Alpha Bank Business Review

2008

ALPHA BANK

Business Review

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Brief History

Alpha Bank's history goes back to the commercial business founded in 1879 in Kalamata by Ioannis F. Costopoulos. The business soon branched out into banking activities, with a particular focus on the foreign exchange market. In 1918 the banking section of the I. F. Costopoulos business was renamed Kalamon Bank. In 1924, when its registered seat was moved to Athens, the Bank was named Greek Commercial Credit Bank. In 1947 the name was changed to Hellenic Credit Bank, in 1972 to Credit Bank, and in March 1994 to Alpha Credit Bank. Having grown rapidly in recent decades, the Bank has moved beyond offering standard banking services and products and has evolved into a full-blown financial services Group. In 1999 it acquired a 51% stake in the Ionian Bank, and on April 11, 2000 the merger of the Ionian Bank through absorption by Alpha Credit Bank was approved.

The new, enlarged Bank which resulted from the merger now operates under the abbreviated title Alpha Bank.

The registered seat of Alpha Bank S.A. is at 40 Stadiou Street, Athens, and the Bank is listed in the Register of Incorporated Companies (Societes Anonymes) under no. 6066/06/B/86/05. Its term has been set to the year 2100, and can be extended by decision of the General Meeting of Shareholders.

A modern financial services Group, Alpha Bank offers a wide range of financial services to individuals and corporations both in Greece and abroad, currently serving some 4 million customers. It is active in most of the markets of Southeastern Europe (Romania, Serbia, Bulgaria, FYROM, Albania, Cyprus, Ukraine), and is also present in London and New York.

Key Indicators

(in Euro million)	Change %	2008	2007
BALANCE SHEET			
Total Assets	19.4%	65,270	54,684
Loans and advances to Customers	20.5%	50,705	42,072
Due to Customers	22.7%	42,547	34,665
Total Equity	-8.2%	3,941	4,291
PROFIT AND LOSS ACCOUNT			
Total Income	4.8%	2,346	2,237
Total Expenses	14.9%	1,178	1,025
Net Profit	-33.4%	513	771(*)
Profit before Tax and Impairment Losses	-3.7%	1,167	1,212
Earnings per Share (in Euro)	-34.0%	1.26	1.90(*)
INDICES			
Net Interest Margin		3.0%	3.1%
Return on Equity		15.7%	25.4%
Cost to Income Ratio		50.2%	45.8%
Total Capital Adequacy Ratio		10.1%	12.5%
TIER I Capital Adequacy Ratio		8.3%	9.6%
CREDIT RATINGS			
Moody's		A1	A1
Standard & Poor's		BBB+	A-
Fitch Ratings		A-	A-

(*) Profit from the disposal of Alpha Insurance A.E. of Euro 80.4 million is not included

Alpha Bank’s Share

The market capitalisation of Alpha Bank, which has been listed on the Athens Stock Exchange since 1925, stood at Euro 2.75 billion on the last day of 2008, and the Bank is ranked as the sixth largest company on the Athens Stock Exchange.

At the end of 2008 the Bank's market capitalisation accounted for 5.38% and 13.07% of the ASE Composite Share Price Index and Banking Index respectively, with a weighting of 5.88% in the FTSE/ATHEX 20 Index. In February 2004, the share was added to the FTSE Eurofirst 300 Index, which includes the 300 largest European companies. The share is also included in other important international indices, such as S&P Europe 350, FTSE Med 100, MSCI Europe, DJ Euro Stoxx, and FTSE4Good.

On December 31, 2008 the number of total shares outstanding stood at 410,976,652 and the number of the Bank’s shareholders stood at around 115,000, of which 1,779 were institutional investors holding 50% of the Bank’s shares (Greek: 10%, Foreign: 40%).

The continuing expansion of the Group's activities attracts domestic and foreign investors, driving the share's average daily transaction volume for 2008 to 1,422.261 units, with an average daily value of transactions of Euro 24 million.

The Ordinary General Meeting of the Bank’s Shareholders held on 3.4.2008 approved a share buy-back scheme, to be carried out by 3.4.2010, for up to 5% of the outstanding share capital paid up each time, at a price between a minimum of Euro 1 and a maximum of Euro 33 per share. Pursuant to this decision, from 8.4.2008 to 27.6.2008 the Bank acquired 7,989,610 shares, raising the total volume of the shares in its possession to 16,522,691 shares or 4.02% of its paid up share capital. On 30.6.2008, a total of 16,439,066 shares held by the Bank, representing 4.00% of its paid up share capital, were sold through private placement to Paramount Services Holding Limited, an investment organisation representing the interests of Qatar’s most distinguished family. In addition, from 4.7.2008 to 31.12.2008 the Bank also acquired 5,599,733 shares. Thus, on 31.12.2008 the total number of shares held by the Bank stood at 5,683,358 shares or 1.38% of its paid up share capital, with a total purchase value of Euro 68,984,548.89.

In addition to the Greek equity market, the Bank is also listed on the London Stock Exchange in the form of Global Depositary Receipts (GDRs), and is traded over-the-counter (OTC) in New York in the form of American Depositary Receipts (ADRs).

Message from the Chairman

To our Shareholders,
Customers and Staff

In 2008, despite the unprecedented financial crisis and the recession that hit the global economy, our growth continued unabated. Operating in a difficult business environment, we succeeded in maintaining profitability at a satisfactory level.

The economic recession led to the reduction of credit expansion rates in Greece and abroad. The cost of money rose to excessive levels, driven by the efforts to attract term deposits by offering high interest rates, especially during the last quarter of 2008, as the international money and capital markets shrank in size or ceased to operate.

This environment of instability in the markets calls for securing adequate liquidity levels and sufficient funding, coupled with increased provisions for credit risk. To this end, we put to use all the options at our disposal. We strengthened our liquidity by securitising assets which were pledged with the European Central Bank to obtain liquidity, and by participating in the Government's programme to strengthen the liquidity of the economy. Our capital base is sufficient to cover the growth of our activities as well as potential challenges that may result from the unfavourable financial environment. At the same time, and in order to strengthen our balance sheet, we also took precautionary provisions for the expected growth in bad debts.

In 2009 global GDP is expected to fall. However, it is encouraging that a recovery of the global economy may be forthcoming from 2010 onwards, although there is still great uncertainty about future developments. The volume of global trade is also expected to increase while smooth capital flows to the developing economies may be restored following the drying-up of funds in 2009. There are increasingly more and more signs that we are emerging from the recession, following the timely mobilisation of governments in the developed countries, particularly so in the USA, the EU and Japan.

In the developed countries, fiscal stimulus policy measures are already being implemented. These measures, coupled with the monetary policy of near-zero interest rates and the central banks' measures for providing liquidity, contribute to increasing demand in order to exit from the crisis. The efforts focus on preventing a further large increase of unemployment, which has already grown significantly in the USA and in some Eurozone countries. There is also an urgent need for reversing in a timely manner, and through specific measures, the adverse downward cycle that is pressuring the real estate market in many countries. These efforts are expected to lead to satisfactory and viable results as measures are taken to ensure the structural improvements in the banks and the restoration of the normal operation of the financial system globally. These efforts are aimed at further normalising the financing of businesses and households in the developed countries as well as in the developing economies.

Lending in the countries of Southeastern Europe is forecast to decrease significantly, due to the recession and to the slowdown in capital inflows from abroad, as the willingness to undertake risk diminishes. Many of these economies remain vulnerable to the crisis, because of the widened deficits on their balance of payments. Moreover, high growth in these economies in recent years was driven by rapid credit expansion, without, however, being accompanied by the necessary progress in structural reforms.

For the Greek economy, the year 2009 is a turning point as, after a long period of dynamic economic growth, Greece is impacted upon by the negative international economic environment, yet to a maybe lesser degree than in other countries. The gravity of the situation makes all the more urgent the need to address effectively the structural weaknesses of the economy and to improve its international competitiveness. A top priority should be, to take measures with no further delay, to reduce the fiscal deficit and the public debt. This will make possible a substantial reduction of the cost of money for the public and private sectors of the economy. Moreover, it will ensure the growth of domestic savings and the reduction of the current account deficit. Actions are also required to make markets operate more efficiently, to strengthen competition and, finally, to promote essential reforms in the public administration.

Due to the adverse economic environment, the Bank's business volumes during 2009 are expected to grow at a slower pace. Under these circumstances, we are intensifying efforts to make the Bank more resilient while remaining committed to supporting the Greek economy and to strengthening stability in the region of Southeastern Europe. Among others, we further enhance our liquidity, we apply stricter credit criteria, and we rein in our operational costs. At the same time, we proceed with repricing our loans at a faster pace and reducing the high interest rates of time deposits so as to raise the net interest margin of the Bank.

Alpha Bank knows how to adapt in order to ensure its successful operation under any circumstances. Has done so during its long and successful history, relying on its strong business name, its good organisation and the high-quality Personnel, on the long-standing relationships of trust forged with its Customers, and on the conservative risk underwriting policy it applies. At this conjuncture, the priority is to strengthen our balance sheet and maintain good relationships with the clientele. This ensures that when the recovery sets in, Alpha Bank will be in an advantageous position to resume its dynamic and outward looking growth.

It is well known that Alpha Bank is the only company listed on the Athens Exchange which has been paying out a dividend to its Shareholders uninterruptedly since 1948. This year, however, despite the satisfactory profitability and the expectations of our Shareholders, the Board of Directors has decided to recommend to the General Meeting of the Shareholders the non-distribution of a cash dividend for 2008, in accordance with the Ministry of National Economy and Finance's interpretation given to the law 3723 on strengthening liquidity of the economy. Moreover, the Board of Directors resolved that the distribution of a stock dividend would not be in the best interest of the shareholders, under the present circumstances. Due the difficult market conditions, the issuance of even a limited number of shares could potentially exercise pressure on the price of the share. Additionally, according to recent legislation on the taxation of dividends, an increase in the number of shares in the form of a stock dividend would be subject to additional income tax, that would not be enhancing Shareholders' value.

Our thoughts are with our Customers, who are facing the hardships of the crisis. We want to assure them that we are standing by their side. Together, we will find the way out of the crisis.

To the 15,700 Employees of Alpha Bank, who realise the difficulties in the business environment and work tirelessly to help the Bank achieve its goals, we express our gratitude.

Finally, to our Shareholders, we reiterate our commitment to protecting their interests. We take steady and carefully planned steps to deal effectively with the crisis, as we set the ground for dynamic and profitable growth.

Athens, June 23, 2009

Yannis S. Costopoulos

Message from the Managing Director

To our Shareholders,
Customers and Staff

In 2008, operating in the difficult business environment, our profitability remained at a satisfactory level. We confirmed our business potential and the prudent policies that we have consistently applied throughout our long history. Profit before income tax, excluding provisions and income from financial operations, grew by 4% from the record-high result achieved in 2007 to Euro 1.2 billion. Net profit stood at Euro 512 million, down 33% from the respective 2007 figure of profits out of continuing operations, mainly as a result of the increased provisions for credit risk to Euro 542 million, as a precaution in order to ensure the availability of sufficient resources against a potential deterioration of credit conditions in Greece and in Southeastern Europe. Earnings per share stood at Euro 1.26 while the return on equity stood at 16%. Amid the deterioration of the international economic climate, these results are encouraging and confirm our well-balanced operating base both in Greece and in Southeastern Europe where profit before income tax stood at Euro 112 million.

Net interest income grew by 12% to Euro 1.8 billion, driven by the increased cost of liquidity, especially during the second half of the year. Net interest margin remained almost unchanged at 3%, versus 3.1% in 2007. Despite the decline by 28% of income from client portfolio management and investment banking activities, fee and commission income remained at last year's level.

On the cost side, operating expenses grew by 15% to Euro 1,178 million, driven mainly by the growth of operating costs in Southeastern Europe. This is due to the expansion of our network with the addition of 206 new Branches, and the increase in the number of Personnel, with 2,100 people joining the Group since the end of 2007. In Greece, we rolled-out 36 new Branches in order to strengthen our position in retail banking and asset gathering operations. The new Branches established in Greece and in Southeastern Europe have lower staffing requirements.

Given the prevailing crisis, our primary goal has been to strengthen our balance sheet, focusing on capital adequacy, provisions, and liquidity.

For 2008, the capital adequacy ratio stood at 10.1%, with the Tier I ratio standing at a particularly satisfactory level of 8.3%. We should point out the very good quality of our capital base, as it is not affected by goodwill from acquisitions.

Despite the serious problems in the operation of the international money markets, the liquidity of the Bank has been sufficient. On 31.12.2008, customer funds under management exceeded Euro 48 billion, of which Euro 42.5 billion represented deposit balances, which posted an increase of Euro 7.9 billion or 22.7% from 2007.

Our aim is to always ensure a balance between the growth of deposits and credit expansion. In addition to the growth of deposits, however, liquidity needs in Greece and in Southeastern Europe were covered through the securitisation of mortgage and consumer loans, which were pledged to obtain liquidity from the European Central Bank. In particular, in July 2008 we were the first bank to complete a Euro 2 billion issue of mortgage covered bonds in

Greece, which received the top rating (AAA) from credit rating agencies. Equally successful was the very first securitisation of consumer loans through a Euro 1,5 billion issue carried out by the Bank. During 2009 our reserve of securities eligible for refinancing with the European Central Bank is expected to grow by Euro 4.4 billion through additional securitisations of Bank assets. Furthermore, from the government plan to strengthen the liquidity of the economy, the Bank's share is approximately Euro 5.5 billion.

Loans grew by 21.1% to Euro 52 billion. In the Greek market, mortgage and consumer credit, and small business financing, despite their declining trend, are still growing at a rate which is significantly higher than in other Eurozone countries. On 31.12.2008, housing loan balances stood at Euro 11.2 billion, posting a growth of 13.3% despite the reduced demand during the second half of the year. In the first quarter 2009, despite the challenging economic conditions, new mortgage disbursements amounted to Euro 214.1 million as we approved more than 2100 loan applications. Consumer loan balances grew by 19.5% to Euro 3.6 billion. As regards credit cards, Alpha Bank is the only issuer and acquirer in Greece of all three major international credit cards (American Express, Visa and MasterCard), and its portfolio is one of the largest in the market.

At the organisational level, we established the Retail Credit Division. This new Division is responsible for the centralised evaluation of applications for consumer credit products, and for monitoring the standards and policies for credit risk management which are formulated by the Retail Banking Credit Risk Management Division, another newly-established Division. With respect to consumer and mortgage credit, all Branches have adopted centralised procedures for loan approvals. This helps the Bank to achieve its goal of managing uniformly and effectively its retail credit portfolio and of limiting operational and credit risk.

Lending to small businesses grew by 14%. Out of these balances, loans to very small businesses posted a significant growth of 20%. During 2008, a number of infrastructure and restructuring projects were completed in order to strengthen our services to small businesses. These projects include the reorganisation of the lending operations of Branches through establishing different operating models between Basic Service Branches (whose activities are geared to providing prompt service to small businesses), and Full Service Branches. Our collaboration with the Credit Guarantee Fund for Small and Very Small Enterprises (TEMPME) was continued successfully. More recently, we have strengthened our association with the European Investment Bank for financing investment plans of small and medium-sized enterprises (SMEs). Through these actions, Alpha Bank actively supports Greek SMEs and, by extension, the Greek economy during 2009, which is expected to be a difficult year. Indicative of this is that in the first three months of 2009 loan disbursements to SMEs reached Euro 1.7 billion, satisfying 14,500 loan requests. Furthermore, during 2008 the Bank demonstrated for yet another year its heightened awareness of its social role, by providing aid to the regions in Greece's periphery that were hit by natural disasters. In order to support businesses and self-employed professionals in these regions, the Bank made available credit facilities over and above those granted under the relevant Ministerial Decisions.

In the framework of the new organisational structure of our business operations geared to medium-sized businesses, the establishment of the Commercial Centres was completed in 2008. These Centres, ten in total, already successfully manage 6,500 medium-sized business customer relationships, leading to 15% lending growth in 2008. As regards large corporates, business credit balances grew by 14% to Euro 10.6 billion, with deposit balances growing by 73%. Moreover, special mention should be made with regards to shipping, where the balance of the Bank's high-quality loan portfolio stood at Euro 1.6 billion, up 18.5% from 2007. At the same time, the deposit balances of shipping customers stood at Euro 1.8 billion, growing by 119%.

The early detection of credit risk and the adoption of measures to address it are a key priority for Alpha Bank as well as a distinct competitive advantage. To ensure effective management of credit risk, in addition to the organisational changes introduced, we are constantly developing our systems in order to provide timely and effective support to the operational units in their decision-making process, and prevent a potential negative impact on the Group's financial results. As a result, the non performing loans ratio grew only slightly during 2008 to only 3.9%, versus 3.7% in 2007. Accumulated provisions against doubtful claims stood at Euro 1.2 billion, covering 61% of non performing loans. Thus, taking also into account the high quality collateral, the coverage ratio of non-performing loans stands at 140%. This is a very satisfactory rate, considering the conservative composition of our portfolio.

The improvement in the operating efficiency of Alpha Bank is largely due to the extensive restructuring programme applied in recent years. Significant work was also carried out to support the new products developed during 2008 and to upgrade existing ones. The year 2008 was also marked by the completion of the establishment of a number of specialised central units which are dedicated to providing support for products and services. Placing emphasis on alternative distribution channels, we improved the quality of our Web Banking services for both individuals and businesses, we installed 79 new ATMs and 118 Automated Pay Centres, bringing the share of transactions conducted through the Branch Network down to 52% of total transactions, despite the continuously growing volume of the latter. Other major projects carried out during 2008 include the installation and activation of the Anti-Money Laundering System, and the new system for the management of collections of customer arrears, which was given top priority. The programme for improving the quality of the services provided also includes the certification of Units in accordance with the ISO 9001 standard, an activity which will be continued into 2009. During 2008, the certification of the Customer Service Department and of the International Trade Unit was completed and the Bank's software applications' certification was renewed.

In Southeastern Europe, we faced the challenges by increasing the productivity and, most importantly, by enhancing the visibility of the Alpha Bank brand in all these countries, through increasing our branch concentration with the establishment of Branches in urban areas as well as in the broader periphery. Our network of Branches has already reached nation-wide coverage. The presence of the Bank in almost all major cities, is supported by an extensive network consisting of 610 Branches with 7,120

Employees. At the organisational level, results have been greatly improved by the establishment of retail and corporate banking business Units, together with the corresponding support Units, the installation of a new IT system, the centralised management of procedures, and the support and coordination of foreign operations by the respective Units in Greece. Alpha Bank is gradually emerging as one of the major banks in Southeastern Europe, playing an important role in the stabilisation and the restructuring of the economies in the wider region, along with international financial and intergovernmental organizations.

In terms of business volumes, in 2008 deposits stood at Euro 6.1 billion, up by 15%, against a market growth of 5%. Loans grew by 48% to Euro 11.2 billion, accounting for nearly 22% of our total loans on a consolidated basis. This growth rate, which is twice that of the market, drove our market share up to 8.5%, from 7.3% in 2007. In parallel, one of our main targets is to improve our portfolio quality by continually reviewing the approval procedures and monitoring the non performing loans by centralising the respective procedures. As a result, the non performing loan ratio continued to be low and amounted to 2%. This has been the result of the Bank's model for expansion abroad, which is not based on the acquisition of banks but on an organic growth of its Branch network and on the transfer of the policies, structures and systems applied in Greece.

Our policy on Human Resources, the environment, and social affairs is described in the Corporate Social Responsibility Report, which is issued as a separate document. In particular, the Bank acknowledges, rewards and takes steps to ensure the development of its Human Resources. Educating and training the Employees are top priorities for Alpha Bank. For that reason we created a state-of-arts Training Centre in Agios Stefanos in Attica. It has 16 fully equipped teaching classes, as well as an amphitheatre of 150 seats for lectures, conferences, seminars and other educational events. In 2008, more than 4.300 employees were trained in more than 800 programs. In the training Centre there's also a gym for the employees and a fully equipped doctor's office and restaurant. It is worth mentioning the new bioclimatic building on Athinon Avenue 103, an avant-garde, energy saving and environmentally friendly architectural design. The Bank also promotes Volunteerism, through a variety of initiatives of a social and environmental nature. It should be noted that the Bank's volunteers participate systematically in recycling, tree-planting and coast-cleaning activities.

For yet another year, the Bank's social contribution was significant. The Bank responded positively to numerous requests for sponsoring events and programmes promoting Sport and Culture. Among these is the "Alpha Bank Sports Panorama" in Greece and abroad and the Bank's sponsoring of the Athens Classic Marathon event as well as other educational programmes. Special mention is due here to the valuable contribution in this area of activities of the J. F. Costopoulos and Eustathia J. Costopoulos Foundations.

Our policy for the protection of the environment, apart from recycling and withdrawal of hazardous materials, includes actions in all our buildings, promoting a variety of environment-friendly practices, such as conservation of water and electrical power in all of our buildings, utilisation of underground water, reduction of heating oil consumption by using natural gas and use of environment-friendly materials. In addition, the Bank also provides financial assistance by sponsoring environmental programmes such as the "Blue Flags" and "Garbage-Free Nature" programmes of the Hellenic Society for the Protection of Nature, and the educational programme "Watersave" of the MedSOS Network promoting the conservation of water.

Guided by our firm belief in the principles and values that govern our operation, and with social and environmental sensitivity, we work constantly to improve our products and services, seeking to provide our Customers with reliable and consistent services that meet their banking needs.

Finally, I would like to thank the Personnel for their active involvement in the development of the Bank. The enthusiasm, dedication and continuous improvement of their skills are key for a successful future.

Athens, June 23, 2009

Demetrios P. Mantzounis

1 The World and the Greek Economy in 2008 and the Prospects for 2009

The World Economy

After four years of strong, uninterrupted economic growth, 2008 saw the world economy enter a period of extreme uncertainty and instability, confronted by a widespread crisis which started in the financial system but soon spread to the real economy. The deterioration of the global economic environment in 2008 was due firstly to the abrupt increase in the international prices of oil and of basic commodities in the first seven months of 2008, which served to constrain income and consumption in all countries, and secondly the unexpected international financial turmoil which was triggered by the bankruptcy of the venerable US investment bank Lehman Brothers in mid-September 2008. The subsequent seizing of the interbank and capital markets, combined with the large decline in international equity prices, served to constrain the financing ability of both companies and governments internationally, a situation which evolved into a credit crisis. This development took place despite the broad range of government and central bank interventions in the US and Europe, as well as numerous interventions by other countries who undertook measures to boost liquidity in their economies in the hopes of ensuring the stability of the international financial system. The detrimental effects of the seizing of credit for the real economy proved to great to mitigate and pushed advanced economies and, consequently, the global economy, into a severe and deep recession. Moreover, the large losses recorded by financial institutions required significant State intervention which, in many countries, significantly worsened the fiscal situation.

