



HELLENIC BANK

ANNUAL REPORT 2009

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BASIC FINANCIAL HIGHLIGHTS

	2009	2008	2007	2006	2005
CUSTOMER DEPOSITS AND OTHER CUSTOMER ACCOUNTS					
€ million	6.574,0	6.146,5	5.860,5	5.314,7	4.276,3
LOANS AND ADVANCES					
€ million	5.029,6	5.012,9	4.093,1	3.330,4	2.848,1
BALANCE SHEET TOTAL					
€ million	8.294,7	7.826,8	7.357,3	6.488,6	5.263,5
CAPITAL RESOURCES					
€ million	519,9	440,4	525,0	363,1	282,4
GROUP OPERATING PROFIT BEFORE PROVISIONS FOR IMPAIRMENT OF LOANS AND ADVANCES					
€ million	99,4	84,3	165,3	109,6	55,3

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 36th Annual General Meeting of the HELLENIC BANK PUBLIC COMPANY LIMITED will be held at the registered office of the Bank, corner Limassol Avenue & 200 Athalassa Avenue, Strovolos - Nicosia, on Wednesday 19th May 2010 at 5:30 p.m.

Agenda

1. To consider and approve the Directors' Report for the year ended 31st December 2009.
2. To consider and approve the Accounts and the Auditors' Report thereon for the year ended 31st December 2009.
3. To declare the dividend for the year 2009.
4. To elect Directors in the place of those retiring.
5. To approve the Remuneration Policy Report and to fix the remuneration of the Directors.
6. To re-appoint the Auditors and fix their remuneration.

By order of the Board,
CHARALAMBOS MOUSOULIDES
Company Secretary

Nicosia, 29th March 2010

Every shareholder having the right to be present and vote at the above Meeting is entitled to appoint a Proxy, whether shareholder or not, to be present at the meeting and vote on his/her behalf. The relative instrument of proxy must be drawn in accordance with the provisions of Article 83 of the Articles of Association of the Hellenic Bank Public Company Ltd and must be deposited at the registered office of the Bank, corner Limassol Avenue & 200 Athalassa Avenue, 2025 Strovolos - Nicosia, not later than 48 hours before the time fixed for the Meeting. The proxy so appointed does not have to be a shareholder of the Bank in his/her own right.

Note: At its meeting on 25th February 2010, the Board of Directors of the Company decided to propose for approval Thursday, 27 May 2010 as the ex-dividend date. Consequently, transactions that take place until Wednesday, 26 May 2010 (inclusive), will be eligible to receive the dividend. The dividend, will be paid to eligible shareholders on Monday, 28 June 2010, provided that it is approved by the Annual General Meeting.

BOARD OF DIRECTORS AND GENERAL MANAGEMENT

BOARD OF DIRECTORS OF THE HELLENIC BANK PUBLIC COMPANY LTD

Andreas P. Panayiotou, CHAIRMAN
Andreas M. Moushouttas, VICE – CHAIRMAN
Iacovos G. Iacovou
Antonis I. Pierides
Demetris J. Eliades (resigned on 01.03.2010)
Soteris Z. Kallis, Senior Independent Director
Charalambos P. Panayiotou
Ioannis Ch. Charilaou
Georgios K. Pavlou
Kyriakos E. Georgiou
Makis Keravnos
Pieris Th. Theodorou (resigned on 11.01.2010)
Kyriacos I. Droushiotis
Glafkos G. Mavros (appointed on 11.01.2010)

CHIEF EXECUTIVE OFFICER

Makis Keravnos

GENERAL MANAGEMENT OF THE HELLENIC BANK GROUP

Pieris Th. Theodorou, General Manager (retired on 31.12.2009)
Marios Clerides, General Manager
Glafkos G. Mavros, General Manager
Thomas P. Stylianos, General Manager
Antonis Rouvas, General Manager (as from 01.01.2010)
Nearchos Marangos, General Manager Greece (until 30.11.2009)
Ekaterini Shiakalli, General Manager Greece (as from 01.12.2009)

GROUP CHIEF FINANCIAL OFFICER

Antonis Rouvas

AUDITORS

KPMG

LEGAL ADVISERS

Costas Ch. Velaris
Alec F. Markides

SECRETARY

Pieris Th. Theodorou (resigned on 31.12.2009)
Charalambos Mousoulides (appointed on 01.01.2010)

REGISTERED OFFICE

Corner Limassol Avenue & 200 Athalassa Avenue, 2025 Strovolos
P.O.Box 24747, 1394 Nicosia, Cyprus

CHAIRMAN'S STATEMENT



Dr Andreas P. Panayiotou
Chairman

Dear Shareholders,

I communicate with you once again to inform you of the Group's performance and activities for the year ended 31 December 2009.

The proper assessment of economic conditions, timely prevention policy and rational management of the adverse effects of the global financial crisis assisted Hellenic Bank in achieving its targets for 2009. By activating all its strengths and utilising every relative advantage, the Hellenic Bank Group succeeded in maintaining its financial robustness and ensuring its profitability. For the year ended 31 December 2009, the Group showed profit before taxation amounting to €36,1 million compared to a profit of €44,6 million for the year 2008.

Despite the global economic conditions, the Group improved its capital adequacy ratio, maintained comfortable and healthy levels of liquidity and proceeded cautiously and rationally to its further development, towards its perpetual targets of portfolio quality and profitability. On the 31st December, 2009, the Group's Capital Adequacy Ratio, based on the relevant Central Bank of Cyprus Directive for the calculation of the capital requirements and large financial exposures (Basel II), reached 14% compared to 11% on 31st December, 2008.

In order to strengthen its capital base, on the 11th March, 2009, the Bank proceeded with the issue of 2019 Bonds, amounting to €90 million. Trading of the Bonds on the Cyprus Stock Exchange began on the 27th May, 2009.

Taking into consideration market conditions and the results of the year, the Bank's Board of Directors decided to propose payment of a dividend of €0,05 (five cents) per share for 2009 at the shareholders' Annual General Meeting.

The acquisition of 100% of the share capital of the subsidiary company Athena Cyprus Public Company Ltd was an important development. The ultimate aim of this was the absorption of the company and incorporation of its operations into those of Hellenic Bank in order to succeed in the more co-ordinated implementation of the Group's strategic plans.

Within the same framework, the Bank also proceeded with the absorption of the activities of the subsidiary company Hellenic Bank (Finance) Ltd. Following all legal procedures, the clientele of Hellenic Bank (Finance) Ltd was transferred to the Bank on the 1st February 2010, and the finance products have been integrated into the Bank's range of products, aiming at the provision of upgraded customer service and the further development of operations in the finance sector.

In Greece, the financial crisis and downturn had an adverse effect on the quality of the loan portfolio of the Branch Network and a consequent negative impact on its results. Following its Strategic Plan for the Branch Network in Greece, the Group continues with its reorganisation and has concurrently proceeded with changes in the managerial and operational structure.

During the first quarter of 2009, Hellenic Bank obtained a license from the Central Bank of Russia to conduct banking operations in Russia. The date of commencement of full banking operations, via the subsidiary company LLC CB Hellenic Bank, will be determined following completion of the necessary preparatory actions and after evaluation of the financial conditions and market developments. Operations will be conducted in Moscow, in premises purchased by the Bank in 2008. At the same time, the Bank continued to develop the synergies arising from the operations of the Representative

Offices which widen the network of associates and promote the Group's products and services. The Group currently operates four Representative Offices, two in Russia (Moscow and Saint Petersburg), one in Ukraine (Kiev) and one in South Africa (Johannesburg).

Dear Shareholders,

Year 2009 was marked by the continuing banking crisis and the ensuing financial recession but also displayed signs of stabilisation, both in the banking systems of the affected countries and their real economies. The Group's Management and Administration closely monitors and carefully assesses developments, taking all the necessary measures to deal with the difficult economic conditions and the consequences of the economic crisis. Within the framework of its preventive policy, the Bank has proceeded in making the necessary arrangements and has supported and assisted its customers and the Cyprus economy in general. At the same time, the Bank monitors, on a daily basis, both international developments and the risks to which it is exposed just as every other financial institution. The Group manages risks effectively, using various procedures, and adjusting its actions according to the best interests of the Group.

Hellenic Bank Group displays continuity and consistency in its support of initiatives that promote the Arts and Cypriot culture. Within this framework and following a policy focused on its responsibility towards society, Hellenic Bank proceeded in the promotion and organisation of numerous and noteworthy exhibitions in 2009. It organised and hosted an interesting exhibition of nineteenth- and twentieth-century Cypriot and English coins from private collections, as well as an exhibition of paintings by the renowned artist Takis Moraitis. Supporting the full range of cultural activities, the Hellenic Bank Cultural Centre hosted the *Cypriot Gardens* photography exhibition and the *Pantanassa* exhibition, as well as presenting a range of concerts to music lovers in Cyprus. It concurrently continued sponsorship of the Hambis Engraving Museum, whose programme continues to be

enriched further. In addition, it sponsored publication of the latest edition of the *Monuments and Memories* series, which refers to the history of Kyrenia, by Dr Rita Severis. Finally, it continued, amongst others, its support towards the ecological schools and its collaboration with the Diastasis Cultural Association and the Avantgarde Cultural Foundation.

The current year is expected to be a difficult one but I am convinced that, with proper assessment of the economic conditions, enthusiasm, hard work, common sense and the professionalism that distinguishes our staff, we will achieve our goals of continuing this profitable course and further development of the Group. We move towards the future with a vision, strategic planning, a contemporary organisational structure and determination. Supported by our customers, staff and shareholders, we are building for a future where Hellenic Bank is even more powerful but always friendly and humane.

In conclusion, I would like to express my sincere gratitude to the Chief Executive Officer, Mr. Makis Keravnos, to the Members of the Boards of Directors of the Bank and its subsidiary companies, and to the Chairmen and Members of the Committees of the Boards of Directors for their excellent work and impeccable and productive co-operation. I thank our shareholders and customers for their trust in the Group. I also thank the Legal Advisers and Auditors of the Group for their valuable services. In closing, I would like to thank the Group's Management and staff for their diligence and their love and devotion to the Group.



Dr Andreas P. Panayiotou
Chairman

Nicosia, 29th March, 2010

CHIEF EXECUTIVE OFFICER'S REVIEW



Makis Keravnos
Chief Executive Officer

Dear Shareholders,

In spite of the global financial crisis, the Group took rational measures, preserved its financial strength, ensured its profitability and achieved further growth. Most importantly, it displayed strong capital adequacy and liquidity, factors that perpetuate its strong presence in the Cypriot economy.

FINANCIAL YEAR 2009

Year 2009 may be termed a recession year as the global crisis affected Cyprus with the expected delay. While the financial crisis in the global economy began in the banking system and moved to the real economy, in the case of Cyprus the crisis affected the real economy first due to the open economy of the country and its direct dependence on external factors. The subsequent reflection of the negative consequences on Cypriot banks resulted in a lack of liquidity for some time, the abrupt rise in deposit interest rates and the continuing high cost of funds.

Based on the prevailing conditions in the financial environment, the Group's targets in 2009 focused on monitoring the quality of the loan portfolio, aiming to maintain and improve it; to ensure comfortable, healthy liquidity; to safeguard capital adequacy indices; and to develop operations selectively in order to ensure profitability. For the year ended 31st December, 2009, the Group displayed profit before taxation amounting to €36,1 million, compared to profit of €44,6 million for 2008.

Total net income increased by 11%, mainly due to the

increase in certain non-interest incomes, reaching €269,6 million, compared to €243,2 million for 2008, while there was a concurrent increase of 7% in the total expenses. The cost/income ratio subsequently improved, decreasing to 63,1%, compared to 65,3% for 2008.

Net gains/ losses on disposal and revaluation of foreign currencies and financial instruments included in the total net income increased from losses of €30,4 million for 2008 to a profit of €4,3 million in 2009. This amount consists mainly of profit arising from positive consequences on the values of financial instruments following improvement in the price indices of the Cyprus Stock Exchange and international markets during the year.

The deterioration of conditions in the financial environment due to factors independent from us has contributed towards a compulsory increase in the forecast for impairment of loans and advances compared to 2008. Income Statement provisions for the impairment of loans and advances for the year ended 31st December, 2009, amounted to €63,2 million, increasing by €23,6 million from the corresponding 2008 amount.

Total customer advances amounted to €5,0 billion in December 2009 and remained fairly consistent with those of 2008, while customer deposits increased by 7%, reaching €6,6 billion, compared to €6,1 billion in December 2008.

The Group maintains comfortable liquidity, benefiting from its high, stable deposit base. Specifically, in December 2009, the ratio of gross loans to deposits remained at a very satisfactory level of 76,5% (December 2008: 81,6%).

Following expiry of Hellenic Bank's Public Offer for acquisition of up to 100% of the share capital of Athena Cyprus Public Company Ltd ('Athena') in September 2009, the Bank increased its share to 93,55%. The Bank subsequently activated the procedure for exercising its right to squeeze-out acquisition of the remaining shares. At the end of this process, it acquired 100% of Athena's share capital,

with the ultimate aim of absorbing the subsidiary company and incorporating its operations with those of the Bank.

On the 11th March, 2009, the Bank proceeded to issue 10-year 2019 Bonds, with a nominal value of €100 each and amounting to €90 million, thus further strengthening the Group's capital base.

In Greece, the financial crisis and its consequences on the quality of the loan portfolio and interest rate margins had a negative impact on the year's results, which displayed a loss before taxation of €61,8 million, compared to a loss of €29,2 million for 2008. The Group continues with the restructuring of the Branch Network in Greece as one of its major strategic targets, focusing on core banking operations. At the same time, it has proceeded with changes in the management and operational structure.

STRATEGIC TARGETS

In determining strategic targets, the new realities of the Cyprus economic environment were borne in mind, as were those of the international and European economies.

The Group's strategic targets during 2009 focused on the maintenance and improvement of loan portfolio quality, ensuring healthy liquidity, safeguarding the capital adequacy index, and cautious and rational growth, with a perennial target of loan portfolio quality and profitability.

CHALLENGES AND PROSPECTS FOR 2010

The Group's Administration and Management closely monitors and carefully evaluates developments, taking all the necessary measures to face the difficult economic conditions and the consequences of this unprecedented financial crisis. In the context of its precautionary policy, it has proceeded with the necessary arrangements and has supported and assisted its customers, as well as the Cyprus economy in general.

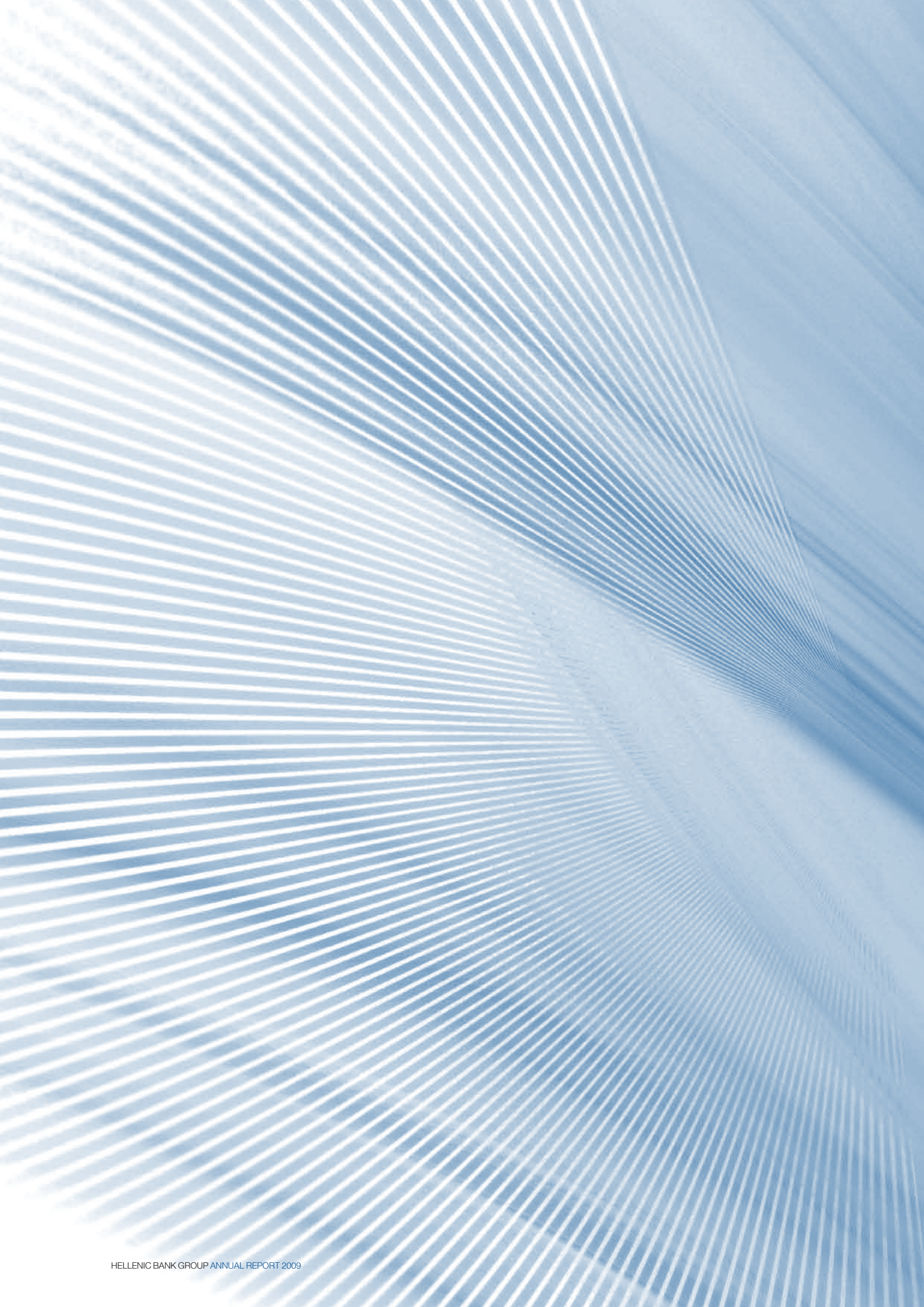
Hellenic Bank estimates that 2010 will also be a very difficult year for the Cyprus economy, characterised by

low growth rate, rising unemployment and low credit expansion. A marginally positive growth rate of approximately 0,5% is projected for 2010, which is not expected to be enough to stem the rise in unemployment (estimated to rise further to approximately 6,5%-7% by the end of the year). However, the Group aims to also chart a profitable course during 2010, assuming market conditions allow it.

In closing, I would like to express my deep gratitude to the Chairman and the Members of the Board of Directors for their excellent co-operation and support. I wish to especially thank our shareholders and customers for their unwavering support and confidence. Finally, I thank the Group's management and personnel for their dedication and hard work.



Makis Keravnos
Chief Executive Officer
Nicosia, 29th March, 2010





REVIEW

OF GROUP OPERATIONS

REVIEW OF GROUP OPERATIONS

FINANCIAL RESULTS 2009

The Group showed profit before taxation for the year ended 31 December 2009 amounting to €36,1 million compared to profit of €44,6 million for the year 2008.

Based on the conditions prevailing in the financial environment, the strategic targets of the Group during 2009 focused on the maintenance and improvement of the quality of the loan portfolio, the safeguarding of sound liquidity, the safeguarding of the capital adequacy ratios and cautious and rational growth, with the permanent target of profitability.

Total net income increased by 11%, mainly due to the increase in certain non interest income, reaching the amount of €269,6 million compared to €243,2 million for the year 2008, while at the same time total expenses increased by 7%. As a result, the cost to income ratio is 63,1% and is lower than the level of 65,3% for 2008.

Net gains/losses on disposal and revaluation of foreign currencies and financial instruments, included in total net income, increased from losses of €30,4 million for the year 2008 to gains of €4,3 million for the year 2009. These mainly include gains arising from the positive impact on the values of financial instruments following the improvement in the Cyprus Stock Exchange (CSE) and international market indices during the year.

The deterioration of the conditions in the financial environment has contributed towards the increase in provisions for impairment of loans and advances compared to 2008. Provisions for impairment of loans and advances in the Income Statement for the year ended 31 December 2009 amounted to €63,2 million and increased by €23,6 million from the corresponding 2008 amount. Accumulated provisions for impairment of loans and advances at 31 December 2009 reached the amount of €468,1 million (December 2008: €403,5 million) and represent 9,3% (December 2008: 8,0%) of total loans.

Total customer advances amounted to €5,0 billion in December 2009 and have remained fairly stable compared to 2008, while customer deposits increased by 7% reaching the amount of €6,6 billion compared

to €6,1 billion in December 2008.

In Greece, the financial crisis and its consequences on the quality of the loan portfolio and on interest rate margins had a negative impact on the results of the year, which show a loss before taxation of €61,8 million, compared to a loss of €29,2 million for 2008. The Group continues with the reorganisation and development of the Branch Network in Greece, as one of its major strategic targets, focusing on core banking operations. At the same time it has proceeded with changes in the management and operational structure in Greece.

During the first quarter of 2009, Hellenic Bank has obtained a license for conducting banking operations in Russia from the Central Bank of Russia. The date of commencement of full banking operations through the subsidiary company will be determined following the completion of the necessary preliminary actions and after evaluating the financial conditions and market developments.

Following the expiry of the Public Offer of Hellenic Bank for the acquisition of up to 100% of the share capital of Athena Cyprus Public Company Ltd ("Athena") in September 2009, the participating interest of the Bank in Athena increased to 93,55%. The Bank has subsequently activated the procedure for exercising its right to acquire the remaining shares in Athena (squeeze-out). At the conclusion of this process it has acquired 100% of Athena's share capital with the ultimate aim of absorbing the subsidiary and incorporating its operations with those of the Bank.

The Group maintains comfortable liquidity, benefiting from its high stable deposit base. More specifically, in December 2009 the ratio of gross loans to deposits remains at the highly satisfactory level of 76,5% (December 2008: 81,6%).

Equity attributable to the owners of the Bank reached the amount of €519,9 million at 31 December 2009, compared to €440,4 million in December 2008. The return on equity of the Group based on the results of the year 2009 was 5,7% (2008: 7,0%).

On the 11th March, 2009, the Bank proceeded with the issue of Bonds 2019 with 10-year duration, amounting to €90 million, with a nominal value of €100 each. The trading of the Bonds on the Cyprus Stock Exchange commenced on the 27th May, 2009.

At 31 December 2009, the Group's Capital Adequacy Ratio, based on the relevant Central Bank of Cyprus Directive for the calculation of the capital requirements and large exposures (Basel II), was 14% (31 December 2008: 11%).

Taking into consideration the market conditions and the results for the year, the Bank's Board of Directors proposes to the Annual General Meeting of the shareholders the payment of a dividend for the year 2009 of €0,05 (5 cent) per share.

DOMESTIC OPERATIONS

CORPORATE BANKING DIVISION

The Corporate Banking Division's primary and constant aim is to continuously provide ever-improving, qualitative services to large business units and public companies which are active in both Cyprus and overseas, as well as semi-governmental organisations.

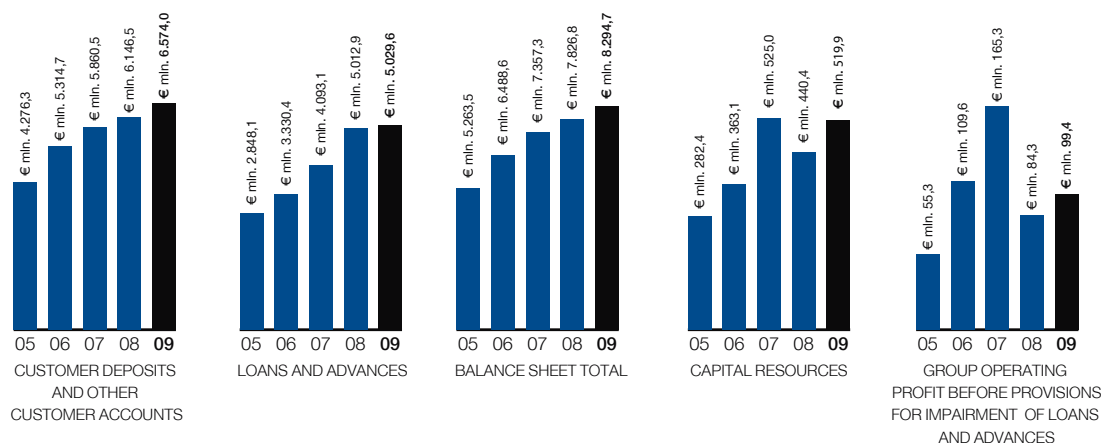
Friendly, effective customer service is still the primary factor in the achievement of this goal, as well as offering consulting services for clients' future needs. The latter is especially important given the persistent general downturn due to the global economic crisis which prevailed during 2009 and continues, to a great degree, to do so during 2010. The Group's Departments

and Services are collaborating in order to enable the offering of comprehensive solutions, consisting of the full range of the Group's products and services and according to constantly-changing customer needs.

The Corporate Banking Division is comprised of five Centres in the Republic of Cyprus, one in Athens and one in Thessaloniki. They are staffed by experienced, well-trained, qualified Officers and primarily aim to offer prompt and effective customer service. To this end, 2009 saw the implementation of a new, automated system for the preparation and approval of requests for funding within the framework of a new lending policy, resulting in the simplification of assessment and approval procedures and consequently increasing productivity and effectiveness. The Leasing Department of Greece also falls under the jurisdiction of the Division and deals with leasing for property, equipment and transport, fully addressing the needs of customers who benefit from taxation advantages offered by this solution. The Department contributes significantly to the Group's profitability, as well as to the reduction of finance-related credit risk.

BUSINESS SERVICES DIVISION

2009 was another successful year for the Business Services Division, which managed to reach its target of profitability and maintain it at a high level. It simultaneously increased income from grants and other sources, improved portfolio quality, maintaining non-productive accounts at very low levels, and succeeded in the qualitative development of its operations.



The economic crisis has predominantly affected the construction, land development and tourism sectors, which form the backbone of the Cypriot economy, causing a knock-on effect in other sectors of the economy and, of course, influencing the Business Services Division's customers' operations. The Division, in its awareness of the prevailing difficult conditions, is in constant contact with its customers in order to face whichever issues may arise with flexibility, thus ensuring the continued smooth running of operations.

As a result of its efforts to assist small- and medium-sized enterprises (SME), the Bank has taken a loan of €28 million from the European Investment Bank. The Bank will contribute an additional €28 million (for a total of €56 million), which will be made available to customers at very low interest rates. The scheme is very successful and demand is extremely high.

The Business Services Division aims to offer modern, ever-improving services and specialised products which are adjusted to the ever-changing economic environment in order to satisfy and fully cover the banking needs of both SME active in all sectors of the economy and their managers and shareholders. The Division also aims to maintain long-term professional relationships with its customers via friendly service of a high quality.

The Business Services Division is staffed by qualified, experienced and specially-trained Officers who use the Bank's technologically-advanced and continuously upgraded systems for better, faster customer service. The Division is comprised of seven Business Centres in the Republic of Cyprus. During 2009, Nicosia's three Centres became two and the Famagusta district Centre moved to new premises in order to improve customer service in the area. Personal Customer Officers are able to provide clients with comprehensive solutions from the Group's extensive range of products and services for whichever banking needs they may have.

INTERNATIONAL BUSINESS DIVISION

The International Business Division contributed significantly to the Group's profitability. There was a rapid increase in its turnover, an increase in profitability and exceeding of almost all set targets.

2009 was another year of collective work and growth, and service of a high quality and a competitive pricing policy were important factors in determining this profitable course. The latter was based on the development of technology and the Division staff's high level of professionalism and responsibility.

Cyprus, as a European state developing its geopolitical advantage, its favourable corporate taxation status quo and its contemporary legal, accounting and banking systems, has the potential to establish itself as a financial services centre. The banking system has fully aligned itself with the European Union's data and directives, and has upgraded the quality of the services it offers.

During 2009, the Bank restructured the International Business Division. A separate Compliance Department was created and Business Development and Strategic Development Officers were appointed. Employee training continued and new, specialised staff was hired. At the same time, extension of independent review was successful as all three International Business Centres received ISO 9001:2008 quality management certification. The qualitative improvements in technology via new software for opening accounts and the automation of outgoing messages, as well as the choice of three languages in the Bank's Netbanking service, have proved to be key factors in the Division's success during 2009.

PERSONAL BANKING DIVISION

The Personal Banking Division faced considerable challenges during the past year. Banking operations and the Division's customers were directly affected by the negative economic environment, thus focusing Management and staff efforts in containing problematic accounts and portfolio consolidation. The co-ordination and professionalism of Division staff allowed them to maintain non-performing accounts at the same level as 2008, despite the negative climate.

An increase in clientele was pursued via structured promotional campaigns for both loans and other products related to banking operations. Cross-selling within the existing clientele was actively encouraged, a credit cards reward scheme was implemented and road tax renewals were heavily promoted throughout the Bank's branch network. As a result of the

co-ordinated efforts in promoting its credit cards, the Division achieved the highest rate of growth in credit cards amongst Cypriot banks.

The Personal Banking Division's housing loans were enriched by new products, both in euros and foreign currency, and Hellenic Bank's new low base rate for housing loans was introduced in an effort to rejuvenate the property market and allow the Division's customers to enjoy competitive and low interest rates.

In 2009, upgrading of the Division's network of branches continued, aiming at better customer service. The effort to create larger, well-staffed branches to serve all banking operations will continue. At the same time, Division staff training and upgrading of technology also continued, with emphasis placed on the simplification of procedures and improvement in the level of customer service.

SUGGESTIONS AND COMPLAINTS DEPARTMENT

The Group develops relationships based on mutual trust and benefit with its clients. This fundamental principle ensures the Group's long-term development.

In this spirit and within the framework of upgrading the level of customer service offered and the improvement of the Bank's operational sectors, the Customer Suggestions and Complaints Department was created in October 2008.

The Department handles customer complaints objectively and independently. The entire complaints processing procedure is treated confidentially and handled immediately (at the very latest within fifteen working days), adhering strictly to the Code of Banking Practices and Ethics. The procedure for submitting complaints and suggestions is simple and customers have been informed accordingly. Even though the number of complaints is extremely small when compared to the Bank's large clientele, complaints and suggestions submitted lead to the identification of areas which need improvement. The opinion expressed by customers is thus taken seriously in the entire effort to improve effectiveness.

PRODUCT DEVELOPMENT AND SALES SUPPORT

2009 was a year of atypical economic circumstances which affected both businesses and households. By studying and analysing these challenges in a timely and systematic manner, the Group proceeded to upgrade its range of products. Its objective was to provide support to its clients via the range of offered products so that they, in turn, could manage the extraordinary economic circumstances they faced. Within this framework, the 'Business Solution' Scheme was upgraded so that it could completely meet the needs of businesses regarding borrowing for business premises, working capital, purchasing of professional equipment, and borrowing for the purchase of a car for business use.

Hellenic Bank simultaneously co-operated with the European Investment Bank to develop a special financing scheme, with preferential terms and rates, for new or existing SME wishing to benefit from such facilities. Special attention was paid to the housing needs of individual clients, one of the greatest needs for loans. For the first time, the specialised Housing Base Rate (HBR) was created. This low base rate actively and dynamically assisted housing loan recipients and, indirectly, land development companies. A new, pioneering housing scheme was also promoted. The base rate for this is the Euribor, thus offering clients additional options for loans.

Another great client need is the financing of studies, and the 'Education' Scheme, which provides lending for all educational needs, was thus enriched. It is offered with the Student Card, which provides special student privileges, and the Student Medicaid, which provides insurance cover for immediate hospital care. Furthermore, a consumer product offering loan consolidation at a low rate and with other benefits was promoted, aiming at providing households with relief from the economic crisis.

Hellenic Bank, in promoting local environmental consciousness, strengthened its existing environmental policy by creating a new product, the Eco AUTOloan, which provides financing for the purchase of a hybrid or electric car or motorcycle.

At the same time, the Group continued to offer deposit products with favourable terms, as well as savings Schemes for its younger friends. Specifically, the 'Winners' Team' savings scheme for children up to thirteen years of age was upgraded; it is the only savings product which offers free life insurance for the parent or legal guardian, via the Hellenic Alico Life Insurance Company Ltd.

TREASURY ACTIVITIES

The Treasury Department is responsible for the management of the investment portfolio and the market and liquidity risks of the Group. It acts within the policy and limits set by the Assets and Liabilities Management Committee (ALCO).

During 2009, the Treasury Department's primary objective continued to be the management of the existing portfolio with the aim of minimising any negative impact. At the same time the improvement in the international financial markets, especially during the second half of the year, has contributed significantly towards the Department's profitability.

In the foreign exchange market, the Department maintained its satisfactory profitability despite intense competition and the reduction in customers' transactions due to the prolonged economic crisis.

PRIVATE BANKING

The Private Banking Unit is a specialised Unit whose primary aim is the evaluation and satisfaction of the needs of high net worth individuals in Cyprus, Greece and other overseas countries. The Unit provides access to a multitude of international investment options, such as:

- Mutual funds of leading overseas companies
- Investment products, including capital guaranteed products
- Stock exchange transactions for shares and bonds traded in the major international markets
- Trading in precious metals, including gold
- Deposit products
- Loans against portfolio

Despite the fact that 2009 was the year in which the greatest financial crisis of the last sixty years peaked, the Unit's results were especially satisfactory as profitability remained high and managed funds displayed growth. As recognition of its long-term successful strategy to provide advanced products and services to its customers, the Unit was awarded the 'Best Local Private Bank in Cyprus' distinction for the second consecutive year, by respected economic magazine Euromoney.

Gradual unification of operations with the corresponding Unit in Greece also began in 2009 with the creation of the Group's Private Banking Unit.

CUSTODIAN SERVICES

The Department significantly increased both its level of profitability and clientele. The establishment of Hellenic Bank as the Cypriot market's preeminent Custodian assisted the Department in the significant expansion of its clientele, especially amongst local institutional investors. The majority of organised Pension Schemes and Provident Funds that use a Custodian trust Hellenic Bank. Hellenic Bank also acts as Custodian for 70% of International Collective Investment Schemes registered in Cyprus.

Hellenic Bank was a pioneer in the establishment of custodianship in the Cypriot market and its Custodian Services actively participate in the clearing and settlement systems of the Cyprus and Athens Stock Exchanges. It offers its clients – both local and foreign institutional investors – the opportunity to eliminate all operational and other risks which may arise from their activity in financial instruments trading in Cyprus and Greece.

The modernisation of Cypriot legislation regarding collective investments offers the Custodian Services the opportunity to develop quickly in the Cypriot market. Hellenic Bank volunteers its expertise to the administrators of collective investments, assisting in the safe administration of their investments.

The Custodian Services has operated a custody unit in Athens since 2008. This has managed to create a broad client base in a very short time period, including both institutional investors and mutual funds.

Through the creation of a carefully-selected network of sub-custodians in most markets, as well as its physical presence in the Cypriot and Greek markets, the Department is a market leader, offering a broad range of custodian services. The services cover the Cypriot, Greek and overseas markets, following the standards set by international banking giants. The offered products cover core custodian services, such as transactions settlement, safekeeping, cash management, corporate actions, tax reclaim and reporting services, as well as specialised services to foreign custodians, administrators of collective investment schemes, escrow agency services and fiduciary deposits.

The Custodian Services participated in the annual evaluation of Custodians conducted by the international *Global Custodian* magazine for the fourth consecutive year. Most Custodians operating in the Cypriot market, either physically or remotely, were once again evaluated. The Bank's Custodian Services were assessed as being 'Top Rated', the highest possible distinction.

HELLENIC BANK (INVESTMENTS) LTD

The year 2009 was yet another difficult year for the financial services sector, both in Cyprus and globally. The negative consequences of the world financial crisis which affected 2008 so significantly, spilled over into the real economy in 2009, resulting in a reduction of economic growth rates, a rise in unemployment and a serious deterioration of public finances. At the same time, the likelihood of a collapse of the global banking system posed a serious threat to markets.

