

MILLENNIUM BANK S.A.

**Bank's Financial Statements
based on International Financial Reporting
Standards adopted by the European Union
for the year ended on
31 December 2007**

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Income Statements for the years ended on December 31st

(Amounts are expressed in thousand of Euros)

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
Interest income		236,102	177,746
Interest expense		(128,832)	(79,106)
Net interest income	6	107,270	98,640
Fee and commission income		33,973	27,820
Fee and commission expense		(9,783)	(7,653)
Net fee and commission income	7	24,190	20,167
Dividends and other securities income		574	123
Net income arising from financial transactions	8	7,478	5,899
Other operating income	9	17,635	6,980
Operating income		157,147	131,809
Impairment provision		(14,620)	(10,244)
Personnel expenses		(53,336)	(45,132)
Depreciation		(7,708)	(6,961)
Other operating expenses		(52,693)	(47,710)
Operating expenses	10	(128,357)	(110,047)
Profit before tax		28,790	21,762
Income tax	11	(7,221)	(7,141)
Net Profit for the year after tax		21,569	14,621

The attached notes in pages 5 – 49 form integral part of these financial statements.

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Balance Sheet as at December 31st

(Amounts are expressed in thousand of Euros)

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
Assets			
Cash and deposits at Central Bank	12	41,986	65,016
Financial assets held for trading	13	10,357	16,343
Financial assets - Derivatives	14	19,261	12,962
Loans and advances to Credit Institutions	15	1,079,048	694,863
Loans and advances to Customers	16	4,001,834	2,902,146
Financial assets available-for-sale	17	13,564	12,957
Investments in subsidiaries and associated companies	18	1,903	225
Property and equipment	19	41,519	36,076
Intangible assets	20	1,789	1,919
Deferred tax asset	21	23,403	30,624
Other assets	22	99,581	103,266
Total Assets		<u>5,334,245</u>	<u>3,876,397</u>
Liabilities			
Financial liabilities - Derivatives	14	21,584	14,063
Deposits from Credit Institutions	23	1,884,027	939,889
Deposits from Customers	24	2,570,751	1,941,116
Subordinated Debt	23	65,000	65,000
Provisions for employee benefits	25	2,117	1,783
Other liabilities	26	490,865	732,136
Total liabilities		<u>5,034,344</u>	<u>3,693,987</u>
Shareholders' Equity			
Share capital	27	176,100	162,893
Share premium		216,504	133,858
Revaluation reserves		(569)	(638)
Retained earnings and profit for the year		(92,134)	(113,703)
Total Shareholders' Equity		<u>299,901</u>	<u>182,410</u>
Total Liabilities and Shareholders' Equity		<u>5,334,245</u>	<u>3,876,397</u>

The attached notes in pages 5 – 49 form integral part of these financial statements.

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**Statement of changes in Shareholders' Equity
for the years ended December 31st**

(Amounts are expressed in thousand of Euros)

	Share Capital	Share Premium	Revaluation Reserves	Accumulated Deficit	Total
On January 1st, 2006	162,893	133,858	(620)	(128,324)	167,807
Net valuation gain on available-for-sale securities	-	-	4	-	4
Gain / (Loss) registered in the equity	-	-	4	-	4
Valuation loss on available-for-sale securities carried forward to the Income Statement	-	-	(22)	-	(22)
Net profit for the year	-	-	-	14,621	14,621
Total recognized gain and loss	-	-	(18)	14,621	14,603
On December 31st, 2006	162,893	133,858	(638)	(113,703)	182,410
On January 1st, 2007	162,893	133,858	(638)	(113,703)	182,410
Net loss from available-for-sale securities	-	-	(118)	-	(118)
Gain / (Loss) registered in the equity	-	-	(118)	-	(118)
Net valuation gains on available-for-sale securities carried forward to the income statement	-	-	187	-	187
Net profit for the year	-	-	-	21,569	21,569
Total recognized gain and loss	-	-	69	21,569	21,638
Net increase in Share capital	13,207	82,646	-	-	95,853
On December 31st, 2007	176,100	216,504	(569)	(92,134)	299,901

The attached notes in pages 5 – 49 form integral part of these financial statements.

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Cash Flow Statement

for the years ended December 31st

(Amounts are expressed in thousand of Euros)

	<u>2007</u>	<u>2006</u>
Operating activities		
Net profit for the year	21,569	14,621
Adjustments for non-cash items		
Depreciation	7,708	6,961
Impairment loss	14,620	10,244
Fair value (profit)/loss of trading instruments	(1,533)	1,322
Employee benefits	334	380
(Profit)/loss on sale of property and equipment	(103)	(130)
Income tax charge	7,221	7,141
Other non-cash items	15,213	4,250
Changes in operating assets and liabilities		
Financial assets held for trading	8,294	9,728
Loans and advances to Customers	(1,114,307)	(828,862)
Other assets	787	(78,229)
Loans and advances to Credit Institutions	(384,185)	(81,718)
Deposits from Credit Institutions	944,138	199,314
Deposits from Customers	630,082	118,000
Other liabilities	(59,075)	63,260
Cash flow from operating activities	<u>90,763</u>	<u>(553,718)</u>
Investments available-for-sale	(537)	(7,910)
Net investment in property and equipment	(12,917)	(11,391)
Purchase of subsidiaries and associated companies	(1,678)	-
Cash flow from investing activities	<u>(15,132)</u>	<u>(19,301)</u>
Increase in Share Capital	95,853	-
Loans securitization	-	600,000
Payments for securitized loans	(194,514)	-
Cash flow from financing activities	<u>(98,661)</u>	<u>600,000</u>
Net increase/(decrease) in cash and cash equivalents	<u>(23,030)</u>	26,981
Cash and cash equivalents at beginning of year	<u>65,016</u>	<u>38,035</u>
Cash and cash equivalents at end of year	<u>41,986</u>	<u>65,016</u>

The attached notes in pages 5 – 49 form integral part of these financial statements.

