

MILLENNIUM BANK S.A.

Consolidated Financial Statements based on the
International Financial Reporting Standards
adopted by the European Union for the year ended
on
December 31, 2008

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Consolidated Income Statement

for the years ended December 31st

(Amounts in thousand Euros)

	Notes	2008	2007
Interest income		377.187	270.743
Interest expense		(251.221)	(154.262)
Net interest income	<u>6</u>	125.966	116.481
Fee and commission income		43.114	37.941
Fee and commission expense		(11.037)	(9.783)
Net fee and commission income	<u>7</u>	32.077	28.158
Dividends and other securities income		50	24
Net income arising from financial transactions	<u>8</u>	7.936	7.478
Other operating income	<u>9</u>	7.488	10.531
Operating income		173.517	162.672
Impairment provisions		(16.453)	(14.620)
Personnel expenses		(62.450)	(54.261)
Depreciation		(9.092)	(7.753)
Other operating expenses		(60.760)	(56.392)
Operating expenses	<u>10</u>	(148.755)	(133.026)
Profit before tax		24.762	29.646
Income tax	<u>11</u>	(9.620)	(7.574)
Net profit for the year after tax		15.142	22.072
Attributable to :			
Shareholders of the Bank		15.139	22.069
Minority Interests		3	3
		15.142	22.072

The attached notes in pages 5 - 61 form integral part of these consolidated financial statements.

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Consolidated Balance Sheet as of December 31st

(Amounts in thousand Euros)

	Notes	<u>2008</u>	<u>2007</u>
Assets			
Cash and deposits at Central Bank	12	252.650	42.689
Financial assets held for trading	13	7.660	11.039
Financial assets - Derivatives	14	51.199	19.743
Loans and advances to Credit Institutions	15	842.858	1.149.602
Loans and advances to Customers	16	4.793.825	3.966.280
Financial assets available-for-sale	17	14.731	13.564
Assets held to maturity	17	1.178	150
Investments in associated companies	18	8	8
Property and equipment	19	40.914	41.627
Intangible assets	20	2.631	1.828
Deferred tax asset	21	12.853	23.451
Other assets	22	83.633	63.134
Total Assets		<u>6.104.140</u>	<u>5.333.115</u>
Liabilities			
Financial liabilities - Derivatives	14	86.092	21.584
Deposits from Credit Institutions	23	1.430.480	1.884.027
Deposits from Customers	24	3.233.732	2.568.171
Debt securities		865.147	405.485
Deferred tax liability	21	17	46
Provisions for employee benefits	25	2.436	2.154
Other liabilities	26	107.052	85.744
Subordinated debt	23	65.000	65.000
Total liabilities		<u>5.789.956</u>	<u>5.032.211</u>
Shareholders' Equity			
Share capital	27	176.100	176.100
Share premium		216.504	216.504
Revaluation reserves		(1.276)	(569)
Retained earnings and profit for the year		(77.232)	(91.153)
Shareholders' Equity		<u>314.096</u>	<u>300.882</u>
Minority interests		88	22
Total Shareholders' Equity		<u>314.184</u>	<u>300.904</u>
Total Liabilities and Shareholders' Equity		<u>6.104.140</u>	<u>5.333.115</u>

The attached notes in pages 5 - 61 form integral part of these consolidated financial statements.

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Consolidated Statement of changes

in Shareholder's Equity

for the years ended December 31st

(Amounts in thousand Euros)

	Share capital	Share premium	Revaluation reserves	Accumulated deficit	Share to shareholders	Minority interests	Total
On January 1st, 2007	162.893	133.858	(638)	(113.200)	182.913	19	182.932
Net valuation loss on available-for-sale securities	-	-	(118)	-	(118)	-	(118)
Gain / (Loss) registered in the equity	-	-	(118)	-	(118)	-	(118)
Net valuation gain on available-for-sale securities carried forward to the income statement	-	-	187	-	187	-	187
Net profit for the year	-	-	-	22.069	22.069	3	22.072
Other movements	-	-	-	(22)	(22)	-	(22)
Total recognized gain and loss	-	-	69	22.047	22.116	3	22.119
Net increase in Share capital	13.207	82.646	-	-	95.853	-	95.853
On December 31st, 2007	176.100	216.504	(569)	(91.153)	300.882	22	300.904
On January 1st, 2008	176.100	216.504	(569)	(91.153)	300.882	22	300.904
Net valuation loss on available-for-sale securities	-	-	(707)	-	(707)	-	(707)
Gain / (Loss) registered in the equity	-	-	(707)	-	(707)	-	(707)
Net profit for the year	-	-	-	15.139	15.139	3	15.142
Other movements	-	-	-	(1.218)	(1.218)	63	(1.155)
Total recognized gain and loss	-	-	(707)	13.921	13.214	66	13.280
On December 31st, 2008	176.100	216.504	(1.276)	(77.232)	314.096	88	314.184

The attached notes in pages 5 - 61 form integral part of these consolidated financial statements.

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Consolidated Cash Flows Statement

for the years ended December 31st

(Amounts in thousand Euros)

	<u>2008</u>	<u>2007</u>
Operating activities		
Net profit for the year	15.142	22.072
Adjustments for non-cash items		
Depreciation	9.092	7.753
Impairment loss	16.453	14.620
Fair value (profit)/loss of trading instruments	32.308	(1.533)
Employee benefits	282	343
Loss/(profit) on sale of property and equipment	(81)	(103)
Income tax charge/(relief)	9.620	7.574
Other non-cash items	(5.332)	14.054
Changes in operating assets and liabilities		
Financial assets held for trading	3.425	7.129
Loans and advances to Credit Institutions	117.351	(249.496)
Loans and advances to Customers	(822.105)	(1.095.524)
Loans securitization	435.675	(194.514)
Other assets	(18.719)	(15.166)
Deposits from Credit Institutions	(453.548)	944.138
Deposits from Customers	666.260	628.434
Other liabilities	26.862	(7.587)
Cash flow from operating activities	<u>32.685</u>	<u>82.194</u>
Investment portfolio	(2.887)	(687)
Net investment in property and equipment	(9.228)	(12.999)
Cash flow from investing activities	<u>(12.115)</u>	<u>(13.686)</u>
Increase in Share Capital	—	95.853
Cash flow from financing activities	<u>—</u>	<u>95.853</u>
Net increase in cash and cash equivalents	20.570	164.361
Cash and cash equivalents at beginning of year	<u>942.017</u>	<u>777.656</u>
Cash and cash equivalents at end of year	<u>962.587</u>	<u>942.017</u>

Cash and cash equivalents on December 31st, for the purpose of drawing up a cash flows statement, consist of:

	2008	2007
Cash and deposits at Central Bank	252.650	42.689
Loans and advances to banks	709.937	899.328
	<hr/> 962.587	<hr/> 942.017
	<hr/> <hr/>	<hr/> <hr/>

The attached notes in pages 5 - 61 form integral part of these consolidated financial statements.

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Notes on the consolidated financial statements

1 Incorporation and principal activities

MILLENNIUM BANK S.A. (the “Bank”), being the Mother company, was incorporated in Greece during 2000. The Bank’s subsidiaries are involved in diversified financial service activities including mutual fund management, stock financing (car trading) and bank insurance services. The Bank and its subsidiaries (the Group) operate in Greece.

2 Preparation basis

(a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements were authorised for publication by the Board of Directors on February 24th, 2009. The financial statements are consolidated in the financial statements of Banco Comercial Portugues Investment B.V which was the sole shareholder of the Bank as of December 31st, 2008.

(b) Presentation basis

The financial statements are measured by the historical cost basis, except from the following assets and liabilities that are measured at their fair value: derivative financial instruments, investments held for trading and investments available-for-sale.

(c) Operating currency

The consolidated financial statements are presented in Euro, which is the operating currency. The amounts referred to in the financial statements are expressed in Euro, rounded to the nearest thousand, unless otherwise specified.

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Notes on the consolidated financial statements

(d) Use of estimates and assumptions

The preparation of the consolidated financial statements based on the International Financial Reporting Standards obliges the Management to consider and make certain decisions affecting the applied Accounting Principles, as well as the assets, liabilities, income, and expenses. Actual data may differ from the estimates.

The estimation and the criteria used for decision making are continuously reassessed. The effect of these revisions is recognized in the year it occurs and affects the present and future financial results.

The main estimations are related for loan and asset impairment losses, as well as, to the possibility of recovering deferred tax asset.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The accounting principles have been consistently applied by Group entities.

(a) Consolidation basis

(i) *Subsidiaries*

Subsidiaries are the entities controlled by the Bank. Control exists when the Bank has the authority, directly or indirectly, to govern the financial and operating strategies of an entity with ultimate goal the gain of benefits from its activities.

(ii) *Associates*

Associates are those entities for which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(iii) *Special purpose vehicle*

Such companies have been established for achieving a special purpose, such as the securitization of mortgage loans or other property assets. The financial statements of the

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Notes on the consolidated financial statements

special purpose vehicles are included in the consolidated financial statements when the substance of the relation with the Group indicates that the Group controls the special purpose vehicle.

(iv) Transactions eliminated on consolidation

Intragroup balances and transactions between the Group's companies, as well as any unrealised gains arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment, and hence the change in the fair value is registered in the result.

(b) Transactions in foreign currency

Foreign currency transactions are translated at closing exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Euro at the closing exchange rate ruling at that date. Foreign exchange differences arising by the conversion are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the reporting currency at the closing exchange rates ruling at the dates that the values were determined. In this case currency exchange differences form part of the profits or losses from the modification of the fair value and are registered in the results.

(c) Interest income and interest expense

Interest income and interest expense are recognised in the income statement, using the effective interest rate method. The effective interest rate method identifies the interest rate that guarantees the estimated future inflows and outflows in the expected useful life of financial assets or liabilities. The effective interest rate is calculated on the initial recognition of the financial vehicle and is constantly revised. The calculation of the effective interest rate includes transaction expenses, remunerations paid or received and the amortization of eventual amounts above or below par.

(d) Fee and commission income

Commission income and expenses associated with the effective interest rate of a financial vehicle are included in the presentation of the effective interest rate. The remaining fee and commission income are recognised when the corresponding services are provided.

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Notes on the consolidated financial statements

(e) Net income from financial transactions

Net results from financial transactions include gains and losses that result from the revaluation at fair value of trading portfolio (shares, securities, derivatives etc), gains and losses of the derivatives that offset interest rate risk in part of the housing loan portfolio and the revaluation of the same (offset) loans (accounting hedging at fair value), and any eventual existing exchange currency differences.

(f) Dividends

Dividend income is recognised in the income statement on the date that the dividend is collected.

(g) Leasing

Operating leasing payments are made on a straight line basis during the leasing period.

The Group evaluates and considers whether a contract is or contains a lease always based on the essence of each contract. Evaluation procedure considers whether the performance of a contract depends on the use of an asset and whether the contract grants the right to use the specified asset.

