

BOARD OF DIRECTORS REPORT
"MILLENNIUM BANK S.A."
FOR THE PERIOD 01/01/2008 - 31/12/2008

(Amounts are expressed in thousands of Euros)

I. EVOLUTION OF THE BANKING BUSINESS

Millennium Bank is a greenfield banking operation launched in the Greek market in September 2000. The core of its operations, the main strategic objective of Millennium Bank Group is retail banking, but it also offers a range of additional financial services. The success of Millennium Bank is based on a strategy of market segmentation, based on which four business areas were established. This strategic approach was combined with innovative products, high-quality services, state-of-the art technology and highly qualified staff. The Bank has focused on fast organic growth, coupled with revenue growth and value creation.

At the end of 2008, Millennium Bank had total assets of 6,104 million euros. Customers' funds amounted to 3.234 million euros, a 26% increase from year-end 2007, in excess of the 21% annual growth seen under loans to customers, which totalled to 4.794 million euros on December 31st, 2008 (after provisions). Net income for the year amounted to 15,1 million euros, a 31% decrease compared to 22,1 million euros for the year 2007. This performance mainly reflects the endeavor of Millennium Bank to enhance its liquidity and to minimize the Customer funding gap. As analysed here-below, the impact of the aforementioned effort became, first of all, noticeable on net interest income, stemming from a slowdown in the loan growth and from the stepped-up growth of the deposits, especially of the "high yielding" type. Reduced loan growth also meant slowing down disbursement-related commissions.

The main principles guiding the financial activity of Millennium Bank in the year 2008 were the acquisition of new Customers and increasing deposits. The Bank launched a number of high-profile advertising campaigns in this purpose, with constant powerful media presence. The focus on savings was supported by the addition of several high-yielding time deposits to the product range of Millennium Bank, its features carefully selected to correspond to the needs of the Customers, and updated through out the year as market conditions and the competitive environment evolved. These included a 12-month time deposit paying 5,5% interest in the first semester and either 5,5% or 4,5% in the second, dependent on 3m Euribor; a 15-month time deposit paying 10% interest in the ending quarter, featuring monthly interest payments and no penalties for early withdrawals; a 6-month time deposit paying scalable interest of up to 6.25%; and a 3-month time deposit initially paying 5% interest, later increased to 6%. The "Millennium Unit Linked" bancassurance programme also played an important role in attracting Customers' savings: this systematic programme allows Customers to invest worldwide through Millennium-branded mutual funds through small monthly payments, and includes insurance coverage.

Customer acquisition was boosted by the launch of the "IKEA credit card", under an agreement established with the Greek subsidiary of the famous home furnishing retailer. Holders can charge their card for the total amount purchased in IKEA stores or split it in instalments, an advantage that IKEA Customers in Greece were not provided under any other means: 6 interest-free instalments for purchases over 300 euros, or 12 or 24 instalments (for purchases over 600 euros and over 900 euros, respectively) at a special interest rate. The launching of a payroll programme featuring a preferential interest rate on loans, an overdraft facility, a 24-hour over-the-phone medical assistance service and a credit card with no annual fee was also beneficial to Customer acquisition.

Reflecting the success of these advertising campaigns, the attracting of new customers and deposits was significant for the year 2008: 67.000 new Customers, increasing the total customer base of the Bank to more than 502.000 at the end of the year. Deposits were increased more than 665 million euros since the end of 2007.

Millennium Bank's available liquidity was significantly amplified thanks to the successful new securitization of mortgage loans of a total amount of 585 million euros. This was the second issue of Millennium Bank bonds, based on residential mortgage loans, following the first issue on December 2006. The bonds were issued by "Kion II Mortgage Finance plc", a company incorporated in the United Kingdom. Class A notes, corresponding to 89,3% of the issue, were rated AAA by Moody's Investors Service and Aaa by Fitch Ratings. The transaction was arranged by UBS Investment Bank and lead-managed by Millennium investment banking and UBS.

