

VALUE INVEST

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IN COOPERATION WITH
DYNAMIC SECURITIES

Greek Economy & Equities Quarterly Review

Financial Instruments according to the IFRS, the Case of
Banking Sector in Greece.

What next in Investor Relations and Financial
Communication?

Constantine Kalentis Interview

Reengineering Internal Audit and Compliance Functions
within Greek Banks

The Great Unraveling of Leverage

DEFLATION, REAL COST OF DEBT & VALUATIONS
How to adjust DCF models

ACTIVE & SPORTS TOURISM

Global Energy Sector & Valuation of a RES Project in Greece

Winston Churchill: *"...I would like to see finance less proud
and industry more content..."* Thoughts & Views on
the Memorable Quote by the English Politician



A close-up, artistic photograph of a bull's head, focusing on the eye and the curved horn. The image is in a warm, golden-brown color palette with a painterly texture.

***do you
really have
the bull
under
control?***



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Every stone has a history and a value



appreciate it

Valuation & **R**esearch
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Recession versus Change and Expenses versus Constructive Tools

Most people refer to a “recession” or sudden liquidity issues. We understand this issue as a “transformation”. The distinction can be found at the heart of two policies applied by a corporate entity, which may seem comparable at first but are essentially very diverse. One entails certainty, whereas the other is based on uncertainty. Namely:

- The implemented strategy towards the anticipated future and
- The risk management of the unforeseeable one.

For an entrepreneur to successfully carry out both tasks he/she needs to either be lucky or to systematically analyze and evaluate the corporate entity in relation to the business environment. In the second case, the business environment itself also has to be analyzed and evaluated, together with a feasibility study of a plethora of alternative scenarios.

The first strategy needs not even a coin, the latter needs expertise.

Professional financial analysis, valuations and feasibility studies may be considered as one more expense item of the P&L accounts. Whoever follows this principle does not have anything to worry about since he / she might also have nothing left through the current economic crisis. Others might perceive the real essence of such specialized techniques, namely the fact that they constitute a vital tool for understanding the current situation as well as a perceptive approach of what lies ahead.

Valuation & Research Specialists, in order to continuously develop their expertise in the aforementioned fields, have extended their Academia links and enriched the amplitude of undertaken projects. Furthermore, irrespectively of the continuous relation with our clients, we offer the current issue as food for thought on topical issues of this turbulent era.

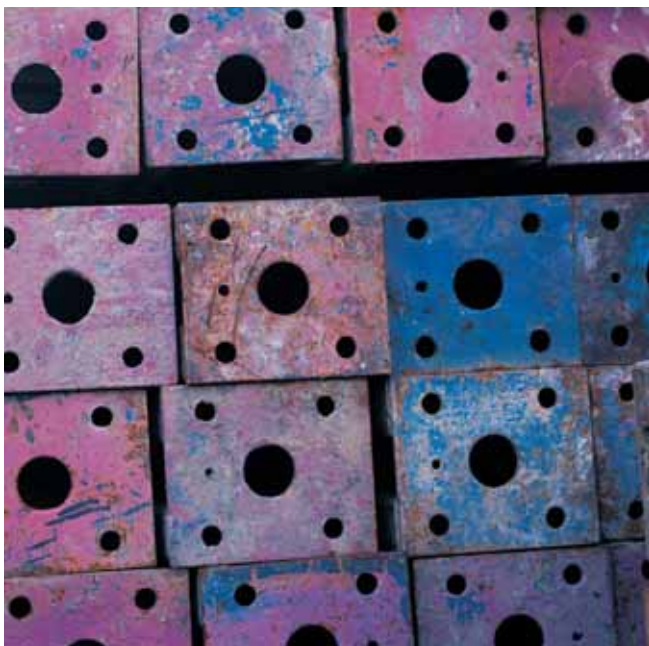
Nicholas I. Georgiadis
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Value Invest magazine



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Greek Economy & Equities Quarterly Review, January 2009

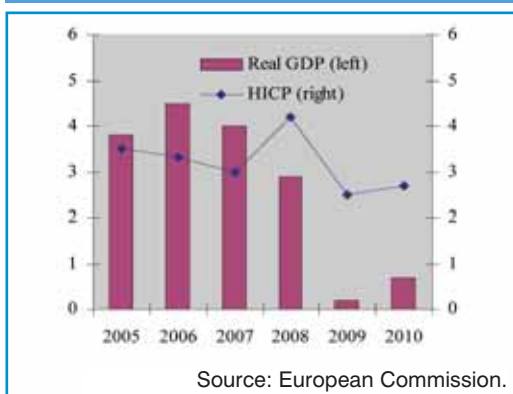
The Greek Economy

Greece's external economic environment has dramatically worsened in 2008 Q4. Conditions in the financial markets deteriorated fast in the last months of the year, reinforcing the global economic downturn. Money, interbank and credit markets became dislocated amid a collapse of confidence among market participants, related largely to increasing uncertainty about the ultimate size of credit losses. A systemic meltdown was avoided thanks to massive liquidity injections by several key central banks and significant rescue packages introduced by national authorities. As a result, several stress indicators have visibly eased recently. However, the overall situation in the financial markets remains far from normal.