MILLENNIUM BANK S.A.
Notes on the financial statements

1 Incorporation and principal activities

MILLENNIUM BANK S.A. (the “Bank”) was founded in Greece in 2000. The Bank operates through 165 branches, which are located in the main cities of Greece. The Bank primarily focuses on providing retail, commercial and private banking services.

2 Preparation basis

(a) Statement of compliance

The financial statements for the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union. The financial statements were authorised for publication by the Board of Directors on February 25th, 2008. The financial statements are consolidated in the financial statements of Millennium BCP which was the sole shareholder of the Bank as of December 31st, 2007.

(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 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.

(d) Use of estimates and assumptions

The preparation of the financial statements based on the International Financial Reporting Standards obliges the Management to conclude and to 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 to loan and asset impairment losses, securitization of assets as well as to the possibility of recovering deferred tax asset.

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Notes on the financial statements

3 Significant accounting policies

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

(a) Investments

(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 by its activities. Subsidiaries are carried at acquisition cost less eventual impairment.

(ii) *Associates*

Associates are those entities in which the Bank has significant influence, but not control, over the financial and operating policies. Participations in associates are carried at acquisition cost less any eventual impairment.

(iii) *Special purpose vehicles*

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

(b) Foreign currency

Foreign currency transactions are translated at the 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.

(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 and commissions paid or received and the amortization of eventual amounts above or below par.

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(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.

(e) Net income from financial transactions

Net results from financial transactions include the gains and losses of trading portfolio and also include gains and losses that result from the revaluation at fair value of trading portfolio (shares, securities, derivatives etc) and the foreign exchange rate fluctuations.

(f) Dividends

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

(g) Leasing

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

(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 and 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 are 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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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 Bank 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 Bank becomes member of the contractual terms of the aforementioned elements.

(ii) Derecognition

The Bank ceases to recognize a financial instrument once the right to receive income expires or once the Bank 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 has been transferred.

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

The Bank 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 amortization 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.

(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 Bank uses

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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 Bank uses other types that are supported on parameters that emanate from stock exchange prices.

(vi) Impairment

At each balance sheet date the Bank 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 Bank 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 Bank estimates the impairment for specific financial instruments as well as at portfolio level. The Bank 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 not 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 the Bank 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 Bank 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 Bank 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.

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.

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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.

(j) Cash and cash equivalents

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 Bank 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. Following the initial recognition their transfer in another category is prohibited.

(l) Derivatives

The Bank does not apply the accounting hedging based on IFRS 39. The derivatives that are held by the Bank are used for the purpose of short-term profit making or in order for the Bank to hedge other financial instruments held for trading.

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

(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 Bank has no intention of selling them soon or in the near future.

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Investments bought with the obligation of selling them at a future date do not appear in the financial statements of the Bank. 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 Bank 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 Bank. Shares not listed in the stock market, of which the fair value can not 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 Bank 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.

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

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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 Bank. Depreciation is calculated based on the duration of the expected useful life of software programs, which the Bank 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 Bank.

The Bank 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 them 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 in credit institutions or to customers.

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 on the balance sheet when the Bank 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.

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(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 Bank'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 Bank'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 Bank, are deducted from the product of the issue and equally decrease Equity.

(u) New Standards

A number of new IFR Standards, modifications and explanatory instructions that have been issued but not applying for December 31st, 2007 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 financial statements of the year 2009 of the Bank, shall require publication of information per sector, based on internal reports that are regularly reviewed by the Management of the Bank, 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

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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.

- Interpretation 11 *IFRS 2 “Transactions in Shares of the Group and Owned Shares”*, requires a payment that is based on the value of shares where an economic entity receives goods or accepts services as an exchange of its owned participative titles, to be accounted as payments defined by the value of the share and be settled as participative title, regardless of how these participative titles were acquired.
- Interpretation 12 *“Exploitation Granting Agreements”* provides instructions on certain issues of recognition and presentation that result during the accounting of exploitation granting agreements between the public and private sector. Interpretation 12 that has been rendered mandatory for the financial statements for the year 2008 of the Bank is not expected to have a consequence over the financial statements.
- Interpretation 13 *“Customer Trust Programs”* refers to the accounting management of financial entities that are engaged, or otherwise participate in customer trust programs for their customers. The interpretation pertains to customer trust programs according to which the customers may pay up bonus credits, such as the free or deducted provision of products or services. Interpretation 13 that has been rendered mandatory for the financial statements for the year 2009 of the Bank is not expected to have a consequence over the financial statements.
- Interpretation 14 *IFRS 19 “The limit in a Defined Provisions asset, Minimum Financing Requirements and their Interactions”* clarifies when returns of deductions of future contributions are to be considered available as pertains to assets of specified provisions and provides guidelines as regards the effect of minimum financing requirements (M.F.R.) over these assets. Moreover it is mentioned when a minimum financing requirement may create an obligation.

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.

The Bank’s Board of Directors must create a frame through which it 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.

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The aim of all the aforementioned is to maintain the continuity of the business of the Bank, 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 Bank 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 Bank'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 Committee (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.

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 Bank.

Risk Management Service of the Bank, is responsible for conducting the control of all the risks, by planning and suggesting strategies directions 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 service of Risk Control of the Bank 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.

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The Bank systematically monitors the following risks.

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

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

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 Bank.

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 the 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.

In the Bank, 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 Bank, as subsidiary of Millennium BCP Bank, in reality, is not substantially exposed to credit risk pertaining to openings 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.