Growth of global Gross Domestic Product (GDP) declined significantly to 3.2% in 2008, down from 5.2% in 2007 and, according to the IMF forecasts, is expected to register a negative growth rate of 1.3% in 2009. In advanced economies, the rate of economic growth was cut back to 0.9% in 2008, down from 2.7% in 2007, with consensus expectations of GDP growth in 2009 and 2010 converging to -3.8% and 0% respectively. The sharp slowdown in the growth of emerging economies can be traced to the downturn in the industrial sector, the significant rise in the unemployment rate and the sharp fall in economic activity in the housing markets of many economies. Declining exports and imports, prompted by the decline in global demand and its corrosive impact on global trade, have also played a crucial part in the current economic crisis. These developments had a negative impact on the expectations of consumers and businesses alike, notwithstanding the deceleration of inflation and the implementation of significant fiscal stimulus packages by many economies. The heightened uncertainty about the economic developments in 2009 led, in the first quarter of 2008 and in the first two months of 2009, to the collapse of the major international equity indices and to the sharp decline in the growth of international trade, which, according to IMF projections is expected to decline by 11% in 2009 following a slowdown to 3.3% in 2008 (2007: 7.2%). Looking ahead, the expected recovery will likely not exceed 0.6% in 2010. The large fall of international trade, recorded in the last quarter of 2008 and in the first quarter of 2009, was particularly negative, having failed to correct the large global macroeconomic imbalances which are widely seen as the main cause of the global financial crisis. In fact, imports fell substantially both in countries with large goods and services deficits, such as the US, countries in Central and Eastern Europe and others and in goods and services - surplus countries such as China, Japan and Germany. However, to emerge from the current global recession and stabilise the global financial system, it is paramount that the current trade-surplus countries adjust their economic policies so as to promote domestic demand, something which as yet is not evident.

In the Eurozone, GDP rose only marginally by 0.8% in 2008 versus 2.7% in 2007, due to the moderation of private consumption and investment to 0.5% and 0% respectively (2007: 1.6% and 4.4%). Private consumption was negatively affected by the tightening of credit standards and the uncertainty about the future which was especially acute in the last months of 2008, while the favourable effects from the drop of inflation to 1.6% in December 2008 did not provide and adequate counterbalancing force, as average annual inflation for 2008 as a whole rose to 3.3% from 2.1% in 2007. Growth rates in all Eurozone countries were affected by the financial crisis which led GDP to decline by 1.4% on a yearly basis in the last quarter of 2008 and by an even larger decline of 4.6% in the first quarter of 2009. Most Eurozone countries experienced declining GDP in the first quarter of 2009, in particular GDP declined by 6.9% in Germany, 3.2% in France, 2.9% in Spain and by 5.9% in Italy. This provides the background to the pessimistic forecasts for economic growth of -4.7% in 2009 and -0.1% in 2010, though it has to be said that the more recent indicators are pointing to a moderation in the rate of decline from the second half of 2009. The deterioration of working conditions, including the expected increase in the rate of unemployment to 9.9% in 2009 and 11.5% in 2010 from is likely to be a key factor in prolonging the time of exit from the ongoing economic crisis. Employment has been hit especially hard in Spain, where the unemployment rate is projected to reach 17.3% in 2009 and 20.5% in 2010, but also in France (2009: 9.6%, 2010: 10.7%) and in Ireland (2009: 13.3%, 2010: 16%). In the fiscal sector, the public deficit and the debt of the general governments of all Eurozone countries have risen significantly during 2008 and are set to increase by even more in 2009 alongside the implementation of the support programs initiated by the respective governments with the purpose of bolstering financial institutions and the overall liquidity of the economy.

In the USA, where the impact of the crisis in the financial market on economic growth was direct, GDP declined by 0.8% on a yearly basis in the last quarter of 2008 and moderated to 1.1% in 2008 as a whole from 2% in 2007. The slowdown of economic activity was even sharper in the first quarter of 2009 when GDP declined by 2.5% on a yearly basis, leading to expectations of a GDP decline of about 2.7% in 2009. The deceleration of growth in the US in the last quarter of 2008 is attributable primarily to the large drop in private consumption by 1.5% on a yearly which allowed for only a marginal increase of 0.2% in 2008 as a whole, down from positive growth of 2.8% in 2007. Since 2008, American consumers have ceased to be the primary driver of global growth and have instead become a significant factor contributing to the global recession. Seen in this light, even the slight deceleration of the rate of decline of private consumption to 1.4% on a yearly basis which was recorded in the first quarter of 2009 (when the quarterly growth was actually a positive 0.37%) is good news, as a further deceleration in the months to come will likely lead to a moderation of the rate of decline of GDP. Business investment also had a negative impact on US economic growth, having declined by 17.9% in Q1 2009 from -5.0% in 2008 and -3.1% in 2007. The large negative growth rate of investment in residential buildings by 23.4% in Q1 2009 from -17.9% in 2008 and -7.1% in 2007, was an especially important factor contributing the decline of GDP. On the contrary, net exports made a positive contribution of 2.18pp to headline GDP growth in the first quarter of 2009, as imports of goods and services fell by more than exports, with growth of -34.1% and -28.7% respectively. As a result of the economic slowdown and contributing to it, employment has declined by some 6.6 million persons since the start of 2008 driving the unemployment rate up to 8.9% of the workforce in April 2009 , while further reduction in employment are expected to increased the unemployment rate to over 10% in 2010. Reduced spending by both consumers and businesses in conjunction with the significant fall in the prices of energy products from their above normal levels in the previous year, has led to negative inflation of 0.7% in April 2009, with the average inflation rate for 2009 expected at around -0.3%, from 3.8% in 2008 and 2.9% in 2007. Governments and central banks have introduced substantial fiscal and monetary policy measures to clean-up the corporate balance sheets of financial institutions and aid the recovery of the economy. These measures, and especially those related to the successful implementation of stress tests in all major US banks, have proven to be effective in partly reversing the negative economic climate and have provided considerable impetus in the financial sector. Furthermore, intensified efforts on the part of the monetary authorities to stimulate the market for corporate bonds and the interbank market have resulted in increased liquidity in the economy and have in this regard been successful. On the other hand, the interventions by the government to provide a fiscal stimulus to the economy are inevitably leading to inflated public deficit and general government debt as a percentage of GDP.

In Japan, economic activity registered a fall of 0.7% in 2008 from growth of 2.4% in 2007. The decline in GDP is expected to be even greater in 2009 at around 5.3%, due to large declines in fixed capital investment and, crucially, exports. The Japanese economy has been especially hard hit by the global financial crisis because of its great dependence in the export sector. Moreover, this has been the case despite the recent stimulus packages directed at the country's banking sector, corporate and household sectors.

Economic growth in **China, India, Russia** and **Brazil**, which generate more than 20% of the global GDP, slowed substantially in 2008 and are expected to slow by even more in 2009. According to the IMF, China's GDP is expected to decelerate to 6.5% in 2009 from 9% in 2008, India's to 4.5% from 7.3%, Russia's to -6% from 5.6% and Brazil's to -1.3% from 5.1%.

Economic activity in **Southeastern Europe** remained strong in 2008, as domestic demand continued to grow, especially during the first half of the year, driven by the increase in real wages and the high rate of credit expansion. Nevertheless, many of these economies remained vulnerable to the crisis due to a sharp fall of net capital inflows and the resulting large fall of domestic demand, especially investment demand. The substantial decline of the current account deficits of these countries implies a remarkable positive contribution of net exports on GDP growth. However this will likely be insufficient to counterbalance the negative effect on GDP from the fall in domestic demand. Hence, despite the availability of significant financial support from the IMF, most of the countries in the region are expected to record negative growth in 2009.

Overall, while in the first quarter of 2009 the outlook for the global economy was very bleak. However, as of April 2009 data on key economic indicators are pointing towards a significant moderation in the rate of decline of GDP in advanced countries in the second half of 2009. The policy measures adopted by the fiscal and monetary authorities seem to have led to a significant improvement in the expectations of the consumer and corporate sectors, boosting confidence and crystallizing the expectation that the worst of the recession is now behind us. Moreover, this expectation has been further consolidated during recent weeks as the financial markets have posted a partial recovery. The IMF and the OECD predict, on the basis of economic indicators up to April 2009, that global GDP will decline by 1.3% in 2009 and rise, with an even greater decline of 11% in the volume of global trade in goods and services from positive growth of 3.3% in 2008. GDP in advanced economies is expected to fall by 3.8% in 2009 (USA: -2.8%, Eurozone: -4.2%, Japan: -6.2%). The decline in emerging economies is forecast to be even more substantial. Finally, the IMF projects global economic growth will rise by only 1.9% in 2010.

A note of optimism can be drawn from the gradual easing of the credit crunch, as indicated by the return of the interbank rates to the levels recorded before September 2008 as well as the improved functioning of the corporate debt markets. These developments have been helped by extensive government interventions in the form fiscal support and guarantees aimed at stabilising the financial system. Furthermore, the large financial institutions, primarily in the US, are expected to implement measures aimed at boosting their capital base, while similar steps are being undertaken in Europe. Such trends point towards a gradual rationalization of the functioning of the global financial system. The outlook will likely improve further if recent increases in risk appetite (evidenced by the normalising of risk related spreads and the gradual recovery unfolding in the equity markets) are maintained or bolstered.

The Greek Economy

The Greek economy remains one of the fastest growing economies in the EU. While slow Greek GDP growth decelerated in the second half of 2008 and first quarter of 2009, it has managed to maintain a substantial positive growth deferential over the Eurozone. As was to be expected, the global financial crisis and economic slowdown have had a substantial negative effect on business and consumer confidence in Greece and have constrained the growth of consumer expenditure and overall investment, particularly in the housing sector. Additionally, the rapid increase in the prices of oil and food and the appreciation of the Euro in the first seven months of 2008 contributed to the fall in industrial production which was more pronounced in traditional industries. Exports, however, continued to grow at a satisfactory rate as import growth declined in the second half of 2008 and led to the significant positive contribution of net exports to GDP growth. These factors account for the of 2.9% GDP growth in Greece versus 0.7% in the Eurozone, which indicates that further progress has been made towards real convergence. Greece's per capita GDP (as expressed in purchasing power parity or PPP) neared the EU-27 average, while living standards almost matched those in Italy. Additionally, according to the Human Development Index of the UN (which also includes, non-economic indices that reflect economic prosperity and quality of life), Greece was ranked 23rd, two places behind Germany, in the list of countries with the highest socioeconomic growth for 2008.

The key developments in the Greek economy in 2008 and early 2009 were as follows:

GDP growth decelerated to 2.9% in 2008, from 4.0% in 2007. Private consumption increased by 2.2% (versus 3.0% in 2007), contributing 2.0 percentage points to headline GDP growth. Moreover, the satisfactory growth of exports of goods and services in combination with a fall in imports (-4.4%) resulted in a positive contribution of 2.1 percentage points from net exports to GDP growth. Finally, a significant positive contribution to GDP growth in 2008 was made by the substantial increase in stocks. In contrast however, the sharp fall in fixed capital investment subtracted 2.8 percentage points from GDP growth. Investment in housing became a drag on economic activity as it registered a decline of 29.1% in 2008 from -6.8% in 2007. Private consumption remained at a satisfactory level, mainly due to the substantial increase in wage income and employment which led to a sizable increase in household real disposable income. Moreover, consumer credit once again registered solid growth in 2008, notwithstanding the deceleration in the second half of the year. Finally, the Greek economy registered positive growth of 0.3% yoy in the first quarter of 2009 despite the significant 4.4% decline in GDP grow recorded in the Eurozone.

On the production side, the increase of the GDP in 2008 was driven primarily by the continued expansion of the services sector, while the share of the primary and secondary sectors to total value added declined. Thus, according to the first estimates, the percentage share of services in the total value added of the economy rose to 76.0% in 2008 from 74.7% in 2007, while the corresponding shares of the primary and secondary sectors declined to 3.2% and 20.0% respectively (2007: 3.5% and 21.8% respectively).

Average inflation rose to 4.2% in 2008 from 2.9% in 2007, but dropped sharply to 2.0% in December 2008 and to 1.0% in April 2009. Average core inflation rose to 3.4% in 2008 from 2.9% in 2007, mainly reflecting the considerable price increases in a number of important State-controlled service sectors (urban transport buses, hospitals etc.), which were introduced in order to reduce the deficits in these sectors. It should also be noted that there was a significant increase in the unit labour costs for the entire economy (2008: 5.7%, 2007: 6.3%). In addition, the inflation gap between Greece and the Eurozone, based on the average harmonised consumer price index, rose to 1.1 percentage points in 2008 from 0.9 percentage points in 2007. Finally, core inflation also declined to 2.5% in April 2009, while at the same time core inflation in the Eurozone stood at 1.5%.

The fiscal situation deteriorated in 2008. The general government deficit increased to 5.0% of GDP in 2008, from 3.6% in 2007, while public debt remained almost unchanged at 94.6% of GDP in 2008 from 94.8% in 2007. The deterioration of the country's fiscal position is due to persistently weak revenue collection, which underperformed once again, as well as persistent public expenditure overruns. In particular, the weak revenue collection was mainly due to the significant reduction of revenue from VAT and direct taxes, as once again the necessary reorganisation of the tax collection system proved impossible. There was only a poor response from the taxpayers regarding the settlement of their outstanding tax-related debts to the State, the latter being unable to collect a large amount of certified tax claims. Public expenditure overruns are attributed mainly to the overruns relating to funds allocated for public servants' salaries, social welfare, and for the subsidisation of social security funds. The recent deterioration of the fiscal situation led to the downgrading of the outlook for the Greek economy as this is reflected by the ratings agencies Standard & Poor's and Moody's, and to a large increase in the sovereign risk spread of Greek Government bonds over those of Germany and of other countries. These developments led interest expenses, which already absorb nearly 5% of domestic GDP, to increase substantially.

On the external front, the deficit on the current account (which includes capital transfers) reached 12.7% of GDP in 2008, versus 12.3% and 9.8 of GDP in 2007 and 9.8% in 2006 respectively. This increase of the current account deficit in 2008 was mainly due to the following: (a) The expansion of the trade balance by 6.1%, due mainly to the increase of the net payments for fuel imports by 31.8%. Exports (excluding ships and fuel) grew by a substantial 15.2%, while the growth of the respective imports was constrained to 5.8%; (b) The substantial increase (+19.9%) of the deficit on the income account balance, due mainly to the increase of payments for interest, dividends and profits by 21.3% in 2008 from 27.8% in 2007. (c) The increase of the surplus on the services balance by 3.7% which was brought about by the increase of net receipts from tourism by 2.1% and of net receipts from transport (mainly shipping) by 7.7%. (d) The increase of the surplus of the current transfers balance (income and capital) by 15.6%, mainly due to the fact that the 2007 surplus was depressed by the payment to the EU of additional contributions as a result of the upward revision of the Greek GDP.

The very high level of the deficit and its financing via foreign capital drove the country's negative net international investment position to 100% of GDP in 2008, from 94% of GDP in 2007. The expansion of the deficit in recent years has been driven by the large borrowing requirements of the public sector, which have been financed, to a large extent, through the inflow of funds from abroad. The country's high negative net international investment position generates large and rapidly increasing interest expenses, dividends and profits paid to non-residents and transferred abroad through the growing deficit on the current account balance. Moreover, increasing net capital inflows into the Greek economy contribute to the gradual fall of domestic savings and to a deterioration of the international competitiveness, contributing in turn to a further increase of the current account deficit. However, the fall in domestic demand due to the global financial crisis has already contributed to the reduction of the current account deficit of Greece by 14.5% in the first quarter of 2009, supporting projections for its reduction to around 8.5% of GDP in 2009 as a whole.

In the area of structural reforms, a notable development in 2008 was the reform of the Social Security System (SSS), which is expected to help improve and – to a certain degree – rationalise this system over the next years. However, the implementation of the new organisational structure of the SSS, the essential linking of the benefits under each fund to the contributions actually paid by the corresponding insured employees and by their employers, and in general the establishment of a higher degree of viability of the system which will help reduce the large annual burden to the public finances caused by the rapidly growing subsidies to the social security funds, all remain to be done. Furthermore, limited reforms were also carried out in tertiary education: although these are in the right direction, they cannot be considered to represent the most appropriate solution for addressing the problems in connection with the impoverishment of this major domain in our country. In the labour market, no significant progress was made in relation to the considerable rigidities that are still present, especially in the public sector. As regards the privatisation process, total revenues from the Privatisation Programme 2004-2008 reached Euro 6.67 billion, of which approximately 77% represented foreign capital inflows. A further amount corresponding to 3% of the shares of OTE (the Hellenic Telecommunications Organisation) was paid by a strategic investor (Deutsche Telecom), and the concession of the Container Terminal of Neo Ikonio, near Pireaus, to Cosco Pacific Limited was approved.

As regards investments, a new investment law was enacted, offering significant investment opportunities to the private sector and securing financial aid rates of up to 60%. Since its coming into force and until 31.12.2008, a total of 5,377 investment plans were approved, totalling Euro 11.4 billion in value and creating 27,544 new direct jobs. Under the Public Private Partnership (PPP) scheme, approvals have already been granted for projects with a total budget of Euro 5.7 billion, and tendering procedures have been launched for projects with a total budget of Euro 1 billion. Additionally, the implementation of projects under the 3rd Community Support Framework is also advancing. On 31.12.2008, the absorption of funds had reached 95.0%, with implementation continuing for the programmes granted with an extension until the end of 2009. The operational programmes of the National Strategic Reference Framework (NSRF) 2007-20013 were also launched. Eight sectoral and five regional operational programmes were approved during 2008, resulting in an inflow of Euro 1.1 billion of Community funds in the form of advance payments. Finally, further progress was made in Greece's digital convergence with the EU.

The Greek banking system continues to operate effectively, despite the considerable negative impact experienced as a result of the global financial crisis. Greece's banking system remains healthy, safe and stable, and continues to contribute, amid considerable adversity, to the financing of the economy, especially with regards to business financing. Despite the large increase in the cost of deposits, after the near freezing of the money and capital markets in the last quarter of 2008, bank loans to businesses continued to grow, reaching a year-on-year growth rate of 11.8% on the 30th of April 2009. A decline was observed in the growth of bank loans to households, which reached a year-on-year growth rate of 8.8% by the end of April 2009, versus 12.8% on 31 December 2008. This development is mainly due to the limited demand for credit from households, taking also into account the sharp fall in the consumer and business confidence indices caused by the global financial crisis. Nevertheless, the year-on-year growth rate of loans in Greece still far exceeds the rate of increase of the nominal GDP.

The profitability and capital adequacy of the Greek banking groups were less affected relative to their international peers, due to their limited exposure to distressed and illiquid assets at the heart of the global financial crisis. In addition, the dependence of Greek banking groups on the interbank and capital markets as a mean of financing is relatively low, given that their loan-to-deposit exceeds 90%. The Greek banks retain a strong capital base with a relatively low degree of leverage as the ratio of total assets to own funds was just 15.0 in 2008. Without question, the crisis did have an impact on the profitability and capital adequacy ratios of the banks however this followed a surge in both during 2007. A substantial increase of credit risk and provisions is also expected, as from 2009 on the economy will be entering a period of low growth from 2009. The quality of the loan portfolio of Greek banks to the private sector has deteriorated somewhat in 2008. This is indicated by the small increase in the ratio of loans that are overdue to total loans (December 2008: 5.0%, December 2007: 4.5%), a development almost exclusively attributable to household loans. The implementation of Government measures aimed at increasing liquidity to the economy and the expected amelioration in the functioning of the interbank market and the market for corporate bonds will, during the course of the year, allow the continuation of the financing of businesses and households in Greece at a cost that is approachable.

The year 2009 is a turning point for the Greek economy, as after thirteen years of dynamic and uninterrupted economic growth our country will inevitably be affected by the extremely adverse environment that prevails in both Europe and internationally. The gravity of the situation requires that we immediately and effectively address the structural weaknesses of the economy and improve its international competitiveness, so that its comparative advantages and its relatively favourable standing within the global crisis may be exploited. The downside risk to the continued growth of Greece's economy are mainly related to the need for further fiscal consolidation which presumably will entail reduction in expenditures on public wages and other social security related costs. Furthermore, the significant slowdown of economic activity in the private sector will enforce a tougher stance towards wage compensation from private businesses. As regards the demand for investments, its relative magnitude will depend significantly on the ability of the public sector to accelerate the implementation of investment plans of the NSRF 2007-2013, numerous PPP projects, as well as investments in the energy and other sectors. In particular, the efficient management of the inflows from the EU's Structural Funds, which are expected to continue at least until 2013, will boost investments and will facilitate the country's growth effort. In order to mobilise a new development potential, a top priority in 2009 should be to significantly lower the State budget deficits and the level of public debt, in order to facilitate the substantial reduction in the cost of money for the public and private sectors of the economy. This approach will ensure the growth of domestic savings, the reduction of the country's current account deficit, while strengthening the economy's export orientation and potential for sustainable growth. Steps are also required to ensure that growth and development takes place while ensuring that the country's natural environment is preserved, together with interventions addressing the effective operation of the markets, the promotion of a more competitive business environment and, finally, the implementation of substantial reforms aimed at the rationalisation of the public administration.

Business Units 2

Retail Banking in Greece

Mortgage and consumer credit, together with small businesses financing, continue to grow in Greece at a rate which is significantly higher compared to the other EU countries. Although slowed down by the global financial crisis, the growth rate and prospects of retail banking are of course much higher in the countries of Southeastern Europe, where our Bank is present together with other Greek banks. This is why in recent years we have been placing emphasis on constantly expanding our activities in this sector.

On a consolidated basis, our retail banking portfolio in 2008 stood at Euro 26.3 billion, up by 20.3% from 2007. This development was mainly driven by loans to individuals and small businesses in Southeastern Europe, which, although they grew at the very high rate of 54%, still remain at relatively low levels and are expected to increase rapidly once the economies of the countries in the region recover. In the more mature and competitive Greek market our performance was remarkable, with loans to individuals and small businesses growing by 19%.

The importance of retail banking for our Bank stems from our aim to secure the continuous increase of its participation in total income on a consolidated basis. In 2008, profits before tax from this sector stood at Euro 420 million and contributed 67% of the Group's profits before tax.

These results are due primarily to the Bank's strong corporate image, its large and stable customer base, the effectiveness of its Network, the quality of its products, and the provision of customised services to its customers.

Mortgages

The mortgage market in 2008 was characterised by a declining growth rate, a trend that intensified considerably during the last quarter of 2008, influenced by the global financial crisis. The market's annual growth rate was finally limited to 12.0%, versus 21.4% in 2007. The significant change in the economic climate during the second half of 2008 is also reflected in the policies adopted by the banks. While the first half of 2008 was characterised by the continuation of the intensely competitive conditions that had been established in 2007, during the second half of the year the aggressive policies of product and pricing offers were gradually abandoned. In the last quarter of 2008, the lack of liquidity in the money markets drove interest rate margins up and led to the application of more strict criteria for granting loans.

Despite the substantial slowdown in the market's growth, Alpha Bank increased its housing loan balances by Euro 1.3 billion. On 31.12.2008, the Bank's housing loan balances stood at Euro 11.1 billion and remained the market's second largest mortgage portfolio. A major contribution to the achievement of this result came from our network of more than 3,000 external associates, who generate around 19% of the Bank's new loan disbursements.

In the first months of 2008, the Bank expanded the "Preferential Rate Housing Loan", which it had launched first to the market in 2007, by offering the additional option of a preferential fixed rate for a period of three years. This move was supported by advertising and was very positively received by the customers.