A. The Group as lessee

Financial leasing:

Leasing contracts from which it results that the Group retains all risks and benefits of the leased assets, are characterized as financial leasing.

The Group, according to the information held on December 31st, 2008, does not retain as a lessee, any leasing that could be characterized as financial.

Operational leasing:

Asset leasing contracts from which it results that the lessor retains an important part of the risks and the benefits, are characterized as operational leasing. The total of the paid lease charges is transferred to the profit and loss account under the category of general management expenses for the duration of the leasing. In case a contract is terminated prior to the contractual expiration day, the compensation to be paid to the lessor is recognized as an expense in the period the contract is terminated.

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Notes on the consolidated financial statements

B. The Group as lessor

Financial leasing:

Leasing contracts from which it results that the risks and the benefits of the assets leased are transferred to the lessee, are characterized as financial leasing. The total amount of the leasing charges set in the leasing is depicted as receivables under the category loans and receivables from clients. Leasing charges collections reduce the receivables from leasing charges. The financial revenues arising from the leasing are recognized on an accrual basis. Receivables from financial leasing are considered for impairment of their value according to the rules and procedures applying for the loans and receivables from clients.

Operational leasing :

Leasing contracts from which it results that the lessor retains an important part of the risks and benefits of the leased assets, are characterized as operational.

The Group, according to the information held on December 31st, 2008, does not retain any leasing that could be characterized as operational.

(h) Income tax

Income tax includes current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for : goodwill not deductible for tax purposes and other expenses not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor fiscal differences. For the identification of deferred tax, the applicable tax rates used or, the tax rates that have been established on the date the balance sheet was drawn up and they apply on a posterior date.

A deferred tax asset is recognised only to the extent that it is probable that future tax profits will be enough, against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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Notes on the consolidated financial statements

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(i) Financial instruments

(i) Registration

The Group initially recognizes the loans and claims, deposits, debt securities and securitized debt on the date they are created. The remaining financial assets and liabilities are recognized on the date the Group becomes member of the contractual terms of the aforementioned elements.

(ii) Derecognition

The Group ceases to recognize a financial instrument once the right to receive income expires or, once the Group transfers its rights for benefit receipt, through a transaction where the largest risk percentage, as well as, the profit from the possession of the financial instrument, have been transferred.

A financial liability is written off when contractual liabilities are annulled or eliminated.

The Group undertakes transactions where it transfers assets recognized in the balance sheet, but retaining a part or the total of risks or benefits. If the total or an important part of the risks or benefits is kept, the transferred assets shall not be written off by the balance sheet. Securities repurchase agreements constitute such an example.

(iii) Offsetting

Financial assets and liabilities are offset and the net amount is registered in the financial statements when there is legal right for offsetting the registered amounts and at the same time there is an intention for this offsetting. Income and expenses can be presented offset, as a result of a multi transaction of similar acts, such as trading transactions acts or, if this is permitted accounting wise.

(iv) Calculation of net acquisition price

Net acquisition price of a financial instrument, asset or liability, is the amount that it is initially recognized plus or less the accumulated amortisation of the difference between the amount initially recognized and the amount that shall result from the expiry less the eventual impairment, using the effective interest rate.

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Notes on the consolidated financial statements

(v) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price for those instruments that are negotiated in active markets. For the remaining ones, fair value is estimated using pricing models or discounted cash flow techniques. The Group uses estimation models used widely for the common and simple financial instruments, such as interest rate exchange agreements, option rights etc.

For more complicated instruments the Group uses other types that are supported on parameters that emanate from stock exchange prices.

(vi) Impairment

At each balance sheet date the Group estimates whether there is any objective indication that there is an impairment of the financial instruments, not shown at fair values. The financial assets of the Group are considered impaired if there is objective indication as a result of one or more events after the initial recognition of the instrument and this indication has effect on the future cash flows and can be estimated in a reliable way.

The Group estimates the impairment for specific financial instruments, as well as, at portfolio level. The Group during the impairment estimation, it assesses in each case whether there is objective indication of impairment pertaining to loans and claims of an important amount and, in each case or in total for these that are not assessed at individual level as being important. If during impairment evaluation for the individually assessed cases no objective indication for impairment results, then these claims are included in groups of similar features of credit risk and are assessed as a total. The cases that are assessed at an individual level and show an impairment loss are included in the grouped assessments. Financial instruments that are not considered as important are grouped in portfolios of similar risk features.

As objective signs of impairment are considered those for which important information/features are coming to the knowledge of Group with regard to the financial situation of each debtor, with regard to violation of the terms of an agreement resulting in the delay or default of payment either of instalment(s) and/or interest, with regard to classification of the beneficiary of credit in a regime of loan special settlement due to economic difficulty with more onerous terms for the Group compared to the initial agreement, with regard to strong possibility that the beneficiary of credit is led to bankruptcy or is to come under the status of administrative reconstruction etc.

For the assessment of impairment at homogenous loan portfolio pool-level, the Group uses statistic methodologies for the probabilities of loss, the anticipated time for collection and the loss that it has suffered, adjusted for the assessment of the Management as to whether the existing financial conditions and the lending conditions are such that the final loss is above or under the result of the historic data assessment. Usually a comparison is made of the effective losses with the loss coefficients and the probability of collection in order to find out whether they are reliable.

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Notes on the consolidated financial statements

The amount of impairment is calculated as the difference between the accounting value and the present value of the estimated cash flows discounted by the initial effective interest rate. The accounting value of the asset is reduced through the use of a provision account and the amount of the loss is recognized in the results.

If in a posterior period, the amount of impairment is reduced and the reduction may be associated with objective events that took place following the recognition of the impairment, the impairment that had already been recognized is reversed against the provision account. The amount is reversed through the results.

On the contrary, the recovery of the fair value of a financial instrument that has been impaired and is available for sale is directly registered in the equity.

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Notes on the consolidated financial statements

(j) Cash and cash equivalents

For the purpose of drawing up cash flow statements, cash and cash equivalents comprise cash balances on hand, cash deposits at Central Bank and short-term investments of high liquidity with maturities of three months, of which the change in the fair value shall be unimportant and are used by the Administration for covering short-term obligations.

Cash and cash equivalents are presented at the acquisition cost.

(k) Financial assets held for trading

Financial assets held for trading are those that the Group in principle holds for the purpose of short-term profit making.

Trading instruments are initially recognized on the balance sheet and afterwards at their fair value and the transaction expenses come under the results. All changes in the fair value of these instruments are registered in the financial transactions results in the profit and loss account.

(l) Derivatives

The derivatives that are held by the Group are used for purpose of short-term profit making or in order for the Group to hedge other financial instruments held for trading. The Group also uses derivatives for the purpose of accounting hedging, based on IFRS 39.

Changes in the fair value of the derivatives are registered in the financial transactions results in the profit and loss account.

Derivatives are contracts the value of which results from a primary financial (subject) instrument, such as shares, bonds, loans, currency exchange, merchandise and organized money market indexes. The value of the derivatives is shaped directly from the value of the primary existing subject instruments.

Financial derivatives integrated in the activities of the Group are Forward Contracts, Future contracts, Options, Swaps, CAPS.

Financial derivatives appear in the Group's assets when they are to its benefit and in the liabilities when they are to the benefit of the contracting parties. Derivatives are shaped at their fair value through prices that are taken from stock exchange market values, derivative negotiators, discounted cash flow models and models for assessing the options.

Derivatives that are integrated in other financial instruments are dissociated from the main contract on condition that the financial data and risk features are not directly associated with the main contract, that they meet the definition of the derivative, the main contract is not

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Notes on the consolidated financial statements

assessed at fair value and the resulting non-realized profits or losses are not registered in the profit and loss account.

The Group within the frame of strategic management of risks pertaining to assets and liabilities that result from the fluctuations of interest rates, exchange rates and time transactions, conducts transactions in derivatives aiming at the financial hedging, that does not come under the accounting hedging which complies with the rules of IFRS and are handled as derivatives of the trade portfolio for transaction purposes.

Moreover, the Group within the frame of risk management for the assets that result from the fluctuations of the interest rates conducts transactions in derivatives aiming at the accounting hedging. The specified transactions are registered either as hedging transactions at fair value or as cash flow hedging transactions, on condition that they meet specific hedging recognition criteria. The criteria set by the Bank, are the validation of the transactions with regards to a) hedging vehicle b) hedged element c) the objective of the hedging d) the relation between the hedging instrument and the hedged element.

Fair value hedging

By the accounting fair value hedging of a financial instrument, the elimination of the change in the fair value of the hedged element is achieved, due to the effect of one or more risks that are hedged.

The change of the value of the hedging instrument and the change of the value of the hedged element due to the hedged risks are recognized in the result for the fiscal year. In case the hedging relation is terminated, hedged financial instruments are re-assessed, according to the rules applying for the assessment category in which they have been classified. In particular for the interest bearing financial instruments, the total amount of the change of their value that corresponds to the time period in which the hedging relation applies, it is written off gradually in the results, up to its expiry or its being sold. The Bank, by using interest rate derivatives (IRSs), hedges the risks that are associated with loan obligations and fixed interest rate loans.

Cash flow hedging

By the accounting hedging of cash flows of a financial instrument, the modification of the cash flow from fluctuated to fixed, is achieved.

The effective part of the modification of the fair value of the hedging instrument is directly recognized in the Equity, while the non effective part is recognized in the results. The accounting handling of the hedged element sees no change. There has been no case of cash flow accounting hedging application.

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Hedging effectiveness control.

In order to meet the hedge accounting criteria, the Group needs to have at its disposal every element that upon the contracting of the hedging and throughout its duration shows true effectiveness. A hedge is judged as fully effective when the offset of the modifications of the fair value is achieved as these modifications emanate from the hedged risk at a percentage between 80%- 125%. For this reason, the Group during the creation of a hedging and in posterior periods conducts retroactive and future controls of the hedging effectiveness. The ineffectiveness of the hedging is registered in the financial act results.

(m) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or specified payments schedules, which are not negotiated in organized stock exchange markets and the Group has no intention of selling them soon or in the near future.

Investments bought with the obligation of selling them at a future date do not appear in the consolidated financial statements of the Group. The amounts paid are recognized in the receivables from credit institutions or from customers.

Loans and receivables are initially presented at fair value plus the transaction expenses and afterwards the Group revalues them at the net acquisition cost, using the effective interest rate.

(n) Investment portfolios

Investment portfolios are initially recognized at their fair value plus the transaction expenses and afterwards depending on their classification they are recognized as available for sale or held to maturity.

Available for sale assets pertain to investments that are not held for a predefined time period and may be liquidated at any time, depending on the liquidity needs of the Group. Shares not listed in the stock market, of which the fair value cannot easily be calculated, are carried at their acquisition cost. The remaining assets are carried at their fair value.

Income from interest is registered in the results based on the effective interest rate. Income from dividends appears in the results when the Group has the right to collect. Exchange rate differences in assets available for sale are registered in the results.