In 2008, Millennium Bank completed the first phase of the geographical expansion program started in 2007, following transformations made in the retail network in to cater for previously underserved segments. Indicative of the focus on customer savings, is the opening of 6 Prestige branches, serving affluent customers in addition to mass market customers and micro businesses. Furthermore, Millennium Bank inaugurated 3 Financial Centres, i.e. branches combining a Business Banking Branch, dedicated to SMEs, with a Prestige branch, therefore covering all the segments served by the network, plus 2 Mass Market branches. Millennium Bank's network totalled 178 branches at the end of 2008: 86 Mass Market branches, 49 Prestige branches, 15 Financial Centres, 25 Business Banking units and 3 Private Banking centres.

Millennium Bank's emphasis on quality service continued to pay-off: surveys showed high Customer satisfaction, and the series of award winning of the Bank continued. The Bank's contact centre received the third highest score in the category "Call centres with up to 50 representatives" in the 2008 edition of Teleperformance CRM Grand Prix 2008. Millennium Bank achieved a mark of 93,8%, compared to the average percentage of 58,5% in Greece. Millennium Bank also received the prize "Straight-Through Processing (STP) Excellence Award" from Deutsche Bank, for its outstanding performance in processing international transfers in euros. An event also worth mentioning is that the Bank acted as the main sponsor of the 6th International Banking Forum of Economist, a prestige event gathering all the attention and organized by Economist Conferences in Athens on the subject of the analysis of the current situation and future perspectives of bank sector in South-eastern Europe.

Millennium Bank's objective going forward is to keep on increasing its business volumes at a steeper pace than market's. The Bank also intends to increase its Customer base and profitability and generate additional revenue growth by focusing strongly on cross-selling and on products of higher added value. At the same time, the Bank aims at maintaining its remarkably lean operational structure and at achieving superior levels of operating efficiency through the strict monitoring of operational costs.

II. MILLENNIUM BANK S.A. CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

A presentation of the evolution of the Group's main numbers follows:

1. Balance sheet (€ 000's)

Assets	2008	2007
Cash and Deposits at Central Bank	252.650	42.689
Financial assets held for trading	7.660	11.039
Financial assets - Derivatives	51.199	19.743
Investment portfolio	15.909	13.714
Loans and advances to Credit Institutions	842.858	1.149.602
Loans and advances to Customers	4.793.825	3.966.280
Investments in associated companies	8	8
Fixed assets	43.545	43.455
Deferred tax asset	12.853	23.451
Other assets	83.633	63.134
Total Assets	6.104.140	5.333.115

Liabilities & Equity	2008	2007
Liabilities		
Financial liabilities - Derivatives	86.092	21.584
Deposits from Credit Institutions	1.430.480	1.884.027
Deposits from Customers	3.233.732	2.568.171
Debt Securities	865.147	405.485
Deferred tax liability	17	46
Subordinated Debt	65.000	65.000
Provisions for employee benefits	2.436	2.154
Other liabilities	107.052	85.744
Total liabilities	5.789.956	5.032.211
Equity		
Share capital	176.100	176.100
Share premium	216.504	216.504
Revaluation reserves	(1.276)	(569)
Retained earnings and profit for the year	(77.231)	(91.153)
Total Shareholders Equity	314.097	300.882
Minority interests	87	22
Total Equity	314.184	300.904
Total Liabilities and Equity	6.104.140	5.333.115

2. Profit & Loss Account (€ 000's)

Profit & Loss Account	2008	2007
Interest income	377.187	270.743
Interest expenses	(251.221)	(154.262)
Net interest income	125.966	116.481
Fees and commissions income	43.114	37.941
Fees and commissions expense	(11.037)	(9.783)
Net fees & commissions income	32.077	28.158
Dividends and other securities income	50	24
Net income arising from financial transactions	7.936	7.478
Other operating income	7.488	10.531
Operating income	173.517	162.672
Operating expenses	(132.302)	(118.406)
Impairment provisions	(16.453)	(14.620)
Profit before tax	24.762	29.646
Income tax	(9.620)	(7.574)
Net profit after Taxes	15.142	22.072
Minority interests	(3)	(3)
Net profit after Taxes	15.139	22.069