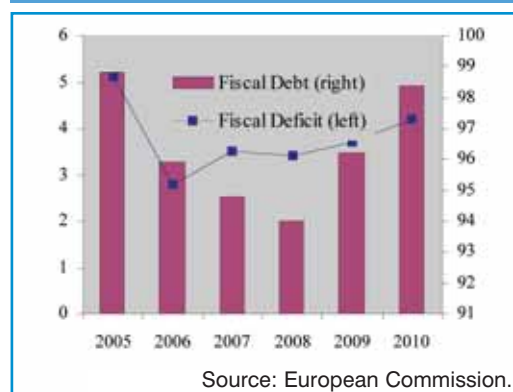


Evidence is mounting that the risk of an adverse feedback loop between the financial and the real sector is now materialising, as the rapidly deteriorating conditions on the real side affect financial institutions.

Greece: Real GDP growth and inflation
(annual percentage change)



Greece: Fiscal deficit and debt
(as percent of GDP)



In the context of the above, economic activity in Greece has started to be affected by the international economic crisis. Real GDP growth decelerated, especially in the second half of 2008 and is expected to round up at 2.9% for the year as a whole, due to weakened domestic demand and lower exports of services, especially shipping. Looking ahead, economic growth will significantly decelerate to 0.2% in 2009, albeit remaining in positive territory and above the average of the euro area, which has already entered into recession (2009: -1.9%). Except for government consumption and public investment, which are expected to provide considerable support for the economy, all other demand components are forecasted to put a drag on GDP growth. In particular, private investments are expected to show a severe decline, while private consumption will also fall, as a result of tightening credit conditions and low expectations for future economic growth. The volume of exports, as well as tourism and transportation services, are foreseen to contract, as foreign incomes and demand shrinks, implying a neutral contribution to GDP growth from net exports. Headline inflation is expected to decrease from 4.2% in 2008 to 2.5% in 2009, as a result of the continuing correction in oil and other commodity prices, amid the worsening global growth outlook. However, wages and unit labour costs should continue to grow at a relatively high rate, implying a significant deterioration in profits. Greek CPI reached 2.2% y-o-y in

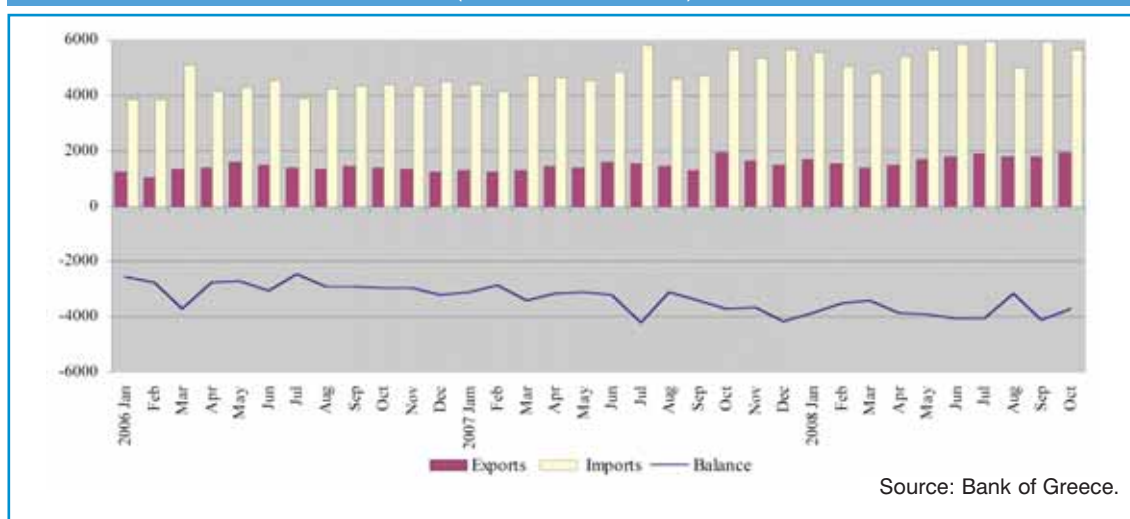
December 2008, compared to 3.9% y-o-y in the respective period last year. Employment is expected to fall by 0.1% in 2009 with a slight turnaround in sight, reflecting the usual lag of employment to changes in GDP growth. As a result, the continuous decline in unemployment in recent years is expected to halt with the unemployment rate increasing to 9% in 2009 from 8.3% in 2008.