Changes in the fair value appear on equity until the investment is sold or impaired *where cumulative gain or loss recognised in equity is transferred to the results.*

Held-to-maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold them to maturity. When the Group sells an important number of held-to-maturity financial assets,

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the entire category shall be reformed and shall be classified in the portfolio of available-for-sale investments.

(o) Property and equipment

Items of buildings property and equipment are carried at acquisition cost, less depreciations and impairment. Acquisition cost includes expenses directly associated with their acquisition.

The expenditure that increases the future benefits of the fixed asset, increases its acquisition cost. All other expenses are registered in the results.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of property and equipment. "Improvements in third party real estate property" are depreciated over the smaller time period between the useful life of the improvement and the leasing period for the leased real estate property.

The estimated useful life of the furniture and equipment is 5-12 years. The useful life of the fixed assets in general is re-examined and readjusted if deemed necessary on the date the financial statements are drawn up.

(p) Intangible assets

Intangible assets pertain to the software programs of the Group. Depreciation is calculated based on the duration of the expected useful life of software programs, which the Group has defined to be 3 years.

Expenses pertaining to the maintenance of software programs are recognized in the profit and loss account for the accounting period during which they incur. On the contrary, expenses that improve or extend the performance of software programs beyond the initial technical specifications or respectively the expenses for software upgrade are integrated in the acquisition cost provided they can reliably be measured.

(q) Deposits, bond loans and subordinated loan

Deposits, bond loans and subordinated loan constitute the financing sources for the Group.

The Group concludes investment purchase agreements and re-sale agreements of the same investments at a specific future date at a pre-agreed price. Investments that have been sold with re-purchase agreements continue to be recognized in the balance sheet and appear according to the accounting principle that associates with the assets held for trading or those that are available for sale or held to maturity. The price of the investment sale appears as an obligation to credit institutions or to customers.

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Deposits, bond loans and subordinated loan are initially presented at fair value and include transaction expenses and afterwards at net acquisition cost based on the effective interest rate.

(r) Provisions

Provisions are recognized in the balance sheet when the Group has a constructive or legal obligation as a result of the events of past fiscal years, the amount of the obligation being possible to be identified objectively while the outflow of economic resources is probable, as to resources incorporating financial benefits in order to settle the obligation. Since the amount of the obligation is important, the provision is specified prepaying the expected cash flows at an interest rate that reflects the current estimations of the market and the value of the money in the lapse of time.

(s) Employee retirement benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement at the time they incurred.

(ii) Defined-benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield on credit rated bonds that have maturity dates approximately the term's of the Group's obligation. The calculation is performed by a qualified actuary using the projected unit credit method.

When benefits are improved, the increase rate for the services that have been provided in the past is recognized as expense in the results according to the fixed depreciation method where the depreciation period is the average remaining working life of the employees.

All actuarial gains and losses are recognized

(t) Capital

The expenses directly associated with the increase of the share capital of the Group, are deducted from the product of the issue and equally decrease Equity.

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(u) New Standards

New standards and interpretations that have not yet been adopted

A number of new I.F.R Standards, modifications and explanatory instructions that have been issued but not applying for December 31st, 2008 have not been applied for these financial statements as well :

- IFRS 8 “*Segmental reporting*” introduces the “Administration approach” in the per sector reporting. IFRS 8, that has been mandatory for the consolidated financial statements of the year 2009 of the Group, shall require publication of information per sector, based on internal reports that are regularly reviewed by the Management of the Group, competent for making decisions aiming at the evaluation of the performance per sector and the allocation of resources.
- The revised IFRS 23 “*Loan expenses*” suspends the possibility of registering as expense the loan cost and requires from the financial entity to capitalize loan expenses directly associated with the acquisition, manufacture or production of an asset that meets the conditions as part of the cost of the said asset. The revised IFRS 23 will become mandatory for the financial statements of the fiscal year 2009 of the Group.
- The reviewed I.A.S 1 “*Presentation of Financial Statements*” (2007) introduces the term “concentrated total revenues”, representing changes of owned capitals during a period apart from those that are due to transactions with proprietors that act in their capacity as proprietors. Concentrated total revenues may be presented either in an individual statement of total revenues (combining in essence the profit and loss account and all the non proprietary amendments of owned capitals in a single statement), or in profit and loss account and a separate total revenues statement. The reviewed I.F.R.S 1, which becomes mandatory for the consolidated financial statements of the fiscal year 2009 of the Group, is expected to have significant consequences on the consolidated financial statements.
- Amendments of I.F.R.S 32 – “*Financial Instruments: Presentation and I.A.S. 1 Presentation of Financial Statements – Puttable Instruments and Obligations Arising on Liquidation*” requires available instruments, and instruments that impose on the financial entity the obligation to deliver the third by proportion share of the net property assets of the financial entity only in case of liquidation, to be depicted in equity if they meet certain conditions. The amendments, to become mandatory for the consolidated financial statements of the fiscal year 2009 of the Group, with mandatory retrospective application, are not expected to have significant consequence on the consolidated financial statements.
- The amended I.F.R.S 3 “*Business Combinations*” (2008) integrates the following :

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- The definition of business has expanded, and hence, it is probable that the businesses handle more acquisitions as business combinations.
- Eventual remunerations will be stated at fair value, and posterior modifications of the same will be recognized in the results.
- Transaction costs, apart from the costs for the issuing of shares and charge, will be recognized as expenses when incurred.
- Any eventual participation in pre-existing acquired will be stated at fair value with profit or loss being recognized in the results.
- Any eventual minority interests will be stated at fair value, or according to the right proportion to the recognizable assets of the acquired entity, per transaction.

The reviewed I.F.R.S 3, which becomes mandatory for the consolidated financial statements of the accounting period 2010, will be applied in the future and hence there will be not consequence for previous accounting periods on the consolidated financial statements of the fiscal year 2010 of the Group.

- The amended I.F.R.S 27 “*Consolidated and Separate Financial Statements*” (2008) requires changes in proprietary rights from the Group to a subsidiary, while it retains control over the said company, to be considered as owned capital transaction. When the Group loses control of the subsidiary, all rights left to the ex subsidiary will be stated at fair value and the profit or loss will be recognized in the results. Amendments in I.F.R.S 27, to become mandatory for the consolidated financial statements of the fiscal year 2010 of the Group, are not expected to have significant consequences on the consolidated financial statements.
- The amendment of I.F.R.S 2 “*Share-based Payment– Vesting Conditions and Cancellations*” clarifies the terms of vesting conditions, introduces the term of not vesting conditions, requires that the not vesting conditions should be included in the grant date fair value of the share-based payment, depicted at fair value and provides the accounting handling of the non validation and cancellation conditions. The amendments of I.F.R.S 2 will become mandatory for the consolidated financial statements of the fiscal year 2009, with mandatory retroactive application. The Group has not yet identified the eventual consequence of the amendment.
- Interpretation 12 “*Exploitation Granting Agreements*” for services that emanate from the construction of public infrastructure. It applies for fiscal periods starting from January 1st, 2009

This Interpretation, issued on November 30th, 2006, provides instructions on certain issues of recognition and presentation that result during the accounting of exploitation granting agreements between the public and private sector. The said Interpretation is not applied in the activities of the Group.
- Interpretation 15 “*Agreements for the construction of Real Estate*”

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It applies to fiscal periods starting from January 1st, 2009

This interpretation that was issued on July 3rd, clarifies when revenues and the relevant expenses of the businesses undertaking the construction of a real estate property and conclude agreements with buyers prior to the completion of the construction, are to be considered according to IAS 11 (as construction contracts) or according to IAS 18 – Revenue (as contracts for the provision of services or the selling of goods).

4 Financial risk management

4.1 Introduction and review

The nature of the business of a banking institution is subject to a number of risks.

Group's Board of Directors must create a frame through which will have the possibility to:

- Recognize every type of underlying risk
- Precisely calculate and quantify its size
- Identify and specify the desired degree of undertaking of each risk, to define the policy against the same, to specify the established limits within which every risk must be undertaken.
- Monitor / control the performance of the policies against every risk
- Take all necessary corrective measures.

The aim of all the aforementioned is to maintain the continuity of the business of the Group, to avoid eventual negative results over the main financial figures, at least in correlation with the degree to which every risk has been undertaken.

Within this effort, the Group has created a frame for managing all the recognized forms of risk, based to a large degree on the respective principles and policies of the Group of the Mother Company Millennium BCP. A frame, in which the distinctive roles between the management and control are strictly kept, a frame which is the object of re-examination every year as regards its adequacy and its relation with the new conditions that prevail in the market.

The Group's Board of Directors is responsible to approve the strategy – policy for the undertaking of risks and to supervise the adequacy and effectiveness of the management of the same as well as of the control process.

The central body for the expression of this risk management frame is the **Risk Control Commission (RCC)**, which has been established in correspondence with the practices of the Group of Millennium BCP and the spirit of the Acts of Governor/ BoG 2577/2006. RCC depending on the type of the risk is directly cooperating with the respective Risk Sub-commissions at the Group level of the Mother Company. Among its main duties is to supervise and control the correct application and functionality of risk management policies and to monitor the progress of the risk and its position according to the established limits.

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RCC controls the various committees that are competent for the making of decisions and for managing every type of risk, meaning, all approving credit bodies and the Credit Committee (CC), Assets and Liabilities Committee (ALCO), Capital and Liquidity Committee (CALCO) and finally the various “Procedure Managers” within the framework of managing the “operating risk”.

Among its main duties, RCC is to supervise and control the correct application and functionality of risk management policies and to monitor the progress of the risks according to the established limits. At the same time, its standard is to promote the development of human and technologic resources, pertaining to the control and management of the risks in the operations of the Group.

Risk Management Service of the Group, is responsible for conducting the control of all the risks, by planning and suggesting directions strategies to RCC, for their systematic measurement and monitor of the same in relation to the established limits and the application of the appropriate procedures.

The operation of Risk Control of the Group is equalized with the respective one of the Group of the Mother Company, ensuring the identification of the practices and the risk policy within the Group and achieving at the same time the possibility of Control and risk Management at a consolidated level.

The Group systematically monitors the following risks.

- Credit risk
- Liquidity risk
- Market risk, and
- Operating risk

This note presents data pertaining to the report of the Group on the aforementioned risks, procedures and methods used for their measurement and management and for managing the Equity of the Group.

4.2. Credit Risk

Granting of credits is one of the most fundamental bank operations. Credit risk is the principal risk in this type of bank operations. Credit risk derives from the eventuality of financial damage / loss of financial instruments, due to the failure of the contracting parties to meet their contractual obligations with the Group.

Credit risk derives mainly from credit granting, from the approved and non revocable credit limits, both towards individual and legal entities. It may also result from investment and exchanging activities, acts over derivatives and settlement of securities.

The degree of credit risk depends on a number of factors such as, the credit standing of the credit beneficiaries, the credit opening type, whether there are guarantees against this opening and the type of such guarantee.

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In the Group, the main agents of the credit policy, decision making and credit risk management are the various credit approving bodies, including Credit Commission, for important opening over a specified limit.