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The Bank 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 Bank uses credit scoring systems depending on the type of the counter party. The said systems that are used are either recognized specialized 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 fifteen 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 different 'protection levels'.

- (ii) **Retail banking –Individuals**, the Bank 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 Bank, as regards the measurement of the credit risk,

- A systematic assessment is conducted of the credit beneficiaries as regards their capacity to meet their obligations. This evaluation is based on indications of difficulty (signs of impairment) 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 Bank, aiming at defining any eventual loss / damage for the organisation.

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Reduction of credit risk

As we have already mentioned here-above, the Bank in its effort to reduce credit risk, seeks to receive securities and coverage 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 Bank to credit risk from securities is low due to the amount of the investment in these.

c. Derivatives

The exposure of the Bank to credit risk from derivatives is considered as non important since the main volume has as its counter party the Mother Company Millennium BCP, or because the derivatives constitute the object of negotiation in recognized foreign markets.

Note, however, that for the remaining derivatives with the 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 application 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 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 Bank are calculated based on the methodology provided for in the 'Internal Model for Calculating Impairment' that has already been submitted and has the consent of 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.

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a) Overdue loans

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

b) Individual evaluation

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

c) Parametric assessment

The remaining 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.

d) Collective assessment

In order for the calculation of total impairment provisions, loans without any indication of impairment are assessed on the collective basis.

4.2.3.1 Impairment

(amounts in thousand Euros)	Loans and advances to Customers	
	2007	2006
Financing exposure	4,001,834	2,902,146
Individual impairment evaluation		
Gross amount	158,702	137,428
Impairment loss	(11,227)	(12,845)
Amount after the impairment loss	147,475	124,583
Parametric impairment evaluation		
Gross amount	152,295	103,643
Impairment loss	(23,514)	(16,196)
Amount after the impairment loss	128,781	87,447
Collective impairment evaluation		
Gross amount	3,734,451	2,694,188
Impairment loss	(8,873)	(4,072)
Amount after the impairment loss	3,725,578	2,690,116
Total amount after the impairment loss	4,001,834	2,902,146

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

(amounts in thousand Euros)	2007	2006
Net amount	<u>4,001,834</u>	<u>2,902,146</u>
Retail Customers	2,428,241	1,939,832
Corporate Customers	<u>1,573,593</u>	<u>962,314</u>
	<u>4,001,834</u>	<u>2,902,146</u>

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

4.2.3.2 Collaterals against claims

	2007	2006
<i>Against individual impairment evaluation</i>		
Deposits	4,759	5,368
Shares	-	721
Other tangible collaterals	3,813	1,575
Real estate	184,921	159,038
Other	7,590	8,413
<i>Against parametric impairment evaluation</i>		
Deposits	1,134	1,723
Shares	30	59
Other tangible collaterals	82,488	54,196
Real estate	52,012	43,156
Other	735	1,910
<i>Against collective impairment evaluation</i>		
Deposits	106,965	94,293
Shares	140,554	130,118
Other tangible collaterals	548,132	435,442
Real estate	2,799,651	1,987,186
Other	493,642	305,839
Total	<u>4,426,426</u>	<u>3,229,037</u>

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

(amounts in thousand Euros)	Loans and advances to Customers		Loans and advances to Credit Institutions		Financial assets held for trading		Financial assets available for sale	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Business	1,573,593	962,314	-	-	9,810	15,182	1,939	456
Government	-	-	-	-	280	524	-	-
Bank	-	-	1,079,048	694,863	267	637	7,651	7,585
Retail customers	2,428,241	1,939,832	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	3,974	4,916
	4,001,834	2,902,146	1,079,048	694,863	10,357	16,343	13,564	12,957

4.2.4 Write offs

Business and Private Customer Credit

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

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 Bank. 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 Bank 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 exposure.

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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 Bank for definite writing off of the claims.

4.3. Liquidity risk

Liquidity risk is the risk of failure run by the Bank 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 Bank 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 Bank 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 Bank.

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 Bank'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 Bank 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 lending

Consequently, the Bank, 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, Kion Mortgage Finance plc.

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The Bank estimates and monitors on a daily basis the internal ratios of ‘current and quarterly’ liquidity. 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, the mandatory liquidity ratios, “Liquid Asset 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 is as such:

	<u>2007</u>	<u>2006</u>
On December 31st	22.10%	28.60%
Average percentage for the year	21.63%	24.38%
Maximum percentage for the year	22.60%	28.60%
Minimum percentage for the year	20.60%	20.80%

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

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Maturities of financial assets and liabilities

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	Less than a 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	41,986	-	-	-	-	41,986
Financial assets - Derivatives	56	733	607	12,753	5,112	19,261
Financial assets held for trading	273	58	165	320	9,541	10,357
Financial assets available-for-sale	-	-	-	7,651	5,913	13,564
Loans and advances to Credit Institutions	818,084	110,731	55,000	95,217	16	1,079,048
Loans and advances to Customers	348,165	96,078	579,596	567,753	2,410,242	4,001,834
Investments in subsidiaries and associated companies	-	-	-	-	1,903	1,903
Other assets	11,709	1,649	21,729	3,855	60,639	99,581
	1,220,273	209,249	657,097	687,549	2,493,366	5,267,534
<i>Financial liabilities</i>						
Financial assets - 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	1,927,726	429,264	170,476	43,285	-	2,570,751
Subordinated Debt	-	-	-	-	65,000	65,000
Other liabilities	15,507	28,648	31,215	1,340	414,155	490,865
	2,444,800	603,737	889,610	599,700	494,380	5,032,227