Public finances are also being hit by the slowdown. This follows from the reversal of past revenue windfalls, a generally less tax-rich composition of growth, as well as the impact of significant discretionary measures adopted on top of automatic stabilisers. After staying above 3% of GDP also in 2008, the deficit is projected to reach 3.7% of GDP in 2009 and 4.2% of GDP in 2010, on account of a less favourable economic growth scenario. Still, the forecasted fiscal deficit for Greece is expected to be below the respective euro-area average. The debt-to-GDP ratio, though, remains worryingly high and is projected to start increasing again reaching 96.2% of GDP in 2008 and 98.4% of GDP in 2010, intensified also by the widening of the spreads between Greek sovereign bonds and the respective benchmark German ones, increasing significantly the cost of financing. The downgrade of Greece's sovereign rating by S&P's has put further pressure on bond spreads that have been widening recently. The updated Stability and Growth Programme is expected by the end of January 2009. On 13.1.2009 the government auctioned T-bills worth ?2

bn, as part of plans to borrow some ?45 bn for the year as a whole. About half of this amount will go toward refinancing expiring bonds. The Commission, in order to prevent a downward spiral, presented 'a European Economic Recovery Plan' in November 2008, amounting to a budgetary stimulus of ?200 billion (1.5% of EU GDP). In the same vein, Greece has adopted a ?28 bn bill to enhance liquidity in the economy and support the banks.

In the external sector, the current account deficit is expected to only slightly improve from 13.4% of GDP in 2008 to 12.8% of GDP in 2009, as imports should decelerate in line with falling domestic demand. At the same time, the deteriorating economic outlook in the euro-area and south-eastern Europe, in conjunction with rising unit labour costs above the euro area average that worsen international competitiveness, will have a negative impact on exports of goods in 2009.

Greece: Trade Balance
(in million euros)



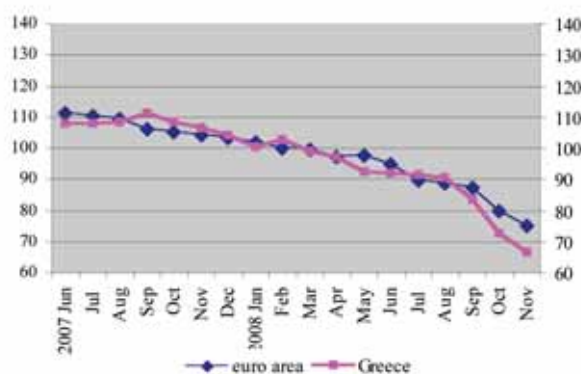
Recent BoG data indicate that in January-October 2008, the current account deficit widened by ?4.357 bn over the same period of 2007 and reached ?28.4 bn, mainly due to the trade deficit and, secondarily, the income account deficit, which were only partly offset by a rise in the surpluses of the services balance and the current transfers balance. Export receipts grew by ?1.687 bn or 16.8%, while the corresponding import bill

rose by ?2.686 bn or 8.3%. The surplus of the services balance expanded, mostly reflecting higher net transport receipts. In the same period, direct investment showed a net inflow of ?898 mln, while portfolio investment recorded a net inflow of ?17 bn. Specifically, the inflows due to non-residents' purchases of Greek government bonds and Treasury bills (of ?20.2 bn) more than offset outflows due to residents' purchases of foreign

bonds and Treasury bills (worth ?2 bn) and non-residents' sales of shares of Greek firms (worth ?2.8 bn). Looking at the most recent conjunctural indicators, the turnover in retail trade increased to 3.7% y-o-y at current prices in October 2008 from 4.2% y-o-y in October 2007 (mainly due to food products), while the volume of retail trade (i.e. turnover in retail trade at constant prices) fell by 0.4% in the respective period compared to 1.4% in October 2007. Manufacturing production fell by 2.8% y-o-y in January-November 2008 against a

2.2% increase in the respective period last year, due mainly to the fall of production of intermediary goods and consumer durables. The economic sentiment indicator has shown further signs of deterioration to 66.7 in November 2008, the lowest since 2003, in line with the international developments and recent social unrest and episodes in Greece. The volume of residential construction activity (as measured by building permits) registered a significant decrease of 15.7% y-o-y in January-October 2008, reflecting weak household investment.

Economic sentiment indicator (2000=100)
in Greece and euro area



Source: NSSG.

Total credit expansion continued to grow at double-digit rates in Q3 2008 (17.9%), at an accelerating pace, surprisingly enough given the current global financial crisis. In October 2008 total credit expanded at 18%, slightly accelerated compared to the previous month but significantly accelerated compared to previous year (October 2007: 13.2%). The credit supplied to the general government

increased to 8.8% in October 2008 from -17.5% in October 2007. Meanwhile, credit growth to enterprises and households continued to decelerate in October 2008 to 19.7% from 21.7% a year earlier. Housing loans growth continued to cool down to 13.7% y-o-y in October from 24.0% a year earlier, in line with weakened construction activity, affecting overall GDP growth.