Reflecting these developments, stock markets across the globe declined significantly during the first months of the year. Progressively though, from March 2009 onwards, following the massive support measures implemented by fiscal and monetary authorities, the first signs of stabilisation slowly became visible. Markets gradually even factored in an economic recovery and not only did they reverse the negative performance of the first few months, but also recorded extraordinary returns, later during the year.

However, during the latter months of the year and despite the still favourable international environment, the specific

macroeconomic problems facing Greece and Cyprus had their toll on their equity markets. The performance of the stock markets in the two countries subsequently fell considerably off their peaks. At the end, the increase in the Cyprus Stock Exchange (CSE) during 2009 was limited to 45%, while the corresponding increase of the Athens Exchange (ATHEX) was approximately 23%.

All of these indicate that the past year was a difficult one, marked by extreme fluctuations in share prices throughout the year, depending on developments. At the same time, a significant drop in daily trading volumes was also recorded during 2009 in both the CSE and ATHEX, the main equity markets in which the company operates.

In this highly volatile environment, Hellenic Bank (Investments) Ltd continued to be profitable, contributing satisfactorily towards Group financial results. The Brokerage Department had a significant contribution towards company results as it managed to substantially increase the company's market share in CSE and more than doubled its market share in ATHEX, as it also did in 2008.

The Portfolio Management Department continued to service the needs of its institutional clients, providing high-level investment services and access to the main international stock markets. Through close monitoring of world markets, fund managers were able to take advantage of the high volatility and share price fluctuations, thus achieving better returns for the investment portfolios under management.

There is no doubt that 2009 was a year full of challenges. Despite that, the company's well-trained staff, with the dedication and zeal which distinguishes them, coupled with the widespread use of technology, contributed towards the company's remarkable profitability and efficiency indicators.

ATHENA CYPRUS COMPANY LTD

The year 2009 was marked by the significant change in the company's ownership structure, as Hellenic Bank became its sole shareholder as of December 2009. More specifically, in spring 2009, Hellenic Bank submitted a public offer to all shareholders of the Company, to acquire 100% of Athena's share capital,

compared to the 77,9% ownership stake it previously held. At the end of the acceptance period of the public offer, in September 2009, the stake of Hellenic Bank reached 93,55% of Athena's share capital. Consequently, the Bank exercised its right to acquire the remaining shares (squeeze out), eventually obtaining 100% of Athena's share capital by the end of 2009.

The ultimate objective of the above was to absorb the company and incorporate its activities and operations with those of the Hellenic Bank Group in order to ensure a more efficient and coordinated implementation of the Group's strategic plans. It is worth noting that, following the acquisition of 100% of the company's share capital, Athena's shares were delisted from the Cyprus Stock Exchange and the company became a private one under the new name 'Athena Cyprus Company Limited'.

Operationally, the company proceeded unabatedly with the implementation of its investment policy by enforcing a more active management of its investments. Its primary goal was to further restructure its investment portfolios (mainly the equity portfolios), with primary objective the maximisation of their returns and the improvement of their marketability. Furthermore, emphasis was placed on short-term trading positions in order to take advantage of the intense volatility exhibited by the local market, as well as on foreign investments (that is, those beyond the Cyprus and Athens Stock Exchanges), in an effort to further diversify investment risk.

The year 2009 was a particularly challenging year with many uncertainties and excessive volatility. Despite these, the company managed to achieve satisfactory results, within the agreed framework of its investment policy.

HELLENIC BANK (FINANCE) LTD

Hellenic Bank (Finance) Ltd has contributed substantially to the Group's profitability, developing the finance needs of both the Bank's clientele and other customers. During 2009, there was a significant decrease in the import, resale and registration of motor vehicles.

As indicated by a specialised survey conducted by an

independent company, staff enthusiasm, friendliness and interpersonal relationships rank the company highly in the preferences of Cyprus residents, thus maintaining the value of the human factor as a primary weapon in an intensely competitive environment.

In July 2009, the Board of Directors approved a plan for the parent company to restructure and absorb the company's operations. The company's assets and commitments were transferred to the Bank on the 31st January, 2010, following completion of all legal procedures. Thus, from this date, the clientele of Hellenic Bank (Finance) Ltd has been transferred to the Bank and its finance products incorporated into the Bank's range of products. This aims at both upgraded customer service and further expansion of operations in the finance sector.

FACTORING SERVICES

During 2009, there was continued promotion of factoring products and services in co-operation with the Bank's various Business Centres and Corporate Banking Centres. Despite the negative climate, both sales and profitability reached very satisfactory levels, displaying an increase relative to the previous year and creating better prospects for the future. At the same time, upgrading of monitoring and operations assessment procedures was intensified, with the further development of electronic systems and the simultaneous assurance of qualitative customer service.

The Department is an active member of the International Factors Group (IFG), enabling customer service in their international import and export factoring transactions.

Well-trained staff, accumulated knowledge and a strong organisational foundation are all expected to contribute further to the increase in the factoring sector's turnover.

PANCYPRIAN INSURANCE LTD

During 2009, the company increased its market share in the general insurance sector. Growth was achieved through increased sales and maintenance of the high proportion of renewals. With the exception of certain one-off events, the increase in the company's turnover surpassed that of the market sector. The company

continued to maintain satisfactory levels of profitability, as well as the strong capital base necessary for healthy and profitable growth.

During the year, the company proceeded towards internal restructuring of the business development sector, whose aim is to increase sales, especially through Hellenic Bank's network of branches. In the context of its strategy to increase income and profitability, the company has created current and competitive products which are expected to fulfil market needs and contribute to the achievement of targets. During 2009, special emphasis was also placed in the automation of procedures, upgrading of technology, creation of a new and improved website and staff training.

HELLENIC ALICO LIFE INSURANCE COMPANY LTD

During 2009, its ninth year of operations, the company continued its upward trend in the prevailing difficult economic environment. It was another year of satisfactory results, both in market penetration for new business and profitability, resulting in the company's significant contribution to the Group's overall results.

The company is successful in achieving continuous growth in its results by adopting the philosophy of providing simple products which the Bank's well-trained staff can easily promote to clients. Both the products' innovativeness and the way in which they are promoted are important factors. This gives the company a unique position in the Cypriot insurance industry. Customer needs and economic security for both themselves and their families in instances where unforeseen circumstances can leave them exposed financially are key factors in creating the company's products.

OPERATIONS ABROAD

OPERATIONS IN GREECE

The economic crisis in Greece and its consequences on the quality of the loan portfolio and interest rate margins affected the year's results negatively, which showed loss before taxation. Customer loans in Greece decreased by 15% and amounted to €941 million, compared to €1.101 million in December 2008.

Client deposits amounted to €1.066 million, compared to €915 million in December 2008, exhibiting growth of 17%.

The Group is continuing restructuring and development of the Branch Network in Greece as set by one of its strategic targets, concentrating on basic bank operations, whilst simultaneously making changes in the managerial and operational structure.

In addition to the restructuring of the Branch Network, synchronisation of the structure of the Network with that of the Group also continued. To this end, clients were categorised and separated into business sectors as was done in Cyprus (Personal, Businesses, Corporate Businesses). This resulted in the creation of four Business Centres (three in Athens and one in Thessaloniki). These actions serve to foster specialisation, better monitoring and customer service for each business unit. Within this same framework of harmonisation of the structure with that of the Group, as well as the implementation of common policies and practices, and greater synergies, many of the services offered by the Branch Network in Greece now organically refer to the Group's equivalent services.

Concurrent with the above actions, a team for the monitoring of problematic loans in co-ordination with the Group was created and operations were centralised in order to reduce operational risks.

EXPANSION IN RUSSIA

The decision to expand into the Russian market is based in the recognition of Russia's strategic significance as having the potential to differentiate and expand the Group's sources of income. Hellenic Bank has been present in the Russian market for twelve years through its Representative Office in Moscow. This presence has recently been further strengthened with the opening of a Representative Office in St. Petersburg. The customer base, knowledge and experience acquired during this time form a good foundation for the further expansion of operations.

The procedure of licensing the subsidiary Bank by the Russian authorities was completed in 2009. The

banking license was issued by the Central Bank of Russia on the 20th April, 2009. At the same time, selection and implementation of a banking system was completed, as was the configuration and adjustment of the newly-purchased premises in Moscow to the subsidiary's needs.

The main target is the completion of the infrastructure and other procedures so that the Bank can be fully operational and functional. The final date of the Bank's operation will be determined once this work has been completed and economic conditions, the evolution of the global economic crisis and its consequences on the Russian market have been assessed.

REPRESENTATIVE OFFICES

Complete exploitation of the synergies which have emerged due to the expansion of the Bank's physical presence via its Representative Offices strengthens and accelerates the growth of its network of partners and the promotion of its products and services. The Group operates a total of four Representative Offices: two in Russia (Moscow and St. Petersburg), one in Ukraine (Kiev) and one in South Africa (Johannesburg).

Current developments in international economies and the demands on international banking require close monitoring and constant evaluation in order to take the necessary measures to protect the interests of the Bank and its customers. The Representative Offices play an important part in this procedure. Economic, political and other developments in the countries where they are present and active are closely monitored and relevant reports are filed so that they can be evaluated and timely decisions can be made.

HEAD OFFICE SUPPORT SERVICES

GROUP RISK MANAGEMENT

2009 was marked by the continuing banking crisis and the subsequent economic downturn, but also by some signs of stabilisation both in the economies of affected countries and their banking systems.

Cyprus and Greece, the two main markets in which Hellenic Bank operates, exhibited severe signs of recession, particularly Greece. The third market of

interest – that of Russia – also exhibited problems; however, this did not significantly affect the offshore sector in Cyprus. During 2009, Hellenic Bank primarily managed the risks associated with this crisis by:

a) Managing the increased credit risk with instructions to its business units for the timely and pre-emptive restructuring of lending to the affected sectors of property development, tourism, consumer products import, etc. The instructions were given in an effort to mitigate customers' liquidity problems through the restructuring of their loans, with the Bank improving its collateral through this process.

b) Maintaining high liquidity ratios to maintain the depositors' (especially foreign) confidence and trust, during a very competitive period for attracting deposits.

c) Managing the interest rate risk created by the fact that banks, especially Greek ones, turned towards attracting customer deposits as a reaction to the tightening of the interbank market; resulted in an increase in deposit interest rates while politico-economic pressures were building up to lower lending rates and margins. The situation was further accentuated by competition from co-operative credit institutions.

d) Managing the Branch Network in Greece where a combination of internal and external factors negatively affected loan portfolio quality, with a significant increase in the Group's provisions for bad and doubtful debts.

• CREDIT RISK MANAGEMENT

The Group pays great attention to the effective management of credit risk, both for the banking portfolio and the trading book. For this purpose, specific policies and procedures for taking on credit risk are in place, which are reviewed according to economic developments and the Group's strategy.

a) Banking Portfolio

The Group has procedures in place to continuously support, measure and monitor credit facilities. Credit Risk Management monitors closely both the portfolio quality and various concentrations of credit risk and, when deemed necessary, takes preventative or corrective measures.

Within the framework of effective credit risk management and during the evaluation period, it carried out stress testing relating both to the possible deterioration of portfolio quality as well as the possible devaluation of specific collaterals. These results were seriously taken into consideration in order to take preventative measures, including capital retention under Pillar 2.

During 2009, a reformed Credit Policy and Lending Authority was fully implemented. Its main feature is the linking of the limits of each approving authority with the risk category of the borrower.

The negative effects of the global financial crisis on the real economy, of both Cyprus and Greece, significantly affected the liquidity of a considerable number of businesses, which negatively affected their ability to meet their banking obligations. As a result, the Bank frequently examined requests made by companies for restructuring their loans. Credit Risk Management issued specific guidelines to Business Units regarding this matter, aiming to help businesses face the consequences of the financial crisis, as well as to protect the interests of the Group.

b) Trading Book

Despite de-escalation of the global financial crisis in 2009, the downgrades of countries and financial institutions by international credit rating agencies continued throughout the year.

Credit Risk Management took preventative measures by reducing the credit limits of countries and financial institutions significantly, taking into consideration both the reviews of international rating agencies and the developments in each country's economy. In addition, a prudent policy was exercised on a number of occasions and the Group's available funds were transferred from high-risk financial institutions to financial institutions meeting the minimum acceptable criteria.

During the year, the Department submitted a number of reports to the Risk Management Committee of the Board of Directors, outlining developments in specific countries where the fiscal condition had deteriorated and simultaneously proposed measures to minimise

credit risk undertaken by the Group in such countries.

• MARKET AND LIQUIDITY RISK MANAGEMENT

a) The Department initiated the project for the adoption of Value at Risk in order to measure the maximum loss that might be incurred by the Group due to Market Risks, arising from positions held in its portfolios. The project is at its final stage of implementation as various checks regarding the quality and precision of results are being carried out before its final adoption, which is expected soon.

b) The Department was instrumental in the full implementation of the decision to merge Treasury Departments of Cyprus and Greece and the adoption of a consolidated liquidity framework. During the same period (February 2009), approval was sought and received from the Bank of Greece for the adoption of Central Bank of Cyprus's supervisory framework on liquidity, at Group level, for a period of three years.

c) The Department assumed management of the project to upgrade the Treasury system of the Group. The Department acts as administrator of the system and undertakes all ensuing tasks and responsibilities. The Department also successfully undertook and implemented the project for interfacing FX platforms with the Treasury system.

d) During 2008, a decision was taken to set up a separate 'Middle Office' Department within the Market and Liquidity Risk Management Department. The segregation would help in the best possible organisation and efficiency of involved Units and Departments. Despite the delay in the implementation of this decision, work is expected to begin immediately after the upgrade of the Treasury system 'Fkit'. Further to that a re-engineering process is in place in order to automate manual tasks and re-allocate some other, to more relevant Departments.

e) The Department was an active participant in the decision-making process and the implementation of the decisions taken by the ALCO Committee (Assets and Liability Management Committee). The Department submitted suggestions and concerns on a number of issues, within its jurisdiction. These include subjects

such as:

- Basis Risk
- Adoption of Internal Liquid Assets ratios
- Consolidated liquidity (Cyprus & Greece)
- Consequences of the financial crisis and actions taken
- Supervisory Liquidity ratios
- Adoption of a marginal cost of funding index
- Limits for activities for the Bank's Trading Portfolio
- Adoption of the framework for internal pricing
- Policy and procedures regarding Credit Support Agreements (CSA)

f) The Department gave a number of ad hoc presentations to the ALCO committee, to the Board of Directors' Risk Management Committee, and the Board of Directors, regarding the crisis and its consequences on Hellenic Bank Group. Specialised presentations were also given regarding liquidity risk, as well as the results of the stress tests scenarios.

At the same time, the Bank's interest rate risk was discussed, especially the basis risk which emerged out of the crisis and the imperfections of the money markets. Changes regarding the methods of hedging interest rate risk by using financial instruments other than interest rate swaps were also discussed and agreed.

• OPERATIONAL RISK MANAGEMENT

During 2009, the implementation of the Operational Risk Data System (ORDS) was completed in all branches in Cyprus and Greece. This system records events related to operational risks that the Group might be facing.

The Department gave opinions, advices and made comments on almost all new manuals of the Bank, and on other matters related to operational risks. Apart from assessing recorded items in ORDS and Key Risk Indicators, the Department is also assessing internal audit reports and audit reports by regulatory authorities and auditors in order to take corrective action. It also contributes to the identification of operational risks in important projects and new activities.

A satisfactory number of annual plans regarding the management of operational risks and self assessments

made by various Units were received and assessed by the Department.

• COMPLIANCE SERVICES

During the past year, the Compliance Department focused on the implementation of the directive of Central Bank of Cyprus regarding the regulatory compliance. Moreover, the Department was engaged in Anti Money Laundering operations and to a lesser effect with matters related to the Personal Data Protection act.

It handled a large number of suspicious/unusual transactions and took appropriate action whenever required including filing reports to the Unit for Combating Money Laundering (MOKAS) and / or referring the transactions to the Senior Management or making recommendations/suggestions for improvement to the Account Holding Branches and the International Business Centres in particular.

The Compliance Department, in co-operation with the Information Technology Department completed the installation of the AML system (ERASE) in the International Business Centres, which were given priority due to the high Money Laundering and Terrorist Financing risk they face because of the nature of their clientele.

Finally, the Compliance Department effected a number of compliance audits in order to assess the Bank's Compliance with procedures, laws and regulations.

DEBT RECOVERY UNIT

The Debt Recovery Unit is staffed by experienced officers and is under the management of the Group's Chief Financial Officer. Compared to 2008, a smaller number of new accounts were received by the Unit in 2009; however, these had higher balances.

The Unit's commitment in reaching its targets resulted in its contribution to the Bank's profitability being greater in 2009 than 2008, despite the year's adverse economic conditions due to the recent crisis. It is also worth noting that a significant proportion of 2009's total receipts concerned accounts which have been settled in full and closed.

Staff's use of the automated DRS system, which assists in easier access and information, also contributed to the Unit's effectiveness during 2009. Use of the program is successful and is a factor in the better management of the relative information, affecting productivity and the Unit's results positively.

Further improvement in the productivity portfolio is expected via the Unit's close co-operation with the Group Risk Management that aims to minimise credit and legal risk.

INFORMATION TECHNOLOGY

During 2009 the Information Technology Services were reorganised so that they may contribute more efficiently and effectively in the day to day banking operations, as well as to contribute towards compliance with the legal and regulatory frameworks.

Through the implementation of the strategy for homogenisation/ centralisation of the Group's information systems, the reporting line of the IT Service in Greece was transferred under the Group IT Services in Cyprus. The customisation and implementation of the Bank's central information system 'Retail Banking System' (RBS) in Greece is underway. The completion of this project is expected to provide uniformity of operations and flexibility in the promotion of new products and services to the customers of the Branch Network in Greece, via advanced operations not available through the current system. Furthermore, the transfer of the cards and ATM network of Greece to the systems of the Bank in Cyprus was successfully completed, providing new services and products such as 'SMS alerts' and 'Prepaid cards'.

The Group's Information Technology Service promoted the implementation of a number of important projects.

Specifically:

- Implementation of the new lending policy together with a number of enhancements to the Loan Automation System Installation of an automated Property Valuation Management system and all necessary procedures and infrastructure in order to meet the needs of the Central Bank of Cyprus in preparing the Property Index.

- The Bank contributed significantly to the development of Artemis, the common banking system, which aims to store information regarding clients with negative credit ratings and make it accessible to all banking institutions.

- The ATM screens were redesigned, making them multilingual, contemporary and more user-friendly. Special anti-skimming devices were also installed to all the ATMs, preventing theft of customer details and reproduction of their cards.

- Development and implementation of a new cheque-clearing system in order to cover the existing needs of the Bank in Greece.

- Following the granting of Banking License in Russia, special attention was given for the implementation of the required banking system and all the necessary technological infrastructure.

Finally, in 2009, important policies regarding the security of the Group's information systems were developed in line with ISO 27001:2005 and the Central Bank of Cyprus's directive on Information Security and were gradually implemented.

ELECTRONIC BANKING

During 2009 the upgrading and enrichment of the services and products offered by Hellenic Bank's internet banking system, Hellenic NetBanking, remained a primary goal. This resulted in offering a continuous high level of customer service to its clients.

These efforts resulted in Hellenic NetBanking being awarded by the international magazine *Global Finance* during its 2009 competition as the 'Best Integrated Consumer Bank Site' in Europe.

During the year the number of subscribers/ customers using Hellenic NetBanking increased by over 18% while the number of both transactions and use of other services reached new high levels. It is worth noting that 37,7% of the total number of banking transactions (excluding those involving cash) executed in 2009 were executed through Hellenic NetBanking.

The constantly-increasing number of customers and non-customers using the services offered by the Customer Service Line especially during non working banking hours re affirms the correctness of the decision in setting up this service as it contributed towards offering a higher level of customer service.

Hellenic NetBanking's objective remains the offering of high quality, secure and constant customer service on a twenty-four-hour basis, wherever its clients may be located in the world and the simultaneous reduction of the Bank's operating costs.

PAYMENTS CENTRE

The Payments Centre of Hellenic Bank commenced its operations in January 2008. The responsibilities and targets of the Centre are:

- Monitoring of the constantly-changing Payments Sector, especially in the European Union area.
- Research, analysis and implementation of changes which must be made in order to satisfy the legal and regulatory framework.
- Representation of Hellenic Bank Group in the SWIFT organisation and the Euro Banking Association (EBA).
- Processing of SWIFT and SEPA payments Processing and monitoring the outgoing and incoming Payments in Cyprus and Greece.
- Education of staff in Payments related matters.

In order to ensure its efficient operation, the Payments Centre is staffed by experienced personnel and is comprised of three Sections: the Incoming Payments Section, the Outgoing Payments Section and the Payments Investigation, Systems Administration and Branch Support Section.

The close co-operation of the Centre with the different Units of the Group in Cyprus and overseas ensures the most professional customer service in all countries where the Group is operating.

CARD SERVICES – PLASTIC MONEY – AUTOMATED TELLER MACHINES

The Card Services continued to be an important contributor to both the increase in turnover and the Group's income, as well as the maintenance of its portfolio quality. At the same time, it continued to

work towards maintaining the Group's infrastructure at the highest possible levels of competence in the technological, system control and card management fields.

This success is due to the high level of customer support and service offered via the Service's technological infrastructure, imaginative incentive schemes and special offers for cardholders, and, finally, promotional campaigns with the entire staff's active participation.

At the beginning of the year, 'points4u', a new customer rewards scheme, was implemented, whereby cardholding customers are awarded points for each purchase they make using their credit cards, at a rate of one point for every euro spent. Clients were able to redeem these points with a number of the Bank's various associates, mainly travel agencies, airlines, hotels, and supermarkets.

All cardholders were awarded double points during the summer months for all their transactions at travel agencies, airlines, restaurants and hotels.

Promotional campaigns for Hellenic Bank's card products and services continued during this past year, yielding very good results. The 'Card Alerts', the pioneering prepaid 'P card', the 'Money Transfer Card' and the 'Student Card' were promoted. At the same time, in an effort to promote debit cards, a campaign during the first quarter of 2009 awarded 1,000,000 goSmart points to one lucky winner.

Additionally, a successful competition involving all cardholders was run between 15th November, 2009 and 15th January, 2010, whereby they took part in a draw by using their credit cards. Six daily winners were awarded €250 in cash and were informed immediately via SMS. A total of 372 clients won.

Information of and communication with customers continued during 2009 through the Monthly Special newsletter. Aside from important announcements, offers and details regarding schemes, each edition also presents special offers for cardholders, including travel packages, hotel accommodation, and discounts at selected retailers and shops.

The Automated Teller Machine (ATM) network was upgraded technologically and all screens now provide more information, simultaneously becoming more user-friendly due to better navigation and a more aesthetically-pleasing presentation. The number of ATMs in Cyprus increased to 79, thus expanding the twenty-four-hour service afforded to clients.

HUMAN RESOURCES

The human capital of Hellenic Bank Group constitutes the main pillar for further development and progress. This is reflected in the perennial effort to better develop human resources in order to maximise the collective contribution towards realising the Group's targets and aspirations. The Group's human resources amounted to 2.041 persons at the end of 2009.

The training programme for 2009 was successfully implemented through the conduction of numerous training sessions that contributed to the smooth realisation of the Group's strategic objectives and the effective deployment of its operations. At the same time, the training programme was adjusted according to the transitional settings of the banking market caused by the recent global economic crisis, with the ultimate aim of facing these challenges in an immediate and correct manner. Upon its completion, the training programme succeeded in improving staff knowledge, skills and professional competence. In short, the 2009's training programme primarily focused on the following topics: management and leadership; personal skills development; teamwork and communication; service quality; sales; specialised banking/ financial areas such as combatting money laundering; information technology programmes; and training sessions on the use of automated external defibrillators.

In the context of the constant effort to introduce innovation and creativity in the workplace and the Group in general, the Human Resource Function had formed four Workgroups which were comprised by participants from all geographical regions and various functions of employment. The ultimate aim was the creation of new, pioneering ideas, assisted by the use of various innovative techniques in originality and creativity, for improving areas such as: Supervisor /

Subordinate relationships, Teamwork/ Communication, and Promotions/ Upgrading Procedures. The Workgroups' efforts resulted in the collection of excellent ideas, which, following further analysis and processing, are proving invaluable in the implementation of procedures for further improvement.

During 2009, the Senior Management and the Group's European Works Council met twice. The latter, is comprised from representatives of the Group's work force in Cyprus and Greece and constitutes a body for information, deliberation and social dialogue through which Management and employee representatives seek to ensure the productivity of the Group's business activities, as well as the consideration of employees' best interests. Within the framework of these meetings, the Group's financial results were presented and discussed, as well as the consequences of the financial crisis on Cyprus and Greece, the new strategic plan for the Branch Network in Greece, and the developments regarding the Group's decision to expand its operations in Russia.

GROUP STRATEGIC DEVELOPMENT

Among the major responsibilities of the Group Strategic Development Department is the preparation of the Group's Annual Business Plans and the Three-Year Strategic Plan, as well as monitoring the progress made on the implementation of these plans. In addition, the Department is responsible for coordinating and reinforcing teamwork between the various Bank Units so that they can achieve their targets, through a smooth and fruitful collaboration, aligned with the strategy set by the Bank's management.

The Annual Business Plans for the year were prepared in collaboration with the Group's Business Units and were used by the Financial Management for the preparation of the 2010 budget. Special emphasis was given to monitoring the loan portfolio quality, selective growth of front-line divisions, increase of income coupled with reduction of costs and restructuring of the Branch Network in Greece. Also, in collaboration with the Human Resources Department, the Incentive Schemes programme was further enriched.

The Group Strategic Development Department, in collaboration with other Departments, followed closely the developments in the economy and during the second half of the year turned the attention of the Business Units to focusing further on loan portfolio quality, through setting appropriate targets and delivering continuous updates.

CORPORATE SOCIAL RESPONSIBILITY

Hellenic Bank Group, aiming to be operational in complete co-operation with society, pays particular attention to matters concerning Corporate Social Responsibility.

Corporate Social Responsibility actions are developed along two major lines: those concerned with the organisation internally -its staff and those concerned with the external environment -the society in which it operates-. Major actions involving the external surroundings may be summarised into four large categories: social, cultural, sports and the environment.

Based on this, various programmes concerning employee and societal sensitivity towards various social, environmental and cultural matters have been implemented. These include donations and sponsorships; employee volunteer programmes; recycling programmes; Blood Banks, and others.

SOCIAL CONTRIBUTION

Social contribution forms an integral part of the Group. Basic values and the humane nature of the Bank are concentrated in giving back to society.

During 2009, as every year, Hellenic Bank provided support to the activities of foundations, institutions and groups which aim to strengthen vulnerable sections of the population, including children, the elderly and people with disabilities and serious illness.

HEALTH

Hellenic Bank supports social bodies, foundations and research initiatives, guided by its sensitivity to citizen protection, prosperity and health. In this context, it continued its support of various Associations and Foundations.

Hellenic Bank staff participated once again, with great pleasure and enthusiasm, in various blood drives co-organised with the Blood Bank all over Cyprus and Greece.

Hellenic Bank also continued to sponsor the Physiology and Biomedical Imaging Laboratory 'Hippocrates' of the Department of Mechanical and Manufacturing Engineering Department at the University of Cyprus. The laboratory is used to study cardiovascular disease.

EDUCATION AND RESEARCH

Hellenic Bank, within the context of its policy of supporting local education, bought a number of copies of the Rules for Electrical Installations publication and donated them to the Ministry of Education and Culture.

For the second consecutive year, Hellenic Bank hosted and sponsored a series of lectures by the Open University of Cyprus entitled 'The Telegony'. These scientific lectures address the general public of Cyprus and are presented in the context of the Open University's commitment to the promotion of Life-Long Learning and Greek Culture. Leading scholars in the field, from Cyprus, Greece and other countries, participated in the series of lectures. At the same time, the Bank continued to support the University of Cyprus's MBA programme.

In the context of supporting research, Hellenic Bank proceeded in sponsoring the second edition of Ms Soulla Zavou's book *The Political Parties of Cyprus in the 20th Century*. The publication was dedicated to the memory of the late Tassos Papadopoulos, former President of the Republic of Cyprus.

ENVIRONMENT

Hellenic Bank is particularly sensitive to matters concerning the environment and environmental consciousness, hence the development of a successful company attitude towards environmental concerns. In this context, during 2009 Group staff completed water-saving campaigns in Lamaca and beach-cleaning exercises in Limassol and Paphos.

Hellenic Bank also organised an environmental and educational event where regional Eco-Schools participating in the Eco-Schools initiative for more than two years were honoured. This institution has been supported by Hellenic Bank Group for eleven consecutive years.

In an effort to educate citizens and facilitate their participation in the recycling of household batteries, Hellenic Bank began co-operating with A.F.I.S. Cyprus Ltd. To this end, special collection receptacles were placed in all branches of Hellenic Bank in Cyprus. Battery recycling is also continuing in the Branch Network in Greece.

SPORTS

The Bank is a staunch supporter of sports and sporting ethos. In 2009, Hellenic Bank Group sponsored the competition to determine football's Fair Play Team, as it has done since 1998. It also sponsored the Junior National Basketball Team and the Sports Journalists Union of Cyprus.

HELLENIC BANK CULTURAL CENTRE

GROUP CULTURAL ACTIVITIES – ARTS AND CULTURE

Hellenic Bank is an avid sponsor of the island's cultural events, and it continued its contribution and support of the Arts and Culture. The Cultural Centre contributes in every way so that our cultural identity and heritage are maintained, and focuses on promoting Cypriot artists and their work.

The Group's cultural activities in Nicosia take place in the 'Paschalis L. Paschalides' Hall, which is housed in the Head Office Building, whilst Cultural Centres also exist in Limassol and Paphos.

In the context of supporting the Arts, Hellenic Bank continued to support various exhibitions by established and noteworthy artists. The noteworthy exhibition of paintings by Greek artist Takis Moraitis was officially inaugurated by the Archbishop of Nova Justiniana and All Cyprus, Chrysostomos II. The exhibition presented 49 paintings on canvas and 18th-century wooden, hand-crafted doors. The majority of the paintings

were created exclusively for the exhibition. The artist was inspired by Byzantine tradition and themes from the Holy Scripture, Byzantine Iconography and Byzantine Architecture in ways which complete the Greek landscape.

The 'Pantanassa' exhibition was also hosted, featuring icons by Evanthia Kouma and paintings by Mary Plant. In addition, an interesting exhibition of nineteenth- and twentieth-century Cypriot and English coins from private collections was organised and hosted. The official opening of the exhibition was performed by the Archbishop of Nova Justiniana and All Cyprus, Chrysostomos II.

Supporting the full range of cultural activities, the Cultural Centre hosted a photography exhibition entitled *Cypriot Gardens*, organised by the TAMA Cultural Organisation. The exhibition featured 126 photographs, nine of which were honoured via a competition announced by the Organisation.

Artistic productions of a high quality are always amongst the Group's options. Hellenic Bank sponsored *Peri tis akrivis choras...*, an album by the established Cypriot composer Vasos Argyrides in collaboration with the 21st Century Symphony Orchestra of Moscow. This consists of ten orchestral adaptations and five original piano compositions.

The Cultural Centre organised an Easter concert entitled *Oh, My Sweet Springtide* especially for the Bank's staff and with the kind participation of the Diastasis Cultural Association under the direction of Vasos Argyrides. The concert was comprised of Hymns of the Holy Week orchestrated by Dimitris Lagios.

Within the framework of its co-operation with the Schinis and Papadopoulos company, the Bank sponsored noteworthy, high-calibre musical events, such as concerts by Alkistis Protopsalti and Stefanos Korkolis, Michalis Tzouganakis and Costas Hatzis.

It also sponsored two cultural events with classic songs, a concert by Dionysis Savvopoulos, and a tribute to Manos Hadjidakis especially for Group staff. At the

same time, the Cultural Centre sponsored exceptional concerts by the Mozart children's choir of Vienna. Continuing a tradition established in 2005, Hellenic Bank and the Avantgarde Cultural Foundation organised a Christmas concert featuring the Women's Voices vocal group.

Hellenic Bank Group was consistent in its support of research publications on the subject of our cultural heritage. In this context, it sponsored publication of the latest edition of the *Monuments and Memories* series by art historian Dr Rita Severis. This publication, entitled *Kerynia the Witch*, is the seventh in the series.

The Cultural Centre of Hellenic Bank continued sponsorship of the Hambis Printmaking School Museum and its co-operation with the Thalassa Museum in Ayia Napa. Within the framework of supporting cultural institutions, long-term co-operations with various cultural institutions, such as the Rialto Theatre and the Pharos Trust, also continued.

PRESS OFFICE

Within the framework of the Group's communication with media vehicles and information of clients, the general public and the authorities regarding matters concerning the Group and the Bank's Management, the Press Office was created in July 2009.

The Press Office's basic duties include:

- Communication regarding the Group's Vision, Mission and Values.
- Facilitation of communication by the journalistic community at large with the Group.
- Information via Press Releases regarding economic results, strategy and the Group's general policy.

ANALYSIS OF SHAREHOLDERS

31 December 2009

Category of Shareholders	Number of Shares	Percentage %	Number of Shareholders
INSURANCE COMPANIES	19.767.182	6,42	24
CHURCH INSTITUTIONS	64.191.605	20,84	33
PROVIDENT FUNDS	11.053.449	3,59	130
STAFF	6.231.650	2,02	1.202
PRIVATE INDIVIDUALS	156.143.109	50,70	24.878
COMPANIES	50.606.822	16,43	513
TOTAL NUMBER OF SHARES LISTED IN THE CYPRUS STOCK EXCHANGE	307.993.817	100%	26.780
Issued Capital	307.993.817		

CYPRUS ECONOMIC ENVIRONMENT

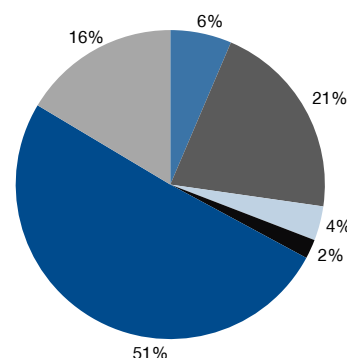
2009 ECONOMIC REVIEW

2009 may be termed a recession year as the international economic crisis affected Cyprus, albeit with a delay. The economy shrank by 1,7%, in comparison to growth at a rate of 3,6% during the previous year. The tourism and construction sectors performed least well, whilst GDP was also negatively affected by the industrial, wholesale and retail trade, and transport and communications sectors. On the other hand, the overall performance of services, especially those in the financial sector, was positive.

The rise in unemployment was a natural consequence of the economic downturn. According to Eurostat figures, unemployment increased significantly to 6,1% in December 2009, compared to 4,1% in December 2008. The greatest increase in registered unemployed persons occurred in the construction sector, whilst hotels and restaurants contributed the largest overall number of unemployed persons.

The 2009 rate of inflation was reduced to 0,3%, compared to 4,7% during 2008. Inflation was limited to such a low level primarily due to the decrease in the transportation category, which includes fuel prices. However, there was a significant increase in the health-related prices category.

In the performance of the major sectors, private consumption shrank by 3,5% in 2009, as indicated by the Retail Trade Index by volume. Industrial production shrank by 8% whilst annual income from tourism decreased by 16,7%. In the construction sector, cement sales fell by 25,8% and the area of building permits decreased by 15,0% for the year, thus



indicating a difficult 2010 for related activities. The weakness of the economy brought about a substantial deterioration in public finances, with the budget deficit estimated to have reached 6,0% of GDP during 2009, compared to a surplus of 0,9% in 2008. This deterioration was the result of an increase in public expenditure combined with a decrease in tax revenue.