Within the same reference framework for Credit risk, Credit Reviewing Committee has been established, which is engaged in those grants that are delayed, beyond the aforementioned supervisory role of RCC.

These limits are regularly reviewed and renewed.

4.2.1 Exposure to credit risk / Measurement of credit risk

The reliable measurement of the undertaken credit risk constitutes the most important parameter.

The Group, in reality, is not substantially exposed to credit risk pertaining to opening to securities, derivatives, investments, loans to banks / interbanking, since the counter party is usually the Mother Company Millennium BCP, or the degree of the exposure is relatively low. Thus, special care must be given to the main openings - loans to individuals and companies.

The Group has already developed these infrastructures and systems that aim at measuring and monitoring the credit risk and the provision of that information that the administration needs in order to make the relevant decisions. The said systems and infrastructures constitute an object of sedulous reviewing in cooperation with the Mother Company Millennium BCP, always adjusted to the reality of Greek market.

a. Loans

The Group uses credit scoring systems, depending on the type of the counter party. The said systems that are used are either recognized specialised systems of the market, from which they were acquired, or systems developed by the Mother Company Millennium BCP, which afterwards were adopted in Greek reality.

Thus, as far as it concerns:

- i) Business credit**, for any opening / exposure regardless of the amount and the limits, a specific credit scoring system is used that takes into account the quantity and quality factors that correspond to the classifications of three Assessment Houses (IBCA, Moody's, S&P). The system uses 15 classifications, with each of them being associated with a probability range which pertains to the default of the credit beneficiary, who comes under it.

As regards the collaterals of the customers for covering their openings and based on the type of the offered collaterals, the credit beneficiaries are classified in a "protection level system", which is based on continuous readjusted prices of the collaterals. Thus, all credit openings may be classified in nine (9) different "protection levels".

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- ii) **Retail banking** – Individuals, the Group uses reliable credit scoring systems, with special criteria applied per product or per product category.

Two are the main points describing the continuous activity of the Group, as regards the measurement of the credit risk,

- A systematic assessment is conducted for the capacity of credit beneficiaries to meet their obligations. This evaluation is based on indications of difficulty in meeting their obligations from various sources on a daily basis, as these are defined by the "Impairment Calculation Model".
- There is assessment and reassessment of eventual collaterals that the credit beneficiary has offered as security to the Group, aiming at defining any eventual loss / damage for the organisation.

Reduction of credit risk

As we have already mentioned here-above, the Group in its effort to reduce the credit risk, seeks to receive securities and coverages from its clientele. These coverings constitute the object of constant evaluation and re-assessment. The collaterals that are accepted are the following :

- Real estate property prenotices
- Pledge establishment over cheques of the clientele
- Bank letters of guarantee
- Pledge establishment over deposits
- Pledge establishment over securities, mutual fund shares.
- Other collaterals

b. Securities

The exposure of the Group to credit risk from securities is low due to the amount of the investment in these.

The tables here-below present an analysis of the debit titles and interest bearing bills at fair values per category of credit rating, as of December 31st, 2008 and 2007, based on the evaluations of Standard & Poor's, Fitch and Moody's.

If for a debit title more than one credit gradations are available, which correspond to different categories, the gradation that leads to the lowest category is the one that is used.

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Securities credit rating

(amounts in thousand Euros)

December 31, 2008	Securities held for trading	Available-for- sale portfolio	Held to maturity	Total
AAA	133	-	1.028	1.161
A- up to A+	7.109	8.269	-	15.378
Lower than A-	418	-	-	418
With no rating	-	3.813	150	3.963
Total	7.660	12.082	1.178	20.920

In the available-for-sale portfolio there is an amount of mutual funds standing at 2,649 thousand Euros which is not included in the previous table.

Securities credit rating

(amounts in thousand Euros)

December 31, 2007	Securities held for trading	Available-for- sale portfolio	Held to maturity	Total
AAA	276	-	-	276
A- up to A+	9.314	7.651	-	16.965
Lower than A-	975	-	-	975
With no rating	474	1.939	150	2.563
Total	11.039	9.59	150	20.779

In the available-for-sale portfolio there is an amount of mutual funds standing at 3.974 thousand Euros which is not included in the previous table.

c. Derivatives

The exposure of the Group to credit risk from derivatives is considered as insignificant since in most the counter party is the Millennium BCP, or because derivatives are traded in recognized foreign markets.

However, for the remaining derivatives with clientele there is a credit risk, which also constitutes an object of management of the credit approval bodies.

4.2.2 Stress tests

Risk Management Service of the Bank in applying of the stipulations of Acts of Governor/ BoG 2577/06 conducts on a systematic basis stress tests with scenarios adapted to the nature of its

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activities for all the forms of risks and especially of the credit, market, interest and liquidity risk, analyses their results and recommends the appropriate policies.

4.2.3 Impairment

Impairment losses of the Group are calculated based on the methodology provided for in the “Internal Model for Calculating Claim Impairment” that has already been submitted and has the approved by the Bank of Greece. Risk Management Service bears the total responsibility of the impairment calculations, while Internal Audit dept. is responsible for the independent assessment of the procedure and its respective results.

a) Overdue loans

Overdue loans are the loans for which the Group considers very probable that it shall not collect the neither amount of the loan (in total or in part), nor the contractual interests according to the terms of the contract.

b) Individual assessment

Credit exposures against important clients with indications of impairment are the object of separate analysis of the impairment of their value.

c) Collective assessment

- The financial credit exposure with indications of impairment is the object of assessment through the application of a pre-defined algorithm, which is based on the creation of a homogenous population, and with the use of statistical techniques. (parametric calculation)
- The credit exposure without indications of impairment is the object of assessment also through application of statistical techniques (collective calculation). The analysis is conducted with the segmentation of the updated portfolio of the Group in three sub-populations.

4.2.3.1 Impairment

(amounts in thousand Euros)

	Loans and advances to Customers	
	<u>2008</u>	<u>2007</u>
Financing exposure	4.793.825	3.966.280
Individual impairment assessment		
Gross amount	259.408	158.702
Impairment	(8.298)	(11.227)
Amount after impairment	251.110	147.475
Collective impairment assessment (parametric calculation)		
Gross amount	254.521	152.295
Impairment	(38.804)	(23.514)

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Amount after impairment	215.717	128.781
Collective impairment assessment (collective calculation)		
Gross amount	4.334.045	3.698.897
Impairment	(7.047)	(8.873)
Amount after impairment	4.326.998	3.690.024
 Total amount after impairment	4.793.825	3.966.280

Loans and advances to customers, per class of customers, are analysed as follows:

<i>(amounts in thousand Euros)</i>	2008	2007
Net amount	4.793.825	3.966.280
Retail customers	2.627.572	2.428.241
Corporate customers	2.166.253	1.538.039
	4.793.825	3.966.280

An estimation of the fair value of the collaterals, against credit granted to Customers, is presented in the following table:

4.2.3.2 Collaterals against claims

<i>(amounts in thousand Euros)</i>	<u>2008</u>	<u>2007</u>
<i>Against individual impairment evaluation</i>		
Deposits	3.187	4.759
Shares	41	-
Other tangible collaterals	2.521	3.813
Real estate	378.431	184.921
Other	17.260	7.590
<i>Against parametric impairment evaluation</i>		
Deposits	349	1.134

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Shares	43	30
Other tangible collaterals	97.343	82.488
Real estate	128.192	52.012
Other	1.243	735

Against collective impairment evaluation

(amounts in thousand Euros)

Deposits	86.629	106.965
Shares	620.705	140.554
Other tangible collaterals	444.064	548.132
Real estate	4.793.488	2.799.651
Other	565.419	493.642
	7.138.915	4.426.426

The Group controls the concentration of credit risk per business activity sector. An analysis of the requirements per sector activity is presented in the following table:

	Loans and advances to Customers		Loans and advances to Credit Institutions		Financial assets held for trading		Financial assets available for sale		Assets held to maturity	
(amounts in thousand Euros)	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Business	2.166.253	1.538.039	-	-	7.381	10.476	3.813	1.939	-	-
Government			-	-	146	287			-	-
Bank			842.858	1.149.602	133	276	8.269	7.651	1.178	150
Retail customers	2.627.572	2.428.241	-	-	-	-			-	-
Mutual funds	-	-	-	-	-	-	2.649	3.974	-	-
	4.793.825	3.966.280	842.858	1.149.602	7.660	11.039	14.731	13.564	1.178	150

4.2.4 Write offs

Business and Private Customer Credit

Loans and credit cards that are returned to the Group by the cooperating lawyers or the Legal department, in part or in total unpaid, as non collectable are transferred to the doubtful debts account.

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At the end of each year the collection management dept. recommends the writing – off of debts from overdue loans and credit cards, which are judged as non collectable according to the relevant confirmation to be prepared by the cooperating lawyer responsible for the case, or the Legal Service of the Group. Indicative reasons in order to suggest a claim for writing – off are the following:

- All recommended, depending on the case, extrajudicial and judicial actions have taken place with no result,
- The borrower has deceased without heirs or co-debtor or guarantor,
- The residence of the borrower is unknown
- The borrower has declared bankruptcy and the Group has no collateral
- The capital due is less than EUR 300.

The Collection management dept., after having carefully examined all the cases intended for writing-off, prepares a concise report with the detailed information on every opening. The aforementioned report is submitted for approval to the Collection Committee that consists of the Managing Director, Managing Director Assistant, Supervisor of Credit Department, the Director of the Legal Service, the Head of Collection management dept. (introducer) and the Director of Financial Services. Once the proposal is approved, the report on the cases intended for writing off is forwarded to the competent departments of the Group for definite writing off of the claims.

4.3. Liquidity risk

Liquidity risk is the risk of failure run by the Group to meet its financial obligations when these become payable, due to lack of the necessary liquidity.

4.3.1 Liquidity Risk Management

The philosophy of the Group as regards to liquidity management is to ensure, as much as possible, the sufficient existence of liquidity for covering its liabilities, in normal but also adverse conditions, without facing any loss and jeopardize its prestige.

Treasury dept. receives information from other departments pertaining to the requirements and liabilities of the Group as well as information on the expected cash flow. Treasury dept. keeps a portfolio of short-term claims and sufficient lines of bank financing, ensuring thus the liquidity of the Group.

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Liquidity indexes are monitored on a daily basis, and at regular intervals they are subject to crisis situation simulations with a number of different scenarios which cover from normal up to the most adverse market conditions. Management and handling procedures for the liquidity risk are subject to the approval of Capital and Liquidity Management Committee, which in turn is controlled by RCC.

4.3.2 Exposure to Liquidity Risk

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fulfil its financial obligations when due, and the risk of being unable to liquidate an asset at a reasonable price, on appropriate time.

The Group for the unhindered and effective financing of its activities has significantly expanded capital funding sources and means, in such a way so as to achieve:

- a) Low-cost financing and
- b) Long-term funding

Consequently, the Group in order to operate within the abovementioned frame proceeded in 2006 to the securitization of assets of total value of 600 mil. Euros through the special purpose vehicle called Kion Mortgage Finance plc. In addition, during 2008 a second securitization of assets of total value of € 585 mil. took place through a new special purpose vehicle called Kion II Mortgage Finance plc.