Main economic indicators Greece
(annual % change, unless otherwise stated)

	2006	2007	2008	2009
GDP at constant prices	4.5	4.0	2.9	0.2
Private Consumption	4.8	3.0	2.4	0.7
Public Consumption	0.0	7.7	2.8	2.4
Gross fixed capital formation	9.2	4.9	-0.5	-2.8
Exports (goods and services)	10.9	3.1	3.7	-1.5
Imports (goods and services)	9.7	6.7	-0.2	-0.9
Contribution to GDP growth (%):				
Domestic demand	5.5	4.6	2.1	0.3
Stockbuilding	-0.3	1.0	-0.1	0.0
Foreign balance	-0.6	-1.5	1.0	0.0
Employment	2.1	1.3	0.8	-0.1
Unemployment rate	8.9	8.3	8.3	9.0
Real unit labour costs	-4.4	3.3	1.1	3.2
HICP	3.3	3.0	4.2	2.5
Current Account Balance (as % of GDP)	-11.4	-14.0	-13.4	-12.8
General Government Balance (as % of GDP)	-2.8	-3.5	-3.4	-3.7
General Government Gross Debt	95.9	94.8	94.0	96.2
Real effective exchange rate (ULCM)	0.5	5.0	2.5	-
Real effective exchange rate (CPI)	1.0	1.9	2.8	-

Source: European Commission, Interim Forecasts, January 2009 and DG ECFIN and Bank of Greece.

Note on Southeastern Europe (Bulgaria, Romania, Albania, FYROM, Serbia, Montenegro) and Mediterranean countries (Turkey, Egypt)

Bulgaria:

Economic activity in the first three quarters of 2008 remained robust and resilient to the deterioration in the global economic environment. Real GDP growth, driven so far by buoyant private consumption and very strong investment, is expected to substantially slow from 6.4% in 2008 to 1.8% in 2009, as weaker external demand and tighter credit conditions take their toll on exports and domestic demand, respectively. The projected considerable deceleration in wage and employment growth, coupled with more moderate credit expansion (from current 50% levels y-o-y) will slow private consumption. Growing risk aversion amongst foreign investors, financing constraints and lower returns have started to affect FDI and investment growth, most noticeably in the construction sector. As imports are expected to fall, the trade deficit should narrow, albeit gradually, bringing the current account deficit down to below 20% of GDP. With global commodity prices falling and nominal wages growing at a slower pace, consumer inflation could decline to below 6% in 2009. Unemployment is expected to slightly rise from 6% in 2008 to 6.3% in 2009. Bulgaria starts from a strong position to deal with the challenges ahead. The public finances are in good shape, with one of the highest

fiscal surpluses in Europe, while the Central Bank has accumulated large foreign reserves. The general government surplus is projected at around 2% of GDP in 2009, below the official target of 3% of GDP, reflecting, however, a less favorable growth scenario and a less tax-intensive composition of growth. The public debt should continue to decline to around 12% of GDP in 2009. Maintaining fiscal surpluses will require a significant slowing of expenditure growth, albeit the election cycle. In this setting, a key task for policy-makers is to maintain confidence in the currency board and in the financial system, also because of the high foreign exchange-denominated leverage of the private sector. Problems regarding the disbursement of EU funds underscore the need to further upgrade control systems. As regards structural areas, completing education reform and advancing health reform, raising public sector efficiency, and improving the business climate remain essential for accelerating convergence.

Romania:

Trade, financial and confidence spillovers related to the international financial crisis are expected to lead to a fast reduction of both export and domestic demand in 2009 and 2010. The current crisis also entails the risk

of a sudden reassessment of Romania's twin deficits by international investors, lowering thus capital inflows. Associated higher exchange rate volatility would also affect the private sector, which heavily relies on foreign exchange-denominated credits. From an estimated overheating rate of 7.8% in 2008, GDP growth is projected to decelerate sharply to 1.8% in 2009 and only slightly rebound in 2010 to just below 2.5%. The domestic demand boom, which has been the main engine of growth over the past five years, is expected to ease significantly on the back of a sharp reduction of credit growth, induced by monetary policy and the general global financial situation (partly also due to decreasing parent bank financing in a predominantly foreign-owned banking sector). The sharpest decline is expected in investment (both construction and equipment), which is projected to drop from 18% in 2008 to roughly 1.5% in 2009. Export and import growth are also expected to decelerate, gradually reducing the current account deficit to around 12% of GDP in 2009. Consumer and investor confidence have weakened and labor market conditions have started to worsen. Unemployment is expected to slightly pick up to 7% in 2009. Inflation is expected to ease somewhat to 5.7% in 2009, as supply and demand pressures become less strong. In 2009, the general government deficit is set to increase to 7.5% of

GDP from an already high deficit of around 5% of GDP in 2008, related to developments in pensions, increases of public sector wages and various tax changes. The fiscal debt is expected to almost double in the following years reaching 26% of GDP by 2010, due to rising deficits and rapidly increasing yields, partly because of the sovereign rating downgrade of Romania by two out of three main rating agencies. Parliamentary elections took place in November 2008, bringing about a government coalition between two politically opposite wings. Judicial reform needs to be put forward; otherwise restrictions could be imposed on access to EU funds, as was the case of Bulgaria.

