



EFG EUROBANK ERGASIAS S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2007

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Company Registration No: 6068/06/B/86/07

The directors present their report together with the audited accounts for the year ended 31 December 2007.

Profit Attributable

The profit attributable to equity shareholders of Eurobank EFG, excluding the one-off wildfire donation and new taxation on reserves, amounted to €851m for the year, up 32.1% from €644m in 2006, as set out in the consolidated income statement on page 7.

After the donation and new taxation, the profit attributable to equity shareholders amounted to €815m, up 35.5% from €601m in 2006.

Dividends

An interim dividend of €0.32 per ordinary share was paid on 10 December 2007, totalling €166m (2006 - €135m). The directors now recommend, subject to approval at the Annual General Meeting, a final dividend of €0.50 per ordinary share totalling €259m (2006 - €215m). This results in a total dividend for 2007 of €0.82 per share, totalling €425m, up 21.5% from 2006's €350m.

Dividend Reinvestment Plan

On 21 November 2007 the Extraordinary General Meeting authorised the Board of Directors to proceed with a dividend reinvestment plan within prescribed parameters. It was the first time that a Greek company had initiated such a plan, and ordinary shareholders were enabled to opt for the plan, during the payment of the interim dividend. A similar plan for the final dividend will be proposed to the 2008 Annual General Meeting.

Ordinary Share Capital – Rights Issue

On 2 August 2007, the Extraordinary General Meeting decided to issue 2 new shares for every 15 held, at a price of €20 per share, to finance targeted acquisitions outside Greece and to support the accelerated expansion of the Group's business, primarily abroad.

The rights issue was completed successfully and the proceeds totalled € 1,229m. The 61,444,496 new shares were issued and listed on the Athens Exchange on 25 September 2007. 97.5% of the shares were subscribed to during the rights exercise period. Out of the 1,554,008 unsubscribed new shares, 754,178 shares were allocated to employees who applied for up to 200 shares each, at €20 per share. The remaining unsubscribed new shares were allocated on a pro-rata basis to shareholders who exercised their over-subscription right. They applied for €328m worth of shares, and, due to excess demand, received only 4.9% of the shares they applied for. Overall, the total demand from employees and shareholders exceeded the unsubscribed new shares approximately 11 times.

Activities

Eurobank EFG Group is a financial services provider engaged in retail, corporate and private banking, asset management, insurance, treasury and capital markets services. The Group operates through branches, offices and subsidiaries in Greece and the region of Central, Eastern and Southeastern Europe (New Europe).

Business Outlook

For all the countries that the Eurobank EFG Group operates in, New Europe and in Greece, 2007 was initially characterized by a positive macro economic environment, supportive of business expansion and relatively immune to the subprime mortgage crisis that emerged during the summer. Even though the outlook on most economic fundamentals remains positive for 2008, the investment climate has deteriorated in some countries.

Greece continued its positive macroeconomic performance within 2007. Gross Domestic Product (GDP) growth remained robust, at an estimated 4.0% at the end of 2007 and forecasted at 3.7% for 2008. Unemployment decreased from 9.3% to 8.3%, supporting household balance sheets. Further improvement is expected in 2008. The macroeconomic climate thus supported healthy credit expansion, which, as at November 2007, was growing at 20.5% p.a.

In New Europe, robust economic growth continued in 2007 with credit expansion ranging from 33% to 61% (for the nine months of 2007). For 2008, GDP growth rate is forecasted at 5% or better in most countries in the region. It is noted that inflationary pressures have become apparent. However, the underlying positive economic fundamentals, coupled with the low household indebtedness, should support significant credit expansion in the region in 2008.

Regional Expansion

During 2007 the Eurobank EFG Group continued to expand its activities in New Europe with a total presence in seven countries. The Group further extended its network in the region reaching a total number of over 960 units (branches, points of sales and business centres) and employing 12,000 people by the end of the year.

In early 2007, the Group completed the acquisition of Universal Bank in Ukraine and entered the corporate banking market in Turkey through the acquisition of Tekfenbank, now named Eurobank Tekfen. In July the Group launched operations in Cyprus aiming to cater for the needs of wholesale and private banking clients.

In Bulgaria, Serbia and Romania the Group broadened the range of services provided through the establishment and/or acquisition of new subsidiaries and achieved high business growth rates. In Poland, the operations that had been initiated in 2006, are already achieving very high growth rates through a network of more than 250 units by the end of the year.

Financial Results Review

In 2007, Eurobank EFG grew its Balance Sheet by 27.1% to €68.4bn as a result of strong lending and deposit growth across all categories and all countries.

In Greece gross loans increased by 20.4% to €37.4bn and in New Europe loans more than doubled. In total, loans grew by 33.7% to reach €46.7bn. Despite the accelerated business development, credit quality has improved with non performing loans at 2.4% of gross loans, down from 2006's 2.8%. Provisioning charges were 1.01% of net loans, down from 2006's 1.14%; provisions now cover 92% of non performing loans, whereas the average coverage ratio in respect of all banks in Greece is 57% (Bank of Greece, September 2007).

In 2007, the growth in deposits was a record 30.5%, with client funds under management reaching €52.4bn, up 17.4% from 2006. The resulting loan to deposit ratio at the end of 2007 was 126%, whereas UBS European Banks' research estimates the European sector average (excluding Swiss banks and non-deposit taking institutions) at 156%.

Net interest income at €2,004m grew by 25.5% with a 3.28% net interest margin. Fees also increased by 25.7% to €634m, and operating income reached €2.8bn, up 26% from 2006. Cost to income ratios improved both in Greece, from 40.7% to 40%, and in New Europe, from 90% to 76%, resulting in a group cost to income ratio of 48.1%.

New Europe's profits totalled €72.6m against a loss of €3.5m in 2006, and a target of €60m. The net profit attributable to shareholders amounted to €851m, up 32% from 2006, and as compared to a revised target of €820m, which had been increased in August from €780m. The Return on Equity reached 23.5%, up from 23% last year, in spite of the €1.2bn rights issue in September.

All above numbers and ratios exclude the one-off donation of €20m to the wildfire victims, and the €16m new taxation imposed at the end of the year.

Capital Adequacy

Following the Bank's rights issue of €1.2bn, and €750m subordinated debt issued in June, the regulatory capital reached €5.7bn, up from 2006's €3.6bn. Of this, Core Tier I capital was €4.3bn (2006 €2.5bn).

The Group's risk weighted assets under Basle II - Standardised Methodology total €46.3bn, compared to €34.5bn for 2006 measured under Basle I.

The capital adequacy ratio stands at 12.2% (up from 2006's 10.4%, and as compared to Greece's average of 11.4% (Bank of Greece, September 2007) and the minimum requirement of 8%). The Core Tier I ratio stands at 9.2% (2006 7.2%).

Share Capital

On 3 April 2007, the Annual General Meeting approved the adjustment of the par value of each ordinary share by 20% to €2.75 from €3.30, and the issue of 2 shares for every 10 held. This resulted in the issue of 76.8 million shares which were listed on the Athens Exchange on 23 May 2007.

In addition to the rights and bonus issues, the ordinary share capital was increased by 3.5 million shares during the year as a result of the interim dividend reinvestment program, and the distribution of shares to, and the exercise of options by, the executive directors, management and staff.

At 31 December 2007, the share capital amounts to €1,443,600,504.50 divided into 524,945,638 ordinary voting shares of a nominal value of €2.75 each. All shares are registered, listed on the Athens Exchange and have all the rights and obligations set by Greek law. Additional information is in note 32 to the accounts.

Authority to issue new shares

The only authorities that the Board of Directors has to issue shares, without further prior approval by the Shareholders General Meeting, are as follows:

- In relation to stock options:
 - As authorised by the General Meeting, the Board of Directors may issue stock options to directors, executive management and staff, within the framework of the approved stock option program.
 - In addition the Board of Directors has been authorised to issue shares to those stock option holders who exercise their rights within the rules set by the stock option program. Further details are in note 34 to the accounts.
- In relation to dividend reinvestments:
 - As authorised by the General Meeting, the Board of Directors may issue shares to those shareholders who chose to reinvest their dividend in company shares. Further details are in note 32 to the accounts.
- Issue of new shares to institutional shareholders abroad:
 - As authorised by the General Meeting, the Board of Directors may issue shares to institutional shareholders abroad (minority shareholders in the Group's subsidiaries in New Europe). Further details are in note 32 to the accounts.

Authority to acquire Treasury Shares

The Board of Directors was authorised by the Annual General Meeting of 2007, to take any action or handle any issue necessary for the implementation of a program of acquisition of treasury shares, in accordance with the provisions of article 16 of company law 2190/1920, prior to amendment by law 3604/2007. Further details are in note 32 to the accounts.

Substantial Shareholdings

Eurobank EFG is a member of the EFG Group, which consists of banks and financial services companies, the ultimate parent company of which is EFG Bank European Financial Group, a credit institution based in Switzerland. All voting rights at the General Meetings of EFG Bank European Financial Group are held by the Latsis family. EFG Bank European Financial Group controls 41.2% of the Bank. The remaining shares are held by institutional and retail investors; the Bank has not been notified of any investor controlling more than 5% of voting rights.

Board Membership

The Board of Directors of Eurobank EFG is set out on Note 42 to the Accounts. Biographical details of the Board members are available on our website (www.eurobank.gr). Mr Michael Colakides was appointed as an executive Director with effect from 1 November 2007 replacing Mr H. Kyrkos. Mr Spyros Lorentziadis was appointed as independent non-executive Director with effect from 25 June 2007, replacing the deceased Panayiotis Lambropoulos. The Board's term expires at the 2010 Annual General Meeting.

Corporate Social Responsibility

Eurobank EFG has an extensive community programme covering many countries around the region. In addition it supports significant educational, cultural, environmental, sports and benevolent initiatives.

Following the catastrophic wildfires in Greece in the summer, Eurobank EFG committed €20m for the support of victims, the reconstruction of the regions affected, and the prevention of similar disasters. Already more than 5,000 families and businesses in nine different prefectures have received direct assistance through this program.

Employee Involvement

Eurobank EFG is committed to ensuring that employees share in the success of the Group. Shares are distributed to almost all staff and there are stock option programs for senior staff and executive directors. Staff are encouraged to hold, and have substantial sums invested in, Eurobank shares.

Employees are kept informed of matters of concern to them in a variety of ways, including through corporate news magazines, intranets and briefings. These communications help achieve a common awareness among employees of the financial and economic factors affecting the performance of the Group.

The diversity agenda at Eurobank EFG seeks to include customers, colleagues and suppliers. Our objective is to recruit and retain the best people, regardless of race, religion, age, gender, sexual orientation or disability. We strive to ensure our workforce reflects the communities in which we operate, and the international nature of the organisation. We recognise that diversity is a key part of responsible business strategy in support of our increasingly regional business.

Financial Instruments

The Group's financial risk management objectives and policies, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the exposure to market risk, credit risk and liquidity risk are set out in Notes 2, 4 and 17 to the accounts.

Events after the Balance Sheet Date

In February 2008, the Central Bank of Cyprus approved the conversion of the Cyprus branch into a subsidiary. The conversion is expected to be completed by the end of March 2008.

Sundry information required under Law 3371/2007 (article 11a)

According to the Bank's Articles of Association:

- There are no restrictions on the transfer of the Bank's shares
- No shares carry special controlling or voting rights
- There are no restrictions on voting rights
- The appointment and replacement of directors, and the amendment of the Articles do not differ from the provisions of company law.

The Bank is not aware of any shareholders' agreements resulting in restrictions in the transfer of its shares or in the exercise of the shares' voting rights.

There are no significant agreements that enter into force, are amended or expire if there is change in the control of the Bank following a public offer.

There are no special agreements between the Bank and the Directors or the staff for compensation in the event of resignation, dismissal without good reason or termination of their term of office or employment as a result of a public offer.

The Auditors

The Board's Audit Committee reviews the appointment of the external auditors, as well as their relationship with the Group, including monitoring the Group's use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors. Having reviewed the independence and effectiveness of the external auditors, the Committee has recommended to the Board that the existing auditors, PricewaterhouseCoopers S.A., be reappointed. PricewaterhouseCoopers have signified their willingness to continue in office, and ordinary resolutions reappointing them as auditors and setting their remuneration in accordance with the Institute of Certified Public Auditors' decisions, will be proposed at the 2008 AGM.

So far as each of the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Each of the Directors has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. For these purposes, 'relevant audit information' means information needed by the Company's auditors in connection with preparing their report.

The Annual General Meeting

The Eurobank EFG AGM will be held at "Hotel Grande Bretagne", Constitution Square, Athens on 8 April 2008. The Notice of the Meeting will be published in the press and will be posted to the website www.eurobank.gr at least 20 days before the meeting.

Xenophon Nickitas
Chairman

Nicholas Nanopoulos
Chief Executive Officer

25 February 2008

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Independent auditor's report

To the Shareholders of EFG Eurobank Ergasias S.A.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of EFG Eurobank Ergasias (the "Company") and its subsidiaries (the "Group") set out on pages 7 to 49 which comprise the consolidated balance sheet as of 31 December 2007 and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Report on other legal and regulatory requirements

The Board of Directors' Report, as set out on pages 2 to 4 contains all the information under the provisions of articles 43a paragraph 3, 107 paragraph 3 and 16 paragraph 9 of L2190/1920 and article 11a of L3371/2005 and its content is consistent with the Group financial statements.

Athens, 26 February 2008

The Certified Auditor-Accountant

Kyriacos Riris
SOEL Reg. No. 12111

 PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
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	Note	Year ended 31 December	
		2007 € million	2006 € million
Interest income	5	5,980	4,007
Interest expense	5	(3,976)	(2,410)
Net interest income		2,004	1,597
Banking fee and commission income		704	574
Banking fee and commission expense		(146)	(127)
Net banking fee and commission income	6	558	447
Net insurance income		53	37
Income from non banking services	7	23	20
Dividend income		13	9
Net trading income/(loss)		33	32
Gains less losses from investment securities		105	70
Other operating income		28	21
Operating income		2,817	2,233
Operating expenses	8	(1,374)	(1,062)
Impairment losses on loans and advances	19	(401)	(344)
Profit from operations		1,042	827
Share of results of associates	23	8	5
Profit before tax		1,050	832
Income tax expense	10	(219)	(225)
Profit for the year		831	607
Net profit for the year attributable to minority interest		16	6
Net profit for the year attributable to shareholders*		815	601
		€	€
Earnings per share			
- basic	12	1.60	1.19
- diluted	12	1.59	1.19
		€ million	€ million
* Comparable profit for the year excluding:			
- Taxation on reserves	10	(16)	(43)
- Wildfire donation	8	(20)	-
Net profit excluding taxation on reserves and donation		851	644
		€	€
Earnings per share excluding taxation on reserves and donation	12	1.67	1.29

Notes on pages 11 to 49 form an integral part of these consolidated financial statements

	Note	At 31 December	
		2007 € million	2006 € million
ASSETS			
Cash and balances with central banks	13	2,732	2,654
Loans and advances to banks	15	4,577	2,938
Financial instruments at fair value through profit or loss	16	960	807
Derivative financial instruments	17	738	518
Loans and advances to customers	18	45,638	34,046
Available-for-sale investment securities	20	10,477	10,936
Held-to-maturity investment securities	21	618	-
Investments in associated undertakings	23	46	48
Intangible assets	24	735	354
Property, plant and equipment	25	1,120	974
Other assets	26	748	545
Total assets		68,389	53,820
LIABILITIES			
Due to other banks	27	2,012	1,536
Repurchase agreements with banks	27	10,754	9,387
Derivative financial instruments	17	1,050	709
Due to customers	28	36,151	27,707
Debt issued and other borrowed funds	29	11,238	9,367
Other liabilities	30	1,825	1,490
Total liabilities		63,030	50,196
EQUITY			
Share capital	32	1,432	1,242
Share premium	32	1,325	176
Other reserves		1,495	1,239
Ordinary shareholders' equity		4,252	2,657
Preferred securities	33	777	786
Ordinary and Preferred shareholders' equity		5,029	3,443
Minority interest		330	181
Total		5,359	3,624
Total equity and liabilities		68,389	53,820

Notes on pages 11 to 49 form an integral part of these consolidated financial statements