In monetary developments, the rate of credit growth had decreased to 9,7% by December 2009, compared to a rate of 32,1% in December 2008. The growth rate of deposits also decreased to 3,8% compared to 6,8% at the end of the previous year. As far as interest rates were concerned, the European Central Bank (ECB) gradually reduced the Euro's base rate in the first six months of the year, reaching 1% by the 13th May 2009, from 2,50% at the end of 2008. Unfortunately, the lowering of interest rates by the ECB was not fully reflected in Cypriot rates due to distortions in the local money market.

PROSPECTS OF THE CYPRUS ECONOMY FOR 2010

2010 is expected to be a difficult year for the economy, though there is hope that Cyprus will emerge from the downturn, as will other developed nations, and conditions will stabilise. Unfortunately, even when Cyprus does emerge from the downturn, recovery is expected to be fragile.

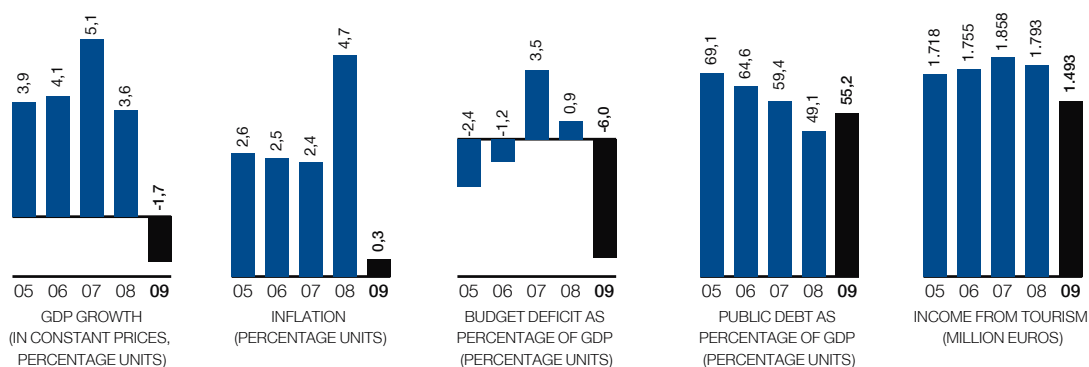
A marginally positive growth rate of approximately 0,5% is expected for 2010. This is not expected to be enough to stem the rise in unemployment, which is expected to further increase to 6,5%-7,0% by the end of 2010. Inflation is expected to recover at 2%.

Sectors currently in crisis, such as tourism and construction, are expected to continue to face difficulties, whilst no significant improvement is expected in private consumption. Credit expansion, an important parameter affecting the business development of banks, is expected to be limited to below 5%.

Significant sources of uncertainty for the future of the Cypriot economy persist, such as the possibility of a protracted weak period in the construction sector and real estate market; further deterioration in public finances and the necessity for corrective measures; the necessity for the private sector to reduce its leverage; and, finally, the necessity for correction of the current account deficit and regaining of competitiveness. It is therefore possible that the economic downturn will bring long-term structural weaknesses of the Cypriot economy to the forefront. Despite expectations that the external environment will improve during 2010, there exists a certain degree of uncertainty regarding what will happen once the world's large, developed economies begin withdrawal of fiscal and monetary support measures.

GREECE ECONOMIC ENVIRONMENT – 2009 REVIEW AND 2010 PROSPECTS

2009 was a very difficult year for the Greek economy since, in addition to the country's economic downturn, a crisis regarding public finances broke out following elections in October 2009. Real GDP is estimated to have decreased by 2,0% during 2009, inflation rose at an annual rate of 2,6% by December 2009, and unemployment reached 9,7% by the third quarter. The Greek economy was especially influenced by a decrease in investment and weak private consumption.



Prospects for the economy in 2010 are not good as a further contraction of 2% is expected. Recovery is expected in 2011, when the economy is expected to develop at a rate of approximately 1,5%. Unemployment is expected to remain high for the next two to three years, at approximately 10%. The medium-term course of the Greek economy will depend on progress achieved in solving two significant structural problems – the necessity to both decrease the budget deficit and improve competitiveness. The Greek government faces the challenge of making progress in these two issues without creating social unrest.





REPORT
OF THE BOARD OF DIRECTORS

HELLENIC BANK PUBLIC COMPANY LIMITED

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors submits to the shareholders its annual report together with the audited financial statements for the year ended 31 December 2009.

ACTIVITIES

The principal activity of the Group during 2009 continued to be the provision of a wide range of banking and financial services, including hire purchase and leasing, investment, insurance services, as well as trustee and factoring services. Certain developments during 2009 relating to investments in subsidiary companies are described in Note 21 to the financial statements.

BRANCH NETWORK

The Bank provides banking and financial services through its branches in Cyprus and Greece and maintains Representative Offices in Moscow, Johannesburg, Saint Petersburg and Kiev.

RESULTS

Profit before taxation for the year ended 31 December 2009 for the Group amounted to €36,1 million compared to profit of €44,6 million for the year 2008.

Based on the conditions prevailing in the financial environment, the strategic targets of the Group during 2009 focused on the maintenance and improvement of the quality of the loan portfolio, the safeguarding of sound liquidity, the safeguarding of the capital adequacy ratios and cautious and rational growth, with the permanent target of profitability.

Total net income increased by 11%, mainly due to the increase in certain non interest income, reaching the amount of €269,6 million compared to €243,2 million for the year 2008, while at the same time total expenses increased by 7%. As a result, the cost to income ratio is 63,1% and is lower than the level of 65,3% for 2008.

Net gains/losses on disposal and revaluation of foreign currencies and financial instruments, included in total net income, increased from losses of €30,4 million for the year 2008 to gains of €4,3 million for the year 2009. These mainly include gains arising from the positive impact on the value of financial instruments following the improvement in the Cyprus Stock Exchange (CSE) and international market indices during the year.

The deterioration of the conditions in the financial environment has contributed towards the increase in provisions for impairment of loans and advances compared to 2008. Provisions for impairment of loans and advances in the Income Statement for the year ended 31 December 2009 amounted to €63,2

million and increased by €23,6 million from the corresponding 2008 amount. Accumulated provisions for impairment of loans and advances at 31 December 2009 reached the amount of €468,1 million (December 2008: €403,5 million) and represent 9,3% (December 2008: 8,0%) of total loans.

Total customer advances amounted to €5,0 billion in December 2009 and have remained fairly stable compared to 2008, while customer deposits increased by 7% reaching the amount of €6,6 billion compared to €6,1 billion in December 2008.

The Group maintains comfortable liquidity, benefiting from its high stable deposit base. More specifically, in December 2009 the ratio of gross loans to deposits remains at the highly satisfactory level of 76,5% (December 2008: 81,6%).

In Greece, the financial crisis and its consequences on the quality of the loan portfolio and on interest rate margins had a negative impact on the results of the year, which show a loss before taxation of €61,8 million, compared to a loss of €29,2 million for 2008. The Group continues with the reorganisation and development of the Branch Network in Greece, as one of its major strategic targets, focusing on core banking operations. At the same time it has proceeded with changes in the management and operational structure in Greece.

Equity attributable to the owners of the Bank reached the amount of €519,9 million at 31 December 2009, compared to €440,4 million in December 2008. The return on equity of the Group based on the results of the year 2009 was 5,7% (2008: 7,0%).

At 31 December 2009, the Group's Capital Adequacy Ratio, based on the relevant Central Bank of Cyprus Directive for the calculation of the capital requirements and large exposures (Basel II), was 14% (31 December 2008: 11%).

DIVIDEND

Taking into consideration the market conditions and the results for the year, the Bank's Board of Directors proposes to the Annual General Meeting of the shareholders the payment of a dividend for the year 2009 of €0,05 (five cent) per share.

The shareholders registered in the Share Register of Hellenic Bank Public Company Ltd at 31 May 2010 (Record – Date) are entitled to the dividend. The ex-dividend date will be the 27th of May 2010. Therefore, all share transactions until Wednesday 26 May 2010 (inclusive) will be entitled to dividend

distribution. The dividend is subject to approval at the Annual General Meeting and will be paid to the shareholders on Monday 28 June 2010.

ANTICIPATED GROUP DEVELOPMENTS

Group management closely monitors and evaluates developments and takes all necessary measures to deal with the challenging economic circumstances and the consequences of the crisis.

Hellenic Bank appreciates that 2010 will also be a very challenging year for the Cyprus economy, with low growth ratio, increasing unemployment and low credit expansion. However, the Group targets to be profit making, at the levels of 2009, assuming the market conditions allow for this.

EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

Events after the statement of financial position date are disclosed in Note 43 to the financial statements.

LOAN CAPITAL

Non Convertible Bonds 2004/2009

On 30 June 2009, Hellenic Bank Public Company Ltd announced the maturity and redemption of Bonds 2004/2009. On the same date, interest was paid to the beneficiaries of the said Bonds in accordance with the terms of issue. For the period from the 1st of January 2009 until the 30th of June 2009 the interest rate amounted to 7,23% per annum.

Entitled to the redemption and interest payments were the registered holders of Bonds 2004/2009 at 22 June 2009. The last date of trading of the above Bonds on the Cyprus Stock Exchange was the 17th of June 2009.

Non Convertible Bonds 2019

On 11 March 2009, the Bank proceeded with the issue of Bonds 2019 amounting to €90 million with a 10-year duration and a nominal value of €100 each. The issue was placed with investors with a minimum amount of investment of €50 thousand, in accordance with the relevant provisions of the legislation, regulations and directives of the competent authorities.

The interest on the Bonds is payable quarterly in cash at the end of each period. The first interest payment will cover the period from 11 March 2009 to 30 June 2009. The Bonds bear interest at the fixed rate of 7,5% for the first year and floating rate

for the remaining periods until the end of the fifth year, equal to the 3-month Euribor applicable at the beginning of each interest period, plus 4,60%.

Subsequent to 11 March 2014, Bonds 2019, if not redeemed by the Bank, will bear an additional interest rate of 2%. Consequently, the interest rate applicable subsequent to the 11th of March 2014 and in the event of non redemption of Bonds 2019 by the Bank, will equal the 3-month Euribor, plus 6,60%.

The Bank, following approval by the Central Bank of Cyprus and after giving notice to the Commissioner and the holders of Bonds 2019 of no less than 30 and no more than 60 days, may redeem Bonds 2019 on the first interest payment date subsequent to the 11th of March 2014 and on any other subsequent interest payment date.

Bonds 2019 are listed on the Cyprus Stock Exchange. Their trading commenced on Wednesday 27 May 2009 and the Cyprus Stock Exchange undertook the maintenance of the relevant Registry in the Central Depository.

RISK MANAGEMENT

The Group is exposed to a variety of risks, the most important of which are described and analysed in Note 44 to the financial statements. The management and monitoring of risks is centralised under a uniform unit which covers the entire range of the Group's operations.

SHARE CAPITAL

At 31 December 2009, there were 307.993.817 fully paid shares with a nominal value of €0,43 each (2008: 297.311.815 shares with a nominal value of €0,43 each).

During the year 19.258 shares were issued and granted for free to members of the Group's personnel. In addition, on 29 June 2009, 2.648.910 shares were granted to shareholders who reinvested the total or part of the net amount of the final 2008 dividend in Hellenic Bank shares.

In September 2009, 5.703.312 shares were issued as consideration following the Public Offer of the Bank to the shareholders of Athena Cyprus Public Company Ltd for the acquisition of up to 100% of its share capital based on the Public Offer document dated 7 July 2009. During the procedure for exercising its right to acquire the remaining shares in Athena (squeeze-out), the Bank issued an additional 2.310.522 shares

as consideration to the remaining shareholders.

There are no restrictions on the transfer of the Company's ordinary shares other than the provisions of the Banking Law of Cyprus which requires Central Bank of Cyprus approval prior to acquiring shares of the Company in excess of certain thresholds and the requirements of the Directive on Insider Dealing and Market Manipulation, which relates to transactions with related parties.

Shares of the Company held by the life insurance subsidiary of the Group as part of its financial assets which are invested for the benefit of insurance policyholders carry no voting rights, pursuant to the insurance law.

The Company does not have any shares in issue which carry special control rights.

In the event of an unjustified early termination of the contract of the Executive Member of the Board of Directors of the Company (that may take place anytime during its course), variable compensation is payable up to two annual salaries. If the remaining period at the time of termination is less than two years, the said compensation will equal the remaining salaries payable until the expiry of the contract.

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Code published by the Cyprus Stock Exchange (3rd Edition – September 2009), the "Code", was fully adopted by the Bank's Board of Directors.

The Board of Directors recognises the importance of implementing sound Corporate Governance based on the Code in combination with the mandate and practices followed by the various Committees of the Board of Directors in order to achieve the target for maximisation of the shareholders' investment.

The Corporate Governance Code is available on the Cyprus Stock Exchange (CSE) website www.cse.com.cy.

The rules governing the composition of the Board of Directors and the appointment and replacement of its members as well as the composition and function of the executive and supervisory bodies of the Bank and its committees are set out in section B of the Report on Corporate Governance.

Any amendment to the Articles of Association of the Company is only valid if approved by a Special Resolution at an Extraordinary General Meeting of the shareholders.

Details of restrictions in voting rights and special control rights in relation to the shares of the Company are set out in the share capital section above.

The Board of Directors may issue share capital if there is sufficient authorised capital which has not been issued and as long as the new shares to be issued are offered first to the existing shareholders, pro-rata to their percentage holding in the Company's share capital. In the event that a share capital increase requires an increase in the authorised share capital or if the new shares will not be offered to existing shareholders, the approval of the shareholders at a General Meeting must be obtained. The Board of Directors may also propose to the General Meeting of the shareholders a share buyback scheme.

Shareholders holding more than 5% of the Share Capital

Shareholders holding more than 5% of the share capital of the Company are presented in Note 39 to the financial statements.

Preparation of periodic reporting

The Group has in place an effective internal audit system, the adequacy of which is evaluated at least annually by the Board of Directors and in more frequent intervals by the Board's Audit Committee, in respect of financial and operational systems as well as for compliance with any risk management regulations that may arise. The adequacy of the Internal Audit System secures the validity of financial data and compliance with relevant legislation and aims to ensure the management of risks while providing reasonable assurance that no loss will incur.

The Group's internal audit and risk management systems incorporate effective procedures aiming at the identification and prevention of errors, omissions or fraud that could result in material misstatements during the preparation of financial statements and relevant disclosures included in the periodic reporting provided by the Group based on Part II of the Transparency Law of Cyprus (Law Providing for Transparency Requirements in relation to Information about Issuers whose Securities are admitted to trading on a Regulated Market) of 2007 and 2009.

BOARD OF DIRECTORS

The members of the Board of Directors at 31 December 2009 were the following:

Dr Andreas P. Panayiotou
Non Executive Chairman

Andreas M. Moushouttas
Non Executive Vice Chairman

Iacovos G. Iacovou
Non Executive Member of the Board

Antonis I. Pierides
Non Executive Member of the Board

Demetris J. Eliades
Non Executive Member of the Board

Soteris Z. Kallis
Non Executive Member of the Board

Charalambos P. Panayiotou
Non Executive Member of the Board

Ioannis Ch. Charilaou
Non Executive Member of the Board

Georgios K. Pavlou
Non Executive Member of the Board

Kyriacos E. Georgiou
Non Executive Member of the Board

Kyriacos I. Droushiotis
Non Executive Member of the Board

Makis Keravnos
Executive Member of the Board

Pieris Th. Theodorou
Executive Member of the Board

All Directors were members of the Board of Directors throughout the year 2009.

On 11 January 2010 Mr. Pieris Th. Theodorou resigned from the Board of Directors due to retirement. On the same day Mr. Glafkos G. Mavros was appointed as a new Member of the Board of Directors. On the 1st of March 2010 Mr. Demetris J. Eliades resigned from the Board of Directors.

Reference to Directors' emoluments, fees and compensation is made in Note 38 to the Financial Statements.

In accordance with the Company's Articles of Association, Messrs Glafkos G. Mavros, Charalambos P. Panayiotou, Andreas M. Moushouttas, Makis Keravnos and Soteris Z. Kallis will retire, and being eligible, will offer themselves for re-election. The vacancies so created will be filled by election.

DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

The percentage shareholdings in the Bank's share capital owned by members of the Board of Directors are shown in Note 37 to the Financial Statements.

INDEPENDENT AUDITORS

The independent auditors KPMG Limited have expressed their willingness to continue in office as the Bank's auditors. A resolution authorising the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

On behalf of the Board of Directors

Dr Andreas P. Panayiotou
Chairman

Nicosia, 29 March, 2010





BOARD OF DIRECTORS REPORT

ON CORPORATE GOVERNANCE
FOR THE YEAR 2009

BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2009

INTRODUCTION

The Bank's Board of Directors fully adopted the Code of Corporate Governance, which was published by the Cyprus Stock Exchange (3rd edition - September 2009), hereinafter referred to as "the Code". In compliance with the provisions included in the Code's introduction, the Board of Directors incorporates the present Report on Corporate Governance in the Bank's 2009 Annual Report.

PART A

The Bank states that the full implementation of the Code's principles constitutes the Bank's policy and that it had already taken the initiative of applying many of these principles well before the establishment of the Code. The Board of Directors believes that correct corporate governance, based on the Code, in conjunction with the terms of reference and the practices followed by the various Board Committees, constitutes a fundamental factor in achieving the corporate goal of maximising shareholder value. The Board acknowledges that there is an on-going process of formulating principles of corporate governance based both on international as well as local conditions. As such, the Board continually follows a policy of reviewing and readjusting the various aspects of corporate governance accordingly.

PART B

The Bank confirms that it has taken appropriate action in order to comply with the provisions of the Code as of 1st January 2003. Specifically, bearing in mind its third edition in September 2009, the Bank proceeded to inform all the Departments, Services and officers of the Bank and also all Board Members of the Bank and affiliated, subsidiary and associated companies so as to ensure the broadest possible cooperation of all parties concerned in the full implementation of the principles and provisions of the Code.

In light of the above, the following confirmations and reports are made:

The Board of Directors

The Bank is governed and controlled by the Board of Directors, which operates on the basis of the Code, the

relevant Companies, Stock Exchange and Banking Operations laws and of course the Bank's Articles of Association. On 31 December 2009, the Board was composed of eleven non-Executive Directors and two Executive Directors, all having the appropriate qualifications and broad relevant experience. The Board of Directors' composition as at 31 December 2009, as well as the changes in the composition and distribution of responsibilities of the Board throughout the year and up to the date of the present Report, appear in the Directors' Report for the year 2009.

During 2009, the Board of Directors met twenty seven times. In all instances, it is ensured that all Members of the Board are correctly informed in writing of forthcoming Board meetings and all necessary documentation related to the meeting is provided so that they have adequate time to review it. The Members of the Board hold positions in the Boards of Directors of other companies as shown in their curricula vitae, published in the Corporate Governance Report for the year they offer themselves for re-election. Their participation in other Boards allows them to devote the necessary time and attention to their duties as Members of the Board of Directors of the Bank.

The Company Secretary and the Executive Officer responsible for ensuring compliance with the Code of Corporate Governance provides information and advisory services to the Members of the Board of Directors related to Board procedures and the Code.

(1) Independent non-Executive Directors in 2009

- Andreas M. Moushouttas, Vice Chairman
- Antonis I. Pierides
- Demetris J. Eliades (he resigned on 1 March 2010 due to being appointed as Government Minister)
- Soteris Z. Kallis, Senior Independent Director
- Ioannis Ch. Charilaou
- Charalambos P. Panayiotou
- Georgios K. Pavlou
- Kyriakos E. Georgiou
- Kyriacos I. Droushiotis

(2) Non-Executive Directors in 2009

- Andreas P. Panayiotou, Chairman
- Iacovos G. Iacovou

A relevant "Confirmation of Independence" based on the minimum independence criteria in accordance with Provision A.2.3. of the Code has been signed by each of the above mentioned Directors (in paragraphs 1 and 2 above) and has been submitted to the Cyprus Stock Exchange together with the present Report on Corporate Governance.

(3) Executive Directors in 2009

- Makis Keravnos, Director / Chief Executive Officer
- Pieris Th. Theodorou, Director / Group General Manager / Company Secretary (he resigned on 11 January 2010 due to his retirement from the Group)
- Glafkos G. Mavros, Director / Group General Manager (from 11 January 2010)

At least 50% of the Board of Directors (excluding the Chairman) consists of independent non-Executive Directors.

Note

Based on the independence criteria listed in the amending directive of the Central Bank of Cyprus "Framework of Principles of Operation and Criteria for Evaluation of Banks' Organisational Structure, Internal Governance and Internal Control Systems" (October 2009), which differ from those in the Corporate Governance Code, Messrs. Ioannis Ch. Charilaou, Charalambos P. Panayiotou and Georgios K. Pavlou are not independent.

(4) Chief Executive Officer

- Makis Keravnos

(5) Application of best possible practices of Corporate and Internal Governance in the Bank during 2009

During 2009, various actions were taken in compliance with the following directives:

(a) The directives of the Central Bank of Cyprus, "Framework of Principles of Operation and Criteria for Evaluation of Banks' Organisational Structure, Internal Governance and Internal Control Systems" (May 2006 and October 2009)

(b) The directive of the Central Bank of Cyprus, "Directive to the Banks for the Calculation of Capital Requirements and Large Exposures" (December 2006 and July 2007), and the corresponding framework of the Second Basel Accord

always taking into consideration,

(c) The Code of Corporate Governance published by the Cyprus Stock Exchange (3rd edition – September 2009)

Within the above mentioned framework, on 11 January 2010 an Executive Director was appointed to the Board, Mr. Glafkos G. Mavros, replacing Mr. Pieris Th. Theodorou who retired from the Group on 31 December 2009. The appointment of the above mentioned Member in the Board of Directors of the Bank took place after applying in full the procedures of the Directives of the Central Bank of Cyprus "About the Ability and Suitability (Evaluation Criteria) of the Bank Directors and Managers of 2006 and 2007". Mr. Charalambos Mousoulides was appointed in the position of Company Secretary, also held by Mr. Theodorou, effective from 1 January 2010.

On 11 January 2010, the Board of Directors decided to renew the employment contract of the Chief Executive Officer of the Group Mr. Makis Keravnos for a five year period, from 1 September 2010 to 31 August 2015.

At the senior management level, within the framework of the Staff Succession Policy and in view of senior managers retiring in 2009 and 2010, there were adjustments in the organisational structure and transfer of staff in Cyprus valid from 3 August 2009. Greece's Branch Network now reports to the Group General Manager, Business Development. For better coordination, monitoring and achievement of synergies, the reporting line of the centralised Services of the Network was transferred to the respective Group Services in Cyprus.

The terms of reference of all the Board Committees were revised at the end of 2009 / beginning of 2010 to take into account the provisions of the amending directive of the Central Bank "Framework of Principles

of Operation and Criteria for Evaluation of Banks' Organisational Structure, Internal Governance and Internal Control Systems" (October 2009).

Group Risk Management, the Board Risk Management Committee and the Board of Directors, in cooperation with Executive Management, actively pursued the evaluation and management of all related risks, particularly in view of the global financial crisis.

The Department of Corporate Governance/Compliance, in co-operation with the Chairman, the Chief Executive Officer and the Executive Officer responsible for ensuring compliance with the Code of Corporate Governance, confirms compliance with the relevant laws, regulations and directives, the implementation of best possible practices of Corporate Governance within the Bank and the application of an adequate and transparent framework of internal governance.

(6) Remuneration Policy Report

The Remuneration Policy Report was prepared by the Board of Directors following a proposal by the Remuneration Committee in accordance with Appendix 1 of the Code. It is presented in the Annual Report of the Company after the present Board of Directors' Report on Corporate Governance (page 52). The Remuneration Policy Report will be presented to the Annual General Meeting of Shareholders for approval.

Information on the remuneration / fees of the Members of the Board of Directors and the Chief Executive Officer for the year 2009 is disclosed in the notes to the Accounts contained in this Annual Report (Note 38) as well as in the Remuneration Policy Report itself.

(7) Going Concern

The Board of Directors states that the Company intends to continue to operate on a going concern basis for the next twelve months.

(8) Internal Control System

The Board of Directors confirms that the Company has an effective internal control system, the adequacy of which is reviewed by the Board at least once a year.

It is also reviewed on a more regular basis by the Audit Committee, both in respect of financial and operational systems as well as of compliance systems for the management of risks, which might occur and which fall within the competencies, duties and responsibilities of the Asset and Liability Management Committee and the Risk Management of the Group. The Group Internal Audit reports directly to the Audit Committee and the Board of Directors itself. It consists of 37 persons and is headed by Mrs. Niki Nicolaidou – Hadjixenophontos (B.Sc. Honours in Financial Services, M.B.A., A.C.I.B., F.C.C.A.). All the Internal Audit functions are carried out in accordance with the Internal Audit Manual. No Internal Audit function has been outsourced during 2009.

During 2009, a review of the adequacy of the internal control system, on a company and group basis, was successfully completed by external auditors different than the current external auditors of the Bank in accordance to the Directives of the Central Bank of Cyprus "Framework of Principles of Operation and Criteria for Evaluation of Banks' Organisational Structure, Internal Governance and Internal Control Systems" (May 2006 and October 2009).

In this context, all Group operational management units are suitably staffed and committed to the introduction and operation of appropriate control systems according to their respective business and responsibilities. Within this framework, the above mentioned management units:

- Operate on the basis of a specific organisational structure and allocation of responsibilities;
- Prepare and monitor the implementation of the strategic and business plans and annual budgets;
- Follow written procedures, receive and disseminate information and advice through circulars and training programmes;
- Adopt a policy of adequate segregation of duties in order to avoid a conflict of interests wherever this is considered necessary;
- Apply, at branch level, performance evaluation and measurement models on the basis of specific targets;
- Are supported by appropriate software and hardware systems, and
- Are subject to regular internal and external audits.

The adequacy of the internal control system safeguards the Group's and its customers' assets, as well as the validity of the financial data and compliance with existing laws in general. It aims towards the management and not the complete removal of risks, providing reasonable but not absolute assurance that no major loss will be incurred.

(9) Confirmation in Accordance with the Provision C.2.1. of the Code

In relation to paragraph 8 above (Internal Control System), the Members of the Board of Directors confirm that they have reviewed the adequacy of the internal control system of the Company as well as the procedures for verification of correctness, accuracy and validity of information disseminated to investors.

The Board also confirms that, to its knowledge, no violation in the Stock Exchange Legislation and Regulations has occurred, except in cases already reported to the relevant authorities (where this applies).

(10) External Auditors – Provision C.2.2. of the Code

In 2009, Messrs KPMG, external auditors of the Bank, offered other services apart from auditing e.g. tax services, training seminars / conferences, general advisory services, advisory services related to Prospectuses, compliance to the provisions of the Second Basel Accord, etc. Their objectivity and independence is ensured in the following ways:

(a) The non-auditing services are offered by different companies / departments of the KPMG Group in accordance with the professional code of certified accountants / auditors ("Chinese Walls").

(b) The KPMG team that carries out the external audit of the Bank does not participate in offering services apart from auditing.

(c) The offer of non-auditing services is carried out by a tendering process except where these are considered to be of minor importance.

Messrs KPMG have confirmed in writing to the Bank that the offering of the above mentioned services does not affect their independence and objectivity. The

external auditors do not offer internal audit services to the Bank.

(11) Credit Facilities to Directors

Information as to credit facilities provided to Company Directors (and related parties) or to its subsidiary or associated company Directors is to be found in the relevant notes to the Financial Statements contained within the present Annual Report (Note 38). It is confirmed that all such transactions were carried out within the normal course of the Bank's business, under normal commercial and employment terms and with transparency. Furthermore, it is confirmed that all relevant cases of Bank facilities to Company Directors and its subsidiary company Directors are forwarded for approval to the Board, after the relevant proposal of the Board's Audit Committee. During this procedure the interested Member of the Board neither participates nor is he present.

(12) Code of Corporate Governance Compliance Officer

The Bank has appointed as from 21 December 2009, Mrs. Maria Vovides-Iliescu, Manager Corporate Governance / Compliance, as Executive Officer responsible for ensuring compliance with the Code of Corporate Governance replacing Mr. Pieris Th. Theodorou who retired from the Group.

(13) Board Committees

The following Board Committees operate within the Bank:

(a) Audit Committee

Chairman: Antonis I. Pierides

Members: Ioannis Ch. Charilaou
Georgios K. Pavlou
Kyriakos E. Georgiou
Soteris Z. Kallis

(b) Remuneration Committee

Chairman: Demetris J. Eliades

(resigned on 1 March 2010)

Members: Soteris Z. Kallis
Kyriakos E. Georgiou
Iacovos G. Iacovou
Kyriacos I. Droushiotis

(c) Nominations / Internal Governance Committee

Chairman: Dr Andreas P. Panayiotou

Members: Andreas M. Moushouttas
Iacovos G. Iacovou
Georgios K. Pavlou
Soteris Z. Kallis
Charalambos P. Panayiotou

(d) Risk Management Committee

Chairman: Andreas M. Moushouttas

Members: Antonis I. Pierides
Ioannis Ch. Charilaou
Charalambos P. Panayiotou
Pieris Th. Theodorou (until 11 January 2010)
Kyriacos I. Droushiotis
Glafkos G. Mavros (from 08 February 2010)

The terms of reference of the above Committees are based both on the relevant provisions of the Code pertaining to them and the relevant guiding directives of the Central Bank of Cyprus. They are published in paragraph 14 below while those of the Remuneration Committee are in the Remuneration Policy Report. Within the framework of the provisions of the Code concerning relations with the Shareholders, the Chairmen of these Committees are available to answer any questions at the Annual General Meeting in which all shareholders are encouraged to participate. The Chairmen and Members of the Committees periodically submit reports or proposals to the Board of Directors following the meetings of the corresponding Committees, depending on the subjects being addressed.

The **Audit Committee** meets on its own before the announcement of the quarterly results to review the Financial Accounts and more specifically, the extent and sufficiency of provisions for debts which may be doubtful of collection, as well as the adequacy of the internal control system. It then proceeds with the relevant suggestions to the Board. The Audit Committee also meets on its own (without the presence of members of the Executive Management) to review matters within its responsibility. Additionally, it participates in meetings with the Executive Management of the Bank and the Internal Audit in Cyprus and in Greece, to review issues which arise either from the financial accounts or from

various special reports or investigations or from the Annual Report of the Internal Audit of the Bank and its subsidiary companies. The Committee makes recommendations or suggestions to the Board of Directors on issues related to its jurisdiction. The Committee is assisted by the respective audit committees of the Bank's subsidiary companies. During 2009, the Audit Committee held a considerable number of meetings. The Committee's Chairman has a university degree and extensive experience in Finance and is a Business Consultant by profession.

The **Remuneration Committee** meets whenever it is necessary to fix or review the remuneration of Executive and non-Executive Members of the Board of Directors and the Chief Executive Officer. After considering all relevant parameters and data, it makes relevant recommendations to the Board for taking decisions, in the absence of the Executive Member of the Board or other Officers involved. The Committee's suggestions and the Group's remuneration policy take into consideration the relevant responsibilities, workload, qualifications, experience, performance, remuneration of comparable positions in the market, especially in areas where the Group is active, as well as salaries in other levels of the Group. The Committee aims to attract and retain good quality officers at Executive and General Management levels, in order to better serve the interests of the Group as well as its shareholders and other stakeholders.

Each year, the Remuneration Committee proposes to the Board of Directors the Annual Remuneration Policy Report, as part of the Annual Report of the Company, which is submitted to the shareholders' Annual General Meeting for approval. The Committee also reviews and approves the information disclosed on the annual remuneration of the Members of the Board, which is prepared by Group Financial Management for inclusion in the notes to the annual accounts of the Company and the Remuneration Policy Report itself.

The **Nominations / Internal Governance Committee** is engaged in selecting fit and proper individuals for appointment as Board Members of the Bank or its subsidiaries, either for positions extraordinarily vacated or after the retirement of Board Directors, in accordance

with the Bank's policy regarding retirement age. The Committee then submits its suggestion to the Board of Directors of the Company concerned for its decision. The decision applies for the period from the appointment date of the new Member to the next shareholders' General Meeting, when the Directors so appointed, if eligible, may offer themselves for re-election. New Board Members are briefed by the Executive Officer responsible for ensuring compliance with the Code of Corporate Governance and by other high-ranking officers, regarding the provisions of the Code as well as on broad issues in relation to the organisational structure, procedures, strategic planning, the Company's practices in general and those of the Board and its Committees in particular. The Committee also has the responsibility of implementing the Group's policies on internal governance. The Nominations / Internal Governance Committee meets whenever issues arise that are within its jurisdiction.

The **Risk Management Committee** assists the Bank's Board of Directors in fulfilling its responsibilities and obligations concerning the recognition, measurement, monitoring and effective management of all the Group's risks (credit, interest-rates, operational, market, liquidity, foreign exchange, capital and other). Amongst its other duties, the Committee prepares and submits proposals for approval to the Board. When applied, it evaluates the principles, the framework and policies of undertaking and managing all forms of risks and the use of capital that would correspond to the business objectives of the Bank, the Group and / or each subsidiary company separately. It also recommends to the Board the assignment of approval authority (which concerns the undertaking of risks) to the Executive Management, General Management and other approving groups, as well as the approval of new products or services that the Group intends to introduce. The Risk Management Committee meets whenever issues arise that are within its jurisdiction.

(14) Terms of Reference of the Board of Directors' Committees (except the Remuneration Committee)

Terms of Reference of the Audit Committee

1. Establishment / Mission

The Audit Committee was established to ensure that the Bank complies with the directives published by

the Central Bank of Cyprus in accordance with the provisions of article 41 of the Banking Business Law of 1997.

The primary mission of the Committee is to ensure the achievement, in a reliable and effective manner, of the obligations imposed on the Bank by the above mentioned directive, the compliance with the relevant provisions of the Code of Corporate Governance and its contribution in general to the strengthening of the principles of sound management in the conduct of operations and activities of the Bank.

The Audit Committee is responsible for helping the Board of Directors in the effective monitoring of the activities and operations of the Group.

In order to accomplish its mission, the Committee has under its direct monitoring and control the Group Internal Audit, which is, as required by the Central Bank, independent of the Executive Management and answerable to the Committee.

The Committee has the approval of the Board of Directors to obtain independent professional advice whenever it deems this necessary.

2. Composition and Term-in-Office of Members of the Audit Committee

The Board appoints at least four and maximum six non-Executive Directors as members of the Committee. The majority of the members of the Committee must be independent non-Executive Members of the Board, including the Chairman of the Committee.

The Chairman of the Committee should have experience in accounting and / or finance and will be appointed by the Board of Directors. The Chairman of the Group should not be a member of the Audit Committee.

The term-in-office of the members of the Committee is decided by the Board of Directors.

3. Meetings of the Committee

The Committee meets at regular intervals, at least six times a year. The next integral number of one half of the members comprises a quorum.

The Committee invites to its meetings any officers of the Group whose opinion it considers necessary for the best conduct of its duties.

The Committee should meet with the external auditors at least once a year to discuss matters arising from audits.

The Committee keeps minutes of its meetings and decisions and submits its annual and periodical reports of proceedings to the Board, as it deems advisable.

4. Decision-making Process

In case of disagreement, the decisions of the Committee are taken by voting. In the case of a tie, the Chairman has the casting vote.

5. Duties and Responsibilities

The duties and responsibilities of the Committee are:

A. Financial Statements

A1. It examines the contents of the quarterly, semi-annual, nine-monthly and annual financial statements and of the other special periodic financial reports, to be satisfied that they present a true and fair view before they are submitted to the Board of Directors for approval.

A2. It supervises the processes applied by the Group Financial Officer with the technical supervision of the external auditors (where this is judged necessary) regarding the choice of accounting policies and accounting estimates for the preparation of the Group's financial statements.

B. External Audit

B1. It submits proposals to the Board regarding the appointment, termination and remuneration of the Group's auditors.

B2. It monitors and ensures the independence and effectiveness of the auditors.

B3. It monitors the relationship between the Group and its auditors.

B4. It evaluates the extent and effectiveness of the audits and examines ways to better co-ordinate the

audit effort to ensure complete coverage, avoidance of overlapping work and the best use of available audit resources (cost - effectiveness).