Albania:

The impact of the global financial crisis on the Albanian economy remained limited, as domestic and external demand as well as net capital inflows remained relatively strong. Being one of the least integrated economies in South-eastern Europe, economic growth is forecasted at around 6% in 2008 and 4% in 2009. Private consumption is expected to ease, as domestic credit expansion continues to moderate and weaker foreign demand affects exports. The growth outlook remains subject to developments in the energy sector, but early indications (strong seasonal rainfall) bode well, both for the energy sector and the overall economy. Remittances



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developing ideas
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continued to decline, increasing the current account deficit close to 15% of GDP in 2008. Inflation, which has been heavily influenced by the combination of the domestic energy crisis and global rise in energy prices, averaged 3.7% in 2008, but is expected to ease to 2.2% in 2009, on the back of lower commodity prices. In the banking sector, the increased threat of a global liquidity crunch could lead some foreign banks to scale back their lending in the country, a risk that urged the Bank of Albania to adopt regulations limiting the banks' exposure to their foreign parent companies to 10% of regulatory capital and to tighten capital requirements for lending in foreign currency. The 2009 budget is still expansionary, despite projecting a reduction of the deficit to 4.2% of GDP. The next parliamentary elections are scheduled for mid-2009. The government's main policy goals are the fight of corruption, the electoral and judicial reform, the improvement of the business environment and the reform of public administration. Some progress has already been made. In the World Bank's report 'Doing Business 2009', Albania ranked among one of the best performers in South-eastern Europe, improving its ranking to 85 up from 135 last year. Albania continues to have the lowest GDP per inhabitant of all 37 countries covered by Eurostat.

FYROM:

So far the financial sector has

remained relatively immune from direct effects of the global financial crisis. Although, profitability has remained solid, credit conditions have deteriorated, which resulted in slower credit expansion. In the meantime, the real economy has shown signs of deceleration, urging the authorities to present in November measures to alleviate the impact of the global crisis. Real GDP growth is expected to slow down to 4.6% in 2009 from 5.5% in 2008, as the more difficult export environment and lower capital inflows will affect investment and private consumption. However, recent progress in structural reforms should help to sustain a domestic-driven growth momentum, benefiting from increased employment, consumer confidence and workers remittances. Consumer inflation is expected to fall to 3.5% in 2009 from 8.3% in 2008, as a result of cooling energy and food prices. Increased prices for imported energy, surging imports of capital goods, and a fall in prices and external demand for exported metals will contribute to a rapid deterioration of the current account deficit to 10% of GDP in 2009, increasing the economy's vulnerability and making fiscal discipline even more important. The country's sovereign credit downgrading has led to worsening external liquidity indicators and falling levels of international reserves. Unemployment is expected to remain high above 30% and the budget deficit to widen further. The government has recently increased its

medium-term deficit targets significantly, aiming for a deficit of up to 4% of GDP by 2011, in order to accommodate the country's large infrastructure investment needs. The EU issued a negative assessment in its November 2008 progress report that FYROM was currently not meeting the EU's political criteria.

Serbia:

The Serbian economy is increasingly being affected by the continuing global economic and financial crisis. While the banking sector's capital and liquidity buffers are substantial and should help weather the financial headwinds, strong policies will be important to maintain investor and market confidence. Refinancing lines from foreign parent banks have become more expensive, cross-border corporate lending has declined and trade financing has become more difficult. This credit growth slowdown towards the private sector is expected to continue in 2009. Real GDP growth is expected to decelerate by almost half to 3% in 2009, undermined by weaker global and domestic demand. The government introduced a stimulus package of EUR 1.2 bn to address the consequences of the deepening crisis. The fall of energy and food prices have contributed to lower inflation, but the dramatic depreciation of the dinar since October (more than 20%) has reduced this disinflationary effect, maintaining inflation persistently high at double digits (12.3% in

October) and forcing the Central Bank to raise interest rates to 17.75%, the highest nominal rates in the region. The current account deficit is expected to narrow to 15% of GDP in 2009, remaining though very high, exacerbating the Serbian economy's external vulnerabilities. Serbia has signed a precautionary Stand-By Arrangement with the IMF amounting to EUR 400 million, in an attempt to bolster investors' confidence in the economy, under the condition to reduce the fiscal deficit to 1.5% of GDP in 2009. The EU accession process is at a standstill with the Stabilization and Association Agreement frozen.

Montenegro:

Recent economic developments showed that the economy may not be spared by the global economic crisis. A sharp deceleration in growth is expected in the near term as the global outlook dims. With limited credit financing from parent banks because of global financial turmoil and a reduced risk appetite, credit growth is expected to decline to low single digits at best in 2009. Global recession is also likely to have an adverse impact on exports, tourism, FDI, and confidence. In addition, falling aluminum prices have depressed production and generated losses in the aluminum company, an important exporter of the country. In this environment, real GDP growth is projected around 2% in 2009. The real estate sector is expected to be adversely affected, as some

investments are already being postponed. The government has responded to the economic slowdown with a stimulus package of around 10% of GDP. Although the reviewed 2009 budget foresees a marginal surplus of 0.1% of GDP, instead of the original 1.8%, the growth assumptions still appear optimistic, creating the need for further budget rebalancing. The central bank has taken several steps to strengthen financial sector soundness. It tightened reserve requirements and imposed temporary ceilings on credit growth. On 15.12.2008 Montenegro submitted a formal application for EU membership. Future growth will depend critically on further improvement of the regulatory framework and institutions.