	Attributable to ordinary shareholders of the Bank				Total €million	Preferred securities €million	Minority interest €million	Total €million
	Share capital €million	Share premium €million	Special reserves €million	Retained earnings €million				
Balance at 1 January 2006	1,047	482	913	81	2,523	762	114	3,399
Cash flow hedges								
- net changes in fair value, net of tax	-	-	19	-	19	-	-	19
- transfer to net profit, net of tax	-	-	(6)	-	(6)	-	-	(6)
Available-for-sale securities								
- net changes in fair value, net of tax	-	-	(131)	-	(131)	-	(0)	(131)
- transfer to net profit, net of tax	-	-	99	-	99	-	-	99
Currency translation differences	-	-	25	-	25	-	4	29
Net income/(expense) recognised directly in equity	-	-	6	-	6	-	4	10
Profit for the year	-	-	-	601	601	-	6	607
Total recognised income for the year 2006	-	-	6	601	607	-	10	617
Issue of bonus shares by capitalisation of share premium	210	(210)	-	-	-	-	-	-
Expenses related to the issue of bonus shares	-	(3)	-	-	(3)	-	-	(3)
Distribution of free shares to executive directors, management and staff	2	19	-	-	21	-	-	21
Minority's share in subsidiaries' capital increase	-	-	-	-	-	-	38	38
Acquisitions/Changes in participating interests in subsidiary and associated undertakings	-	-	-	(25)	(25)	-	27	2
Merger of Intertrust Mutual Funds Co S.A.	-	-	(56)	56	-	-	-	-
Purchase of preferred securities	-	-	-	-	-	(28)	-	(28)
Sale of preferred securities	-	-	-	(2)	(2)	52	-	50
Preferred securities' dividend paid	-	-	-	(41)	(41)	-	-	(41)
Final dividend for 2005	-	-	-	(171)	(171)	-	-	(171)
Interim dividend for 2006	-	-	-	(136)	(136)	-	-	(136)
Dividends paid by subsidiaries attributable to minority interest	-	-	-	-	-	-	(8)	(8)
Own shares dividend	-	-	-	0	0	-	-	0
Purchase of treasury shares	(25)	(158)	-	-	(183)	-	-	(183)
Sale of treasury shares	8	46	7	-	61	-	-	61
Employee share option scheme:								
- Value of employee services	-	-	6	-	6	-	-	6
- Share capital increase due to share options exercised	0	0	-	-	0	-	-	0
Transfers between reserves	-	-	115	(115)	-	-	-	-
	195	(306)	72	(434)	(473)	24	57	(392)
Balance at 31 December 2006	1,242	176	991	248	2,657	786	181	3,624
Balance at 1 January 2007	1,242	176	991	248	2,657	786	181	3,624
Cash flow hedges								
- net changes in fair value, net of tax	-	-	5	-	5	-	-	5
- transfer to net profit, net of tax	-	-	(4)	-	(4)	-	-	(4)
Available-for-sale securities								
- net changes in fair value, net of tax	-	-	(93)	-	(93)	-	(0)	(93)
- transfer to net profit, net of tax	-	-	(58)	-	(58)	-	-	(58)
Net investment hedge	-	-	(2)	-	(2)	-	-	(2)
Currency translation differences	-	-	6	-	6	-	(3)	3
Net income/(expense) recognised directly in equity	-	-	(146)	-	(146)	-	(3)	(149)
Profit for the year	-	-	-	815	815	-	16	831
Total recognised income for the year 2007	-	-	(146)	815	669	-	13	682
Distribution of free shares to executive directors, management and staff	3	26	-	(0)	29	-	-	29
Share capital increase, net of expenses	169	1,043	-	-	1,212	-	-	1,212
Share capital increase due to re-investment of dividend	2	13	-	-	15	-	-	15
Minority's share in subsidiaries' capital increase	-	-	-	-	-	-	147	147
Acquisitions/Changes in participating interests in subsidiary and associated undertakings	-	-	-	(23)	(23)	-	(3)	(26)
Purchase of preferred securities	-	-	-	-	-	(26)	-	(26)
Sale of preferred securities	-	-	-	-	-	17	-	17
Preferred securities' dividend paid	-	-	-	(44)	(44)	-	-	(44)
Final dividend for 2006	-	-	-	(214)	(214)	-	-	(214)
Interim dividend for 2007	-	-	-	(166)	(166)	-	-	(166)
Dividends paid by subsidiaries attributable to minority interest	-	-	-	-	-	-	(8)	(8)
Employee share option scheme:								
- Value of employee services	-	-	9	-	9	-	-	9
- Share capital increase due to share options exercised	5	17	-	-	22	-	-	22
Purchase of treasury shares	(24)	(195)	-	-	(219)	-	-	(219)
Sale of treasury shares, net of tax	35	245	25	-	305	-	-	305
Transfers between reserves	-	-	281	(281)	-	-	-	-
	190	1,149	315	(728)	926	(9)	136	1,053
Balance at 31 December 2007	1,432	1,325	1,160	335	4,252	777	330	5,359

Note 32

Note 32

Note 35

Note 33

Notes on pages 11 to 49 form an integral part of these consolidated financial statements

	Year ended 31 December	
	2007	2006
Note	€million	€million
Cash flows from operating activities		
Interest received and net trading receipts	5,057	3,203
Interest paid	(2,991)	(1,752)
Fees and commissions received	786	681
Fees and commissions paid	(125)	(111)
Dividends received	1	3
Other income received	52	26
Cash payments to employees and suppliers	(1,124)	(903)
Income taxes paid	(131)	(176)
Cash flows from operating profits before changes in operating assets and liabilities	1,525	971
Changes in operating assets and liabilities		
Net (increase)/decrease in cash and balances with central banks	(356)	(484)
Net (increase)/decrease in financial instruments at fair value through profit or loss	199	410
Net (increase)/decrease in loans and advances to banks	(424)	(290)
Net (increase)/decrease in loans and advances to customers	(11,111)	(7,238)
Net (increase)/decrease in derivative financial instruments asset	132	293
Net (increase)/decrease in other assets	(221)	71
Net increase/(decrease) in due to other banks and repos	1,668	121
Net increase/(decrease) in due to customers	7,927	6,026
Net increase/(decrease) in derivative financial instruments liabilities	(139)	(377)
Net increase/(decrease) in other liabilities	(205)	351
Net cash used in operating activities	(1,005)	(146)
Cash flows from investing activities		
Purchases of property, plant and equipment	(287)	(270)
Proceeds from sale of property, plant and equipment	80	20
Purchases of available-for-sale investment securities	20	(6,560)
Proceeds from sale of available-for-sale investment securities	20	5,433
Purchases of held-to-maturity investment securities	21	-
Proceeds from redemption of held-to-maturity investment securities	21	-
Acquisition of subsidiary undertakings net of cash acquired	(51)	(145)
Proceeds from sale/liquidation of subsidiary undertakings net of cash disposed	-	35
Participation in capital increase in associated undertakings	-	(13)
Proceeds from sale of associated undertakings	9	14
Dividends from investment securities and associated undertakings	12	8
Net contributions by minority interest	140	73
Net cash used in investing activities	(358)	(1,405)
Cash flows from financing activities		
Proceeds from debt issued and other borrowed funds	12,014	9,307
Repayments of debt issued and other borrowed funds	(10,428)	(7,338)
Proceeds from exercise of options	22	0
Purchases of preferred securities	33	(28)
Proceeds from sale of preferred securities	33	52
Preferred securities' dividend paid	(44)	(41)
Dividends paid	43	(304)
Issue of ordinary shares	32	1,244
Expenses for issue of ordinary and bonus shares	32	(17)
Purchases of treasury shares	(219)	(183)
Proceeds from sale of treasury shares	313	61
Net cash from financing activities	2,497	1,523
Effect of exchange rate changes on cash and cash equivalents	(7)	23
Net increase/(decrease) in cash and cash equivalents	1,127	(5)
Cash and cash equivalents at beginning of year	14	3,563
Cash and cash equivalents at end of year	14	3,563

Notes on pages 11 to 49 form an integral part of these consolidated financial statements

1. General information

EFG Eurobank Ergasias S.A. (the "Bank") and its subsidiaries (the "Group") are active in retail, corporate and private banking, asset management, insurance, treasury, capital markets and other services. The Bank is incorporated in Greece and its shares are listed on the Athens Stock Exchange. The Group operates mainly in Greece and in Central, Eastern and Southeastern Europe (New Europe).

These consolidated financial statements were approved by the Board of Directors on 25 February 2008.

2. Principal accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below:

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with both International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards issued by the IASB and in particular with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements.

The policies set out below have been consistently applied to the years 2006 and 2007. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(a) Amended and new standards and interpretations effective 1 January 2007

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

- IFRS 7, Financial Instruments: Disclosures;
- IAS 1, Amendment - Capital Disclosures;
- IFRS 4, Revised Guidance on Implementing IFRS 4, Insurance Contracts;
- IFRIC 8, Scope of IFRS 2;
- IFRIC 9, Reassessment of Embedded Derivatives;
- IFRIC 10, Interim Financial Reporting and Impairment.

(b) Standards and Interpretations issued but not yet effective

The following standards and interpretations that were issued but not yet effective for accounting periods beginning on 1 January 2007 have not been early adopted:

- IAS 1, Presentation of Financial Statements (effective 1 January 2009);
- IAS 23, Borrowing costs (effective 1 January 2009);
- IFRS 8, Operating Segments (effective 1 January 2009);
- IFRIC 11, IFRS 2 Group and Treasury Shares Transactions (effective for annual periods beginning on or after 1 March 2007);
- IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008);
- IFRIC 14, IAS 19 -The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008).

The application of the above mentioned standards and interpretations is not expected to have a material impact on the Group's financial statements in the period of the initial application. IAS 1 affects the presentation of owner changes in equity and of comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs.

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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

The Group's presentation currency is the Euro (€) being the functional currency of the parent Company. Except as indicated, financial information presented in euro has been rounded to the nearest million.

(b) Consolidation

(i) Subsidiaries

Subsidiary undertakings are all entities over which the Group, directly or indirectly, has the power to exercise control over the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or exchanged and liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the identifiable net assets of the subsidiary acquired (attributable to the Group) is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

Commitments to purchase minority interests through put options granted to minority shareholders as part of a business combination are accounted for as a financial liability, with no minority interest recognised for reporting purposes. The financial liability is measured at fair value, using valuation techniques based on best estimates available to management. Any difference between the fair value of the financial liability and the legal minority interest's share of net assets is recognised as part of goodwill, and subsequent revisions to the valuation of the put option are recorded as changes to the corresponding financial liability and to goodwill.

The Group sponsors the formation of special purpose entities, which may or may not be directly owned subsidiaries for the purpose of asset securitisation (see accounting policy (x) below). The entities may acquire assets directly from the Bank. These companies are bankruptcy-remote entities and are consolidated in the Group's Financial Statements when the substance of the relationship between the Group and the entity indicates that the entity is controlled by the Group.

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

A listing of the Company's subsidiaries is set out in note 22.

2. Principal accounting policies (continued)

(b) Consolidation (continued)

(ii) Transactions with minority interests

Increases of the Group's ownership interest in subsidiaries are recorded as equity transactions and any difference between the consideration and the share of the new net assets acquired is recorded directly in equity. Gains or losses arising from disposals of ownership interest that do not result in a loss of control by the Group are also recorded directly in equity. For disposals of ownership interests that result in a loss of control, the Group recognises gains and losses in the income statement.

(iii) Associates

Investments in associated undertakings are accounted for by the equity method of accounting in the consolidated financial statements. These are undertakings over which the Group exercises significant influence but which are not controlled.

Equity accounting involves recognising in the income statement the Group's share of the associate's profit or loss for the year. The Group's interest in the associate is carried on the balance sheet at an amount that reflects its share of the net assets of the associate and any goodwill identified on acquisition net of any accumulated impairment losses. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses, unless it has incurred obligations or made payments on behalf of the associate. Where necessary the accounting policies used by the associate have been changed to ensure consistency with the policies of the Group.

A listing of the Group's associated undertakings, which are accounted for using the equity method, is shown in note 23.

(iv) Joint ventures

The Group's interest in jointly controlled entities are accounted for by the equity method of accounting in the consolidated financial statements and are treated as associates.

A listing of the Group's joint ventures is shown in note 23.

(c) Foreign currencies

Assets and liabilities of foreign subsidiaries are translated using the closing exchange rate and income statement items at the exchange rates at the dates of the transactions (or at the average rate for the period when this is a reasonable approximation). All resulting exchange differences are recognised as a separate component of equity (cumulative translation adjustment).

Exchange differences arising from the retranslation of the net investment in foreign subsidiaries are taken to shareholders' equity until disposal of the net investments and then released to the income statement.

Assets and liabilities denominated in foreign currencies have been translated into the functional currency at the market rates of exchange ruling at the balance sheet date and exchange differences are accounted for in the income statement.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

(d) Derivative financial instruments and hedging

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

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

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

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments (fair value hedge); or, (2) hedges of the exposure to variability in cash flows of recognised assets or liabilities or highly probable forecasted transactions (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

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

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged item for which the effective interest method is not used remains until the disposal of the equity security.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

2. Principal accounting policies (continued)

(d) Derivative financial instruments and hedging (continued)

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

(iv) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 17.

(e) Offsetting financial instruments

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

(f) Income statement

(i) Interest income and expenses

Interest income and expenses are recognised in the income statement for all interest bearing instruments on an accruals basis, using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

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

(ii) Fees and commissions

Fees and commissions are generally recognised on an accruals basis. Commissions and fees relating to foreign exchange transactions, imports-exports, remittances, bank charges and brokerage activities are recognised on the completion of the underlying transaction.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment are periodically reviewed for impairment, with any impairment charge being recognised immediately in the income statement.

Depreciation is calculated on the straight-line method to write down the cost of property, plant and equipment, to their residual values over their estimated useful life as follows:

- Land: No depreciation
- Freehold buildings: 40-50 years
- Leasehold improvements: over the life of the lease contract or useful life if shorter
- Computer hardware and software: 4-10 years
- Other furniture and equipment: 4-20 years
- Motor vehicles: 5-7 years

Property held for rental yields and/or capital appreciation that is not occupied by the companies in the Group is classified as investment property. Investment property is carried at cost less accumulated depreciation and accumulated impairment losses.

(h) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. The cost of acquisition is adjusted for changes in the purchase consideration contingent on future events. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'. Negative goodwill is recognised in the income statement. The carrying amount of goodwill is re-assessed annually and if found to be impaired it is written down to its recoverable amount.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Computer software

Costs associated with the maintenance of existing computer software programmes are expensed as incurred. Development costs associated with the production of identifiable and unique products controlled by the Group, that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and are amortised using the straight-line method over 4 years except for core systems whose useful life may extend up to 10 years.

(iii) Other intangible assets

Other intangible assets are assets that are separable or arise from contractual or other legal rights and are amortised over their estimated useful lives. These include intangible assets acquired in business combinations.

(i) Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss upon initial recognition. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

The Group designates financial assets at fair value through profit or loss when either:

- a) it eliminates or significantly reduces measurement or recognition inconsistencies; or
- b) financial assets share the same risks with financial liabilities and those risks are managed and evaluated on a fair value basis; or
- c) structured products containing embedded derivatives that could significantly modify the cash flows.

2. Principal accounting policies (continued)

(i) Financial Assets (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group upon initial recognition designates as at fair value through profit or loss and those that the Group upon initial recognition designates as available-for-sale. They arise when the Group provides money, goods or services directly to a debtor.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Accounting treatment and calculation

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

(j) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- a) significant financial difficulty of the issuer or obligor;
- b) a breach of contract, such as a default or delinquency in interest or principal payments;
- c) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- e) the disappearance of an active market for that financial asset because of financial difficulties; or
- f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

(i) Assets carried at amortised cost

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

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

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

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

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

2. Principal accounting policies (continued)

(j) Impairment of financial assets (continued)

(i) Assets carried at amortised cost (continued)

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

(ii) Available-for-sale assets

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

(k) Sale and repurchase agreements and securities lending

(i) Sale and repurchase agreements

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

(ii) Securities lending

Securities lent to counterparties are retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

(l) Financial liabilities

The Group classifies its financial liabilities in the following categories: financial liabilities measured at amortised cost and financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss have two sub categories :

Financial liabilities held for trading and financial liabilities designated at fair value through profit or loss upon initial recognition. The Group designates financial liabilities at fair value through profit or loss when either:

- a) it eliminates or significantly reduces measurement or recognition inconsistencies; or
- b) financial liabilities share the same risks with financial assets and those risks are managed and evaluated on a fair value basis ;or
- c) structured products containing embedded derivatives that could significantly modify the cash flows.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(m) Leases

(i) Accounting for leases as lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

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

(ii) Accounting for leases as lessor

Finance leases:

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating leases:

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(n) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The principal temporary differences arise from loan impairment, depreciation of fixed assets, pension and other retirement benefit obligations, and revaluation of certain financial assets and liabilities, including derivative instruments.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax related to changes in fair values of available-for-sale investments and cash flow hedges which are taken directly to equity is also charged or credited directly to equity, and is subsequently recognised in the income statement together with the deferred gain or loss.

Income tax payable on profits, based on the applicable tax law in each jurisdiction is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

2. Principal accounting policies (continued)

(o) Employee benefits

(i) Pension obligations

The Company participates in certain defined contribution pension plans under which the Group pays fixed contributions into a separate entity. The Group has no further payment obligations once the contributions have been paid.

The Group's contributions to defined contribution pension plans are recognised as employee benefit expense in the year to which they relate.