B5. It evaluates the comments / proposals of the auditors with regard to the management of the Group, the preparation and presentation of its financial statements and the monitoring of their application.

B6. It monitors the substantial volume, nature and extent of non-auditing services provided by the auditors at Group level, aiming to maintain the balance between objectivity and the value added by the services offered.

In the case where non-auditing services are offered to a subsidiary or affiliated company of the Bank and the volume is such that it downgrades the objectiveness of their audits, then the Committee informs the corresponding Committee (where it exists) of the subsidiary company or its Board of Directors.

The Committee is informed, at least once a year, by the Group's Financial Management about the nature, extent and fees for non-auditing services or other advisory duties of the auditors.

B7. It annually prepares a table in which the auditing and non-auditing services by category, time and fees paid are recorded.

This table is submitted to the Board of Directors, along with the relevant comments of the Audit Committee.

C. Internal Audit

C1. It approves and evaluates the Internal Audit manual that contains, among other things, the rules, the way the Committee works and the audit objectives and programmes.

C2. The Group Internal Audit submits its annual audit plan and the Unit's budget to the Audit Committee for approval. Any changes that are likely to be made to the audit plan or the budget during the year must also be approved by the Committee.

C3. It proposes to the Board the appointment and replacement of the Head of Group Internal Audit.

It evaluates his performance and also the work and effectiveness of Group Internal Audit.

C4. It evaluates the adequacy and effectiveness of the Internal Control System of the Group.

C5. It submits to the Board of Directors a report regarding:

a. The adequacy of audits carried out, the conclusions and the proposals of Group Internal Audit.

b. Subjects that are related to the independence and smooth carrying out of audit work carried out by Group Internal Audit.

C6. It confirms that the Bank assigns the evaluation of the adequacy of the Internal Control System, on an individual and consolidated base, to external auditors who have the necessary experience.

It evaluates the findings of the above audits and proposes corrective measures to the Board of Directors.

D. Miscellaneous Issues

D1. It assigns to Group Internal Audit or, following authorisation of the Board of Directors, to independent experts, the investigation of any subjects which fall within its mission and powers.

D2. It requests information from the Management on the significant risks to which the Group is exposed; it evaluates the steps taken by the Board to minimise these risks, and submits proposals for their improvement.

D3. It investigates any other important elements, data or facts that concern and influence the efficiency and operation of the Bank or its compliance with the laws and regulations that govern it.

D4. The Committee confirms, once a year, the compliance of the Bank with the laws and the institutional framework in which it is active.

D5. Following a decision of the Audit Committee, the Chairman convenes a joint meeting with the members of the Audit Committee of any subsidiary company to discuss and study any matters concerning that company as may be deemed necessary.

D6. The Committee has the responsibility for examining any significant transactions, in any form, carried out by the Bank and / or its subsidiary companies, where any Member of the Board, Chief Executive Officer, Senior Executive Officer, Secretary, Auditor or large shareholder (who directly or indirectly holds more than 5% of the issued share capital of the Company or voting rights) has, directly or indirectly, any significant interest. It ensures that these transactions are carried out within the framework of the Bank's normal commercial practices (at arm's length).

The above definition includes the Board Members of subsidiary companies.

D7. It draws up, with the assistance of the Executive Officer responsible for ensuring compliance with the Code of Corporate Governance, the Board of Directors' Report on Corporate Governance to be included in the Group's Annual Report.

D8. It discusses with the Group's Management the policy for management and evaluation of business risk, including the main Group financial risks, and the measures that are taken by the Board for their monitoring and containment. The external auditors and the Head of Group Internal Audit may also be invited to this meeting.

D9. The Chairman of the Committee will be available for personal, telephone, electronic or written communication, which shareholders of the Bank may request, regarding issues concerning the work of the Committee. He will also be available to answer any questions during the Annual General Meeting or any meeting for purposes of briefing all shareholders of the Bank.

Information concerning the structure and work of the Committee will also be given in the Annual Corporate Governance Report of the Board of Directors of Hellenic Bank Public Company Limited.

6. Validity and Modification of the Terms of Reference

The terms of reference will be revised and appropriately readjusted so as to reflect any new practices that may be adopted by the Group. These might include organisational restructuring, directives of the Central Bank, changes in the relative legislation, new directives of the Securities Commission or new regulations of the Cyprus Stock Exchange added to the Code.

The Board has the responsibility for any addition to or readjustment of the procedures related to the terms of reference.

7. Code of Corporate Governance

In observing all the above, it is understood that the Audit Committee will function strictly within the framework of the relevant provisions of the Code of Corporate Governance, as these are determined by Chapter C of the Code.

Terms of Reference of the Risk Management Committee

1. Terms of Reference of the Risk Management Committee

The role of the Committee is to assist the Board of Directors of Hellenic Bank Public Company Limited ("the Company") to fulfil its responsibilities and obligations concerning the recognition, measurement, monitoring and effective management of all Group risks (credit, operational, market, liquidity, foreign currency and others). The Committee also has the responsibility of monitoring compliance risk.

2. Appointment of the Risk Management Committee

The Committee will be appointed by the Board of Directors and will consist of three to six members with sufficient knowledge and experience in the Risk Management sector. At least one member will be an Executive and one an independent non-Executive member.

One of the Committee's non-Executive members will be appointed by the Board as Chairman.

The term-of-office of the members of the Committee will be decided by the Board.

The Board can, during the term-of-office of the Committee:

- (a) replace any member of the Committee including the Chairman, and
- (b) fill positions in the Committee which are, for any reason, vacated.

3. Meetings of the Risk Management Committee

The Committee will meet whenever necessary and at least once every quarter. In emergency or crisis situations, the Committee may convene via teleconferencing for decision-taking.

The majority of Committee members will comprise a quorum. A majority of Committee members is considered to be the next integral number of one half of the members. In the case of a tie, the Chairman will have the casting vote. The Committee will keep minutes of its meetings and decisions.

The Chairman of the Committee will inform the Members of the Board of the Committee's work.

The Committee may invite to any of its meetings any person who may contribute to the effective conduct of its business.

4. Duties, Responsibilities and Rights of the Risk Management Committee

4.1 The Committee will prepare and submit to the Board of Directors, for approval, the principles which should govern risk management. Based on these principles, the Committee will cultivate an internal environment of risk management, which will govern the business decision-making processes across the activities and / or units of the Group and its subsidiaries.

4.2 Based on the approved principles, the Committee will shape and propose to the Board of Directors, for approval, the framework for undertaking all forms of risks and the use of capital that would correspond to the business objectives of the Company, Group and / or each Company separately. Inter alia:

- (a) The Committee will shape the policy of the Group with regard to the limits and pricing of undertaking Group risks.
- (b) The Committee will ensure that the Group's capital is maintained at levels that correspond to the risks undertaken.

(c) The Committee will confirm the sufficiency of the acceptable limits of risk and the limits of interruption of loss-making activities or the undertaking of other corrective measures.

4.3 The Committee will formulate and submit to the Board of Directors of the Company proposals for the undertaking of corrective measures in cases where it sees a weakness in the implementation of the risk management strategy.

4.4 The Committee will recommend to the Board of Directors the transfer to the Top Executive and General Management and other approving groups of approval rights (which concern the undertaking of risks) along with the restrictions and limits which govern these rights. Specifically, it will propose to the Board approval limits for the Executive Loan Committee and the Assets and Liabilities Management Committee (ALCO).

4.5 The Committee will obtain satisfactory assurances that the Top Executive Management fully understands and applies the desired risk taking levels as they are prescribed by the Board of Directors. The Committee will also obtain satisfactory assurances that all staff involved understands and applies risk appetite and management policy and that excessive risk appetite is not encouraged. Sources of assurances are e.g. the Reports of the Head Office Departments responsible like Risk Management, Internal Audit, Credit Monitoring, etc. as well as external Reports like those of the supervisory authorities, the auditors, the consultants, etc.

4.6 The Committee will receive and evaluate, on a quarterly basis, reports by the Head of Group Risk Management Unit with regard to the more important risks that were undertaken by the Group and will inform the Board of Directors accordingly.

4.7 The Committee will evaluate, annually, the adequacy and effectiveness of the risk management policy, including the appropriateness of limits, the adequacy of provisions and own funds in relation to the size and form of risks undertaken. The evaluation will be carried out based on the

annual report of the Head of the Risk Management Unit.

The above mentioned report and evaluation, along with the relevant extracts of the minutes of the Board, will be submitted to the Department of Regulation and Supervision of Banking Institutions of the Central Bank of Cyprus by 30 April each year.

4.8 The Committee will refer to the Board of Directors, for approval, any new products or services that the Group intends to introduce which, in the opinion of the Risk Management Unit, include new risks or require the adoption of risk limits. It will also ensure that the various risks contained in these products (credit, market, liquidity, operational, etc.) are adequately monitored.

4.9 The Committee will evaluate the risks that are related in the involvement of the Group in new markets, new companies or business ventures and will submit a recommendation to the Board of Directors.

4.10 The Committee will be informed of the relevant reports of the Central Bank of Cyprus and the Group Internal Audit concerning risk management and will see to the undertaking of corrective measures where these are necessary, based on the observations and suggestions of these reports.

The Committee will also be informed of the contents of reports by the International Rating Agencies and, after evaluation, will proceed with proposals for any necessary corrective measures concerning risk management.

4.11 The Committee will propose to the Board the nomination or replacement of the Head of the Risk Management Unit of the Group.

4.12 Within the framework of its responsibilities, the Committee, in co-operation with the Audit Committee, will also be responsible, at Board level, for the implementation of the Second Basel Accord (Basel II) and the Directives of the European Union (CAD 3).

4.13 The Risk Management Committee will work with the Audit Committee of the Board to ensure that a global view is taken in the management of risk.

4.14 The Committee has the approval of the Board of Directors to obtain independent professional advice whenever it deems this necessary.

4.15 The Chairman of the Committee will be available for personal, telephone, electronic or written communication, which shareholders of the Company may request, regarding issues concerning the work of the Committee. He will also be available to answer any questions during the Annual General Meeting or any meeting for purposes of briefing all shareholders of the Company. Information concerning the structure and work of the Committee will also be given in the Annual Corporate Governance Report of the Board of Directors of Hellenic Bank Public Company Limited.

Terms of Reference of the Nominations / Internal Governance Committee

Principle of the Code of Corporate Governance

There should be a specified and transparent process for the nomination of new Board Members to the Board of Directors. The Board should consist of individuals fit and proper to participate in the Board of Directors of the Company.

1. Terms of Reference of the Nominations / Internal Governance Committee

The role of the Committee is to prepare proposals to the Board of Directors of Hellenic Bank Public Company Limited ("the Company") for the selection of fit and proper individuals for nomination as Members of its Board or the Boards of Subsidiary Companies of the Group, either to fill extraordinarily vacated or vacant seats or after the retirement of a Member based on the retirement policy due to age. The Committee also has the general responsibility for the implementation of policies of internal governance within the Group.

2. Appointment of the Nominations / Internal Governance Committee

The Committee is appointed by the Board of Directors and consists of three to six, in their majority non-Executive Board Members with the participation of at

least one non-Executive and Independent Member. The Chairman of the Committee should be a non-Executive Board Member.

The term-of-office of the members of the Committee is decided by the Board of Directors.

3. Meetings of the Nominations / Internal Governance Committee

The Committee will meet whenever necessary and at least three times a year.

The majority of Committee members will comprise a quorum. A majority of Committee members is considered to be the next integral number of one half of the members, provided the Chairman of the Committee is present. In the case of a tie, the Chairman will have the casting vote. The Committee will keep minutes of its meetings and decisions and will submit copies to the Chairman and the Members of the Board of Directors of the Company. The Committee has the approval of the Board of Directors to obtain independent professional advice whenever it deems this necessary.

4. Duties and Responsibilities of the Nominations / Internal Governance Committee

4.1 The Committee will propose to the Board the necessary qualifications that an individual should possess in order to serve as a member of the Board of any of the Group's companies. The minimum qualifications required are:

(a) Knowledge, skills and experience.

(b) Honesty and objective judgement.

(c) Any special qualifications that may be required by laws that govern the operation of a particular company (including the Directive of the Central Bank "Concerning the Ability and Suitability [Criteria of Evaluation] of Board Members and Executives of Banks Directive of 2006 and 2007").

(d) Availability of time for the business of the Company.

(e) Appropriate age.

4.2 The Committee will examine proposals for the nomination of members to the Group Boards of

Directors based on the required qualifications and will submit the relevant report, with its opinion, to the Board of Directors of the Company, which will take the final decisions. The Committee will state in its report the companies in which a candidate for Board membership is not allowed to participate because of conflict of interests, as well as what information the candidate should have at his / her disposal before being appointed as a Member of the Board.

4.3 The Committee will examine, on an annual basis, the structure, size, composition and the output / effectiveness of the Board of Directors of the Company and those of the Group's Subsidiary Companies and will propose any changes that are judged necessary to the Board of the Company.

4.4 The Committee will evaluate, on an annual basis, the skills, knowledge and expertise of Members of the Board of Directors of the Company and those of the Group's Subsidiary Companies, reporting accordingly to the Board of the Company.

4.5 The Committee will have the responsibility of preparing plans for the succession of Board Members.

4.6 The Committee will study and prepare a relevant proposal to the Board of Directors in relation to the "Annual Evaluation of the independence of the non-Executive and Independent Members of the Board" that, as prescribed by the Directive of the Central Bank of Cyprus "Framework of Principles of Operation and Criteria for Evaluation of Banks' Organisational Structure, Internal Governance and Internal Control Systems 2006 and 2009", is considered by the Board during February each year.

The Committee will be responsible for the continuous evaluation, during the year, of the independence of these Members and for the suggestion of the preparation of a supplementary Evaluation, if at any point in time, due to changes or developments, persons that hold the position of non-executive and independent director no longer satisfy or seem to satisfy any of the independence criteria of the above-mentioned Directive.

4.7 The Committee will evaluate the extent of compliance with the policies of internal governance as these were approved by the Board of Directors of the Company.

4.8 The Chairman of the Committee will be available for personal, telephone, electronic or written communication, which shareholders of the Company may request, regarding issues concerning the work of the Committee. He will also be available to answer any questions during the Annual General Meeting or any meeting for purposes of briefing all shareholders of the Company. Information concerning the structure and work of the Committee will also be given in the Annual Corporate Governance Report of the Board of Directors of Hellenic Bank Public Company Limited.

5. Best Principles of Internal Governance

As these are reported in the Directive of the Central Bank of Cyprus - May 2006 and by the Basel Committee on Banking Supervision - February 2006.

6. Code of Corporate Governance

It is understood that the Nominations / Internal Governance Committee will operate strictly within the framework of the relevant provisions of the Code of Corporate Governance as these are determined in Chapter A of the Code.

(15) Part D of the Code which refers to the Relations of the Company with its Shareholders

Hellenic Bank Group announces its financial results every quarter.

The Board of Directors of the Company utilises the occasions of the announcements of the quarterly or interim results, as well as of the Annual General Meeting of the Shareholders itself for organising analytical presentations of the Financial Statements. These are usually undertaken by the Group Chief Financial Officer and the Company's Executive Management for the benefit of shareholders, financial analysts, members of the Stock Exchange and representatives of the Mass Media. More specifically, regarding the Annual General Meeting, there is complete compliance with the relevant provisions of the legislation, the Bank's Articles of Association and the Code. The shareholders also have the opportunity to communicate, regarding

matters that concern them, with the Secretariat of the Company and the Investor Relations Officer, Antonis Rouvas (tel: 22500760).

(16) Rotating Directors eligible for Re-Election

Members of the Board retire on a rotating basis or retire according to the relative articles of the Bank's Articles of Association and the relevant provisions of the Companies Law and the Code (at least every three years). The retiring Directors, who are eligible and will offer themselves for re-election at the Annual General Meeting of the Bank on 19 May 2010, are the following (brief curriculum vitae included):

(a) Andreas M. Moushouttas, Lawyer

Born on 29 April 1939. Graduated from the Pancyprrian Gymnasium of Nicosia and holds a Law Degree from the Faculty of Law of the National and Kapodistrian University of Athens. A member of the Cyprus Bar Association. Was Minister of Labour and Social Insurance from 1985 until February 1988, from 1993 until 1997 and from 1998 until February 2003. Also served as Chairman of the Board of Directors of the Electricity Authority of Cyprus from 1979 to 1984 and from 1988 to 1989 as well as in other boards of public and private companies.

Appointed as Member of the Board of Directors of Hellenic Bank on 2 July 2003 and elected as a Vice Chairman of the Board on 19 March 2005. Member of the Board of Directors of LLC CB Hellenic Bank, a subsidiary of the Bank in Russia, Chairman of the Risk Management Committee and Member of the Nominations / Internal Governance Committee of the Bank's Board of Directors.

(b) Makis Keravnos, Economist / Chief Executive Officer of Hellenic Bank Group

Born on 18 December 1951. Studied Economics at the National and Kapodistrian University of Athens and then proceeded with postgraduate studies in Development Economics at Panteion University and in Industrial Management (M.Sc.) at the University of Kensington. Having won a scholarship from the United Nations Development Programme, received further training at Oxford Brookes University on issues of new technology and human resource

development. Also received further training in human resource management and consultancy services to small and medium-sized corporations from the ETP Programme of the European Foundation for Management Development.

For a number of years worked as a senior executive in financial and commercial management and as a General Manager in large companies both overseas and in Cyprus. For twenty years served as senior executive officer of the Human Resource Development Authority, in the Research and Strategic Planning sector.

Held the position of Minister of Labour and Social Insurance and Minister of Finance. Was the first Minister of Finance after the accession of Cyprus to the EU and represented Cyprus on various Councils of Ministers of the EU. In May 2004, led Cyprus to the Exchange Rate Mechanism, which was the first step towards integration into the Eurozone.

Also served as a Board Director of the World Bank for Cyprus, the European Investment Bank and the European Bank for Reconstruction and Development.

On 1 September 2005, accepted the position of Chief Executive Officer of the Hellenic Bank Public Company Limited Group.

In August 2006, appointed by the Council of Ministers as Chairman of the Board of Directors of the Cyprus Broadcasting Corporation for a full term in office.

Appointed Member of the Board of Directors of Hellenic Bank on 20 July 2006 and also Chairman of the Board of Directors of Hellenic Alico Life Insurance Company Limited.

(c) Soteris Z. Kallis, Businessman

Born on 26 July 1945. Graduated from the Pancyprrian Gymnasium of Nicosia. During his career received extensive education in Business Administration and Bookkeeping. General Manager of the private company G. Kallis (Manufacturers) Ltd, which together with other subsidiary or associated companies are involved in industrial, trading and investment activities.

Was Chairman of the Cyprus Clothing Industries Association from its establishment until 2007 and Member of the Labour Issues Advisory Body. Member of the Executive Committee of the Board of Directors of the Cyprus Employers' and Industrialists' Federation (O.E.V.). Was member of the Board of Directors of Universal Bank Public Limited (now USB Bank Plc) and Universal Life Insurance Company Limited.

Elected Member of the Board of Directors of Hellenic Bank on 1 June 2005 and also member of the Board of Directors of Athena Cyprus Company Limited. Member of the Nominations / Internal Governance, Remuneration and Audit Committees of the Bank's Board of Directors.

(d) Charalambos P. Panayiotou, Chartered Accountant

Born on 6 July 1971. Graduated from the First Lyceum of Paphos and studied Management Sciences (B.Sc.) at the London School of Economics and Political Science. In 1996, qualified as a Chartered Accountant with the Institute of Chartered Accountants in England and Wales and became a member of the Institute of Certified Public Accountants of Cyprus. Subsequently employed by the Cyprus Popular Bank Limited. In 2000, appointed Financial Controller of the Holy Bishopric of Paphos and Board Member of St. George Hotel (Management) Limited and Tsada Golf Club, positions that he still holds. Sits on the Boards of various companies within the Hellenic Mining Company Group.

Elected a Member of the Board of Directors of Hellenic Bank on 1 June 2005 and also Chairman of the Board of Directors of Hellenic Bank (Investments) Limited and member of the Risk Management and Nominations / Internal Governance Committees of the Bank's Board of Directors.

(e) Glafkos G. Mavros, Banker

Born on 9 August 1949. Graduated from Samuel Commercial School and studied Economics (B.Sc.) at London University. Subsequently worked for three years in the American investment bank First Boston Corporation in London as a Corporate Financial Analyst specialising in Eurobonds and Syndicated Loans.

In 1978 returned to Cyprus and employed by Hellenic Bank in the Credit Department. Since 1988 assumed various management positions in the Bank and its subsidiaries in the Business Development Sector. On 1 January 2008 promoted in the position of Group General Manager, Business Development for Cyprus, Greece and Russia.

Was founding member of the Cyprus Investors Association and member of its first Board of Directors.

A member of the Board of Directors of the Cyprus-Spanish Association, the Cyprus-Russian Association and an honorary member of the Cyprus Institute of Marketing.

Appointed a Member of the Board of Directors of Hellenic Bank on 11 January 2010 and also Member of the Board of Directors of Pancyprian Insurance Limited, Hellenic Alico Life Insurance Company Limited and LLC CB Hellenic Bank, a subsidiary of the Bank in Russia. Member of the Risk Management Committee of the Bank's Board of Directors.

Nicosia, 29 March, 2010

REMUNERATION POLICY REPORT FOR THE YEAR 2009

INTRODUCTION

The Board of Directors, in compliance with the provisions in the Code of Corporate Governance, published by the Cyprus Stock Exchange (3rd edition - September 2009) and particularly Appendix 1 of the Code, incorporates the present Remuneration Policy Report in the Bank's 2009 Annual Report. The latest has been published in the Bank's Website.

REMUNERATION COMMITTEE

The Remuneration Committee meets whenever it is necessary to fix or review the remuneration of Executive and non-Executive Members of the Board of Directors and the Chief Executive Officer. After considering all relevant parameters and data, it makes relevant recommendations to the Board for taking decisions, in the absence of the Executive Member of the Board or other Officers involved. The Committee's suggestions and the Group's remuneration policy take into consideration the relevant responsibilities, workload, qualifications, experience, performance, remuneration of comparable positions in the market, especially in areas where the Group is active, as well as salaries in other levels of the Group. The Committee's aim is to attract and retain good quality officers at Executive and General Management levels, in order to better serve the interests of the Group as well as its shareholders and other stakeholders.

Each year, the Remuneration Committee proposes to the Board of Directors the Annual Remuneration Policy Report, as part of the Annual Report of the Company, which is submitted to the shareholders' Annual General Meeting for approval. The Committee also reviews and approves the information disclosed on the annual remuneration of the Members of the Board, which is prepared by Group Financial Management for inclusion in the notes to the annual accounts of the Company and the Remuneration Policy Report itself.

The Remuneration Committee consists of the following Board Members:

Chairman: Demetris J. Eliades
(resigned on 1 March 2010)

Members: Soteris Z. Kallis
Kyriakos E. Georgiou
Iacovos G. Iacovou
Kyriacos I. Droushiotis

The terms of reference of the Remuneration Committee are listed below:

Terms of Reference of the Remuneration Committee Principles of the Code of Corporate Governance

The companies should introduce official and transparent procedures for the development of policies concerning the remuneration of Executive Members of the Board and for fixing the remuneration of each Board Member separately.

The level of remuneration should be sufficient to attract and retain in the Company Board Members who strengthen the Group's Management but the Companies should avoid paying more than is required in order to achieve this. It is recommended that part of the remuneration of the Executive Members of the Board is determined in such a way that it relates remuneration to the company and individual performance.

The Company's Corporate Governance Report should include a statement of the Remuneration Policy and relevant criteria, as well as the total remuneration of the Executive and non-Executive Members of the Board.

1. Terms of Reference of the Remuneration Committee

The role of the Committee is to prepare suggestions to the Board of Directors of Hellenic Bank Public Company Limited ("the Company") for the remuneration packages of Executive and non-Executive Members of the Board of the Company as well as of the Chief Executive Officer and the Group General Managers.

2. Appointment of the Remuneration Committee

The Board appoints at least three exclusively non-Executive Directors as members of the Committee. The majority of the members of the Committee must be independent non-Executive Members of the Board, including the Chairman of the Committee. The Chairman of the Committee is appointed by the Board.

The term-in-office of the members of the Committee is also decided by the Board.

3. Meetings of the Remuneration Committee

The Committee will meet whenever necessary and at least twice a year.

The majority of Committee members will comprise a quorum. A majority of Committee members is considered to

be the next integral number of one half of the members, provided that the Chairman is present. In the case of a tie, the Chairman has the casting vote.

The Committee will keep minutes of its meetings and decisions.

The Committee has the approval of the Board of Directors of the Company to obtain independent professional advice whenever it deems this necessary. The Committee may invite to any of its meetings any person who may contribute to the better conduct of its business.

4. Duties and Responsibilities of the Remuneration Committee

4.1 The Committee will submit to the Board of Directors of the Company, within terms of reference agreed upon and without the presence of the party interested in their evaluation, proposals concerning the framework and level of remuneration (including fixed pay, performance-related pay, bonuses, pension rights and any compensation payments, share options, etc.) of Executive and non-Executive Members of the Board and the Chief Executive Officer. The Committee will take into consideration factors such as responsibilities, workload, qualifications (academic qualifications, know-how and experience in the sectors where the Group is active), performance and the remuneration offered by other Cypriot companies / groups that are similar in size and range of activities. It will also consider the need to attract and retain the most suitable Directors (Executive and non-Executive) / General Managers for the Company.

During the formulation of the above-mentioned proposals, the Committee should take care so that:

(a) these proposals are consistent with Appendix 3 of the directives of the Central Bank of Cyprus "Framework of Principles of Operation and Criteria for Evaluation of Banks' Organisational Structure, Internal Governance and Internal Control Systems 2006 and 2009" (attached) and

(b) the performance-related systems:

- should not extend any benefits before the gains expected by the Company materialise in a satisfactory degree
- should not include non-Executive Members of the Board among the beneficiaries
- should include targets and evaluation criteria so that the remuneration of the Company executives is properly aligned

with the long term interests of the shareholders, the targets set by the Board of Directors and the risk policy of the Company.

4.2 In relation to the level of remuneration of the non-Executive Members of the Board, the Committee will take the following into consideration:

- a. The time that the Members have available to attend meetings.
- b. The responsibilities assumed by each Member.
- c. The non-correlation of remuneration to the profitability of the Company.
- d. The non-participation in any insurance or pension plan.

4.3 The Committee will submit to the Board of Directors proposals for the determination of each readjustment of benefits of the Members of the Board and the Chief Executive Officer, being sensitive to the terms of remuneration and conditions of employment at other levels of the Group.

4.4 The Remuneration Committee, during the preparation of its proposals, will provide the opportunity to the Chairman and the Chief Executive Officer to express an opinion with regard to its proposals concerning the salaries of other Executive Board Members. It should also have access to professional advice both internal and external.

4.5 The Committee will assist, through relevant studies / proposals, the Board of Directors in fulfilling its duties in approving the principles that govern the Bank's Remuneration Policy and in supervising their application. The implementation of the remuneration policy should be subject to a central and independent review. In this process, the participation is essential, in a satisfactory degree, of (a) the control functions (like Internal Audit, Risk Management and Compliance), (b) the Human Resources Department and (c) the shareholders, where applicable.

4.6 The Committee will prepare for submission to the Board of Directors the Annual Remuneration Policy Report, which will comprise part of, or be attached to, the Annual Report of the Company. It should also be presented to the Annual General Meeting of the shareholders for approval and posted on the official website of the Company. Details of the content that needs to be published are described in Appendix 1 of the Code of Corporate Governance.

The Committee also approves and suggests to the Board of Directors the thorough and clear presentation of the Bank Remuneration Policy, e.g. in the form of an extended Remuneration Policy Report, that will be made to the Central Bank at its request.

4.7 The Committee will review and approve the Annual Remuneration Statement, prepared by Group Financial Management for inclusion in the Company's annual accounts or in the notes to the annual accounts, in accordance with Appendix 2 of the Code of Corporate Governance.

4.8 The Committee will review and approve the content of any resolutions submitted for approval at the General Meeting of the shareholders, which will be prepared by the Secretariat in cooperation with the Group's legal advisers, in accordance with Appendix 3 of the Code of Corporate Governance, and concern possible plans for the compensation of Members of the Board in the form of shares, share warrants or share options.

4.9 The Committee will review and approve, where this is considered necessary, the Job Descriptions (roles, responsibilities, main duties, powers, etc.) of Top and Senior Executive Management.

4.10 The Chairman of the Committee will be available for personal, telephone, electronic or written communication, which shareholders of the Company may request, regarding issues concerning the work of the Committee. He will also be available to answer any questions during the Annual General Meeting or any meeting for purposes of briefing all shareholders of the Company. Information concerning the structure and work of the Committee will also be given in the Annual Corporate Governance Report of the Board of Directors of Hellenic Bank Public Company Limited.

5. Code of Corporate Governance

5.1 It is understood that the Remuneration Committee will act strictly within the framework of the relevant provisions of the Code of Corporate Governance as determined in Chapter B of the Code.

DIRECTORS' REMUNERATION POLICY

The Remuneration Policy for the Directors of the Company remains the same as it was when approved in the Annual

General Meeting of 20 May 2009, as shown below. A related proposal will be submitted by the Board of Directors to the Annual General Meeting of the shareholders for approval.

The Chairman of the Board receives annual fees and hospitality expenses of €55.359, the Vice Chairman annual fees €25.629 and the Members €10.252. The remuneration for the Directors as Members of the Board was revised in 2007 to take into consideration the services rendered by the Chairman, the Vice Chairman and the Members of the Board, the time they devote, the fees received by corresponding officers of other comparable organisations, the responsibilities undertaken and in general their overall contribution to the Group's best interests.

The Chairmen of the Audit and Risk Management Committees receive annual fees of €6.834 and each Member €5.126. The Chairmen of the Remuneration and Nominations / Internal Governance Committees receive annual fees of €2.563 and each Member €1.709. The remuneration for the Directors as Members of the Committees of the Board was revised in 2007 to take into consideration the services rendered by the Members of Board, the time they devote, the fees received by corresponding officers of other comparable organisations and the responsibilities undertaken.

REMUNERATION POLICY FOR THE EXECUTIVE DIRECTORS / CHIEF EXECUTIVE OFFICER

The Executive Directors are compensated with a remuneration package based on a contract whose terms are compliant with the relevant provisions of the existing Code of Corporate Governance (paragraphs B.2.7., B.2.8. and B.2.9.).

The remuneration package includes a non-variable annual salary payable monthly, which takes into consideration the relevant responsibilities, workload, qualifications, experience, performance, remuneration of comparable positions in the market, especially in the scope of activities of the Group, and remuneration within other Group companies. It aims to attract and retain the most suitable individuals. The term "performance" encompasses the evaluation of the individual performance as well as that of the Group Results in relation to the achievement of its targets and profitability. The remuneration package also includes hospitality expenses, health, life and accident insurance cover, the use of a company car

(in accordance with the current regulations for the Group's Managerial Staff) and participation in the Company's Employees Provident Fund, which is offered to Group personnel in Cyprus. The above mentioned Provident Fund is a defined-benefit scheme. The changes in the cumulative retirement benefits of the Executive Directors for the year are disclosed in Note 38 to the Accounts contained in this Annual Report.

The Executive Director / Chief Executive Officer's contract has a five-year duration and can be renewed six months before its expiry (with a Board of Directors' decision following suggestions of the relevant committees of the Board). In the case of early and unjustified termination of the contract (which can be effected any time during its term), variable compensation is paid up to a maximum amount equal to two annual salaries. It is understood that the compensation will be equal to the salaries attributed to the remaining period of the contract if the latter is of less than two years' duration.

The employment of the Executive Director / Group General Manager, in relation to its duration, is governed by the retirement age applicable for the personnel of the Bank. There is no specific stipulation for compensation increase of premature termination of the employment.

There has been no change to the remuneration policy for the Executive Directors / Chief Executive Officer since 2006. The policy is subject to revision on the basis of the provisions of the amending directive of the Central Bank "Framework of Principles of Operation and Criteria for Evaluation of Banks' Organisational Structure, Internal Governance and Internal Control Systems" (October 2009) with the view that it will be approved by the Board of Directors during the first term of 2010.

Related to the Remuneration Policy for the Members of the Board, the Chief Executive Officer and other Senior Managers for 2009 is the disclosure of information in the notes to the Accounts contained in this Annual Report (Note 38) as well as the analytical Disclosure of Information regarding the Remuneration of the Members of the Board for the year 2009 shown below.

The Board of Directors submits this Remuneration Policy Report to the Annual General Meeting of the shareholders and unanimously recommends its approval.

Nicosia, 29 March, 2010

DISCLOSURE OF INFORMATION REGARDING THE REMUNERATION OF DIRECTORS FOR THE YEAR 2009

	Remuneration for services	Remuneration for participation in the Board of Directors and its Committees	Total remuneration for services	Remuneration and benefits from companies of the same Group of companies	Remuneration in the form of profit and/or bonus distribution	Assessment of the value of the benefits that are considered to form remuneration	Total remuneration and benefits	Income Tax withheld	Remuneration and benefits net of Income Tax	Annual increase in the total retirement benefits
	€	€	€	€	€	€	€	€	€	€
Executive Directors										
Makis Keravnos	273.376	10.252	283.628	3.417	0	17.709	304.754	82.091	222.663	45.407
Pieris Th. Theodorou	153.943	15.378	169.321	5.868	0	1.709	176.898	42.633	134.265	56.640
	427.319	25.630	452.949	9.285	0	19.418	481.652	124.724	356.928	102.047
Non-Executive Directors										
Dr. Andreas P. Panayiotou	0	57.897	57.897	6.118	0	4.101	68.116	18.599	49.517	0
Andreas M. Moushottas	0	37.084	37.084	7.787	0	0	44.871	12.150	32.721	0
Iacovos G. Iacovou	0	13.670	13.670	4.400	0	0	18.070	5.421	12.649	0
Antonis I. Pierides	0	22.212	22.212	5.980	0	0	28.192	8.458	19.734	0
Demetris J. Eliades	0	15.727	15.727	4.370	0	0	20.097	4.718	15.379	0
Soteris Z. Kallis	0	18.796	18.796	6.863	0	0	25.659	7.698	17.961	0
Charalambos P. Panayiotou	0	17.087	17.087	4.271	0	0	21.358	6.407	14.951	0
Ioannis Ch. Charilaou	0	20.504	20.504	10.251	0	0	30.755	9.227	21.528	0
Georgios K. Pavlou	0	19.999	19.999	10.350	0	0	30.349	6.920	23.429	0
Kyriakos E. Georgiou	0	19.999	19.999	6.266	0	0	26.265	6.569	19.696	0
Kyriacos I. Droushiotis	0	17.087	17.087	3.400	0	0	20.487	6.146	14.341	0
	0	260.062	260.062	70.056	0	4.101	334.219	92.313	241.906	0
Total	427.319	285.692	713.011	79.341	0	23.519	815.871	217.037	598.834	102.047

HELLENIC BANK GROUP

**INDEPENDENT AUDITORS' REPORT TO
THE MEMBERS OF HELLENIC BANK
PUBLIC COMPANY LIMITED AND
FINANCIAL STATEMENTS**

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HELLENIC BANK PUBLIC COMPANY LIMITED

Report on the Consolidated and Company's Separate Financial Statements

We have audited the consolidated financial statements of **HELLENIC BANK PUBLIC COMPANY LIMITED** (the "Company") and its subsidiaries (the "Group") and the Company's separate financial statements on pages 60 to 133, which comprise the statements of financial position of the Group and the Company as at 31 December 2009, and the income statements, statements of comprehensive income, changes in equity and cash flows of the Group and the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated and Company's separate 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated and the Company's separate financial statements give a true and fair view of the financial position of **HELLENIC BANK PUBLIC COMPANY LIMITED** and its subsidiaries as at 31 December 2009, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal and Regulatory Requirements

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

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion, and to the best of our information and according to the explanations given to us, the financial statements of the Group and the Company give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the Report of the Board of Directors on pages 32 to 35 is consistent with the financial statements.