DESCRIPTION OF MAIN ASSETS CATEGORIES (in € 000's)

The composition of the amounts of the asset category is presented below:

1. Cash and deposits at Central Bank

Category	2008	2007
Cash	42.362	41.055
Balances with Central Bank	210.288	1.634
Total	252.650	42.689

2. Loans and advances to Credit Institutions

This category includes Interbank placements with other Credit Institutions, balances with Correspondent Banks (nostros), claims from transactions from the purchase of government bonds with sale back clause (Reverse Repos), and finally other claims against Credit Institutions. The analysis is as follows:

Category	2008	2007
Current balances with Clearing office	44.876	66.805
Interbank Placements (time deposits)	710.732	1.011.050
Other	87.250	71.747
Total	842.858	1.149.602

3. Loans and advances to Customers

a. Credit analysis

The total credit of the Group (including Letters of Guarantee) reached by the end of December the amount of € 5.073.477 (2007: € 4.167.435). On an annual basis, the increase of Group's credit reached € 906.042 or 21,74%.

The main reasons resulting to the credit expansion of the Group during 2008, were corporate loans (net annual increase of € 512.842), mortgage loans (net annual increase of € 293.074), letters of guarantee (net annual increase of € 68.112) and personal, consumer and credit cards (net annual increase of € 32.014).

b. Credit quality

The quality of the Group credit granting remained at satisfactory levels, in spite of the write off of various doubtful loan accounts during the year. The cumulative provisions amounting to € 54.149 cover by 44,02% the past due loans (past due and normal part) that present a delay over 90 days.

4. Securities Portfolio

The status of securities portfolio as at 31.12.2008 was as follows:

a. Financial assets held for trading

	Face value	Acquisition Cost	Fair value
	2008	2008	2008
Greek Government Bonds	142	147	146
Bank Bonds	130	134	133
Other Issuers	7.545	7.752	7.381
Total	7.817	8.033	7.660

b. Derivatives

Assets	Fair value
Interest Rate Swaps (IRS)	44.641
Forwards	6.099
Futures	459
Total	51.199

Liabilities	Fair value
Interest Rate Swaps (IRS)	54.932
Forwards	31.067
Futures	93
Total	86.092

c. Investment portfolio

i. Financial assets available-for-sale

	Units	Acquisition Cost	Fair value
Mutual funds	1.279.075	3.859	2.649
Participations in non associated companies	9.867	3.813	3.813
Other products	83.350	8.335	8.269
Total	1.372.292	16.007	14.731

ii. Financial Assets held to maturity

Title	Face value	Acquisition Cost	Fair value
	2008	2008	2008
Bonds	1.162	1.178	1.178
Total	1.162	1.178	1.178

d. Investments in associates

Issuer	Shares	Acquisition Cost	Fair value
Servibanka	-	8	8
Total	-	8	8

5. Fixed Assets

The Group's investment in fixed assets refer mainly to investments in building facilities (includes the modification expenses required for the branches and central services operation), software and other furniture and equipment. A more detailed analysis is presented in the following two tables:

a. Intangible assets

Category	Acquisition Cost 01.01.08	Purchases – Additions – Improvements of the year	Sales - Reductions of the year	Accumulated Depreciation 01/01/08	Depreciation (charge for the year)	Sales - Reductions of the year	Net Book Value
Software	22.635	1.839	-	20.807	1.036	-	2.631
Total	22.635	1.839	-	20.807	1.036	-	2.631

b. Tangible assets

Category	Acquisition Cost 01/01/08	Purchases – Additions – Improvements of the year	Sales - Reductions of the year	Accumulated Depreciation 01/01/08	Depreciation (charge for the year)	Sales - Reductions of the year	Net Book Value
Buildings & building facilities	55.056	5.497	-	23.344	4.905	-	32.304
Furniture and other equipment	40.818	1.893	(2.879)	30.904	3.150	(2.832)	8.610
Total	95.874	7.390	(2.879)	54.248	8.055	(2.832)	40.914

It should be noted that the Group does not own any real estate property and the relevant amount in the balance sheet concerns leasehold expenditure, used for the operation of branches and its central services.