(ii) Standard legal staff retirement indemnity obligations (SLSRI)

In accordance with Greek labour legislation, if employees remain in the employment of a company until normal retirement age, they are entitled to a lump sum payment which is based on the number of years of service and the level of remuneration at the date of retirement. Provision has been made for the actuarial value of the lump sum payable on retirement (SLSRI) using the projected unit credit method. Under this method the cost of providing retirement indemnities is charged to the income statement so as to spread the cost over the period of service of the employees, in accordance with actuarial valuations which are performed every year. The SLSRI obligation is calculated as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses that arise in calculating the Group's obligation in respect of the SLSRI obligations are charged directly in the profit and loss for the year.

In addition, the Company has enhanced the above provision by taking into consideration potential separations before normal retirement based on the terms of previous voluntary separation schemes. The Company recognises separation indemnity when it is demonstrably committed to separations either according to detailed formal plans which are announced and cannot be withdrawn or as a result of mutually agreed termination terms. Benefits payable in more than 12 months from the balance sheet date are discounted to present value.

(iii) Performance-based cash payments

The Group's Management awards high performing employees with bonuses in cash, from time to time, on a discretionary basis. Cash payments requiring only Management approval are recognised as employee benefit expenses on an accrual basis. Cash payments requiring General Meeting approval as distribution of profits to staff are recognised as employee benefit expense in the accounting period that they are approved by the Company's shareholders.

(iv) Performance-based share-based payments

The Group's Management awards high-performing employees with bonuses in the form of shares and share options, from time to time, on a discretionary basis. The shares vest in the period granted. The fair value of the shares granted is recognised as an employee benefit expense with a corresponding increase in share capital (par value) and share premium.

Following vesting periods of 20 to 32 months, the options are exercisable on alternative dates within a 24 or 36 month period, only if the holders are still employed by the Group. The fair value of the options granted is recognised as an employee benefit expense with a corresponding increase in a non-distributable reserve over the vesting period, until exercised. The proceeds received net of any directly attributable transaction costs are credited to share capital (par value) and share premium when the options are exercised, with a transfer of the non distributable reserve to share premium.

(p) Insurance activities

(i) Revenue recognition

For casualty, property and short-duration life insurance contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

For long-term insurance contracts premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised.

(ii) Provision for insurance liabilities

Insurance provisions are classified as follows:

Mathematical provisions

Mathematical provisions represent insurance provisions for long-term life insurance contracts. They are calculated in accordance with actuarial techniques, after taking into account the technical assumptions imposed by supervisory authorities (mortality table and the technical interest rate in effect at the contract's inception), as the difference between the actuarial present value of the Group's liabilities and the present value of the premiums to be received.

Unearned premiums' provisions

Unearned premiums' provisions represent part of net premiums received, regarding contracts with annual commencement and termination dates, which differ from the Group's fiscal year, and they cover proportionately the period from the reporting date to the termination of the period covered by the respective premium.

Outstanding claims' provisions

Outstanding claims provisions concern liabilities on claims occurred and reported but not fully settled by the end of the reporting period. The specified liabilities are examined on a case-by-case basis by professional valuers, based on existing information (loss adjustors' reports, medical reports, court decisions etc). The Group recognises additional provisions regarding claims occurred but not reported (IBNR) by the end of the reporting period. The calculation of these provisions is based on statistical methodologies in order to estimate the average cost per claim and the number of claims.

(iii) Liability adequacy

At each reporting date, the Group performs tests to assess the adequacy of the recognised insurance provisions, after deducting deferred acquisition costs, in accordance with IFRS 4. In case the assessment results to inadequate provisions, the entire deficiency is recognised in Profit or Loss.

To assess the mathematical provisions for life insurance contracts, the Group compares the recognised provisions with the present values of the estimated liabilities regarding the specified group of contracts. To assess the adequacy of the outstanding claims provisions the triangulation methodology is used, based on statistical data of the last five years.

(iv) Reinsurance

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment at each reporting date. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement.

2. Principal accounting policies (continued)

(q) Repossessed properties

Land and buildings repossessed through an auction process to recover impaired loans are, except where otherwise stated, included in "Other Assets". Assets acquired from an auction process are held temporarily for liquidation and are valued at the lower of cost and net realisable value. Any gains or losses on liquidation are included in "Other operating income".

(r) Related party transactions

Related parties include associates, fellow subsidiaries, directors, their close families, companies owned or controlled by them and companies whose financial and operating policies they can influence. Transactions of similar nature are disclosed on an aggregate basis. All banking transactions entered into with related parties are in the normal course of business and on an arm's length basis.

(s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimates of the amount of the obligation can be made.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment. The Group is organised into five main business segments. Segment revenue, segment expenses and segment performance include transfers between business segments. Such transfers are accounted for at competitive prices in line with charges to unaffiliated customers for similar services.

(u) Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Dividend distribution on ordinary shares is recognised as a deduction in the Group's equity when approved by the Company's shareholders. Interim dividends are recognised as a deduction in the Group's equity when approved by the Board of Directors.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid including any directly attributable incremental costs (net of income taxes), is deducted from shareholders' equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(v) Preferred Securities

Callable non-voting preferred securities, which have no fixed redemption date and pay non-cumulative dividend are classified as equity.

Incremental costs directly attributable to the issue of new preferred securities are shown in equity as a deduction from the proceeds, net of tax.

Dividend distribution on preferred securities is recognised as a deduction in the Group's equity on the date it is due.

Where preferred securities, issued by the Group, are repurchased, the consideration paid including any directly attributable incremental costs (net of income taxes), is deducted from shareholders' equity. Where such securities are subsequently called or sold, any consideration received is included in shareholders' equity.

(w) Financial Guarantees

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

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

(x) Securitisations

The Group securitises various financial assets, which generally results in the sale of the assets to special purpose entities (see accounting policy b (i) above), which, in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of subordinated tranches or other residual interests.

(y) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank drafts.

3. Critical accounting estimates and judgements in applying accounting policies

In the process of applying the Group's accounting policies, the Group's Management makes various judgments, estimates and assumptions that affect the reported amounts of assets and liabilities recognized in the financial statements within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment continuously. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered an impairment in accordance with the accounting policy stated in note 2 h(i). The recoverable amounts of cash-generating units are determined based on value in use calculations. These calculations are based on profitability and cash flow projections, which require the use of estimates such as growth rates for revenues and expenses and profit margins.

3. Critical accounting estimates and judgements in applying accounting policies (continued)

(c) Fair value of financial instruments

The fair value of financial instruments that are not quoted in an active market are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(d) Impairment of available-for-sale equity investments

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

(e) Securitisations and special purpose entities

The Group sponsors the formation of special purpose financing entities (SPEs) for various purposes including asset securitisation. The Group may or may not directly own the SPEs and consolidates those SPEs that it controls. In determining whether the Group controls an SPE, it makes judgements about its exposure to the risks and rewards related to the SPE and about its ability to make operational decisions for the SPE in question.

(f) Income taxes

The Group is subject to income taxes in various jurisdictions and estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. Financial risk management

4.1 Use of financial instruments

By their nature the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers, at both fixed and floating rates, and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers within a range of credit standing. Such exposures include both on-balance sheet loans and advances and off-balance sheet guarantees and other commitments such as letters of credit.

The Group also trades in financial instruments where it takes positions in traded and over the counter instruments including derivatives, to take advantage of short-term market movements in the equity and bond markets and in currency and interest rates. The Board of Directors' Risk Committee (Eurobank Risk Committee - ERC) places trading limits on the level of exposure that can be taken in relation to overnight and intra-day market positions as well as limits in longer durations. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally concluded to hedge outstanding positions, thereby controlling the variability in the net cash amounts required to offset market positions.

4.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. The Group's overall risk management policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance, financial position and cash flows.

4.2.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are recognised for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review. The level of credit risk by product, industry sector and by country are reviewed quarterly by the ERC. The exposure to any one borrower including banks and brokers is further restricted by sub limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored on a daily basis.

The Group is active in the corporate and retail lending markets. Credit risk is well spread over a diversity of personal and commercial customers. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing the lending limits where appropriate. The Group reduces its credit risk associated with loans and advances to customers by entering into collateralised arrangements. The types of collateral that the Group obtains are cash deposits and other cash equivalents, real estate, receivables, securities, vessels and bank guarantees.

4. Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

(a) Derivatives

The Group maintains control limits on net open derivative positions i.e., the difference between purchase and sale contracts, by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e., derivatives with a positive fair value) which in relation to derivatives is only a small proportion of the contract notional amount used to express the volume of instruments outstanding. The credit risk exposure is managed as part of the overall lending limits with customers together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties. Further details of the Group's derivative instruments are provided in note 17.

(b) Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk is reduced by a master netting agreement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

(c) Credit related commitments

The primary purpose of credit related commitments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans since they represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are secured by the underlying shipment of goods to which they relate and therefore carry less risk than a loan. Commitments to extend credit represent contractual commitments to extend credit in the form of loans, guarantees or letters of credit for which the Group usually receives a commitment fee.

4.2.1.1 Maximum exposure to credit risk before collateral held

	2007 €million	2006 €million
Credit risk exposures relating to on-balance sheet assets are as follows:		
Loans and advances to banks	4,577	2,938
Loans and advances to customers:		
- Lending to medium size and large corporate entities (wholesale)	16,792	12,246
- Consumer lending	10,230	7,940
- Mortgage lending	11,246	8,509
- Small business lending	7,370	5,351
Financial instruments at fair value through profit or loss:		
- Debt securities	410	508
Derivative financial instruments	738	518
Investment securities		
- Debt securities	10,374	10,429
Other assets	584	383
Credit risk exposures relating to off-balance sheet items	2,775	2,177
At 31 December	<u>65,096</u>	<u>50,999</u>

The above table represents the maximum credit risk exposure to the Group at 31 December 2007 and 2006, without taking account of any collateral held. For on-balance-sheet-assets, the exposure set out above are based on net carrying amounts as reported in the balance sheet.

4.2.1.2 Loans and advances

Loans and advances are summarised as follows:

	31 December 2007		31 December 2006	
	Loans and advances to customers €million	Loans and advances to banks €million	Loans and advances to customers €million	Loans and advances to banks €million
Neither past due nor impaired	39,133	4,577	28,752	2,938
Past due but not impaired	6,031	-	4,945	-
Impaired:				
- collectively assessed	452	-	343	-
- individually assessed	1,053	-	867	-
Gross	<u>46,669</u>	<u>4,577</u>	<u>34,907</u>	<u>2,938</u>
Less: allowance for impairment	(1,031)	-	(861)	-
Net	<u>45,638</u>	<u>4,577</u>	<u>34,046</u>	<u>2,938</u>
Non-performing loans included above	1,119		958	
Past due more than 90 days included above (under Basel II)	<u>1,474</u>		<u>1,182</u>	

4. Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.2 Loans and advances (continued)

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired at 31 December 2007 and 2006 can be assessed by reference to the Group's standard grading system. The following information is based on that system:

	31 December 2007		31 December 2006	
	Loans and advances to customers € million	Loans and advances to banks € million	Loans and advances to customers € million	Loans and advances to banks € million
Grades:				
Satisfactory risk	38,826	4,577	28,260	2,938
Watch list and special mention	307	-	492	-
Total	39,133	4,577	28,752	2,938

(b) Loans and advances past due but not impaired

	31 December 2007				
	Wholesale € million	Consumer € million	Mortgage € million	Small business € million	Total € million
Past due up to 29 days	1,241	1,654	833	688	4,416
Past due 30 - 89 days	255	452	243	504	1,454
Past due 90 - less than 1 year	58	-	86	17	161
Total	1,554	2,106	1,162	1,209	6,031
Fair value of collateral	924	-	1,153	615	2,692

	31 December 2006				
	Wholesale € million	Consumer € million	Mortgage € million	Small business € million	Total € million
Past due up to 29 days	984	1,375	582	576	3,517
Past due 30 - 89 days	529	321	144	310	1,304
Past due 90 - less than 1 year	75	-	49	-	124
Total	1,588	1,696	775	886	4,945
Fair value of collateral	718	-	764	428	1,910

Based on past experience, consumer and small business loans less than 90 days past due - for mortgage loans 180 days past due - are not considered impaired, unless specific information indicates to the contrary. Certain wholesale loans for which the exposure is fully collateralised and /or the counterparty is of high credit quality are not considered impaired for a period of up to 1 year.

The fair value of collateral is the lower of the loan's carrying amount, the collaterals' fair value and, if any, the prenotation.

(c) Impaired loans and advances collectively assessed

For collectively assessed accounts, loans are treated as impaired based on historical loss data for groups of loans with similar characteristics. The criteria used by the Group to determine that there is objective evidence of impairment are provided in Group's accounting policy 2 (j).

The collectively assessed loans and advances to customers before taking into consideration the cash flows from collateral held is € 452 million (2006: € 343 million). The breakdown of the gross amount of collectively assessed loans and advances by class is as follows:

	31 December 2007			31 December 2006		
	Consumer € million	Mortgage € million	Total € million	Consumer € million	Mortgage € million	Total € million
Collectively assessed loans	368	84	452	282	61	343
Fair value of collateral	-	82	82	-	60	60

(d) Impaired loans and advances individually assessed

For individually assessed accounts, loans are treated as impaired as soon as there is objective evidence that an impairment loss has been incurred. The criteria used by the Group to determine that there is objective evidence of impairment are provided in Group's accounting policy 2 (j).

The individually assessed loans and advances to customers before taking into consideration the cash flows from collateral held is € 1,053 million (2006: € 867 million). The breakdown of the gross amount of individually assessed loans and advances by class, along with the fair value of related collateral held by the Group as security, are as follows:

	31 December 2007			31 December 2006		
	Small business € million	Wholesale € million	Total € million	Small business € million	Wholesale € million	Total € million
Individually assessed loans	379	674	1,053	282	585	867
Fair value of collateral	168	311	479	129	252	381

(e) Loans and advances renegotiated

Loans and advances renegotiated activities include extended payment arrangements, modification and deferral of payments. Provided that the customer account is performing for a period of one year following the renegotiation date, a previously overdue customer account is reset to a normal status.

4. Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.2 Loans and advances (continued)

(f) Non-performing loans

Non-performing loans are defined as the loans delinquent for a given period determined in accordance with applicable law and practice in the countries the Group operates. In Greece, mortgages are considered as non-performing when they are delinquent for more than 180 days and consumer loans for more than 90 days. Loans to corporate entities are considered as non-performing when they are transferred to non accrual status which occurs when the loans are delinquent for more than 180 days or earlier in the case of a material credit event.

- Lending to medium size and large corporate entities (wholesale)	417	449
- Consumer lending	368	282
- Mortgage lending	84	61
- Small business lending	250	166
	1,119	958

	2007 €million	2006 €million
	417	449
	368	282
	84	61
	250	166
	1,119	958

4.2.1.3 Debt Securities

The table below presents an analysis of debt securities by rating agency designation at 31 December 2007, based on Standard & Poor's ratings or their equivalent:

	31 December 2007			
	Trading securities €million	Available-for-sale securities €million	Held to maturity securities €million	Total €million
AAA	0	2,262	-	2,262
AA- to AA+	17	542	-	559
A- to A+	228	4,141	-	4,369
Lower than A-	159	2,582	618	3,359
Unrated	6	229	-	235
Total	410	9,756	618	10,784

€ 2,990 million included in securities rated lower than A- and unrated, relates to sovereign debt.

4.2.1.4 Concentration of credit risk

(a) Geographical sectors

The following table breaks down the Group's main credit exposure at their gross carrying amounts, as categorised by geographical region as of 31 December 2007. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties.

	Greece €million	Other Western European countries €million	New Europe countries €million	Other countries €million	Total €million
Loans and advances to banks	1,512	2,496	521	48	4,577
Loans and advances to customers:					
- Lending to medium size and large corporate entities	12,388	624	3,766	428	17,206
- Consumer lending	7,941	1	2,637	1	10,580
- Mortgage lending	9,339	47	1,868	16	11,270
- Small business lending	6,443	0	1,171	0	7,614
Debt securities	2,925	2,861	4,222	776	10,784
Derivative financial instruments	354	337	25	22	738
Other assets	397	51	129	7	584
As at 31 December 2007	41,299	6,417	14,339	1,298	63,353
As at 31 December 2006	35,307	6,680	6,763	931	49,681

(b) Industry sectors

The following table breaks down the Group's main credit exposure at their gross carrying amounts, as categorised by the industry sectors of its counterparties.

	Commerce and services €million	Private individuals €million	Manufacturing €million	Shipping €million	Construction €million	Other €million	Total €million
Loans and advances to banks	4,577	-	-	-	-	-	4,577
Loans and advances to customers:							
- Lending to medium size and large corporate entities	9,439	336	3,613	735	1,512	1,571	17,206
- Consumer lending	-	10,580	-	-	-	-	10,580
- Mortgage lending	-	11,270	-	-	-	0	11,270
- Small business lending	6,047	106	749	-	522	190	7,614
Debt securities	2,969	-	8	-	4	7,803	10,784
Derivative financial instruments	691	0	0	11	-	36	738
Other assets	489	42	-	-	10	43	584
As at 31 December 2007	24,212	22,334	4,370	746	2,048	9,643	63,353
As at 31 December 2006	17,980	16,908	3,995	463	1,401	8,934	49,681

Credit exposure to other industry sectors includes mainly sovereign assets (debt securities and loans and advances).

4. Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Market risk

The Group takes on exposure to market risks. Market risks arise from exposure on interest rate, currency and equity products or combination of them, all of which are exposed to general and specific market movements. Specifically, the market risks the Group is exposed to are the following:

(a) Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board's Risk Committee (ERC) sets limits on the level of mismatch of interest rate repricing that may be undertaken.

(b) Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The ERC sets limits on the level of exposures which are monitored daily.

(c) Equity risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Bank's investment portfolio.

Market risk in Greece is managed and monitored using Value at Risk (VaR) methodology. Market risk in New Europe is managed and monitored using sensitivity analyses. Information from New Europe is presented separately as it originates from significantly different economic environments with different risk characteristics.

(i) VaR summary for 2007 and 2006 (Greece)

VaR is a methodology used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon. The VaR that the Group measures is an estimate based upon a 99% confidence level and a holding period of 10 days and the methodology used for the calculation is Monte Carlo simulation (full repricing).

The VaR models are designed to measure market risk in a normal market environment. It is assumed that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The distribution is calculated using exponentially weighted moving average (EWMA) of 6 months historical data.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to certain limitations. Given this, actual outcomes are monitored regularly, via back testing process, to test the validity of the assumptions and the parameters used in the VaR calculation.

Since VaR constitutes an integral part of the Group's market risk control regime, VaR limits have been established for all (trading and non trading portfolio) operations and actual exposure is reviewed daily by management. However, the use of this approach does not prevent losses outside of these limits in the event of extraordinary market movements.

Average VaR by risk type (Trading and Non-trading portfolio)

	2007 €million	2006 €million
Interest rate Risk	35	32
Foreign Exchange Risk	26	3
Equities Risk	28	25
Total VaR	57	41

The aggregate of the interest rate, foreign exchange and equities VaR results does not constitute the Group's total VaR due to correlations and consequent diversification effects between risk types and portfolio types.

(ii) Sensitivity analysis for 2007 and 2006 (New Europe)

Sensitivity analyses used for monitoring market risk in New Europe do not represent worse case scenarios.

	31 December 2007			31 December 2006		
	Sensitivity of income statement €million	Sensitivity of equity €million	Total sensitivity €million	Sensitivity of income statement €million	Sensitivity of equity €million	Total sensitivity €million
Interest Rate:						
+100 bps parallel shift	0	4	4	(1)	(0)	(1)
Equities / Equity Indices / Mutual Funds:						
-10% decrease on prices	-	(1)	(1)	(0)	(1)	(1)
Foreign exchange:						
-10% depreciation of functional currency over foreign currencies	19	(81)	(62)	2	(53)	(51)

4. Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees and from margin and other calls on cash-settled derivatives. The Group maintains cash resources to meet all of these needs. The ERC sets liquidity limits to ensure that sufficient funds are available to meet such calls.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the Management of the Group. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

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

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

The amounts disclosed in the table below are the contractual undiscounted cash flows for the years 2007 and 2006.

	31 December 2007					Gross nominal inflow / (outflow) € million
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	1 - 5 years € million	Over 5 years € million	
Non-derivative liabilities:						
- Due to other banks & repurchase agreements with banks	8,444	3,188	1,554	24	-	13,210
- Due to customers	24,521	3,413	4,747	2,644	1,572	36,897
- Euro Commercial Papers (ECP)	1,009	486	173	-	-	1,668
- Debt issued and other borrowed funds	126	410	2,101	6,100	5,058	13,795
- Other liabilities	822	26	128	67	782	1,825
Derivative financial instruments:						
- Outflows from gross and net settled	8,410	1,946	2,495	1,594	501	14,946
- Inflows from gross settled	(8,378)	(1,913)	(2,404)	(1,193)	(236)	(14,124)
	<u>34,954</u>	<u>7,556</u>	<u>8,794</u>	<u>9,236</u>	<u>7,677</u>	<u>68,217</u>
<u>Off-balance sheet items</u>						
				Less than 1 year € million	1 - 5 years € million	Over 5 years € million
Guarantees and standby letters of credit				931	809	926
Capital expenditure				52	-	-
Operating lease commitments				75	86	24
				<u>1,058</u>	<u>895</u>	<u>950</u>
	31 December 2006					
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	1 - 5 years € million	Over 5 years € million	Gross nominal inflow / (outflow) € million
Non-derivative liabilities:						
- Due to other banks & repurchase agreements with banks	7,350	2,944	762	29	37	11,122
- Due to customers	19,832	1,696	2,599	2,418	1,330	27,875
- Euro Commercial Papers (ECP)	967	531	280	-	-	1,778
- Debt issued and other borrowed funds	55	503	1,043	4,661	5,390	11,652
- Other liabilities	822	28	59	28	553	1,490
Derivative financial instruments:						
- Outflows from gross and net settled	5,798	1,898	1,630	1,329	353	11,008
- Inflows from gross settled	(5,813)	(1,899)	(1,550)	(1,172)	(297)	(10,731)
	<u>29,011</u>	<u>5,701</u>	<u>4,823</u>	<u>7,293</u>	<u>7,366</u>	<u>54,194</u>
<u>Off-balance sheet items</u>						
				Less than 1 year € million	1 - 5 years € million	Over 5 years € million
Guarantees and standby letters of credit				1,020	549	520
Capital expenditure				21	-	-
Operating lease commitments				46	33	17
				<u>1,087</u>	<u>582</u>	<u>537</u>

4. Financial risk management (continued)

4.3 Capital management

2007 under Basel II Standardised methodology
(2006 figures are based on Basel I calculations)

Ordinary and Preferred shareholders' equity
Add: Regulatory Minority Interest
Less: Goodwill
Less: Regulatory adjustments - mainly final dividend and intangibles
Total Tier I capital
Tier II capital - mainly subordinated debt
Less: Other regulatory deductions
Total Regulatory Capital

	2007	2006
	€ million	€ million
	5,029	3,443
	384	229
	(605)	(285)
	(537)	(467)
	<u>4,271</u>	<u>2,920</u>
	1,457	716
	(60)	(43)
	<u>5,668</u>	<u>3,593</u>
Risk Weighted Assets	<u>46,343</u>	<u>34,542</u>
Ratios:	%	%
Tier I	9.2%	8.5%
Total BIS	12.2%	10.4%

Risk Weighted Assets

Ratios:

Tier I
Total BIS

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

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, processes and policies from previous years.

Regulatory capital consists of Tier I capital, which includes shareholders' ordinary equity, preferred securities and minority interest and excludes estimated dividends. Deductions of Tier I include goodwill and intangible assets. Tier II capital includes subordinated debts and revaluation reserves. Certain adjustments are made to IFRS-based results and reserves, as prescribed by Bank of Greece that impact both Tier I & II capital.

There have been no material changes in the Group's management of capital during the period.

4.4 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. However market prices are not available for a significant number of financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no market price is available, the fair values of financial assets and liabilities are estimated using present value or other estimation and valuation techniques based on current prevailing market conditions.

The values derived using these techniques are significantly affected by underlying assumptions concerning both the amounts and timing of future cash flows and the discount rates used. The following methods and assumptions indicate that the fair values of financial assets and liabilities approximate their carrying amounts:

- trading assets, derivatives and other transactions undertaken for trading purposes as well as treasury bills, available-for-sale securities and assets and liabilities designated at fair value through profit or loss are measured at fair value (see notes 16, 17, 20, 28, 29 and 30) by reference to quoted market prices when available. If quoted market prices are not available, then the fair values are estimated using valuation techniques based on observable market data.
- substantially all of the Group's other financial assets and liabilities are at floating rates of interest, which re-price at frequent intervals. Therefore the Group has no significant exposure to fair value fluctuations and the carrying value of the financial assets and liabilities is substantially equivalent to their fair values, unless otherwise stated.

4.5 Fiduciary activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties. This involves the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

5. Net interest income

	2007 €million	2006 €million
Interest income		
Banks and customers	5,373	3,548
Trading securities	20	27
Other securities	587	432
Total interest income	<u>5,980</u>	<u>4,007</u>
Interest expense		
Banks and customers	(3,503)	(2,138)
Debt issued and other borrowed funds	(473)	(272)
Total interest expense	<u>(3,976)</u>	<u>(2,410)</u>
Net interest income	<u>2,004</u>	<u>1,597</u>

Derivative financial instruments contribute € 1,788 million (2006: € 1,077 million) to interest income and € 1,833 million (2006: € 1,123 million) to interest expense.

6. Net banking fee and commission income

	2007 €million	2006 €million
Mutual Funds and Assets under management related fees	116	151
Capital Markets related fees	154	117
Lending related fees and commissions	169	90
Other fees	119	89
Net banking fee and commission income	<u>558</u>	<u>447</u>

7. Income from non banking services

Income from non banking services includes rental income from investment properties and other recurring income from services provided by the Group (e.g. payroll services, e-commerce).

8. Operating expenses

	2007 €million	2006 €million
Staff costs (note 9)	727	589
Administrative expenses	412	306
Amortisation and impairment of intangible assets (note 24)	22	13
Depreciation and impairment of property, plant and equipment (note 25)	98	86
Operating lease rentals	95	68
	<u>1,354</u>	<u>1,062</u>
Wildfire donation (see below)	20	-
	<u>1,374</u>	<u>1,062</u>

Following the catastrophic wildfires in Greece in the summer of 2007, Eurobank EFG committed € 20 million for the support of victims, the reconstruction of the region affected, and the prevention of similar disasters.

9. Staff costs

	2007 € million	2006 € million
Wages, salaries and staff bonuses	538	420
Social security costs	97	82
Additional pension and other post employment costs	30	27
Other	62	60
	<u>727</u>	<u>589</u>

The average number of employees of the Group during the year was 20,947 (2006: 17,115).

10. Income tax expense

	2007 € million	2006 € million
Current tax	171	162
Deferred tax	9	6
Overseas taxes	23	15
	<u>203</u>	<u>182</u>
Current tax - tax on prior year reserves (see below)	-	43
Deferred tax - taxation on reserves (see below)	16	-
Total tax charge	<u>219</u>	<u>225</u>

The Greek corporate rate of tax in 2007 is 25% (2006: 29%, except for the parent Bank, whose tax rate was 24% due to special merger incentives). The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2007 € million	2006 € million
Profit before tax	<u>1,050</u>	<u>832</u>
Tax at the applicable tax rates of 25% (2006: 29%)	262	241
Tax effect of:		
- parent company benefit from reduced tax rate (2006: 24%)	-	(32)
- reserves taxable under new law (see below)	16	-
- income and expenses not subject to tax	(48)	(33)
- effect of different tax rates in different countries	(25)	(19)
- other	14	25
- one-off taxation on non-taxed prior year reserves (see below)	-	43
Income tax expense	<u>219</u>	<u>225</u>

Following law 3513 that was enacted in November 2006, the non-taxed reserves of the Bank that had been accounted for and presented in the financial statements for the year-ended 31 December 2005, which would be taxable on distribution and which have not been distributed or capitalised, were subject to one-off taxation at a rate of 10% or 15% based on the tax status of the respective reserves. As a result the Bank paid the amount of € 43.3 million. In March 2007, the Bank lodged a formal legal claim questioning the proper applicability of the above law on legal grounds. The resolution of the legal dispute is expected to be lengthy.

Following law 3634 that was enacted in January 2008, the non-taxed reserves created in 2007 from (a) capital gains on listed shares (domestic and foreign), (b) gains from derivatives (domestic and foreign) and (c) non-taxable profits under the provisions of article 99 of L.2238/1994, will be taxed at 25% in September 2008. As a result, the Bank will pay the amount of € 16.6 million on the 2007 profits accounted for through the Income Statement, and € 8 million on the capital gains on treasury shares accounted for in equity.

11. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using the expected effective tax rate of 25% (2006: 25%).

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

	2007 € million	2006 € million
At 1 January	88	76
Income statement credit / (charge)	(25)	(6)
Available for sale securities:		
- fair value measurement (note 20)	(3)	78
- transfer to net profit (note 20)	4	(7)
- fair value hedges (note 20)	12	(48)
Cash flow hedges	(0)	(5)
Other	(5)	-
At 31 December	<u>71</u>	<u>88</u>

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

Valuation temporary differences accounted directly to special reserves	(3)	(10)
Valuation temporary differences accounted through the income statement	(7)	10
Cash flow hedges	(5)	(5)
Fixed assets temporary differences	2	6
Pensions and other post retirement benefits	27	25
Loan impairment	34	51
Unused tax losses	16	8
Other temporary differences	22	15
Deferred income tax assets (note 26)	<u>86</u>	<u>100</u>
Deferred income tax liabilities (note 30)	<u>15</u>	<u>12</u>
Net deferred income tax	<u>71</u>	<u>88</u>

The deferred income tax (credit) / charge in the income statement comprises the following temporary differences:

Valuation temporary differences	18	(1)
Fixed assets temporary differences	9	8
Pensions and other post retirement benefits	(3)	(2)
Loan impairment	24	12
Other temporary differences	(23)	(11)
Deferred income tax (credit) / charge	<u>25</u>	<u>6</u>

12. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has one category of dilutive potential ordinary shares: share options. In order to adjust the weighted average number of shares for the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Bank's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is added to the weighted average number of ordinary shares in issue in order to determine the weighted average number of ordinary shares used for the calculation of the diluted earnings per share.

	2007	2006
Net profit for year attributable to ordinary shareholders (after deducting dividend attributable to preferred securities holders)	€ million 776	558
Weighted average number of ordinary shares in issue	Number of shares 484,961,482	467,766,662
Weighted average number of ordinary shares for diluted earnings per share	Number of shares 486,352,900	468,777,099
Basic earnings per share	€ 1.60	1.19
Diluted earnings per share	€ 1.59	1.19

Earnings per share excluding taxation on reserves and donation (note 8 and 10)

Basic and diluted earnings per share	€ 1.67	1.29
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Basic and diluted earnings per share for 2006 have been adjusted taken into account due to the distribution of free shares in accordance with the decisions of the Annual General Shareholders' Meeting held on 3 April 2007 and the Extraordinary Shareholders' Meeting held on 9 November 2007, and the rights issue that was completed on 14 September 2007 (see note 32).

13. Cash and balances with central banks

	2007 € million	2006 € million
Cash in hand	705	556
Balances with central banks	<u>2,027</u>	<u>2,098</u>
	<u>2,732</u>	<u>2,654</u>
of which:		
Mandatory deposits with central banks	<u>1,691</u>	<u>1,295</u>

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

14. Cash and cash equivalents

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

	2007 € million	2006 € million
Cash and balances with central banks (excluding mandatory deposits with central banks)	1,041	1,359
Loans and advances to banks	3,141	2,048
Financial instruments at fair value through profit or loss	<u>508</u>	<u>156</u>
	<u>4,690</u>	<u>3,563</u>

15. Loans and advances to banks

	2007 € million	2006 € million
Pledged deposits with banks	1,033	553
Items in course of collection and current accounts with banks	928	578
Placements with other banks	<u>2,616</u>	<u>1,807</u>
	<u>4,577</u>	<u>2,938</u>
Included in loans and advances to banks are unsubordinated amounts due from:		
- fellow subsidiary and associated undertakings	<u>0</u>	<u>0</u>
- settlement balances with banks	<u>200</u>	<u>153</u>

The fair value of financial assets that the Group accepted as collateral and may be sold or repledged is € 2,067 million (2006: € 1,177 million).

16. Financial instruments at fair value through profit or loss (including trading)

	2007 € million	2006 € million
Trading portfolio		
Issued by public bodies:		
- government	285	281
- other public sector securities	<u>-</u>	<u>0</u>
	<u>285</u>	<u>281</u>
Issued by other issuers:		
- banks	54	114
- other corporations	<u>159</u>	<u>226</u>
	<u>213</u>	<u>340</u>
Total trading portfolio	<u>498</u>	<u>621</u>
Other financial assets designated at fair value through profit or loss		
- unit linked products	287	125
- hedge funds	103	61
- convertible bonds	<u>72</u>	<u>-</u>
Other portfolios	<u>462</u>	<u>186</u>
Total	<u>960</u>	<u>807</u>
Equity securities	88	113
Treasury bills	-	20
Debt securities	410	488
Other financial assets at fair value through profit or loss	<u>462</u>	<u>186</u>
	<u>960</u>	<u>807</u>
Pledged securities under repurchase agreements with central banks	<u>41</u>	<u>101</u>

The fair value of the transferred securities that continue to be recognised in the Balance Sheet at 31 December 2007 amounts to € 353 million (2006: € 387 million) and the carrying amount of their associated liabilities amounts to € 379 million (2006: € 377 million).