The Group estimates and monitors on a daily basis and quarterly basis the current liquidity ratio. These indexes measure the maximum need for daily financing, taking into account the expected cash flows of three days and three months respectively.

Moreover, on a daily basis, mandatory liquidity ratios, "Liquid assets capital ratio" and "Assets – Liabilities Gap Ratio" are monitored, as defined according to the Act of Governor of the Bank of Greece 2560/05 as regards the liquidity adequacy of the Credit Institutions.

Current Liquidity Ratio as defined by the Act of Governor of the Bank of Greece 2560/05 is as such:

	<u>2008</u>	<u>2007</u>
On December 31st	22,20%	22,10%
Average ratio for the year	21,52%	21,63%
Maximum ratio for the year	23,54%	22,60%
Minimum ratio for the year	20,19%	20,60%

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The following table provides an analysis (amounts expressed in thousand Euros) of the financial assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment.

Maturities of financial assets and liabilities

	2 0 0 8					
<i>(amounts in thousand Euros)</i>	Less than one month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Financial assets						
Cash and deposits at Central Bank	252.650	-	-	-	-	252.650
Financial assets held for trading	-	-	86	7.201	373	7.660
Financial assets - Derivatives	2.786	4.085	1.389	38.257	4.682	51.199
Loans and advances to Credit Institutions	650.761	61.838	55.000	43.670	31.589	842.858
Loans and advances to Customers	521.902	44.405	563.006	637.803	3.026.709	4.793.825
Financial assets available-for-sale	-	-	8.269	-	6.462	14.731
Assets held to maturity	-	-	-	-	1.178	1.178
Investments in associated companies	-	-	-	-	8	8
Other assets	62.348	16.091	1.436	2.547	1.211	83.633
	1.490.447	126.419	629.186	729.478	3.072.212	6.047.742
Financial liabilities						
Financial liabilities - Derivatives	18.546	10.537	3.887	48.227	4.895	86.092
Deposits from Credit Institutions	163.905	132.604	305.998	817.973	10.000	1.430.480
Deposits from Customers	1.914.672	882.834	413.007	23.219	-	3.233.732
Debt securities	-	-	-	-	865.147	865.147
Subordinated debt	65.000	-	-	-	-	65.000
Other liabilities	101.207	5.352	296	32	165	107.052
	2.263.330	1.031.327	723.188	889.451	880.207	5.787.503

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Maturities of financial assets and liabilities

2 0 0 7

<i>(amounts in thousand Euros)</i>	Less than one month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
<i>Financial assets</i>						
Cash and deposits at Central Bank	42.689	-	-	-	-	42.689
Financial assets held for trading	278	61	640	333	9.727	11.039
Financial assets - Derivatives	56	733	1.090	12.753	5.111	19.743
Loans and advances to Credit Institutions	816.926	182.442	55.000	95.218	16	1.149.602
Loans and advances to Customers	322.785	96.054	579.596	557.753	2.410.092	3.966.280
Financial assets available-for-sale	-	-	-	7.651	5.913	13.564
Assets held to maturity	-	-	-	-	150	150
Investments in associated companies	-	-	-	-	8	8
Other assets	11.447	15.651	19.356	2.799	13.881	63.134
	1.194.181	294.941	655.682	676.507	2.444.898	5.266.209
<i>Financial liabilities</i>						
Financial liabilities - Derivatives	2.722	371	615	12.651	5.225	21.584
Deposits from Credit Institutions	498.845	145.454	687.304	542.424	10.000	1.884.027
Deposits from Customers	1.925.145	429.264	170.476	43.286	-	2.568.171
Debt securities	-	-	-	-	405.485	405.485
Subordinated debt	-	-	-	-	65.000	65.000
Other liabilities	16.067	28.648	31.674	685	8.670	85.744
	2.442.779	603.737	890.069	599.046	494.380	5.030.011

4.4. Market risk

Market risk relates to the current and future effect on the income or the capital of the Group that may result from the fluctuation in the prices of the securities, shares, interest rates and exchange rates. Assets and Liabilities Committee is responsible for managing Market risks which is controlled by RCC.

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4.4.1 Exposure to Market Risk

The main method used by the Group for measuring Market risk is the calculation of Value at Risk-VaR. Value at Risk measurement is the estimation of the maximum potential reduction (loss) in the net current value of the transaction portfolio that can incur in a specified time limit and for a specified confidence level. The Group applies Riskmetrics, the parametric Value at Risk measurement method, with a time margin of 10 working days and a trust level of 99%. The here-below table presents concisely the figures pertaining to the assessment of value at risk, for the transaction portfolio of the Group.

Value at Risk assessment

(amounts in thousand Euros)

	Group transaction portfolio (VAR)	VAR-Exchange risk	VAR Interest rate risk	VAR Share risk
31/12/2008	1.306	19	1.308	-
31/12/2007	507	462	153	-

4.4.2 Currency risk

The Group is exposed to currency risk through transactions in foreign currencies. The effects of the change of exchange rates affect the financial position and cash flows of the Group.

The Group's transactional exposures give rise to foreign currency gains and losses that are recognised in the income statement. These exposures comprise the monetary and non monetary assets and liabilities of the Group that are not denominated in the measurement currency of the Group.

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The exposure of the Group to the currency risk is as follows:

<i>(amounts in thousand Euros)</i>	EUR	USD	CHF	OTHE R	TOTAL
Assets					
Cash and deposits at Central Bank	251.892	447	38	273	252.650
Financial assets held for trading	7.631	29	-	-	7.660
Financial liabilities - Derivatives	47.826	277	3.056	40	51.199
Loans and advances to Credit Institutions	762.027	423	68.863	11.545	842.858
Loans and advances to Customers	4.174.713	11.006	593.413	14.693	4.793.825
Financial assets available-for-sale	14.731	-	-	-	14.731
Assets held to maturity	1.178	-	-	-	1.178
Investments in associated companies	8	-	-	-	8
Tangible fixed assets	40.914	-	-	-	40.914
Intangible assets	2.631	-	-	-	2.631
Deferred tax asset	12.853	-	-	-	12.853
Other assets	81.656	802	476	699	83.633
Total Assets	5.398.060	12.984	665.846	27.250	6.104.140
Liabilities					
Financial liabilities - Derivatives	80.039	92	5.961	-	86.092
Deposits from Credit Institutions	1.271.192	30.696	112.458	16.134	1.430.480
Deposits from Customers	2.959.727	210.459	1.254	62.292	3.233.732
Debt securities	865.147	-	-	-	865.147
Deferred tax liability	17	-	-	-	17
Subordinated debt	65.000	-	-	-	65.000
Other provisions for employee benefits	2.436	-	-	-	2.436
Other liabilities	102.252	3.487	1.032	281	107.052
Total liabilities	5.345.810	244.734	120.705	78.707	5.789.956
Minority interests	88	-	-	-	88
Total Shareholders' Equity	314.096	-	-	-	314.096
Total liabilities	5.659.994	244.734	120.705	78.707	6.104.140
On balance sheet currency position	(261.934)	(231.750)	545.141	(51.457)	-
Off balance sheet currency position	234.172	233.375	(543.560)	76.013	-
Total equity	(27.762)	1.625	1.581	24.556	-
December 31, 2007	EUR	USD	CHF	OTHE R	TOTAL
Total Assets	4.848.805	8.239	448.942	27.129	5.333.115
Total liabilities	4.890.006	135.116	258.669	49.324	5.333.115
On balance sheet currency position	(41.201)	(126.877)	190.273	(22.195)	-
Off balance sheet currency position	27.644	127.845	(190.529)	35.040	-
Total equity	(13.557)	968	(256)	12.845	-

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4.4.3 Interest rate risk

It is defined as the risk for loss that results from changes in interest rates. Changes in the values of interest rates affect the profits of the Group, changing the net interest rate result.

4.4.3.1 Exposure to Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rate assets and liabilities the Group is also exposed to basic rate risk. Basis rate risk is the difference in re-pricing characteristics of the various floating rate indices, such as the savings rate and different types of interest. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with business strategies.

4.4.3.2 Interest rate risk management

Interest rate risk is mainly managed through the control of interest rate margins and the predefined limits for reassessed totals. Assets and Liabilities Management Committee (ALCO) is responsible for the compliance with the rules of the limits and is cooperating with the Risk Management Service as regards the monitoring – management of interest rate risk.

The here-below table shows the exposure degree of the Group to the interest rate risk. In the cases where for any claim or obligation there is not regular contractual expiry date or a date for the redefinition of the interest rate, these are classified in the fluctuating interest rate category.

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<i>(amounts in thousand Euros)</i>	2 0 0 8							
	Effective interest rate	Total	Floating rate financial instruments	Fixed rate financial instruments				More than five years
				Less than three months	Between three months and one year	Between one and two years	Between two and five years	
Assets								
Cash and deposits at Central Bank	3,25%	252.650	252.650	-	-	-	-	-
Financial assets held for trading	4,30%	52.190	1.071	16.568	20.175	-	12.250	2.126
Loans and advances to credit institutions	3,23%	842.858	110.102	634.019	98.737	-	-	-
Loans and advances to Customers	6,35%	4.793.825	3.859.323	46.842	225.955	364.285	270.708	26.712
Financial assets available-for-sale		8.269	8.269	-	-	-	-	-
Assets held to maturity	1,74%	1.178	-	1.178	-	-	-	-
Other assets	3,00%	14.638	-	10.583	1.375	1.746	786	148
Non-interest bearing assets		138.532	-	-	-	-	-	-
Total Assets		6.104.140	4.231.415	709.190	346.242	366.031	283.744	28.986
Liabilities								
Financial liabilities held for trading	4,37%	54.863	375	5.979	3.620	-	42.103	2.786
Deposits from Credit Institutions	3,86%	1.430.480	-	925.297	207.513	215.000	72.670	10.000
Deposits from Customers	4,13%	3.233.732	740.746	1.173.926	1.295.841	23.219	-	-
Subordinated debt	5,94%	65.000	-	65.000	-	-	-	-
Liabilities from credit titles	4,28%	865.147	-	865.147	-	-	-	-
Non-interest bearing liabilities		140.734	-	-	-	-	-	-
Total		5.789.956	741.121	3.035.349	1.506.974	238.219	114.773	12.786
Asset-liability gap		314.184	3.490.294	(2.326.159)	(1.160.732)	127.812	168.971	16.200

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Fixed rate financial instruments