There are not any pre notices on the Group's assets.

6. Other assets & Deferred Tax Asset

a. Other assets

Other assets are analyzed as follows:

Category	2008	2007
Staff Advances	4.284	3.841
Given Guarantees	2.311	2.034
Advances to suppliers	820	1.646
Accrued Interest Income	10.227	7.009
Prepaid expenses	18.252	16.080
Other assets	47.739	32.524
Total	83.633	63.134

β. Deferred tax asset / liability

The Deferred tax asset for the end of the year 2008 amounted to € 12.853 (2007: € 23.451).

The Deferred tax liability reached the amount of € 17 (2007: € 46).

DESCRIPTION OF MAIN LIABILITIES CATEGORIES (in € 000's)

1. Deposits from Credit Institutions

Deposits from Credit Institutions are analyzed as follows:

Category	2008	2007
Time deposits	1.430.480	1.884.027
Total	1.430.480	1.884.027

2. Deposits from Customers

Deposits from Customers are analyzed as follows:

Category	2008	2007
Sight deposits	618.159	729.370
Savings deposits	110.838	115.310
Time deposits	2.504.735	1.723.491
Total	3.233.732	2.568.171

The Deposits from Customers presented a significant increase during 2008, amounting € 3.233.732 at the end of December 2008. On an annual basis, the increase was € 665.561 mln or 25,92%.

3. Other liabilities

Other liabilities are analysed as follows:

Category	2008	2007
Taxes and duties payable	2.966	2.634
Accrued interest expense	44.728	26.334
Other provisions	4.834	4.858
Social security liabilities payable	2.460	2.080
Suppliers	5.930	5.896
Third parties payable amounts	17.081	19.317
Cheques payable	17.539	13.167
Other liabilities	11.514	11.458
Total	107.052	85.744

4. Shareholders' equity

During 2008, there was increase in the Shareholders Equity, due to the transfer of the profit after taxes of the period.

Shareholders Equity, on December 31st 2008 amounted to € 314.097. It is then analyzed as follows:

Category	2008	2007
Share capital	176.100	176.100
Share capital premium	216.504	216.504
Revaluation reserves	(1.276)	(569)
Accumulated losses	(77.231)	(91.153)
Total shareholders equity	314.097	300.882
Minority rights	87	22
Total equity	314.184	300.904

5. Debt Securities and other loan liabilities

5.1 Table with Debt Securities

During the year, the Group proceeded to new securitization of claims standing at 585 million Euros through the special purpose vehicle Kion II Mortgage Finance plc.

The liabilities presented by the Group for Debt Securities, coming from the two securitizations, are as follows:

Category	EFFECTIVE DATE	EXPIRATION DATE	INTEREST RATE	2008
KION MORTGAGE FINANCE PLC I	07/12/2006	15/07/2051	5,47%	255.174
KION MORTGAGE FINANCE PLC I	07/12/2006	15/07/2051	5,59%	28.200
KION MORTGAGE FINANCE PLC I	07/12/2006	15/07/2051	5,87%	18.000
KION MORTGAGE FINANCE PLC II	18/07/2008	20/06/2053	3,48%	501.178
KION MORTGAGE FINANCE PLC II	18/07/2008	20/06/2053	4,13%	62.595
Total				865.147

5.2 Subordinated Debt

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

MAIN FIGURES OF THE PROFIT AND LOSS ACCOUNT (€ 000's)

1. Profit & Loss Account

Since 2003 onwards, the Group prepares its financial statements, Balance Sheet and Profit & Loss account, in accordance with the International Financial Reporting Standards (IFRS), as they have been adopted by the European Union.

a. Net Interest Income

Net interest income of 2008 reached the amount of € 125.966 compared to the corresponding figure of € 116.481 as of 2007, presenting an annual increase of € 9.485 or 8,14%.

b. Commission and Fees income

Commission income for the year 2008 amounted to € 43.114 compared to the € 37.941 of the year 2007, showing an annual increase of € 5.173 or 13,63%.