In parallel, the Bank continued to offer the "Alpha Fixed Rate" housing loan, with an option of fixed rates for durations up to 15 years, which was welcomed by customers during the first nine months of 2008. After that – and as a result of the successive reductions in the ECB base rates – the customers' preference shifted to the "Alpha Euro Rate" variable rate housing loan.

Various promotional activities were also carried out during the year to support housing loan sales.
A substantial contribution to the sales results was also made by the "Transfer of Housing Loans from Other Banks" programme, which offers to borrowers exemption from the loan charges and the option for additional financing with preferential terms.

In July, Alpha Bank was the first Greek bank to complete a Euro 2 billion issue of covered bonds secured against mortgaged housing loans, thus achieving considerable flexibility in raising capital to finance its growth. This issue received the top rating (AAA) from all major credit rating agencies.

Furthermore, during 2008 the adoption by all Branches of the centralised procedure for approval and operational support of housing loans was also completed. By normalising these procedures, the Bank has achieved its goal of uniform and effective management of housing loans, and has succeeded in reducing operational and credit risk.

For 2009, taking also advantage of the opportunities offered by the Greek Government's plan to enhance liquidity in the economy, the Bank will seek to increase its portfolio by marketing competitive products. These products, for which appropriate promotional activities will also be carried out, will be geared to supporting the economic activities of its customers, thus contributing to growth effort of the Greek economy.

Consumer Loans

The year 2008 was yet another year of growth for the consumer credit business, with the Bank achieving a growth rate (19%) that is considerably higher than that of the market (14%). It should be noted that this high growth rate is achieved in parallel with the Bank's firm commitment to maintaining the high quality of its portfolio.

On an organisational level, the Retail Credit Division was established in April 2008 and was tasked with evaluating centrally the applications for consumer credit products. The centralisation of these activities and their separation from the product development Divisions and the product marketing Units seeks to ensure timely alignment with market conditions and with the guidelines of the regulatory framework. An additional objective is to ensure more effective implementation and monitoring of the standards and policies for credit risk management, which are formulated by the Retail Banking Credit Risk Management Division. This effort was supported by a new IT system, applied in November 2008 in all Branches and used to log and process credit card and consumer loan applications. This new platform helps manage applications more effectively and increases the capabilities for credit rating checks and for error or fraud detection.

The year 2008 was characterised by the successful promotion of existing products which have now been established as leading branded products in their category. In particular, the successful sales record of the "Alpha All in 1" programme – the product that created the market segment for the transfer of consumer loans and credit card balances – continued into 2008, with balances growing by 31% from 2007. The same was also true of the "Alpha Revolving Loan (Epilogi)" product, which offers a variety of options to the consumer not only at the time when the loan is granted but also throughout its duration, thus fulfilling our customer's wishes and adapting to their financial capabilities. The balances of this product posted a growth by 42% from 2007, against a growth by 72% from 2006.

Despite the adverse financial environment, during 2008 the Bank also promoted the new range of consumer products that allow customers access to flexible forms of financing at a low cost, by taking advantage of their real estate property. The "Alpha House Expenses Consumer Loan" is such a product: an open, pre-approved loan for customers who also have an approved housing loan with the Bank. The available balance of the consumer loan is increased gradually, by automatic amounts equal to the amount redeemed on the housing loan to which the consumer loan is linked, without registration of an additional prenotation and without additional procedures or extra charges to the customer.

Furthermore, special emphasis was also given in 2008 to continuing the development of associations in the car and motorcycle leasing sector by promoting consumer loans at points of sale. This approach allows the Bank to attract new customers and to penetrate secondary segments of the market with the aim, beyond increasing the volume of its consumer credit business, of also promoting other Bank products via cross-selling. Consumer loan balances in this sector posted a growth of 24% from 2007. Also of particular importance is the fact that, after four years of activity in this sector, the Bank has now been established as one of the major options available to businesses for partnership in car leasing, with a focus on new cars (90% of the portfolio). In the last two months of 2008, the number of new applications for car loans received by the Bank represented 35% of the total volume of sales of new cars in the country (7,475 applications against a total of 21,340 registrations) – a volume indicative of the Bank's successful presence in the sector.

Our reinforced sales team, working from offices across Greece (Athens, Thessaloniki, Patras, Heraklion, Larissa) and cooperating closely with the Branch Network, coupled with our ability to offer products adapted to the needs and commercial policy of each associated firm, contributed significantly to these results.

Cards

Alpha Bank is the only issuer and acquirer in Greece of cards of all three major international payment systems – Visa, MasterCard and American Express – and holds a leading position in the market. The Bank offers a comprehensive range of cards addressing the needs of modern consumers (debit, charge, credit, company etc.). With around 3 million credit and debit cards issued by the Bank representing a market share of 20%, the Bank's portfolio is one of the largest in the market. In October 2008 the Bank's partnership agreement with American Express was renewed for a period of ten years. Thus the Bank remains the exclusive partner of American Express in Greece for issuing and acquiring cards as well as for providing services to firms.

The debit balance of the Bank's credit cards continued to grow during 2008 at a rate considerably higher than that of the market. On 31.12.2008, debit balances grew by 15% to Euro 1.4 billion, a result that further improved our position and drove our market share up to 13.5%, from 12.7% in 2007. Turnover for the credit and debit cards of the Bank posted a significant growth (16.1% and 9.6% respectively) and stood at over Euro 2.5 billion, keeping in line with the dynamic growth of recent years.

In acquiring, with a network of more than 120,000 associated firms of which 55,000 equipped with POS terminals, the Bank continued to be the market leader, and now holds a market share of more than 30%. Turnover in 2008 grew by 16.5% and stood at Euro 2.45 billion. In parallel, the Bank's network of POS terminals was extensively upgraded, and now more than 75% of the POS terminals support EMV technology cards ("smart chip" cards). Furthermore, through its participation in the joint development of a single network of POS terminals in collaboration with EFG Eurobank and Citibank, the Bank's POS network supports all major international brands (Visa, MasterCard, American Express, Diners).

These results were made possible through a number of coordinated actions developed over the last years. The development and effective utilisation of alternative channels such as telemarketing, direct sales in Branches of the Bank and in shops operated by associated firms, and the Internet, contributed significantly to the growth of card sales. In addition, new co-branded cards were issued (Fokas Bonus American Express, Wind Bonus Visa, Kalogirou American Express, and Olympic American Express), further expanding our network of associated firms. Card usage was significantly boosted by the innovative reward programmes developed by the Bank (Bonus Programme, Membership Rewards for American Express cards, Gold Alpha Bank Visa Reward Programme, and Dynamic Card Cash Refund), which are considered to be among the most successful in the Greek market.

More specifically, the "Bonus Programme" entered its third and so far most successful year in the Greek market, having been established as the most extensive, modern and recognisable reward programme. The programme has a strong presence in the network of the major associates (WIND, AB Vassilopoulos, Aegean Airlines, BP, Hertz and Fokas Department Stores), as well as in the other associated firms. During 2008, the programme was further expanded with the addition of new associates, including merchants such as Pizza Hut, Alex Pak, Multirama, Ideal Strom, www.home.com and Navy and Green. With these recent additions, the number of shops from all over the country which participate in the programme and offer products and services that meet a wide range of customer requirements now stands at 2,000. Continuous and targeted communication concerning the programme and the offers made by the associated firms, coupled with the constantly growing range of the options available for redeeming the points earned, has led to an increase in the usage of Bonus cards as well as to a significant increase in the volume of redemptions. The programme's positive results are not only limited to the cardholders but also extend to the associated firms, which stand to benefit financially from their promotion via the programme as well as from the growth of their transactions. The technology platform of the programme is one of the most advanced in Greece as well as internationally, and will soon be expanded to the Bank's subsidiaries in the Balkans.

The "Membership Rewards" programme, designed exclusively for cardholders of American Express Green and Gold cards, and of BLUE cards from American Express, is the only reward program in Greece that includes associations with major travel, leisure and shopping firms in Greece and abroad. The prestige of the programme and the possibility for earning an unlimited number of points have contributed significantly to its success.

The "Gold Alpha Bank Visa Reward Programme" was further strengthened, as customer loyalty to this particular card increased. Participation in this programme involves more than 75,000 cards with very high usage volumes, and cardholders have access to a variety of options for redeeming the points earned in exchange for high-quality products and services.

Finally, the features of the "Dynamic Card Cash Refund" programme were further improved, with the programme continuing to be one of the most successful reward programmes in the Greek market. The new, enhanced programme offers higher refund rates (3% on purchases in all supermarkets, and 1.5% on all other purchases in Greece and abroad). These refunds are cashed in a large number of associated firms (Carrefour Marinopoulos, Beauty Shop, Sephora, Marks & Spencer, Hondos Center), with new firms soon to join the programme (AB Vassilopoulos etc.). In parallel, all Dynamic Visa cards were converted to Dynamic American Express cards, in the framework of our very successful exclusive association with American Express. This large-scale, complex project, the first to be carried out in Greece for such a large number of cards, was successfully completed in the summer of 2008.

In line with our efforts to sustain the dynamic growth in all sectors related to plastic money and to improve customer service, we have replaced almost all our credit cards with EMV technology cards ("smart chip" cards). The replacement of conventional cards by "smart chip" cards offers significant benefits to cardholders, such as enhanced security in transactions and the opportunity to participate in advanced reward programmes. Additionally, we focused on the development of a range of features so as to improve competitiveness and facilitate transactions (competitive interest rate for the transfer of balances, Plus Cash service for cash withdrawals, increases in card limits, pilot introduction of the innovative facility to make cash withdrawals charged to the card at AB Vassilopoulos cashiers etc.).

Small Business Loans

In 2008, financing to small businesses (turnover up to Euro 2.5 million or credit limit up to Euro 1.0 million) grew by 14%, while loan balances to very small businesses (credit limit up to Euro 90,000) grew by a considerable 20.2%.

During the year, efforts for the growth of business in the sector of small businesses and self-employed professionals focused on developing new products and services, redesigning existing ones, carrying out targeted marketing activities, and adjusting the pricing policy. More in detail, special price offers were launched to promote products already established in the market, such as "Alpha Open Line of Credit", "Alpha Fixed-Rate Business Loan", "Alpha Cash Management", "Alpha Development", "Alpha Commercial Mortgage" and "Alpha Equipment". In the health sector, promotion of the comprehensive programme of products and services "**Alpha Health**", which is addressed exclusively to Doctors, Dentists and Pharmacists, was continued.

In addition, loan balances for yacht financing posted a growth by 21% in 2008. The Bank is actively involved in the yachting sector, and its activities are targeted at customers characterised by high liquidity and strong business activity.

Moreover, the development of innovative products and services was continued. In this framework, and in order to secure a comparative advantage over the competition in the increasingly expanding area of franchise operations, the Bank was the first to develop and launch the new "**Alpha Franchise Business Solutions**" programme. This programme is addressed to professionals who are about to start or expand their business activity in franchising, and provides them with a range of products that are offered with particularly favourable terms and fully meet the needs of franchisees in working capital, premises, equipment, and transportation. This programme was dynamically promoted through the Bank's participation as "Grand Sponsor" in the "Franchise Days" events held in 20 Greek cities.

During 2008, a number of infrastructure and restructuring projects were successfully developed and completed. These included the reorganisation of the financing operations of Branches and the distinction between Basic Financial Service Branches (whose activities are geared to providing prompt service to very small businesses) and Full Financial Service Branches. Additionally, the approval procedure for loan applications forwarded through business associates was centralised, resulting in faster response times and in the uniform evaluation of the corresponding applications. Although these projects slowed down the sales rates and delayed the development of new products, they did however pave the way for faster growth in the next years.

Business dynamics in the sector of small businesses were further enhanced with the assistance of alternative product marketing channels, such as the collaborations established for this purpose with financial consultancies.

In parallel, particular emphasis was given to supporting the efforts of the Branch Network to attract new customers and to achieve cross-sales using the Bank's existing customer base, through systematic advertising and repeated direct marketing activities targeted at specific categories of professionals (approximately 200,000 recipients).

Staffing of the sales team was completed by the end of the first half of 2008. The team's sales dynamics and the efficiency of the existing relationships with external associates are expected to reach their full potential during 2009. Furthermore, in order to provide the best possible service to the Bank's business customers, a dedicated Call Centre was established for exclusive use by small businesses and self-employed professionals. This new service is the latest addition to the banking services already offered through alternative channels (Web banking, Phone banking etc.), and its purpose is to inform Bank customers of the features and terms of the financing products addressed to the above professional groups.

The collaboration with the **Credit Guarantee Fund for Small and Very Small Enterprises** (TEMPME) for granting investment loans continued successfully, and the Bank is also actively involved in the new TEMPME initiative for granting Working Capital loans with a guaranteed and subsidised interest rate. We are also marketing dynamically our recently renewed collaboration with the **European Investment Bank** for financing investment plans of small and medium-sized enterprises (SMEs). Through these actions, Alpha Bank has been actively supporting the Greek SMEs and – by extension – the Greek economy, and will continue to do so during 2009, a year which is expected to be extremely difficult.

Finally, during 2008 Alpha Bank demonstrated for yet another year its heightened awareness of its social role, by providing financial assistance to regions in Greece which were hit by natural disasters. Thus, to support businesses and professionals in the country's earthquake-stricken regions, the Bank provided additional credit facilities in its working capital, equipment, and business premises loans, over and above those foreseen under the relevant Ministerial Decisions.

For 2009, the Bank aims to continue to play a leading role in the provision of banking services to small business and self-employed professionals, by expanding its product range with new products and services that will fully meet the needs of its customers and will further strengthen their business relationship with the Bank.

Deposit Products

The liquidity crisis faced by all the Greek banks as a result of the widespread financial crisis forced them (initially the small banks, and later on also the large ones) to adopt a policy of very aggressive interest rates, especially towards the end of 2008.

The large increase of short-term versus long-term rates, the negative returns of mutual funds during this period, and the increase of the deposits guarantee limit, led to a shift of funds from bank bonds and – primarily – mutual funds to term deposits, as the latter were considered safer. In addition, a shift was observed from savings deposits and sight accounts to term deposits, driving the growth rate of this category up to 36% and further increasing the cost of money for the banks.

The deposit balances of Alpha Bank, including retail bonds, stood at Euro 42.5 billion on 31.12.2008, posting a growth by Euro 7.9 billion or 22.7% from 2007. Of these funds, Euro 35.8 billion refer to deposits by customers in Greece, which grew by 24.6%, a rate that is considerably higher than that of the market (12%) and demonstrates our effectiveness in attracting funds. Given the adverse juncture, this capability takes on a crucial significance, as through raising sufficient liquidity we will be able to increase our loans to customers and further strengthen our balance sheet.

The Bank, aiming to provide customers with quality services and seeking to meet their needs, is examining the entire product range of the deposit products that it offers, in order to make changes and additions to existing products and to launch new ones.

In particular, in the "**Alpha Savings Plus**" account the number of interest rate scales for low amounts (up to Euro 3,000) was increased in order to support small deposits. Additionally, reward incentives were introduced in the "**Alpha Savings Account**" to differentiate this product, in order to retain already existing customers and attract new ones.

With regard to term deposits, the new 12-month "**Alpha Monthly Progress**" term deposit product was successfully launched to the market in December 2008. The success of this product lies in the combination of an attractive incremental interest rate for a period of 12 months, with the freedom to withdraw the capital every month.

For 2009, our aim is to offer flexibility through a wide range of term deposit products that will allow customers to choose the period of time for which they wish to place their money and the time and method of payment of the interest, including also the pre-payment of interest.

The year 2008 also saw the continuation of the success in the market of the "**Alpha Plus**" products, which combine high-return term deposits with preselected mutual fund portfolios. The "**Alpha Dimiourgo (Create)**" wealth creation programme was also enhanced with a facility for regular subscriptions to mutual funds via a standing order. New participations in this programme during 2008 stood at 29,000.

In addition, the operation of the "**Alpha Payroll**" current account was revised in order to achieve targeted cross-sales, with customers being offered additional facilities such as overdraft facility, issue of credit/debit card and use of the Web banking service.

The "**Alpha 1|2|3**" account for Young People, a successful product in the market, remains an element differentiating the Alpha Bank products, as the Bank was the first to address this market segment of future customers. The targeted advertising campaign for this product was continued in 2008, accompanied by other marketing activities.

The year 2009 was the third year of operation of the "**Alpha Prime**" programme, which has been modelled on Private Banking service practices and addresses the "mass affluent" segment of the market (with funds from Euro 60,000 to Euro 300,000). Although 2008 was a very difficult year for investments, the strong Customer-Advisor relationships helped retain customer funds. As a result, the number of Alpha Prime agreements reached a total of 5,000 and the funds attracted amount to around Euro 950 million. Our key objective is to improve this service and expand the product mix, so that by the year 2010 around 30%-40% of the funds in every Branch are managed by the Alpha Prime programme.

Outside Greece, steps are taken to standardise the range of deposit products offered in all the countries of Southeastern Europe, while the efforts to attract new funds in these countries are being intensified in order to improve in favour of deposits the loans-to-deposits ratio in each country.

A significant contribution to the successful implementation of the Bank's policy was made by the communication campaign for the above products, which was carried out through a number of advertising and marketing activities.

Finally, it should be noted that in the framework of the activities to ensure the Bank's compliance with the EU Directive on Markets in Financial Instruments (MiFID), customers – investors were informed of the provisions of the new Directive. In parallel, suitable changes were introduced in the Bank's Units providing investment services. The information update programme for Branch Network Officers, which focuses on the concepts introduced by the new Directive and on how these are applied in the Bank, is expected to be completed during the first quarter of 2009. In parallel, another programme is also under way for the certification of all Officers providing investment services, through appropriate training provided by the Training and Development Division.

Southeastern Europe

Economic growth in Southeastern Europe remained strong during 2008 and the domestic demand continued to grow, especially during the first half of the year, driven by the increase of real wages and the high rate of credit expansion. Nevertheless, many of these economies remain vulnerable to the crisis, because of the widened deficits on their balance of payments and because their high growth rates in recent years were mainly driven by the rapid increase of consumption and not by a further increase in productivity.

For this reason, the growth prospects of the local economies were revised and the risks resulting from the restriction of the net inflows of funds from abroad, as well as from the significant fluctuations in foreign currency exchange rates that are observed in several countries in the region, are monitored closely.

The Bank is now active in seven countries with very diverse economic and social profiles, and is rising to the challenges it faces under the current adverse conditions of the new economic environment. The first key challenge is the problem of liquidity, in response to which the Bank gives priority to attracting deposits by promoting new competitive products, by increasing the productivity of the Network and – above all – by taking steps to increase rapidly the visibility of the Alpha Bank brand in all the countries where it is present. To this end, the Bank expands its Network with sufficient numbers of Branches in urban areas as well as in provincial regions. The second key challenge is to safeguard the quality of the Bank's portfolio by monitoring directly and managing effectively overdue debts, and by centralising the relevant procedures. A Credit Policy and Procedures Manual and an Arrears Policy and Procedures Manual have already been put together for the purposes of portfolio monitoring. These have been based on the respective rules and procedures of the Bank, and have been adapted to suit the particular conditions in each country.

It should be noted that the quality achieved by the Bank in its loan portfolio is characterised by a non-performing loans ratio which is lower than that of the competition. A significant contribution towards this was made by the Bank's model for expansion abroad, which was not based on the acquisition of local banks but on the autonomous development of its Branch network and on the transfer of the policies, structures and systems applied in Greece.

For the time being, the deterioration in the quality of our portfolio remains marginal and is clearly lower than the market average. Nevertheless, the Bank has decided as a precaution to increase its provisions for bad debts, as the effects of the deterioration of economic conditions are unpredictable.

The Bank's presence in the countries of Southeastern Europe is supported by a strong network of 610 Branches with 7,120 employees. A major development in 2008 was the Bank's entry in the Ukrainian market, through the deployment of a network of 24 Branches operating under the Astra Bank OJSC name. However, due to the global financial crisis, Alpha Bank has decided to suspend its plans for further expansion of the Branch Network. The Bank now has in place an extensive Branch Network which allows it to adapt to the ever-changing conditions and needs of the local markets and contributes significantly to the rapid growth of business volumes.

Although the new Branches (2007: +133, 2008: +206) have not yet attained their expected business volumes and results, as they have been operational only for a limited period of time, their performance is already impressive. Loans grew by 48%, twice the market growth rate, and stood at Euro 11.2 billion, accounting for nearly 22% of the Group's loans on a consolidated basis. Deposits also posted a significant increase of 15% (against a market growth rate of 5%), and stood at Euro 6.1 billion. Profits from operations in the region reached Euro 112 million.

The rapid growth of our business volumes in 2008 led to the expansion of our share in the loans market in Southeastern Europe from 7.3% in 2007 to 8.5% in 2008. This result shows that we are moving in the right direction, despite the adverse economic conditions that prevailed in 2008. As the Branches opened during the previous years will reach their full potential, our performance will keep improving. This will also be driven by our higher penetration of the region, which will increase the visibility of the Alpha Bank brand and the confidence of customers in it.

The Bank aims to strengthen its position in the retail banking markets of Southeastern Europe by placing emphasis on deposits and on credit and debit cards, by creating co-branded products, and by developing the network of businesses through which our products will be promoted.

A considerable number of new products was introduced to the local markets. Many of these products have already been launched in the Greek market, thus enabling us to transfer successfully the know-how and experience gained in the meantime. Furthermore, we continued the programme for installation of ATMs in our Branches, as the usage of credit and debit cards continued to grow strongly during 2008. The banking services offered via alternative channels such as Web-banking, Phone banking etc., also continued to increase at a fast rate.

In the organisational level, the establishment of separate retail and corporate banking business areas together with the corresponding support Units, the installation of a new IT system, the centralisation of procedures, and the support and coordination of operations abroad by the product Divisions located in Greece, improved significantly the effectiveness of the Units abroad.

Our overall approach consists in applying uniform systems and policies in all key operations (risk management, internal audit etc.). These are built on the standards applicable to domestic operations, and are then adapted to the regulatory and legal framework in each country. Our intention is for our Branches to operate from day one according to the Alpha Bank standards that apply in Greece, so that they become equally profitable in a short timeframe.

Romania

Alpha Bank has been present in the Romanian market for a consecutive period of fifteen years, as it was the first foreign bank to enter the local market. The year 2008 saw the rapid expansion of its Network with the addition of 75 new Branches that brought their total number up to 200, of which 48 in Bucharest. In addition to the traditional type of Branches, Alpha Bank Romania is also actively promoting "**Alpha Point**", a new type of Branch selling specific retail banking products. These Branches are opened mainly in shopping malls, offering customers immediate access to financial products and services in a more familiar environment.

In 2008 Alpha Bank Romania achieved again exceptionally good results. Loans grew by 50% from 2007, against a market growth rate of 19%. As a result, the Bank's market share expanded to 8.2%, up from 6.5% in 2007, and the Bank remained firmly established as one of the five largest banks in the country, with a total loan portfolio of Euro 4.2 billion. The quality of the portfolio is very good, with non-performing loans amounting to Euro 20 million only or 0.5% of total loans. It should be noted that Alpha Bank Romania holds a leading position in terms of productivity in the sector, as measured by the ratio of loans per Branch. Deposits grew by 24.2%, against a market growth rate of 4%. Profits before tax reached Euro 45.8, up 21% from 2007, influenced by the precautionary policy on impairment losses, which stood at Euro 33.2 million.