<i>(amounts in thousand Euros)</i>	Effective interest rate	Total	Floating rate financial instruments	Less than three months	Between three months and one year	Between one and two years	Between two and five years	More than five years
Assets								
Cash and deposits at Central Bank	2,95%	42.689	42.689	-	-	-	-	-
Financial assets held for trading	4,09%	29.265	3.318	10.561	66	4.784	4.585	5.951
Loans and advances to Credit Institutions	4,30%	1.149.602	151.099	848.270	55.000	55.000	40.217	16
Loans and advances to Customers	6,76%	3.966.280	3.399.696	2.096	171.608	204.476	181.797	6.607
Financial assets available-for-sale		7.651	7.651	-	-	-	-	-
Assets held to maturity	5,17%	150	-	150	-	-	-	-
Other assets	3,00%	6.306	-	280	3.714	1.468	617	227
Non-interest bearing assets		131.172	-	-	-	-	-	-
Total Assets		5.333.115	3.604.453	861.357	230.388	265.728	227.216	12.801
Liabilities								
Financial assets held for trading	4,46%	18.202	-	-	325	5.316	6.845	5.716
Deposits from Credit Institutions	4,16%	1.884.027	-	644.299	637.304	281.012	311.412	10.000
Deposits from Customers	2,72%	2.568.171	847.682	1.507.106	170.535	42.848		
Subordinated debt	5,41%	65.000	-	65.000	-	-	-	-
Liabilities from credit titles	4,28%	405.485	-	405.485	-	-	-	-
Non-interest bearing liabilities		91.326	-	-	-	-	-	-
Total		5.032.211	847.682	2.621.890	808.164	329.176	318.257	15.716
Asset-liability gap		300.904	2.756.771	(1.760.533)	(577.776)	(63.448)	(91.041)	(2.915)

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Notes on the consolidated financial statements

(amounts in thousand Euros)

2008

<u>Currency</u>	<u>- 200</u> <u>pb</u>	<u>- 100</u> <u>pb</u>	<u>+ 100</u> <u>pb</u>	<u>+ 200</u> <u>pb</u>
CHF	+ 662	+ 329	- 324	- 644
EUR	- 199	- 129	+ 181	+ 407
USD	- 929	- 462	+ 457	+ 908
Total	- 466	- 262	+ 314	+ 671

2007

<u>Currency</u>	<u>- 200</u> <u>pb</u>	<u>- 100</u> <u>pb</u>	<u>+ 100</u> <u>pb</u>	<u>+ 200</u> <u>pb</u>
CHF	+ 1.069	+ 520	- 493	- 961
EUR	- 1.910	- 881	+ 759	+ 1.418
USD	- 380	- 189	+ 187	+ 371
Total	- 1.221	- 550	+ 453	+ 828

Regarding the interest risk of the banking book, the analysis used associates with the measurement of sensitiveness in association with the probable scenarios for the change of the interest rates. The here-below table shows the result, over the figures of the banking book, of the parallel displacement of the interest rate curve by 100 and 200 b.p. for the main currencies.

4.5 Operational risk

Operational risk is the risk which incurs losses due either to inadequacy or failure of internal procedures, natural persons and systems or to external events, including legal risk.

Operational risk may result from all the operations of the Group and is faced by all the departments. Operational risk management comes under the competence of every Process Owner. Every Process Owner is controlled by RCC.

Operational risks associated with the granting of credits, shall be handled by the Group as credit risks for the purposes of calculating capital claims. Operational risks associated with Market risk, shall be handled by the Group as operational risks.

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The compliance of the operations of the Group with the Internal Control System and its general adequacy are assessed by a periodic supervision program from the operation of the Internal Control. The results are discussed with the management of every department, with summaries that are submitted to the Risk Control Committee and the Senior Administration of the Group.

4.6 Capital management

Group's capital adequacy is calculated since 01.01.2008 according to the statutory frame of Basel II, as integrated by the Law 3601/2007. The capital base of the Group includes elements of the supervision accepted Equity, as defined by PD/TE 2587/2007.

Group's supervision Equity consists of the paid share capital, the difference from the issue of shares above par, profits carried forward, subordinated loans and from any supervision adjustments.

The Group counts on a monthly basis the supervisory capitals aiming at their best possible management, utilizing all modern methods and financial capital raising tools, based on maintaining the capital adequacy levels at significantly higher levels compared to the minimum supervisory capitals, as well as the reduction of capital cost to the benefit of its basic shareholder. Within this frame the configuration of capital structure constitutes part of business scheduling and the annual budget in correlation to the objectives of capital adequacy that have been set by the risk management strategy of the Group, coupled with the wider strategy of the Group of the Mother Bank Millennium BCP.

Capital Adequacy Index is defined as the ratio of the capitals to the weighted against risk assets and specific assets beyond the balance sheet that are classified within the frame of Basel II in the Banking book, as well as the notional amount that results from the total capital claims for covering market risk of the elements included in the trading book and total capital claims against operational risk, including the risk which incurs losses due either to inadequacy or failure of internal procedures, individuals and systems or to external events, including legal risk.

The Group, both for the purpose of calculating capital claims against Credit Risk and for the purpose of calculating capital claims against Operational Risk uses the method of Standardized Approach.

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Capital adequacy (amounts in thousand Euros)	<u>2008</u>	<u>2007</u>
Upper Tier I Capital	314.873	300.736
Reductions	<u>(3.840)</u>	<u>(12.567)</u>
Tier I Capital	311.033	288.169
Upper Tier II Capital	-	102
Lower Tier II Capital	65.000	65.000
Reductions	<u>-</u>	<u>(10.778)</u>
Total capital	65.000	54.324
Total supervisory owned capitals	376.033	342.493
Risk weighted assets		
Credit Risk weighted assets	3.586.460	3.214.771
Market risk weighted assets	46.327	134.560
Operational Risk weighted assets	<u>243.295</u>	<u>38.553</u>
Total risk weighted assets	3.876.082	3.387.884
Ratios		
Tier I	8,02%	8,5%
Total CAR	9,70%	10,1%

On December 31st, 2008, based on the regulatory framework of the Bank of Greece, the capital basis of the Bank amounted to 376.033 thousand. Hence, the extra capital above the minimum 8% of the risk weighted assets, required by the regulatory frame, amounted to 65.947 Euros.

5 Fair value of financial instruments

International Financial Reporting Standards require all entities to disclose the fair value of financial instruments, both assets and liabilities that are both recognised and not recognised in the balance sheet for which it is practicable to estimate fair value.

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The table that follows shows the accounting and fair values of the financial assets and liabilities elements for the year 2008.

(amounts in thousand Euros)

	Commercial purposes	Available-for-sale	Amortized cost	Other	Accounting value	Fair value
Assets						
Cash and deposits at Central Bank	-	-	-	252.650	252.650	252.650
Financial assets held for trading	7.660	-	-	-	7.660	7.660
Financial assets - Derivatives	51.199	-	-	-	51.199	51.199
Loans and advances to Credit Institutions	-	-	553.532	289.326	842.858	848.324
Loans and advances to Customers	-	-	4.793.825	-	4.793.825	4.682.960
Investment portfolio	-	14.731	1.178	-	15.909	15.909
Investments in associated companies	-	-	-	8	8	8
Total Assets	58.859	14.731	5.348.535	541.984	5.964.109	5.858.710
Liabilities						
Financial liabilities - Derivatives	86.092	-	-	-	86.092	86.092
Deposits from Credit Institutions	-	-	1.430.480	-	1.430.480	1.430.828
Deposits from Customers	-	-	3.233.732	-	3.233.732	3.236.612
Debt securities	-	-	865.147	-	865.147	824.490
Subordinated debt	-	-	65.000	-	65.000	65.000
Total liabilities	86.092	-	5.594.359	-	5.680.451	5.643.022

In the balance-sheet of December 31st, 2007 the accounting value of the financial elements of both assets and liabilities approaches their fair value.

6 Net interest income

(amounts in thousand Euros)

	<u>2008</u>	<u>2007</u>
Interest income		
Debt securities	443	622
Loans and advances to Credit Institutions and Customers	360.025	263.073
Financial assets - Derivatives	15.526	3.988
Other	1.193	3.060
	<u>377.187</u>	<u>270.743</u>

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	<u>2008</u>	<u>2007</u>
Interest and similar expenses		
Deposits from Credit Institutions and Customers	(213.765)	(130.755)
Hellenic Deposits & Investments Guarantee Fund	(13.296)	(10.886)
Contribution of L.128	(2.815)	(1.958)
Financial assets - Derivatives	(17.197)	(5.771)
Other	(4.148)	(4.892)
	(251.221)	(154.262)
Net interest income	125.966	116.481

7 Net fee and commission income

<i>(amounts in thousand Euros)</i>	<u>2008</u>	<u>2007</u>
Fee and commission income		
Loans fees	16.855	11.639
Credit cards fees	8.373	7.634
Mutual funds	2.304	4.364
Funds transfer	2.271	2.143
Cheques	2.558	2.137
Letters of guarantee	2.208	1.876
Insurance work	1.696	1.749
Securities	519	1.072
Custody services	400	514
Other	5.930	4.813
	43.114	37.941
Fee and commission expense		
Credit cards fees	(5.044)	(5.050)
Loans fees	(4.701)	(3.538)
Other	(1.292)	(1.195)
	(11.037)	(9.783)
Net Fee and commission result	32.077	28.158

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8 Net income arising from financial transactions

Net income from financial transactions arises from:

<i>(amounts in thousand Euros)</i>	<u>2008</u>	<u>2007</u>
Financial assets held for trading	(183)	(250)
Available-for-sale portfolio (see below)	-	274
Currency derivatives	5.382	6.218
Derivatives for financial hedging	2.754	-
Derivatives held for trading	(17)	1.236
	<u>7.936</u>	<u>7.478</u>

The movement in the result from Portfolio available for sale is as such:

Gains from available-for-sale portfolio	-	87
Valuation result carried forward from Shareholder's Equity to Income Statement	-	187
	<u>-</u>	<u>274</u>

9 Other operating income

<i>(amounts in thousand Euros)</i>	<u>2008</u>	<u>2007</u>
Income from other services to third parties	1.429	2.778
Other revenues	970	3.453
Income from recharge of expenses to third parties	3.563	2.689
Income from sale of fixed assets	81	175
Income from Mutual fund management	19	134
Income from stock financing (car dealing)	1.426	1.302
	<u>7.488</u>	<u>10.531</u>

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10 Operating expenses

The operating expenses consist of the following:

<i>(amounts in thousand Euros)</i>	<u>2008</u>	<u>2007</u>
Impairment provision	(16.453)	(14.620)
Personnel expenses (see below)	(62.450)	(54.261)
Administrative expenses	(60.760)	(56.392)
Depreciation	(9.092)	(7.753)
	<u>(148.755)</u>	<u>(133.026)</u>

(amounts in thousand Euros)

Personnel expenses are analysed as follows:

(amounts in thousand Euros)

	<u>2008</u>	<u>2007</u>
Wages and salaries	(49.445)	(43.365)
Compulsory social security contributions	(10.567)	(8.844)
Defined benefit plan expense	(282)	(343)
Other staff costs	(2.156)	(1.709)
	<u>(62.450)</u>	<u>(54.261)</u>

The average number of employees during the year was 1.504 (2007: 1.334).