Pursuant to the requirements of the Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission, we report that a corporate governance statement has been made for the information relating to paragraphs (a), (b), (c), (f) and (g) of article 5 of the said Directive, and it forms a special part of the Report of the Board of Directors.

Other Matter

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

KPMG Limited
Chartered Accountants

Nicosia, 29 March, 2010

HELLENIC BANK GROUP

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2009

	Note	2009 € '000	2008 € '000
Interest income	3	374.734	446.581
Interest expense	4	(184.655)	(251.111)
Net interest income		190.079	195.470
Fee and commission income	5	64.748	64.266
Fee and commission expense	6	(6.438)	(5.686)
Net fee and commission income		58.310	58.580
Net gains/(losses) on disposal and revaluation of foreign currencies and financial instruments	7	4.295	(30.414)
Other income	8	16.866	19.576
Total net income		269.550	243.212
Staff costs	9	(117.585)	(104.490)
Depreciation	23	(5.493)	(6.148)
Administrative and other expenses		(47.107)	(48.274)
Total expenses		(170.185)	(158.912)
Profit from ordinary operations before provisions		99.365	84.300
Provisions for impairment of loans and advances	17	(63.245)	(39.682)
Profit before taxation	10	36.120	44.618
Taxation	11	(7.773)	(13.294)
Profit for the year		28.347	31.324
Profit/(loss) attributable to:			
Owners of the parent company		27.194	33.973
Non-controlling interests		1.153	(2.649)
Profit for the year		28.347	31.324
Basic earnings per share (cent)	13	9,1	11,6

The notes on pages 70 to 133 form an integral part of the financial statements.

HELLENIC BANK GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

	Note	2009 € '000	2008 € '000
Profit for the year		28.347	31.324
Other comprehensive income			
Surplus/(deficit) on revaluation of available for sale equity and debt securities		17.080	(81.266)
Amortisation of revaluation of reclassified debt securities available for sale		21.981	--
Transfer to the income statement on disposal of available for sale equity and debt securities		2	(11.106)
Transfer to the income statement on impairment of available for sale equity and debt securities		5.423	4.987
Exchange differences		--	(60)
Taxation relating to components of other comprehensive income	11	21	(681)
Other comprehensive income for the year net of taxation		44.507	(88.126)
Total comprehensive income for the year net of taxation		72.854	(56.802)
Total comprehensive income for the year net of taxation attributable to:			
Owners of the parent company		71.591	(51.607)
Non-controlling interests		1.263	(5.195)
		72.854	(56.802)

The notes on pages 70 to 133 form an integral part of the financial statements.

HELLENIC BANK GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	2009 € '000	2008 € '000
Assets			
Cash and balances with Central Banks	14	233.516	189.133
Government securities and other eligible bills	15	1.839.004	1.188.762
Placements with other banks	16	1.331.833	1.032.495
Loans and advances to customers	17	4.561.473	4.609.328
Debt securities	18	75.641	565.417
Equity securities	20	44.789	40.490
Property, plant and equipment	23	94.806	91.713
Intangible assets	24	21.334	20.217
Other assets	25	92.335	89.236
Total assets		8.294.731	7.826.791
Liabilities			
Deposits by banks	26	254.758	195.196
Repurchase agreements	27	351.847	469.669
Customer deposits and other customer accounts	28	6.573.981	6.146.521
Other liabilities	29	289.166	325.486
		7.469.752	7.136.872
Loan capital	30	302.415	236.889
Equity			
Share capital	31	132.437	127.844
Reserves		387.448	312.593
Equity attributable to owners of the parent company		519.885	440.437
Non-controlling interests		2.679	12.593
Total equity		522.564	453.030
Total liabilities and equity		8.294.731	7.826.791
Contingent liabilities and commitments	33	1.591.971	1.600.636

The consolidated financial statements have been approved by the Board of Directors on 29 March 2010.

Dr A. P. Panayiotou
Chairman

A. M. Moushouttas
Vice Chairman

M. Keravnos
Chief Executive Officer

A. Rouvas
Group Chief Financial Officer

The notes on pages 70 to 133 form an integral part of the financial statements.

HELLENIC BANK GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

Attributable to owners of the parent company

	Share capital	Share premium reserve	Revenue reserve	Translation reserve	Revaluation reserves (Note 32)	Total	Non-controlling interests	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance								
1 January 2009	127.844	228.729	142.191	39	(58.366)	440.437	12.593	453.030
Total comprehensive income for the year net of taxation	--	--	27.737	--	43.854	71.591	1.263	72.854
Increase of share in subsidiary company	3.446	6.540	770	--	--	10.756	(10.756)	--
Issue of shares	8	19	--	--	--	27	--	27
Dividend paid	--	--	(5.946)	--	--	(5.946)	(421)	(6.367)
Reinvestment of dividend	1.139	1.881	--	--	--	3.020	--	3.020
31 December 2009	132.437	237.169	164.752	39	(14.512)	519.885	2.679	522.564

At 31 December 2009 the increase of share in subsidiary company refers to Athena Cyprus Public Company Ltd.

Attributable to owners of the parent company

	Share capital	Share premium reserve	Revenue reserve	Translation reserve	Revaluation reserves (Note 32)	Total	Non-controlling interests	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance								
1 January 2008	124.277	218.039	153.848	99	28.696	524.959	19.962	544.921
Total comprehensive income for the year net of taxation	--	--	34.607	(60)	(86.154)	(51.607)	(5.195)	(56.802)
Takeover of operations of subsidiary company	1	--	565	--	(908)	(342)	(9)	(351)
Transfer from share premium reserve due to euro conversion	829	(829)	--	--	--	--	--	--
Special defence contribution on deemed dividend distribution	--	--	(22)	--	--	(22)	--	(22)
Issue of shares	19	99	--	--	--	118	--	118
Dividend paid	--	--	(46.807)	--	--	(46.807)	(2.165)	(48.972)
Reinvestment of dividend	2.718	11.420	--	--	--	14.138	--	14.138
31 December 2008	127.844	228.729	142.191	39	(58.366)	440.437	12.593	453.030

At 31 December 2008 the takeover of operations refers to Pancyprian Finance Public Company Ltd.

The notes on pages 70 to 133 form an integral part of the financial statements.

HELLENIC BANK GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

	Note	2009 € '000	2008 € '000
Cash flow from operating activities			
Group profit for the year		28.347	31.324
Issue of shares		27	118
Depreciation of property, plant and equipment	23	5.493	6.148
Amortisation of intangible assets	24	1.636	1.646
Reversal/(negative) goodwill		860	(860)
Gain on disposal of property, plant and equipment		(1)	(83)
Gain on dissolution of subsidiary company		(160)	--
(Gain)/loss on disposal and revaluation of investment in debt and equity securities		(10.721)	7.680
Impairment of investment in debt and equity securities	7	5.605	10.053
Income from investment in debt and equity securities		(87.622)	(93.470)
Interest expense on loan capital		14.407	12.887
Provisions for impairment of loans and advances		63.245	39.682
Taxation		7.773	13.294
<i>Operating profit before working capital changes</i>		28.889	28.419
Increase in loans and advances to customers and other assets		(14.410)	(935.442)
Increase in customer deposits and other customer accounts and other liabilities		740.091	378.581
Decrease/(increase) in placements with other banks		1.514	(3.707)
Decrease in deposits by banks		(35.991)	(28.173)
Net cash from/(used in) operating activities before taxation		720.093	(560.322)
Taxation paid		(2.522)	(13.128)
Net cash flow from/(used in) operating activities		717.571	(573.450)
Cash flow from investing activities			
Investment/acquisition of subsidiary company	21,22	(8.228)	(10.324)
Dissolution of subsidiary company		1.200	--
Takeover of operations of subsidiary company	21	--	565
Income from investment in debt and equity securities		87.622	93.470
Net (additions)/disposals of investment in debt and equity securities		(70.047)	15.951
Additions of property, plant and equipment	23	(9.138)	(5.405)
Additions of intangible assets	24	(1.800)	(1.250)
Proceeds from disposal of property, plant and equipment		33	412
Net cash flow (used in)/from investing activities		(358)	93.419
Cash flow from financing activities			
Proceeds from issue of share capital		3.020	14.138
Proceeds from issue of loan capital		65.526	10.894
Dividend paid		(6.367)	(48.972)
Interest paid on loan capital		(14.407)	(12.887)
Net cash flow from/(used in) financing activities		47.772	(36.827)
Net increase/(decrease) in cash and cash equivalents		764.985	(516.858)
Effect of exchange rate fluctuations on cash and cash equivalents		518	1.648
Cash and cash equivalents at the beginning of the year	36	577.886	1.093.096
Cash and cash equivalents at the end of the year		1.343.389	577.886

The notes on pages 70 to 133 form an integral part of the financial statements.

HELLENIC BANK PUBLIC COMPANY LIMITED

INCOME STATEMENT

for the year ended 31 December 2009

	Note	2009 € '000	2008 € '000
Interest income	3	367.719	436.631
Interest expense	4	(187.658)	(252.544)
Net interest income		180.061	184.087
Fee and commission income	5	60.655	60.570
Fee and commission expense	6	(2.664)	(2.033)
Net fee and commission income		57.991	58.537
Net gains/(losses) on disposal and revaluation of foreign currencies and financial instruments	7	3.091	(13.213)
Other income	8	22.014	14.763
Total net income		263.157	244.174
Staff costs	9	(106.670)	(95.007)
Depreciation	23	(5.034)	(5.722)
Administrative and other expenses		(43.000)	(46.179)
Loss on disposal of subsidiary company		(28.359)	--
Total expenses		(183.063)	(146.908)
Profit from ordinary operations before provisions		80.094	97.266
Provisions for impairment of loans and advances	17	(61.096)	(36.482)
Profit before taxation	10	18.998	60.784
Taxation	11	(6.452)	(12.043)
Profit for the year		12.546	48.741
Basic earnings per share (cent)	13	4,2	16,6

The notes on pages 70 to 133 form an integral part of the financial statements.

HELLENIC BANK PUBLIC COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

	Note	2009 € '000	2008 € '000
Profit for the year		12.546	48.741
Other comprehensive income			
Surplus/(deficit) on revaluation of available for sale equity and debt securities		14.332	(67.798)
Amortisation of revaluation of reclassified debt securities available for sale		21.981	--
Transfer to the income statement on disposal of available for sale equity and debt securities		2	(10.617)
Transfer to the income statement on impairment of available for sale equity and debt securities		1.926	4.031
Taxation relating to components of other comprehensive income	11	23	(679)
Other comprehensive income for the year net of taxation		38.264	(75.063)
Total comprehensive income for the year net of taxation		50.810	(26.322)

The notes on pages 70 to 133 form an integral part of the financial statements.

HELLENIC BANK PUBLIC COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
At 31 December 2009

	Note	2009 € '000	2008 € '000
Assets			
Cash and balances with Central Banks	14	233.271	189.133
Government securities and other eligible bills	15	1.833.250	1.182.366
Placements with other banks	16	1.325.307	1.027.080
Loans and advances to customers	17	4.464.585	4.504.589
Debt securities	18	75.351	565.110
Equity securities	20	22.276	19.472
Investments in subsidiary companies	21	111.665	125.688
Amounts due from subsidiary companies		87.995	93.428
Property, plant and equipment	23	74.010	72.397
Intangible assets	24	4.603	5.357
Other assets	25	63.469	65.323
Total assets		8.295.782	7.849.943
Liabilities			
Deposits by banks	26	261.560	195.196
Repurchase agreements	27	351.847	469.669
Customer deposits and other customer accounts	28	6.574.132	6.147.863
Amounts due to subsidiary companies		55.755	62.251
Other liabilities	29	228.001	273.384
		7.471.295	7.148.363
Loan capital	30	304.893	239.883
Equity			
Share capital	31	132.437	127.844
Reserves		387.157	333.853
Total equity		519.594	461.697
Total liabilities and equity		8.295.782	7.849.943
Contingent liabilities and commitments	33	1.589.097	1.596.297

The financial statements have been approved by the Board of Directors on 29 March 2010.

Dr A. P. Panayiotou
Chairman

A. M. Moushouftas
Vice Chairman

M. Keravnos
Chief Executive Officer

A. Rouvas
Group Chief Financial Officer

The notes on pages 70 to 133 form an integral part of the financial statements.

HELLENIC BANK PUBLIC COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

	Share capital	Share premium reserve	Revenue reserve	Translation reserve	Revaluation reserves (Note 32)	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Balance 1 January 2009	127.844	228.729	148.815	67	(43.758)	461.697
Total comprehensive income for the year net of taxation	--	--	13.062	--	37.748	50.810
Increase of share in subsidiary company	3.446	6.540	--	--	--	9.986
Issue of shares	8	19	--	--	--	27
Dividend paid	--	--	(5.946)	--	--	(5.946)
Reinvestment of dividend	1.139	1.881	--	--	--	3.020
31 December 2009	132.437	237.169	155.931	67	(6.010)	519.594

At 31 December 2009 the increase of share in subsidiary company refers to Athena Cyprus Public Company Ltd.

	Share capital	Share premium reserve	Revenue reserve	Translation reserve	Revaluation reserves (Note 32)	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Balance 1 January 2008	124.277	218.039	146.606	67	31.601	520.590
Total comprehensive income for the year net of taxation	--	--	49.257	--	(75.579)	(26.322)
Takeover of operations of subsidiary company	1	--	(219)	--	220	2
Transfer from share premium reserve due to euro conversion	829	(829)	--	--	--	--
Special defence contribution on deemed dividend distribution	--	--	(22)	--	--	(22)
Issue of shares	19	99	--	--	--	118
Dividend paid	--	--	(46.807)	--	--	(46.807)
Reinvestment of dividend	2.718	11.420	--	--	--	14.138
31 December 2008	127.844	228.729	148.815	67	(43.758)	461.697

At 31 December 2008 the takeover of operations refers to Pancyprian Finance Public Company Ltd.

The notes on pages 70 to 133 form an integral part of the financial statements.

HELLENIC BANK PUBLIC COMPANY LIMITED
STATEMENT OF CASH FLOWS
for the year ended 31 December 2009

	Note	2009 € '000	2008 € '000
Cash flow from operating activities			
Bank profit for the year		12.546	48.741
Issue of shares		27	118
Depreciation of property, plant and equipment	23	5.034	5.722
Amortisation of intangible assets	24	1.615	1.599
Gain on disposal of property, plant and equipment		(1)	(25)
Loss on disposal of subsidiary company		28.359	--
Gain on dissolution of subsidiary company		(160)	--
Gain on disposal and revaluation of investment in debt and equity securities		(8.934)	(8.298)
Impairment of investment in debt and equity securities	7	4.992	8.866
Investment income from debt and equity securities		(86.257)	(98.691)
Interest expense on loan capital		14.599	13.048
Provisions for impairment of loans and advances		61.096	36.482
Taxation		6.452	12.043
<i>Operating profit before working capital changes</i>		39.368	19.605
Increase in loans and advances to customers and other assets		(14.866)	(935.838)
Increase in customer deposits and other customer accounts and other liabilities		723.549	411.926
Decrease/(increase) in placements with other banks		3.483	(10.366)
Decrease in deposits by banks		(36.003)	(28.172)
Decrease/(increase) in amounts due from subsidiary companies		5.433	(15.729)
(Decrease)/increase in amounts due to subsidiary companies		(6.538)	1.680
Net cash flow from/(used in) operating activities before taxation		714.426	(566.894)
Taxation paid		(1.619)	(12.253)
Net cash flow from/(used in) operating activities		712.807	(569.147)
Cash flow from investing activities			
Investment/acquisition of subsidiary company	21,22	(8.228)	(12.495)
Dissolution of subsidiary company		1.200	--
Takeover of operations of subsidiary company	21	--	(784)
Investment income from debt and equity securities		86.257	98.691
Net (additions)/disposals of investment in debt and equity securities		(73.924)	11.944
Additions of property, plant and equipment	23	(6.649)	(5.296)
Additions of intangible assets	24	(861)	(1.233)
Proceeds from disposal of property, plant and equipment		6	62
Net cash flow (used in)/from investing activities		(2.199)	90.889
Cash flow from financing activities			
Proceeds from issue of share capital		3.020	14.138
Proceeds from issue of loan capital		65.010	10.896
Dividend paid		(5.946)	(46.807)
Interest paid on loan capital		(14.599)	(13.048)
Net cash flow from/(used in) financing activities		47.485	(34.821)
Net increase/(decrease) in cash and cash equivalents		758.093	(513.079)
Cash and cash equivalents at the beginning of the year		577.059	1.090.138
Cash and cash equivalents at the end of the year	36	1.335.152	577.059

The notes on pages 70 to 133 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

1. INCORPORATION AND PRINCIPAL ACTIVITY

Hellenic Bank Public Company Ltd was incorporated in Cyprus and is a public company in accordance with the provisions of the Companies Law Cap. 113, the Cyprus Stock Exchange Laws and Regulations and the Income Tax Laws. The Company's registered office is located at 200, Corner of Limassol and Athalassa Avenues, 2025 Strovolos, P.O. Box 24747, 1394 Nicosia.

At the shareholders' Extraordinary General Meeting on the 1st of June 2005 it was resolved to change the Company's name from Hellenic Bank Limited to Hellenic Bank Public Company Limited. The change was filed with the Companies' Registrar on 6 June 2005.

The principal activity of the Group is the provision of a wide range of banking and financial services, including hire purchase, leasing, investment and insurance services, as well as trustee and factoring services.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group companies.

2.1. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In addition, the financial statements have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113 and the Cyprus Stock Exchange Laws and Regulations.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following which are measured at fair value:

- available for sale financial assets
- financial instruments at fair value through profit or loss
- derivative financial instruments

Property is measured at revalued amount.

The carrying amount of investments in debt securities that are hedged items in fair value hedges, that would otherwise be measured at amortised cost, is adjusted to reflect fair value changes attributable to the risks being hedged.

(c) Functional and presentation currency

The financial statements are presented in euro which is the main functional currency that most faithfully represents the economic effects of the underlying transactions and activities of the Group entities.

With the introduction of the euro as the official currency of the Republic of Cyprus as from the 1st of January 2008, the functional currency of the Bank and its subsidiaries in Cyprus has changed from cyprus pounds to euro. As a result, the financial position of the Group on the 1st of January 2008 has been converted to euro based on the fixed conversion rate of €1=£0,585274.

(d) Use of estimates and judgments

The preparation of financial statements requires management to make use of judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and the results of which form the basis of making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.2. Adoption of new and revised International Financial Reporting Standards (IFRSs) and interpretations

During the current year, the Group adopted all the new and revised IFRSs that are relevant to its operations and are effective for accounting periods beginning on the 1st of January 2009. This adoption did not have a material effect on the financial statements of the Group, other than additional disclosures as mentioned below:

IFRS 8: Operating segments

IFRS 8 replaced IAS 14 “Segment reporting” and uses a management approach in the provision of segmental information. IFRS 8 requires changes in the presentation and disclosure of information, based on internal reports regularly reviewed by management for evaluating segment performance and deciding how to allocate resources to segments. The adoption of IFRS 8 did not have a significant effect on the financial statements, as the segments determined by the Group in accordance with IFRS 8 are the same as the geographic segments previously identified under IAS 14 as primary segments. IFRS 8 disclosures are set out in Note 41.

IAS 1 (Amendment): Presentation of financial statements: A revised presentation

The amended IAS 1 introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement with all non-owner changes in equity) or in an income statement and a separate statement of comprehensive income. The Group elected to present two separate statements and applied the remaining required changes in the presentation of its financial statements.

IFRS 7 (Amendment): Improving disclosures about financial instruments

The amended IFRS 7 requires enhanced disclosures about financial instruments measured at fair value based on a three-level hierarchy by reference to the source of inputs used to derive the fair value. Also the required disclosures for liquidity risk have been amended. The Group applied the amendments in its financial statements.

IAS 23 (Amendment): Borrowing costs

The amendment to IAS 23 removes the option to expense borrowing costs and requires the capitalisation of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The amendment of IAS 23 had no significant impact on the Group financial statements.

IFRS 2 (Amendment): Share-based payment: Vesting conditions and cancellations

The amendment clarifies that vesting conditions are service conditions and performance conditions only. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendments had no impact on the Group financial statements.

IAS 32 and IAS 1 (Amendments): Puttable financial instruments and obligations arising on liquidation

The amendment to IAS 32 requires entities to classify certain types of financial instruments as equity, provided they have particular features and meet specific conditions. The amendment to IAS 1 requires additional disclosures about the instruments affected by the amendments. The amendments had no impact on the Group financial statements.

Improvements to IFRSs

The improvements concern a group of amendments to IFRSs published by the International Accounting Standards Board in May 2008 as part of its annual improvements project, according to which necessary but non-urgent amendments to IFRSs are made that will not be included as part of another major project. The amendments are presented in two parts: (i) accounting changes for presentation, recognition or measurement purposes, and (ii) terminology or editorial

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

changes with minimum effect on accounting. The amendments had no significant impact on the Group financial statements.

IFRS 1 and IAS 27 (Amendments): Cost of an investment in subsidiary, jointly controlled entity or associate

The amendments allow first-time adopters of IFRSs to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. These amendments had no impact on the Group financial statements.

Interpretation IFRIC 13: Customer loyalty programmes

The interpretation addresses the accounting by entities that grant loyalty award credits to customers who buy their products or services. The interpretation requires entities to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations by supplying the relevant awards. The interpretation had no significant impact on the Group financial statements.

Interpretation IFRIC 15: Agreements for the construction of real estate

Interpretation 15 standardises the accounting practice for the recognition of revenue from the sale of units, such as apartments or houses, before construction is complete. The interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 "Construction contracts" or IAS 18 "Revenue" and when revenue from the construction should be recognised. The interpretation had no impact on the Group financial statements.

Interpretation IFRIC 16: Hedges of a net investment in a foreign operation

IFRIC 16 provides guidance on accounting for the hedge of a net investment in a foreign operation. The main change is the elimination of the possibility of an entity applying hedge accounting for a hedge of the foreign exchange differences between the functional currency of a foreign operation and the presentation currency of the parent's consolidated financial statements. The interpretation had no impact on the Group financial statements.

Interpretation IFRIC 18: Transfers of assets from customers

The interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). This interpretation is not relevant to the Group's operations and consequently it will have no impact on its financial statements.

Interpretation IFRIC 9 and IAS 39 (Amendments): Embedded derivatives

The amendments clarify that on reclassification of a financial asset out of the at fair value through profit or loss category, all embedded derivatives have to be assessed and, if necessary, separately accounted for in the financial statements. These amendments had no impact on the Group financial statements.

2.3. Standards and interpretations that are not yet effective

Up to the date of approval of the financial statements the following new and revised standards, interpretations and amendments to existing standards have been issued by the International Accounting Standards Board, and have not been applied in preparing these financial statements, as they are not effective for the year ended 31 December 2009:

(i) Standards and interpretations adopted by the European Union

(a) IFRS 3 (Revised): Business combinations (effective for annual periods beginning on or after the 1st of July 2009)

The revised IFRS 3 introduces a number of significant changes in accounting for acquisitions and transactions with non-controlling interest. According to the changes, entities have a choice to measure non-controlling interest in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. Additionally, contingent consideration is measured at fair value at the date of acquisition and subsequent changes will no longer result in a change to goodwill. Also, acquisition-related

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

costs will be expensed through profit or loss at the time the services are received. The Group is currently evaluating the impact of the revised standard on its financial statements and will apply the said changes as from the date on which they become effective.

(b) IAS 27 (Amendment): Consolidated and separate financial statements (effective for annual periods beginning on or after the 1st of July 2009)

The amended IAS 27 requires that changes in the ownership interest of a parent in a subsidiary, that do not result in loss of control, will be accounted for as an equity transaction and will have no impact on goodwill nor will they give rise to a gain or loss. The amendments also specify the accounting treatment upon loss of control of a subsidiary and the information that should be disclosed by an entity to allow the users of the financial statements to evaluate the nature of the entity's relationship with its subsidiaries. The Group is currently assessing the impact of the amended standard on its financial statements and will apply the relevant amendments from the date they become effective.

(c) IAS 39 (Amendment): Financial instruments: Recognition and measurement: Eligible hedged items (effective for annual periods beginning on or after the 1st of July 2009)

The amendment clarifies how the existing principles underlying hedge accounting should be applied in two particular situations, in the designation of: (i) a one-sided risk in a hedged item, and (ii) inflation in a financial hedged item. The Group expects that this amendment will not have an impact on its financial statements.

(d) IFRS 1 (Revised): First-time adoption of IFRSs (effective for annual periods beginning on or after the 1st of July 2009)

The revised version of IFRS 1 has an improved structure but does not contain any technical changes. Since it was originally issued, IFRS 1 has been amended many times and as a result its text was becoming increasingly complex. With this revision, the standard was restructured to make it easier for readers to understand and to allow it to accommodate more easily any future changes that might be considered necessary. The revised IFRS 1 will have no impact on the Group's financial statements.

(e) Interpretation IFRIC 17: Distributions of non-cash assets to owners (effective for annual periods beginning on or after the 1st of July 2009)

The interpretation clarifies that an entity should measure dividends payable at the fair value of the net assets to be distributed and recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Group expects that this interpretation will have no impact on its financial statements.

(f) IAS 32 (Amendment): Classification of rights issues (effective for annual periods beginning on or after the 1st of February 2010)

The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. The amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The Group expects that this amendment will not have an impact on its financial statements.

(ii) Standards and interpretations not yet adopted by the European Union

(a) IFRS 9: Financial instruments (effective for annual periods beginning on or after the 1st of January 2013)

On 12 November 2009, the International Accounting Standards Board published the first phase of IFRS 9 which, upon completion, will replace IAS 39. The first phase of IFRS 9 requires the classification of financial assets based on how an entity manages these instruments (its business model) and the contractual cash flow characteristics of the financial assets. The four categories of financial instruments are abolished and the financial assets are classified under one out of the two measurement categories available: amortised cost and fair value through profit or loss. The Group is currently evaluating the impact of the standard on its financial statements.

(b) Interpretation IFRIC 14 (Amendment): Prepayments of a minimum funding requirement (effective for annual periods beginning on or after the 1st of January 2011)

The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The Group does not expect this amendment to have any impact on its financial statements.

(c) Interpretation IFRIC 19: Extinguishing financial liabilities with equity instruments (effective for annual periods beginning on or after the 1st of July 2010)

The interpretation clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The Group does not expect this interpretation to have any impact on its financial statements.

(d) Improvements to IFRSs (effective for various annual periods with the earlier beginning on or after the 1st of January 2009)

The improvements concern the second group of amendments to IFRSs published by the International Accounting Standards Board in April 2009 as part of its annual improvements project, according to which necessary but non-urgent amendments to IFRSs are made that will not be included as part of another major project. The Group does not expect these improvements to have any significant impact on its financial statements.

(e) IFRS 2 (Amendment): Group cash-settled share-based payment transactions (effective for annual periods beginning on or after the 1st of January 2010)

This amendment clarifies the scope of IFRS 2. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The Group does not expect this amendment to have any impact on its financial statements.

(f) IFRS 1 (Amendment): Additional exemptions for first-time adopters (effective for annual periods beginning on or after the 1st of January 2010)

The amendment addresses the retrospective application of IFRSs to particular situations and is aimed at ensuring that entities applying IFRSs for the first time will not face undue cost or effort in the transition process. This amendment will not have any impact on the Group financial statements.

(g) IAS 24 (Revised): Related party disclosures (effective for annual periods beginning on or after the 1st of January 2011)

The revised IAS 24 simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Group expects that this revision will not have a significant impact on its financial statements.

(h) IFRS 1 (Amendment): Limited exemption from comparative IFRS 7 disclosures for first-time adopters (effective for annual periods beginning on or after the 1st of July 2010)

The amendment relieves first-time adopters of IFRSs from providing the additional disclosures introduced by the amendments to IFRS 7 in March 2009. This amendment will not have any impact on the Group financial statements.

2.4. Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Business combinations are accounted for by applying the acquisition method. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates are entities in which the Group has significant influence, but not control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity. Associates are accounted for in the consolidated financial statements using the equity method.

Intra-group balances, and income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Non-controlling interest relates to that portion of the profit or loss and net assets of a subsidiary, attributable to equity interests that are not owned directly or indirectly by the Group. The profits or losses attributable to non-controlling interest are disclosed on the face of the income statement as allocation of the profit or loss for the period. Non-controlling interest is presented on the face of the statement of financial position, within equity, separately from equity attributable to owners of the parent.

2.5. Investments in subsidiaries and associates

Investments in subsidiaries and associates are presented at cost in the Company's statement of financial position less provision for impairment, where applicable.

2.6. Foreign currency

(a) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of a financial liability designated as the hedging instrument in a hedge of the net investment in a foreign operation or in a qualifying cash flows hedge, which are recognised directly in equity.

(b) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at exchange rates at the statement of financial position date. The income and expenses of foreign operations are translated into euro at the average exchange rates for the year. Foreign currency differences on translation of foreign operations are recognised directly in the translation reserve within equity. When a foreign operation is disposed of, the cumulative amount of the exchange differences recognised in equity and relating to that foreign operation is reclassified to profit or loss when the gain or loss on disposal is recognised.

2.7. Turnover

Group turnover includes interest income, fee and commission income, net gains on disposal and revaluation of foreign currencies and financial instruments and other income.

2.8. Interest income and expense

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the net carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial instrument and is not revised subsequently.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest income on loans and advances to customers that relates to the difference between the carrying amount of the loan which is impaired on an individual basis and the present value of estimated future cash flows discounted at the loan's original effective interest rate, is suspended and is recognised in the income statement upon collection. This interest is transferred to a temporary income suspension account which is included in the total of provisions for impairment of loans and advances.

2.9. Fee and commission income and expense

Fee and commission income and expense is recognised in the income statement on an accruals basis, as the related services are performed.

2.10. Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

2.11. Income from hire purchase and leasing activities

Income from hire purchase and leasing activities recognised in the income statement is calculated in a systematic manner on the basis of instalments falling due, in order to produce a constant periodic rate of return on the net investment outstanding.

Hire purchase and leasing debtors are included in loans and advances to customers in the consolidated statement of financial position, net of unearned charges attributable to future instalments.

2.12. Employee retirement benefits

The Group provides defined retirement benefits to its permanent employees in Cyprus in the form of lump sum payments estimated by reference to the employee's salary and length of service on retirement. The cost of providing retirement benefits is borne exclusively by the Group and is estimated annually using the actuarial Projected Unit Credit Method.

In respect of actuarial gains and losses that arise in calculating the Group's obligation in respect of the plan, to the extent that any cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceed the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of the plan assets at that date, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan.

The Group also provides other defined contribution pension benefits to its employees in Greece and to employees of its general insurance companies. The cost in respect of the defined contribution plans is recognised in the income statement on an accruals basis.

2.13. Income tax

Income tax expense comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority which permits the entity to make or receive a single net payment, and the Group intends either to settle taxes on a net basis or to realise the asset and settle the obligation simultaneously.

2.14. Financial instruments

(a) Recognition

The Group initially recognises loans and advances to customers, customer deposits and loan capital issued on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(b) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest or obligation in transferred assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(c) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position only when the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(d) Initial measurement

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

(e) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(f) Fair value measurement

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 on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same and discounted cash flow analyses. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques represent market expectations and measures of the risk-return factors inherent in the financial instrument.

(g) Derivatives

Derivatives mainly include forward contracts, interest rate and currency swaps, credit default swaps and futures.

Derivatives are initially recognised and subsequently measured at fair value. When their fair value is positive derivatives are included in other assets and when their fair value is negative they are included in other liabilities. Changes in the fair value of derivatives held for trading are recognised in the income statement under net gains on disposal and revaluation of foreign currencies and financial instruments.

(h) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. Loans and receivables include loans and advances to customers and investments classified as loans and receivables.

Loans and receivables are subsequently measured at amortised cost using the effective interest method less provisions for impairment.

(i) Investment securities

The Group has classified its financial assets that comprise of government securities and other eligible bills, debt securities and equity securities, under the following four categories. Investment securities are classified in these categories upon their initial recognition based on their characteristics and the purpose for which they were acquired.

(i) Held to maturity

Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity.

After initial measurement, held to maturity investments are measured at amortised cost using the effective interest method less provisions for impairment.

Any sale or reclassification of a more than insignificant amount of held to maturity investments not close to their maturity, will result in the reclassification of all held to maturity investments as available for sale, and prevent the Group from classifying investment securities as held to maturity for the current and the following two financial years.

(ii) At fair value through profit or loss

Financial instruments at fair value through profit or loss are analysed in two categories:

Instruments held for trading: include financial instruments acquired or incurred principally for the purpose of selling or repurchasing them in the near term or which are 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.

Instruments designated as at fair value through profit or loss upon initial recognition: include financial instruments initially designated in this category when this designation results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel.

Financial instruments at fair value through profit or loss are measured at their fair value and fair value changes are recognised in profit or loss.

(iii) Available for sale

Available for sale investments are non-derivative financial assets that are designated as available for sale or are not classified under another category of financial assets. Available for sale investments may be held for an undetermined period of time or may be sold in response to changes in market risks or liquidity requirements.

Subsequent to initial recognition, available for sale investments are measured at fair value and changes therein, other than impairment losses, are recognised directly in equity. When an investment is sold or impaired, the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

(iv) Loans and receivables

Investments classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Investments classified as loans and receivables are subsequently measured at amortised cost using the effective interest method less provisions for impairment.

(j) Loan capital

Loan capital is initially measured at the fair value of the consideration received minus transaction costs that are directly attributable to the issue of the loan capital. Subsequently it is measured at amortised cost using the effective interest method, in order to amortise the difference between the cost and the redemption value, over the period to the earliest date that the Bank has the right to redeem the loan capital.

(k) Customer deposits and other customer accounts

Subsequent to initial recognition, customer deposits and other customer accounts are measured at amortised cost using the effective interest method, except for certain deposits linked to derivatives that the Group has elected to classify as financial liabilities at fair value through profit or loss. Any changes in fair value in respect of deposits designated as at fair value through profit or loss are recognised in the income statement.

2.15. Impairment

(a) Financial assets

At the end of each reporting period the Group assesses whether there is any objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that the borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Loans and advances to customers

The Group considers evidence of impairment in its loan portfolio at both a specific and collective level. All individually significant loans are assessed for specific impairment. All individually significant loans found not to be specifically impaired as well as loans that are not individually significant are then collectively assessed for any impairment by grouping together loans with similar risk characteristics. Any collective impairment loss on these groups is not charged to specific loans. In assessing collective impairment the Group uses historical trends of the probability of default demonstrated by the relevant groups with similar risk characteristics.

Impairment loss on loans and advances to customers is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the loan's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

When a subsequent event causes the amount of the impairment loss to decrease or amounts are collected from impaired loans, the decrease in impairment loss is reversed through profit or loss.

(ii) Held to maturity investments and investments classified as loans and receivables

If there is objective evidence that an impairment loss on held to maturity investments and investments classified as loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the investment's original effective interest rate. The amount of the loss is recognised in profit or loss and the carrying amount of investments is reduced.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in profit or loss.

(iii) Available for sale investments

When there is objective evidence that an available for sale investment is impaired, the cumulative loss that had been recognised in equity is reclassified from equity to profit or loss. The amount of the cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that investment previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired available for sale debt security 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 will be reversed, with the amount of the reversal recognised in profit or loss. Impairment losses recognised in profit or loss for impaired available for sale equity securities are not reversed through profit or loss.

(b) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2.16. Property, plant and equipment

Land and buildings are initially recognised at cost and are subsequently measured at fair value less subsequent accumulated depreciation and impairment losses. Fair value is determined from market-based valuations undertaken by professionally qualified valuers. Plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes all expenditure that is directly attributable to the acquisition of the asset.