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	Less than a month	Between 1 and 3 months	Between three months and one year	Between 1 and 5 years	More than 5 years	Total
<i>Financial assets</i>						
Cash and deposits at Central Bank	65,016		--	-	-	65,016
Financial assets - Derivatives	-	470	1,131	4,874	6,487	12,962
Financial assets held for trading	285	-	277	2,170	13,611	16,343
Financial assets available-for-sale	-	-	-	7,585	5,372	12,957
Loans and advances to Credit Institutions	678,242	16,123	479	19	-	694,863
Loans and advances to Customers	397,804	3,096	402,760	392,258	1,706,228	2,902,146
Investments in subsidiaries and associated companies	-	-	-	-	225	225
Other assets	9,146	7,539	78,370	3,927	4,284	103,266
	1,150,493	27,228	483,017	410,833	1,736,207	3,807,778
<i>Financial liabilities</i>						
Financial assets - Derivatives	286	137	1,777	5,216	6,647	14,063
Deposits from Credit Institutions	210,777	359,024	112,500	234,088	23,500	939,889
Deposits from Customers	1,526,664	207,805	151,123	55,461	63	1,941,116
Subordinated Debt	-	-	-	-	65,000	65,000
Other liabilities	27,823	31,845	80,277	-	592,191	732,136
	1,765,550	598,811	345,677	294,765	687,401	3,692,204

4.4. Market risk

Market risk relates to the current and future effect on the income or the capitals of the Bank 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 Risks

The main method used by the Bank 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 Bank 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 Bank.

Value at Risk assessment

	Total Bank transaction portfolio (VAR)	VAR-Exchange risk	VAR Interest rate risk	VAR Share risk
31/12/2007	507	462	153	-

4.4.2 Currency risk

The Bank 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 Bank.

The Bank'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 Bank that are not denominated in the measurement currency of the Bank.

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	EUR	USD	CHF	OTHERS	TOTAL
Assets					
Cash and deposits at Central Bank	41,598	192	41	155	41,986
Loans and advances to Credit Institutions	1,039,207	2,309	30,344	7,188	1,079,048
Loans and advances to Customers	3,560,992	5,193	417,038	18,611	4,001,834
Financial assets held for trading	10,185	172	-	-	10,357
Financial assets available-for-sale	13,564	-	-	-	13,564
Financial assets - Derivatives	18,652	285	-	324	19,261
Investments in subsidiaries and associate companies	1,903	-	-	-	1,903
Property and Equipment	41,519	-	-	-	41,519
Intangible assets	1,789	-	-	-	1,789
Deferred tax asset	23,403	-	-	-	23,403
Other assets	97,123	88	1,519	851	99,581
Total Assets	4,849,935	8,239	448,942	27,129	5,334,245
Liabilities					
Financial assets - Derivatives	18,386	2,857	-	341	21,584
Deposits from Credit Institutions	1,619,360	-	256,421	8,246	1,884,027
Deposits from Customers	2,397,557	131,130	1,555	40,509	2,570,751
Subordinated Debt	65,000	-	-	-	65,000
Provisions for employee benefits	2,117	-	-	-	2,117
Other liabilities	488,815	1,129	693	228	490,865
Total liabilities	4,591,235	135,116	258,669	49,324	5,034,344
Total shareholders' Equity	299,901	-	-	-	299,901
Total Liabilities	4,891,136	135,116	258,669	49,324	5,334,245
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	-
Currency position 2007	(13,557)	968	(256)	12,845	-
December 31st 2006					
Total Assets	3,710,390	15,663	138,100	12,244	3,876,397
Total Liabilities	3,655,120	122,063	78,178	21,036	3,876,397
On balance sheet currency position	55,270	(106,400)	59,922	(8,792)	-
Off balance sheet currency position	(60,454)	108,902	(60,895)	12,447	-
Currency position	(5,184)	2,502	(973)	3,655	-

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4.4.3 Interest rate risk

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

4.4.3.1 Exposure to Interest rate risk

The Bank'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 Bank is also exposed to basic rate risk. Basic 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 Bank 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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	Effective interest rate	Total	Fixed rate financial instruments					More than five years
			Floating rate financial instruments	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	2.95%	41,986	41,986	-	-	-	-	-
Financial assets held for trading	4.09%	28,586	3,318	9,868	67	4,783	4,581	5,969
Financial assets available-for-sale		7,651	7,651	-	-	-	-	-
Loans and advances to Credit Institutions	4.30%	1,079,048	80,545	848,270	55,000	55,000	40,217	16
Loans and advances to Customers	6.76%	4,001,834	3,399,696	37,650	171,608	204,476	181,797	6,607
Other assets	3.00%	62,322	-	280	59,730	1,468	617	227
Non-interest bearing assets		112,818	-	-	-	-	-	-
Total Assets		5,334,245	3,533,196	896,068	286,405	265,727	227,212	12,819
Liabilities								
Financial liabilities 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%	2,570,751	850,263	1,507,105	170,535	42,848	-	-
Subordinated Debt	5.41%	65,000	-	65,000	-	-	-	-
Non-interest bearing liabilities		496,364	-	-	-	-	-	-
Total		5,034,344	850,263	2,216,404	808,164	329,176	318,257	15,716
Asset-liability gap		299,901	2,682,933	(1,320,336)	(521,759)	(63,449)	(91,045)	(2,897)

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Fixed rate financial instruments