11 Income tax

The income tax (charge)/relief for the year consists of:

(amounts in thousand Euros)

	<u>2008</u>	<u>2007</u>
Current tax expense	(270)	(406)
Deferred tax (charge)/relief	(9.350)	(7.168)
	<u>(9.620)</u>	<u>(7.574)</u>

Harmonization of the effective tax coefficient

(amounts in thousand Euros)

		<u>2008</u>		<u>2007</u>
Profit before taxes		24.762		29.646
Tax coefficient	25%	6.191	25%	7.412
Non recognizable expenses	1%	276	0,6%	176
Non tax income	(0,8%)	(200)	(0,5%)	(152)

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Tax for previous year	3%	750	-	-
Losses of previous years not recognized	10%	2.414	-	-
Other		189		138
	38%	9.620	25%	7.574

The deferred tax charge results from the origination and reversal of temporary differences.

Tax losses, in accordance with Greek tax law, concerning both the bank and the subsidiaries, can be forwarded and offset against future taxable profits within a five year period.

Tax returns are filed annually but the profits or losses declared remain provisional until such time as the tax authorities examine the returns and books of the entity and a final assessment is issued. Because of the manner in which income taxes are calculated in Greece and abroad, the group's companies remain contingently liable for additional taxes or reduction of the tax losses as well as for penalties that might be assessed for the non-audited, by the tax authorities. The Group estimates that there will be no significant consequence from the auditing of the non-audited financial years in the equity.

The non-audited financial years for the companies of the Group are the following:

Millennium Bank	2007-2008
Millennium Fin S.A.	2006-2008
Millennium Insurance Ltd	2007-2008
Millennium AEDAK	2006-2008

12 Cash and deposits at Central Bank

Cash and cash equivalents consist of (amounts in thousand Euros):

<i>(amounts in thousand Euros)</i>	<u>2008</u>	<u>2007</u>
Cash on hand	42.362	41.055
Balances with Central Bank	210.288	1.634
	252.650	42.689

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13 Financial assets held for trading

(amounts in thousand Euros)

	2008	2007
Bonds issued by:		
Greek Public	147	287
Other issuers	7.513	10.752
	7.660	11.039

14 Financial Instruments - Derivatives

(amounts in thousand Euros)

	2008	2007
Financial assets held for trading - Derivatives	51.199	19.743
Financial liabilities held for trading - Derivatives	86.092	21.584

The outstanding derivatives are analysed as follows:

(amounts in thousand Euros)

	2008				
	Notional amount with remaining life of			Fair value	
	Less than a year	More than a year	Total	Assets	Liabilities
Derivatives held for trading					
a. Interest rate derivatives					
OTC products:					
Interest rate swaps	13.200	1.115.003	1.128.203	24.444	23.778
b. Exchange-traded products :					
Interest rate futures	1.892	-	1.892	459	93
c. Currency derivatives					
OTC products:					
Forward exchange contracts	711.624	-	711.624	6.099	31.067
Options	953	77.500	78.453	110	70
	727.669	1.192.503	1.920.172	31.112	55.008
Derivatives for hedging purposes					
a. Interest rate derivatives					
OTC products:					
Interest rate swaps	30.000	327.473	357.473	20.087	31.084
	30.000	327.473	357.473	20.087	31.084
General Total	757.669	1.519.976	2.277.645	51.199	86.092

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(amounts in thousand Euros)

	2007				
	Notional amount with remaining life of			Fair value	
	Less than a year	More than one year	Total	Assets	Liabilities
Interest rate derivatives					
OTC products:					
Interest rate swaps	12.500	744.923	757.423	18.229	18.202
Exchange-traded products:					
Interest rate futures	18.197		18.197	531	17
Currency derivatives					
OTC products:					
Forward exchange contracts	256.271	-	256.271	910	3.365
Options	90.969	-	90.969	73	-
	377.937	744.923	1.122.860	19.743	21.584

15 Loans and advances to Credit Institutions

Loans and advances to Credit Institutions consist of :

<i>(amounts in thousand Euros)</i>	<u>2008</u>	<u>2007</u>
Current clearing accounts	44.876	66.805
Placements with other Credit Institutions	769.975	1.082.790
Other	28.007	7
	842.858	1.149.602

Included in placements with other banks as at December 31, 2008 are government bonds acquired under resale agreements amounting to EUR 4.909 (2007: 10.731).

16 Loans and advances to Customers

Loans and advances to Customers consist of (amounts in thousand Euros).

	<u>2008</u>	<u>2007</u>
Retail customers:		
Mortgage loans	1.873.220	1.580.431
Credit cards	194.408	186.905
Consumer loans	542.772	537.601
Other retail loans	61.724	42.384
Corporate customers		
Factoring	138.865	88.712

MILLENNIUM BANK S.A.

Notes on the consolidated financial statements

Overdrafts	588.970	566.591
Real estate and other loans	1.448.015	1.007.270
	<u>4.847.974</u>	<u>4.009.894</u>
Less allowance for impairment	(54.149)	(43.614)
	<u>4.793.825</u>	<u>3.966.280</u>
Allowance for impairment		
Balance on January 1 st	43.614	33.113
Impairment charge for the year	16.329	14.620
Write-offs	(5.794)	(4.119)
	<u>54.149</u>	<u>43.614</u>

In corporate loans and advances from customers for the year 2008 (real estate property and other loans) loans and advances are included from financial leasing, as follows:

Loans and advances from financial leasing	2008	2007
(Amounts in thousands of Euros)		
Loans and advances from financial leasing	34.433	-
Less: Interest revenues of subsequent accounting periods	(14.171)	-
Impairment of doubtful debts	(21)	-
Net loans and advances	<u>20.241</u>	<u>-</u>

Net loans and advances to customers are analyzed based on the time they are past due, as follows:

Net loans and advances from financial leasing	2008	2007
Within the year	443	-
From one to five years	2.585	-
More than five years	17.234	-
	<u>20.262</u>	<u>-</u>

Interest income is analysed as follows:

	2008	2007
Within the year	1.022	-
From one to five years	4.737	-
More than five years	8.412	-
	<u>14.171</u>	<u>-</u>

The Bank during 2008 making use of the facility granted initially by law 3483/2006 reviewed by 3601/2007, expanded its activity to the leasing investment category. The specified activities are associated with real estate purchases and afterwards leasing to the vendor with sale and lease back agreement.

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The impairment of the loans is further analysed as such (amounts in thousand Euros).

Loan impairment

2008	Impairment of individual assess	Impairment of parametric asset	Impairment of collective asset	Total
Balance on January 1 st	11.227	23.514	8.873	43.614
Impairment charge for the yr	248	17.907	(1.826)	16.329
Write-offs	(3.177)	(2.617)		(5.794)
Balance on December 31 st	8.298	38.804	7.047	54.149

The impairment provision of 2008 includes an amount of 124 thousand euros which pertains to letter of guarantees and has been registered in other obligations.

2007	Impairment of individual assess	Impairment of parametric asset	Impairment of collective asset	Total
Balance on January 1 st	12.845	16.196	4.072	33.113
Impairment charge for the yr	364	9.455	4.801	14.620
Write-offs	(1.982)	(2.137)	-	(4.119)
Balance on December 31 st	11.227	23.514	8.873	43.614

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Notes on the consolidated financial statements

17 Investment portfolio

Investment Portfolio is analysed as such (amounts in thousand Euros)

	<u>2008</u>	<u>2007</u>
Financial assets available-for-sale	14.731	13.564
Assets held to maturity	1.178	150
	<u>15.909</u>	<u>13.714</u>

Financial assets available for sale are analyzed as such (amounts in thousand Euros):

	<u>2008</u>	<u>2007</u>
Financial assets available-for-sale		
Mutual fund units	2.649	3.974
Other products	8.269	7.651
Other investments (see below)	3.813	1.939
	<u>14.731</u>	<u>13.564</u>

Other investments relate to unlisted entities which are carried at cost, because there is no quoted market price and the fair value can not be reliably measured.

Other investments pertain to the following companies:

	<u>2008</u>	<u>2007</u>
DIAS SA	204	204
SOUTHEASTERN EUROPEAN FUND	3.607	1.733
SWIFT SCRL	2	2
VISA INC. CLASS C	-	-
	<u>3.813</u>	<u>1.939</u>

The Group has in its possession 5.671 shares of Visa Inc Class C. These shares are non listed and were acquired with free distribution.

Held to maturity assets refer to participations in securities of companies having their registered seat in Greece.

18 Investments in associated companies

The Group participates in the share capital of Servibanca, an information technology service provider of the BCP Group, with a percentage under 1%.

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19 Property and equipment

<i>(amounts in thousand Euros)</i>	Leasehold improvements	Furniture and equipment	Total
Acquisition cost:			
On January 1 st , 2008	55.056	40.818	95.874
Additions	5.497	1.893	7.390
Disposals	-	(2.879)	(2.879)
On December 31st, 2007	60.553	39.832	100.385
Accumulated depreciation:			
On January 1 st , 2008	23.344	30.903	54.247
Depreciation charge for the year	4.905	3.150	8.055
Disposals	-	(2.831)	(2.831)
On December 31st, 2008	28.249	31.222	59.471
Net book value:			
On December 31st, 2008	32.304	8.610	40.914
On December 31 st , 2007	31.712	9.915	41.627

20 Intangible assets

<i>(amounts in thousand Euros)</i>	Software
Acquisition cost:	
On January 1 st , 2008	22.635
Additions	1.839
Disposals	-
On December 31st, 2008	<u>24.474</u>
Accumulated depreciation:	
On January 1 st , 2008	20.807
Depreciation charge for the year	1.036
Disposals	-
On December 31st, 2008	<u>21.843</u>
Net book value	
On December 31st, 2008	2.631
On December 31 st , 2007	1.828

MILLENNIUM BANK S.A.

Notes on the consolidated financial statements

21 Deferred tax asset / liability

Net deferred tax asset is attributable to the following items (amounts in thousand Euros)

	<u>2008</u>	<u>2007</u>
Intangible assets derecognized	(34)	77
Provision for employee benefits	608	539
Allowance for impairment – Customer loans	662	662
Operating expenses	-	-
Tax losses	10.399	21.621
Other	1.218	552
Deferred tax asset	<u>12.853</u>	<u>23.451</u>
Other temporary differences	<u>(17)</u>	<u>(46)</u>
Deferred tax liability	<u>(17)</u>	<u>(46)</u>

The movement in temporary differences during the year was as follows (amounts in thousand Euros):

Deferred tax asset	Balance on January 1 st , 2007	Recognised in Results 2007	Balance on January 1 st , 2008	Recognised in Results 2008	Recognized in Equity 2008	Balance on December 31 st , 2008
Intangible assets derecognized	642	(565)	77	(111)	-	(34)
Provision for employee benefits	448	91	539	69	-	608
Allowance for impairment – Customer loans	662	-	662	-	-	662
Operating expenses	1.889	(1.889)	-	-	-	-
Tax losses	27.661	(6.040)	21.621	(10.003)	(1.219)	10.399
Other temporary differences	<u>(653)</u>	<u>1.205</u>	<u>552</u>	<u>666</u>	<u>-</u>	<u>1.218</u>
	<u>30.649</u>	<u>(7.198)</u>	<u>23.451</u>	<u>(9.379)</u>	<u>(1.219)</u>	<u>12.853</u>
Deferred tax liability						
Other temporary differences	<u>76</u>	<u>(30)</u>	<u>46</u>	<u>(29)</u>	<u>-</u>	<u>17</u>
	<u>76</u>	<u>(30)</u>	<u>46</u>	<u>(29)</u>	<u>=</u>	<u>17</u>

MILLENNIUM BANK S.A.