17. Derivative financial instruments and hedge accounting

17.1 Derivative financial instruments

The Group utilises the following derivative instruments for both hedging and non-hedging purposes:

Currency forwards represent commitments to purchase or sell foreign and domestic currency. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates or to buy or sell foreign currency or a financial instrument on a future date at a specified price established in an organized financial market. Since future contracts are collateralised by cash or marketable securities and changes in the futures contract value are settled daily with the exchange, the credit risk is negligible.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). Except for certain currency swaps, no exchange of principal takes place. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities and/or marks to market with bilateral collateralisation agreements over and above an agreed threshold.

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. In consideration for the assumption of foreign exchange or interest rate risk, the seller receives a premium from the purchaser. Options may be either exchange-traded or negotiated between the Group and a customer (OTC). The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following table:

	31 December 2007			31 December 2006		
	Contract/ notional amount € million	Fair values		Contract/ notional amount € million	Fair values	
		Assets € million	Liabilities € million		Assets € million	Liabilities € million
Derivatives held for trading						
<i>OTC currency derivatives</i>						
- Currency forwards	2,777	48	29	1,273	22	19
- Currency swaps	2,281	23	29	1,933	32	21
- OTC currency options bought and sold	3,560	90	85	1,870	22	21
		161	143		76	61
<i>OTC interest rate derivatives</i>						
- Interest rate swaps	32,196	421	521	25,494	323	342
- Cross-currency interest rate swaps	1,050	31	114	517	19	70
- Forward Rate Agreements	2,412	4	2	4,465	1	1
- OTC interest rate options	14,603	26	27	14,131	26	33
		482	664		369	446
Exchange traded interest rate futures	360	4	5	657	2	2
Exchange traded interest rate options	80	1	1	982	1	1
		487	670		372	449
<i>Other derivatives</i>						
OTC index options bought and sold	7	1	1	54	5	5
Forward security contracts	127	0	0	4	0	0
Other derivative contracts (see below)	644	11	9	517	1	3
		12	10		6	8
Total derivative assets/liabilities held for trading		660	823		454	518
Derivatives designated as fair value hedges						
Interest rate swaps	3,685	56	174	3,912	52	169
Cross-currency interest rate swaps	114	7	7	129	5	7
		63	181		57	176
Derivatives designated as cash flow hedges						
Interest rate swaps	2,970	12	39	1,615	7	15
Derivatives designated as net investment hedges						
Currency forwards	190	3	7	-	-	-
Total derivatives assets/liabilities used for hedging purposes		78	227		64	191
Total derivatives assets / liabilities		738	1,050		518	709

Other derivative contracts include credit default swaps, exchange traded index futures, exchange traded index options bought and sold and commodity swaps.

17. Derivative financial instruments and hedge accounting (continued)**17.2 Hedge accounting**

The Group uses derivatives for hedging purposes in order to reduce its exposure to credit and market risks. This is achieved by hedging specific financial instruments or portfolios of fixed rate financial instruments. The hedging practices and accounting treatment are disclosed in Note 2 (d).

(a) Fair value hedges

The Group hedges a proportion of its existing interest rate risk resulting from any potential decrease in the fair value of fixed rate available-for-sale bonds and any potential increase in the fair value of deposits denominated both in local and foreign currencies using interest rate and cross currency interest rate swaps. The net fair value of these swaps at 31 December 2007 was € 118 million liability (2006: € 119 million liability). The losses on the hedging instruments were € 19 million (2006: € 199 million gain). The gains on the hedged item attributable to the hedged risk were € 49 million (2006: € 189 million losses).

(b) Cash flow hedges

The Group hedges a proportion of its existing interest rate risk resulting from any cash flow variability associated with future interest rate changes on variable rate assets or liabilities or unrecognised highly probable forecast transactions using interest rate swaps. At 31 December 2007, interest rate swaps had a net fair value of € 27 million liability (2006: € 8 million liability). In 2007, the ineffectiveness recognised in income statements that arises from cash flow hedges was € 7 million gain (2006: € 0.5 million loss).

(c) Net investment hedges

The Group hedges part of the currency translation risk of net investments in foreign operations through currency forwards.

Currency forwards amounting to € 190 million in total analysed in RON 132 million (2006: nil), RSD 3.9 bn (2006: nil) and TRY 179 million (2006: nil) were designated as hedge instruments and gave rise to currency losses for the year of € 2.5 (2006: € nil), which have been deferred in the translation reserve component of equity.

18. Loans and advances to customers

	2007 €million	2006 €million
Lending to medium size and large corporate entities	17,206	12,635
Consumer lending	10,580	8,211
Mortgage lending	11,270	8,527
Small business lending	7,614	5,534
Gross loans and advances to customers	46,669	34,907
Less: Provision for impairment losses (note 19)	(1,031)	(861)
	45,638	34,046
The loans and advances to customers include the following amounts:		
- due from associated undertakings, unsubordinated	0	0
- maturing after 1 year	21,634	15,201

Loans and advances to customers include securitised loans as detailed below:

	2007 €million	2006 €million
Residential Mortgage Backed Securities (Themeleion I - June 2004)	215	398
Residential Mortgage Backed Securities (Themeleion II - June 2005)	231	455
Residential Mortgage Backed Securities (Themeleion III - June 2006)	398	828
Residential Mortgage Backed Securities (Themeleion IV - June 2007)	1,477	-
Credit Card Asset Backed Securities (Karta PLC - July 2005)	976	997
Small Business Loan Asset Backed Securities (Anaptyxi - October 2006)	2,648	2,864
Consumer Loan Asset Backed Securities (Daneion - November 2007)	3,444	-
Total securitised loans	9,389	5,542

Loans and advances to customers include finance lease receivables as detailed below:

	2007 €million	2006 €million
Gross investment in finance leases receivable:		
Not later than 1 year	541	350
Later than 1 year and not later than 5 years	1,012	1,342
Later than 5 years	1,096	287
	2,649	1,979
Unearned future finance income on finance leases	(704)	(464)
Net investment in finance leases	1,945	1,515
Less: provision for impairment losses	(28)	(25)
	1,917	1,490
The net investment in finance leases is analysed as follows:		
Not later than 1 year	429	274
Later than 1 year and not later than 5 years	722	1,136
Later than 5 years	794	105
	1,945	1,515
Less: provision for impairment losses	(28)	(25)
	1,917	1,490

19. Provision for impairment losses on loans and advances to customers

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

	31 December 2007				
	Wholesale € million	Consumer € million	Mortgage € million	Small business € million	Total € million
Balance at 1 January	389	271	18	183	861
Arising from acquisitions	23	8	3	4	38
Impairment losses on loans and advances charged in the year	28	315	1	57	401
Amounts recovered during the year	1	17	1	1	20
Loans written off during the year as uncollectible	(28)	(257)	(0)	(2)	(287)
Foreign exchange differences	1	(3)	(0)	(0)	(2)
Balance at 31 December	414	351	23	243	1,031

	31 December 2006				
	Wholesale € million	Consumer € million	Mortgage € million	Small business € million	Total € million
Balance at 1 January	380	229	15	137	761
Arising from acquisitions	3	0	1	1	5
Impairment losses on loans and advances charged in the year	40	257	1	46	344
Amounts recovered during the year	2	14	1	1	18
Loans written off during the year as uncollectible	(36)	(229)	(0)	(2)	(267)
Foreign exchange differences	-	(0)	-	-	(0)
Balance at 31 December	389	271	18	183	861

Repossessed properties

During the year, the Group obtained assets amounting to € 17 million (2006: € 13 million), by taking possession of collateral held as security.

20. Available-for-sale investment securities

	2007 € million	2006 € million
Issued by public bodies:		
- government	6,870	7,659
- other public sector	130	40
	7,000	7,699
Issued by other issuers:		
- banks	728	706
- other	2,749	2,531
	3,477	3,237
Total	10,477	10,936
Listed	9,238	10,214
Unlisted	1,239	722
	10,477	10,936
Equity	721	507
Debt	9,756	10,429
	10,477	10,936
Unamortised discounts and premiums included above	(122)	46
Pledged securities with stock market clearing houses	51	7
Pledged securities under repurchase agreements with central banks	3,020	2,296
Maturing after 1 year	8,771	9,203

The fair value of the transferred securities that continue to be recognised in the Balance Sheet at 31 December 2007 amounts to € 9,984 million (2006: € 9,244 million) and the carrying amount of their associated liabilities amounts to € 10,228 million (2006: € 9,461 million).

	2007 € million	2006 € million
The movement in the account is as follows:		
Net book value at 1 January	10,936	10,024
Arising from acquisitions	32	54
Exchange adjustments	(120)	(108)
Additions	8,332	6,560
Disposals and redemptions	(8,620)	(5,433)
Reclassification to / from associates	-	0
Amortisation of discounts / premiums and interest	7	48
Net gains / (losses) from changes in fair value for the year	(90)	(209)
Net book value at 31 December	10,477	10,936

20. Available-for-sale investment securities (continued)**Equity reserve : revaluation of the available-for-sale investments**

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

	2007 €million	2006 €million
At 1 January	139	171
Deferred income taxes on AFS equities opening reserves (see note 10)	(24)	-
Net gains / (losses) from changes in fair value	(90)	(209)
Deferred income taxes	21	78
Minority share of changes in fair value	0	0
	<u>(69)</u>	<u>(131)</u>
Net (gains) / losses transferred to net profit on disposal	(25)	(49)
Impairment losses transferred to net profit	-	14
Deferred income taxes	4	(7)
	<u>(21)</u>	<u>(42)</u>
Net losses / (gains) transferred to net profit from fair value hedges	(49)	189
Deferred income taxes	12	(48)
	<u>(37)</u>	<u>141</u>
Balance at 31 December	<u>(12)</u>	<u>139</u>

21. Held-to-maturity investment securities

	2007 €million	2006 €million
Issued by public bodies:		
- government	618	-
Listed	562	-
Unlisted	56	-
	<u>618</u>	<u>-</u>
	2007 €million	2006 €million
The movement in the account is as follows:		
Net book value at 1 January	-	-
Arising from acquisitions	20	-
Exchange adjustments	8	-
Additions	574	-
Redemptions	(24)	-
Accrued interest	40	-
Net book value at 31 December	<u>618</u>	<u>-</u>

22. Shares in subsidiary undertakings

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

Name	Note	Percentage Holding	Country of incorporation	Line of business
EFG Business Services S.A.		100.00	Greece	Payroll and advisory services
EFG Eurobank Asset Management S.A.		100.00	Greece	Asset management
EFG Eurobank Ergasias Leasing S.A.		100.00	Greece	Leasing
EFG Eurobank Securities S.A.		100.00	Greece	Capital markets and investment services
EFG Eurolife General Insurance S.A.		100.00	Greece	Insurance services
EFG Eurolife Life Insurance S.A.		100.00	Greece	Insurance services
EFG Factors S.A.		100.00	Greece	Factoring
EFG Insurance Services S.A.		100.00	Greece	Insurance brokerage
EFG Internet Services S.A.		100.00	Greece	Internet and electronic banking
EFG Mutual Funds Mngt Company S.A.		100.00	Greece	Mutual fund management
EFG Telesis Finance S.A.	k	100.00	Greece	Investment banking
Eurobank Cards S.A.		100.00	Greece	Credit card management
Eurobank Fin and Rent S.A.		100.00	Greece	Vehicle leasing and rental
Eurobank Properties R.E.I.C.	u	55.25	Greece	Investment Services
Eurobank Property Services S.A.		100.00	Greece	Real estate services
Financial Planning Services S.A.		100.00	Greece	Receivables collection
Global Fund Management S.A.		72.00	Greece	Investment advisors
OPEN 24 S.A.		100.00	Greece	Sundry services
Be-Business Exchanges S.A.	i	97.26	Greece	Business-to business e-commerce
Best Direct S.A.		100.00	Greece	Sundry services
Eurobank EFG Bulgaria A.D.	d	99.70	Bulgaria	Banking
Bulgarian Retail Services A.D.		100.00	Bulgaria	Credit card management
EFG Auto Leasing E.O.O.D.		100.00	Bulgaria	Vehicle leasing and rental
EFG Leasing E.A.D.		100.00	Bulgaria	Leasing
EFG Property Services Sofia A.D.		80.00	Bulgaria	Real estate services
EFG Securities Bulgaria E.A.D.	t	100.00	Bulgaria	Capital markets and investment services
EFG Hellas (Cayman Islands) Ltd		100.00	Cayman Islands	Special purpose financing vehicle
GFM Levant Capital (Cayman) Ltd		72.50	Cayman Islands	Fund management
Berberis Investments Limited		100.00	Channel Islands	Holding company

22. Shares in subsidiary undertakings (continued)

Name	Note	Percentage Holding	Country of incorporation	Line of business
EFG Hellas Funding Limited		100.00	Channel Islands	Special purpose financing vehicle
CEH Balkan Holdings Ltd		100.00	Cyprus	Holding company
Eurocredit Retail Services Ltd		100.00	Cyprus	Credit card management
Aristolux Investment Fund Management Company S.A.		98.40	Luxembourg	Investment fund management
EFG Private Bank (Luxembourg) S.A.		100.00	Luxembourg	Banking
Eurobank EFG Fund Management Company, (Luxembourg) S.A.		100.00	Luxembourg	Fund management
Eurobank EFG Holding (Luxembourg) S.A.		100.00	Luxembourg	Holding company
EFG New Europe Funding B.V.		100.00	Netherlands	Finance company
EFG New Europe Holding B.V.	f	100.00	Netherlands	Holding company
EFG Leasing Poland Sp. z.o.o	s	100.00	Poland	Leasing
EFG Property Services Polska Sp. z.o.o	q	100.00	Poland	Real estate services
Polbank Dystrybucja Sp. z.o.o.		100.00	Poland	Sundry services
Bancpost S.A.		77.56	Romania	Banking
EFG Eurobank Securities S.A.		100.00	Romania	Stock brokerage
EFG Eurobank Finance S.A.		100.00	Romania	Investment banking
EFG Leasing IFN S.A.	g	100.00	Romania	Leasing
EFG Eurobank Mutual Funds Management Romania S.A.I. S.A.		95.76	Romania	Mutual fund management
EFG Eurobank Property Services S.A.		80.00	Romania	Real estate services
EFG IT Shared Services S.A.		100.00	Romania	Informatics data processing
EFG Retail Services IFN S.A.	v	99.96	Romania	Credit card management
S.C. EFG Eurolife Asigurari de Viata S.A.	b	100.00	Romania	Insurance services
S.C. EFG Eurolife Asigurari Generale S.A.	c	100.00	Romania	Insurance services
Eliade Tower S.A.	m	55.25	Romania	Real estate
Bancpost Fond de Pensii S.A.	p	77.55	Romania	Pension fund
EFG Leasing A.D. Beograd	o	99.99	Serbia	Leasing
EFG Property Services D.o.o. Beograd		80.00	Serbia	Real estate services
Eurobank EFG Stedionica A.D. Beograd	n	99.98	Serbia	Banking
EFG Retail Services A.D. Beograd		100.00	Serbia	Credit card management
Prospera Securities A.D. Beograd	j	88.32	Serbia	Capital market services
Reco Real Property A.D.	l	55.25	Serbia	Real estate
EFG Istanbul Holding A.S.		100.00	Turkey	Holding company
EFG Istanbul Menkul Degerler A.S.	e	98.23	Turkey	Capital market services
Tekfenbank A.S.	e	98.23	Turkey	Banking
Tekfen Finansal Kiralama A.S.	e	98.22	Turkey	Leasing
Anaptyxi 2006-1 PLC		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi APC Ltd.		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi Holdings Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi Options Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Daneion 2007-1 PLC	r	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Daneion APC Ltd	r	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Daneion Holdings Ltd	r	-	United Kingdom	Special purpose financing vehicle (SIC 12)
EFG Hellas PLC		100.00	United Kingdom	Special purpose financing vehicle
Karta 2005 -1 PLC		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta APC Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta Holdings Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta LNI 1 Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta Options Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion Mortgage Finance PLC		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion II Mortgage Finance PLC		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion III Mortgage Finance PLC		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion III Holdings Limited		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion IV Mortgage Finance PLC	h	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion IV Holdings Limited	h	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Eurobank EFG Ukraine Distribution LLC		100.00	Ukraine	Sundry services
Universal Bank OJSC	a	99.92	Ukraine	Banking

(a) Universal Bank OJSC, Kiev

In February 2007, the Group completed the acquisition of 99.34% of the share capital of Universal Bank OJSC, which operates in Ukraine. In August, the Group participated in the share capital increase and its shareholding increased to 99.92%.

(b) S.C. EFG Eurolife Asigurari de Viata S.A., Bucharest

In February 2007, the Group established, as a 100% subsidiary, S.C. EFG Eurolife Asigurari de Viata S.A., a life insurance company operating in Romania.