The design of inovative products and their dynamic promotion in the market, significally contributed to the above performance. In May 2008 the Bank introduced to the market a new product, "**Alpha Premier**", a current account with a preferential interest rate that allows customers constant access to their account without any restrictions. Since September 2008, the Bank also offers the "**Alpha Card VISA Gold**" credit card, which is combined with a competitive range of privileges and provides full security in transactions using "smart chip" technology, as well as the "**Alpha MasterCard Credit**" card, which has differentiated the Bank's portfolio of electronic products by also supporting services outside Romania and transactions over the Internet.

In the consumer credit sector, in early 2008 the Bank introduced to the market the "**Alpha Auto**" loan for car purchases, together with the "**Alpha Auto Dealers**" loan for car purchases through associated dealerships. In addition, the "**Alpha 4 All**" consumer loan was successfully marketed.

In the business loans sector, and as part of the activities for developing the Bank's retail banking business, the newly-established Small and Medium Businesses Division will classify customers in individual segments in order to ensure the provision of improved service and expand the Bank's customer base. Plans are already under way to develop standardised loan products (Alpha Decide) and deposit products (Alpha Premier, Alpha Card Business) for small and medium businesses and self-employed professionals.

In order to improve its operational processes, the Bank also took a number of other actions, such as the upgrade of its central telecommunications facilities, the implementation of a Credit Risk Management System, and the launch of the project for the completion of its Business Continuity Plan.

The successful course of Alpha Bank Romania is crowned by a number of distinctions. Thus, the Bank was presented with the award for "**The most active bank on the corporate sector**", in the "**Romanian Top Bankers**" event organised by Romania's FINMEDIA publishing group. This distinction complements the "**Retail Bank of the Year**" award that the Bank received last year.

Bulgaria

Alpha Bank has been present in Bulgaria for thirteen years and today operates a network of 120 Branches, of which 40 were opened in 2008. This expansion has strengthened the position of Alpha Bank Bulgaria in the country, as the Bank is present not only in all cities with a population of more than 20,000 but also in smaller cities with more than 10,000 inhabitants, thus achieving nationwide coverage. This expansion further increased the visibility of our brand name in the market and led to an impressive growth in business volumes in 2008, with the number of deposit accounts tripling and loans exceeding Euro 1 billion, posting a growth of 56%. Based on this performance the Bank is ranked ninth in the market for loans, with a market share of 4%.

In the sector of business loans, the Bank, assisted by the strong team of its Officers, has established good relations with the top businesses in the country and has achieved a significant growth of its loan portfolio by 40% on an annual basis. In the sector of individuals, loans posted an impressive growth by 146% from the previous year. The Bank now has created the conditions for its gradual evolution into a bank offering integrated customer services addressed to business customers as well as to individuals.

The Bank offers a broad range of products and services geared to businesses in the Bulgarian market, and is also placing particular emphasis on developing an equally comprehensive range of products for individuals in collaboration with the parent Bank in Greece. In particular, in the cards sector the Bank introduced to the market the "**Alpha Visa Credit cards**" by targeting a preselected group of customers, with positive responses reaching 75%. In order to attract deposits, in 2008 the Bank developed and marketed to customers many new products, such as the "**Alpha Bonus Term Deposit**" product, the "**Alpha in Advance**" product offering an interest prepayment facility to customers, and the "**Alpha Ultima**" product offering incremental interest rates. In December 2008 the Bank launched the "**Alpha Cash Premium**" programme, offering our customers the opportunity to win considerable cash prizes as a reward of their loyalty to the Bank, and plans to continue this programme into 2009. On the loans side, the Bank created the "**Alpha Consumer Loan**" in Euro and modified a number of products, such as the "**Alpha Housing Loan**", the "**Alpha Consumer with Mortgage**", the "**Alpha Fast Loan**" (a working capital loan for small businesses and professionals), and the "**Alpha Freelancers**" (an amortisation loan for self-employed professionals).

An important project for Alpha Bank Bulgaria is its integration into FlexCube, the new uniform system for the management of loans, and into the Group's centralised Funds Transfer system. The support of all new products and the development of a system to support electronic banking services over the Internet form part of the efforts for substantial upgrades to the Bank's systems.

Serbia

Alpha Bank's presence in Serbia dates back to 2002. The turning point for the expansion of its activities in the country was 2005, when it acquired Jubanka, the country's seventh largest bank, which was renamed Alpha Bank Beograd and later Alpha Bank Srbija. During 2008 we continued with the implementation of an extensive programme involving the renovation or relocation of most of the Branches and Head Divisions of Alpha Bank Srbija, while at the same time expanding our local network by establishing 32 new Branches. Thus the Bank's network now comprises a total of 162 Branches, with Personnel numbering 1,691 employees. In the framework of its rapid growth in 2008, the Bank upgraded its technological infrastructure and enhanced the security of its information systems. Of particular importance is the completion of the installation of systems to optimise activities such as handling domestic transactions, debiting payroll accounts, processing online banking orders etc.

Business volumes continued to increase during 2008, with growth rates exceeding those of the market. In particular, loan balances grew by 40%, against a growth rate of 19% for the market. The significant share of the domestic market for loans that the Bank holds in Serbia, which currently stands at 6.7%, up one percentage point from the previous year, keeps the Bank among the top market players. It is worth pointing out that these increases in volumes were achieved while at the same time maintaining the excellent quality of the loan portfolio, always in line with the Bank's uniform risk management policy, with non-performing loans amounting to Euro 26 million out of a total portfolio value of Euro 826 million.

Alpha Bank Srbija offers an extensive range of products and services, including personal and company cards and brokerage services. The Bank is one of the major issuers of **Visa** cards in Serbia, operates an extensive ATM and POS network, and also offers Web Banking services. During 2008 the Bank introduced to the market "**Alpha in Advance Term Deposit**", a new deposit product that contributed significantly to the increase in the Bank's deposits.

In order to expand its product portfolio, for 2009 the Bank plans to issue new MasterCard credit cards and to introduce to the market a new "**Alpha Fast Loan**" product, which will serve as a standardised tool to help small and very small businesses increase their medium-term liquidity.

The key aim of the Bank is to pursue its dynamic growth in all sectors of financial products and services. This will be achieved by creating more synergies between retail banking and medium and large corporate banking, and by expanding its activities into leasing, factoring, asset management, insurance agent operations and fund transfers. In order to exploit the opportunities opened up by the rapidly growing real estate market in Serbia, a local subsidiary, Alpha Real Estate, was established in August 2006.

Albania

In 2008 Alpha Bank celebrated ten years of operation in Albania. Since first launching its local operations in 1998, Alpha Bank has been a dynamic partner in the growth of the banking sector and of the local community. Many public works, such as construction of the Durres-Morina National Road and of the new Tirana International Airport "Mother Teresa", were financed by the Bank in collaboration with the Albanian State. Today, the Bank is present in Albania with 42 Branches (up from 20 in 2007), with Personnel numbering 330 employees. Additionally, retail banking operations are supported by 55 ATMs (up from 20 in 2007) that cover all major cities in the country. The number of POS terminals reached 482 and the number of cards stood at 11,077.

With a share of the loans market standing at 15%, increased by 4.2 percentage points from 2007, our business volumes continue to grow at high annual rates. Thus, in 2008 total loans grew by 87%, and deposits increased by 25%. This impressive performance is the result of systematic efforts supported by new, modern products and services of a high quality.

During 2008 the Bank introduced to the market two new business loans for small businesses ("**Alpha Fast Open Loan**", "**Alpha Fast Term Loan**") and four new consumer loans ("**Alpha Consumer Loan**", "**Alpha Car Dealers Loan**", "**Alpha Student Loan**", "**Alpha General Consumer Loan**"). The Bank's exclusive partnership with American Express concerning issuing and acquiring operations in the local market was also launched in 2008, with the issue of two new credit cards ("**Amex Gold**" and "**Amex Green**"), with "**Amex Small Business Card**" being planned for 2009. In the framework of the activities to improve its operational processes, the Bank centralised its procedures and applied new systems for the evaluation and approval of loan applications.

In the sector of deposit products several new competitive products were introduced to the market, such as the new "**Alpha Bonus Deposit**" term deposit account, held in the local currency and offering an interest rate of 10% for a period of one year, the "**Alpha Progressive Term Deposit**" with a monthly increasing interest rate for one year and the "**Alpha Child Dreams Deposit**". In addition, the features of existing products were modified in order to meet more fully the requirements and needs of local customers.

FYROM

Alpha Bank entered the market of FYROM in 2000 with the acquisition of Kreditna Banka AD Skopje, which was renamed Alpha Bank Skopje. The year 2008 was a year of very important developments for the Bank. The Bank expanded further its Network to 24 Branches (from 15 on 31.12.2007), and replaced its old IT system with a new one, thus securing a comparative advantage for the future as it ensures its growth through innovative products and services.

During 2008 the Bank also made significant improvements to its technological equipment and upgraded its telecommunications facilities, bringing them up-to-date with the latest high-speed communication and security standards.

These activities helped support the Bank's further growth, enabling it to increase its loan portfolio by 78% and customer deposits by 19%.

In the retail banking sector, the Bank followed an expansion strategy adapted to the needs of the local market and driven by the customer-centred system it has developed. This approach helped strengthen the Bank's position, primarily in the sector of deposits by private individuals, where it achieved a growth by 50% from 2007.

A significant contribution to the successful implementation of the Bank's policy was made by the introduction and successful promotion of new products, such as the "**Promo Monthly Income Time Deposit**" (a short-term deposit account with a preferential interest rate), "**Alpha Child**" (a new savings account for children), "**Visa Debit**" (debit card), "**Alpha Salary**" (payroll account for private individuals), and "**Alpha 500**" (current account for small businesses and self-employed professionals). The features of the "**Alpha Consumer Loan with Mortgage**" product, a consumer loan for private individuals, were also modified.

The plans of Alpha Bank Skopje for the future focus on ensuring the constant growth of deposits, enhancing its profitability and improving the level of customer satisfaction. This approach will help distinguish Alpha Bank Skopje from the competition and enhance its reputation.

Cyprus

The presence of Alpha Bank in Cyprus began in 1998 with the acquisition of the Lombard NatWest Bank, which was renamed Alpha Bank Limited and recently Alpha Bank Cyprus Ltd. To celebrate the Bank's ten years in Cyprus a series of events were organised, attended by members of the Cypriot Government, representatives of the business community, and many customers. The inauguration of the Bank's new Headquarters by the Chairman of Alpha Bank Group, who visited Cyprus, formed part of these celebrations.

In the course of this decade, Alpha Bank Cyprus has developed its Branch Network and has deployed business activities in all financial services sectors with great success. As a result, the Bank now ranks among the largest banks in the country. In addition, the Bank has also been actively involved in cultural and social work, carrying out significant activities in this area. Alpha Bank Cyprus today operates a modern network of 37 Branches that covers all cities in Cyprus. The Branch Network is complemented effectively by the provision of banking services through alternative channels. To this end, the "**Alpha Express Banking**" service was introduced to the market, covering all types of electronic transactions through a comprehensive package of services ("**Alpha WEB Banking**", "**Alpha ATM Banking**", "**Alpha WAP Banking**" and "**Alpha SMS Banking**"). This service offers low-cost, easier and faster banking transactions through electronic networks. The improvements made include the addition of Russian as the third language option available to the users of the Bank's website, after Greek and English.

Although the Cypriot market is considered to be a mature market with strong competition, in 2008 Alpha Bank Cyprus Ltd succeeded again in increasing its business volumes at rates which are significantly higher than the market ones, both in loans (up 39% from 2007) and in deposits (up 13% from 2007). Deposit balances on 31.12.2008 stood at Euro 3.5 billion, a result partly due to the repatriation of off-shore funds. In May 2008 Alpha Bank Cyprus carried out a Euro 100 million Bonds Issue, placed successfully with investors in Cyprus and abroad. These securities are listed on the Cyprus Stock Exchange.

With loan balances of Euro 4.5 billion, the Bank's market share for 2008 expanded to 13.2%. With this share, Alpha Bank Cyprus Ltd is ranked third in the Cypriot market. The mortgage sector posted an impressive growth for yet another year, with 2,800 new housing loans granted and total housing loan balances growing by 58%.

Despite the reduction of the interest margin for loans and the increased cost of deposits as a result of the financial crisis and of intensified competition, profits before tax grew by 12.7%. This increase in profitability is the result of the continuing increase in productivity, driven by the very good technological and organisational infrastructures, the centralisation of services and the effective management of operating expenses. The cost-to-income ratio for 2008 stood at 33%.

In 2008 the Bank followed a well-planned and consistent strategy focusing on attracting new deposits and retaining existing ones, using as leverage the introduction of new competitive deposit products. These included term deposits offering prepayment or monthly payment of interest, the "**Alpha Payroll**" deposit account offering special benefits and incentives, the "**Alpha 100**" account and benefit packages for students, the "**Alpha Pension**" account offering special privileges, and the "**Alpha Minor**" incentive savings account. The Bank and its products were also the subject of extensive advertising campaigns in the electronic and printed media, coupled with other promotional activities such as mailing of information letters and leaflets to customers, and direct mailing. In line with its strategy to raise environmental awareness and enhance the Group's corporate social responsibility, the Bank offers the "**Alpha Water Saving**" and "**Alpha Environment**" products, under which the facilities granted for the purchase of products/systems that help protect the environment are offered with more favourable terms.

According to the business plan of the Bank, the growth of business volumes is expected to continue, although at a slower pace because of the continuing global financial crisis. The Bank aims to focus its efforts on attracting new deposits and retaining existing ones, on selective credit expansion, and on the re-pricing of loans, which is necessitated by the high cost of money and the adverse macroeconomic conditions that impact negatively on risk assessment for existing and new loans. Major goals for the future are also to ensure the effective management of the operational cost, to improve productivity, and to utilise the existing network of Branches and the alternative channels for providing services to retail banking customers.

In addition to assisting Alpha Bank Cyprus with bancassurance activities, Alpha Insurance in Cyprus offers a broad range of insurance products and services in the life and health branch, as well as in the general branches.

Its good relationships with reinsurers, the prompt payment of claims, its well-trained Personnel, its exclusive association with professional insurance agents, the comprehensive range of products which it offers and constantly upgrades, and the reliability of the Alpha Bank Group, are all elements that give the company a distinct advantage over the competition. Moreover, and in order to further improve its market share, the company aims to take advantage of the fact that in periods of crisis customers turn to well-established and prestigious providers.

Ukraine

In April 2008 Alpha Bank acquired a 90% stake in the newly-established Ukrainian bank Astra Bank OJSC. In June 2008, the Bank participated in the increase of Astra Bank's share capital, further expanding its stake to 93.33%. Alpha Bank's know-how in the planning and development of Networks, coupled with the knowledge of the local market and the banking expertise available within the management team of Astra Bank, are the robust foundations for supporting Alpha Bank's growth strategy in Ukraine.

On 31.12.2008, the Bank operated 24 Branches and its Personnel numbered 333 employees. Staffing relies on specialised Officers who, with the assistance provided by the Bank's training systems, will be able to take on the key operational and business procedures developed in the newly-established Astra Bank.

Having as its primary aim to consolidate the reputation of Astra Bank OJSC and the public's confidence in it, the Bank will provide a comprehensive range of banking services and products. The products introduced to the market during 2008 included consumer credit and housing loan products such as "**Car Loan**", "**Credit-Tour**" and "**Loan Secured by Real Estate**", deposit products such as "**Deposit Classic**", "**Deposit Profitable**" and "**Deposit Accumulative**", as well as loans to small and medium businesses.

Thus, by taking advantage of a competitive product package and by developing an effective sales system, the Bank achieved a satisfactory growth of its business, even though it has been operating only for a short period of time. In December 2008, the Bank had 3,750 private and 240 corporate customers. During this first stage of the Bank's expansion, the establishment of a network of associates, such as real estate agents, travel agents and car dealerships, and the implementation of many marketing activities aimed at strengthening these associations in the future, were of particular importance. The association with electronic service providers and the creation of the www.creditonline.co.ua website have also helped significantly in promoting the activities of Alpha Bank OJSC.

Provided that market conditions in the country will be stabilised, the banking services during 2009 will be further strengthened with the addition of new term deposit products, the promotion of credit cards and flexible consumer and housing loans, the creation of working capital and equipment financing products for businesses, and the provision of safe-deposit box facilities. Expansion of the customer base will be intensified through a direct sales programme addressed to private customers, and the confidence of customers will be boosted through improvements in the quality of the services offered.

Medium and Large Corporates

The medium-sized and large corporates sector is one in which Alpha Bank has held a leading position in the market for many years. This has been the result of our standing policy, which consists in the provision of services of a high and constantly improving quality, but also in forging long-term relationships of trust with this very demanding market segment.

Management and coordination of the Bank's relationships with large business groups (with turnover in excess of Euro 75 million) in Greece and abroad is handled with great success by the Corporate Banking Division, which now provides services to 195 Business Groups active in the domestic and/or international markets.

Despite the grave deterioration of the global economic environment, which also impacted negatively on the Greek economy, the Corporate Banking Division, fully aware of the need to support its customers that operate in this environment, has increased substantially the loans to the Bank's corporate customers under its management. In this way, the Division provided its customers with the necessary liquidity and further improved the Bank's already strong position in the market of large businesses.

More specifically, on 31.12.2008 the total balance of loans to large businesses stood at Euro 10.6 billion, posting an annual growth of 14%.

The support given to the financing needs of businesses, in a particularly adverse financial environment characterised by a substantially increased cost of money, was combined with the careful and gradual re-pricing of credit risk. As a result, the profitability of the portfolio was maintained at a satisfactory level. In parallel, the quality of the credit portfolio is characterised by the particularly high share of loans which are granted to borrowers with acceptable medium and low credit rating scores.

Relationships with corporate customers continued to generate multiple cross-sales. The most important result from these in 2008 was the significant growth (by 73%) of deposit balances, which were used to finance the development of the Division's financing activities and also contributed additional liquidity to the Bank. Relationships with large businesses also provided leverage for promoting Retail Banking products such as car purchase loans, opening and maintaining payroll accounts, and consumer credit products in general.

In the framework of the new organisational structure of our business activities geared to medium businesses, the establishment of the Commercial Centres (10 in total), which manage relationships with all medium-sized businesses that are customers of the Bank, was completed during 2008. The Commercial Centres provide services to some 6,500 medium-sized businesses with credit limits over Euro 1 million and annual turnover between Euro 2.5 million and Euro 75 million. On 31.12.2008, the balance of the portfolio of loans to medium-sized businesses stood at Euro 6 billion, increased by 15.2% from 2007. The activities of the Commercial Centres are supervised and coordinated by the two Commercial Centres Divisions, which are supported by the Medium-Sized Business Product Division. With these organisational changes we seek not only to improve the level of service that we provide to our customers, but also to ensure compliance with the regulatory framework, which calls for the separation of the approval and transaction procedures.

Furthermore, the Credit Risk Management System for businesses keeping Category C account books was expanded and adjusted, in order to allow for a more accurate assessment of the borrower's credit rating scores. The new Credit Policy and Procedures Manual was also drafted in accordance with the requirements of the regulatory authorities, ensuring profitable and secure management of business credit.

In addition to the above, during 2008 the design and development of the IT infrastructures for establishing detailed records of the customer base of the Commercial Centres and for matching customers to the Relationship Managers in the Centres was completed.

On the product level, new financing products were developed, such as the "Flexible Working Capital" loan, which is offered for terms longer than 180 days at an interest rate calculated using Euribor as the base rate.

Given the constant changes in the market and in the economic environment in which it operates, the Bank remains focused on its aim to assist and support businesses, in line with the respective policies of the Bank and with a view to ensuring customer service and the high quality of the products and services provided. Thus, special emphasis is placed on training in sales, communication, customer relationship management, and credit scoring. The Commercial Centres, staffed with fully trained personnel, offer a comprehensive range of modern products and services designed to meet all of our customers' needs. Our aim is to increase the Bank's business volumes and income by managing proactively the existing customer base, approaching new customers, and developing cross-sales with a focus on financial, leasing and factoring products. At the same time, we are safeguarding and further improving the quality of the portfolio by assessing constantly the customers' credit ratings, identifying promptly any problems, and ensuring that these are resolved swiftly.

Shipping

For the past eleven years, the Bank has been successfully active in shipping financing, developing long-term relationships with the biggest players in the Greek-owned maritime shipping sector and in coastal shipping in Greece. In addition to financing, the Bank also provides other specialised financial products and services to its portfolio of customers, which now numbers 150 Groups (of which 60 are also financed by the Bank).

The negative impact of the global financial crisis on the shipping industry, which began to be felt since the third quarter of 2008, is still continuing, with freight levels – especially in the market for dry cargo – currently standing at a record low. Regarding the value of ships, both used and newly-built ones, the inability to provide sufficient finances led all transactions in the secondary market for used ships to a standstill and has resulted in the drop of ship prices and the cancellation of numerous shipbuilding orders. We are closely following developments in all sectors (financial figures, new business arrangements etc.), and we adopt a conservative policy, carefully examining the likelihood of new investment opportunities arising for our customers.

On 31.12.2008, the total loan balances of the Bank's portfolio, which consists of high quality loans, stood at Euro 1.6 billion, up 18.5% from 2007. Of these total balances, 36% represent underwriting and/or participations in syndicated loans. The allocation of the portfolio in terms of the type of ships financed is as follows: Bulk carriers 52%, Tankers 31%, Container Vessels 8%, and Yachts 2%, with the remaining 7% representing loans to the largest Greek coastal shipping firms.

Deposit balances with the Shipping Branch rose to a record high Euro 1.8 billion, increased by 119% from 2007. Parallel business activities also posted a similar growth, with emphasis also placed on cross-sales (Private Banking, Project Finance, mortgages, yacht loans).

For the future, the Bank aims to improve customer service through careful expansion to new customers (mid-market and non-Greek owned), if the markets show clear signs of recovery. Additional aims are to maintain the high level of deposits with the Shipping Branch, and to further develop cross-sales.

Leasing

Due to the continuing financial crisis, we have adopted a conservative policy for our activities in the leasing sector, focusing on selected leasing activities with guaranteed low risk for our portfolio.

The decline in the volume of sale-and-leaseback contracts for real estate properties since September 2008 is indicative of this situation.

Nevertheless, the implementation of a competitive and prudent pricing policy remains our key priority.

In this environment, Alpha Leasing achieved an increase in claims from leasing, which grew by 8% from 2007 and on 31.12.2008 stood at Euro 1,289 million, with interest income growing by 20%.

Despite the negative situation in the market and the bleak forecasts regarding developments in the leasing market, we hope to maintain our leading position in the domestic market by applying the following tried-and-tested practices for attracting customers with a healthy financial standing:

- Mobilisation of associations with selected suppliers (vendor leasing), investment advisors, franchisers, and real estate agents.
- Design of new products.
- Refinancing of existing real estate lease contracts.
- Marketing of tailor-made leasing products for the medical profession ("Alpha Health"), and for SMEs and newly-established businesses

In parallel, the leasing market is expected to expand into economic activity sectors that are forecasted to grow significantly in the years to come, such as alternative energy sources, environmental technologies, transport, and infrastructure projects.

Factoring

The Bank has been active in the provision of factoring services for the past 14 years, through its subsidiary ABC Factors.