Turkey:

The global financial and economic crisis led to a further and sharp deceleration of economic activity in H2 2008, due to the sharp contraction in external demand, weak consumer and business confidence and tight credit, suggesting that the country may enter into recession in 2009 for the first time since 2001 crisis. In the short-term the focus shifts to the domestic economy. Real GDP growth is forecasted to 1.6% in 2009 from 3.3% in 2008, due to moderated private consumption and investment. The government has announced a stimulus

package that foresees, amongst others, tax incentives, support for consumer loans and cuts of reserve requirements for banks. Labour market conditions deteriorated in tandem with the slowdown in economic activity. External deficits started to decline significantly as of September, mainly as a result the reduction of the trade deficit and in particular of imports, but the current account deficit still remains significant. Net FDI fell by about 21% in the first ten months of 2008, covering only around 1/3 of the current account deficit, while net portfolio investment turned negative after an outflow of \$4.1 bn in October. Weak demand conditions and falling oil prices accounted for a decline in CPI inflation in December. The lira depreciated by around 29% against a EUR/USD basket since beginning of 2008. On fiscal policy, the 2009 budget is based on rather optimistic growth (of 4%) and revenue projections, thus it may need to be revisited. The likelihood of a new IMF Stand-By Arrangement in January 2009 would bolster investor confidence in the government's economic policies during the crisis and facilitate external financing. Turkey pays relatively high interest rates on its debt, which highlights the country's high vulnerability to interest and exchange rate volatility and rollover risk. Political uncertainty has dropped sig-

nificantly, but the probability of a new clash between AKP party and the secular forces cannot be ruled out.

Egypt:

With the onset of the global crisis the policy challenges facing the authorities have changed radically. The most pressing issue in 2008 has been to contain inflation when monetary and fiscal policies were constrained by limited exchange rate flexibility, large-scale capital inflows, and the growing cost of fuel and food subsidies.

Persistently high inflation (17.1% in 2008), eroded disposable income and created serious problems to the economy. By the time of October-November 2008, however, inflation appeared to be past its peak, thanks to a decline in commodity prices.

Economic activity is likely to decelerate to 5.0 % from the 7% pace of the past few years. Private investment is

likely to slow further, while private consumption is expected to slow slightly, despite the 30% public sector wage hike. Despite the moderation in domestic demand, the drag of net exports on overall growth should increase significantly in 2009, on the back of a weakening global activity and a deteriorating competitiveness of the country's exports. The more urgent challenge now appears to be how to maintain growth and balance of payments stability in the context of global financial turmoil and rapidly deteriorating international economic outlook. In August-October 2008 there was an abrupt reversal of portfolio flows as foreigners investors pulled out of the equity and government bond markets. The authorities realize that correcting the mounting fiscal deficit (2009: -8.3% of GDP) has to be their top macroeconomic priority.



South-eastern Europe – Summary of economic indicators
(annual % change, unless otherwise stated)

Greece	2006	2007	2008	2009
Real GDP	4.5	4.0	2.9	0.2
Consumer Prices	3.3	3.0	4.2	2.5
Unemployment rate	8.9	8.3	8.3	9.0
Current account (% of GDP)	-11.4	-14.0	-13.4	-12.8
Fiscal Balance (% of GDP)	-2.8	-3.5	-3.4	-3.7
Public Debt (% of GDP)	95.9	94.8	94.0	96.2
FDI (net. EUR bn.)	0.9	-2.5		
Bulgaria	2006	2007	2008	2009
Real GDP	6.3	6.2	6.4	1.8
Consumer Prices	7.4	7.6	12.0	5.4
Unemployment rate	9.0	6.9	6.0	6.3
Current account (% of GDP)	-18.6	-22.5	-24.7	-20.8
Fiscal Balance (% of GDP)	3.0	0.1	3.2	2.0
Public Debt (% of GDP)	22.7	18.2	13.8	12.2
FDI (net. EUR bn.)	5.9	6.3	5.2	3.8
Romania	2006	2007	2008	2009
Real GDP	7.9	6.2	7.8	1.8
Consumer Prices	6.6	4.9	7.9	5.7
Unemployment rate	7.3	6.4	6.2	7.0
Current account (% of GDP)	-10.6	-13.6	-12.9	-11.9
Fiscal Balance (% of GDP)	-2.2	-2.5	-5.2	-7.5
Public Debt (% of GDP)	12.4	12.7	15.2	21.1
FDI (net. EUR bn.)	8.7	7.2	10.0	6.9
Albania	2006	2007	2008	2009
Real GDP	5.5	6.0	6.5	4.0
Consumer Prices	2.4	2.9	3.7	2.2
Unemployment rate	13.9	13.4	13.1	13.1
Current account	-6.5	-10.5	-15.0	-13.2
Fiscal Balance	-3.3	-3.5	-5.2	-5.0
Public Debt	55.5	53.8	55.0	52.0
FDI (net. USD bn.)	0.3	0.6	0.8	0.6

South-eastern Europe – Summary of economic indicators
(annual % change, unless otherwise stated)