Depreciation for property, plant and equipment is recognised in profit or loss on a straight line basis over the estimated useful lives of the assets. Land is not depreciated.

The depreciation rates used are as follows:

Buildings	2%
Leasehold improvements	20%
Plant and equipment	10% to 25%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Gains and losses on disposal of property, plant and equipment, that are determined as the difference between the net disposal proceeds and the carrying amount of the asset, are included in profit or loss when the item is derecognised.

2.17. Property revaluation reserve

Any surplus arising on the revaluation of land and buildings is credited to the property revaluation reserve that is included in equity. The depreciation charge attributable to the revaluation, net of deferred taxation, is transferred annually from the property revaluation reserve to revenue reserves. Upon disposal of revalued property, any relevant accumulated revaluation surplus which remains in the property revaluation reserve is also transferred to revenue reserves.

2.18. Intangible assets

Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entities at the date of acquisition. When the excess is negative (negative goodwill) it is recognised immediately in profit or loss.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. The carrying amount of goodwill is reviewed for impairment at least on an annual basis.

Goodwill arose on the acquisition of the onshore operations of Barclays Bank PLC in Cyprus, the acquisition of Pancyprian Insurance Ltd and Athena Cyprus Public Company Ltd, as well as the acquisition of the Russian company Format Invest Limited.

It also includes goodwill relating to the branch network in Greece that is amortised through the income statement on a straight-line basis over the lease term.

Computer software

Computer software is measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, estimated at five years.

2.19. Cash and cash equivalents

Cash and cash equivalents include cash and balances with Central Banks, government securities and other eligible bills, placements with and amounts due to other banks and repurchase agreements, with original maturities of less than three months.

Cash and cash equivalents are presented in the statement of financial position at amortised cost.

2.20. Share capital

The difference between the issue price of share capital and its nominal value is recognised in the share premium reserve.

When subsidiaries of the Group acquire shares of the parent company, the fair value of these treasury shares is shown in revenue reserves included in equity. Any gain or loss on disposal of these shares is recognised in equity.

2.21. Derivatives and hedge accounting

The Group designates certain derivatives held for risk management purposes as hedging instruments in qualifying hedging relationships. Hedging relationships are classified as fair value hedges or cash flow hedges. A hedging relationship qualifies for hedge accounting if the following conditions are met:

- (a) Existence of formal documentation describing the derivative and the hedging objectives, as well as the specific hedged item.
- (b) Existence of documented risk management strategy according to which the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk throughout the financial reporting periods for which the hedge was designated.
- (c) Maintenance of reliable monitoring systems and verification of the high effectiveness of the hedging derivative on an ongoing basis.

For fair value hedges, changes in the fair value of the derivative are recognised in profit or loss together with changes in the value of the hedged item attributable to the hedged risk.

For cash flow hedges, the effective portion of changes in the fair value of the derivative is recognised directly in equity. The amount recognised in equity is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same income statement line as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedge no longer meets the criteria for hedge accounting the relevant adjusting entries are made and hedge accounting is discontinued.

For the remaining derivatives where the criteria are not satisfied in order to qualify for hedge accounting or which are held for trading, the accounting policies for financial instruments held for trading are applied. Several of the derivatives have been acquired with the intention of hedging interest rate or foreign currency risks. Certain derivative transactions, while providing effective economic hedges under risk management, do not qualify for the use of hedge accounting. These derivatives are included under other assets or liabilities, with any changes in their fair value recognised in the income statement for the year. These include derivatives held for offsetting interest rate or other risks, in relation to other assets and liabilities that are selectively designated as at fair value through profit or loss and which do not qualify for the use of hedge accounting.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group also hedges the foreign currency risk that derives from the translation to euro of the net position of its foreign subsidiaries by maintaining an open foreign exchange position. All exchange differences resulting from the translation of the open foreign exchange position are recognised in the translation reserve.

2.22. Repurchase agreements

Repurchase agreements represent agreements with Central Banks. Cash received under the agreements, including accrued interest, is recognised as a liability on the statement of financial position. The relevant debt securities disposed to be repurchased at a future date are not derecognised from the statement of financial position. The difference between the sales price and repurchase price is recognised as interest expense over the duration of the agreement using the effective interest rate method.

2.23. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that is responsible for allocating resources to and assessing the performance of the operating segments of the Group.

For management purposes, the Group is organised into four operating segments, as follows: Cyprus banking and financial services, Cyprus insurance services, Greece, and other countries. The Group's activities in Russia are a separate unit for which information is provided to Management, however for disclosure purposes they have been aggregated under other countries.

Management monitors the operating results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss before taxation which is measured in the same manner as in the consolidated financial statements.

For each reportable segment, interest income is reported net of interest expense, since the majority of the segments' revenues are from interest. Also, the chief operating decision-maker primarily relies on net interest revenue for assessing segments' performance and making decisions about resource allocation to segments.

Transfer prices between segments are on an arm's length basis in a manner similar to transactions with third parties. Balances and transactions between segments are eliminated on consolidation.

2.24. Comparatives

Comparatives presented in the financial statements are restated, where considered necessary, to conform with changes in the presentation of the current year.

3. INTEREST INCOME

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Interest income from cash and balances with Central Banks	1.798	5.089	1.798	5.079
Interest income from government securities and other eligible bills	52.239	63.347	52.022	63.042
Interest income from placements with other banks	4.111	30.780	3.900	30.116
Interest income from loans and advances to customers	298.327	285.807	291.800	276.747
Interest income from debt securities	3.316	22.435	3.256	22.524
Interest income from other financial instruments	14.943	39.123	14.943	39.123
	374.734	446.581	367.719	436.631

4. INTEREST EXPENSE

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Interest expense on deposits by banks	3.866	14.402	3.867	14.325
Interest expense on repurchase agreements	5.180	2.676	5.180	2.676
Interest expense on customer deposits and other customer accounts	142.141	186.990	144.951	188.365
Interest expense on loan capital	14.407	12.887	14.599	13.048
Interest expense on other financial instruments	19.061	34.156	19.061	34.130
	184.655	251.111	187.658	252.544

5. FEE AND COMMISSION INCOME

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Banking fees and commissions	57.930	57.609	59.636	59.030
Commissions from insurance operations	3.871	3.030	--	--
Asset management fees	603	484	632	461
Other fees and commissions	2.344	3.143	387	1.079
	64.748	64.266	60.655	60.570

6. FEE AND COMMISSION EXPENSE

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Banking fees and commissions	1.673	1.445	1.620	1.334
Commissions for insurance operations	3.518	3.115	--	--
Other fees and commissions	1.247	1.126	1.044	699
	6.438	5.686	2.664	2.033

7. NET GAINS/(LOSSES) ON DISPOSAL AND REVALUATION OF FOREIGN CURRENCIES AND FINANCIAL INSTRUMENTS

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Gain on disposal and revaluation of foreign currencies	15.481	21.495	15.450	22.804
Gain/(loss) on disposal of debt securities, government securities and other eligible bills and other financial instruments:				
Instruments available for sale	742	11.526	742	11.526
Instruments held for trading	(3.872)	(4.945)	(3.872)	(4.945)
(Deficit)/surplus on revaluation of debt securities, government securities and other eligible bills and other financial instruments:				
Instruments held for trading	(5.830)	(34.402)	(5.830)	(34.402)
Instruments designated as at fair value through profit or loss upon initial recognition	3.220	1.778	3.220	1.778
Gain/(loss) on disposal of equity securities:				
Instruments available for sale	2.164	1.260	1.407	1.128
Instruments held for trading	(2.331)	(5.417)	(28)	(930)
Surplus/(deficit) on revaluation of equity securities:				
Instruments designated as at fair value through profit or loss upon initial recognition	9	(127)	--	--
Instruments held for trading	3.591	(11.529)	268	(1.306)
Change in fair value and disposal of financial instruments designated as fair value hedges:				
Hedged items	1.861	--	1.861	--
Hedging instruments	(5.135)	--	(5.135)	--
Impairment loss on equity securities, debt securities and government securities and other eligible bills:				
Instruments available for sale	(5.423)	(5.218)	(1.926)	(4.031)
Investment in subsidiary company	--	--	(2.884)	--
Instruments held to maturity	(182)	(4.835)	(182)	(4.835)
	4.295	(30.414)	3.091	(13.213)

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
(Impairment loss)/reversal of impairment on equity securities, debt securities and government securities and other eligible bills:				
Listed investments	(3.014)	(9.517)	482	(8.866)
Unlisted investments	(2.591)	(536)	(5.474)	--
	(5.605)	(10.053)	(4.992)	(8.866)

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
(Impairment loss)/reversal of impairment on equity securities, debt securities and government securities and other eligible bills:				
Equity securities	(5.294)	(1.187)	(1.797)	--
Debt securities	(890)	(6.427)	(890)	(6.427)
Government securities and other eligible bills	579	(2.439)	579	(2.439)
Investment in subsidiary company	--	--	(2.884)	--
	(5.605)	(10.053)	(4.992)	(8.866)

8. OTHER INCOME

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Dividend income	1.721	2.263	19.831	12.211
Income from insurance operations	12.370	13.213	--	--
Negative goodwill on the acquisition of subsidiary company	--	860	--	--
Other income	2.775	3.240	2.183	2.552
	16.866	19.576	22.014	14.763

9. STAFF COSTS

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Staff remuneration	98.033	86.423	89.008	78.606
Staff retirement benefits	19.552	18.067	17.662	16.401
	117.585	104.490	106.670	95.007

The Group provides retirement benefits which cover 73% of its total number of employees, in the form of lump sum payments based on a defined benefit retirement plan. The Group's policy is to carry out an independent actuarial valuation of the liabilities with regard to the retirement benefit plan every two to three years. The most recent independent actuarial valuation was performed at 31 December 2009. The Group provides a specific pension plan to its employees in Greece and other retirement benefit plans to the rest of its employees in Cyprus.

The number of employees of the Group at 31 December 2009 was 2.041 (2008: 2.063 employees) and of the Bank 1.844 (2008: 1.872 employees).

The main actuarial assumptions used in the actuarial valuations of the defined benefit retirement plan are as follows:

	2009	2008
Discount rate	5,25%	5,75%
Long term return on Plan assets	6,00%	7,60%
Salary increases	6,25%	6,50%

During the year an amount of €18.905 thousand (2008: €17.420 thousand) was charged to the income statement.

The amount recognised in the income statement is analysed as follows:

	2009 € '000	2008 € '000
Service cost	9.140	8.604
Interest	9.765	8.816
	18.905	17.420

9. STAFF COSTS (continued)

Movement in provisions for retirement benefit obligations as shown under other liabilities (Note 29):

	2009 € '000	2008 € '000
1 January	149.742	134.294
Provision for the year	18.905	17.420
Payments to retired members	(4.800)	(1.972)
31 December	163.847	149.742

At 31 December 2009, Plan assets include shares with a total market value of €6.253 thousand (2008: €5.868 thousand). The return on Plan assets during 2009 was 14% while the value of Plan assets increased by 7%.

The actuarial position at 31 December is analysed as follows:

	2009 € '000	2008 € '000
Present value of defined benefit obligation	186.315	169.830
Fair value of Plan assets	(9.442)	(7.893)
	176.873	161.937
Actuarial deficits recognised over the remaining working lives of the employees	(13.026)	(12.195)
Provision for defined benefit obligation in the statement of financial position	163.847	149.742

10. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Amortisation of intangible assets	(1.636)	(1.646)	(1.615)	(1.599)
Interest expense on loan capital	(14.407)	(12.887)	(14.599)	(13.048)
Reversal of negative goodwill	(860)	--	--	--
Operating lease rentals for land and buildings	(6.408)	(6.474)	(6.016)	(6.206)
Auditors' remuneration	(353)	(316)	(169)	(180)

11. TAXATION

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Corporation tax	4.734	10.512	3.751	9.447
Taxes withheld at source	124	158	4	4
Prior years' taxes	3.184	52	2.769	--
Deferred tax	(269)	2.572	(72)	2.592
	7.773	13.294	6.452	12.043

According to the Income Tax Law 118(I)/02 as implemented from the 1st of January 2003, the Bank's profit and that of its subsidiaries in Cyprus is subject to corporation tax at the rate of 10%. In addition, taxable profits are no longer subject to defence fund contribution.

In accordance with article 13 of the Income Tax Law 118(I)/02, any tax losses of the Group companies in Cyprus which are not offset against taxable profits of other Group companies in Cyprus, are carried forward and offset against future taxable profits.

11. TAXATION (continued)

Profits earned abroad are subject to taxation at the rates applicable in the country in which the operations are carried out.

As from the 1st of January 2003, companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the company on account of the shareholders.

Reconciliation of taxation based on taxable income and taxation based on accounting profits

	The Group	
	2009 € '000	2008 € '000
Group profit before taxation	36.120	44.618
Taxation based on applicable tax rates	10.821	7.394
Differences in tax rates applicable in Cyprus and other countries	9.381	4.355
Expenses non tax deductible	4.873	6.503
Non taxable income	(4.328)	(3.845)
Tax effect of losses from overseas operations	(16.158)	(1.165)
Prior years' taxes	3.184	52
Taxation for the year	7.773	13.294

	The Bank	
	2009 € '000	2008 € '000
Bank profit before taxation	18.998	60.784
Taxation based on applicable tax rates	9.055	8.873
Differences in tax rates applicable in Cyprus and other countries	9.276	4.383
Expenses non tax deductible	4.498	4.077
Non taxable income	(3.686)	(4.080)
Tax effect of losses from overseas operations	(15.460)	(1.210)
Prior years' taxes	2.769	--
Taxation for the year	6.452	12.043

Taxation recognised in other comprehensive income:

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Deferred taxation on property revaluation	21	21	23	23
Deferred taxation on revaluation reserve of available for sale investments	--	(702)	--	(702)
	21	(681)	23	(679)

12. DIVIDEND

	2009 € '000	2008 € '000
Final dividend 2008 paid at 5% (€2 cent per share)	5.946	--
Final dividend 2007 paid at 26% (€11 cent per share)	--	32.009
Interim dividend 2008 paid at 12% (€5 cent per share)	--	14.798

A percentage of 53,81% of the net final dividend 2008 was reinvested in shares. The number of shares arising from the reinvestment of dividend amounted to 2.648.910.

A percentage of 40,04% of the net final dividend 2007 was reinvested in shares. The number of shares arising from the reinvestment of dividend amounted to 4.975.266.

A percentage of 17,02% of the net interim dividend 2008 was reinvested in shares. The number of shares arising from the reinvestment of dividend amounted to 1.346.709.

Taking into consideration the market conditions and the results for the year, the Bank's Board of Directors proposes to the Annual General Meeting of the shareholders the payment of a dividend for the year 2009 of €0,05 (five cent) per share.

The shareholders registered in the Share Register of Hellenic Bank Public Company Ltd at 31 May 2010 (Record – Date) are entitled to the dividend. The ex-dividend date will be the 27th of May 2010. Therefore, all share transactions until Wednesday 26 May 2010 (inclusive) will be entitled to dividend distribution. The dividend is subject to approval at the Annual General Meeting and will be paid to the shareholders on Monday 28 June 2010.

13. EARNINGS PER SHARE

	The Group		The Bank	
	Year ended 31 December		Year ended 31 December	
	2009	2008	2009	2008
Profit attributable to shareholders (€ thousand)	27.194	33.973	12.546	48.741
Average number of shares in issue during the year (thousand)	300.415	293.346	300.415	293.346
Basic earnings per share (cent €)	9,1	11,6	4,2	16,6

14. CASH AND BALANCES WITH CENTRAL BANKS

At 31 December 2009, balances with Central Banks include the deposits for the minimum liquidity requirements for the Group and the Bank amounting to €118.138 thousand (2008: €140.626 thousand).

15. GOVERNMENT SECURITIES AND OTHER ELIGIBLE BILLS

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Securities held for trading	10.718	45.678	9.676	44.410
Securities at fair value through profit or loss	88.170	89.249	88.170	89.249
Securities held to maturity	1.186.162	--	1.186.162	--
Securities classified as loans and receivables	281.996	--	281.996	--
Securities available for sale	271.958	1.053.835	267.246	1.048.707
	1.839.004	1.188.762	1.833.250	1.182.366
Listed securities	1.789.280	1.188.762	1.783.526	1.182.366
Unlisted securities	49.724	--	49.724	--
	1.839.004	1.188.762	1.833.250	1.182.366
Within three months	61.531	16.418	61.360	16.418
Between three months and one year	303.049	69.374	302.997	68.827
Between one year and five years	1.026.171	669.500	1.023.326	666.465
Over five years	448.253	433.470	445.567	430.656
	1.839.004	1.188.762	1.833.250	1.182.366

	The Group and the Bank	
	2009 € '000	2008 € '000
Provisions for impairment		
Balance 1 January	3.278	839
Provisions for impairment for the year	--	2.439
Reversal of provisions for impairment for the year	(579)	--
Balance 31 December	2.699	3.278

As from the 1st of January 2009, the Group has reclassified a number of investments between the categories of government securities and other eligible bills and debt securities, in accordance with the Directives of the Central Bank of Cyprus on the Prudential Liquidity in euro and in foreign currency. Government securities and other eligible bills are acceptable for refinancing by Central Banks.

Investments in government securities and other eligible bills include securities of €351.838 thousand (2008: €430.000 thousand) pledged as collateral to third parties, within the normal practices of treasury management.

At 31 December 2009 no Special Government Bonds (see note 17) were pledged as collateral for refinancing.

16. PLACEMENTS WITH OTHER BANKS

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Interbank accounts	66.237	31.157	65.787	30.714
Other deposits with banks	1.265.596	1.001.338	1.259.520	996.366
	1.331.833	1.032.495	1.325.307	1.027.080

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
On demand	90.678	83.508	89.768	83.008
Within three months	1.206.605	911.883	1.206.506	911.556
Between three months and one year	12.528	15.354	7.012	10.766
Between one year and five years	6.843	6.881	6.843	6.881
Over five years	15.179	14.869	15.178	14.869
	1.331.833	1.032.495	1.325.307	1.027.080

17. LOANS AND ADVANCES TO CUSTOMERS

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Manufacturing	292.550	278.925	292.550	278.925
Trade	672.219	856.317	672.219	809.226
Tourism	329.804	317.556	329.804	317.556
Construction	1.266.581	1.195.663	1.266.581	1.195.663
Personal and professional	1.748.029	1.596.475	1.616.910	1.505.844
Other sectors	720.393	767.921	720.393	767.921
	5.029.576	5.012.857	4.898.457	4.875.135
Provisions for impairment	(468.103)	(403.529)	(433.872)	(370.546)
	4.561.473	4.609.328	4.464.585	4.504.589

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
On demand	930.054	886.051	904.736	853.199
Within three months	402.425	569.558	400.932	568.555
Between three months and one year	530.211	520.000	523.668	512.988
Between one year and five years	1.470.560	1.262.715	1.389.467	1.188.514
Over five years	1.696.326	1.774.533	1.679.654	1.751.879
	5.029.576	5.012.857	4.898.457	4.875.135
Provisions for impairment	(468.103)	(403.529)	(433.872)	(370.546)
	4.561.473	4.609.328	4.464.585	4.504.589

17. LOANS AND ADVANCES TO CUSTOMERS (continued)

The geographical analysis of the Group's and the Bank's total loans and advances to customers is as follows:

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Cyprus	4.088.742	3.911.768	3.957.623	3.774.046
Greece	940.834	1.101.089	940.834	1.101.089
	5.029.576	5.012.857	4.898.457	4.875.135

Provisions for impairment of loans and advances

	Provisions for impairment	Income suspension account	Total
The Group	€ '000	€ '000	€ '000
1 January 2009	273.873	129.656	403.529
Loans and advances written off	(10.440)	(3.477)	(13.917)
Suspended income for the year	--	15.246	15.246
Charge for the year	63.245	--	63.245
31 December 2009	326.678	141.425	468.103
1 January 2008	253.130	114.884	368.014
Loans and advances written off	(18.939)	(2.325)	(21.264)
Suspended income for the year	--	17.097	17.097
Charge for the year	39.682	--	39.682
31 December 2008	273.873	129.656	403.529

	Provisions for impairment	Income suspension account	Total
The Bank	€ '000	€ '000	€ '000
1 January 2009	249.688	120.858	370.546
Loans and advances written off	(8.563)	(3.316)	(11.879)
Suspended income for the year	--	14.109	14.109
Charge for the year	61.096	--	61.096
31 December 2009	302.221	131.651	433.872
1 January 2008	220.408	102.340	322.748
Loans and advances written off	(17.647)	(2.325)	(19.972)
Takeover of operations of subsidiary company	10.445	4.282	14.727
Suspended income for the year	--	16.561	16.561
Charge for the year	36.482	--	36.482
31 December 2008	249.688	120.858	370.546

17. LOANS AND ADVANCES TO CUSTOMERS (continued)

The amount of net non-performing loans, in accordance with the Central Bank of Cyprus Directive, amounts to €416.322 thousand (2008: €337.207 thousand) for the Group and to €381.951 thousand (2008: €304.424 thousand) for the Bank.

On 9 December 2009, as a support measure for the liquidity of the financial sector, the Bank signed an agreement with the Ministry of Finance according to which Special Government Bonds of €35 million were allocated to the Bank. These bonds can only be used as collateral in the refinancing transactions or marginal lending facilities with the European Central Bank, and/or as collateral to obtain liquidity in interbank transactions. The credit institutions to which the bonds were allocated shall use the proceeds of the liquidity raised for the granting of housing loans and loans to small and medium-sized enterprises on competitive terms. For the full settlement of all the Bank's obligations that emanate from the agreement and the safeguarding of the Government, loans and advances to customers of €45 million have been assigned by the Bank in favour of the Government.

18. DEBT SECURITIES

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Securities held for trading				
Government	--	1,268	--	1,268
Banks	3,375	2,491	3,375	2,296
Other issuers	80	4,505	--	4,505
	3,455	8,264	3,375	8,069
Securities available for sale				
Government	5,208	20,481	5,208	20,481
Banks	57,533	529,111	57,323	529,079
Other issuers	528	7,105	528	7,025
	63,269	556,697	63,059	556,585
Securities classified as loans and receivables				
Banks	1,003	--	1,003	--
	1,003	--	1,003	--
Securities held to maturity				
Government	1,305	--	1,305	--
Banks	6,609	--	6,609	--
Other issuers	--	456	--	456
	7,914	456	7,914	456
	75,641	565,417	75,351	565,110

18. DEBT SECURITIES (continued)

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Within three months	53.897	26.935	53.897	26.935
Between three months and one year	69	113.467	69	113.435
Between one year and five years	11.308	389.724	11.018	389.448
Over five years	10.367	35.291	10.367	35.292
	75.641	565.417	75.351	565.110
Listed securities	20.055	557.475	19.765	557.168
Unlisted securities:				
Debt securities	7.045	7.942	7.045	7.942
Euro Commercial Papers	48.541	--	48.541	--
	75.641	565.417	75.351	565.110

The unlisted Euro Commercial Papers are Moody's P1 short term rating with a maturity within three months.

	The Group and the Bank	
	2009 € '000	2008 € '000
Provisions for impairment		
Balance 1 January	11.125	6.844
Reversal due to disposal	(8.827)	(2.146)
Provisions for impairment for the year	890	6.427
Balance 31 December	3.188	11.125

As from the 1st of January 2009, the Group has reclassified a number of investments between the categories of government securities and other eligible bills and debt securities, in accordance with the Directives of the Central Bank of Cyprus on the Prudential Liquidity in euro and in foreign currency. Government securities and other eligible bills are acceptable for refinancing by Central Banks.

19. RECLASSIFICATION OF DEBT SECURITIES

On the 1st of January 2009, the Group proceeded with a review of its intension for the holding of government securities and other eligible bills and debt securities and consequently of its policy for classifying them under the various categories. As a result of this review, a number of government securities and other eligible bills and debt securities, which were included in the held for trading and available for sale categories were reclassified to the held to maturity and loans and receivables categories.

Reclassification of investments held for trading

In accordance with the provisions of the amended IAS 39 and considering the rare circumstances arising as a result of the international financial crisis and its continuing effects on the global economy, the Group identified the investments in debt securities that it did not intend to trade in on the 1st of January 2009. These investments were reclassified from the held for trading to the held to maturity category.

19. RECLASSIFICATION OF DEBT SECURITIES (continued)

The carrying amount and fair value of the reclassified debt securities is presented below:

	1 January 2009	31 December 2009	
	Carrying amount and fair value	Carrying amount	Fair value
	€ '000	€ '000	€ '000
Debt securities held for trading reclassified as held to maturity	28.264	27.812	27.983

Had the Group not reclassified the debt securities held for trading as held to maturity on the 1st of January 2009, the consolidated income statement would have included losses from change in their fair value of €281 thousand.

Reclassification of available for sale investments

In accordance with the provisions of the amended IAS 39, the Group has reclassified certain available for sale debt securities to loans and receivables, in view of the fact that there was no active market for these debt securities and the Group did not have the intention to sell these securities in the foreseeable future.

The carrying amount and fair value of the reclassified debt securities is presented below:

	1 January 2009	31 December 2009	
	Carrying amount and fair value	Carrying amount	Fair value
	€ '000	€ '000	€ '000
Available for sale debt securities reclassified as loans and receivables	280.007	278.039	273.946

Had the Group not reclassified the available for sale debt securities to loans and receivables on the 1st of January 2009, the Group's equity would have included losses from change in fair value of these debt securities of €6.061 thousand that would have been included in the revaluation reserve for available for sale investments.

In addition, on the 1st of January 2009, the Group reclassified certain available for sale debt securities, that it intends to hold to maturity to the held to maturity category. The carrying amount of these debt securities transferred on the 1st of January 2009 amounted to €1.018.653 thousand.

20. EQUITY SECURITIES

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Securities held for trading				
Listed securities	5.605	6.705	278	197
Securities at fair value through profit or loss				
Listed securities	48	39	--	--
Securities available for sale				
Listed securities	18.147	15.825	9.124	7.890
Unlisted securities	20.989	17.921	12.874	11.385
	39.136	33.746	21.998	19.275
	44.789	40.490	22.276	19.472

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Provisions for impairment				
Balance 1 January	18.453	17.406	13.654	13.794
Reversal due to disposal	(40)	(140)	(40)	(140)
Provisions for impairment for the year	5.294	1.187	1.797	--
Balance 31 December	23.707	18.453	15.411	13.654

Unlisted securities include the Group's and the Bank's investment in mutual funds of €6.451 thousand (2008: €5.432 thousand), the Bank's investment in JCC Payment Systems Ltd of €5.852 thousand (2008: €5.383 thousand), as well as other investments in unlisted securities.

21. INVESTMENTS IN SUBSIDIARY COMPANIES

Investments in subsidiary companies represent the cost of acquisition of shares in the following subsidiary companies:

			The Bank	
	Percentage of ownership %	Number of shares (thousands)	2009 € '000	2008 €'000
Hellenic Bank (Finance) Ltd	100	2.800	4.784	4.784
Hellenic Bank (Investments) Ltd	100	3.750	6.407	6.407
Hellenic Bank Trust and Finance Corporation Ltd	100	50	94	94
Pancyprian Insurance Ltd	100	15.700	40.843	40.843
Hellenic Alico Life Insurance Company Ltd	73	725	1.239	1.239
Hellenic Trust Holdings S.A.	100	294	--	2.884
Hellenic Insurance Agency S.A.	100	600	19	19
Hellenic Trust Mutual Funds Management S.A.	100	1.175	--	1.037
Hellenic Trade Services Limited	100	2	2	2
Hellenic Insurance Agency Ltd	100	50	85	85
Athena Cyprus Public Company Ltd	78	84.573	--	57.970
Athena Holdings Ltd	100	10.000	39.640	--
Limited Liability Company Commercial Bank "Hellenic Bank"	100	--	8.228	--
Borenham Holdings Limited	100	5.000	10.324	10.324
			111.665	125.688

All subsidiary companies are incorporated and carry out their principal activities in Cyprus, with the exception of Hellenic Trust Holdings S.A., Hellenic Trust Mutual Funds Management S.A. and Hellenic Insurance Agency S.A., which are incorporated and carry out their principal activities in Greece. Also, Hellenic Trade Services Ltd is incorporated in Hong-Kong and LLC CB "Hellenic Bank" is incorporated in Russia, where their principal activities are carried out.

Hellenic Bank (Investments) Ltd owns 0,01% of the share capital of Hellenic Trade Services Ltd. In combination with the Bank's direct holding in the share capital of Hellenic Trade Services Ltd, the company is a wholly owned subsidiary of the Group.

Athena Cyprus Company Ltd owns 100% of the share capital of Athena High Technology Incubator Ltd. During 2009 the Board of Directors of Athena Cyprus Company Ltd decided the termination of the operating activities of Athena High Technology Incubator Ltd.

The subsidiary companies of Pancyprian Insurance Ltd are the following:

	%
Pancyprian Finance Public Company Ltd (until 23 May 2008)	100
Hellenic Pancyprian Insurance Agencies Ltd	100
MIA (Insurance Agencies) Ltd	100
Hellenic Pancyprian Insurance (Estate) Ltd	100

The liquidation process for Hellenic Pancyprian Insurance (Estate) Ltd, Hellenic Pancyprian Insurance Agencies Ltd and MIA (Insurance Agencies) Ltd has begun and is expected to be completed in 2010.

On 22 June 2006 the Annual General Meeting of the shareholders of Hellenic Trust Holdings S.A. decided on the dissolution of the company and the appointment of liquidators as from the same date. Based on this decision, the Bank has proceeded with the impairment of its investment in this company during 2009.

21. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

Following the approval of the Greek Securities and Exchange Commission, on 20 December 2006 the Extraordinary General Meeting of Hellenic Trust Mutual Funds Management S.A., decided on the dissolution of the company and the appointment of liquidators as from the 1st of January 2007. During 2009 the decision for dissolution of the company was put into effect.

To effect the takeover decision, on 23 May 2008 Pancyprian Insurance Ltd transferred to the Bank 22.339.291 shares (99,72%) held in Pancyprian Finance Public Company Ltd. The Bank has proceeded with the takeover of the operations of Pancyprian Finance Public Company Ltd, as part of its Reorganisation and Merger Plan in line with the requirements of the Companies Law, Cap. 113, and the relevant Court petition. As a result of the takeover, all assets and liabilities of Pancyprian Finance Public Company Ltd have been transferred to the Bank and the company has been dissolved without liquidation.

On 14 April 2008, the Bank acquired 100% of the share capital of Boreham Holdings Limited for a total consideration of €1 thousand. At the date of acquisition the company had no assets or liabilities. Subsequently, the Bank increased its investment to €10.324 thousand. This amount was used for the acquisition of the Russian company Format Invest Limited.

On 12 August 2008, the subsidiary company Boreham Holdings Limited proceeded with the acquisition of 100% of the share capital of the Russian company Format Invest Limited, which is the owner of building facilities.

The Bank has obtained a license for conducting banking operations in Russia, issued by the Central Bank of Russia, following the registration of its subsidiary company Limited Liability Company Commercial Bank "Hellenic Bank" to the Russian registry of companies in February 2009 and the payment of the capital amounting to approximately 375.000.000 Ruble. The issuance of the said license completes the procedure for obtaining a license for conducting banking operations in Russia.

The date of commencement of full banking operations through the subsidiary company Limited Liability Company Commercial Bank "Hellenic Bank" will be determined following the completion of the necessary preliminary actions and after evaluating the financial conditions and market developments.

Following the expiry of the Public Offer of Hellenic Bank for the acquisition of up to 100% of the share capital of Athena Cyprus Public Company Ltd ("Athena") in September 2009, the participating interest of the Bank in Athena increased to 93,55%. The Bank has subsequently activated the procedure for exercising its right to acquire the remaining shares in Athena, in order to acquire 100% of its share capital (squeeze-out), with the ultimate aim of absorbing the subsidiary and incorporating its operations with those of the Bank. On 2 October 2009 the Bank announced the completion of the process and paid the consideration to the remaining shareholders. As a result the Bank owned 100% of the share capital of Athena Cyprus Public Company Ltd.

On 16 December 2009 the Bank proceeded with the disposal of Athena Cyprus Public Company Ltd to Athena Holdings Ltd, a wholly owned subsidiary company of the Bank. On 22 December 2009 during an Extraordinary General Meeting of Athena Cyprus Public Company Ltd it was resolved to convert the company from public to private and change its name to Athena Cyprus Company Ltd.

Within the framework of the internal reorganisation and the achievement of synergies, the Bank announced on 30 November 2009 its decision to proceed with the takeover of operations of its wholly owned subsidiary company Hellenic Bank (Finance) Ltd, through a Reorganisation and Merger Plan in line with the requirements of the Companies Law, Cap.113 and the relevant Court petition. As a result of the takeover, all assets and liabilities of Hellenic Bank (Finance) Ltd have been transferred to the Bank and Hellenic Bank (Finance) Ltd was dissolved without liquidation. The Central Bank of Cyprus has approved the above-mentioned Reorganisation and Merger Plan.

22. ACQUISITION OF SUBSIDIARY COMPANIES

On 14 April 2008, the Bank acquired 100% of the share capital of Borenham Holdings Limited for a total consideration of €1 thousand. At the date of acquisition the company had no assets or liabilities. Subsequently, the Bank increased its investment to €10.324 thousand. This amount was used for the acquisition of the Russian company Format Invest Limited.

More specifically, on 12 August 2008 the subsidiary company Borenham Holdings Limited proceeded with the acquisition of 100% of the share capital of the Russian company Format Invest Limited, which is the owner of building facilities in Moscow, where the Bank's head office and first branch in Russia will be based, for a total consideration of €10.324 thousand.

Following the final determination of the financial position of the Russian company Format Invest Ltd, the assets and liabilities acquired at the acquisition date were as follows:

	€'000
Other assets	509
Property, plant and equipment	13.386
Loans	(2.547)
Other Liabilities	(1.977)
Net fair value of identifiable net assets acquired	9.371
Total cost of acquisition	10.324
Goodwill recognised	953

23. PROPERTY, PLANT AND EQUIPMENT

The Group	Land and buildings	Plant and equipment	Total
	2009 € '000	2009 € '000	2009 € '000
Cost or valuation			
1 January	75.597	70.513	146.110
Additions	4.154	4.984	9.138
Disposals / transfers	--	(875)	(875)
Exchange difference	(518)	--	(518)
31 December	79.233	74.622	153.855
Depreciation			
1 January	1.993	52.404	54.397
Charge for the year	1.131	4.362	5.493
Disposals / transfers	--	(841)	(841)
31 December	3.124	55.925	59.049
Net book value 31 December	76.109	18.697	94.806

23. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings	Plant and equipment	Total
The Group	2008 € '000	2008 € '000	2008 € '000
Cost or valuation			
1 January	61.214	69.086	130.300
Acquisition of subsidiary company	13.370	15	13.385
Additions	2.922	2.483	5.405
Disposals / transfers	(265)	(1.067)	(1.332)
Exchange difference	(1.644)	(4)	(1.648)
31 December	75.597	70.513	146.110
Depreciation			
1 January	998	48.272	49.270
Charge for the year	1.013	5.135	6.148
Disposals / transfers	(7)	(1.002)	(1.009)
Exchange difference	(11)	(1)	(12)
31 December	1.993	52.404	54.397
Net book value 31 December	73.604	18.109	91.713

	Land and buildings	Plant and equipment	Total
The Bank	2009 € '000	2009 € '000	2009 € '000
Cost or valuation			
1 January	56.454	67.180	123.634
Additions	2.445	4.204	6.649
Disposals / transfers	--	(822)	(822)
31 December	58.899	70.562	129.461
Depreciation			
1 January	1.579	49.658	51.237
Charge for the year	828	4.206	5.034
Disposals / transfers	--	(820)	(820)
31 December	2.407	53.044	55.451
Net book value 31 December	56.492	17.518	74.010

23. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings	Plant and equipment	Total
The Bank	2008 € '000	2008 € '000	2008 € '000
Cost or valuation			
1 January	52.879	65.426	118.305
Additions	3.037	2.259	5.296
Takeover of operations of subsidiary company	538	333	871
Disposals / transfers	--	(838)	(838)
31 December	56.454	67.180	123.634
Depreciation			
1 January	774	45.233	46.007
Charge for the year	792	4.930	5.722
Takeover of operations of subsidiary company	13	295	308
Disposals / transfers	--	(800)	(800)
31 December	1.579	49.658	51.237
Net book value 31 December	54.875	17.522	72.397

Land and buildings were revalued at 31 December 2006 by independent qualified valuers on a market value basis for their existing use. The surplus on revaluation of €15.876 thousand for the Group and €14.197 thousand for the Bank, was transferred to the property revaluation reserve.