The Greek factoring market in 2008 was characterised by intense competition, due to the increased interest shown by the Greek businesses, but also to the more aggressive promotion of factoring products by the financial institutions. With a total turnover of Euro 9.5 billion, the market grew by 30% from 2007. The increase in demand from Greek businesses was driven by their need to restructure their commercial network under the difficult market conditions that they are facing.

ABC Factors achieved satisfactory results, with discounted payments and profit growing by 9.2% and 21.3% respectively from 2007. With a share of more than 30%, the company maintained its leading position in the Greek market.

In parallel, the rational management of credit risk helped the company to keep the percentage of impaired claims against customers at a low level. The company's commitment to the adoption of best practices concerning risk management was confirmed and acknowledged during the audit performed by the Bank of Greece in 2008.

ABC Factors, a member of Factors Chain International (FCI) since 1995, succeeded in expanding its international factoring activities by 20% in 2008. It is the first Greek factoring company to operate directly, without being established locally, in Cyprus, Bulgaria and Romania, offering export factoring services to local businesses.

As part of its full expansion into Commercial Finance services, the company in 2006 became a member of the International Forfaiting Association (IFA) for the provision of international Forfaiting services.

More in detail, ABC Factors offers the following services:

- Domestic Recourse Factoring
  This is addressed to businesses which have permanent relations with customers and are interested in the provision of a "bundle" of services, such as access to immediate financing through the discounted payment of invoiced amounts (receivables), rating of their customers' solvency, and effective management and collection of receivables. ABC Factors ensures the adherence to the credit policy agreed between the business and its customers, and only applies any differentiations with the agreement of the business.

- Domestic Non-Recourse Factoring
  The above services are offered in order to ensure the smooth operation of the business concerned. Credit risk insurance is also offered, as coverage against customer insolvency.

- Invoice Discounting
  Invoice discounting is addressed, under specific terms and conditions, to businesses that have an organised system for the collection and control of their receivables, and only need to draw liquidity through their discounted payment.

- Accounting Monitoring, Management and Collection of Receivables
  The service is addressed to businesses with no need for liquidity, but with a requirement for management, accounting monitoring and collection of their receivables. The reliable support provided by ABC Factors helps businesses simplify their activities and ensure that their development goals are not threatened.

- Import Factoring
  Is addressed to businesses importing goods or services from abroad, and offers them the possibility to grant credit limit to their foreign suppliers, coupled with end-to-end management of the payment of supplier invoices (collection of the amounts invoiced and payment of the suppliers).

- Export Factoring
  Businesses active in exports are provided with the following: financing through the prompt discounting of receivables from credit purchases, effective management and collection of receivables (helping reduce the number of days to collection), full coverage (100%) of the purchasers' credit risk, flexibility in dealing with potential problems arising from the transaction customs and laws of every country,

and legal assistance in disputes over assigned claims.

- **Forfaiting**
  Forfaiting is a modern sales development tool that also improves cash liquidity and reduces risk. It is mainly addressed to export-oriented businesses, providing them with flexibility in formulating their credit policy without any restrictions regarding existing financing limits. Coverage against credit and interest rate / currency risk is also provided.

The adoption of new, composite factoring products, which serve as modern asset management tools for Greek businesses and also offer coverage against credit risk, have created the conditions for further dynamic growth of the company's activities, both in the Greek market and abroad, as confidence in economic activity is gradually being restored.

Asset Management and Insurance

Mutual Funds

The adverse economic developments in 2008 and the unfavourable market conditions affected substantially the Greek capital market and the mutual funds market. On 31.12.2008, the total assets of Greek mutual funds stood at Euro 10.4 billion, down 58% from Euro 24.5 billion on 31.12.2007. As regards equity funds, the fall in equity prices led to a drop in the volume of total assets under management, as total asset outflows during the last quarter of 2008 did not exceed 2.26%. Money market and bond funds suffered substantial losses, driven by mass redemptions by investors and the particularly high interest rates in term deposits.

In this adverse environment, on 31.12.2008 the total assets of Alpha Asset Management A.E.D.A.K. stood at Euro 1.9 billion, down 67% from Euro 5.7 in the previous year. The main reason for this reduction was the large number of redemptions in money market and bond funds. Nevertheless, the Company maintained its top market position in Greek equity funds, with total assets under management standing at Euro 406 million, and with a market share of 18% is the market's third largest player.

Significant developments in 2008 also include the company's selection, through a competitive procedure in which other Greek and foreign firms also participated, as manager of the very first Exchange-Traded Fund (ETF) to be listed on the Athens Stock Exchange market. Trading of the "**Alpha ETF FTSE Athex 20 Domestic Equities Fund**" on the Athens Exchange commenced on January 24, 2008. Thus Alpha Bank, in cooperation with the Athens Exchange and FTSE International Ltd, provided investors for the very first time with the opportunity to invest in the top 20 Greek Blue Chips via a product that offers transparency, low cost and liquidity. The launch of this product helped strengthen our leading position in the Greek money market and expanded the range of products that we offer to investors.

In March 2008 the new Alpha Mutual Funds B2B application, running over the Alpha Bank Intranet, entered into production. This application provides access through a single transaction to updates on balances and returns, as well as on subscriptions and redemptions, for every mutual fund shareholder. This helps improve significantly the services provided to mutual fund customers/shareholders and simplifies the corresponding activities at the Branch level.

In the Bancassurance sector, two new products were created. These were the "**Alpha Bancassurance EE100 Foreign Bonds Fund**" and the "**Alpha Bancassurance EE101 Foreign Bonds Fund**", designed to address the need for long-term (10-year) returns of investment and pension plans.

As part of product development activities for the countries of Southeastern Europe, the "**Alpha Turkey Foreign Balanced Fund**" was created during 2008. In parallel, the IT application and accompanying procedures to support the sale of Alpha Mutual Funds through Alpha Bank Romania were completed, further expanding the range of products that the Bank offers to Romanian investors. The activities in Romania will serve as the basis on which to model our plans for future growth in the other countries of the region (Cyprus, Bulgaria, Serbia), as soon as the economic conditions improve. The data available for most of these countries show that there is potential for growth on the medium-term horizon.

Overall, taking into account the new investment products created in 2008, Alpha Asset Management now offers a total of 36 mutual funds in the key investment categories, addressing a broad spectrum of investment requirements. These products now include bond funds investing in Government and corporate bonds, domestic and foreign equity funds, domestic and foreign balanced funds, Funds of Funds investing in the major global markets (USA, Europe, Emerging Asia), and the Alpha ETF FTSE Athex 20 Domestic Equities Fund.

Finally, with the aim of addressing more fully the needs of our customers, for 2009 we plan to automate support operations and merge our Mutual Funds with other mutual funds that invest in similar markets, in order to optimise operations and benefit from economies of scale.

Private Banking

In 1993, Alpha Bank was the very first bank to introduce Private Banking services in Greece, aiming to provide comprehensive investment and banking services to high-income private customers. In 2001, rising to the new challenges posed by the globalisation of markets, the wide range of available investment options and the increasing number of customers seeking comprehensive investment services, we established Alpha Private Bank.

Alpha Private Bank customers benefit from a flexible framework of services in terms of service specialisation as well as in terms of customer participation in the investment decision-making process. Thus, customers may select the preferred service combination that best matches their requirements, for part or all of their portfolio. In providing its services, Alpha Private Bank takes into account the investment amount involved (with Euro 300,000 being the minimum investment portfolio), the customer's investment goals (protection of capital, income and capital gain, maximised capital gain), as well as the customer's time horizon, investment knowledge and experience, known or estimated cash flows, and national tax regime.

Within this framework, we offer three methods of management, which may also be combined:

- **Discretionary Management**, under which we assume full management of the customer's portfolio.
- **Advisory Management**, under which we provide active management advice to customers who make the final investment decisions themselves.

- **Execution only**, under which we execute the orders of customers who wish to monitor and manage their portfolio themselves.

On 31.12.2008, total assets under management stood at Euro 3.9 billion, down 30% from the previous year as a result of the financial crisis. This decline, however, was substantially lower than the one sustained by the competition, as well as than the drop in the prices of equities and bonds. With a total number of 8,100 customer accounts, up 6% on an annual basis, Alpha Bank is the leading provider of Private Banking services in the Greek market. It should be noted here that Alpha Bank is the only Greek bank offering Advisory Management services, with assets under advisory management standing at Euro 1.5 billion and contributing significantly to the growth of income from management fees. The breakdown of total income to income from management fees and income from transactions and interest stood at 40% to 60% respectively.

Alpha Private Bank operates an extensive network of 15 Alpha Private Bank Customer Service Centres covering all of Greece, and one Private Banking Unit in London. These are staffed by certified and experienced Officers forming a strong team of investment advisors whose exclusive task is to provide advisory management services relating to the customers' liquid assets. The human resources of Alpha Private Bank in Greece currently number a total of 200 specialised Officers.

The Bank's growth plan for Private Banking Services relies on the principles of a consumer-centred approach which helps forge long-term relations with customers.

In order to expand the range of the services and products that we provide, we are focusing on the following key priorities for development:

1. Activation of Discretionary and Advisory Management for theme-linked portfolios that focus on specific investment categories using geographical or sector-geared criteria, under the name of "**Focus Portfolios**". The "**Green Focus Portfolio**" and the "**Greek Equities Focus Portfolio**" were already created and promoted to the market in 2007.
2. Development of Private Banking activities in London, through Alpha Bank London and Alpha Bank Jersey. The aim of activities in this area is to provide customers who have asset management requirements abroad with more comprehensive services whose quality is on a par with the service quality offered in Greece.
3. Investigation of the opportunities for developing Private Banking activities in the other countries where Alpha Bank is present.
4. Promotion of the Open Architecture concept and of the sale of third-party products, mainly in the form of mutual funds, by developing new cooperations with investment firms abroad. We place emphasis on promoting high value-added and innovative services offered not only by the Bank but also by third parties, in order to secure flexibility and freedom of choice in investment options. Thus we are constantly seeking to develop cooperations with international financial firms who are leaders in investment services and specialise in the global markets, so that we may offer to our customers access to a number of comprehensive ranges of products and solutions that address all categories of investments.
5. During 2008, we expanded the investment options available to our customers by entering into an agreement for the sale of the mutual funds of Pictet Funds, in addition to those of Morgan Stanley, Merrill Lynch and Parvest, which are already offered to our Private Banking customers on an exclusive basis.
6. Boosting of the sales of financing products, promoted as a main service for customer asset growth. In this context, in 2008 we developed and introduced the "**Alpha Portfolio Growth**" loan, under which customers can pledge their portfolio and also actively manage it.
7. Design and development of a non-investment package of banking products that will include a deposit account, cheque book, credit card, free-of-charge use of standing orders, and detailed monthly account statement.

Finally, sales support was strengthened by the creation of a dedicated website through which the "**Alpha Private Web**" service is offered. This service allows customers access to electronic updates on the performance of their portfolios and to information on money and capital markets. It should be noted that Alpha Private Bank has once again established itself as a pioneer in the Greek market, as it is the only provider of private banking services to offer this type of service.

Insurance

The year 2008 was the first year after the sale of Alpha Insurance S.A. to the French AXA Group and the signature of a long-term exclusive agreement for a 20-year long association in the bancassurance sector and for the sale of AXA insurance products via the Branch Network of the Bank.

Within a short period of time, the rapid progress in our partnership with AXA Insurance and Investments S.A., coupled with the infrastructures developed by both parties, led to the development and successful marketing of innovative insurance products. With the aim of completing a wide range of products and of ensuring the availability of one insurance product to match each banking product, new products were developed and existing ones were reconfigured. The successful design and marketing, the streamlining of the sales procedures, and the well-organised support provided by the Branch Network for these innovative insurance products, led to their success in the market during 2008 and contributed significantly to their growth in terms of production.

In particular, we continued the promotion of the "**Alpha Credit Life**", "**Alpha Individuals Cover**" and "**Open Consumer Loans Insurance**" plans developed to insure repayment of consumer loans, and of the "**Alpha Residence**" and "**Alpha Home Construction**" plans developed to insure mortgaged homes. New insurance plans, specially adapted to the needs of modern enterprises, were also developed in connection with business loans, such as the "**Alpha Entrepreneur Insurance**" plan (insuring repayment of the loan in the case of an eventuality), and the "**Alpha Enterprise Insurance**" (for insuring business facilities, equipment and goods).

In addition, the new combined investment-pension plan "**Alpha Return**" was developed. This is a specially designed long-term investment plan that ensures conditions for exceptional returns coupled with investment protection coverage. It offers a return equal to 100% of the cumulative rise of the DJ EURO STOXX 50® index, while guaranteeing 100% of the initial capital upon maturity.

Furthermore, during 2008 the approach used in the sales of specialised insurance products to medium-sized and large businesses was redesigned, and the framework of associations with third-party networks was reconfigured. Procedures for insuring business loans were streamlined and automated, and impressive growth was achieved in the production of life insurance premiums as insurance for loans, as well as in the cross-selling rate.

For 2009, our key objective is to develop the activities of the newly-established insurance company under the business name **Alphalife S.A.**, which will be active in the development and promotion of savings and pension insurance products via the Branch Network of the Bank.

Investment Banking and Treasury

Investment Banking and Brokerage Services

Investment banking services in 2008 focused mainly on the provision of advisory services to the State related to privatisation projects, and to private sector companies subject to mergers and acquisitions. Although in 2007 four Public Offerings worth Euro 500 million in total were carried out for the listing of new companies in the regulated market of the Athens Exchange (ATHEX), the conditions in the capital market during 2008 were not favourable to similar moves. Despite the difficulties in the markets, the Athens Exchange launched the operation of the Alternative Market. More in particular, nine Public Offerings worth Euro 12 million in total were carried out for the listing of companies in the ATHEX Alternative Market, with Alpha Bank acting as Adviser for two of them (Alpha Trust Investment Services S.A. and Performance Technologies S.A.).

The investment banking services completed by the Bank during 2008 include the indirect listing on the ATHEX of Hellas OnLine S.A. through its absorption by Unibrain S.A. whose shares are traded on the ASE, and the split of TERNA S.A. with absorption of its activities by the GEK Group of Companies.

In the privatisation sector, Alpha Bank participated in developments as an advisor and contributed to the successful continuation of the Government's privatisation programme. The Bank's activities in this sector included the successful completion of the privatisation of the Peace and Friendship Stadium Marina and the continuation of the provision of advisory services for the privatisation of Olympic Airlines.

As regards the Greek stock market, 2008 was the worst-ever year in its history. Adverse developments in the major international capital markets intensified after September 2008 and led to large sales of Greek shares, mainly by foreign investment funds, in the framework of a globally emerging deleveraging trend.

Foreign institutional investors withdrew a total of Euro 7.2 billion during 2008, versus a contribution of Euro 5.7 billion in inflows during 2007. Domestic institutional investors and private Greek investors contributed inflows of Euro 1.4 billion and Euro 1.2 billion respectively (versus outflows of Euro 823 million and Euro 5.3 billion in 2007, respectively).

On 31.12.2008 the ASE General Index posted losses of 65.5%, a result ranking Greece in one of the world's worst positions for 2008.

Competition between brokerage firms remained strong across all groups of investors (foreign and domestic institutional investors, private investors). Trading concentration continued to grow during 2008, with the top ten brokerage firms conducting 86% of daily transactions, versus 84% in 2007 and 71% in 2004.

Probably the most important development in 2008 was the entry in ATHEX of some of the major investment firms, such as UBS, Merril Lynch and Deutsche Bank, as remote members. An indirect such entry was also that of Chevreux, which channels all its transactions through its affiliated Eurocorp. Although for 2008 the market share of remote members was 2.8%, this share is forecasted to expand significantly during 2009, as foreign investment firms are expected to conduct an increasingly larger part of their transactions "independently" (i.e. without the intermediation of Greek Investment Service providers), as this approach entails lower costs. For December 2008, the market share of remote members stood at 7.8%, a figure indicative of this trend.

Considering the conditions that prevailed in the market, Alpha Finance achieved a satisfactory performance in 2008. The average daily volume of transactions stood at Euro 316.5 million, down 34.2% from Euro 480.8 million in 2007, with commissions from brokerage activities posting a similar decline.

Focusing on maintaining its status as a leading and reliable market player, Alpha Finance is expanding the investment options of its customers by offering them a broad range of products and services.

Alternative channels remain at the very core of our strategy, with a significant contribution to the turnover of Alpha Bank. This is why our goal is to expand the services and products made available via these channels. During 2008 the Alpha Trade corporate website was upgraded and DMA (Direct Market Access) electronic connection services were developed, allowing customers to access directly the ATHEX sessions. In addition, comprehensive electronic services are also provided either by phone or through the www.alphafinance.gr website. Comprehensive clearing and custodian services are also provided for transactions in all domestic and foreign markets.

Finally, in 2008 Alpha Bank assumed Market Maker duties for the Alpha ETF FTSE Athex 20 Domestic Equities Fund, the first-ever Exchange-Traded Fund (ETF) to be listed on the Athens Exchange. The company also continued to act as Market Maker for shares and derivatives traded in the Athens Exchange.

Treasury

The crisis that hit the money and capital markets in 2008 also put a considerable strain on the management of the liquidity of credit institutions around the world. By following a firm and disciplined risk management policy, and by avoiding investing in products with excessive risk, the Bank managed to limit the effects of this situation.

Meeting customer needs remained our priority, with emphasis placed on improving the quality of existing financial products and on developing new ones. The Bank remained in contact with its customers, suggesting ways in which to deal with market risk. By promoting modern financial products, it managed to increase its business volumes and strengthen customer confidence and satisfaction.

Given the adverse conditions that prevailed in the international markets, the Bank avoided exposure to risk in order to protect the net income from interest on its portfolio of bonds and loans. In parallel, it encouraged focused transactions for the sole purpose of risk hedging and maintaining profit margins, mainly from mediation operations.

Despite these difficulties, the Bank maintained its position as a market leader in Greece and in Southeastern Europe regarding the organisation and participation in syndicated and bilateral loans. The Bank also continued to contribute successfully to the operation of the primary and secondary market for bonds in Greece, where for a number of years now it is being ranked consistently among the top Primary Dealers in Greek Government bonds.

The adverse developments in the international capital markets resulted to more difficult efforts for the Group. The Bank however did not face any problems regarding the timely and effective coverage of its funding needs. In Greece and in Southeastern Europe, the liquidity needed was raised through securitisation programmes with short-term and medium-to-long term horizons. A notable development in this area was the completion by the Bank in mid-2008 of a Euro 2 billion issue of covered mortgage bonds in Greece. An equally important success was also the very first securitisation of Euro 1,5 billion of consumer credit assets of the Bank, which was carried out at the end of the year and introduced a new source of financing. This approach has helped protect the Group's liquidity in the near future, during a period which will be particularly critical for the international markets. Indicative of the Bank's significant liquidity reserves is that on 31.12.2008 we transferred to the European Central Bank cash reserves of Euro 1.5 billion. During 2009 our reserves in securities eligible for refinancing with the European Central Bank are expected to grow by Euro 4.4 billion, through the securitisation of assets. Furthermore, we expect to raise Euro 5.5 billion through the Government's plan for enhancing liquidity in the economy.

Finally, mention is due here of the new distinction gained by the Bank in the area of market analysis. For yet another year, the Global Market Analysis Section of Alpha Bank's Financial Markets - Group Planning Division was ranked second worldwide for the accuracy of its forecasts of the exchange rates between the key currencies. This distinction not only serves as the best possible confirmation of the Bank's commitment to the provision of high-quality services regarding developments in the global markets, but is also evidence of the Bank's recognition internationally.

Project Finance

Our business activities and volumes in the Project Finance sector continued to grow during 2008, with new financing agreements worth Euro 300 million concluded in the sectors of infrastructures, real estate property development and energy.

The Bank undertook with great success to arrange syndicated loans of Euro 1,680 in total for the project concerning construction and operation of the Elefsina-Korinthos-Patra-Pyrgos-Tsakona Motorway, and managed to bring together most of the consortium's banks. The Bank also participated actively in project finance loans for securing financing for property development projects, airports, power stations and motorways.

Project Finance activities during 2009 are expected to grow at a slower pace, due to the financial crisis and to the reduced demand for this type of projects. Should market conditions allow it, our activities in this sector are expected to focus on the following:

- Infrastructure and energy projects.
- Projects to be carried out through Public-Private Partnerships (PPPs).

Emphasis shall remain on selected investments in the Balkans, where high returns and significant investment opportunities attract interest from international investors.

Venture Capital, Equity Financing

The investment strategy of Alpha Ventures focuses on sectors with rapid growth and/or evolution dynamics, and on companies capable of taking advantage of business opportunities in their areas of activity while at the same time having the potential to become competitive and achieve substantial profits.

The year 2008 was a particularly important year for Alpha Ventures, as 36 investment proposals were evaluated in Greece and another 12 abroad. Of these, only one was completed, due to the adverse economic conditions, while 13 proposals are still under consideration. In order to develop the company's investment activities, a new Venture Capital Fund was established, Alpha-TANEO Venture Capital Mutual Fund, with total assets under management of Euro 30 million. In addition, the very first investments made by Alpha Venture are now already in the liquidation phase and the company has also exercised its first exit right (Micrel company).

Our priority is on Greek companies and on companies active in the wider region of Southeastern Europe which are characterised by predictable cash flows and clear growth prospects, and on investments with a predetermined period for liquidation, either via internal cash flow or via their sale to a strategic investor or listing on a regulated capital market. In this context, five new investments worth Euro 14 million are planned, while we also plan to liquidate three of our participations.

Other Activities

Real Estate Management

Alpha Astika Akinita S.A. is active mainly in the Greek market and in the markets of Serbia, Bulgaria and FYROM through its respective subsidiaries Alpha Real Estate D.O.O. BBEOGRAD, Alpha Immovables Bulgaria E.O.O.D, and Alpha Astika Akinita D.O.O.E.L. Skopje.

The scope of the company is the management of Alpha Bank's real estate property and the establishment of leases on its properties. The company provides property valuation, project monitoring, property management, and real estate agent services. The company's customers include Banks, Public Sector organisations, Social Security Funds, other legal persons under private and public law, large multinational corporations, and private individuals.

Our aim for 2009 is to fully develop the Uniform Corporate Valuations Management System and to invest in income-generating properties abroad.

Hotels

Ionian Hotel Enterprises S.A. was founded in 1957 for constructing, operating and exploiting high-standard hotels. The company owns The Athens Hilton, which is operated under a management contract with the international corporation of the same name. The hotel was extensively renovated in 2004, and now boasts elegant interiors, use of modern hotel and technological equipment, and top-of-the-range internal organisation, offering the full range of services expected by the discerning modern traveller.

In March 2008, the company concluded the transfer of 100% of the shares of its subsidiary Tourist Resorts S.A., owner of the Hilton Rhodes Resort, to Lampsa Hellenic Hotels S.A. (50%) and Plaka Hotel, Tourist and Commercial Services S.A. (50%).

Operational Systems and Distribution Channels 3

Operational Restructuring

The year 2008 was an important year for the Bank's Operational Restructuring Programme, as the entry into operation of the Business Loans Central Support Unit marked the completion of the establishment of specialised central units dedicated to the support of products and services. These Units now support the entire Branch Network by putting in place a framework of uniform procedures and, with the assistance of the new systems in operation, help achieve the upgrade and standardisation of the services offered. Implementation of the Programme in the other business sectors was also continued, focusing on supporting operational requirements and on upgrading IT infrastructures.