FYROM	2006	2007	2008	2009
Real GDP	4.0	5.0	5.5	4.6
Consumer Prices	3.2	2.3	8.3	3.5
Unemployment rate	36.0	34.9	33.3	32.3
Current account	-0.9	-3.0	-12.1	-10.0
Fiscal Balance	-0.5	0.6	-1.0	-2.7
Public Debt	38.7	25.4	23.2	23.0
FDI (net. EUR bn.)	0.3	0.2	0.4	0.3
Serbia	2006	2007	2008	2009
Real GDP	5.6	7.1	6.9	3.0
Consumer Prices	12.7	6.8	10.7	8.0
Unemployment rate	33.4	31.7	31.0	30.7
Fiscal Balance	-1.6	-2.0	-2.8	-2.2
Public Debt	36.2	29.4	26.2	25.9
FDI (net. USD bn.)	4.4	2.4	4.4	2.9
Turkey	2006	2007	2008	2009
Real GDP	6.9	4.6	3.3	1.6
Consumer Prices	9.6	8.8	10.3	8.3
Unemployment rate	9.7	9.6	9.7	10.5
Current account	-6.0	-5.8	-6.7	-6.1
Fiscal Balance	-0.1	-1.2	-1.3	-2.5
Public Debt	46.1	38.9	35.1	34.3
FDI (net. USD bn.)	19.0	19.9	17.9	11.5
Egypt	2006	2007	2008	2009
Real GDP	7.1	7.3	5.2	5.0
Consumer Prices	11.0	11.7	17.1	15.1
Unemployment rate	8.9	8.8	9.1	10.5
Current account	1.4	0.5	-1.8	-2.7
Fiscal Balance	-7.5	-7.8	-7.6	-8.3
Public Debt	71.4	62.3	58.5	65.0
FDI (net. USD bn.)	11.1	13.2	9.8	8.5

Sources: European Commission, OECD, NBG and Dynamic Securities

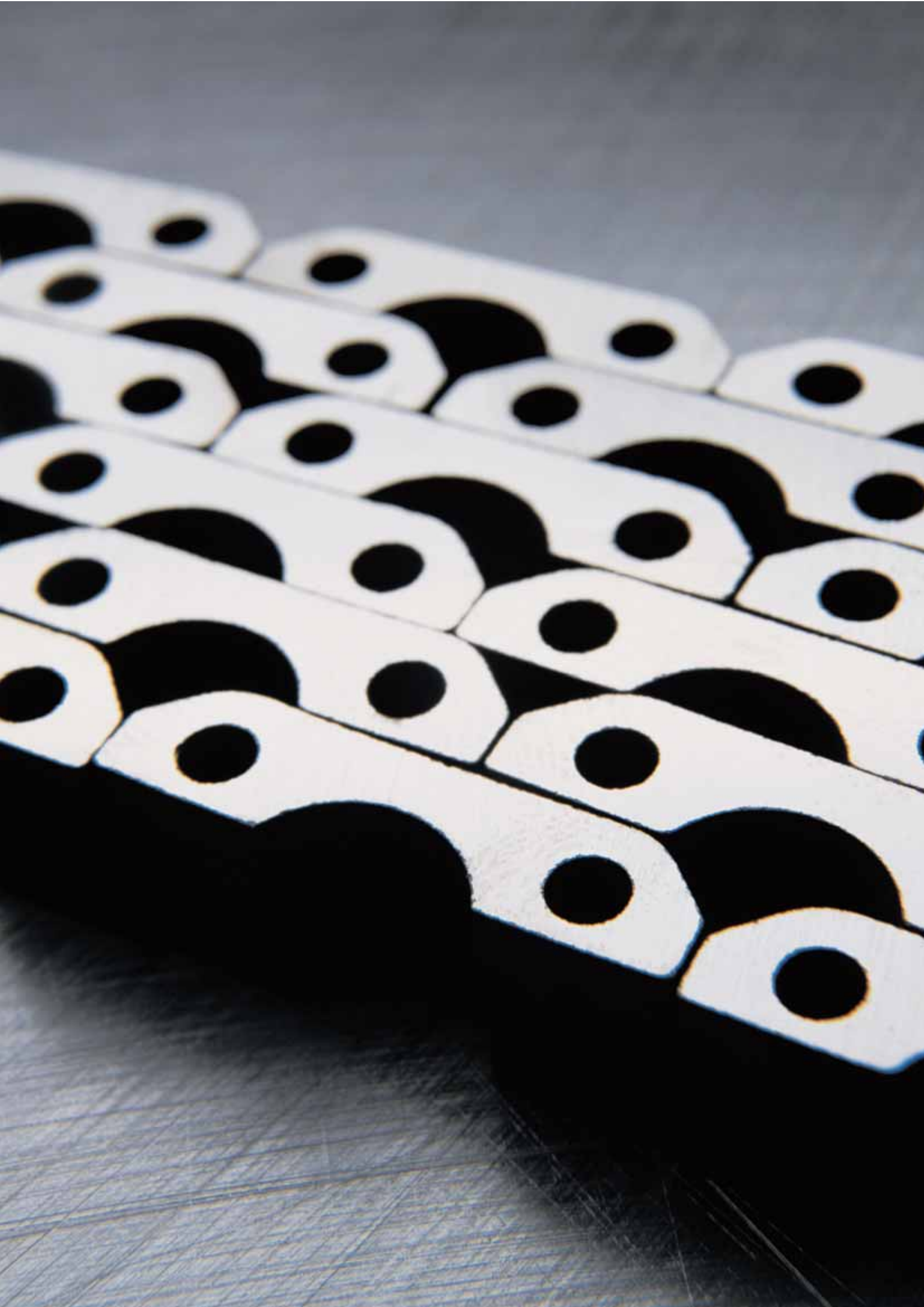
The Greek Equity Market (up to 22 January 2009)