	Effective interest rate	Total	Floating rate financial instruments	Less than three months	Between three months and <u>one year</u>	Between one and two years	Between two and five years	More than five years
Assets								
Cash and deposits at Central Bank	2.85%	65,016	65,016	-	-	-	-	-
Financial assets held for trading	4.70%	28,405	13,042	58	1,527	9,584	4,007	187
Financial assets available-for-sale		7,584	7,584	-	-	-	-	-
Loans and advances to Credit Institutions	3.70%	635,519	5,991	629,030	479	-	-	19
Loans and advances to Customers	6.81%	2,902,146	2,537,846	27	951	5,641	63,373	294,308
Other assets	2.50%	67,881	-	258	65,620	-	2,003	-
Non-interest bearing assets		169,846	-	-	-	-	-	-
Total Assets		3,876,397	2,629,479	629,373	68,577	15,225	69,383	294,514
Liabilities								
Financial liabilities held for trading	3.84%	11,474	11,474	-	-	-	-	-
Deposits from Credit Institutions	3.53%	939,889	-	569,801	148,616	92,446	115,526	13,500
Deposits from Customers	1.96%	1,941,116	840,028	895,791	151,123	22,507	31,604	63
Subordinated Debt	3.60%	65,000	-	65,000	-	-	-	-
Non-interest bearing liabilities		736,508	-	-	-	-	-	-
Total		3,693,987	851,502	1,530,592	299,739	114,953	147,130	13,563
Asset-liability gap		182,410	1,777,977	(901,219)	(231,162)	(99,728)	(77,747)	280,951

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As regards to 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.

2007

<u>Currency</u>	<u>- 200 pb</u>	<u>- 100 pb</u>	<u>+ 100 pb</u>	<u>+ 200 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

2006

<u>Currency</u>	<u>- 200 pb</u>	<u>- 100 pb</u>	<u>+ 100 pb</u>	<u>+ 200 pb</u>
CHF	- 1	- 1	+ 1	+ 1
EUR	- 3,093	- 1,426	+ 1,229	+ 2,295
USD	+ 128	+ 64	- 63	- 125
Total	- 2,966	- 1,363	+ 1,167	+ 2,171

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

The compliance of the operations of the Bank 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 Bank.

MILLENNIUM BANK S.A.
Notes on the financial statements

4.6. Capital management

Bank's capital adequacy is monitored on a monthly basis by the competent departments and is notified to the Administrative unit of the Bank, and on a trimester basis to the supervising authority, which is the Bank of Greece.

The Bank is obliged to apply the rules of the Bank of Greece as regards the adequacy of its supervisory owned capitals.

The criteria provided for as regards the supervision of the adequacy of the supervisory owned capitals of the Bank, require keeping the minimum capital amounts and a ratio of weighted risk capital adequacy, equal to (8 %). Capital Adequacy Ratio is defined as the ratio of the capitals to the weighted against risk assets and specific assets off balance sheet that are monitored in contra accounts, as well as the notional amount that results from the total capital claims for covering market risk.

Required capitals must consist of, half of basic Shareholders' Equity (Tier I), and of the other half of additional subordinated capital (Tier II).

The regulatory framework that rules the Greek Banking market complies with the one of the European Union and more specifically with the instructions and the definition of the Owned Supervisory Funds, Solvency and Capital adequacy.

Capital Adequacy (amounts in thousand Euros)	2007	2006
Upper Tier I Capital	300,458	183,698
Reductions	<u>(12,567)</u>	<u>(4,319)</u>
Tier I Capital	287,891	179,379
Upper Tier II Capital	102	23
Lower Tier II Capital	65,000	65,000
Reductions	<u>(10,778)</u>	<u>(2,400)</u>
Tier II Capital	54,324	62,623
Total Capital	342,215	242,002
Risk weighted assets		
On balance sheet (investment book)	3,216,259	2,140,803
Off balance sheet (investment book)	134,560	67,984
Trading portfolio	<u>37,943</u>	<u>84,636</u>
Total risk weighted assets	3,388,762	2,293,423
Ratios		
Tier I	8,5%	7,8%
Total CAR	10,1%	10,6%

MILLENNIUM BANK S.A.
Notes on the financial statements

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.

Management believes that for some items for which no fair value is presented in the financial statements at December 31st, 2007 and 2006 their current value approximate their fair values.

The fair value of off-balance sheet items such as letters of credit, letters of guarantee do not have a material impact.

Fair value estimates are made at a specific point in time based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision.

6 Net interest income

(amounts in thousand Euros)	<u>2007</u>	<u>2006</u>
Interest income		
Debt securities	622	720
Loans and advances to Credit Institutions and Customers	229,288	173,886
Other	6,192	3,140
	<u>236,102</u>	<u>177,746</u>
Interest expense		
Deposits from Credit Institutions and Customers	(110,845)	(66,918)
Other	(17,987)	(12,188)
	<u>(128,832)</u>	<u>(79,106)</u>
Net interest income	<u>107,270</u>	<u>98,640</u>

MILLENNIUM BANK S.A.
Notes on the financial statements

7 Net fee and commission income

(amounts in thousand Euros)	<u>2007</u>	<u>2006</u>
Fee and commission income		
Loans fees	8,427	7,397
Credit cards fees	7,634	7,053
Mutual funds	2,145	1,598
Funds transfer	2,143	2,016
Cheques	2,137	1,949
Letters of guarantee	1,876	1,677
Securities	1,072	914
Custody services	514	677
Other	8,025	4,539
	<u>33,973</u>	<u>27,820</u>
Fee and Commission expense		
Credit cards fees	(5,050)	(5,157)
Loans fees	(3,538)	(1,554)
Other	(1,195)	(942)
	<u>(9,783)</u>	<u>(7,653)</u>
	<u>24,190</u>	<u>20,167</u>

8 Net income arising from financial transactions

Net income from financial transactions arises from:

(amounts in thousand Euros)	<u>2007</u>	<u>2006</u>
Financial assets held for trading	(250)	161
Available-for-sale portfolio (see below)	274	155
Currency derivatives	6,218	4,021
Derivatives for financial hedging	(149)	61
Derivatives held for trading	1,385	1,501
	<u>7,478</u>	<u>5,899</u>