The cost and net book value on a historic cost basis of the freehold land and buildings stated at valuation at 31 December 2009 amounted to €40.725 thousand (2008: €38.209 thousand) and €35.713 thousand (2008: €34.198 thousand) respectively for the Group and to €36.226 thousand (2008: €33.782 thousand) and €32.240 thousand (2008: €30.668 thousand) respectively for the Bank.

The cost of buildings under construction, included under plant and equipment at 31 December 2009 amounted to €7.093 thousand (2008: €6.928 thousand) for the Group and the Bank.

At 31 December 2009 the value of freehold land not subject to depreciation amounted to €18.830 thousand (2008: €18.830 thousand) for the Group and €15.280 thousand (2008: €15.280 thousand) for the Bank.

24. INTANGIBLE ASSETS

	Computer software	Goodwill	Total
The Group	2009 € '000	2009 € '000	2009 € '000
Cost			
1 January	19.611	26.613	46.224
Additions	1.800	--	1.800
Goodwill recognised following the final determination of the assets of subsidiary company	--	953	953
31 December	21.411	27.566	48.977
Amortisation			
1 January	14.303	11.704	26.007
Charge for the year	1.620	16	1.636
31 December	15.923	11.720	27.643
Net book value 31 December	5.488	15.846	21.334

24. INTANGIBLE ASSETS (continued)

	Computer software	Goodwill	Total
The Group	2008 € '000	2008 € '000	2008 € '000
Cost			
1 January	18.361	26.613	44.974
Additions	1.250	--	1.250
31 December	19.611	26.613	46.224
Amortisation			
1 January	12.673	11.688	24.361
Charge for the year	1.630	16	1.646
31 December	14.303	11.704	26.007
Net book value 31 December	5.308	14.909	20.217

	Computer software	Goodwill	Total
The Bank	2009 € '000	2009 € '000	2009 € '000
Cost			
1 January	19.049	1.483	20.532
Additions	861	--	861
31 December	19.910	1.483	21.393
Amortisation			
1 January	13.778	1.397	15.175
Charge for the year	1.598	17	1.615
31 December	15.376	1.414	16.790
Net book value 31 December	4.534	69	4.603

	Computer software	Goodwill	Total
The Bank	2008 € '000	2008 € '000	2008 € '000
Cost			
1 January	17.790	1.483	19.273
Takeover of operations of subsidiary company	26	--	26
Additions	1.233	--	1.233
31 December	19.049	1.483	20.532
Amortisation			
1 January	12.179	1.380	13.559
Takeover of operations of subsidiary company	17	--	17
Charge for the year	1.582	17	1.599
31 December	13.778	1.397	15.175
Net book value 31 December	5.271	86	5.357

24. INTANGIBLE ASSETS (continued)

Goodwill was tested for impairment at 31 December 2009 and no indication of impairment in its carrying amount was observed.

Following the final determination of the financial position of the Group subsidiary company Format Invest Ltd acquired on 12 August 2008, goodwill recognised amounted to €953 thousand.

At 31 December 2008 the excess of the Group's share in the net fair value of the net assets of the above subsidiary company amounting to €860 thousand was credited under other income in the consolidated income statement.

Goodwill includes amounts with a net book value of €69 thousand (2008: €86 thousand) relating to the branch network in Greece.

25. OTHER ASSETS

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Deferred taxation	14.803	8.307	14.532	8.234
Taxation receivable	299	2.719	5	1.932
Prepaid expenses	831	1.266	403	964
Fair value of derivatives (Note 34)	12.979	13.290	12.979	13.290
Assets held to cover liabilities of unit linked funds	10.244	8.072	--	--
Debtors and other receivables	53.179	55.582	35.550	40.903
	92.335	89.236	63.469	65.323

Group debtors and other receivables include the assets of the companies Abenti Ventures Ltd and Aniben Enterprises Ltd which are held for sale.

Deferred taxation arises from:

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Property revaluation and differences between depreciation and capital allowances	760	902	755	892
Tax losses	266	--	--	--
Temporary differences in the estimation of provisions for impairment of loans and advances	13.013	4.025	13.013	4.025
Other temporary differences	764	3.380	764	3.317
	14.803	8.307	14.532	8.234

Assets held to cover liabilities of unit linked funds comprise of:

	The Group	
	2009 € '000	2008 € '000
Deposits	3.357	2.992
Government bonds	3.784	3.875
Bank bonds	219	215
Equity securities	2.884	990
	10.244	8.072

26. DEPOSITS BY BANKS

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Interbank accounts	70.267	48.238	77.080	48.238
Other deposits by banks	184.491	146.958	184.480	146.958
	254.758	195.196	261.560	195.196

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
On demand	63.603	64.077	70.415	64.077
Within three months	185.338	89.310	185.338	89.310
Between three months and one year	--	41.809	--	41.809
Over five years	5.817	--	5.807	--
	254.758	195.196	261.560	195.196

27. REPURCHASE AGREEMENTS

Repurchase agreements relate to agreements with Central Banks and include amounts collected under the agreements, including interest.

	The Group and the Bank	
	2009 € '000	2008 € '000
Within three months	--	469.669
Between three months and one year	351.847	--
	351.847	469.669

28. CUSTOMER DEPOSITS AND OTHER CUSTOMER ACCOUNTS

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Demand deposits	2.293.690	1.643.934	2.293.841	1.645.276
Savings deposits	204.937	173.508	204.937	173.508
Notice deposits	332.383	369.169	332.383	369.169
Time deposits	3.742.971	3.959.910	3.742.971	3.959.910
	6.573.981	6.146.521	6.574.132	6.147.863

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
On demand	2.453.042	1.830.587	2.453.193	1.831.929
Within three months	2.884.030	2.893.896	2.884.030	2.893.896
Between three months and one year	1.115.121	1.303.055	1.115.121	1.303.055
Between one year and five years	121.788	118.983	121.788	118.983
	6.573.981	6.146.521	6.574.132	6.147.863

28. CUSTOMER DEPOSITS AND OTHER CUSTOMER ACCOUNTS (continued)

The geographical analysis of the Group's and the Bank's total customer deposits and other customer accounts is as follows:

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Cyprus	5.507.847	5.231.341	5.507.998	5.232.683
Greece	1.066.134	915.180	1.066.134	915.180
	6.573.981	6.146.521	6.574.132	6.147.863

During 2009 customer deposits do not include deposits which are designated as at fair value through profit or loss (2008: €838 thousand).

29. OTHER LIABILITIES

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Deferred taxation	16.076	8.062	14.066	7.864
Taxation payable	4.009	910	2.979	--
Provident funds	164.551	151.108	164.551	151.108
Fair value of derivatives (Note 34)	17.617	74.739	17.617	74.739
Accrued expenses	8.119	10.198	7.602	10.007
Liabilities of unit linked funds	10.244	8.072	--	--
Other accounts payable	68.550	72.397	21.186	29.666
	289.166	325.486	228.001	273.384

Deferred taxation arises from:

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Losses from permanent establishment	10.694	4.322	10.694	4.322
Property revaluation and differences between depreciation and capital allowances	5.133	3.344	3.129	3.152
Other temporary differences	249	396	243	390
	16.076	8.062	14.066	7.864

Other accounts payable for the Group and the Bank include provisions for pending litigation or cases subject to arbitration proceedings amounting to €3.029 thousand (2008: €2.597 thousand).

30. LOAN CAPITAL

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Tier 1 Capital				
Capital Securities	42.007	42.007	43.289	43.289
Tier 2 Capital				
Non Convertible Bonds 2004/2009	--	25.113	--	25.629
Non Convertible Bonds 2011	33.459	32.819	33.459	32.819
Non Convertible Bonds 2016	126.949	126.950	128.145	128.146
Non Convertible Bonds 2018	10.000	10.000	10.000	10.000
Non Convertible Bonds 2019	90.000	--	90.000	--
	260.408	194.882	261.604	196.594
	302.415	236.889	304.893	239.883

Tier 1 Capital

The Capital Securities, as well as the share capital, are considered as Tier 1 Capital by the Central Bank of Cyprus for the purposes of the calculation of the capital base.

The Capital Securities are perpetual securities with no maturity date. They may be redeemed as a whole, at the option of the Bank, subject to the prior consent of the Central Bank of Cyprus, at their nominal value together with any accrued interest on 18 April 2008 or on any subsequent interest payment date and under the condition that they will be replaced with Tier 1 Capital, unless the Central Bank of Cyprus is satisfied with the Bank's capital adequacy. The Capital Securities bear interest at floating rate reviewed at the beginning of each interest payment period and applicable to that period. The interest rate is equal to the base rate applicable at the beginning of each interest payment period plus 1,20%. For the year ended 31 December 2009 the interest rate was set at 6,45% per annum. An amount of €1.282 thousand is eliminated on consolidation. The Capital Securities are non secured subordinated liabilities of the Bank. The Capital Securities are listed on the Cyprus Stock Exchange.

Tier 2 Capital

The following bonds are considered as Tier 2 Capital by the Central Bank of Cyprus, for the purposes of the calculation of the Bank's capital base.

Non Convertible Bonds 2004/2009

Non Convertible Bonds 2004/2009 had a 10-year duration and carried interest at the rate of 7,30% for the first year and at a floating rate of interest for subsequent years. Interest was payable every six months. The Bonds were listed on the Cyprus Stock Exchange.

On 30 June 2009, Hellenic Bank Public Company Ltd announced the maturity and redemption of Bonds 2004/2009. On the same date, interest was paid to the beneficiaries of the said Bonds in accordance with the terms of issue. For the six-month period from the 1st of January 2009 to 30 June 2009 the interest rate amounted to 7,23% per annum.

Entitled to the redemption and interest payments were the registered holders of Bonds 2004/2009 at 22 June 2009. The last date of trading of the above Bonds on the Cyprus Stock Exchange was the 17th of June 2009.

Non Convertible Bonds 2011

Non Convertible Bonds 2011 have a maturity date of 28 April 2011 and bear interest at the fixed rate of 5,75% per annum on their nominal value for the first six months. For subsequent periods they bear interest at a floating rate equal to the base rate applicable at the beginning of each interest payment period plus 0,75%. For the year ended 31 December 2009 the interest rate was set at 6,00% per annum. The Bonds provide the right of reinvestment of the interest payable in additional Bonds with the same terms. The Bonds are listed on the Cyprus Stock Exchange. During the year an amount of €640 thousand was reinvested in additional Bonds with the same terms.

Non Convertible Bonds 2016

The 2016 Bonds were issued in three different series and will mature on the 1st of July 2016, irrespective of the date of issue. The Bank has the right to redeem the Bonds 2016 on any interest payment date after the 1st of July 2011. Bonds 2016 are listed on the Cyprus Stock Exchange.

Bonds 2016 bear interest at a floating rate reviewed at the beginning of each interest payment period and applicable to that specific period. According to the Bonds' terms of issue, if there is a change of national currency, the interest rate will equal the 3-month Euribor plus 0,80% until the 1st of July 2011 and the 3-month Euribor plus 1,50% after the 1st of July 2011, if the Bonds are not redeemed by the Bank. Interest is payable quarterly in arrears in cash. For the period from the 1st of January 2009 to

30. LOAN CAPITAL (continued)

31 March 2009 the interest rate was set at 3,73% per annum, for the period from the 1st of April 2009 to 30 June 2009 the interest rate was set at 2,32% per annum, for the period from the 1st of July 2009 to 30 September 2009 the interest rate was set at 1,91% per annum, while for the period from the 1st of October 2009 to 31 December 2009 the interest rate was set at 1,55% per annum.

Up to 30 September 2006, Series A' Bonds were issued and listed on the Cyprus Stock Exchange, while on 22 November 2006 the Bank proceeded with the issue of Series B' Bonds 2016 in accordance with the Second Supplementary Prospectus. On 27 April 2007 the Bank proceeded with the issue of Series C' Bonds 2016. With the issue of Series C', the issue of Bonds 2016 was completed according to the Prospectus dated 11 May 2006.

Bonds 2016 are not secured and in the event of the Bank's liquidation their repayment follows in priority the claims of depositors and other creditors. They have, however, priority over shareholders and Capital Securities holders. An amount of €1.196 thousand is eliminated on consolidation.

Non Convertible Bonds 2018

On the 1st of September 2008, the Bank proceeded with the issue of Bonds 2018 amounting to €10.000.000. The Bonds have a maturity date of 31 August 2018 and form part of the Bank's Tier 2 Capital.

Interest on Bonds 2018 is payable every three months, at the end of each interest period. Bonds 2018 bear interest at a floating rate equal to the 3-month Euribor rate applicable at the beginning of each interest period, plus 1,75%.

Bonds 2018 are not listed on the Cyprus Stock Exchange.

Non Convertible Bonds 2019

On 11 March 2009, the Bank proceeded with the issue of Bonds 2019 amounting to €90.000.000 with a 10-year duration and a nominal value of €100 each. The issue was placed with investors with a minimum amount of investment of €50.000, in accordance with the relevant provisions of the legislation, regulations and directives of the competent authorities.

The interest on the Bonds is payable quarterly in cash at the end of each period. The first interest payment covers the period from 11 March 2009 to 30 June 2009. The Bonds bear interest at the fixed rate of 7,5% for the first year and floating rate for the remaining periods until the end of the fifth year, equal to the 3-month Euribor applicable at the beginning of each interest period, plus 4,60%.

Subsequent to 11 March 2014, Bonds 2019, if not redeemed by the Bank, will bear an additional interest rate of 2%. Consequently, the interest rate applicable subsequent to the 11th of March 2014 and in the event of non redemption of Bonds 2019 by the Bank, will equal the applicable 3-month Euribor plus 6,60%.

The Bank, following approval by the Central Bank of Cyprus and after giving notice to the Commissioner and the holders of Bonds 2019 of no less than 30 and no more than 60 days, may redeem Bonds 2019 on the first interest payment date subsequent to the 11th of March 2014 and on any other subsequent interest payment date.

Bonds 2019 are listed on the Cyprus Stock Exchange. Their trading commenced on Wednesday 27 May 2009 and the Cyprus Stock Exchange undertook the maintenance of the relevant Registry in the Central Depository.

31. SHARE CAPITAL

The Group and the Bank

	31 December 2009		31 December 2008	
	€ '000	No. of shares (thous.)	€ '000	No. of shares (thous.)
Authorised				
600 million shares of €0,43 each	258.000	600.000	258.000	600.000

The Group and the Bank

	31 December 2009		31 December 2008	
	€ '000	No. of shares (thous.)	€ '000	No. of shares (thous.)
Issued				
Fully paid shares				
1 January	127.844	297.312	124.277	290.943
Reinvestment of dividend	1.139	2.649	2.718	6.322
Transfer from share premium reserve due to euro conversion	--	--	829	--
Issue of shares	8	19	19	44
Issue of shares for the acquisition of subsidiary company/takeover	3.446	8.014	1	3
Total issued share capital	132.437	307.994	127.844	297.312

At 31 December 2009 there were 307.993.817 fully paid shares with a nominal value of €0,43 each (2008: 297.311.815 shares with a nominal value €0,43 each).

At the Extraordinary General Meeting of the Bank's Shareholders on 26 March 2008, the following were approved for the purposes of compliance with the Adoption of the Euro Law of 2007 (N.33(I)/2007):

1. Conversion of the share capital of the Bank from Cyprus pounds to euro.
2. Conversion and increase of the nominal value of the Bank's shares, following the upwards rounding, from C£0,25 per share to €0,43 per share.
3. Conversion of the authorised share capital of the Bank from C£150.000.000 (€256.290.216,21) divided into 600.000.000 shares with a nominal value of C£0,25 each to €258.000.000 divided into 600.000.000 shares with a nominal value of €0,43 each.
4. Conversion and increase of the issued share capital of the Bank from C£72.735.747,50 (€124.276.403,02) to €125.105.485,70, divided into 290.942.990 shares with a nominal value of €0,43 each. This increase to be achieved by the capitalisation of part of the share premium reserve, in order for the number of the Bank's issued shares immediately prior to the execution of the provisions of the resolution to equal the number of the Bank's issued shares immediately following the execution of the provisions of the resolution.

As a result of the rounding up, according to the resolution for the conversion of the nominal value of shares to euro, an amount of €829 thousand was transferred from the share premium reserve to share capital.

31. SHARE CAPITAL (continued)

During the year 19,258 shares were issued and granted for free to members of the Group's personnel. In addition, on 29 June 2009, 2,648,910 shares were granted to shareholders who reinvested the total or part of the net amount of the final 2008 dividend in Hellenic Bank shares.

In September 2009, 5,703,312 shares were issued as consideration following the Public Offer of the Bank to the shareholders of Athena Cyprus Public Company Ltd for the acquisition of up to 100% of its share capital based on the Public Offer document dated 7 July 2009. During the procedure for exercising its right to acquire the remaining shares in Athena (squeeze-out), the Bank issued an additional 2,310,522 shares as consideration to the remaining shareholders.

32. REVALUATION RESERVES

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Property revaluation reserve				
1 January	22.398	23.577	20.245	20.518
Takeover of operations of subsidiary company	--	(566)	--	220
Deferred taxation on property revaluation	21	21	23	23
Transfer to revenue reserve	(543)	(634)	(516)	(516)
	21.876	22.398	19.752	20.245
Revaluation reserve of available for sale securities				
1 January	(80.764)	5.119	(64.003)	11.083
Revaluation of equity securities	5.152	(25.486)	2.458	(14.416)
Revaluation of debt securities	11.818	(53.234)	11.874	(53.382)
Takeover of operations of subsidiary company	--	(342)	--	--
Amortisation of revaluation of reclassified debt securities	21.981	--	21.981	--
Transfer to the income statement on impairment of debt securities	129	4.031	129	4.031
Transfer to the income statement on impairment of equity securities	5.294	956	1.797	--
Transfer to the income statement on disposal of debt securities	(12)	(9.799)	(12)	(9.799)
Transfer to the income statement on disposal of equity securities	14	(1.307)	14	(818)
Deferred taxation	--	(702)	--	(702)
	(36.388)	(80.764)	(25.762)	(64.003)
Total revaluation reserves 31 December	(14.512)	(58.366)	(6.010)	(43.758)

33. CONTINGENT LIABILITIES AND COMMITMENTS

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Contingent liabilities				
Acceptances and endorsements	1.203	1.358	1.203	1.358
Guarantees	455.721	436.917	452.847	432.578
	456.924	438.275	454.050	433.936
Commitments				
Undrawn formal standby facilities	1.115.887	1.134.553	1.115.887	1.134.553
Other commitments	19.160	27.808	19.160	27.808
	1.135.047	1.162.361	1.135.047	1.162.361
	1.591.971	1.600.636	1.589.097	1.596.297

Capital Commitments

At 31 December 2009, the Group's and the Bank's commitments for capital expenditure, not recognised in the consolidated financial statements, amounted to €7.562 thousand (2008: €5.053 thousand), and to €3.744 thousand (2008: €4.439 thousand) respectively.

34. DERIVATIVES

The Group uses the following derivative instruments:

Foreign currency forwards: represent agreements for the purchase or sale of foreign currencies settled at a future date.

Currency swaps: represent agreements for the exchange of cash flows of different currencies.

Futures: represent agreements for the future purchase or sale of a financial instrument at a fixed price.

Interest rate swaps: represent agreements where one stream of future interest payments is exchanged for another based on a predetermined notional amount and time periods.

Credit default swaps: represent agreements for the transfer of credit risk of a reporting entity from the buyer of the agreement to the seller at a price.

	The Group and the Bank		
	Nominal value	Fair value	
		Other assets	Other liabilities
	€ '000	€ '000	€ '000
At 31 December 2009			
Foreign currency forwards	21.771	283	402
Currency swaps	434.666	6.050	1.127
Futures	290.700	3.183	--
Interest rate swaps	200.886	3.463	16.088
	948.023	12.979	17.617

34. DERIVATIVES (continued)

	The Group and the Bank		
	Nominal value	Fair value	
			Other assets
	€ '000	€ '000	€ '000
At 31 December 2008			
Foreign currency forwards	9.689	436	374
Currency swaps	529.203	374	36.625
Futures	10	--	--
Interest rate swaps	625.681	9.337	37.740
Credit default swaps	14.283	3.143	--
	1.178.866	13.290	74.739

35. HEDGE ACCOUNTING

The Group's policy is to hedge the risks arising from its exposure to fluctuations of interest rates, credit ratings and foreign exchange rates.

Fair value hedging

Interest rate swaps, where the Group exchanges fixed rate with floating rate of interest, are used as fair value hedges for fixed interest rate debt securities classified as available for sale.

The Group also uses futures to hedge the interest rate risk on fixed interest rate debt securities. These debt securities are classified as "Loans and Receivables" and are revalued only for changes in their fair value attributable to changes in interest rates.

The fair value of hedging instruments used for hedging interest rate risk is shown below:

	The Group and the Bank		
	Nominal value	Fair value	
			Other assets
	€ '000	€ '000	€ '000
At 31 December 2009			
Interest rate swaps with fixed interest rate payments	60.942	--	6.064
Futures	219.600	2.527	--
	280.542	2.527	6.064
At 31 December 2008			
Interest rate swaps with fixed interest rate payments	66.102	--	6.446

36. CASH AND CASH EQUIVALENTS

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Cash and balances with Central Banks	233.516	189.133	233.271	189.133
Government securities and other eligible bills (Note 15)	61.531	16.418	61.360	16.418
Placements with other banks (Note 16)	1.297.283	995.391	1.296.274	994.564
Deposits by banks (Note 26)	(248.941)	(153.387)	(255.753)	(153.387)
Repurchase agreements (Note 27)	--	(469.669)	--	(469.669)
	1.343.389	577.886	1.335.152	577.059

37. DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE BANK

According to the Cyprus Stock Exchange Regulations and in accordance with the requirements of the Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission, the percentage shareholdings in the Bank's share capital owned by members of the Board of Directors, their spouses, minor children and companies in which they control directly and indirectly at least 20% of the voting rights, are as follows:

	31 December 2009			24 March 2010		
	Direct participation	Indirect participation	Total	Direct participation	Indirect participation	Total
A. P. Panayiotou	0,0094%	0,0001%	0,0095%	0,0094%	0,0001%	0,0095%
A. M. Moushouttas	0,0138%	--	0,0138%	0,0138%	--	0,0138%
I. G. Iacovou	0,0225%	0,1593%	0,1818%	0,0225%	0,1593%	0,1818%
A. I. Pierides	--	0,0005%	0,0005%	--	0,0005%	0,0005%
D. J. Eliades	0,0004%	0,0040%	0,0044%	--	--	--
S. Z. Kallis	0,0003%	0,0005%	0,0008%	0,0003%	0,0005%	0,0008%
Ch. P. Panayiotou	--	--	--	--	--	--
I. Ch. Charilaou	0,0003%	--	0,0003%	0,0003%	--	0,0003%
G. K. Pavlou	0,0028%	--	0,0028%	0,0028%	--	0,0028%
K. E. Georgiou	--	0,0070%	0,0070%	--	0,0070%	0,0070%
M. Keravnos	0,0013%	--	0,0013%	0,0013%	--	0,0013%
P. Th. Theodorou	0,0208%	0,0284%	0,0492%	--	--	--
K. I. Droushiotis	--	--	--	--	--	--
G. G. Mavros	--	--	--	0,0021%	--	0,0021%

38. RELATED PARTY TRANSACTIONS

	2009 Number of Directors	2008	2009 € '000	2008 € '000
Loans and other advances				
Members of the Board of Directors and connected persons:				
Over 1% of the net assets of the Bank per Director	1	1	13.069	13.940
Under 1% of the net assets of the Bank per Director	12	12	1.165	1.252
	13	13	14.234	15.192
Loans and advances to key management personnel who are not members of the Board of Directors and their connected persons				
			793	1.156
Total			15.027	16.348
Tangible securities				
			16.944	15.011
Interest income				
			984	795
Deposits				
			13.779	8.099
Interest expense				
			351	301

Additionally, at 31 December 2009, there were contingent liabilities and commitments in respect of members of the Board of Directors and their connected persons in the form of documentary credits, guarantees and unused limits amounting to €19.410 thousand which exceeded 1% of the Bank's net assets (2008: €17.543 thousand). There were also commitments to key management personnel who were not members of the Board of Directors and their connected persons amounting to €140 thousand (2008: €148 thousand).

Connected persons include spouses, minor children and companies in which the Directors or key management personnel who are not Directors hold directly or indirectly at least 20% of the voting rights at a general meeting.

All transactions with members of the Board of Directors and their connected persons are made on normal business terms. A number of credit facilities have been extended to key management personnel with terms similar to those which apply to the rest of the Group's personnel.

Emoluments of members of the Board of Directors and key management personnel

	The Group		The Bank	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Emoluments of members of the Board of Directors:				
Emoluments and benefits in executive capacity	447	549	447	549
Employer's contributions for social insurance, etc	21	21	21	21
Retirement benefits for the year	102	103	102	103
Total for Executive Directors	570	673	570	673
Fees for the year	369	326	290	269
Pensions	--	23	--	23

	The Group and the Bank	
	2009 € '000	2008 € '000
Emoluments of key management personnel who were not Directors:		
Salaries and other short term benefits	692	701
Employer's contributions for social insurance, etc.	43	38
Retirement benefits for the year	234	189
Total emoluments and benefits of key management personnel who were not Directors	969	928

Key management personnel include the General Managers of the Bank who were not Directors. The emoluments of key management personnel refer to the period of the year during which they were not Directors.

Other transactions with related parties

Mr. Iacovos G. Iacovou, a member of the Bank's Board of Directors, holds an indirect interest in the companies Iacovou Brothers (Constructions) Ltd and Iacovou Brothers Technical Constructions (Hellas) S.A. During 2009 an amount of €60 thousand (including VAT) (2008: €184 thousand) was paid to Iacovou Brothers (Constructions) Ltd for final settlement of the account with the contractor, in respect of the extension of the Bank's information technology building.

On 13 July 2007 a sale contract was signed between the company Iacovou Brothers (Constructions) Ltd and Hellenic Bank Public Company Limited for the acquisition of a plot in Larnaca. On the same date an agreement was signed with the same company for the construction of a five-storey building on the above-mentioned plot. The building will include a ground floor, a mezzanine and two underground parking spaces and will be used for the operations of the Bank in Larnaca. The transaction was based on market values and amounted to a total of €3,6 million (excluding VAT). During 2009, it was agreed to execute additional works for €534 thousand (excluding VAT). During 2009 an amount of €1.704 thousand (excluding VAT) (2008: Nil) was paid according to the construction contract. The plot was transferred to Hellenic Bank Public Company Ltd on 19 December 2007 and on 11 January 2008 the amount of €769 thousand was paid to Iacovou Brothers (Constructions) Ltd in respect of the acquisition of the relevant plot.

Mr. Demetris J. Eliades, a member of the Bank's Board of Directors, is a lawyer at the law office Demetris J. Eliades & Co LLC. In the course of normal business, court cases and legal proceedings against debtors/creditors of the Group are handled by external law offices. A number of such cases have been assigned to the above law office. The total cost of these cases is charged to the relevant debtors/creditors and amounts to €55 thousand including expenses and VAT for the year 2009 (2008: €43 thousand).

Mr. Antonis I. Pierides, a member of the Bank's Board of Directors, is the main shareholder of the company Antonis Pierides and Associates Limited. During 2009 there were no individual participations by members of the Group's staff to seminars organised by his company (2008: €2,2 thousand, including VAT of €0,6 thousand).

39. SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARE CAPITAL

According to the Cyprus Stock Exchange Regulations, the following shareholders owned 5% or more of the nominal value of the Bank's issued share capital at 31 December 2009:

Holy Archbishopric of Cyprus	13,69%
Bank of Cyprus Group	5,05%

39. SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARE CAPITAL (continued)

Pursuant to the requirements of the Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission, the shareholders holding 5% or more of the nominal value of the Bank's issued share capital, five (5) days before the date of approval of the financial statements by the Board of Directors are the following:

Holy Archbishopric of Cyprus	13,69%
Polys Polycarpou and related parties	5,11%
Bank of Cyprus Group	5,05%

40. FAIR VALUE

Fair value represents the amount for which an asset could be exchanged for or a liability settled in an arm's length transaction. The fair value of the Group's and the Bank's financial assets and liabilities, not measured at fair value, approximates their carrying amount.

The fair value of loans and advances to customers equals the amount shown in the statement of financial position after deducting the provisions for impairment of loans and advances.

41. SEGMENTAL ANALYSIS

For management purposes, the Group is organised into four operating segments based on a combination of geographical areas and services, as follows:

- Cyprus banking and financial services - Principally providing banking and financial services in Cyprus, including hire purchase, leasing, investment services, as well as trustee and factoring services.
- Cyprus insurance services - principally providing life and general insurance services in Cyprus.
- Greece - principally providing banking services through the branch network in Greece.
- Other countries - principally includes operations in Russia.

The Group's activities in Russia are a separate unit for which information is provided to Management, however for disclosure purposes they have been aggregated under other countries.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss before taxation which is measured in the same manner as in the consolidated financial statements.

For each reportable segment, interest income is reported net of interest expense, since the majority of the segments' revenues are from interest. Also, the chief operating decision-maker primarily relies on net interest revenue for assessing segments' performance and making decisions about resource allocation to segments.

Transfer prices between segments are on an arm's length basis in a manner similar to transactions with third parties.

The table below presents income, expense, profit/(loss) and certain asset and liability information regarding the Group's operating segments.

	Cyprus		Greece		Other countries		Intersegment transactions/balances		Total			
	2009 € '000	2008 € '000	2009 € '000	2008 € '000	2009 € '000	2008 € '000	2009 € '000	2008 € '000	2009 € '000	2008 € '000		
	Banking & Financial services											
	Insurance Services											
Turnover	395.435	416.810	18.677	18.085	65.287	73.207	(792)	1.019	(17.964)	(9.112)	460.643	500.009
Net interest income	172.729	177.883	1.742	1.426	15.944	16.262	(336)	(101)	--	--	190.079	195.470
Net fees and commission income/(expense)	52.101	50.924	(1.235)	(1.500)	7.458	9.163	(3)	(1)	(11)	(6)	58.310	58.580
Net gains/(losses) on disposal and revaluation of foreign currencies and financial instruments	6.026	(20.563)	9	(133)	(1.732)	(9.718)	(8)	--	--	--	4.295	(30.414)
Other income	6.542	7.573	12.863	13.469	2.137	885	(835)	906	(3.841)	(3.257)	16.866	19.576
Staff costs	(93.269)	(82.565)	(6.101)	(5.143)	(17.676)	(16.776)	(539)	(6)	--	--	(117.585)	(104.490)
Depreciation of property, plant & equipment and amortisation of intangibles	(3.753)	(4.224)	(161)	(154)	(1.351)	(1.638)	(228)	(132)	--	--	(5.493)	(6.148)
Administrative and other expenses	(31.321)	(33.401)	(1.772)	(1.527)	(14.508)	(14.177)	(848)	(82)	1.342	913	(47.107)	(48.274)
Profit/(loss) from ordinary operations before provisions	109.055	95.627	5.345	6.438	(9.728)	(15.999)	(2.797)	584	(2.510)	(2.350)	99.365	84.300
Provisions for impairment of loans and advances	(10.992)	(26.567)	(150)	(178)	(52.103)	(12.937)	--	--	--	--	(63.245)	(39.682)
Profit/(loss) before taxation	98.063	69.060	5.195	6.260	(61.831)	(28.936)	(2.797)	584	(2.510)	(2.350)	36.120	44.618
Total assets	7.475.871	6.899.348	47.713	42.375	1.306.127	1.288.307	23.585	13.057	(558.565)	(416.296)	8.294.731	7.826.791
Total liabilities	6.904.625	6.442.870	58.593	51.767	1.393.917	1.323.646	8.374	3.466	(593.342)	(447.988)	7.772.167	7.373.761
Capital expenditure on property, plant & equipment and intangibles	6.557	5.688	126	247	1.005	720	4.203	13.385	--	--	11.891	20.040

42. APPEAL ON COURT DECISION ON STAMP DUTY LEGISLATION ISSUE

The Bank filed an appeal, which is still pending, to the Full Bench of the Supreme Court against the first instance Court judgment that was issued on 31 May 2005, according to which the first instance Court had confirmed the Stamp Duty Registrar's decision for the imposition of stamp duties of €1.281 thousand (C£750 thousand) and an extra fine of €256 thousand (C£150 thousand) in relation to the Bank's issue of €25,6 million (C£15 million) Non Convertible Bonds 2004/2009. The Bank's position is that according to the Stamp Duty Legislation, it is only required to pay one tenth of the above mentioned amounts. The Bank has raised at first instance, as well as in its appeal, a series of legal arguments and points that were not raised by third parties in cases of a similar nature in the past, on which the Full Bench of the Supreme Court will decide.

In the meantime, the Bank applied for the suspension of the payment of the above mentioned amounts, pending its appeal, but the first instance Court with its judgment issued on 31 October 2005 decided that there were no grounds for such a suspension. As a result, the Bank paid the above amount. If the appeal is ruled in the Bank's favour, the Stamp Duty Registrar will refund to the Bank the additional amounts paid.

43. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

Further to the Bank's announcement dated 30 November 2009 on its decision to proceed, via the Reorganisation and Merger Plan, to the takeover of the activities of its wholly-owned subsidiary, Hellenic Bank (Finance) Ltd, on 11 January 2010, the Nicosia District Court issued a decree to Application No. 898/09 pursuant to the Companies' Law, which ratified the Transfer Agreement by virtue of Reorganisation dated 24 December 2009 between Hellenic Bank (Finance) Ltd and the Bank. According to the ratified Agreement and the decree, the Bank will undertake all assets and liabilities of Hellenic Bank (Finance) Ltd, the total business as a going concern, the rights, interests, collaterals, and the ownership of Hellenic Bank (Finance) Ltd in general.

The Transfer Agreement by virtue of Reorganisation and each one of its provisions have been enforced within 60 days from the issue of the decree and the enforcement date was determined in a certification submitted to the Companies' Registrar. From the date of enforcement, Hellenic Bank (Finance) Ltd was dissolved without liquidation.

As a result of the takeover, following the date of enforcement, the activities of Hellenic Bank (Finance) Ltd will be carried out by the Bank.

44. RISK MANAGEMENT

Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Operational risks

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Group Risk Management

The management and monitoring of all Group risks is centralised under a uniform unit to which the following specialised risk management divisions report:

- Group Credit Risk Management
- Group Market and Liquidity Risks Management
- Group Operational Risks Management
- Compliance Services

44. RISK MANAGEMENT (continued)

These divisions report to the Group Risk Management, which is administratively independent from other units with executive authority and reports to the Board of Directors, through the Risk Management Committee, as well as to the Chief Executive Officer.

The divisions cover all risk aspects across the Group's operations and are intensively working towards the Bank fully conforming to the provisions of the Second Basel Accord and the Directives of the regulatory authorities. The basic aim of Management is the adoption of sophisticated methods and systems for the evaluation and management of risks undertaken by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer and/or counterparty to a financial instrument fail to meet their contractual obligations. This risk principally arises from lending, trade finance activities and treasury operations. It may also arise from the downgrading in the credit rating of issuers of debenture loans resulting in a decrease in the value of the Group's assets.