(c) S.C. EFG Eurolife Asigurari Generale S.A., Bucharest

In February 2007, the Group established, as a 100% subsidiary, S.C. EFG Eurolife Asigurari Generale S.A., a general insurance company operating in Romania.

(d) DZI Bank A.D., Sofia

In March 2007, the Group increased its participation in DZI Bank A.D. to 99.75% from 91.29% as a result of a tender offer through the Bulgarian Stock Exchange, and in April 2007 its participation increased to 99.92%. Subsequently the company was delisted from the Bulgarian Stock Exchange.

In November 2007, the General Shareholders Meetings of Bulgarian Post Bank A.D. and DZI Bank A.D. merged with a local reference date of 31 July 2007. The merged entity was renamed Eurobank EFG Bulgaria A.D.

22. Shares in subsidiary undertakings (continued)**(e) Tekfenbank A.S. and Tekfen Finansal Kiralama A.S., Istanbul**

In March 2007, the Group completed the acquisition of 70% of the share capital of Tekfenbank A.S. which operates in Turkey. The Group's participation includes a further 28.23%, currently held by the Sellers, which under the shareholders' agreement is subject to put and call options with exercise price based on future events. Tekfenbank A.S. controls 99.99% of the share capital of Tekfen Finansal Kiralama A.S., which is engaged in leasing activities. In October 2007, as part of the agreement of the acquisition, Tekfenbank A.S. acquired EFG Istanbul Menkul Degerler A.S., the Group's securities brokerage subsidiary operating in Turkey.

Post balance sheet event

In January 2008, Tekfenbank A.S. changed its name to Eurobank Tekfen A.S.

(f) EFG New Europe Holding B.V., Amsterdam (formerly Cayne Management Group B.V.)

In March 2007, the Group acquired 100% of the share capital of Cayne Management Group B.V. (renamed EFG New Europe Holding B.V.), a holding company operating in the Netherlands. In July 2007, the Group increased the company's share capital by €500 million.

(g) EFG Leasing IFN S.A., Bucharest (formerly EFG Eurobank Leasing S.A.)

In May 2007, EFG Eurobank Leasing S.A. changed its name to EFG Leasing IFN S.A.

(h) Themeleon IV, UK

In June 2007, the Group established Themeleon IV Holdings Limited and Themeleon IV Mortgage Finance PLC, special purpose entities, as part of the fourth securitisation of mortgage loans.

(i) Be-Business Exchanges S.A.

In June 2007, the Group increased its participation in Be-Business Exchanges S.A. to 76.32% from 71.04% and in September 2007 to 96.37%. In December 2007, the Group participated in the share capital increase of the company and its participation increased to 97.26%.

(j) Prospera Securities A.D. Beograd

In July 2007, the Group completed the acquisition of 74.16% of the share capital of Prospera Securities A.D. Beograd, a capital markets and investment services company operating in Serbia. The Group's participation includes a further 14.16%, currently held by the Sellers, which under the sale and purchase agreement is subject to put and call options with exercise price based on future events.

(k) Accentis S.A.

In August 2007, the Group completed the acquisition of 100% of the share capital of Accentis S.A., a financial consulting company operating in Greece. In December 2007, the company was absorbed by EFG Telesis Finance S.A.

(l) Reco Real Property A.D., Beograd

In August 2007, the Group completed the acquisition of 55.23% of the share capital of Reco Real Property A.D., owner of a prime mixed use office and retail building in Belgrade. Following the increase in shareholding of Eurobank Properties R.E.I.C. in December 2007, the Group increased its shareholding in Reco Real Property A.D. to 55.25%.

(m) Eliade Tower S.A., Bucharest

In September 2007, the Group completed the acquisition of 55.23% of the share capital of Eliade Tower A.D., owner of an office building in Bucharest. Following the increase in shareholding of Eurobank Properties R.E.I.C. in December 2007, the Group increased its shareholding in Eliade Tower S.A. to 55.25%.

(n) Eurobank EFG Stedionica A.D. Beograd

In September 2007, the Group increased its participation in Eurobank EFG Stedionica A.D. Beograd to 99.98% from 99.96%.

(o) EFG Leasing A.D. Beograd

Following the increase in shareholding of Eurobank EFG Stedionica A.D. Beograd, the Group increased its shareholding in EFG Leasing A.D. Beograd to 99.99% from 99.98%.

(p) Bancpost Fond de Pensii S.A., Bucharest

In September 2007, the Group established, as a 77.55% subsidiary, Bancpost Fond de Pensii S.A., a pension fund company operating in Romania.

(q) EFG Property Services Polska Sp. z.o.o

In October 2007, the Group established, as a 100% subsidiary, EFG Property Services Polska Sp. z.o.o., a real estate services company operating in Poland.

(r) Daneion, UK

In November 2007, the Group established Daneion Holdings Ltd, Daneion 2007-1 PLC and Daneion APC Ltd, special purpose entities, as part of the first securitisation of consumer loans.

(s) EFG Leasing Poland Sp. z.o.o

In November 2007, the Group established, as a 100% subsidiary, EFG Leasing Poland Sp. z.o.o, a leasing company operating in Poland.

(t) EFG Securities Bulgaria E.A.D.

In December 2007, the Group established, as a 100% subsidiary, EFG Securities Bulgaria E.A.D., a capital markets and investment services company operating in Bulgaria.

(u) Eurobank Properties R.E.I.C.

In December 2007, the company concluded the share capital increase of € 329.4 million in cash in favour of existing shareholders, at a ratio of 3 new shares for every 2 held at a price of € 20 per share. In addition, the Group increased its participation in Eurobank Properties R.E.I.C. to 55.25% from 55.23%.

(v) EFG Retail Services IFN S.A.

In December 2007, the Group participated in the share capital increase of EFG Retail Services IFN S.A., through its 100% subsidiary EFG New Europe Holding B.V. and its total participation increased to 99.96% from 95.48%.

Post balance sheet event**(w) Eurobank EFG Cyprus Ltd**

In February 2008, the Central Bank of Cyprus approved the conversion of the Cyprus branch into a subsidiary. The conversion is expected to be completed by the end of March 2008.

23. Investments in associated undertakings

	2007 € million	2006 € million
At 1 January	48	35
Additions	-	6
Disposal of associated undertakings	(8)	(7)
Transfer to subsidiaries fully consolidated / absorbed	-	(3)
Dividends collected	(2)	(1)
Share capital increase	-	13
Share of results for the year	8	5
Balance at 31 December	<u>46</u>	<u>48</u>

The following is a listing of the Group's associates and joint ventures as at 31 December 2007:

Name	Notes	Country of Incorporation	Line of business	Percentage Holding	Assets € million	Liabilities € million	Share of Net Assets € million	Profit / (loss) € million
Cardlink S.A.		Greece	POS administration	50.00	1	0	0	(0)
Dias S.A.	b	Greece	Closed-end investment fund	42.30	97	3	39	16
Tefin S.A.		Greece	Motor vehicle sales financing	50.00	8	1	4	(0)
Unitfinance S.A.		Greece	Financing company	40.00	34	27	3	2
					<u>140</u>	<u>31</u>	<u>46</u>	<u>18</u>

As at 31 December 2007, all of the Group's associates are unlisted except for Dias S.A. (31 December 2006: Dias S.A.). The fair value of the investments in the Group's associates that are listed based on quoted market prices as at 31 December 2007 was € 30 million (31 December 2006: € 30 million).

Tefin S.A., Cardlink S.A. and Unitfinance S.A are the Group's joint ventures.

(a) Sofitel Athens Airport S.A.

In December 2007, the Group disposed of its 50.50% holding in its associated undertaking, Sofitel Athens Airport S.A. The provisional gain on disposal is € 2.4 million and is included in other operating income.

(b) Dias S.A.

In December 2007, the Group increased its shareholding in Dias S.A. to 42.30% from 42.24%.

24. Intangible assets

	Goodwill €million	Other intangible assets €million	Total intangible assets €million
Cost:			
Balance at 1 January 2006	114	44	158
Arising from acquisition of subsidiaries	176	1	177
Additions	-	30	30
Disposals and write - offs	-	(1)	(1)
Exchange adjustments	-	1	1
Adjustment to goodwill (see below)	(5)	11	6
Balance at 31 December 2006	<u>285</u>	<u>86</u>	<u>371</u>
Accumulated impairment / amortisation:			
Balance at 1 January 2006	-	(4)	(4)
Arising from acquisition of subsidiaries	-	(1)	(1)
Amortisation charge for the year	-	(13)	(13)
Disposals and write - offs	-	1	1
Exchange adjustments	-	(0)	-
Balance at 31 December 2006	<u>-</u>	<u>(17)</u>	<u>(17)</u>
Cost:			
Balance at 1 January 2007	285	86	371
Arising from acquisition of subsidiaries (note 40)	306	7	313
Transfers	-	33	33
Additions	-	51	51
Disposals and write - offs	-	(3)	(3)
Exchange adjustments	-	(1)	(1)
Adjustment to goodwill (see below)	15	-	15
Balance at 31 December 2007	<u>606</u>	<u>173</u>	<u>779</u>
Accumulated impairment / amortisation:			
Balance at 1 January 2007	-	(17)	(17)
Arising from acquisition of subsidiaries	-	(6)	(6)
Transfers	-	(1)	(1)
Amortisation charge for the year	-	(21)	(21)
Disposals and write - offs	(0)	2	2
Impairment	(1)	-	(1)
Exchange adjustments	-	(0)	(0)
Balance at 31 December 2007	<u>(1)</u>	<u>(43)</u>	<u>(44)</u>
Net book value at 31 December 2007	<u>605</u>	<u>130</u>	<u>735</u>
Net book value at 31 December 2006	<u>285</u>	<u>69</u>	<u>354</u>

As at 31 December 2006, and following the finalisation of the cost of acquisition of 62% of the share holding of Nacionalna Stedionica Banka A.D., intangible assets amounting to € 11 million which relate to contractual agency agreements and the customer deposit base of the acquiree are included in other intangible assets. Goodwill for 2006 was adjusted for the Group's share by € 6.6 million and for contingent purchase consideration and fair value adjustments in accordance with the provisions of the acquisition agreements for Intertrust Mutual Funds Co S.A. (€ 3 million reduction) and EFG Istanbul Menkul Degerler A.S. (€ 4.4 million increase).

Goodwill for 2007 was adjusted for contingent purchase consideration and fair value adjustments in accordance with the provisions of the acquisition agreements for Intertrust Mutual Funds Co S.A. (€ 0.8 million reduction), EFG Istanbul Menkul Degerler A.S. (€ 1.7 million increase), and DZI Bank A.D. (€ 14.6 million increase).

The estimated useful lives of the intangible assets arising from the acquisitions range from 6 to 11 years.

24. Intangible assets (continued)

Impairment testing of goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash - generating units (CGUs) that are expected to benefit from that business combination and form part of the Group's primary business segments. The carrying amount of goodwill is allocated as follows:

	2007 € million	2006 € million
Global and Capital Markets	1	-
Wealth Management	44	46
New Europe (NE)	560	239
Total goodwill	605	285

Goodwill arising from business combinations that were effected during the period is based on provisional values since the determination of the subsidiaries' identifiable assets, liabilities or contingent liabilities, or the cost of the combinations has not been finalized.

During the year ended 31 December 2007, Best Direct goodwill amount of € 0.8 million was written down in full in other operating expenses, as it was no longer supported by the cash flow analysis. For the rest of the CGUs to which goodwill has been allocated, no impairment losses arise.

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and cash flow projections based on financial budgets approved by Management covering a 5-year period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on respective market growth forecasts. Cash flows beyond the 5-year period are extrapolated using growth rates of future changes in the market.

(i) Wealth Management segment

The pre-tax discount rate applied to cash flow projections is 13%. The growth rate used to extrapolate cash flows beyond the period covered by the most recently approved budgets is 3% and does not exceed the average long-term growth rate for the relevant markets.

(ii) New Europe segment

The pre-tax discount rate applied to cash flow projections are 14% for Bancpost S.A, Eurobank EFG Stedionica A.D. Beograd and Eurobank EFG Bulgaria, 18% for EFG Eurobank Finance S.A. and EFG Eurobank Securities S.A. Romania, and 20% for EFG Istanbul Holding A.S. The growth rate used to extrapolate cash flows beyond the period covered by the most recent budgets approved by management is 3% and does not exceed the average long-term growth rate for the relevant markets.

25. Property, plant and equipment

	Land, buildings, leasehold improvements € million	Furniture, equipment motor vehicles € million	Computer hardware, software € million	Investment Property € million	Total fixed assets € million
Cost:					
Balance at 1 January 2006	524	202	402	215	1,343
Arising from acquisition of subsidiaries	12	7	2	-	21
Transfers	(7)	(0)	0	7	0
Additions	114	38	62	24	238
Disposals and write - offs	(19)	(15)	(41)	(2)	(77)
Impairment	(0)	(0)	-	-	(0)
Exchange adjustments	10	5	4	-	19
Balance at 31 December 2006	634	237	429	244	1,544
Accumulated depreciation:					
Balance at 1 January 2006	(105)	(121)	(280)	(10)	(516)
Arising from acquisition of subsidiaries	(2)	(4)	(1)	-	(7)
Transfers	(1)	(1)	1	0	(0)
Disposals and write-offs	5	10	27	2	44
Charge for the year	(21)	(21)	(41)	(3)	(86)
Exchange adjustments	2	(3)	(4)	-	(5)
Balance at 31 December 2006	(122)	(140)	(298)	(11)	(570)
Cost:					
Balance at 1 January 2007	634	237	429	244	1,544
Arising from acquisition of subsidiaries	26	8	6	50	90
Transfers	(26)	1	(14)	9	(30)
Additions	161	45	50	24	280
Disposals and write - offs	(72)	(13)	(22)	(2)	(109)
Impairment	0	(0)	-	-	0
Exchange adjustments	(7)	(4)	(3)	(1)	(15)
Balance at 31 December 2007	716	274	446	324	1,760
Accumulated depreciation:					
Balance at 1 January 2007	(122)	(140)	(298)	(11)	(570)
Arising from acquisition of subsidiaries	(10)	(7)	(4)	(0)	(21)
Transfers	0	1	(0)	(0)	1
Disposals and write-offs	17	12	15	0	44
Charge for the year	(27)	(25)	(43)	(3)	(98)
Exchange adjustments	1	2	2	0	5
Balance at 31 December 2007	(141)	(157)	(328)	(14)	(640)
Net book value at 31 December 2007	575	117	118	310	1,120
Net book value at 31 December 2006	512	97	131	233	974

25. Property, plant and equipment (continued)

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

Included in the above as at 31 December 2007 is € 51 million (31 December 2006: € 46 million) relating to assets under construction.

The net book value of finance leases included in property, plant and equipment as at 31 December 2007 was € 39 million (31 December 2006: € 40 million)

Investment property

Investment property is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight line method over a period of 40-50 years. The fair value of investment property as at 31 December 2007 was € 399 million (31 December 2006: € 304 million). The fair values are open-market values provided by professionally qualified valuers.

During the year ended 31 December 2007 an amount of € 19 million (31 December 2006: € 16.4 million) was recognised as rental income from investment property in income from non banking services. Capital commitments in relation to investment property as at 31 December 2007 was € 36 million (31 December 2006: € nil).

26. Other assets

Prepaid expenses and accrued income
Deferred tax asset (note 11)
Repossessed properties
Settlement balances with customers
Other assets

	2007 €million	2006 €million
Prepaid expenses and accrued income	98	78
Deferred tax asset (note 11)	86	100
Repossessed properties	78	62
Settlement balances with customers	72	62
Other assets	414	243
	<u>748</u>	<u>545</u>

27. Due to other banks

Items in course of collection and current accounts with banks
Deposits from other banks

	2007 €million	2006 €million
Items in course of collection and current accounts with banks	353	484
Deposits from other banks	1,659	1,052
	<u>2,012</u>	<u>1,536</u>
Included in the amounts due to other banks are amounts due to:		
- fellow subsidiary and associated undertakings	88	509
- settlement balances with banks	200	162
	<u>288</u>	<u>671</u>

Included in the amounts due to other banks are amounts due to:

- fellow subsidiary and associated undertakings
- settlement balances with banks

Amounts related to repurchase agreements with banks are presented in a separate line on the face of the balance sheet and comparatives have been adjusted accordingly.

28. Due to customers

Savings and current accounts
Term deposits and repurchase agreements
Unit linked products
Other medium term products

	2007 €million	2006 €million
Savings and current accounts	12,765	10,626
Term deposits and repurchase agreements	16,687	12,709
Unit linked products	729	579
Other medium term products	5,970	3,793
	<u>36,151</u>	<u>27,707</u>
Included in the amounts due to customers are amounts due to:		
- parent undertaking	0	53
- fellow subsidiary and associate undertakings	14	275
- maturing after 1 year	3,892	3,350
	<u>3,906</u>	<u>3,678</u>

Included in the amounts due to customers are amounts due to:

- parent undertaking
- fellow subsidiary and associate undertakings
- maturing after 1 year

The carrying amount of structured deposits and liabilities of unit-linked products classified as at fair value through profit or loss at 31 December 2007 is € 2,497 million (31 December 2006: € 1,785 million). The fair value change as at 31 December 2007 amounts to € 65 million gain (31 December 2006: € 32 million gain), which is attributable to changes in market conditions (changes in fair value attributable to credit risk are immaterial).