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

Gains from available-for-sale portfolio	87	177
Valuation result carried forward from Shareholder's Equity to Income Statement	187	(22)
	<u>274</u>	<u>155</u>

MILLENNIUM BANK S.A.
Notes on the financial statements

9 Other operating income

(amounts in thousand Euros)	<u>2007</u>	<u>2006</u>
Income from other services to third parties	2,945	726
Other revenues	2,089	1,091
Income from recharge of expenses to third parties	2,689	2,440
Income from sale of fixed assets	175	195
Income from securitized loans	8,363	2,192
Income from unused provisions	1,374	336
	<u>17,635</u>	<u>6,980</u>

10 Operating expenses

The operating expenses consist of the following:

(amounts in thousand Euros)	<u>2007</u>	<u>2006</u>
Impairment provision	(14,620)	(10,244)
Personnel expenses (see below)	(53,336)	(45,132)
Administrative expenses	(52,693)	(47,710)
Depreciation	(7,708)	(6,961)
	<u>(128,357)</u>	<u>(110,047)</u>

Personnel expenses are analysed as follows:

Wages and salaries	(42,579)	(36,608)
Compulsory social security contributions	(8,844)	(7,400)
Defined benefit plan expense	(334)	(380)
Other staff costs	(1,579)	(744)
	<u>(53,336)</u>	<u>(45,132)</u>

The average number of employees during the year 2007 was 1,308 (2006: 1,140).

MILLENNIUM BANK S.A.
Notes on the financial statements

11 Income tax

The income tax charge for the year ended December 31st, 2007 was EUR 7,221 (2006: EUR 7,141) and comes from the deferred tax (amounts in thousand Euros).

The Bank has not submitted the fiscal statement for the year 2007 and it is expected to report tax profit of 24.2 million Euros; an amount though that will be offset with the tax losses of previous financial years.

Tax losses in accordance with Greek tax law can be forwarded and offset against future taxable profits within a five year period. The Bank is expected to have offset the losses until 2010.

Tax returns are filled annually but the profits or losses declared remain provisional because the Bank is submitted to tax audit for the years 2003 until 2007. Because of the manner in which income taxes are calculated in Greece, the Bank remains contingently liable for additional taxes (if they are profitable) or reduction of the tax losses (if they have loss for the year) as well as for penalties that might be assessed for the non audited, by the tax authorities years (that is 2003 up to and including 2007).

12 Cash and deposits at Central Bank

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

	<u>2007</u>	<u>2006</u>
Cash on hand	41,054	36,249
Balances with Central Bank	932	28,767
	41,986	65,016

13 Financial assets held for trading

	<u>2007</u>	<u>2006</u>
Bonds issued by (amounts in thousand Euros)		
Greek Public	280	527
Other issuers	10,077	15,816
	10,357	16,343

MILLENNIUM BANK S.A.
Notes on the financial statements

14 Financial instruments - Derivatives

Gains and losses arising on derivative financial instruments and changes in fair value of other trading instruments are recognised in “Income arising from financial transactions”.

(amounts in thousand Euros)	<u>2007</u>	<u>2006</u>
Financial assets - Derivatives	19,261	12,962
Financial liabilities - Derivatives	21,584	14,063

The outstanding derivatives are analysed as follows:

	2007				
	Notional amount with remaining life of			Fair value	
	Less than a year	More than a 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	49	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	19,261	21,584
	2006				
	Notional amount with remaining life of			Fair value	
	Less than a year	More than a year	Total	Assets	Liabilities
Interest rate derivatives					
OTC products:					
Interest rate swaps	25,160	698,940	724,100	12,062	11,474
Exchange-traded products:					
Interest rate futures	326,089	-	326,089	460	129
Currency derivatives					
OTC products:					
Forward exchange contracts	216,000	-	216,000	271	2,460
Options		1,385	1,385	169	-
	567,249	700,325	1,267,574	12,962	14,063

MILLENNIUM BANK S.A.
Notes on the financial statements

15 Loans and advances to credit institutions

Loans and advances to Credit Institutions consist of:
(amounts in thousand Euros)

	<u>2007</u>	<u>2006</u>
Current clearing accounts	66,805	59,344
Placements with other Credit Institutions	1,011,050	633,781
Other	1,193	1,738
	<u>1,079,048</u>	<u>694,863</u>

Included in placements with other banks as at 31 December 2007 are government bonds acquired under resale agreements amounting to EUR 10,731 (2006: EUR 16,123).

16 Loans and advances to Customers

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

	<u>2007</u>	<u>2006</u>
Retail customers:		
Mortgage	1,580,431	1,294,367
Credit cards	186,905	160,558
Consumer loans	537,601	415,163
Other retail loans	42,384	28,512
Corporate customers		
Factoring	88,712	66,855
Overdrafts / advances	591,919	459,275
Real estate and other loans	1,017,496	510,529
	<u>4,045,448</u>	<u>2,935,259</u>
Less allowance for impairment	<u>(43,614)</u>	<u>(33,113)</u>
	<u>4,001,834</u>	<u>2,902,146</u>
Allowance for impairment		
Balance on January 1 st	33,113	24,863
Additional allowances	14,620	10,244
Derecognitions	<u>(4,119)</u>	<u>(1,994)</u>
	<u>43,614</u>	<u>33,113</u>

The claims from clients include securitized mortgage loans of low credit risk amounting to EUR 413,096 (2006: EUR 653,984).