Likewise, the commission expenses for the year 2008 amounted to € 11.037 compared to the € 9.783 of the year 2007. The increase in the commission expenses for 2008 stood at € 1.254 or 12,82%.

Finally, net commissions for the year 2008 amounted to € 32.077 compared to the € 28.158 of the year 2007. The annual increase of net commissions for the year is € 3.919 or 13,92%.

c. Net income arising from financial transactions

Net income arising from financial transactions (resulting from sales and revaluation of securities, foreign currency and derivative results, income from participations etc) has been shaped as follows:

Financial results	2008	2007	Diff.
Trading portfolio	(183)	(250)	67
Available-for-sale portfolio	-	274	(274)
Foreign exchange results	5.382	6.218	(836)
Assets Fair value Hedging	2.754	-	2.754
Derivatives	(17)	1.236	(1.253)
Total	7.936	7.478	458

Once more, the Group achieved an increase of 6,12% in the results from financial transactions.

All derivatives, with no exception, regardless of their purpose (excluding Hedging derivatives), are considered as Trading Portfolio and their revaluation results appear in the Profit & Loss account.

The Group for the first time made use of hedge accounting aiming in covering risks from a part of mortgage loans portfolio. In particular, for the duration of the fiscal year it applied hedge accounting at fair value with use of interest rate derivatives. Subject to the conditions defined by IFRS 39, the hedging is within the limits of 80%-120% for the entire hedging period, thus was fully effective. Hence, the amount of 2.754 referred to in the aforementioned table pertains to the result of such hedging, including the assessment of both the hedged and the hedging financial means and derivatives.

d. Operating expenses

The operating expenses of the Group (including personnel expenses) amounted for the fiscal year of 2008 to € 132.302 compared to € 118.406 for 2007. The increase on a year to year basis amounts to € 13.896 or 11,74%. This increase of the general expenses reflects mainly the investment / expansion of the bank in new branches, getting during the year in full operation.

It is also important to underline the cost control policy through the renegotiations of contracts and further improvement which resulted in having stability in other administrative expenses.

The number of branches has increased by 13 branches compared to 2007, while the average number of the personnel has increased by 170 persons compared to 1.334 of the year 2007.

e. Provisions

Provisions for doubtful loans that burdened the year stood at € 16.453 compared with the € 14.620 of 2007 thus, showing an increase of 12,53%.

It has to be noted that the increase is absolutely reasonable since it reflects the increase and the maturing of the portfolio of the Bank.

f. Income before tax

Income before tax amounted to a profit of € 24.762 compared to profit € 29.646 for the year 2007, representing a decrease of 16,47%.

g. Income tax

The respective figure for 2008 is € 9.620 against € 7.574 of last year.

It should be noted that during the under question fiscal year, the regular tax audit concerning the years of 2003 – 2006 of the bank, was completed.

Subject to IFRS rules, this resulted in an additional, for the year 2008, tax amount. This additional tax amount corresponds to the tax unrecognised accounting differences.

In addition, based on the same IFRS rules, a tax amount corresponding to non covered carried forward losses of the year 2003 (due to the expiry of a five-year offset period), affected increasingly the tax amount of 2008 as well.

It should be noted, that based on the Greek legislation, the losses of each year are carried forward in order to be offset with future profits up to a period of five years.

h. Profit after taxes and minority interests

The profit after tax of the Group stands for the year 2008 at € 15.139, whereas the respective amount for the year 2007 was € 22.069, constituting a decrease of 31,40%.