Quality is the Bank's top priority. During 2008, the programme for enhancing the quality of the services provided included, among others, the ISO 9001 certification of the International Trade Unit and of the Customer Service Department, as well as the renewal of the certification of the Bank's software applications. Certification of the alternative channels and of fund transfer activities is expected to take place in early 2009. Quality assurance is based on the use of Key Performance Indicators, which have been introduced in all support Central Units and are compared against international best practices. The corresponding Units identify any dysfunctions,and, after analysing the reasons behind them, determine the required corrective actions.

For yet another year significant work was also carried out to support the numerous new products developed during 2008 and to upgrade existing ones, in order to improve their competitiveness in response to new market and customer service conditions, as better service times are achieved and the quality of the products and services that we provide improves.

More in particular, the activities for continuous support of the operational Units of the Bank included the development of a range of new products and services, such as the Alpha Monthly Progress term deposit, the new consumer loan with portfolio pawning "Alpha Portfolio Utilisation", and a number of cards (Amex Dynamic, Mastercard Bonus, Amex Lemonis Group, Amex Chip Olympic Airlines, Amex Bonus Fokas, Wind Visa Bonus). To meet working capital requirements of corporate customers, the new product "Flexible Working Capital" and the new current accounts Alpha 651 three-month Euribor and Alpha 652 six-month Euribor were developed.

New products were also developed in the bancassurance sector, such as Alpha Entrepreneur Insurance and Alpha Enterprise Insurance, as well as the new investment pension plan "Alpha Profit".

As regards to the Bank's alternative channels, priority was given to upgrading their infrastructure in order to achieve shorter transaction turnaround times and triple the system's capacity in terms of the number of active concurrent subscriber connections supported. In parallel, the range of products/services available through these channels was expanded with the addition of new services (payment of property registration fee to Ktimatologio S.A., payment of Unified Property Tax, information updates on term deposits etc.). The expansion of the ATM network was also continued with the installation of 79 new ATMs and the withdrawal of older machines. The network of Automated Pay Centres (APCs) was also expanded with the installation of 118 new centres. As a result, the use of alternative distribution channels posted a significant growth, and the share of transactions conducted through the Branch Network fell to 52% of total transactions, despite the continuously increasing volume of the latter.

Particular emphasis was placed on IT infrastructures. The redesign of the IT architecture was completed and security in the use of the Internet was enhanced to ensure maximum protection for the customers using the services as well as for the Employees. An equally high-priority issue that emerged as a consequence of the global financial crisis was the need to support the project of the securitisation of the Bank's loan portfolio, which will be continued during 2009 in order to further enhance our liquidity. The SWIFT system of payments was upgraded to ensure the system's uninterrupted operation for the Bank and for the Group Companies located abroad. A further important IT project was the upgrade and centralisation of all disaster recovery systems of the Bank, and the improvement of the safety level.

Other major projects under way include the development and installation of the Customer Data Integration (CDI) system and of the new Collections Management system. Concerning the latter, the corresponding project was given top priority and the system has already been installed and is operational for Cards and Consumer Loan debts, with the other categories of debts (Housing and Business Loans) scheduled to be included in the system very soon. The support provided to the planning for enhancing liquidity was equally important.

A number of projects were also carried out to ensure the Bank's compliance with the Regulatory Framework. The most important of these were the following:

- The development of a Business Continuity Plan for the Bank and for the domestic Group Companies, using modern methodologies.
- The installation and operation of the Anti-Money Laundering system, aimed at improving the procedures for preventing the use of the financial system for money laundering and financing terrorism.

For supporting the Bank's compliance with obligations under the EU Directive on Markets in Financial Instruments (MiFID), the Acts issued by the Governor of the Bank of Greece, and the Rules of the Hellenic Capital Market Commission, the existing application for the management of contracts and questionnaires used in Private Banking was extended to also cover the Branch Network. Compliance-related activities also include actions for the disclosure of transactions in specific financial instruments listed in regulated markets of the EU, regardless of whether such transactions are conducted inside or outside the territory of the EU, with the exception of transactions conducted in the Athens Exchange.

The rapid expansion of Alpha Bank's Network abroad led to the need for major operational support projects, such as the installation of the new Core Banking IT system in FYROM, Bulgaria and Serbia and the launch of the operation of the Web Banking service in Bulgaria and Serbia. It should be noted that, regardless of the country concerned, installation and management of the systems are carried out centrally by the Group's unified Data Centre. Installation of these systems in Albania and Romania is also under way, with a target completion date in 2009. Indicative other projects concerning our Network abroad include the installation of the Management Information System (MIS) application for Cyprus, Bulgaria, Romania, Serbia and Albania, and the installation of a uniform platform for the sale of the Mutual Funds of Alpha Asset Management A.E.D.A.K. in Romania. Other related projects currently in progress include the installation of the Anti-Money Laundering (AML) System in Cyprus, and the extension of the Business Continuity Plan to all Group Companies abroad, using the same methodology that was applied for the Bank and the Group Companies in Greece.

As regards procedures, an important development in 2008 was the completion of the first cycle of development of Policy and Procedures Manuals at the Group level. These Manuals cover all key areas of operations, and their purpose is to ensure that the Bank and the Group Companies follow uniform rules and procedures in their operation, thus minimising operational risk. In order to provide all Bank Officers in Greece and abroad with uniform and prompt access to information on the policies of the Bank at the Group level, on the Rules and Regulations of the Bank, and on the applicable procedures, the area "Group Rules, Regulations and Procedures" was created on the Alpha Bank Intranet.

The above are only indicative references to the activities carried out during 2008 in the framework of the Bank's extensive Operational Restructuring Programme under way, which is aimed at increasing productivity, strengthening internal controls, upgrading the quality of the services offered, and curbing operating costs.

Branches and Alternative Distribution Channels

Branch Network

Our presence in Greece and in the countries of Southeastern Europe is supported by a strong network comprising a total of 1,050 Branches. At the end of the year, our domestic Branch Network numbered 431 Branches (including Commercial Centres) and 14 Private Banking Customer Service Centres. After the addition of 206 new Branches in Southeastern Europe during 2008, our international Network now numbers 610 Branches. The new Branches established in Greece and in Southeastern Europe have lower staffing requirements in terms of Personnel numbers.

Our extensive Network, through which the Bank now is present in urban areas as well as in the broader periphery, allows us to adapt to the ever-changing market conditions and requirements. Because of the global economic crisis, we have decided to suspend our plans for further expansion of the Branch Network in 2009, and to give priority to improving the utilisation of our Branches by increasing the market visibility of the Alpha Bank name.

In parallel with the expansion of the Network, an extensive Branch renovation, extension and relocation programme is being carried out, both in Greece and abroad. Following completion of the extensive renovation of a Bank-owned building in Agios Stefanos and its conversion into a Training Centre, other Head Office Services are also gradually being relocated there.

Alternative Distribution Channels

A pioneer in exploiting the capabilities offered by new technologies, Alpha Bank is constantly developing the alternative distribution channels available for the promotion of its products and services, offering high-quality, reliable automated banking services.

According to a customer satisfaction survey, 96% of customers are "very satisfied" and "satisfied" with the electronic banking services that the Bank offers.

During 2008, transactions via electronic banking services grew by 20% compared to 2007 and account for 48% of all transactions by the Bank's customers.

The alternative distribution channels and electronic banking services offered by the Bank are the following:

Automated Banking

These include Automatic Teller Machines (ATMs) and Automated Pay Centres (APCs) for transactions involving cash deposits.

Alpha Bank was the first bank to install ATMs in Greece in 1981, opening the way for the advent of modern banking technology. In 2008 we expanded our Network with 57 new machines, bringing the total number of ATMs up to 838 (of which 508 are installed in Branches and 330 in other premises). These ATMs accounted for approximately 80% of the Bank's total cash withdrawal transactions in 2008, involving Euro 9.2 billion in cash. On the basis of the average number of monthly cash withdrawal transactions per ATM, the Bank is ranked second in the market.

In order to improve the level of service provided to our customers, some 250 feasibility studies were conducted during 2008 on requests related to off-site ATMs (i.e. ATMs not in Branch premises) and referring to new installations, removals, relocations, replacements, contract renewals etc. As a result, 81 new ATMs were installed and 26 ones were removed. Cost-benefit analysis reports were also compiled for all ATMs, based on data on actual usage. Furthermore, in order to improve security in transactions, new mechanisms were installed and the EMV certification project, which allows customers to use "smart chip" cards issued by domestic and foreign third parties in the Bank's ATM network, was completed. A new service was also introduced which allows payments to be made for cards or consumer loans of third parties, by keying in the corresponding card or account number. Introduction of a multiple-language ATM customer interface is also planned ("Multilingual ATM").

As regards Automated Pay Centres (APCs), their number was doubled during 2008. As a result, a total of 232 units are now in operation, to which around 46% of card payment transactions in cash and 10% of deposit transactions, previously conducted at Teller positions of the respective Branches, have been transferred.

In order to improve the level of service provided to our customers and achieve better network utilisation, new services were added, such as the payment of consumer loans and of property registration fees to Ktimatologio S.A. (the Greek National Cadastre Organisation). The inclusion of additional new services is also under way, with the aim of shifting to APCs a large number of cash payments previously made at Teller positions of the Branches (e.g. payment of bills of mobile telephony providers, Public Utility Organisations, Internet providers, Multichoice S.A., cards issued by third parties). In addition, the infrastructure enabling APCs to also handle coins was completed, thus allowing payments involving small amounts to be made.

Finally, by continuously upgrading the ATM and APC status monitoring system, the Bank seeks to provide customers with the safest and fullest possible level of service.

Alpha Web Banking

Since 1996, when it introduced banking transactions via the Internet for the very first time, the Bank has been providing web-based banking services to individuals and small and medium-sized businesses. The Alpha Web Banking, Alphaline and AlphaPhone Banking networks currently account for 21.6% of the total volume of transactions carried out by the Bank's customers. More than 105,000 subscribers are already using these services (up 15% from 2007), while transactions in 2008 increased to 57,500,000 (up 46% from 2007). During 2008 eight new companies and public organisations were included in the facility for the payment of debts, including Ktimatologio S.A. (the Greek National Cadastre Organisation, for payment of the property registration fee) and the Ministry of Economy and Finance (for payment of the Unified Property Tax). Thus, subscribers now can pay bills and make payments to nearly 70 companies/ organisations.

Alpha Web International Trade

Launched in 2007, this service allows Bank customers involved in imports-exports to monitor the progress of related files and arrangements, send electronic requests for arrangements and documentary credit for imports, and submit the documents required in electronic form. By the end of 2008 a total of 215 companies had joined this service, and 6,400 international trade transactions (imports) had been processed electronically.

Alpha Line

This service involves the provision of banking services to businesses via an application installed in the customers' computers. The enhanced Alphaline II version allows operation in multi-user networked environments. Subscribers to this service currently number 939 businesses.

Alpha Mobile Banking

This service involves the provision of banking services via mobile telephony. Using their mobile phone, customers can access the balance of their deposits and credit card accounts, transfer funds and make payments to third parties, and receive updates on share prices and FX rates. The advances in Internet connection technology have made these services more user-friendly and have boosted the customers' interest in them.

Alpha Phone Banking

This service involves the provision of banking services by telephone, either via the automated

24-hour IVR system or with the assistance of specially trained officers. Calls to the Alphaphone Banking service in 2008 increased by 26% compared to 2007.

Call Centre
The Bank's Call Centre operates daily during regular working hours and processes more than 330,000 calls per month. It provides support for phone-based banking transactions, information on the Bank's products and services, and assistance to users of the Bank's electronic banking services.

Electronic Commerce Service (Alpha e-Pay)
This service allows customers to conduct purchases safely via the Internet using their credit card. With 211 new companies joining the service in 2008, their total number now stands at 942, with the total turnover from the service reaching Euro 45.5 million.

Mass collection/payment services via electronic network transfer
This service involves the collection of payments due via standing orders and/or alternative distribution channels, and the payment of debts (payroll, suppliers). The services were expanded with the addition of a facility for mass fund transfers to EU countries. A total of 25 companies have joined this service, carrying out more than 36,000 payment transactions during 2008.

Alpha Bank Website (www.alpha.gr)
Our corporate website provides customers and investors with information on the Bank, the Group Companies, and the services provided.

Statistics for 2008 confirm for yet another year the great popularity of these services with the customers. According to data of the Hellenic Bank Association, Alpha Bank holds a share of around 29% of active subscribers and 40% of cash transactions, and a share of 43% in interbank payments via electronic networks (DIAS).

The implementation of the uniform infrastructure for alternative distribution channel subscriber services across all Group companies was completed during 2008. The new infrastructure allows the creation of a unified platform for subscriber services for the Group, a centralised management and processing system, quicker and uniform development of services across all alternative distribution channels, integration of subscriber systems/applications of the Group (e.g. Private Banking, Alpha Trade, Mutual Funds), and provision of selected services to various customer subgroups (accountants, merchants etc.).

This new infrastructure provides prompt information updates, ensures the desired speed in the use of the services over the Internet, and is easily expandable in order to keep up with the expected growth of the subscriber base and of the volume of transactions carried out through the alternative distribution channels.

A significant contribution to these encouraging results was also made, among others, by the implementation of a systematic promotional plan comprising marketing activities and visits to 315 companies, participation in the DTE Technology Fair with a dedicated stand showcasing the web-based services offered by the Bank, and development of training seminars for the Alpha Web International Trade and Alpha e-Pay services.

Risk Management 4

Alpha Bank has adopted a systematic and rigorous framework for risk management, central to which is the reliable measurement of financial risk. The Bank's efforts focus on ensuring the implementation and continuous improvement of this framework, in order to minimise the potential negative impact of financial risk on the Bank's financial results. Active risk management is of the utmost priority for Alpha Bank and, given the current conditions in the international economic environment, takes on an even greater significance.

Overall responsibility for the development and supervision of the risk management framework rests with the Board of Directors. A Risk Management Committee responsible for ensuring monitoring and correct implementation of the risk management policy has been set up. This Committee convenes every three months and reports to the Board of Directors. The risk management framework and its effectiveness are reviewed regularly to ensure alignment with international best practice.

The Risk Management Divisions are responsible for ensuring prompt implementation of the risk management standards and policies, in accordance with the directions provided by the Risk Management Committee.

Credit Risk

Credit risk is defined as the potential risk of financial loss being sustained due to failure by a counterparty (borrower) to honour their contractual obligations on the specified repayment dates.

Credit risk is the major source of risk for Banks and this is the reason why the early identification of credit risk and the adoption of effective measures for its management are a key priority for Alpha Bank. Furthermore, the effective implementation of this approach also offers to the Bank a competitive advantage. In order to deal with credit risk-related eventualities, the Bank reviews the impairment tests on a continuous basis, in accordance with the principles and the methodology set out in IAS 39 and IFRS 7, either individually or collectively (at the portfolio level).

In particular, the relevant procedure consists of the following steps:

(a) Definition of the events leading to the need for impairment tests (trigger events).
(b) Establishment of criteria for conducting impairment tests on an individual basis or at the portfolio level.
(c) Methodology for estimating the expected future cash flows from impaired loans.
(d) Calculation of interest on impaired loans
(e) Recovery/collection of impaired loans.

Impairment tests focus mainly on loans past due for more than 90 days. The share of these loans in the Bank's total loan portfolio grew only slightly during 2008 and on 31.12.2008 stood at 3.9% compared to 3.7% at the end of 2007, with the arrears coverage rate, including collaterals, standing at 140%.

The analysis of Alpha Bank's loan portfolio on a consolidated basis is shown in Table 1.

The provisions against credit risk which was posted by Alpha Bank for 2008 stood at 1.14% of total loans versus 0.60% for 2007, while overall the credit risk coverage rate amounts to 2.46% of the loan portfolio. This precautionary increase of provisions reflects the Bank's policy, which focuses on maintaining adequate provisions as coverage against a potential deterioration of credit conditions in Greece and in Southeastern Europe.

In order to ensure effective management of credit risk, a framework of methodologies and systems specifically geared to measuring credit risk has been implemented in the Alpha Bank Group. These methodologies and systems are constantly developed further, in order to provide operational units with timely and effective support in their decision-making process, and to prevent potential negative impacts on the Group's financial results.

Central to the measurement of credit risk are credit rating systems. These measure the credit risk of counterparties using both qualitative and quantitative evaluation criteria combined with transaction behaviour criteria, and allow the statistical probabilities of default of the borrowers to be determined. The Bank's credit rating systems evolve constantly with the goal of extending the internal rating-based method to all of the Group's credit portfolios, in line with the new framework on capital adequacy requirements. Credit rating models for special forms of loan exposures, such as project finance and shipping finance, have also been developed.

The rating scale used consists of nine discrete levels, with its expanded form consisting of seventeen levels. The ratings provided by the international credit rating agencies are also used to supplement and assist the internal credit rating models developed.

Credit rating is a crucial element for establishing credit limits and the collaterals supplied by the borrowers, and is re-assessed at regular intervals of six months to one year, depending on the risk rating of borrowers or on new information becoming available or on the occurrence of events that may affect significantly the probability of default of the borrowers. The credit rating systems are subject to continuous quality control to ensure their predictive capability at any given time.

Table 1

Loans and Advances to Customers - Analysis of past due amounts

	31.12.2008			
(in Euro million)	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Performing	44,207.7		421.4	44,629.1
Past due 1 - 90 days		5,193.3	114.5	5,307.8
Past due > 90 days		230.4	1,813.5	2,043.9
Total Portfolio	**44,207.7**	**5,423.7**	**2,349.4**	**51,980.7**

Stress tests are also carried out regularly, in order to investigate the potential impact on the Group's financial results of unfavourable developments in the transaction behaviour of borrowers and in the broader economic environment. The concentration of risk to the Group's largest borrowers is also monitored regularly, and the relevant information is submitted to the General Management and the Board of Directors.

Under the new regulatory framework laid down by the Bank of Greece which calls for the separation of the approval and recommendation competencies, the Group Credit Unit manages credit risk in Greece and in our Units abroad, and participates in the Credit Committees appointed to decide on business credit applications. Staffing of all Credit Units abroad was also completed in 2008, under the supervision of the Group Credit Unit. The principles for credit activities in all countries were codified and uniform credit systems and procedures were established. This has helped establish the organisational and institutional foundations, based on which Credit Units abroad will operate more effectively by applying a uniform policy at the Group level. Furthermore, the use of specialised credit rating applications was expanded with the development and use of rating systems for real estate financing. Overall, this approach has allowed utilisation of the know-how available internationally on credit rating issues, as well as of the Bank's long-standing experience in business credit activities in the broader region of Southeastern Europe. In addition, the newly-established Credit Policy Division, which is responsible for proposing the principles of the credit policy and for monitoring adherence to the credit policy rules and procedures by the Bank's Units and competent Officers, has completed the development of the new framework concerning approval and evaluation of business credit applications by the Bank and by the domestic Group Companies. The formulation of the Business Credit Policy and Procedures Manual for Group Units abroad is also expected to be completed during 2009.

Finally, the Non-Performing Loans – Wholesale Banking Division and the Non-Performing Loans – Retail Banking Division have assumed responsibilities regarding the management of all types of past due receivables.

Market Risk

Market risk is the risk of losses arising from unfavourable developments or fluctuations in interest rates, exchange rates, equity prices and commodities. Losses may also occur from the trading portfolio and the management of assets and liabilities.

1. Trading Portfolio

The market risk is measured by the Value at Risk (VaR). The method applied for calculating Value at Risk is historical simulation. The Bank applies a holding period of 1 and 10 days, depending on the time required to liquidate the portfolio.

To calculate VaR for 1 day of the Bank's trading portfolio, a 99% confidence level and a two-year observation period were applied. The results for the trading portfolio in 2008 are shown in Table 2.

The Group subsidiaries hold very small positions and have very low limits for their trading portfolio, and consequently their exposure to risk is negligible.

The Value at Risk method is complemented with scenario testing in order to monitor behavior in

Table 2

Trading Portfolio

	2008					2007
(in Euro thousand)	Currency Risk	Interest Rate Risk	Price risk	Cross-correlation Impact	Total	Total
December 31	418.4	1,085.6	189.0	-17.6	1,128.5	320.8
Average daily Value (annual basis)	246.2	2,006.2	303.0	-485.1	2,070.3	1,019.5
Maximum daily Value (annual basis)	57.3	3,460.8	645.8	-440.0	3,723.9	3,027.6
Minimum daily Value (annual basis)	95.6	651.3	102.1	-268.4	580.6	223.0

hypothetical changes in market risk factors, as well as stress testing in order to monitor behavior in extreme changes that occurred in the past.

The audit of the Bank's system for measuring Value at Risk was successfully completed by the Bank of Greece in 2008, and the system was certified for use as internal model in the calculation of the regulatory capital requirements for market risk. Data on capital adequacy using this internal model were for the first time submitted in September 2008.

Within the scope of policy-making for financial risk management by the Assets and Liabilities Management Committee (ALCO), exposure limits and maximum loss (stop loss) limits have been set for various products of the trading portfolio. In particular, limits have been set for the following risks:

- Currency risk for spot and forward positions.
- Interest rate risk for positions in bonds, Interest Rate Swaps, Interest Futures, Interest Options.
- Price risk for positions in shares, index Futures and Options.
- Credit risk for interbank transactions, corporate bonds and Government bonds of emerging markets.

Positions held in these products are monitored during the day and are examined for checking the percentage coverage and any overruns of the corresponding limit.

Table 3

(in Euro million)	USD	GBP	CHF	JPY	RON	RSD	Other FC	Euro	Totals
Total Assets	**4,469.2**	**673.9**	**2,328.0**	**64.1**	**1,042.5**	**363.9**	**541.1**	**55,787.2**	**65,270.0**
Total Liabilities	**4,727.2**	**479.6**	**114.6**	**1,437.2**	**1,068.0**	**120.8**	**695.0**	**52,686.8**	**61,329.3**
Foreign Exchange Position for Balance Sheet items	-258.0	194.4	2,213.4	-1,373.1	-25.5	243.1	-154.0	3,100.4	3,940.7
Forward Exchange Position held on Derivatives	261.3	-180.4	-2,220.8	1,370.9	113.9	-9.8	288.7	388.2	12.0
Total Foreign Exchange Position	**3.3**	**14.0**	**-7.4**	**-2.2**	**88.4**	**233.2**	**134.7**	**3,488.6**	**3,952.7**

Table 4

Gap Analysis as at 31.12.2008

(in Euro million)	< 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	> 5 years	Non-interest bearing	Totals
Assets	34,180.7	9,139.0	6,591.2	2,697.0	7,857.7	1,497.9	3,306.4	**65,270.0**
Liabilities	38,811.4	13,390.6	4,001.3	1,687.5	1,516.7	149.6	1,772.2	**61,329.3**
Equity	0.0	887.3	0.0	0.0	0.0	0.0	3,053.4	**3,940.7**
Total Liabilities and Equity	38,811.4	14,277.9	4,001.3	1,687.5	1,516.7	149.6	4,825.5	**65,269.9**
Gap	-4,630.6	-5,138.9	2,590.0	1,009.5	6,341.0	1,348.3	-1,519.1	
Cumulative Gap	**-4,630.6**	**-9,769.5**	**-7,179.6**	**-6,170.1**	**170.9**	**1,519.1**	**0.0**	

2. Assets-Liabilities Management

The market risk arising from the structure of the assets and liabilities in the Group's portfolio of loans and deposits is comprised of both foreign currency and interest rate risk.

a. Currency risk: The General Management sets limits on the level of exposure by currency and in total, for both overnight and daily positions. The aggregate position is derived as the sum of the current positions shown on the Balance Sheet and the net forward position held in derivatives (Table 3).

b. Interest rate risk: As part of the analysis of Assets-Liabilities with respect to interest rate risk, a Gap Analysis of the investment portfolio is conducted by currency. Assets and liabilities are categorised into time periods (gaps), depending on the date by which their interest rate is contracted (for items with a floating interest rate) or on their maturity date (for items with a fixed interest rate).

