rates interest bearing assets and liabilities had been 0,5% higher/lower with all other variables held constant, the effect in the income statement for the year would have been approximately €480K lower/higher, mainly as a result of higher/lower net interest income/expense on floating rate assets and liabilities.

30 Maturity of financial liabilities (liquidity risk)

The table below analyses the cash flows payable by the Bank under derivative and non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

	Up to 3 months €'000	Over 3 months to 1 year €'000	**Total €'000**
Non-derivative financial liabilities:			
Due to other banks	5.267.778	2.679.605	**7.947.383**
Due to customers	580.041	352.799	**932.840**
Repurchase agreements with banks	3.320.220	1.352.575	**4.672.795**
Derivative financial instruments:			
-Outflows from gross and net settled	17.395	25.024	**42.420**
-Inflows from gross settled	(15.643)	(24.947)	**(40.590)**
Total financial liabilities (on balance sheet)	9.169.791	4.385.056	**13.554.847**
Off balance sheet items			
Loan commitments	2.114	-	**2.114**
Financial guarantees	6.211	-	**6.211**
Total off balance sheet items	**8.325**	**-**	**8.325**
Total	**9.178.116**	**4.385.056**	**13.563.172**

31 Related party transactions and balances

The Bank is a member of the EFG Group, which consists of banks and financial services companies, the ultimate parent company of which is EFG Bank European Financial Group, a credit institution based in Switzerland. The Bank is a wholly owned subsidiary of EFG New Europe Holding B.V. registered in the Netherlands who is in turn a wholly subsidiary of EFG Eurobank Ergasias S.A, a listed entity in Greece. The EFG Group controls 43,70% of EFG Eurobank Ergasias S.A. The remaining shares are held by institutional and retail investors.

During the period a number of banking transactions were entered into with related parties in the normal course of business and are conducted on an arms length basis. These included loans, deposits, derivatives and repurchase agreements. In addition as part of its normal course of business in investment banking activities, the Bank holds positions in debt instruments of related parties. The volume of related party transactions and outstanding balances are disclosed below:

(i) Related party transactions and outstanding balances

	With EFG Eurobank Ergasias S.A. Group €'000	With key management personnel €'000
Loans and advances to banks	10.265.243	-
Loans and advances to customers	734.993	709
Derivative financial instruments – assets	2.777	-
Derivative financial instruments - liabilities	17.987	-
Due to other banks	7.919.244	-
Repurchase agreements with banks	3.541.577	-
Due to customers	7.970	783
Interest income	142.609	5
Interest expense	102.900	7
Provisions for impairement of loans and advances	321	-
Staff costs excluding retirement benefit costs	-	635
Retirement benefit cost	-	192
Directors remuneration	90	-

Key management personnel includes directors and key management personnel of the Bank, and their close family members.

(ii) On 26 March 2008, following the permit granted by the Central Bank of Cyprus dated 11 March 2008 for EFG Eurobank Ergasias S.A. to carry out banking services through the operations of a Cyprus subsidiary company, all the assets and liabilities the Cyprus branch were transferred to the Bank. The Bank issued 750 ordinary shares for €47.374K to EFG Eurobank Ergasias S.A., as a consideration. This transaction was considered as a restructuring of EFG Eurobank Ergasias S.A. (common control transaction). The assets and liabilities transferred to the Bank are summarized on the next page.

31 Related party transactions and balances (continued)

	€'000
Assets	
Cash and balances with central banks (of which €8.616 are mandatory deposits)	9.406
Placements with banks	269.954
Loans and advances to customers	205.282
Property, plant and equipment	1.156
Intangible assets	1.019
Other assets	345
Deferred tax asset	286
Total assets	**487.448**
Liabilities	
Due to other banks	38.292
Due to customers	395.548
Other liabilities	2.459
Deferred tax liabilities	42
Retirement benefit obligations	3.733
Total liabilities	**440.074**
Net assets transferred	**47.374**
Consideration – issue of 750 shares on 26 March 2008 (Note 23)	**47.374**

(iii) During the period the Bank provided various loans to third and related parties amounting in total to €735m as at 31 December 2008. Also the Bank acquired bonds issued by special purpose entities of EFG Eurobank Ergasias S.A. amounting to €5.272m.
For these loans and bonds Lien agreements have been signed between the Bank and EFG Eurobank Ergasias S.A. Based on the Lien agreements, in case of any default, the Bank can set off the receivable amounts with the equivalent funds placed by EFG Eurobank Ergasias S.A.

(iv) Cash and cash equivalents transferred from Branch as at 26 March 2008

	€'000
Cash and balances with central banks	9.406
Placements with other banks	173.144
	182.550
Less Mandatory Deposits with Central Bank	(8.616)
Total	**173.934**

32 Post balance sheet events

In the context of a group reorganisation, the Bank will undertake the assets and liabilities of the company Eurocredit Retail Services Limited, a common ownership company, incorporated in Cyprus. The reorganisation is subject to approval by the shareholders and creditors of Eurocredit Retail Services Limited and to court approval under the provisions of Cap.113, Articles 198-200.

Independent Auditors' Report on pages 5 and 6.

Eurobank EFG Cyprus Ltd

Pillar 3 disclosures

1 Regulatory capital as at 31 December 2008

	€'000
Core Tier 1 capital	181.700
Tier 2 capital	-
Deductions from Tier 1 capital	(28.937)
Total capital after deductions	**152.763**

Tier 1 capital represents ordinary share capital, share premium and reserves less intangible assets as at 31 December 2008.

Deductions from capital represent the Bank's participation in Tier 2 capital of a group related Bank.

2 Capital adequacy ratio summary calculation

	€'000	€'000
Total own funds		**152.763**
Own funds requirements for credit risk – per exposure class		129.169
Institutions	51.963	
Corporates	69.887	
Retail	1.148	
Secured by real estate property	3.953	
Other items	2.218	
Own funds requirements for market risk		-
Own funds requirements for operational risk		5.360
Total Tier 1 capital		**152.763**
Total Tier 2 capital		**-**
Total risk weighted assets		**1.681.361**
Total capital adequacy ratio as at 31.12.2008		**9,1%**
Capital surplus as at 31.12.2008		18.234