Notes on the consolidated financial statements

22 Other assets

Other assets consist of (amounts in thousand Euros).

	<u>2008</u>	<u>2007</u>
Prepaid expenses	18.252	16.080
Accrued interest income	10.227	7.009
Advances to suppliers	820	1.646
Staff advances	4.284	3.841
Advances and tax deduction	7.601	2.471
Real estate from auction	5.207	2.502
Reserves	14.805	13.267
Guarantees	2.311	2.034
Hellenic Deposits & Investments Guarantee Fund Contribution	5.630	-
Other	14.496	14.284
	<u>83.633</u>	<u>63.134</u>

23 Deposits from Credit Institutions

(a) Deposits from Banks consist of (amounts in thousand Euros):

	<u>2008</u>	<u>2007</u>
Term deposits	<u>1.430.480</u>	<u>1.884.027</u>

(b) Other **Loans** (amounts in thousand Euros):

During the year 2005, the Group has taken a subordinated loan with floating interest rate, amounting to 65 million euros, with a 10 year duration and a recall option after the first five years.

MILLENNIUM BANK S.A.

Notes on the consolidated financial statements

24 Deposits from Customers

Deposits from customers consist of:

<i>(amounts in thousand Euros)</i>	<u>2008</u>	<u>2007</u>
Current accounts	626.045	729.370
Savings accounts	110.838	115.310
Term deposits	2.496.849	1.723.491
	<u>3.233.732</u>	<u>2.568.171</u>

Term deposits include government bonds sold under repurchase agreements amounting to EUR 3.319 (2007: EUR 4.288).

25 Employee benefits

In accordance with Greek labour law, employees are entitled to a lump sum payment upon retirement. The amount of the payment varies depending upon the employees' salary and length of service on the date of their retirement. In the event that an employee resigns no obligation exists. This lump sum payment meets the definition of a defined benefit plan, which is unfunded, and as at December 31st, 2008, the present value of the obligation amounts to EUR 2.436 (2007: EUR 2.154 thousand).

The provision has been determined based on an actuarial study and the principal actuarial assumptions at the balance sheet date were as follows:

	<u>2008</u>	<u>2007</u>
Discount rate on December 31 st	4,9%	5%
Future salary increases	3,5%	3%

The expense recognised in the income statement consists of (amounts in thousand Euros)

	<u>2008</u>	<u>2007</u>
Current service costs	351	270
Interest cost	97	77
Non recognized actuarial deviations, (profits) and loss	(166)	(4)
	<u>282</u>	<u>343</u>

MILLENNIUM BANK S.A.

Notes on the consolidated financial statements

Movement of the obligation for provision of predefined provision (amounts in thousand Euros) :

	<u>2008</u>	<u>2007</u>
Net obligation of predefined provision as of January 1 st	2.154	1.783
Recognition of results	282	343
Other movements	-	28
	<u>2.436</u>	<u>2.154</u>

26 Other liabilities

Other liabilities consist of (amounts in thousand Euros).

	<u>2008</u>	<u>2007</u>
Taxes and duties apart from income tax	2.966	2.634
Accrued interest expense	44.728	26.334
Other provisions	4.834	4.858
Social security payable amounts	2.460	2.080
Suppliers	5.930	5.896
Amounts payable on behalf of third parties	17.081	19.317
Cheques payable	17.539	13.167
Other	11.514	11.458
	<u>107.052</u>	<u>85.744</u>

27 Share capital

The authorised, issued and paid-in share capital on December 31st, 2008 comprises of 6.000.000 ordinary shares with a par value of EUR 29,35 each. All the holders of the shares are entitled to receive dividends as declared and they are entitled to one vote per share at the meetings of the Shareholders of the Group. All shares rank equally with regard to the Group's residual assets.

MILLENNIUM BANK S.A.

Notes on the consolidated financial statements

28 Contingent liabilities and commitments

(a) Guarantees and letters of credit

<i>(amounts in thousand Euros)</i>	<u>2008</u>	<u>2007</u>
Letters of guarantee	225.503	157.391
Letters of credit	6.398	1.436
	<u>231.901</u>	<u>158.827</u>

(b) Undrawn loan commitments

On December 31, 2008 the undrawn revocable loan commitments of the Group amounted to EUR 897.173 thousands (2007: EUR 549.184 thousands). The total outstanding contractual amount of commitments to external credit does not necessarily represent future cash requirements since many of these commitments may expire or terminate without being funded.

(c) Lease and rent commitments

The Group has various lease obligations with respect to buildings they use, the most significant of which concerns the buildings for the Group's branches. The rent expense for the year amounted to EUR 12.740 (2007: EUR 12.292). Minimum future rents on December 31st, 2008 for these operational rents are (amounts in thousand Euros):

Up to 1 year	13.726
Between 1 and 5 years	46.870
More than 5 years	21.848
	<u>82.444</u>

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Notes on the consolidated financial statements

(d) Legal matters

The Group is a defendant in certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material effect on the financial position of the Group.

(e) Tax matters

The Group is contingently liable for additional taxes (or reduction of the tax losses that can be carried forward and offset against future taxable profits, increase of tax profits) and penalties that might be imposed by the tax authorities.

29 Related parties

Identity of related parties

The Group has a related party relationship with its Mother company which is its only shareholder and with its directors and executive officers.

Transactions with directors and executive officers

The Group has not issued any loans to companies belonging to a director for the year ended December 31st, 2008.

The outstanding balances of the members of the Board of Directors with the Bank in 2008 are as follows:

<i>(amounts in thousand Euros)</i>	2008	2007
Deposits from Customers	3.246	2.114
Loans and advances to Customers	2.545	1.937

<i>(amounts in thousand Euros)</i>	2008	2007
Interest income	111	92
Interest expense	146	107

MILLENNIUM BANK S.A.

Notes on the consolidated financial statements

Fee and commission income	33	16
Personnel expenses	2.155	2.424
Other operating expenses	70	80

Other related party transactions

The Group in the normal course of business maintains certain balances and also receives and renders certain services from and to the Mother company of the Bank, Millennium BCP. The Group believes that the terms of such transactions are comparable to those that would be attainable by the Group in the course of business from third parties under similar circumstances. The balances of the transactions with Millennium BCP are set out in the table here-above (amounts in thousand Euros).

	Millennium BCP	
	<u>2008</u>	<u>2007</u>
Assets		
Loans and advances to Credit Institutions	663.392	884.743
Financial assets available-for-sale	8.268	7.561
Other assets	487	1.490
	<u>672.147</u>	<u>893.794</u>
Liabilities		
Deposits from Credit Institutions	1.210.404	1.784.027
Other liabilities	10.382	13.170
Subordinated debt	65.000	65.000
	<u>1.285.786</u>	<u>1.862.197</u>
Expenses		
Interest expense	84.043	55.868

MILLENNIUM BANK S.A.

Notes on the consolidated financial statements

Results on Financial Transactions	14.697	244
	<hr/> 98.740 <hr/>	<hr/> 56.112 <hr/>
Income		
Interest income	46.903	24.506
Other revenues	-	2.689
	<hr/> 46.903 <hr/>	<hr/> 27.195 <hr/>

30 Events after the date of drawing up the Balance sheet

Within the frame of “national economy support measures and liquidity increase”, Millennium Bank participated in the program, through the allocation of Greek Government Bonds of a total value of 98 million euros.

The Bank, with the purpose to reinforce its capital basis and improve the quality of the Basic Tier I ratio capital, proceeded with an increase of its share capital in cash of 65 million euros, with simultaneous early maturity of an equal subordinated loan, which used to be included in the additional supplementary Tier II capital.

MILLENNIUM BANK S.A.

Notes on the consolidated financial statements

The above consolidated financial statements of the Group, including the accompanying notes, have been approved

Athens, February 24, 2009

THE PRESIDENT
AND MANAGING DIRECTOR

A MEMBER OF THE BOARD OF
DIRECTORS AND GENERAL
DIRECTOR

THE FINANCIAL MANAGER

GEORGE I. TANISKIDIS

RUI PEDRO DA CONCEICAO
COIMBRA FERNANDES

KONSTANTINOS A. TSIGARAS

ID card number: X-606444

Portuguese identity card number :
8870763

ID card number: K-838979 -Economic Chamber of
Greece licence No: 0016149



Independent Auditor's Report

To the Shareholders of Millennium Bank S.A.

Report on the Consolidated Financial Statements

We have audited the accompanying Consolidated Financial Statements of Millennium Bank S.A (the "Bank"), consisting of the balance sheet as of December 31st, 2008, the related consolidated income, shareholders' equity and cash flow statements for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors of the Bank is responsible for preparing and presenting these Consolidated Financial Statements, according to the International Financial Reporting Standards, as they have been adopted by the European Union. This responsibility comprises of the planning, application and maintenance of the internal audit system pertaining to the preparation and presentation of the financial statements, free of any substantial inaccuracies, due to fraud or error, selecting and applying suitable accounting policies and conducting accounting estimations, which are reasonable for the case.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Auditing Standards. The Standards require our compliance with the ethic requirements and planning and transaction of our control with scope to ensure that the financial statements are free of substantial inaccuracies.

Auditing includes the transaction of procedures for collecting auditing proves pertaining to the amounts and information included in the financial statements. The procedures are selected upon the judgment of the auditor and include the estimation of substantial inaccuracy risk of the consolidated financial statements, due to fraud or error. For estimating this risk, the auditor takes into account the internal control system, as regards to the preparation and reasonable presentation of the consolidated financial statements, aiming at planning the auditing procedures for the case and not for expressing an opinion over the efficiency of the internal audit system of the Bank. The audit includes moreover the estimation of the suitability of the accounting policies that have been applied and of the reasonability of the estimations made by the Management, as well as estimation of the overall presentation of the consolidated financial statements.

We believe that the auditing documentation we have received is adequate and proper for forming our auditing opinion.

Opinion

In our opinion, the attached consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of December 31st, 2008 and of the results of its operations and its consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) that have been adopted by the European Union.

Note on other legal and regulatory issues

We verified the agreement and the correspondence of the content of the Board of Directors' Report with the attached Financial Statements within the frame of the specifications of articles 37 and 107 of the C.L. 2190/1920.

Athens, February 25th, 2009

KPMG Kyriakoy Certified Auditors S.A..

Charalambos Sirounis, Certified Auditor Accountant

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