The changes in the fair value of structured deposits and liabilities of Unit-linked products are offset in the income statement against changes in the fair value of structured derivatives and assets classified as at fair value through profit or loss, respectively.

The difference between the carrying amount and the contractual undiscounted amount that will be required to be paid at the maturity of the structured deposits is € 68 million (2006: € 60 million)

29. Debt issued and other borrowed funds**Short-term debt**

- Commercial Paper (ECP)

Long-term debt

- Medium-term notes (EMTN)
- Subordinated
- Securitised

	2007 €million	2006 €million
Short-term debt	1,648	1,783
Long-term debt	4,943	3,679
- Medium-term notes (EMTN)	991	374
- Subordinated	3,656	3,531
- Securitised	9,590	7,584
Total	<u>11,238</u>	<u>9,367</u>

Included above is the carrying amount of structured notes classified as at fair value through profit or loss at 31 December 2007 amounting to € 1,153 million (31 December 2006: € 565 million). The fair value change as at 31 December 2007 amounts to € 26 million gain (31 December 2006: € 10 million loss), which is attributable to changes in market conditions (changes in fair value attributable to credit risk are immaterial). The changes in the fair value of structured notes are offset in the income statement against changes in the fair value of structured derivatives.

The difference between the carrying amount and the contractual undiscounted amount that will be required to be paid at the maturity of the structured notes is € 98 million (2006: € 50 million)

As at 31 December 2007, EMTNs held by Group's customers amounting to € 5,970 million (2006: € 3,793 million) are presented within "Due to customers".

29. Debt issued and other borrowed funds (continued)

The Group's funding consists of the securitisations of various classes of loans and notes under Euro Medium Term Note (EMTN) and Euro Commercial Paper (ECP) programs:

Asset Backed Securities**(a) Residential Mortgage Backed Securities (RMBS)**

In June 2004, the Group proceeded with the issuance of residential mortgage backed securities at an average funding cost of Euribor plus 19 basis points for seven years. As at 31 December 2007 the liability amounted to € 199 million (2006: € 281 million).

In June 2005, the Group proceeded with the issuance of residential mortgage backed securities at an average funding cost of three month Euribor plus 17.5 basis points for seven years. As at 31 December 2007 the liability amounted to € 236 million (2006: € 576 million).

In June 2006, the Group proceeded with the issuance of residential mortgage backed securities at an average funding cost of three month Euribor plus 16 basis points for seven years. As at 31 December 2007 the liability amounted to € 391 million (2006: € 959 million).

In June 2007, the Group proceeded with the issuance of residential mortgage backed securities at par with a coupon of three month Euribor plus 13 basis points for five years. As at 31 December 2007 the liability amounted to € 1,195 million.

(b) Credit Card Asset Backed Securities

In July 2005, the Group proceeded with the issuance of credit card asset backed securities at an average funding cost of three month Euribor plus 21.7 basis points. As at 31 December 2007 the liability amounted to € 727 million (2006: € 737 million).

(c) Small Business Loan Asset Backed Securities

In October 2006, the Group proceeded with the issuance of small business loan asset backed securities at par with a coupon of three month Euribor plus 17 basis points for class A notes. As at 31 December 2007 the liability amounted to € 889 million (2006: € 962 million).

Lower Tier-II

In June 2004 the Group issued € 400 million unsecured subordinated floating rate notes through its subsidiary EFG Hellas Plc. The notes have a ten year maturity with a call provision after five years. The notes pay floating rate interest quarterly based on a coupon of 3-month Euribor plus 50 basis points for the first five years. The notes qualify as lower tier II capital for the Group and are listed on the Luxembourg Stock Exchange.

In May 2005 the Group issued € 216 million unsecured subordinated fixed rate notes through its subsidiary EFG Hellas Plc. The notes have a thirty year maturity with a call provision after ten years. The notes pay fixed rate interest on a semester basis on a coupon of 2.76% per annum. The notes qualify as Lower Tier-II capital for the Group and are listed on the Luxembourg Stock Exchange.

In October 2005 the Group issued € 29 million unsecured subordinated fixed rate notes through its subsidiary EFG Hellas Plc, which is consolidated and form a single series with the existing Lower Tier-II of € 216 million issued in May 2005.

In June 2007, the Group issued €750 million subordinated floating rate notes, through its subsidiary EFG Hellas PLC. The notes have a ten year maturity with a call provision after five years. The notes pay floating rate interest quarterly based on a coupon of 3-month Euribor plus 30 basis points for the first five years. The notes qualify as Lower Tier II capital for the Group and are listed on the Luxembourg Stock Exchange.

As at 31 December 2007, the above issues include an amount of € 339 million held by Group's customers which is presented within "Due to customers" (2006: € 217 million)

29. Debt issued and other borrowed funds (continued)

The following tables analyse the debt issued and other borrowed funds by contractual maturity and also into fixed and floating rate.

	31 December 2007			
	Within 1 year € million	1 - 5 years € million	Over 5 years € million	Total € million
EMTN				
Fixed rate	36	266	15	317
Accrued interest	13	-	-	13
Floating rate	1,080	2,740	752	4,572
Accrued interest	41	-	-	41
ECP				
Fixed rate	1,648	-	-	1,648
Accrued interest	-	-	-	-
Subordinated				
Fixed rate	-	-	181	181
Accrued interest	1	-	-	1
Floating rate	-	-	807	807
Accrued interest	2	-	-	2
Securitised				
Fixed rate	15	-	-	15
Accrued interest	0	-	-	0
Floating rate	-	719	2,878	3,597
Accrued interest	44	-	-	44
Total debt issued and other borrowed funds	2,880	3,725	4,633	11,238
	31 December 2006			
	Within 1 year € million	1 - 5 years € million	Over 5 years € million	Total € million
EMTN				
Fixed rate	125	372	31	528
Accrued interest	20	-	-	20
Floating rate	818	2,004	290	3,112
Accrued interest	19	-	-	19
ECP				
Fixed rate	1,772	-	-	1,772
Accrued interest	11	-	-	11
Subordinated				
Fixed rate	-	-	192	192
Accrued interest	1	-	-	1
Floating rate	-	-	181	181
Accrued interest	0	-	-	0
Securitised				
Fixed rate	-	15	-	15
Accrued interest	0	-	-	-
Floating rate	-	731	2,754	3,485
Accrued interest	31	-	-	31
Total debt issued and other borrowed funds	2,797	3,122	3,448	9,367

30. Other liabilities

	2007	2006
	€ million	€ million
Current tax liabilities	13	42
Acquisition obligations	208	14
Deferred income and accrued expenses	174	105
Standard legal staff retirement indemnity obligations (note 31)	75	68
Insurance liabilities	494	429
Trading liabilities	95	205
Deferred tax liabilities (note 11)	15	12
Settlement balances with customers	66	65
Other liabilities	685	550
	<u>1,825</u>	<u>1,490</u>

31. Standard legal staff retirement indemnity obligations

	2007	2006
	€ million	€ million
Movement in the liability for standard legal staff retirement indemnity obligations		
Liability for staff retirement indemnity obligations at 1 January	68	58
Arising from acquisitions	3	-
Cost for the year (see below)	17	17
Benefits paid	(13)	(7)
Liability for staff retirement indemnity obligations at 31 December	<u>75</u>	<u>68</u>
Expense recognised in profit or loss		
Current service cost	5	4
Interest cost	3	3
Additional cost	8	8
Actuarial gains / losses	1	2
Total included in staff costs (note 9)	<u>17</u>	<u>17</u>
Actuarial assumptions		
Principal actuarial assumptions (expressed as weighted averages)	2007	2006
	%	%
Discount rate	4.8	4.3
Future salary increases	3.5	3.5
Inflation rate	2.5	2.5

32. Share capital, share premium and treasury shares

The par value of the Bank's shares was adjusted on 3 April 2007 to € 2.75 from € 3.30 per share due to the bonus issue of 2 shares for every 10 held. All shares are fully paid. The movement of share capital, share premium and treasury shares is as follows:

	Ordinary share capital €million	Treasury shares €million	Net €million	Share premium €million	Treasury shares €million	Net €million
At 1 January 2006	1,054	(7)	1,047	523	(41)	482
3 April 2006:						
- Distribution of free shares to executive directors, management and staff	2	-	2	19	-	19
- Bonus issue of 2 shares for every 10 held	211	(1)	210	(211)	1	(210)
- Expenses related to the above	-	-	-	(3)	-	(3)
17 April 2006:						
- Cancellation of Treasury shares	(3)	3	-	(15)	15	-
Share capital increase due to exercise of share options issued to executives directors, managements and staff	0	-	0	0	-	0
Purchase of treasury shares	-	(25)	(25)	-	(158)	(158)
Sale of treasury shares	-	8	8	-	46	46
At 31 December 2006	1,264	(22)	1,242	313	(137)	176
At 1 January 2007	1,264	(22)	1,242	313	(137)	176
3 April 2007:						
- Distribution of free shares to executive directors, management and staff	3	-	3	22	-	22
14 September 2007:						
- Share capital increase	169	(0)	169	1,060	(3)	1,057
- Share capital increase expenses	-	-	-	(17)	-	(17)
9 November 2007:						
- Distribution of free shares	0	-	0	4	-	4
21 November 2007:						
- Share capital increase due to re-investment of dividend	2	-	2	13	-	13
Share capital increase due to exercise of share options issued to executives directors, managements and staff	5	-	5	17	-	17
Purchase of treasury shares	-	(24)	(24)	-	(192)	(192)
Sale of treasury shares	-	35	35	-	245	245
At 31 December 2007	1,443	(11)	1,432	1,412	(87)	1,325

32. Share capital, share premium and treasury shares (continued)

The following is an analysis of the movement in the number of shares issued by the Bank:

	Number of shares		
	Issued	Treasury shares	Net
At 1 January 2006	319,321,451	(1,885,524)	317,435,927
3 April 2006:			
- Distribution of free shares to executive directors, management and staff	655,000	-	655,000
- Bonus issue of 2 shares for every 10 held	63,995,291	(471,295)	63,523,996
17 April 2006:			
- Cancellation of Treasury shares	(786,000)	786,000	-
Share capital increase due to exercise of share options issued to executives directors, management and staff	2,366	-	2,366
Purchase of treasury shares	-	(7,447,838)	(7,447,838)
Sale of treasury shares	-	2,306,250	2,306,250
At 31 December 2006	383,188,108	(6,712,407)	376,475,701
At 1 January 2007	383,188,108	(6,712,407)	376,475,701
3 April 2007:			
- Distribution of free shares to executive directors, management and staff	839,992	-	839,992
- Issue of 2 shares for every 10 held with the adjustment of the par value of the shares from €3.30 to €2.75	76,805,620	(333,133)	76,472,487
14 September 2007:			
- Share capital increase	61,444,496	(165,174)	61,279,322
9 November 2007:			
- Distribution of free shares to executive directors, management and staff	170,000	-	170,000
21 November 2007:			
- Share capital increase due to re-investment of dividend	649,605	-	649,605
Share capital increase due to exercise of share options issued to executives directors, management and staff	1,847,817	-	1,847,817
Purchase of treasury shares	-	(8,268,241)	(8,268,241)
Sale of treasury shares	-	11,348,249	11,348,249
At 31 December 2007	524,945,638	(4,130,706)	520,814,932

The rights issue of 2 new share for every 15 held at a price of € 20 each, approved by the Extraordinary General Shareholders Meeting on 2 August 2007 and totalling €1,229 million, was completed on 14 September 2007 and the new shares were listed on the Athens Exchange on 25 September 2007.

On 21 November 2007, the Extraordinary General Shareholders Meeting authorised the Board of Directors as follows:

- to increase the nominal share capital of the Bank by up to €150 million within the next 3 years to enable the reinvestment of dividends, and
- to increase the nominal share capital of the Bank by up to €22 million in cash, through private placement to foreign institutional investors abroad (minority shareholders in the Group's subsidiaries in New Europe), foregoing pre-emption rights to existing shareholders. The new shares issued will be offered as decided by the Board provided the price is no less than the average closing price of the five days preceding the issue date reduced by 3% and the offer is within one year from the date of the meeting.

Treasury shares special scheme

In accordance with Greek Company Law, prior to the amendment by L. 3604/2007 (August 2007), a company could acquire its own shares in order to support the share price of the company. As expressly stated under this specific section of Greek law, this type of action is only allowed when a company considers that the trading price of each stock, given the prevailing market conditions is significant lower than that which reflects its financial standing and future prospects. This specific section of Greek Company Law is not intended to deal with the reduction of shareholders' equity. Shares acquired should be sold back to investors through the stock market, or may be distributed to employees as part of a bonus programme within three years from the time of their acquisition. Shares still held by the company after the three-year period expires must be cancelled, subject to a General Meeting approval.

In April 2007, the Annual General Meeting approved the renewal of the treasury shares special scheme for one year within the price range of €4.88 to €30.89 per share (adjusted for the issue of 2 shares for every 10 held and the rights issue of 2 new shares for every 15 held) for a total of up to 5% of the Bank's shares and authorised the Board of Directors to take any action or handle an issue necessary for the application of the program of acquisition. As at 31 December 2007 the number of shares held under the treasury shares special scheme was 3,431,626.

33. Preferred securities

On 18 March 2005, the Group, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 200 million preferred securities which represent Lower Tier 1 capital for the Group. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 18 March 2010 and annually thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative annual dividend of 6.75% for the first two years and non-cumulative annual dividends that are determined based on the ten year EURO swap rate plus a spread of 0.125% capped at 8% thereafter. The preferred dividend must be declared and paid if the Bank declares a dividend. The preferred securities are listed on the Luxembourg and Frankfurt Stock Exchanges.

On 2 November 2005, the Group, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 400 million preferred securities which represent Lower Tier 1 capital for the Group. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 2 November 2015 and quarterly thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative annual dividend of 4.565% for the first ten years and non-cumulative annual dividends that are determined based on the 3month Euribor plus a spread of 2.22% thereafter. The preferred dividend must be declared and paid if the Bank declares as dividend. The preferred securities are listed on the London Stock Exchange.

On 9 November 2005, the Group, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 150 million preferred securities which represent Lower Tier 1 capital for the Group. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 9 January 2011 and quarterly thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative dividend on a quarterly basis at a rate of 6% per annum. The preferred dividend must be declared and paid if the Bank declares a dividend. The preferred securities are listed on the London, Frankfurt and Euronext Amsterdam Stock Exchanges.

On 21 December 2005, the Group, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 50 million preferred securities which is consolidated and form a single series with the existing € 150 million preferred securities issued on 9 November 2005.

The movement of preferred securities issued by the Group through its Special Purpose Entity, EFG Hellas Funding Limited, is as follows:

	Series A €million	Series B €million	Series C €million	Total €million
At 1 January 2007	194	396	196	786
Purchase of preferred securities	(14)	(3)	(9)	(26)
Sale of preferred securities	4	4	9	17
At 31 December 2007	184	397	196	777

The rate of preferred dividends for the Tier 1 Issue series A has been determined to 4.297% for the period March 18, 2007 to March 17, 2008.

As at 31 December 2007, the dividend attributable to preferred securities holders amounts to € 39 million (31 December 2006: € 43 million).

34. Share options

The Group grants share options to executive directors, management and employees. All options are equity-settled and may be exercised wholly or partly and converted into shares, at their owners' option provided that the vesting requirements are met.

The movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

	31 December 2007		31 December 2006	
	Exercise price in € per share	Number of share options	Exercise price in € per share	Number of share options
At 1 January	15.19	2,991,784	17.98	1,527,455
Adjustment for corporate actions				
expiring in 2006	-	-	4.68	75
expiring in 2007	6.21	2	7.64	354
expiring in 2010	12.14	469,345	15.32	266,776
expiring in 2011	12.17	279,047		
Granted, expiring in 2012	13.82	1,483,851	15.00	1,200,000
Exercised	12.14	(1,847,817)	7.64	(2,366)
Expired and cancelled	12.08	(1,022)	4.68	(510)
Balance at 31 December and average exercise price per share	12.89	3,375,190	15.19	2,991,784

Share options outstanding and exercisable at the end year have the following expiry dates and exercise prices:

Expiry date - 31 December

	- <th style="text-align: right;">- <th style="text-align: right;">7.64 <th style="text-align: right;">8</th> </th></th>	- <th style="text-align: right;">7.64 <th style="text-align: right;">8</th> </th>	7.64 <th style="text-align: right;">8</th>	8
2007	-	-	7.64	8
2010	12.14	412,292	15.32	1,791,776
2011	12.17	1,479,047	15.00	1,200,000
2012	13.82	1,483,851	-	-
	12.89	3,375,190	15.19	2,991,784

In April 2006, the Annual General Meeting approved the establishment of an umbrella share options programme allowing the Board of Directors (through the Board's Remuneration Committee) to issue share options within the next 5 years (i.e. until the Annual General Meeting of the year 2011) totalling up to 3% of the Bank's shares within the defined framework similar to the share options issued in the past. The Repeat Extraordinary General Shareholders' Meeting on 21 November 2007 amended the terms of the programme so that the vesting period and exercise dates may be determined at the discretion of the Board following recommendation by the Remuneration Committee.