MILLENNIUM BANK S.A.
Notes on the financial statements

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

Loan impairment

2007	Impairment of individual asset	Impairment of parametric asset	Impairment of collective asset	Total
Balance on January 1 st	12,845	16,196	4,072	33,113
Additional allowances	364	9,455	4,801	14,620
Derecognitions	(1,982)	(2,137)	-	(4,119)
Balance on December 31 st	11,227	23,514	8,873	43,614

2006	Impairment of individual asset	Impairment of parametric asset	Impairment of collective asset	Total
Balance on January 1 st	10,972	11,331	2,560	24,863
Additional allowances	1,873	6,859	1,512	10,244
Derecognitions	-	(1,994)	-	(1,994)
Balance on December 31 st	12,845	16,196	4,072	33,113

17 Financial assets available for sale

Investments available-for-sale consist of:
(amounts in thousand Euros)

	<u>2007</u>	<u>2006</u>
Mutual fund units	3,974	4,917
Synthetic products	7,651	7,584
Other investments (see below)	1,939	456
	<u>13,564</u>	<u>12,957</u>

MILLENNIUM BANK S.A.
Notes on the financial statements

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.

	<u>2007</u>	<u>2006</u>
DIAS SA	204	204
SOUTHEASTERN EUROPEAN FUND	1,733	250
SWIFT SCRL	2	2
	<u>1,939</u>	<u>456</u>

18 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies consist of:
(amounts in thousand Euros)

	<u>2007</u>	<u>2006</u>
Subsidiaries : - Millennium Insurance Brokers LTD	18	18
- Millennium Fin S.A.	200	200
- Millennium AEDAK S.A.	1,678	-
Associated : - ServiBanca S.A.	7	7
	<u>1,903</u>	<u>225</u>

Within 2007 the Bank acquired 100 % of P&K AEDAK, which was renamed to Millennium AEDAK SA. The Bank participates in the capital of Servibanca, an information technology service provider of the Group of Millennium BCP with a percentage under 1%.

MILLENNIUM BANK S.A.
Notes on the financial statements

19 Property and equipment

(amounts in thousand Euros)	Leasehold improvements	Furniture and equipment	Total
Acquisition cost:			
On January 1 st , 2007	47,520	36,436	83,956
Additions	7,400	4,902	12,302
Disposals	-	(625)	(625)
On December 31st, 2007	54,920	40,713	95,633
Accumulated depreciation:			
On January 1 st , 2007	19,119	28,761	47,880
Depreciation charge for the year	4,168	2,588	6,756
Disposals	-	(522)	(522)
On December 31st, 2007	23,287	30,827	54,114
Net book value:			
On December 31st, 2007	31,633	9,886	41,519
On December 31 st , 2006	28,401	7,675	36,076

MILLENNIUM BANK S.A.
Notes on the financial statements

20 Intangible assets

(amounts in thousand Euros)

	Software
Acquisition cost:	
On January 1 st , 2007	21,681
Additions	822
Disposals	-
On December 31st, 2007	22,503
 Accumulated depreciation:	
On January 1 st , 2007	19,762
Depreciation charge for the year	952
Disposals	-
On December 31st, 2007	20,714
 Net book value:	
On December 31st, 2007	1,789
On December 31 st , 2006	1,919

21 Deferred tax asset

Deferred tax asset is attributable to the following items:
(amounts in thousand Euros)

	2007	2006
Intangible assets derecognized	77	642
Provision for employee benefits	529	446
Allowance for impairment – Customer loans	662	662
Operating expenses	-	1,885
Tax losses	21,584	27,642
Other	551	(653)
	23,403	30,624

MILLENNIUM BANK S.A.
Notes on the financial statements

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

	Balance on January 1 st	Recognized in Results	Balance on December 31 st	Recognized in Results	Balance on December 31 st
	<u>2006</u>	<u>2006</u>	<u>2006</u>	<u>2007</u>	<u>2007</u>
Intangible assets derecognized	1,578	(936)	642	(565)	77
Provision for employee benefits	351	95	446	83	529
Allowance for impairment – Customer loans	662	-	662	-	662
Operating expenses	1,243	642	1,885	(1,885)	-
Other temporary differences	(7,833)	7,180	(653)	1,204	551
Tax losses	41,764	(14,122)	27,642	(6,058)	21,584
	37,765	(7,141)	30,624	(7,221)	23,403

22 Other assets

Other assets consist of:
(amounts in thousand Euros)

	<u>2007</u>	<u>2006</u>
Prepaid expenses	16,080	8,032
Accrued interest income	5,648	8,544
Advances to suppliers	1,646	7,539
Staff advances	3,841	3,927
Advances and tax deduction	2,471	916
Real estate from auction	2,502	-
Guarantees	2,034	2,122
Claims from granted guarantees for securitized portfolio	50,095	63,954
Other	15,264	8,232
	99,581	103,266

23 Deposits from Credit Institutions

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

	<u>2007</u>	<u>2006</u>
Term deposits	1,884,027	939,889
	1,884,027	939,889

MILLENNIUM BANK S.A.
Notes on the financial statements

(b) Other Loans

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

24 Deposits from Customers

Deposits from Customers consist of:
(amounts in thousand Euros)

	<u>2007</u>	<u>2006</u>
Current accounts	730,651	725,579
Savings accounts	115,310	113,228
Term deposits	1,724,790	1,102,309
	<u>2,570,751</u>	<u>1,941,116</u>

Fixed deposits include government bonds sold under repurchase agreements amounting to EUR 4,288 (2006: EUROS 11,660).