The results of the Gap Analysis of Group Assets and Liabilities as at 31.12.2008 are shown in Table 4.

By using the Gap Analysis results and applying alternative scenarios involving changes in market interest rates or changes in the base interest rates of the Bank and the Group, the corresponding change in net interest income can be calculated immediately.

The sensitivity of the Group's net interest income as at 31.12.2008 is shown in Table 5.

Table 5

Sensitivity of net interest income

(in Euro thousand) Currency	Interest rate variation scenario (parallel shift in the yield curve)	Sensitivity of net interest income (for a period of one year)	Sensitivity of Equity
EUR	+50 b.p.	3,956	-2,639
	-50 b.p.	-3,956	2,691
USD	+50 b.p.	-2,917	-269
	-50 b.p.	2,917	274
GBP	+50 b.p.	-33	-7
	-50 b.p.	33	8

Liquidity Risk

Monitoring liquidity risk focuses on the Group's ability to maintain sufficient liquidity to discharge its obligations as these arise from transactions. The largest part of the Group's Assets is financed by customer deposits and bonds issued by the Alpha Bank. Such financing may be classified in two categories:

a. Customer deposits used to cover cash needs: Deposits covering cash needs are savings and sight deposits. Even though these deposits may be withdrawn on request with no advance notice, dispersion over a large number of depositors of various types ensures that no significant unexpected fluctuations will occur. Thus, these deposits constitute in their majority a stable deposit base.

b. Customer deposits and bonds used for investment purposes: Customer deposits and bonds used for investment purposes consist of term deposits, repos, and sales of bonds issued by the Group.

The Bank's liquidity risk is monitored on a regular basis by calculating the following Liquidity Ratios, in accordance with the requirements of the Bank of Greece (Bank of Greece Governor's Act 2560/1.4.2005):

- the Liquid Asset Ratio, and
- the Short-Term Asset-Liability Mismatch Ratio

The trend of the Liquidity Ratios in response to hypothetical changes in the volumes of Assets and Liabilities (scenario analysis), as well as to extreme changes thereof (stress testing), is regularly assessed.

At the beginning of each year, budget data are used to identify the financing requirements of the Bank and the Group, and the actions required to meet them are decided, so that the corresponding Liquidity Ratios remain within the instituted limits throughout the year.

Moreover, Liquidity Gap Analyses is conducted regurarly. All cash flows arising from Asset and Liability items are calculated and categorised in the particular period of time when they are expected to occur, with the exception of the securities of the trading portfolio and of assets available for sale. These portfolios, which are easily liquidated, are categorised in the first period, taking into account the relevant liquidity factors (haircuts).

The results of the Liquidity Gap Analysis for the Group as at 31.12.2008 are shown in Table 6. For the purposes of this Table, term deposits have been treated as a stable deposit base, as the analysis of their trend has shown that at least 80% of them are renewed upon maturity.

Table 6

Liquidity Gap Analysis as at 31.12.2008

(in Euro million)	< 1 month	1 to 3 months	3 to 6 months	6 to 12 months	> 1 year	Totals
Assets	12,371.8	2,512.9	2,526.4	3,226.0	44,632.7	**65,270.0**
Liabilities	13,934.2	3,806.9	2,311.1	3,468.7	37,808.3	**61,329.3**
Equity	0.0	0.0	0.0	0.0	3,940.7	**3,940.7**
Total Liabilities and Equity	13,934.2	3,806.9	2,311.1	3,468.7	41,749.0	**65,270.0**
Liquidity Gap	**-1,562.3**	**-1,294.0**	**215.3**	**-242.7**	**2,883.7**	

Operational Risk

Operational Risk is the risk of loss arising from inadequate or ineffective internal procedures, systems and people or from external events. This definition also includes legal risk.

During 2008, the Operational Risk Management Committee was established. Its responsibilities include approval of the Group policy on operational risk management, monitoring the implementation of this policy, and submission to the Risk Management Committee of the Board of Directors of information on the Group's total exposure to operational risk.

The above policy, which is applied by all Units in Greece and abroad, is set out in the Operational Risk Management Policy and Procedures Manual.

Emphasis during 2008 was placed on gathering information on operational risk loss events from the Bank and from all Group subsidiaries, on expanding the range of sources from which this information is drawn, and on entering this information into the centralised operational risk management application. The Officers responsible for this data entry operation were provided with extensive training.

In parallel with gathering of information on loss events, systematic activities for assessment and management of operational risk were introduced in all Bank Units. Based on the results of these activities, Action Plans and Key Risk Indicators are determined to monitor and mitigate the major types of operational risk.

As regards the calculation of the regulatory capital requirements for operational risk, we apply the standardised approach specified in Basle II, the EU Directive on capital adequacy, and the relevant regulations of the Bank of Greece.

Finally, it should be noted that as of 2005 the Bank is a member of KRI Library Services, an initiative of the Risk Management Association (RMA) in collaboration with RiskBusiness Consultants.

Risk from International Activities

The rapid growth of our activities abroad led to the need for promoting to the Units located abroad the risk assessment methods and techniques applied by the Bank, and for applying risk management policies and procedures at the Group level.

Committees to manage the individual categories of risk were established in each Unit abroad, and the method for their functioning was specified.

Regarding market and liquidity risk, the framework of assessment methods and the range of data exchanged between the Bank and the Units abroad were expanded. The Value at Risk method was applied for measuring currency risk, and an environment for monitoring market risk limits was established. The liquidity standing of Units abroad is also monitored systematically, by maintaining assets which can be easily liquidated, by analysing the degree of concentration in deposits base, and by monitoring historical data on the behaviour of depositors.

Regarding credit risk, the procedure for monitoring the structure of credit portfolios and the practices applied was systematised. Detailed instructions were developed on credit risk undertaking for individuals, and credit rating models for businesses were designed. Particular emphasis was placed on the application of uniform detailed procedures for impairment tests, using parameters adapted to the specific features of the portfolios managed by the Units abroad. Special mention should be made to the significant quality of the Bank's portfolio, which is characterized by low percentage of past due loans (lower than the average of the market).

Furthermore, during 2008 a project was launched for the development of a special-purpose database (Risk Data Mart) that will allow automated management of the information necessary to monitor credit risk in the countries where the Group is present.

Stress testing techniques were also developed and applied to assess the negative economic consequences in every country where the Group is present.

In addition, procedures for gathering and processing information on operational risk loss events were applied, and a framework of Key Risk Indicators was developed and put in place to ensure long-term monitoring of the risk levels in key operations of the Units abroad.

Indicative of the importance given by the Bank to monitoring risk levels for in connection with the activities of Group companies abroad is the establishment of regular communication with the local Risk Management Divisions and with their Management on high-risk issues, in the framework of implementation of an early warning system.

Capital Adequacy 5

The Group's policy aims to sustain a strong capital base in order to ensure growth and secure the trust of the clients, the Shareholders, the markets and all other parties involved in its transactions.

The capital adequacy of the Group is regulated by the Bank of Greece, to which the Bank sends reports on a quarterly basis. The minimum ratios for Tier I and Tier II capital which the Bank must maintain are determined by a relevant Act of the Governor of the Bank of Greece, and are currently 4% and 8% respectively.

The capital adequacy ratio compares the Group's regulatory own funds with the risks that it undertakes (risk-weighted assets). Regulatory capital includes Tier I capital (share capital, reserves, minority interest), additional Tier I capital (hybrid debt) and Tier II capital (subordinated debt and fixed asset revaluation reserves). As to risk-weighted assets, these include the credit risk of the investment portfolio, the market risk of the trading portfolio, and the operational risk.

The dividend policy is always formulated in such a way so that the best possible balance is achieved between a satisfactory return for the Shareholders and the security of a strong capital base.

Alpha Bank uses all modern methods to manage capital adequacy. It has issued hybrid and subordinated debts which are included in the calculation of regulatory funds. Issuing such debt enhances shareholder value, as its cost is lower than that of raising share capital.

As of 1.1.2008, capital adequacy is calculated in accordance with the new regulatory framework (Basel II), incorporated into the Greek legislation by Law 3601/2007. This Law introduced substantial modifications in the calculation of credit risk and established capital requirements for operational risk. The calculation of market risk was not changed significantly. In particular, credit and operational risk are calculated using the standardised method. The transition to Basel II did not impact significantly the Group's capital adequacy, as the additional capital requirements for operational risk are offset by the reduction of credit risk. In order to address the needs arising from the implementation of the new regulatory framework, a centralised application was successfully developed for calculating the capital adequacy of the Bank and that of the major Group companies.

Under the provisions of Law 3723 on "Strengthening the liquidity of the economy to address the effects of the international financial crisis and other provisions", the Bank proceeded in the beginning of 2009 with the issue of preference shares, a move that further improves its capital adequacy ratios.

For 2008, total capital adequacy ratio stood at 10.1%, with the core capital ratio (Tier I) standing at a particularly satisfactory 8.3% (against a minimum ratio of 4% required by the Bank of Greece). Taking also into account the Euro 940 million in preference shares issued to the Greek State, the core capital ratio increases to 10.2%. Special mention should be made of the very good quality of our capital base, as the amounts included for minority rights and intangible assets are negligible.

Thus, our capital adequacy allows us to cover sufficiently the growth of loans to customers and to deal successfully with the challenges lying ahead.

	Basel II 31.12.2008	Basel I 31.12.2007
Core Capital Ratio (Tier I)	8.3%	9.6%
Capital Adequacy Ratio (Tier I + Tier II)	10.1%	12.5%

Corporate Governance 6

For Alpha Bank, proper and responsible adherence to the principles of Corporate Governance is a fundamental requirement for creating value for its Shareholders and for society at large. The principles of Corporate Governance apply to issues such as the term of office of the members of the Board of Directors, the functioning of the Audit Committee, the Risk Management Committee, and the Management Remuneration Committee, the Internal Audit and Compliance functions, and the functioning of the Executive Committee.

In October 2008 Mr. George C. Aronis was appointed General Manager responsible for supervising the Retail Banking business unit (Domestic Branch Network, Alternative Channels, Insurance Services, Cards, Consumer and Housing Loans, Small Business Financing, Marketing and Public Relations, and Factoring).

Board of Directors

The Ordinary General Meeting of the Shareholders held on 3.4.2008 approved a motion by the Board of Directors to increase the number of Directors from 14 to 15, within the framework of article 18 of the Bank's Articles of Incorporation. The Meeting elected Mrs Ioanna E. Papadopoulou, President and Managing Director of E.J. Papadopoulos S.A. Biscuit and Food Products Industry since 1996, as Non-Executive Director.

In accordance with the international practice on corporate governance, and in order to strengthen the functioning of the Board of Directors and of the Committees under the Board, the Meeting also appointed Messrs M.G. Tanes and G.E. Agouridis Independent Non-Executive Directors.

At its meeting of 29.12.2008, the Board of Directors decided to convoke an Extraordinary General Meeting on 12.1.2009 to deliberate and decide on the participation of the Bank in the Government's plan for strengthening the liquidity of the economy to address the effects of the international financial crisis, in accordance with the provisions of Law 3723/2008.

The Extraordinary General Meeting of the Shareholders approved the change of the maximum number of the Bank's Directors from 15 to 16, and the corresponding amendment of article 7 of the Bank's Articles of Incorporation. The Meeting also approved the election to the Board of Directors of the Hellenic State, duly represented, as additional member, in accordance with Law 3723/2008.

The Board of Directors has been formed into a body with the following composition

CHAIRMAN (Executive Director)
Yannis S. Costopoulos
Born in 1938. Studied Shipbuilding at King's College, University of Durham, UK. Began his career in the Bank in 1963, becoming Managing Director

and General Manager in 1973, Chairman of the Board and General Manager in 1984, Chairman of the Board and Managing Director in 1996, and Executive Chairman as of 23.2.2005.

VICE-CHAIRMAN (Non-Executive Independent Director)
Minas G. Tanes
Born in 1940. Chairman of Ericsson Hellas S.A. Member of the Bank's Board since 2003. Elected non-Executive Vice-Chairman at the meeting of the Board of 27.7.2006.

EXECUTIVE DIRECTORS

MANAGING DIRECTOR
Demetrios P. Mantzounis
Born in 1947. Studied Political Science at the University of Aix-Marseille. Has been with the Bank since 1973, becoming General Manager in 2002. Elected Managing Director on 23.2.2005. Is Vice-Chairman of the Hellenic Bank Association.

EXECUTIVE DIRECTORS AND GENERAL MANAGERS

Marinos S. Yannopoulos
Born in 1953. Studied Economics at Sussex University (MA in Industrial Economics) and Business Administration at the Manchester Business School (MBA). Worked for 15 years abroad with Chase and Exxon (London, New York, Frankfurt, Milan, Rome), and then for 2 years as General Manager of the Ionian Bank. Has been with Alpha Bank since 1994, first as Executive General Manager and as of 23.2.2005 as General Manager and Chief Financial Officer (CFO).

Spyros N. Filaretos
Born in 1958. Studied Economics at Manchester and Sussex Universities. Has been with the Bank since 1985. Was appointed Executive General Manager in 1997, and General Manager on 23.2.2005. Is Chairman of the Executive Committee of the Hellenic Bank Association.

Artemis Ch. Theodoridis
Born in 1959. Studied Economics and holds an MBA from the University of Chicago. Chairman and Managing Director of Alpha Finance, Executive General Manager of the Bank since 2002, and General Manager as of 23.2.2005. Has served as a member of the Board of the Athens Stock Exchange (1996-1999) and a member of the Board of the Central Securities Depository (2000-2002).

NON-EXECUTIVE DIRECTORS

Sofia G. Eleftheroudaki
Born in 1954. Managing Director of the G. C. Eleftheroudakis S.A. Bookstore and Publishing Co. since 1983. Elected to the Bank's Board in 2005.

Paul G. Karakostas
Born in 1945. Chairman and Managing Director of GENKA Investment S.A. Elected to the Bank's Board in 2000. Has served as Chairman of the British Hellenic Chamber of Commerce and the Greek Wine Association.

Nicholaos I. Manessis
Born in 1949. Chairman of the Board and Managing Director of Hellenic Halyvourgia S.A. Elected to the Bank's Board in 2005.

George I. Mergos
Born in 1948. Professor of Economics at the University of Athens. Is the representative of the Hellenic State, appointed under the provisions of Law 3723/2008.

Ioanna E. Papadopoulou
Born in 1952. President and Managing Director of E.J. Papadopoulos S.A. Biscuit and Food Products Industry. Elected to the Bank's Board in 2008.

NON-EXECUTIVE INDEPENDENT DIRECTORS

George E. Agouridis
Born in 1952. Lawyer and Chairman of the Greek Advisory Committee of the "Stavros S. Niarchos" Foundation. Elected to the Bank's Board in 2000.

Pavlos A. Apostolides
Born in 1942. Graduated from the Law School of the University of Athens. Elected to the Bank's Board in 2004. Entered the Diplomatic Service in 1965 and served, inter alia, as Greek Ambassador to Cyprus and Permanent Representative of Greece to the European Union (Brussels). Appointed General Secretary of the Foreign Ministry in 1998, and Director of the National Intelligence Service in 1990, a post he held until his mandatory retirement in November 2004.

Thanos M. Veremis
Born in 1943. Professor of Political Science at the University of Athens since 1987. Elected to the Bank's Board in 2000. Is also a member of the Board of the Greek European and Foreign Policy Foundation since 1988, and has served as its Chairman from 1995 to 2000.

Evangelos J. Kaloussis
Born in 1943. Chairman of NESTLE HELLAS S.A., responsible for Southeastern Europe since 2001. Is also Chairman of the Federation of Hellenic Food Industries (SEVT) since 2006, and a member of the Board of SEVT since 2002. Elected to the Bank's Board in 2007, in replacement of Mr. Panagiotis I. Athanasopoulos.

Ioannis K. Lyras
Born in 1951. Chairman of Paralos Maritime Corporation S.A. Elected to the Bank's Board in 2005. Served as Chairman of the Association of Greek Shipowners from 1997 to 2003. Represents the Association of Greek Shipowners in the Board of the European Community Shipowners' Associations.

SECRETARY

Hector P. Verykios
Born in 1948. Holds a degree in Political Science from the University of Geneva and a Master's degree from Harvard University (USA). Worked in the Information Division of the International Secretariat of NATO in Brussels from 1973 to 1984. Has been with Alpha Bank since 1985. Appointed Secretary of the Bank's Board of Directors in 1990.

Audit Committee

The Audit Committee is composed of the following Non-Executive Directors:

- Paul G. Karakostas, Chairman
- George E. Agouridis
- Evangelos J. Kaloussis

The Group Compliance Officer and the Internal Auditor report to the Audit Committee.

The Audit Committee convened six times during 2008. It is charged with the task of supervising the work of the Group Audit for Domestic Operations, the Group Audit for International Business, the Compliance Division and the Group Internal IT Audit

Divisions. The Committee was informed of the scope and results of the audits conducted by the above Divisions and, in particular, of the efficiency and effectiveness of the Internal Audit System. The Committee was informed of related developments, and monitored the ongoing restructuring of the Internal Audit tools and procedures, which is carried out in order to effectively meet the increasing needs of the Bank and its Group.

The Audit Committee held meetings with the certified auditors of the Bank and the Group, who supplied clarifications on the annual and semi-annual accounting statements in response to questions put to them by Committee members. The Committee also met with the General Manager and Chief Financial Officer, Mr. M.S. Yannopoulos, and with the Group Financial Reporting Officer, Mr. G.N. Kontos, in order to ensure that the procedures for drawing up the accounting statements and financial reports of the Bank are adequate and effective. The certified auditors and the Managers of the Group Audit for Domestic Operations and Group Audit for International Business Divisions assured the Audit Committee that their audits did not reveal any substantial issue that could materially affect the financial statements and smooth operation of the Bank.

In order to ensure the independence of the Committee, its meetings took place without the presence of members of the Management, whenever that was necessary. All members of the Committee attended almost all the meetings, the minutes of which are on record. Members did not disagree on any key issue.

The Committee informed regularly the Board of Directors of the matters it monitors, discusses and takes decisions upon.

The collaboration of the Committee with all Bank individuals and the certified auditors was entirely satisfactory and problem free.

Risk Management Committee

The Committee is composed of the following Directors:

- Minas G. Tanes, Chairman
- Evangelos J. Kaloussis
- Marinos S. Yannopoulos

The Group Risk Management Officer reports to the Risk Management Committee and submits to the Board for approval an effective risk management plan that establishes the conditions for safe development of activities, restricts negative swings in profitability, and contributes to the rational allocation of capital.

The Risk Management Committee convened five times during 2008. The Committee submitted to the Board of Directors its recommendation on the risk underwriting and funds management strategy which corresponded to the business goals of the Bank and the Group and, after the Board's approval, monitored and checked its implementation.

The Risk Management Committee held several meetings with the Certified Auditors of the Bank and the Group, who supplied clarifications on the annual and semi-annual accounting statements in response to questions put to them by Committee members. The Committee also met with the Group Financial Reporting Officer Mr. G.N. Kontos, in order to ensure that the procedures for drawing up the accounting statements and financial reports of the Bank are adequate and effective. The Certified Auditors assured the Risk Management Committee that their audits did not reveal any substantial issue that could materially affect the financial statements and the smooth operation of the Bank.

The Committee assessed the effectiveness and efficiency of the risk management policy and procedures of the Bank and the Group with respect to underwriting, monitoring and management of risk, and with respect to the setting of maximum aggregate risk underwriting limits for each category of risk and the further allocation of each such limit by country, currency, operational unit etc. Finally, the Committee established stop loss limits for loss-generating activities or other corrective actions.

The Committee ensured the communication with the Board of Directors of the Group Risk Management Officer, the Independent Auditors, and the Regulatory Authorities on matters concerning risk management.

During the year, the Committee also held ad hoc meetings and was kept informed of the deterioration in the international economic environment. The Committee took action in response to the prevailing conditions and submitted recommendations on the adoption of measures to deal with the adverse economic situation.

In December 2008, the Operational Risk Management Committee was established. This Committee responsible for approving the operational risk management policy for the Group, and informs accordingly the Risk Management Committee of the Board of Directors.

The Risk Management Committee informed regularly and in writing the Board of Directors of the matters it monitors, discusses and takes decisions upon.

The collaboration of the Committee with all Bank individuals was entirely satisfactory and problem free.

Management Remuneration Committee

The Management Remuneration Committee is composed of the following Non-Executive Directors:

- Pavlos A. Apostolides, Chairman
- Ioannis K. Lyras
- Nicholaos I. Manessis

The Management Remuneration Committee convened once during 2008. The Committee submitted to the Board of Directors its recommendation on the fees, benefits and financial incentives policy for the members of the Executive Committee and, after the Board's approval, monitored and checked their implementation.

The Committee issued an opinion on the level of compensations paid to the Directors and the Committees of the Board of Directors.

The Management Remuneration Committee informed in writing the Board of Directors of the matters it monitored, discussed and took decisions upon.

The collaboration of the Committee with all Bank individuals was entirely satisfactory and problem free.

Executive Committee

The Executive Committee is the supreme executive body of Alpha Bank. Its members are the following:

- Yannis S. Costopoulos, Chairman
- Demetrios P. Mantzounis, Managing Director
- Marinos S. Yannopoulos, General Manager and CFO
- Spyros N. Filaretos, General Manager
- Artemis Ch. Theodoridis, General Manager

- George C. Aronis, Executive General Manager
- Charalambos E. Papanayotou, Executive General Manager
- Christos Ch. Giampanas, Executive General Manager

Auditors

The auditors of the Group's semi-annual and annual financial statements are the following:

Regular Auditors: Marios T. Kyriacou
Nick E. Vouniseas

Deputy Auditors: Charalambos G. Sirounis
Nikolaos Ch. Tsiboukas

They are members of KPMG Kyriacou Certified Auditors S.A.

Internal Audit

With the aim of protecting the Bank's assets and safeguarding the interests of its Shareholders, the Bank operates an Internal Audit system consisting of a range of audit mechanisms and procedures that cover, on an ongoing basis, all of the Bank's activities and contribute to its effective and secure operation.

The audit procedures, which are based on risk assessment, in combination with the new comprehensive IT system for managing internal audit projects, provide sufficient coverage of the administration, execution and evaluation aspects of the audit procedure, and support the generation of Management Information reports at the Group level.