Group Credit Risk Management

Group Credit Risk Management is responsible for formulating the appropriate policies and procedures for detecting, evaluating and measuring credit risk, based on the strategic pursuits of the Group as defined by the Board of Directors.

To ensure the effectiveness of credit risk management, there is a continuous assessment of the Group's credit policies and monitoring of the compliance of the relevant business lines with these policies. Group Credit Risk Management also issues directions to the various business lines based on the Group's risk appetite for specific market segments, operations, as well as specific banking products and, whenever considered necessary, limits are set regarding the undertaking of additional credit risk.

To achieve continuous and systematic monitoring and management of credit risk, Group Credit Risk Management, in cooperation with Group Credit Control, is responsible for the assessment of the quality and performance of the Group's credit portfolio in the Retail, Commercial and Corporate Banking Sectors, in order to verify whether the impending credit risks are recognised and dealt with in an effective and timely manner.

To achieve the above, the Group uses sophisticated systems to measure credit risk as well as evaluate borrowers based on quantitative and qualitative criteria:

- 1.** For the Retail sector, a credit risk assessment system is applied for the evaluation of the creditworthiness of individuals and the measurement of credit risk (Credit Scoring). This system covers credit cards and other retail lending products.
- 2.** For the Commercial and Corporate sectors, an internal credit rating system (Credit Rating) is applied which classifies companies into credit rating bands, thus assisting in the rationalisation of pricing according to the risk undertaken, while taking into account each company's financial position and various qualitative criteria relating to the company as well as the market in which it operates.
- 3.** For Treasury, there is centralised management of exposures to countries, financial institutions and other counterparties. Limits are defined based on the Credit Limits Model, which is primarily based on the credit standing of the country and counterparty as determined by international credit assessment institutions while also taking into account their international classification.

Group Credit Risk Management validates the predictive capabilities of credit risk assessment systems at regular time intervals.

44. RISK MANAGEMENT (continued)

Exposure to credit risk

	Loans and advances to customers		Placements with other banks		Government securities and other eligible bills and debt securities	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Carrying amount	4.561.473	4.609.328	1.331.833	1.032.495	1.914.645	1.754.179
Individually impaired:						
Grade 2 (medium risk)	--	--	--	--	15.362	24.608
Grade 3 (high risk)	562.709	485.576	--	--	--	--
Provisions for impairment	(390.915)	(326.815)	--	--	(5.887)	(14.403)
Carrying amount	171.794	158.761	--	--	9.475	10.205
Past due but not impaired:						
Grade 1 (low risk)	453.812	412.171	--	--	--	--
Grade 2 (medium risk)	225.185	134.823	--	--	--	--
Grade 3 (high risk)	147.368	65.749	--	--	--	--
Carrying amount	826.365	612.743	--	--	--	--
Past due comprises:						
0-30 days	282.946	243.021	--	--	--	--
30-60 days	135.210	172.560	--	--	--	--
60-90 days	105.425	52.133	--	--	--	--
90 days +	302.784	145.029	--	--	--	--
Carrying amount	826.365	612.743	--	--	--	--
Neither past due nor impaired:						
Grade 1 (low risk)	3.077.844	3.391.057	1.331.833	1.032.495	1.905.170	1.743.974
Grade 2 (medium risk)	502.658	490.161	--	--	--	--
Grade 3 (high risk)	60.000	33.320	--	--	--	--
Carrying amount	3.640.502	3.914.538	1.331.833	1.032.495	1.905.170	1.743.974
Balances after individual impairment	4.638.661	4.686.042	1.331.833	1.032.495	1.914.645	1.754.179
Collective impairment	(77.188)	(76.714)	--	--	--	--
Total carrying amount	4.561.473	4.609.328	1.331.833	1.032.495	1.914.645	1.754.179

Impaired loans and investment securities

Represent loans for which the Group determines that it is probable that it will be unable to collect all principal and interest due, according to the contractual terms of the loan or relevant agreement. These loans are classified under grade 3 according to the Group's internal credit risk grading system.

They also represent investments in debt securities for which there is objective evidence of impairment as a result of one or more events occurring since the initial recognition of the investment. These events include significant financial difficulty of the issuer, default in interest or principal payments and it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Past due but not impaired loans

Represent loans where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security and/or stage of collection of amounts owed to the Group.

Loans with renegotiated terms

Represent loans that have been restructured due to deterioration in the borrower's financial position and in respect of which the Group has made concessions that it would not otherwise consider. The accounts with renegotiated terms at 31 December 2009 amounted to €78.239 thousand (2008: €38.531 thousand).

Provisions for impairment

The Group establishes a provision for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this provision are a specific loss component that relates to individually significant exposures, and a collective loan loss provision established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Provision is also established for impairment in the value of investments held to maturity and financial assets available for sale if there is objective evidence that they have been impaired during the Group's assessment at each balance sheet date.

Write-off policy

The Group writes off loans and investment securities balances when it determines that they are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/ issuer's financial position such that the borrower/issuer can no longer pay the obligation, or when proceeds from collateral will not be sufficient to pay back the entire exposure.

Collateral

The Group's policy is that the amount of credit facilities granted should not exceed the repayment capacity of the relevant counterparties. For this purpose policies are applied for the hedging and mitigation of credit risk through the holding of collateral. These policies define the types of collateral held and the methods for estimating its fair value.

The main collateral held by the Group includes mortgage interests over property, charges over business assets, government and bank guarantees as well as personal and corporate guarantees.

The fair value of collateral held against loans and advances to customers which are individually impaired at 31 December 2009 amounts to €149.375 thousand (2008: €162.827 thousand). The fair value of collateral held against loans and advances to customers which are past due but not impaired at 31 December 2009 amounts to €662.293 thousand (2008: €405.998 thousand).

44. RISK MANAGEMENT (continued)

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	Loans and advances to customers		Placements with other banks		Government securities and other eligible bills and debt securities	
Concentration by sector:	2009 € '000	2008 € '000	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Carrying amount	4.561.473	4.609.328	1.331.833	1.032.495	1.914.645	1.754.179
Businesses	2.561.154	2.648.461	--	--	--	--
Personal and professional	1.748.029	1.596.475	--	--	--	--
Bank	--	--	1.331.833	1.032.495	1.270.329	1.197.675
Government	--	--	--	--	601.969	532.146
Other	720.393	767.921	--	--	48.234	38.761
	5.029.576	5.012.857	1.331.833	1.032.495	1.920.532	1.768.582
Provisions for impairment	(468.103)	(403.529)	--	--	(5.887)	(14.403)
	4.561.473	4.609.328	1.331.833	1.032.495	1.914.645	1.754.179

Businesses in the above table include manufacturing, trade, tourism and construction businesses, as presented in Note 17.

	Loans and advances to customers		Placements with other banks		Government securities and other eligible bills and debt securities	
Concentration by location:	2009 € '000	2008 € '000	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Carrying amount	4.561.473	4.609.328	1.331.833	1.032.495	1.914.645	1.754.179
European Union	5.029.576	5.012.857	760.048	832.306	1.177.615	1.316.837
Other European countries	--	--	453.625	133.319	441.295	132.892
America	--	--	47.209	988	149.868	187.196
Oceania	--	--	776	145	91.824	120.318
Asia	--	--	68.305	64.714	--	5.887
Middle East	--	--	1.434	45	59.930	5.452
Africa	--	--	436	978	--	--
	5.029.576	5.012.857	1.331.833	1.032.495	1.920.532	1.768.582
Provisions for impairment	(468.103)	(403.529)	--	--	(5.887)	(14.403)
	4.561.473	4.609.328	1.331.833	1.032.495	1.914.645	1.754.179

Concentration by location for loans and advances to customers is measured based on the location of the Group entity holding the asset, which has a high correlation with the location of the borrower. Concentration by location for investment securities and placements with other banks is measured based on the location of the issuer of the security and the counterparty respectively.

Market and liquidity risks

Group Market and Liquidity Risks Management

The Assets and Liabilities Management Committee (ALCO) is responsible for implementing the policy of the Bank's Board of Directors towards the risks and profitability arising from the Group's assets and liabilities. Group Market and Liquidity Risks Management is responsible for monitoring group market and liquidity risks within the framework of risk policies and limits defined by ALCO.

44. RISK MANAGEMENT (continued)

The Group's approach towards market and liquidity risks management is to concentrate these risks for all Group business units under the Group Treasury Department. Group Treasury Department manages risks, using a framework of activities and limits approved by ALCO. It is noted that the Group Treasury departments in Cyprus and Greece were consolidated in one Group Treasury Department since November 2008. Group Risk Management is responsible for developing policies and procedures for managing the risks and for the daily monitoring of their application. These policies and procedures are re-examined at regular time intervals and are approved by ALCO.

Liquidity risk

Liquidity risk is the risk of decrease in profits or capital, arising from a weakness of the Bank to meet its immediate obligations, without incurring additional costs. The Group's approach in managing liquidity risk is to ensure, to the extent possible (considering that the main role of the Bank as an intermediary is to accept short term deposits and grant long term loans), that there is adequate liquidity in order to satisfy its obligations, when they arise, under "normal" circumstances as well as under stress testing conditions, without the Group bearing any additional costs.

The Group currently has operations in Cyprus and in Greece. The management of the liquidity of the Group's banking units (including the observance of limits imposed by regulators), is undertaken by the Group Treasury Department and is locally effected depending on the conditions prevailing in the various markets.

The Group places emphasis on the maintenance of stable customer deposits, as they represent one of its basic sources of financing. This is mainly achieved through the maintenance of good and long standing relationships of trust with customers and through competitive and transparent invoicing strategies.

Regular stress testing scenarios are performed to simulate extreme conditions and the appropriate measures are taken whenever necessary.

The liquidity risk of banking units is monitored daily by the Group Market and Liquidity Risks Management. In Cyprus, the liquidity of the euro is being monitored, as well as the liquidity of all foreign currencies as a whole. In Greece, the liquidity of all currencies is being monitored as a whole. The Group monitors liquidity separately for Cyprus and Greece as well as on a consolidated basis.

In managing liquidity risk for the euro, the Group calculates and monitors, among other ratios, the ratio of liquid assets over the liabilities required by the Central Bank Directive on Prudential Liquidity. According to the Directive, the Bank is required to maintain this ratio at a minimum of 20%. Liquid assets comprise of cash, inter bank deposits and bonds.

The ratio of liquid assets for the euro was as follows:

	2009	2008
	%	%
At 31 December	28,24	24,76
Average for the year	28,07	26,06
Maximum percentage for the year	33,63	29,98
Minimum percentage for the year	21,78	22,08

In Cyprus, the liquidity of all foreign currencies is being monitored as a whole. According to a Directive of the Central Bank of Cyprus, as from 3 October 2008 the Bank needs to maintain 70% (75% until 3 October 2008) of its total foreign currency deposits in highly liquid assets.

44. RISK MANAGEMENT (continued)

The ratio of highly liquid assets to total foreign currency deposits during 2009 and 2008 was as follows:

	2009	2008
	%	%
At 31 December	77,36	77,68
Average for the year	75,94	78,21
Maximum percentage for the year	77,68	83,85
Minimum percentage for the year	74,05	73,07

The ratio is calculated based on items expressed in foreign currencies other than euro.

The tables below present the undiscounted cash flows of the Group's liabilities based on the remaining contractual maturity dates.

Analysis of financial liabilities based on their remaining contractual maturity at 31 December 2009

	Carrying amount	Gross nominal (inflow)/ outflow	On demand	Within three months	Between three months and one year	Between one and five years	Over five years
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial liabilities							
Deposits by banks	254.758	256.353	63.603	186.284	28	--	6.438
Repurchase agreements	351.847	353.617	--	--	353.617	--	--
Customer deposits and other customer accounts	6.573.981	6.598.302	2.453.044	2.888.191	1.131.389	125.678	--
Derivatives	17.617						
Cash inflows		(162.975)	(2.547)	(148.948)	(11.480)	--	--
Cash outflows		164.500	2.558	150.234	11.708	--	--
Other liabilities	271.549	271.549	59.230	25.863	2.825	13.596	170.035
Loan capital	302.415	302.545	--	--	--	33.459	269.086
	7.772.167	7.783.891	2.575.888	3.101.624	1.488.087	172.733	445.559

Analysis of financial liabilities based on their remaining contractual maturity at 31 December 2008

	Carrying amount	Gross nominal (inflow)/ outflow	On demand	Within three months	Between three months and one year	Between one and five years	Over five years
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial liabilities							
Deposits by banks	195.196	199.327	64.077	92.204	43.046	--	--
Repurchase agreements	469.669	470.232	330.160	140.072	--	--	--
Customer deposits and other customer accounts	6.146.521	6.186.685	2.639.339	1.510.302	1.644.983	386.235	5.826
Derivatives	74.739						
Cash inflows		(400.744)	(28.445)	(341.183)	(31.116)	--	--
Cash outflows		437.567	31.779	372.575	33.213	--	--
Other liabilities	250.747	250.747	14.569	33.347	34.289	6.287	162.255
Loan capital	236.889	237.025	--	--	25.113	32.819	179.093
	7.373.761	7.380.839	3.051.479	1.807.317	1.749.528	425.341	347.174

Market risks

Market risks derive from the change in the value of the Group's assets and liabilities and the uncertainty in the stream of future earnings, resulting from changes in market conditions (volatility in foreign exchange, interest rates and stock exchange prices).

The Group has defined its strategy and methods for the continuous monitoring and control of the undertaking and prudent management of market risks. More specifically this is achieved mainly through the implementation of open position and stop loss limits.

Foreign exchange risk

It arises from the undertaking of an open position in one or more foreign currencies. Group Market and Liquidity Risks Management observes foreign currency positions on an ongoing basis within the risk management framework and limits set by the Assets and Liabilities Management Committee (ALCO) and the regulatory authority. Within this framework there are nominal limits (by currency, in total, during the day, end of day), gain/loss limits and limits for Value at Risk (VaR). The limits for open positions during working hours exceed the limits for open positions during non-working hours.

VaR methodology is an important tool for the monitoring of foreign exchange risk. With this methodology, the Group calculates the maximum possible loss that may occur, as a result of changes in market conditions, using a confidence level of 99% and for a one-day period, based on the historical foreign exchange rates applicable over the past year.

The table below presents the VaR for the Group's foreign exchange risk:

	2009	2008
	€'000	€'000
At 31 December	3	8
Average for the year	4	6
Maximum amount for the year	39	53
Minimum amount for the year	1	2

The limitations of the VaR methodology derive mainly from the fact that the historical data used in the calculation may not be indicative of future events.

Analysis of assets and liabilities by currency at 31 December 2009

	Euro	US Dollar	British pound	Ruble	Other currencies	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Assets						
Cash and balances with Central Banks	229.933	2.165	1.109	--	309	233.516
Government securities and other eligible bills	1.383.331	319.876	135.797	--	--	1.839.004
Placements with other banks	123.899	1.085.609	56.131	15.588	50.606	1.331.833
Loans and advances to customers	4.021.462	120.985	5.577	3.004	410.445	4.561.473
Debt securities	18.353	50.679	6.609	--	--	75.641
Equity securities	37.129	7.660	--	--	--	44.789
Property, plant and equipment	82.290	--	--	12.516	--	94.806
Intangible assets	21.334	--	--	--	--	21.334
Other assets	76.089	14.934	31	772	509	92.335
Total assets	5.993.820	1.601.908	205.254	31.880	461.869	8.294.731
Liabilities						
Deposits by banks	197.971	55.487	222	465	613	254.758
Repurchase agreements	351.847	--	--	--	--	351.847
Customer deposits and other customer accounts	4.350.860	1.951.534	204.680	28.617	38.290	6.573.981
Other liabilities	273.165	12.295	55	1.930	1.721	289.166
	5.173.843	2.019.316	204.957	31.012	40.624	7.469.752
Loan capital	302.415	--	--	--	--	302.415
Equity						
Share capital	132.437	--	--	--	--	132.437
Reserves	387.448	--	--	--	--	387.448
Total equity attributable to equity holders of the parent company	519.885	--	--	--	--	519.885
Minority interest	2.679	--	--	--	--	2.679
	522.564	--	--	--	--	522.564
Total liabilities and equity	5.998.822	2.019.316	204.957	31.012	40.624	8.294.731
Total position	(5.002)	(417.408)	297	868	421.245	
Nominal value of currency derivatives	(1.303)	422.098	(166)	--	(420.629)	
Net currency position	(6.305)	4.690	131	868	616	

Analysis of assets and liabilities by currency at 31 December 2008

	Euro	US Dollar	British pound	Ruble	Other currencies	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Assets						
Cash and balances with Central Banks	185.254	2.652	997	--	230	189.133
Government securities and other eligible bills	1.188.762	--	--	--	--	1.188.762
Placements with other banks	56.467	832.509	57.313	29.219	56.987	1.032.495
Loans and advances to customers	4.092.365	86.507	5.818	2.748	421.890	4.609.328
Debt securities	25.245	379.533	160.639	--	--	565.417
Equity securities	39.538	921	31	--	--	40.490
Property, plant and equipment	80.092	--	--	11.621	--	91.713
Intangible assets	20.217	--	--	--	--	20.217
Other assets	70.729	15.294	2.368	621	224	89.236
Total assets	5.758.669	1.317.416	227.166	44.209	479.331	7.826.791
Liabilities						
Deposits by banks	130.838	44.572	12.206	1.831	5.749	195.196
Repurchase agreements	469.669	--	--	--	--	469.669
Customer deposits and other customer accounts	4.085.082	1.747.552	230.002	39.100	44.785	6.146.521
Other liabilities	273.187	21.346	14	119	30.820	325.486
	4.958.776	1.813.470	242.222	41.050	81.354	7.136.872
Loan capital	236.889	--	--	--	--	236.889
Equity						
Share capital	127.844	--	--	--	--	127.844
Reserves	312.593	--	--	--	--	312.593
Total equity attributable to equity holders of the parent company	440.437	--	--	--	--	440.437
Minority interest	12.593	--	--	--	--	12.593
	453.030	--	--	--	--	453.030
Total liabilities and equity	5.648.695	1.813.470	242.222	41.050	81.354	7.826.791
Total position	109.974	(496.054)	(15.056)	3.159	397.977	
Nominal value of currency derivatives	(80.125)	474.379	8.929	--	(403.183)	
Net currency position	29.849	(21.675)	(6.127)	3.159	(5.206)	

44. RISK MANAGEMENT (continued)

Interest rate risk

It arises as a result of timing differences on the interest rate repricing of assets and liabilities.

Interest rate risk is initially managed through the monitoring of the interest rate gap by currency, by time interval and in total.

Group Market and Liquidity Risks Management observes interest rate positions on a continuous basis, within the risk management framework and limits set by the Assets and Liabilities Management Committee (ALCO).

Analysis of assets and liabilities based on their contractual repricing or maturity dates at 31 December 2009

	Non interest bearing	Within one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assets							
Cash and balances with Central Banks	20.190	213.326	--	--	--	--	233.516
Government securities and other eligible bills	--	407.965	914.437	93.706	83.679	339.217	1.839.004
Placements with other banks	56.330	1.202.406	53.964	19.133	--	--	1.331.833
Loans and advances to customers	--	3.376.286	838.232	262.485	77.522	6.948	4.561.473
Debt securities	--	52.606	10.448	10.304	935	1.348	75.641
Equity securities	44.789	--	--	--	--	--	44.789
Property, plant and equipment	94.806	--	--	--	--	--	94.806
Intangible assets	21.334	--	--	--	--	--	21.334
Other assets	92.335	--	--	--	--	--	92.335
Total assets	329.784	5.252.589	1.817.081	385.628	162.136	347.513	8.294.731
Liabilities							
Deposits by banks	--	148.425	100.543	5.790	--	--	254.758
Repurchase agreements	--	--	--	351.847	--	--	351.847
Customer deposits and other customer accounts	--	4.228.074	1.370.034	969.943	5.930	--	6.573.981
Other liabilities	289.166	--	--	--	--	--	289.166
	289.166	4.376.499	1.470.577	1.327.580	5.930	--	7.469.752
Loan capital	--	41.433	260.982	--	--	--	302.415
Total liabilities	289.166	4.417.932	1.731.559	1.327.580	5.930	--	7.772.167
Total position	40.618	834.657	85.522	(941.952)	156.206	347.513	522.564
Nominal value of interest rate derivatives	--	51.884	371.329	4.000	(72.884)	(354.329)	
Net position	40.618	886.541	456.851	(937.952)	83.322	(6.816)	522.564

Analysis of assets and liabilities based on their contractual repricing or maturity dates at 31 December 2008

	Non interest bearing	Within one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assets							
Cash and balances with Central Banks	53.665	135.468	--	--	--	--	189.133
Government securities and other eligible bills	--	175.339	492.569	51.433	103.386	366.035	1.188.762
Placements with other banks	38.475	961.178	12.488	15.354	--	5.000	1.032.495
Loans and advances to customers	--	3.489.650	830.817	157.794	117.856	13.211	4.609.328
Debt securities	--	154.609	381.068	8.692	7.054	13.994	565.417
Equity securities	40.490	--	--	--	--	--	40.490
Property, plant and equipment	91.713	--	--	--	--	--	91.713
Intangible assets	20.217	--	--	--	--	--	20.217
Other assets	89.236	--	--	--	--	--	89.236
Total assets	333.796	4.916.244	1.716.942	233.273	228.296	398.240	7.826.791
Liabilities							
Deposits by banks	--	114.291	50.000	30.905	--	--	195.196
Repurchase agreements	--	451.669	18.000	--	--	--	469.669
Customer deposits and other customer accounts	--	4.041.840	943.664	1.134.307	26.710	--	6.146.521
Other liabilities	325.486	--	--	--	--	--	325.486
	325.486	4.607.800	1.011.664	1.165.212	26.710	--	7.136.872
Loan capital	--	42.007	169.769	25.113	--	--	236.889
Total liabilities	325.486	4.649.807	1.181.433	1.190.325	26.710	--	7.373.761
Total position	8.310	266.437	535.509	(957.052)	201.586	398.240	453.030
Nominal value of interest rate derivatives	--	150.198	219.774	133.860	(122.558)	(381.274)	
Net position	8.310	416.635	755.283	(823.192)	79.028	16.966	453.030

In addition to monitoring interest gaps, interest rate risk is managed through monitoring of the sensitivity in the value of Group assets and liabilities and net interest income under various interest rate change scenarios. The ALCO Committee has defined limits, which are revised depending on market conditions, regarding the sensitivity in the value of Group assets and liabilities by currency and geographic location. ALCO has also defined reference ratios for the sensitivity of assets and liabilities over the Group's fundamentals (e.g. capital base). Responsibility for the monitoring of these limits and ratios lies with the underlying units of Group Risk Management. The interest rate change scenarios include both parallel and non-parallel changes in the interest rate curve. Stress testing analyses are also performed.

44. RISK MANAGEMENT (continued)

The table below presents the impact on net interest income and net present value from reasonably possible changes in interest rates:

	Net interest income €'000	Net present value €'000
2009		
+100 basis points	28.154	1.160
-100 basis points	(28.154)	(1.160)
	Net interest income €'000	Net present value €'000
2008		
+100 basis points	23.083	2.205
-100 basis points	(23.083)	(2.205)

Price risk

It derives from the undertaking of an open position in equities. The Group manages this risk through policies and procedures of setting and monitoring open position limits, stop loss limits on trading positions, as well as concentration limits by issuer.

The table below presents the impact on results and equity from reasonably possible changes in equity prices:

	2009		2008	
	Net profits €'000	Equity €'000	Net profits €'000	Equity €'000
+15% change in index	848	3.570	1.012	3.853
-15% change in index	(848)	(3.570)	(1.012)	(3.853)

Operational risk

Operational risks are the risks of direct or indirect loss arising from a wide range of factors relating to procedures, staff, technology and infrastructure as well as external factors, such as those arising from legal claims and compliance with laws and regulations.

The Group has adopted the principles and provisions included in the relevant guidelines of the Directives of the Central Bank of Cyprus, the European Union, the Second Basel Accord and the Committee of European Banking Supervisors (CEBS).

The Group has developed a strong framework for the management of operational risks, considering its risk-taking attitude and its tolerance to operational risk. The annual insurance cover available to the Group is also taken into consideration, as this is regarded as an effective tool for the mitigation of operational risk.

Group Operational Risks Management is responsible for the recognition, detection, measurement, assessment, monitoring, control, mitigation and reporting of risks undertaken or likely to be undertaken by the Group, in order to manage operational risks effectively and contribute in creating sufficient business continuity plans.

44. RISK MANAGEMENT (continued)

A system has been developed and implemented internally for the recording of operational risk events. This system is used to record events concerning losses, errors, near-losses and system interruptions.

Generally, the management of operational risk is performed by various lines of reporting during the normal course of the Group's operations, through workshops, control lists, internal and external audit reports, basic risk indicators and the register for recording and monitoring the relevant risks. Internal audits are also performed which are incorporated in the daily procedures executed by staff within various departments.

Fair value of financial instruments

The table below presents the analysis of financial instruments measured at fair value on the basis of the three-level hierarchy by reference to the source of inputs used to derive the fair values. The levels of hierarchy of fair value are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data.

31 December 2009	Level 1	Level 2	Level 3	Total
	€'000	€'000	€'000	€'000
Financial Assets				
Derivatives				
Foreign currency forwards	--	283	--	283
Currency swaps	--	6.050	--	6.050
Futures	3.183	--	--	3.183
Interest rate swaps	--	3.463	--	3.463
	3.183	9.796	--	12.979
Other financial assets held for trading				
Government securities and other eligible bills	10.718	--	--	10.718
Debt securities				
Banks	3.375	--	--	3.375
Other issuers	80	--	--	80
Equity securities	5.605	--	--	5.605
	19.778	--	--	19.778
Financial assets designated as at fair value through profit or loss				
Government securities and other eligible bills	--	88.170	--	88.170
Equity securities	48	--	--	48
	48	88.170	--	88.218
Available for sale investments				
Government securities and other eligible bills	271.958	--	--	271.958
Debt securities				
Government	5.208	--	--	5.208
Banks	1.948	55.585	--	57.533
Other issuers	528	--	--	528
Equity securities	18.148	6.451	14.537	39.136
	297.790	62.036	14.537	374.363
Total	320.799	160.002	14.537	495.338

44. RISK MANAGEMENT (continued)

31 December 2009	Level 1	Level 2	Level 3	Total
	€'000	€'000	€'000	€'000
Financial liabilities				
Derivatives				
Foreign currency forwards	--	402	--	402
Currency swaps	--	1.127	--	1.127
Interest rate swaps	--	16.088	--	16.088
	--	17.617	--	17.617
Total	--	17.617	--	17.617

Capital management

The lead regulator that sets and monitors capital requirements for the Group is the Central Bank of Cyprus. The Central Bank of Cyprus is guided in its supervisory role by the recommendations of the Basel Committee and the European Union Directives on banking issues.

In December 2006 the Central Bank of Cyprus issued a Directive for the Calculation of the Capital Requirements and Large Exposures of Banks (Basel II) for the purposes of harmonisation with the European Union Directives. The Group elected to comply with Basel II as from January 2007.

Basel II comprises of three Pillars:

- Pillar 1 – Minimum capital requirements
- Pillar 2 – Supervisory review process
- Pillar 3 – Market discipline

Pillar 1 – Minimum capital requirements

Pillar 1 sets forth the guidelines for calculating the minimum capital required for each risk component of the Bank, including credit risk, market risk and operational risk.

The Group has at first adopted the Standardised Approach for the calculation of the minimum capital against credit risk. Under this approach, exposures are classified in specified classes and are weighed using specific weights, depending on the class the exposures belong to and their credit rating. Also, Basel II suggests two methods for the recognition of collateral, the Simple Approach and the Comprehensive Approach. The Group has applied the Comprehensive Approach, as this enables the fairer recognition and more accurate estimation of the Group's collateral.

Regarding market risk, the Group has adopted the Standardised Approach, according to which the minimum capital requirement is estimated by adding together the interest rate, equity and debt securities position, foreign exchange and price risk on derivatives using predefined models.

The Group uses the Basic Indicator Approach for the calculation of the capital requirements for operational risk. According to the Basic Indicator Approach, the operational risk capital requirement is estimated using a specific percentage on the average sum of gross income on a three year basis.

Pillar 2 – Supervisory review process

Pillar 2 includes rules to ensure that adequate capital is in place to support any risk exposures of the Group and requires appropriate risk management, reporting and governance policies. The Group applied the Minimum Capital Approach to determine the additional capital required to cover credit risks which are not sufficiently covered by Pillar 1 requirements, such as Residual

44. RISK MANAGEMENT (continued)

Risk, as well as risks not recognised by Pillar 1, such as Credit Concentration Risk, Interest Rate Risk in the Banking Book, Business and Strategy Risk and any external factors affecting the Group.

Banks are assessing their capital needs relative to their risks with their Internal Capital Adequacy Assessment Process (ICAAP), while at the same time maintaining communication with supervisors on a continuous basis.

Pillar 3 – Market discipline

Pillar 3 sets out required disclosures to allow market participants to assess key pieces of information relevant to the capital structure, risk exposures, risk assessment processes and hence the capital adequacy of the Group.

Based on the Central Bank Directive, disclosures by banks include information relating to their risk management objectives and policies, the composition of own funds and original and supplementary funds, their compliance with minimum capital requirements and the Internal Capital Adequacy Assessment Process.

The Group's policy is to maintain a strong capital base, in order to maintain investor, creditor and market confidence and support the future development of the Group's operations.

The Central Bank of Cyprus requires the maintenance of a specific total capital ratio in relation to the risks undertaken by the Bank. The Group has fully complied with all capital adequacy requirements as imposed by the regulatory authorities for the years 2009 and 2008.

The Group's regulatory capital based on the Directive is analysed as follows:

- Original own funds, which include the share capital, share premium reserve, revenue reserve less proposed dividends, translation reserve and capital securities. The carrying amount of intangible assets and other regulatory adjustments are deducted in arriving at original own funds.
- Supplementary own funds, which include subordinated loan capital and revaluation reserves.

At 31 December 2009 the participation in the subsidiary company Athena Holdings Ltd amounting to €39.640 thousand is deducted equally from original own funds and supplementary own funds, for the purposes of calculating the amount of permissible capital, while at 31 December 2008 the comparative amount relates to the participation in the subsidiary company Athena Cyprus Public Company Ltd and amounted to €57.970 thousand.

The investments in insurance companies Pancyprian Insurance Ltd, Hellenic Alico Life Insurance Company Ltd, Hellenic Insurance Agency S.A. and Hellenic Insurance Agency Ltd, amounting to €42.186 thousand (2008: €42.186 thousand), are deducted from the total of original and supplementary own funds.

44. RISK MANAGEMENT (continued)

The table below presents the position of the Group's regulatory capital, in accordance with the principles of Basel II, at 31 December:

	2009 € '000	2008 € '000
Own funds		
Original own funds	496.711	444.789
Supplementary own funds	246.129	151.940
Total original and supplementary own funds	742.840	596.729
Less: Participation in insurance companies	(42.186)	(42.186)
Total own funds	700.654	554.543
Risk weighed assets		
Credit risk	4.429.913	4.406.888
Market risk	63.988	216.625
Operational risk	526.175	500.470
	5.020.076	5.123.983
Tier 1 ratio	9,9%	8,7%
Tier 2 ratio	4,9%	3,0%
Capital adequacy ratio	14,0%	10,8%

DECLARATION BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE COMPANY OFFICIALS RESPONSIBLE FOR THE DRAFTING OF THE FINANCIAL STATEMENTS

In accordance with article 9(3)(c) and (7) of the 2007 Law on Transparency Requirements (Securities Listed for Trading on a Regulated Market), we the Members of the Board of Directors and the Company officials responsible for the drafting of the financial statements of Hellenic Bank Public Company Ltd (the "Company") for the year ended 31 December 2009, confirm that to the best of our knowledge:

(a) The annual financial statements presented in pages 60 to 133:

(i) have been prepared in accordance with International Financial Reporting Standards and the provisions of article (4), and

(ii) give a true and fair view of the assets and liabilities, the financial position and the profits or losses of Hellenic Bank Public Company Ltd (and of the entities included in the consolidated financial statements, as a whole) and

(b) The Report of the Board of Directors provides a fair review of the developments and performance of the business as well as the position of Hellenic Bank Public Company Ltd (and of the entities included in the consolidated financial statements, as a whole), together with a description of the major risks and uncertainties that they face.

Members of the Board of Directors

Dr Andreas P. Panayiotou	Non Executive Chairman
Andreas M. Moushouttas	Non Executive Vice Chairman
Iacovos G. Iacovou	Non Executive Member of the Board
Antonios I. Pierides	Non Executive Member of the Board
Soteris Z. Kallis	Non Executive Member of the Board
Charalambos P. Panayiotou	Non Executive Member of the Board
Ioannis Ch. Charilaou	Non Executive Member of the Board
Georgios K. Pavlou	Non Executive Member of the Board
Kyriacos E. Georgiou	Non Executive Member of the Board
Kyriacos I. Droushiotis	Non Executive Member of the Board
Makis Keravnos	Executive Member of the Board
Glafkos G. Mavros	Executive Member of the Board

Company official responsible for the drafting of the financial statements

Antonios Rouvas, Group Chief Financial Officer

Nicosia, 29 March, 2010

HELLENIC BANK GROUP
OTHER GROUP INFORMATION

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BOARD OF DIRECTORS OF THE GROUP'S MAIN SUBSIDIARY COMPANIES

HELLENIC BANK (INVESTMENTS) LTD

Charalambos P. Panayiotou, Chairman
Pieris Th. Theodorou (resigned on 31.12.2009)
George Chr. Mavroudis
Kyriakos E. Georgiou (appointed on 06.04.2009)
Kyriacos M. Papadopoulos (appointed on 06.04.2009)
George C. Koutsos (appointed on 06.04.2009)
Nicos S. Raftis (appointed on 06.04.2009)
Eliodoros Eliodorou (appointed on 12.02.2010)
Pieris Th. Theodorou, Secretary (resigned on 31.12.2009)
Michalis Koullourenos, Secretary (appointed on 31.12.2009)

HELLENIC BANK TRUST & FINANCE CORPORATION LTD

Pieris Th. Theodorou, Chairman (resigned on 31.12.2009)
Thomas P. Stylianou, Chairman as from 01.01.2010
Charalambos G. Phokas
Eliodoros Eliodorou (appointed on 11.01.2010)
Charalambos Mousoulides, Secretary (resigned on
31.12.2009)
Christiana Konomou, Secretary (appointed on 01.01.2010)

PANCYPRIAN INSURANCE LTD

Ioannis Ch. Charilaou, Chairman
Zenios Demetriou
Thanos Michael
Iacovos Aristidou
Iacovos C. Constantinides
Antonis I. Pierides
Glafkos G. Mavros
Petros Arsalides, Secretary

HELLENIC ALICO LIFE INSURANCE COMPANY LTD

Makis Keravnos, Chairman
Andreas E. Vasiliou, Vice-Chairman
Pieris Th. Theodorou (resigned on 16.12.2009)
Antonios I. Karpasitis
Georgios K. Pavlou
Antonis I. Pierides
Glafkos G. Mavros (appointed on 16.12.2009)
Maria H. Vovides, Secretary

ATHINA CYPRUS COMPANY LTD

Iacovos G. Iacovou, Chairman
Iacovos Aristidou
Soteris Z. Kallis
Kyriacos I. Droushiotis
Othon Pavi
Stavros A. Stavrou
Marios Christoforides
Yiannis Ioannou
Hellenic Bank (Investments) Ltd, Secretary

LLC CB HELLENIC BANK (Russia)

Andreas P. Panayiotou, Chairman
Andreas M. Moushouttas
Demetris J. Eliades (resigned on 01.03.2010)
Kyriakos E. Georgiou
Georgios K. Pavlou
Glafkos G. Mavros
Antonis Rouvas

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