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 2007 the present value of the obligation amounts to EUR 2,117 thousand (2006: EUR 1,783 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>2007</u>	<u>2006</u>
Discount rate on December 31 st	5%	6%
Future salary increases	3%	4%

MILLENNIUM BANK S.A.
Notes on the financial statements

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

	<u>2007</u>	<u>2006</u>
Current service costs	263	296
Interest cost	75	84
Allowances payable	(4)	-
	<u>334</u>	<u>380</u>

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

	<u>2007</u>	<u>2006</u>
Net obligation of predefined provision as of January 1 st	1,783	1,403
Recognition of results	334	380
	<u>2,117</u>	<u>1,783</u>

26 Other liabilities

Other liabilities consist of:
(amounts in thousand Euros)

	<u>2007</u>	<u>2006</u>
Taxes and duties	2,340	1,559
Accrued interest expense	26,334	10,901
Other provisions	4,858	7,251
Social security withholdings due	2,071	1,685
Suppliers	5,493	12,163
Amounts payable on behalf of third parties	19,317	13,870
Cheques	13,167	26,200
Liabilities to securitized portfolio and granted guarantees	413,126	653,984
Other	4,159	4,523
	<u>490,865</u>	<u>732,136</u>

MILLENNIUM BANK S.A.
Notes on the financial statements

27 Share capital

The authorised, issued and paid-in share capital on December 31st, 2007 comprises of 6,000,000 ordinary shares with a par value of EUR 29.35 each. The share capital as of December 31st, 2006 comprised of 5,550,000 ordinary shares of par a value of EUR 29.35 each. The difference between the two fiscal periods is due to the increase by 450,000 new shares of the share capital by the Mother company, in December 2007. 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 Bank. All shares rank equally with regard to the Bank's residual assets.

28 Contingent liabilities and commitments

(a) Guarantees and letters of credit

(amounts in thousand Euros)	<u>2007</u>	<u>2006</u>
Letters of guarantee	157,391	85,150
Letters of credit	1,436	1,227
	<u>158,827</u>	<u>86,377</u>

(b) Undrawn loan commitments

On 31 December 2007 the undrawn revocable loan commitments of the Bank amounted to EUR 549,184 thousand (2006: EUR 337,887 thousand). 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 Bank has various lease obligations with respect to buildings they use, the most significant of which concerns the buildings for the Bank's branches. The terms of the lease agreements vary but their average duration is 10 years. It is the Bank's policy to renew such agreements. The rent expense is usually subject to a yearly inflation adjustment. The rent expense for the year amounted to EUR 12,245 thousand (2006: EUR 10,346 thousand).

The obligations of the Bank (as Lessee) from rents, pertains mainly to the buildings used for the branches and the other operation units. Minimum future rents on December 31st 2007 for these operational rents are:

(amounts in thousand Euros)	
Up to 1 year	13,017
Between 1 and 5 years	47,852
More than 5 years	28,319
	<u>89,188</u>

MILLENNIUM BANK S.A.
Notes on the financial statements

(d) Legal

The Bank 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 Bank.

(e) Tax matters

The Bank 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 Bank has a related party relationship with its Mother company, its subsidiaries, associates and its directors and executive officers.

Transactions with directors and executive officers

The Bank has not issued any loans to companies belonging to a director for the year ended 31 December 2007

Other related party transactions

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

MILLENNIUM BANK S.A.
Notes on the financial statements

	Millennium BCP		MillenniumFin		Millennium Insurance Brokers		KION		Millennium AEDAK
	2007	2006	2007	2006	2007	2006	2007	2006	2007
Assets									
Loans and advances to Credit Institutions	884,743	616,486	-	-	-	-	-	-	-
Loans and advances to Customers	-	-	13,847	7,650	-	-	21,556	9,120	-
Other assets	1,490	374	-	-	-	-	50,724	63,954	-
	886,233	616,860	13,847	7,650	-	-	72,280	73,074	-
Liabilities									
Deposits from Credit Institutions	1,784,027	919,889	-	-	-	-	-	-	-
Deposits from Customers	-	-	63	303	986	629	-	-	1,531
Other loans	65,000	65,000	-	-	-	-	-	-	-
Other liabilities	13,170	3,184	-	-	-	-	413,096	653,984	-
	1,862,197	988,073	63	303	986	629	413,096	653,984	1,531
Expenses									
Interest expenses	51,003	31,634	-	-	-	-	26,507	1,855	-
Other administrative expenses	-	-	-	-	-	-	1,462	1,818	27
Results on Financial Transactions	1,967	254	-	-	-	-	-	-	-
	52,970	31,888	-	-	-	-	27,969	3,673	27
Income									
Interest income	21,373	11,891	652	200	-	-	36,332	5,865	1,434
Operating income	2,689	1,999	9	8	725	275	-	-	7
	24,062	13,890	661	208	725	275	36,332	5,865	1,441

MILLENNIUM BANK S.A.
Notes on the financial statements

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

Athens, February 25th, 2008

THE PRESIDENT AND
MANAGING DIRECTOR

THE VICE PRESIDENT AND
GENERAL MANAGER

THE FINANCIAL MANAGER

GEORGE I. TANISKIDIS

RUI PEDRO DA CONCEICAO
COIMBRA FERNANDES

KONSTANTINOS A. TSIGARAS

ID number: X -606444

Portuguese identity card number :
T - 8870763

ID 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 Financial Statements

We have audited the accompanying Financial Statements of Millennium Bank S.A (the "Bank"), consisting of the balance sheet as of 31 December 2007 and the related 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 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 financial statements based on our audit. We conducted our audit in accordance with Greek Auditing Standards which are in alignment with the 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 conducting 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 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 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 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 financial statements present fairly, in all material respects, the financial position of the Bank as of December 31st, 2007 and of the results of its operations and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) that have been adopted by the European Union.

Stress point

Without casting any doubt as to the conclusions of our audit, we wish to draw your attention to Note 11 over the Financial Statements, where it is mentioned that the tax obligations of the Bank have not been audited by the fiscal authorities for the fiscal years from 2003 up to 2007, and as a result they have not been expressly defined for the said fiscal years. The outcome of a tax audit can not be predicted at the present stage.

Athens, February 25th, 2008

KPMG Certified Auditors S.A.

Charalambos Sirounis

Certified Auditor Accountant

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