III. BASIC ACCOUNTING PRINCIPLES

In order to prepare the financial statements for the period that ended on 31.12.2008, the following basic accounting principles were applied:

1. Tangible assets

Fixed assets appear at cost, reduced by their accumulated depreciation.

Depreciation is charged to the Profit and Loss account on a straight-line basis over the estimated useful lives of property and equipment. The estimated useful lives are as follows:

Leasehold improvements	Based on the duration of the leasing
Furniture and equipment	5 - 12 years
Software	3 - 4 years

Depreciation of furniture and equipment (furniture, safes, office machines, transportation means etc), are calculated from the day they are used.

The same practice was followed also for the expenses that were realized for the expansion in new sectors, branches and activities, where the start up period starts latter on.

2. Revaluation of financial assets and liabilities

Financial assets and liabilities which pertain also to trading were revaluated at fair value on 31/12/2008 and the respective profits and losses were recorded in the Profit & Loss account.

Bonds, regardless of whether they are hedged or not, as well as Futures, were recorded at fair value as of 31.12.2008 while the resulted revaluation differences registered in Profit & Loss account.

The results of Interest Rate Swaps were calculated on an accrual basis, based on the real duration of these transactions and were transferred to Profit and loss account as interest results. The difference that resulted from their revaluation at the end of each period, was transferred to Profit and Loss account under the line "results from financial transactions". Under the line "Results from financial transactions" the revaluation results of derivatives used for the fair value hedging were also booked.

3. Financial assets available for sale

The shares of Mutual Funds were valued at fair value on 31.12.2008, with the fair value being defined as the closing rate of December 2008, and the resulted revaluation difference was recorded to the Equity Account

4. Assets held to maturity.

It pertains to financial assets bought by the bank, and has the ability to keep, which aims at holding them until maturity. They are evaluated at their acquisition value.

5 Revaluation of Investments in associates.

For the Group the participation in associated companies regards the company Servibanca. This participation has been recognized at acquisition cost.

6 Foreign exchange currency revaluation.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. The receivables and obligations as per 31/12/2008 in foreign currency, were revaluated based on the fixing rates of the formal report for foreign currency of the Bank of Greece/ECB as on 31st of December, 2008. Foreign exchange differences that resulted, were recorded in the account "Net profit arising from trading activity" of the closing year.

7 Revaluation of Hedged assets, at fair value

The revaluation results were recorded in the profit and loss account, "Results from Financial transactions".

8 Provision for employee benefits.

During this year, the Group has created provisions for the payment of compensations to the personnel for leaving the service, on the basis of a relevant actuarial analysis.

9 Risk management

The Group of Millennium Bank SA, as a financial institution engaged in a fast growing and changing environment, recognizes its exposure to banking risks and the need of having them handled efficiently. The management and control of such a risk constitutes an integral part of the commitment of the Group to intend constantly high yields and create a surplus value in favour of its main shareholder.

The central body for the risk management frame is the Risk Control Commission (RCC), which has been established in correspondence with the practices of the Group of Millenium BCP and 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, 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.

Within this context, the operation of the risk management department was reinforced thanks to the recruitment of distinguished executives, in the frame of the efficient control of credit and market risk. In this way, the base has been set for the better communication and unified handling of issues that pertain to risk management in the entire activity spectrum of the Group in cooperation with the Mother Bank Millennium BCP.

At the same time, and based on the Risk Management Strategy, the Group has completed the implementation of the tasks coming under the program "Basel II" aiming, on the one hand, at its adjustment to the new supervisory capital adequacy frame, and on the other hand, at further reinforcing the capabilities and the quality of risk and capital management.

Credit Risk

The Group of Millennium Bank SA pays a lot of attention on the effective management and handling of credit risk, arising from the potential failure of one or more creditors to meet their obligations vis-à-vis the Bank and / or its subsidiaries.