Following the Annual General Meeting of April 2006, the Board of Directors granted 1,479,047 share options with a strike price of € 12.17 per share (adjusted primarily for the issue of 2 shares for every 10 held and the rights issue of 2 new shares for every 15 held) to executive directors, management and employees, which may be exercised in December of 2008, 2009, 2010 and 2011 if the option holder is still employed by the Group.

In April 2007, within the umbrella share options programme approved by the Repeat Annual General Meeting on 17 April 2006, the Board of Directors granted 1,483,851 share options with a strike price of € 13.82 per share (adjusted for the issue of 2 shares for every 10 held and the rights issue of 2 new shares for every 15 held) to executive directors, management and employees. These may be exercised in December 2009, 2010, 2011 and 2012 if the holders are still employed by the Group.

34. Share options (continued)

The fair value of options granted is determined using the Monte Carlo valuation method, which simulates the share price path taking into account the terms and conditions upon which the options were granted. The fair value measurement is based on the assumption that the options will be exercised by the employees on the first possible occasion the options are in-the money.

The fair value of the options granted for the year ended 31 December 2007 was € 9.11 (2006: € 10.7). The significant inputs into the model were share price of € 22.93 (2006: 25.92) at the grant date, exercise price of € 13.82, dividend yield of 3.3% (2006: 3.5%), expected average volatility of 25% (2006: 25%), expected option life of 3 years, and risk-free interest rate equal to 3 year swap rate. The expected volatility is measured at the grant date of the options and is based on the average historical volatility of the share price over the last 3 to 6 years.

35. Special reserves

	Statutory reserves €million	Non-taxed reserves €million	IAS 39 reserves €million	Other reserves €million	Total €million
Balance at 1 January 2006	151	594	173	(5)	913
Transfers between reserves	86	4	-	25	115
Legal Mergers	0	10	-	(66)	(56)
Available-for-sale securities					-
- net changes in fair value net of tax	-	-	(131)	-	(131)
- transfer to net profit net of tax	-	-	99	-	99
Cash flow hedges					-
- net changes in fair value net of tax	-	-	19	-	19
- transfer to net profit net of tax	-	-	(6)	-	(6)
Currency translation differences	-	-	-	25	25
Value of employee services	-	-	-	6	6
Profit/(loss) from sale of treasury shares	-	7	-	-	7
At 31 December 2006	<u>237</u>	<u>615</u>	<u>154</u>	<u>(15)</u>	<u>991</u>
Balance at 1 January 2007	237	615	154	(15)	991
Transfers between reserves	66	152	-	63	281
Available-for-sale securities					-
- net changes in fair value net of tax	-	-	(93)	-	(93)
- transfer to net profit net of tax	-	-	(58)	-	(58)
Cash flow hedges					-
- net changes in fair value net of tax	-	-	5	-	5
- transfer to net profit net of tax	-	-	(4)	-	(4)
Net investment hedge	-	-	-	(2)	(2)
Currency translation differences	-	-	-	6	6
Value of employee services	-	-	-	9	9
Profit/(loss) from sale of treasury shares	-	-	-	25	25
At 31 December 2007	<u>303</u>	<u>767</u>	<u>4</u>	<u>86</u>	<u>1,160</u>

Statutory reserves and IAS39 reserves are not distributable. Included in IAS39 reserves as at 31 December 2007 is € 16 million (31 December 2006: € 15 million) relating to Cash flow hedging reserve.

Non-taxed reserves are taxed when distributed. As at 31 December 2006, non-taxed reserves include an amount of € 246 million which consists of € 289 million which following L.3513/2006 were subject to one-off taxation amounting to € 43.3 million. The Bank has contested the above taxation in the courts (see note 10).

Included in Other reserves as at 31 December 2007 is € 43 million (31 December 2006: € 36 million) relating to currency translation reserve. As at 31 December 2007, Other reserves also include capital and other gains of € 74 million, net of tax according to L.3634 (see note 10).

36. Operating leases

Leases as lessee - Non-cancellable operating lease rentals are payable as follows:

	31 December 2007		31 December 2006	
	Land and buildings € million	Furniture, equipment, vehicles € million	Land and buildings € million	Furniture, equipment, vehicles € million
Not later than one year	69	6	43	3
Later than one year and no later than five years	79	7	26	7
Later than five years	24	-	17	-
	172	13	86	10

The total of future minimum sublease payments to be received under non-cancellable subleases at the balance sheet date is € 26 million (31 December 2006: € 26 million).

Leases as lessor - Non-cancellable operating lease rentals are receivable as follows:

	31 December 2007		31 December 2006	
	Land and buildings € million	Furniture, equipment, vehicles € million	Land and buildings € million	Furniture, equipment, vehicles € million
Not later than one year	18	0	14	0
Later than one year and no later than five years	50	0	36	-
Later than five years	39	-	37	-
	107	1	87	0

37. Contingent liabilities and commitments

Contingent liabilities :

Guarantees

- guarantees and standby letters of credit

- other guarantees

Commitments :

Documentary credits

Capital expenditure

	2007 € million	2006 € million
- guarantees and standby letters of credit	1,390	1,396
- other guarantees	1,132	590
	2,522	1,986
Documentary credits	145	104
Capital expenditure	52	21
	197	125
	2,719	2,111

As at 31 December 2007 a letter of guarantee that the Bank issued in favour of EFG Ora Funding Limited II amounted to € 385 million (2006: € 377 million) is included, against which the ultimate parent company of the Bank has guaranteed unconditionally and without the right of cancellation.

Legal proceedings

There were a number of legal proceedings outstanding against the Group as at the period end. The Group's management and its legal advisors believe that the outcome of existing lawsuits will not have a significant impact on the Group's financial statements.

38. Business segments

The Group is organised into five main business segments:

- Retail - incorporating customer current accounts, savings, deposits and investment savings products, credit and debit cards, consumer loans, small business banking and mortgages.
- Corporate - incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products to corporate entities.
- Wealth Management - incorporating private banking services, including total wealth management, to medium and high net worth individuals, insurance, mutual fund and investment savings products, and institutional asset management.
- Global and Capital Markets - incorporating investment banking services including corporate finance, merger and acquisitions advice, custody, equity brokerage, financial instruments trading and institutional finance to corporate and institutional entities, as well as, specialised financial advice and intermediation to private and large retail individuals as well as small and large corporate entities.
- New Europe - incorporating operations in Romania, Bulgaria, Serbia, Cyprus, Poland, Turkey and Ukraine.

Other operations of the Group comprise mainly of investing activities, including property management and investment, electronic commerce and the management of unallocated capital. Transactions between the business segments are on normal commercial terms and conditions. With the exception of Greece no other individual country contributed more than 10% of consolidated income or assets.

	31 December 2007							Total € million
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	Other € million	New Europe € million	Elimination center € million	
External revenue	1,238	324	239	343	35	638	-	2,817
Inter-segment revenue	98	20	(61)	(36)	29	(0)	(50)	-
Total revenue	1,336	344	178	307	64	638	(50)	2,817
Operating expenses	(591)	(109)	(61)	(70)	(71)	(522)	50	(1,374)
Impairment losses on loans and advances	(310)	(20)	-	(1)	-	(70)	-	(401)
Profit from operations	435	215	117	236	(7)	46	-	1,042
Profit before tax	436	215	117	236	0	46	-	1,050
Minority interest	-	-	(1)	-	(6)	(9)	-	(16)
Profit before tax attributable to shareholders	436	215	116	236	(6)	37	-	1,034
Income tax expense	-	-	-	-	-	-	-	(219)
Net profit attributable to shareholders								815
Segment assets	23,933	13,094	1,061	13,493	2,450	14,312		68,343
Associates	6	-	-	-	40	-		46
	23,939	13,094	1,061	13,493	2,490	14,312		68,389
Segment liabilities	17,287	5,100	7,058	18,391	8,409	6,785		63,030

	31 December 2006							Total € million
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	Other € million	New Europe € million	Elimination center € million	
External revenue	1,151	263	202	276	28	313	-	2,233
Inter-segment revenue	49	43	(47)	(34)	8	0	(19)	-
Total revenue	1,200	306	155	242	36	313	(19)	2,233
Operating expenses	(533)	(99)	(52)	(66)	(25)	(306)	19	(1,062)
Impairment losses on loans and advances	(274)	(33)	-	(0)	-	(37)	-	(344)
Profit from operations	393	174	103	176	11	(30)	-	827
Profit before tax	393	174	103	176	16	(30)	-	832
Minority interest	-	-	-	-	(6)	(1)	-	(7)
Profit before tax attributable to shareholders	393	174	103	176	10	(31)	-	825
Income tax expense	-	-	-	-	-	-	-	(224)
Net profit attributable to shareholders								601
Segment assets	20,119	10,882	748	13,885	1,964	6,174		53,772
Associates	6	-	-	-	42	-		48
	20,125	10,882	748	13,885	2,006	6,174		53,820
Segment liabilities	11,373	4,612	3,639	17,133	10,028	3,411		50,196

39. Post balance sheet events

Details of significant post balance sheet events are provided in the following notes:

Note 22: Shares in subsidiary undertakings
Note 43: Dividends

40. Acquisition of subsidiaries

Details of acquisitions of subsidiaries during the year ended 31 December 2007 that gave rise to goodwill are as follows:

	Fair value of total assets acquired €million	Fair value of total liabilities acquired €million	Fair value of net assets acquired €million	Consi- deration €million	Goodwill €million
Universal Bank OJSC	91	79	12	47	35
Tekfenbank A.S.	603	547	56	319	264
Tekfen Finansal Kiralama A.S.	11	7	4	4	(0)
Prospera securities A.D.	1	0	1	7	6
Accentis S.A.	0	0	0	1	1
Elliade Tower S.A.	27	15	7	7	(0)
Total	733	648	80	385	306

The above acquisitions have been accounted for by the purchase method of accounting. The acquired companies contributed a net gain of € 14 million to the Group during the period from the date of their acquisition to 31 December 2007. If the acquisitions had been completed on 1 January 2007, the acquired companies would have contributed revenue of € 196 million and net gain of € 12 million for the year ended 31 December 2007.

Included in the € 80 million of fair value of net assets acquired are € 186 million of cash and cash equivalents.

The acquisition of the 8.63% of the share capital of DZI Bank A.D. in 2007 is accounted for as equity transaction (€ 18 million), with the difference between the consideration and the share of the additional net assets acquired recorded directly in equity, in accordance with the Group's accounting policies. Changes in participating interests of subsidiary undertakings that have been recognised directly in equity include also Be-Business Exchanges S.A., Eurobank EFG Stedionica A.D. Beograd, Eurobank Properties R.E.I.C. and EFG Retail Services IFN S.A.

With respect to the acquisition of Reco Real Property A.D., negative goodwill amounted to €0.3m has been recognised in the Income Statement and is included in operating expenses.

The initial accounting for the business combinations that were effected during the period is presented provisionally since the determination of the subsidiaries' identifiable assets, liabilities or contingent liabilities, or the cost of the combinations has not been yet finalised.

Adjustments to the provisional values of previous year acquisitions

With respect to the acquisitions of 91.29% of the share capital of DZI Bank A.D. effected and presented provisionally in 2006, total goodwill has increased by €14.6 million as a result of adjustments that decreased the provisional values of net assets acquired by €14.4 million, and adjustments that increased total acquisition cost by €0.2 million.

41. Related party transactions

The Bank is a member of the EFG Group, which consists of banks and financial services companies, the ultimate parent company of which is EFG Bank European Financial Group, a credit institution based in Switzerland. All voting rights at the general meetings of EFG Bank European Financial Group are held by the Latsis family. The EFG Group controls 41.2% of the Bank. The remaining shares are held by institutional and retail investors.

A number of banking transactions are entered into with related parties in the normal course of business and are conducted on an arms length basis. These include loans, deposits, letters of guarantee and derivatives. In addition, as part of its normal course of business in investment banking activities, the Group at times may hold positions in debt and equity instruments of related parties. The volume of related party transactions and outstanding balances at the year-end are as follows:

	31 December 2007			31 December 2006		
	EFG Group €million	Key management personnel €million	Other €million	EFG Group €million	Key management personnel €million	Other €million
Loans and advances to banks	0	-	-	0	-	-
Available for sale investment securities	56	-	43	62	-	51
Loans and advances to customers	24	16	38	-	10	5
Other assets	-	0	3	0	0	4
Due to other banks	88	-	-	509	-	-
Due to customers	2	38	118	304	41	174
Derivative financial instruments liabilities	-	2	-	-	2	-
Other liabilities	2	-	0	2	-	0
Net Interest income/(expense)	(6)	(0)	(4)	(17)	(1)	(2)
Net banking fee and commission income/(expense)	(1)	0	4	0	0	2
Dividend income	-	-	2	-	-	-
Other operating income / (expense)	(1)	-	(0)	(4)	-	(0)
Letters of guarantee issued	386	-	3	378	-	3
Letters of guarantee received	411	-	-	411	-	-

Key management personnel includes directors and key management personnel of the Group and its parent, and their close family members.

41. Related party transactions (continued)

No provisions have been recognised in respect of loans given to related parties (2006: nil).

Based on agreements the Group provides portfolio management, custodian and share registry services to DIAS S.A. as associated undertaking.

Key management compensation (including directors)

Key management personnel are entitled to compensation in the form of short-term employee benefits € 12.8 million (31 December 2006: € 11.6 million) out of which € 4.1 million (31 December 2006: € 3.5 million) are share-based payments, and long-term employee benefits € 3.9 million (31 December 2006: € 2.4 million) out of which € 3.6 million (31 December 2006: € 2.0 million) are share-based payments.

42. Board of Directors

The Board of Directors of the Bank since the Bank's Annual General Meeting of 3 April 2007, other as noted below, is the following:

X. C. Nickitas	Chairman	
G. C. Gondicas	Honorary Chairman (non executive)	
Ms A.M.L. Latsis	1st Vice Chairman (non executive)	
L. D. Efraimoglou	2nd Vice Chairman (non executive)	
N. C. Nanopoulos	Chief Executive Officer	
B. N. Ballis	Deputy Chief Executive Officer	
N. B. Karamouzis	Deputy Chief Executive Officer	
M. H. Colakides	Deputy Chief Executive Officer	From 1 November 2007
H. M. Kyrkos	Executive	Until 25 October 2007
N. K. Pavlidis	Executive	
F. S. Antonatos	Non Executive	
A. K. Bibas	Non Executive	
E. L. Bussetil	Non Executive	
S. J. Latsis	Non Executive	
P. P. Petalas	Non Executive	
P. K. Lambropoulos	Independent Non Executive	Until 21 May 2007
P. V. Tridimas	Independent Non Executive	
S.L. Lorentziadis	Independent Non Executive	From 25 June 2007

The Board of Directors' term expires at the Annual General Meeting which will take place in 2010.

43. Dividends

Final dividends are not accounted for until they have been ratified by the Annual General Meeting.

On 9 November 2007, the Bank's Extraordinary General Shareholders Meeting approved the distribution of an interim dividend of € 0.32 per share, amounting to € 166 million, which was paid on 10 December 2007. The final dividend of € 0.50 per share proposed by the Board of Directors for 2007 on 7 February 2008, subject to the approval of the upcoming Annual General Meeting of Shareholders, brings the 2007 dividend to € 0.82 per share (2006: € 0.75 as adjusted for the issue of 2 shares for every 10 held and the rights issue of 2 new shares for every 15 held) totalling € 425 million (2006: € 350 million).

For 2006, an interim dividend of €0.29 per share (adjusted as above) amounting to €136 million had been paid in December 2006 in accordance with the decision of the Board of Directors on 31 October 2006. The remaining final dividend of €0.46 per share amounting to €214 million was paid in April 2007 and has been accounted for in shareholders' equity as an appropriation of retained earnings during the period from 1 April 2007 to 30 June 2007.

Athens, 25 February 2008

Xenophon C. Nickitas
I.D. No Θ - 914611
CHAIRMAN OF THE BOARD OF DIRECTORS

Nicholas C. Nanopoulos
I.D. No Σ - 237468
CHIEF EXECUTIVE OFFICER

Paula Hadjisotiriou
I.D. No T - 005040
CHIEF FINANCIAL OFFICER

Harris V. Kokologiannis
I.D. No AE - 083615
HEAD OF GROUP FINANCIAL SERVICES