Moreover, in every country abroad there operates an Internal Audit Unit applying common audit methodologies with Greece.

Compliance

The Bank identifies, assesses and manages the risks to which it may be exposed due to its failure to comply with the regulatory framework in force (compliance risk). In this context, the Bank continuously monitors, records, processes and interprets the regulatory framework, follows impending changes and records the deviations in terms of the requirements and obligations for the Bank and for the Group companies, with the aim of assessing their impacts in a timely manner and of safeguarding the interests and the reputation of the Bank.

Major activities in this area during 2008 were the following:

- Emphasis was placed on ensuring adherence to the procedures for prevention of the use of the financial system for the purposes of money laundering and for financing terrorism (Anti-Money Laundering procedures). In order to support systematic monitoring of suspicious transactions, a new IT system was acquired and is already operational. This system, which provides centralised support for AML procedures, is based on multi-criteria risk assessment principles and processes the data available in a manner that allows suspicious and unusual transactions to be identified through the use of objective criteria. Such transactions also include transactions conducted by politically exposed persons and persons listed in the international watch lists of persons suspected of financing terrorism. It should be noted that this IT system is also in operation in Alpha Bank Cyprus and is scheduled for gradual installation in the other Group Companies abroad. Additionally, an AML Officer has been appointed in each of the Bank's Units.

- Continuous monitoring and coordination was undertaken of the activities to ensure full compliance of the Bank and the Group with the requirements imposed by the regulatory framework introduced by the Directive on Markets in Financial Instruments (MiFID). The implementation of MiFID creates new business opportunities, brought about by expanding investment services, easier access to the European market, increased availability of alternative locations for conducting transactions, reduction of trading costs etc. More in particular, the Investors' Guide to the MiFID and the Pre-Contractual Information Document for Investment Services Clients were published. These documents are also available from the Bank's website. Additionally, Rules and Instructions for the provision of investment services and products have been uploaded on the Alpha Bank Intranet.

- Coordination was undertaken of the activities to ensure the Bank's prompt and accurate response to queries by the regulatory authorities, in the framework of addressing the international financial crisis and its impact on the Greek credit institutions.

- Monitoring of the stages involved in the transition to the Single Euro Payments Area (SEPA) and of the Bank's corresponding adjustment was undertaken. The purpose of the SEPA is to create a unified, competitive and innovative market for low-value payments in Europe without cash. In particular, credit transfers, direct debits and payments using cards will be conducted using a single bank account and a uniform cluster of payment means. During 2008, the Bank began making available to the public the SEPA products which it had developed in 2007.

- Steps were also taken to ensure the adaptation of the Bank's operations to the periodic and standing obligations for provision of information to the investing public, and to the procedures for disclosure of major participations, so as to ensure swift and unimpeded dissemination of the relevant information in accordance with specific quality standards.

- Monitoring and coordination of the actions to deal with instances of fraud was undertaken, and relevant instructions were provided to the Branch Network.

- Supervision and effective coordination of the Group companies and the Branches of the Bank located abroad was also undertaken, to ensure that their activities comply with the regulatory framework applicable locally as well as in Greece.

Organisational Chart

Executive Chairman
Yannis S. Costopoulos

Managing Director
Demetrios P. Mantzounis

- Secretariat of the Board of Directors
- Internal Audit
- Compliance
- Legal Services
- Human Resources
- Software Applications and Electronic Data Processing

General Manager
Spyros N. Filaretos

- Private Banking
- Leasing

Executive General Manager
Christos Ch. Giampanas

- International Network
- International Network Planning and Development
- International Retail Banking
- International Corporate Banking

General Manager
George C. Aronis

- Branch Network
- Alternative Channels
- Cards
- Consumer Loans
- Housing Loans
- Small-sized Business Financing
- Asset Gathering
- Marketing and Public Relations
- Bancassurance
- Factoring

General Manager
Artemis Ch. Theodoridis

- Treasury
- Brokerage Services
- Shipping
- Medium-sized Business Financing
- Corporate Banking
- Investment Banking
- Project Finance
- Venture Capital
- Transaction Services

General Manager & CFO
Marinos S. Yannopoulos

- Assets and Liabilities Management (ALCO)
- Asset Management / Mutual Funds
- Financial Services
- Tax issues
- MIS
- Commercial Credit
- Risk Management
- Non-Performing Loans Management
- Planning and Budgeting
- Economic Research
- Corporate Development
- Investor Relations
- Capital Management and Banking Supervision
- Non-core Subsidiaries

Executive General Manager
Charalambos E. Papanayotou

- General Services and Procurement
- Organisation
- Property Management and Security
- Consumer Banking Operations
- Corporate and Investment Banking Operations

Auditor's Report and Financial Statements 7

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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Independent Auditors' Report

(Translated from the original in Greek)

To the Shareholders of
ALPHA BANK A.E.

Report on the Financial Statements

We have audited the accompanying Consolidated Financial Statements of ALPHA BANK A.E. (the "Bank") which comprise the balance sheet as at 31 December 2008, and the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these Consolidated 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 consolidated financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of

the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 Financial Statements give a true and fair view, of the consolidated financial position of the Bank as of 31 December 2008, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Report on other legal and regulatory requirements

We verified that the contents of the Board of Directors' Report are consistent and correspond with the accompanying Financial Statements within the scope set by articles 37 and 107 of C.L. 2190/1920.

Athens, 24 February 2009
KPMG Certified Auditors A.E.

Marios T. Kyriacou	Nick Vouniseas
Certified Auditor Accountant	Certified Auditor Accountant
AM SOEL 11121	AM SOEL 18701

Balance Sheet

(in Euro thousand)	Consolidated		Alpha Bank	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
ASSETS				
Cash and balances with Central Banks	3,450,947	3,263,612	1,724,081	1,650,327
Due from banks	2,829,970	3,509,696	8,420,793	7,349,675
Financial assets at fair value through profit or loss				
- Held for trading	81,135	266,047	86,880	264,788
Derivative financial assets	485,026	383,432	494,386	384,466
Loans and advances to customers	50,704,702	42,072,071	42,189,278	35,267,874
Investment securities				
- Available for sale	752,526	3,156,901	6,033,897	6,300,377
- Held to maturity	4,488,709	–	4,488,709	–
Investments in subsidiaries, associates and joint ventures	–	–	1,750,902	1,626,100
Investments in associates	59,260	5,320	–	–
Investment property	66,875	73,560	42,195	42,370
Property, plant and equipment	1,254,240	1,173,275	649,452	603,831
Goodwill and other intangible assets	159,961	134,497	68,723	55,836
Deferred tax assets	333,499	170,257	316,069	158,160
Other assets	549,299	385,676	419,526	280,626
	65,216,149	54,594,344	66,684,891	53,984,430
Non-current assets held for sale	53,805	89,945	53,283	54,706
Total Assets	**65,269,954**	**54,684,289**	**66,738,174**	**54,039,136**
LIABILITIES				
Due to banks	8,963,796	4,437,736	10,883,969	5,637,562
Derivative financial liabilities	805,346	384,139	804,172	383,129
Due to customers	–	–	33,816,094	23,334,888
(including debt securities in issue)	42,546,777	34,665,158	–	–
Debt securities in issue held by institutional investors and other borrowed funds	7,241,185	9,189,297	17,395,646	20,521,976
Liabilities for current income tax and other taxes	128,062	158,797	97,855	127,863
Deferred tax liabilities	197,779	94,807	158,212	82,960
Employee defined benefit obligations	42,762	42,019	–	3,733
Other liabilities	1,350,287	1,323,554	1,204,462	1,159,012
Provisions	53,263	95,935	8,415	47,796
	61,329,257	50,391,442	64,368,825	51,298,919
Liabilities related to non-current assets held for sale	–	1,583	–	–
Total Liabilities (a)	**61,329,257**	**50,393,025**	**64,368,825**	**51,298,919**
EQUITY				
Share Capital	1,931,590	1,602,809	1,931,590	1,602,809
Share premium	–	184,033	–	184,033
Reserves	188,404	445,662	165,848	333,892
Retained earnings	969,815	1,138,195	340,896	619,483
Treasury shares	(68,985)	(188)	(68,985)	–
Equity attributable to equity holders of the Bank	3,020,824	3,370,511	2,369,349	2,740,217
Minority interes	32,567	32,859	–	–
Hybrid securities	887,306	887,894	–	–
Total Equity (b)	**3,940,697**	**4,291,264**	**2,369,349**	**2,740,217**
Total Liabilities and Equity (a) + (b)	**65,269,954**	**54,684,289**	**66,738,174**	**54,039,136**

Income Statement

(in Euro thousand)	Consolidated		Alpha Bank	
	From 1 January to		From 1 January to	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Interest and similar income	4,406,935	3,406,725	4,118,961	3,106,845
Interest expense and similar charges	(2,608,333)	(1,801,472)	(2,768,455)	(1,879,187)
Net interest income	1,798,602	1,605,253	1,350,506	1,227,658
Fee and commission income	505,039	507,651	346,494	349,399
Commission expense	(40,625)	(43,061)	(29,418)	(27,480)
Net fee and commission income	464,414	464,590	317,076	321,919
Dividend income	2,591	2,254	74,937	45,462
Gains less losses from financial transactions	(6,848)	82,542	(20,584)	(42,833)
Other income	79,944	81,432	21,138	34,878
	75,687	166,228	75,491	37,507
Total income	**2,338,703**	**2,236,071**	**1,743,073**	**1,587,084**
Staff costs	(589,488)	(526,935)	(429,213)	(386,694)
General administrative expenses	(495,623)	(416,253)	(362,411)	(338,490)
Depreciation and amortization expenses	(88,949)	(78,254)	(57,592)	(51,186)
Other expenses	(4,256)	(3,903)	(3,072)	(2,486)
Total expenses	**(1,178,316)**	**(1,025,345)**	**(852,288)**	**(778,856)**
Impairment losses and provisions for credit risk	(541,751)	(226,683)	(495,382)	(194,587)
Share of profit / (loss) of associates	6,997	1,220	–	–
	(534,754)	(225,463)	(495,382)	(194,587)
Profit before income tax	**625,633**	**985,263**	**395,403**	**613,641**
Income tax	(112,186)	(214,565)	(61,165)	(156,635)
Profit after tax from continuing operations	**513,447**	**770,698**	**334,238**	**457,006**
Profit after tax from discontinued operations	–	80,388	–	–
Profit after income tax	**513,447**	**851,086**	**334,238**	**457,006**
Profit attributable to:				
Equity holders of the Bank	**512,067**	**850,035**	–	–
Minority interest	1,380	1,051	–	–
Earnings per share:				
From continuing and discontinued operations				
Basic (€ per share)	1.26	2.10	–	–
Diluted (€ per share)	1.26	2.09	–	–
From continuing operations				
Basic (€ per share)	1.26	1.90	0.82	1.13
Diluted (€ per share)	1.26	1.89	0.82	1.12
Proposed dividend for the year 2008 (€ per share)				
Dividend for the year 2007 (€ per share)				0.90

Statement of Changes in Equity

(in Euro thousand)	Consolidated From 1 January to 31.12.2008	Consolidated From 1 January to 31.12.2007	Alpha Bank From 1 January to 31.12.2008	Alpha Bank From 1 January to 31.12.2007
Equity at the beginning of the fiscal year (1.1.2008 and 1.1.2007 respectively)	**4,291,264**	**3,613,667**	**2,740,217**	**2,435,836**
Net income for the fiscal year after income tax	513,447	851,086	334,238	457,006
	4,804,711	4,464,753	3,074,455	2,892,842
Share capital increase	–	61,605	–	61,605
Expenses for share capital increase	(2,204)	–	(2,204)	–
Change of ownership interests in subsidiaries	(6,410)	(15,008)	–	–
Dividends distributed	(362,731)	(305,498)	(362,199)	(304,421)
Dividends paid to hybrid securities holders	(58,575)	(52,996)	–	–
Purchases / sales of treasury shares and hybrid securities	(127,174)	54,508	(123,276)	11,466
Other	(1,998)	(609)	(3,153)	(104)
Equity at the end of the fiscal year (31.12.2008 and 31.12.2007 respectively)	**3,940,697**	**4,291,264**	**2,369,349**	**2,740,217**

Cash Flow Statement

(in Euro thousand)	Consolidated From 1 January to 31.12.2008	Consolidated From 1 January to 31.12.2007	Alpha Bank From 1 January to 31.12.2008	Alpha Bank From 1 January to 31.12.2007
Net cash flows from continuing operating activities (a)	2,888,383	(5,104,982)	5,772,620	(1,320,595)
Net cash flows from continuing investing activities (b)	(2,728,334)	4,270,234	(4,629,371)	1,081,217
Net cash flows from continuing financing activities (c)	(855,188)	(109,819)	(962,292)	(12,601)
Net increase / (decrease) in cash and cash equivalents of the period (a) + (b) + (c)	(695,139)	(944,567)	180,957	(251,979)
Effect of exchange rate fluctuations on cash and cash equivalents	(83,256)	67	1,239	500
Total cash flows from continuing activities for the period	**(778,395)**	**(944,500)**	**182,196**	**(251,479)**
Net cash flows from discontinued financing activities	–	160,700	–	–
Cash and cash equivalents at the beginning of the fiscal year	**3,792,031**	**4,575,831**	**4,356,928**	**4,608,407**
Cash and cash equivalents at the end of the fiscal year	**3,013,636**	**3,792,031**	**4,539,124**	**4,356,928**

Additional Data And Information

1. Companies included in the consolidated financial statements, other than "Alpha Bank", the Group’s participation in them as at 31.12.2008, as well as the method of consolidation which was applied, is presented in note 40 of the Group Financial Statements as at 31.12.2008.

2. During the period 1.1.2008 until 31.12.2008 the following changes took place in the companies included in the consolidated financial statements:

a. Concerning companies which are fully consolidated:

- New companies: The company Astra Bank OJSC which was acquired by the Bank and the subsidiary Alpha Ventures Capital B66 established by Alpha Ventures A.E. were consolidated for the first time on 30.6.2008.
  The company Alpha Covered Bonds Plc, founded by the Bank and ABL Holdings Jersey Ltd, established in Jersey by Alpha Bank London Ltd, were consolidated for the first time on 30.9.2008. The company Katanalotika Plc. was consolidated for the first time on 31.12.2008.
- Transfer within the Group: On 29.9.2008 Alpha Bank London Ltd transferred its participation in Alpha Asset Finance C.I. Ltd to ABL Holdings Jersey Ltd. On 19.12.2008 Alpha Bank transferred its participation in Alpha Astika Akinita A.E. and in Ionian Hotel Enterprises A.E. to its 100% subsidiary Alpha Group Investments Ltd.
- Renamed companies: Alpha Finance A.X.E.P.E.Y was renamed to Alpha Finance A.E.P.E.Y. on 11.2.2008.
- Sales/Liquidations: On 28.3.2008, the subsidiary Ionian Hotel Enterprises A.E. completed the transfer of 100% of Tourist Resorts A.E., owner of Hilton Rhodes Resort to the Greek Hotel Company Lampsa S.A. and to Plaka S.A. by 50% respectively. On 31.3.2008 the subsidiary AEF European Capital Investments B.V. was liquidated.

b. Concerning companies consolidated under the proportionate method:

- New companies: The company Alpha - TANEO A.K.E.S., in which the Bank holds a 51% ownership interest was consolidated for the first time on 30.6.2008.
- Sales: On 15.8.2008 the Bank sold its participation in "Anadolu Alpha Gayrimenkul Ticaret A.S.", or 50% of the share capital, to the other shareholder of Anadolu Group.

c. Concerning companies accounted for under the equity method:

- New companies: On 21.5.2008, the Group recognized its participation to the associate EL.P.ET. Balkaniki S.A.

3. In the consolidated financial statements are not included the companies Commercial Bank of London Ltd and Real Car Rental A.E., which do not have any activity, as well as the companies Singular Hospitality Solutions (SHS AE), HSO Europe BV and Prismatech Hellas A.E., which are fully impaired and are under liquidation.

4. A description of the discontinued operations is presented in note 11 of the Group Financial Statements as at 31.12.2008.

5. The net income recognized directly in equity is extensively referred at the "Statement of changes in equity", as described above.

6. The unaudited tax years of the Bank and the Group companies are mentioned in notes 37b and 39b of the Financial Statements as at 31.12.2008 of the Bank and the Group respectively.

7. There are no pending legal cases or issues in progress, which may have a material impact on the financial statements of the Group and the Bank. The Group has raised a provision for them which amounts to € 4.2 million. Other provisions raised by the Group and the Bank amount to € 49.1 million and € 8.4 million respectively.

8. The number of treasury shares held by the Bank as at 31.12.2008 is 5,683,358 at a cost of € 68,985 thousand. The other companies of the Group do not hold any treasury shares.

9. The total number of employees of the Group as at 31.12.2008 was 15,619 (31.12.2007: 12,907) and of the Bank as at 31.12.2008 was 8,903 (31.12.2007: 7,693).

10. The results arising from the related party transactions during the period 1.1.2008 until 31.12.2008 are as follows:

- With members of the Board of Directors and other key management personnel:
  a) of the Group: income € 10,295 thousand, expenses € 16,963 thousand
  b) of the Bank: income € 10,142 thousand, expenses € 7,722 thousand.

- With other related parties:
  a) of the Group: income € 16 thousand, expenses € 3,175 thousand
  b) of the Bank: income € 712,141 thousand, expenses € 1,112,376 thousand.

The balances as at 31.12.2008 of the receivables and liabilities arising from the above transactions are as follows:

- With members of the Board of Directors and other key management personnel:
  a) of the Group: receivables € 172,472 thousand, liabilities € 94,087 thousand, letters of guarantee € 21,392 thousand
  b) of the Bank: receivables € 166,137 thousand, liabilities € 71,915 thousand, letters of guarantee € 21,392 thousand.
- With other related parties:
  a) of the Group: liabilities € 406 thousand
  b) of the Bank: receivables € 13,315,703 thousand, liabilities € 19,715,216 thousand, letters of guarantee € 1,010,387 thousand.

11 .The Board of Directors, at its meeting held on 16.12.2008, decided the Bank's participation in the regulations of Law 3723/2008 enhancing economy's liquidity.

12. The Board of Directors' intention was to propose a cash dividend for the year 2008, as per the provisions of Law 3723/2008. However, in light of the forthcoming legislative amendments regarding the distribution of dividend, the Board of Directors will suspend any decision on the distribution of dividend until the Annual General Meeting of Shareholders, by which time it expects to be in a position to formulate its final proposal.

Athens, 24 February 2009

THE CHAIRMAN OF THE BOARD OF DIRECTORS	THE MANAGING DIRECTOR	THE EXECUTIVE DIRECTOR	GROUP FINANCIAL REPORTING OFFICER
YANNIS S. COSTOPOULOS	DEMETRIOS P. MANTZOUNIS	MARINOS S. YANNOPOULOS	GEORGE N. KONTOS

Business Units and Geographical Sector Analysis 8

Analysis by Sector

(in Euro million)	1.1 - 31.12.2008						
	Retail	Corporate Banking	Asset Management/ Insurance	Investment Banking/ Treasury	South-Eastern Europe	Other	Group
Net interest income	1,093.8	322.9	15.3	21.8	342.6	2.2	1,798.6
Net fee and commission income	185.9	86.0	65.3	43.2	85.7	(1.7)	464.4
Other income	14.2	12.0	1.6	(15.4)	68.9	1.4	82.7
Total income	**1,293.9**	**420.9**	**82.2**	**49.6**	**497.2**	**1.9**	**2,345.7**
Total expenses	**(595.3)**	**(129.9)**	**(51.2)**	**(40.7)**	**(295.7)**	**(65.5)**	**(1,178.3)**
Impairment losses	(278.9)	(172.6)	(0.3)	(0.1)	(89.9)		(541.8)
Profit before tax	**419.7**	**118.4**	**30.7**	**8.8**	**111.6**	**(63.6)**	**625.6**
Assets	23,605.0	19,925.4	1,800.4	8,722.7	10,532.6	683.9	65,270.0
Liabilities	34,267.3	2,898.1	1,935.3	13,825.5	6,880.7	1,522.4	61,329.3
Capital expenditures	80.8	30.1	2.1	6.7	85.3	5.2	210.2
Depreciation and amortization	37.3	10.4	2.0	1.8	23.4	14.0	88.9

(in Euro million)	1.1 - 31.12.2007								
	Retail	Corporate Banking	Asset Management/ insurance	Investment Banking/ Treasury	South-Eastern Europe	Other	Group	Dis-continued operation	Group (continuing operation)
Net interest income	993.6	308.4	18.7	36.9	231.7	16.9	1,606.2	0.9	1,605.3
Net fee and commission income	166.0	91.5	89.6	50.6	69.2	(2.0)	464.9	0.4	464.5
Other income	18.6	5.5	13.3	28.7	44.9	140.2	251.2	83.7	167.5
Total income	**1,178.2**	**405.4**	**121.6**	**116.2**	**345.8**	**155.1**	**2,322.3**	**85.0**	**2,237.3**
Total expenses	**(554.0)**	**(110.3)**	**(63.8)**	**(38.1)**	**(201.3)**	**(62.0)**	**(1,029.5)**	**(4.2)**	**(1,025.3)**
Impairment losses	(115.7)	(84.0)		1.0	(27.4)	(0.6)	(226.7)		(226.7)
Profit before tax	**508.5**	**211.1**	**57.8**	**79.1**	**117.1**	**92.5**	**1,066.1**	**80.8**	**985.3**
Assets	19,877.5	17,455.1	2,284.6	7,423.5	7,104.0	539.6	54,684.3		54,684.3
Liabilities	28,430.3	2,552.0	1,818.8	9,626.2	6,198.8	1,766.9	50,393.0		50,393.0
Capital expenditures	72.7	41.9	2.0	2.0	55.2	9.2	183.0		183.0
Depreciation and amortization	35.9	8.6	2.3	1.2	19.8	10.7	78.5	0.2	78.3

Analysis by Geographical Sector

(in Euro million)	1.1 - 31.12.2008		
	Greece	Other countries	Group
Net interest income	1,437.5	361.1	1,798.6
Net fee and commission income	375.4	89.0	464.4
Other income	11.5	71.2	82.7
Total income	**1,824.4**	**521.3**	**2,345.7**
Total expenses	**(869.1)**	**(309.2)**	**(1,178.3)**
Impairment	(402.0)	(139.8)	(541.8)
Profit before tax	**553.3**	**72.3**	**625.6**
Assets	51,234.4	14,035.6	65,270.0

(in Euro million)	1.1 - 31.12.2007				
	Greece	Other countries	Group	Discontinued operation	Group (continuing operation)
Net interest income	1,359.8	246.4	1,606.2	0.9	1,605.3
Net fee and commission income	393.5	71.4	464.9	0.4	464.5
Other income	203.4	47.8	251.2	83.7	167.5
Total income	**1,956.7**	**365.6**	**2,322.3**	**85.0**	**2,237.3**
Total expenses	**(816.1)**	**(213.4)**	**(1,029.5)**	**(4.2)**	**(1,025.3)**
Impairment	(199.3)	(27.4)	(226.7)	0.0	(226.7)
Profit before tax	**941.3**	**124.8**	**1,066.1**	**80.8**	**985.3**
Assets	45,524.2	9,160.1	54,684.3		54,684.3

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