The Group uses samples of credit scoring models depending on the type of the counter party. The said systems/models that are used are either recognized special systems of the market from which they were acquired, or systems developed by the Mother Company, which afterwards were adjusted in Greek reality. The use of credit risk evaluation systems aims at reliably classifying the creditors in credit strength levels, trying at the end to protect the profitability and the capital basis of the Group.

The protection against credit risk is achieved by means of the following:

- Application of appropriate credit exposure limits against individual creditors, creditor groups, concentration in financial activity sectors etc.
- Make use of credit risk reduction techniques, through collaterals and other guarantees.
- Adjustment of the various product pricing.

Market risk

The main method used by the Group for measuring Market risk is through the calculation of Value at Risk-VaR. Value at Risk measurement is the estimation of the maximum potential value loss (MPR) for the positions of the Commercial and Available-for-sale portfolio, that can be incurred in a specified time limit and for a specified confidence level. For the control and management of the assumed market risks, maximum potential value loss limits have been established, covering the market risk in full.

In order to ensure the reliability of the internal model for measuring market risk, a back testing is applied, while in order to ensure against extreme conditions, a stress testing is conducted at regular intervals.

Operational risk

Operational risk is the risk which produces 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's companies and is faced by all the departments. Operational risk management comes under the competence of every Process Owner. Every Process Owner is controlled in his/her turn by Risk Control Commission (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 on periodic supervision program from Internal Audit dept. Moreover, internal reports are drawn up, aiming at supporting the decision making procedure pertaining to the operational risk management at all hierarchy levels of the Group.

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 rate result.

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and 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 basis 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.

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 dept. as regards the monitoring – management of interest rate risk.

Furthermore, the Group is systematically manages the medium – long term interest rate risk, by means of sensitiveness measurements of own capital value and net interest income, in the cases of probable extreme changes of the interest rates.

Liquidity risk

Liquidity risk arises from the general funding of the Bank's activities and from the management of various positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates, and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Group systematically manages the liquidity risk, by means of:

- Analyses of liquidity and refinancing gaps.
- Expansion and differentiation of its financing sources.
- Maintenance of adequate level of liquid assets.

Subject to Liquidity Gap Analysis, the cash flows resulting from all the assets and liabilities are calculated and classified in time periods, depending on when they mature, with the exception of trading portfolio and available-for-sale assets. Especially for these portfolios, which may be directly liquidated, they are classified in the first period, taking into account relevant liquidity coefficients (haircuts).

Capital adequacy

The Group monitors on a monthly basis the supervisory capital, aiming at the best possible management, utilizing all modern methods and funding raising tools, with the purpose of maintaining the capital adequacy levels at significantly higher levels compared to the minimum supervisory required, as well as, the reduction of funding cost for the benefit of its basic shareholder.

Within this frame the configuration of the capital structure constitutes part of business scheduling and annual budget, in accordance with the objectives of capital adequacy that have been set by the risk management strategy of the Bank. This is coupled with the wider strategy of the Group of the Mother Bank Millennium BCP. Total and Basic capital adequacy ratios were on 31.12.2008 9,70% and 8,02% respectively. On December 31st, 2008, based on the regulatory framework of the Bank of Greece, the capital basis of the Bank amounted to € 376.033. Hence, the extra capital above the minimum 8% of the risk weighted assets, required by the regulatory frame, amounted to € 65.947.

10 Transactions with directors and executive officers

The Bank has not issued any loans to companies belonging to any director for the year ended on December 31, 2008.

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

	2008	2007
Deposits from Customers	3.246	2.114
Loans and advances to Customers	2.545	1.937

	2008	2007
Interest income	111	92
Interest expenses	146	107
Commission income	33	16
Personnel expenses	2.155	2.424
Other operating expenses	70	80

11 Post Balance sheet events

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.

Athens, February 24, 2009

**THE PRESIDENT
OF THE BOARD OF DIRECTORS AND MANAGING DIRECTOR**

GEORGE I. TANISKIDIS