Days of 2003 for the Composite index of the Greek stock market that recorded a 65% drop in 2008, with the negative momentum also maintained during the first month of 2009. The uncertainty regarding the length of the crisis and its effect on corporate profitability remained the main drivers for the negative development, enhanced by the net sales of foreign investors whose participation in the capitalization of Athens Exchange dropped below 50%. Recent negative forecasts regarding the economic growth globally and in Greece affected the already low investor's confidence pushing stock prices further down, causing

the underperformance of Athens Exchange in comparison to main European stock indices. Banking shares were hit most despite the fact that Greek banks maintain a relatively strong capital base and profitability compared to their European peers. Profitability and growth output also hit all other sectors that reported high double digit losses ranging from -36% to -77%. Similar picture is observed in the share prices of individual firms as all constituents of the three main FTSE/ASE indices reported losses in 2008 and only a handful of them reported marginal profits in January 2009.

Athens Exchange Composite Index
(Daily prices; 1/1/2003-22/1/2009)





Greek Equities - Statistics

NAME	Price 31/12/2008	Price 31/12/2007	2008%	52W High	52W Low	Price 22/1/2009	%52W High	% 52W Low	%YTD
FTSE/ASE MIDCAP 40 INDEX	1,900.59	6,264.66	19.4%	5,465.28	1,713.27	1,746.70	-68.0%	2.0%	-8.1%
FTSE/ASE SMALL CAP 80 IX	422.64	1,057.38	20.1%	963.36	361.83	400.28	-58.4%	10.6%	-5.3%
ASE GENERAL INDEX	1,786.51	5,178.83	17.9%	4,536.00	1,603.92	1,671.12	-63.2%	4.2%	-6.5%
FTSE/ASE 20 INDEX	932.50	2,752.48	15.8%	2,412.26	817.93	855.92	-64.5%	4.6%	-8.2%
FTSE/ATHEX CHEMICALS	7,068.61	12,890.36	29.2%	12,130.64	5,961.67	6,228.44	-48.7%	4.5%	-11.9%
FTSE/ATHEX BASIC RESOURC	2,338.27	7,713.75	0.8%	6,839.96	2,065.66	2,188.52	-68.0%	5.9%	-6.4%
FTSE/ATHEX CONST & MATER	2,448.16	6,015.79	-10.1%	5,700.31	1,867.83	2,154.02	-62.2%	15.3%	-12.0%
FTSE/ATHEX IND GOODS SRV	2,802.44	7,982.01	20.6%	6,765.56	2,361.03	2,443.65	-63.9%	3.5%	-12.8%
FTSE/ATHEX FOOD & BEV	3,535.64	10,109.20	61.1%	10,754.79	2,534.40	3,803.33	-64.6%	50.1%	7.6%
FTSE/ATHEX PER HOUS GOOD	2,217.88	8,018.95	27.4%	6,835.18	2,041.06	2,111.22	-69.1%	3.4%	-4.8%
FTSE/ATHEX HEALTH CARE	4,315.59	16,861.74	33.9%	14,923.62	3,796.05	4,557.22	-69.5%	20.1%	5.6%
FTSE/ATHEX RETAIL	3,278.27	7,990.73	21.7%	7,522.81	2,523.71	3,086.67	-59.0%	22.3%	-5.8%
FTSE/ATHEX MEDIA	3,405.13	5,505.62	4.1%	6,071.43	2,830.66	3,287.38	-45.9%	16.1%	-3.5%
FTSE/ATHEX TRAVEL & LEIS	3,583.93	5,591.38	0.1%	5,426.79	3,029.25	3,696.64	-31.9%	22.0%	3.1%
FTSE/ATHEX UTILITIES	3,297.62	9,418.33	79.0%	8,467.23	2,574.63	3,326.73	-60.7%	29.2%	0.9%
FTSE/ATHEX FINC SERVICES	4,661.46	10,544.95	19.8%	9,954.53	3,911.35	4,118.57	-58.6%	5.3%	-11.6%
FTSE/ATHEX TECHNOLOGY	945.02	4,037.19	-18.4%	3,428.73	869.27	880.94	-74.3%	1.3%	-6.8%
FTSE/ATHEX OIL & GAS IDX	2,154.71	4,476.18	-2.7%	4,350.74	1,909.95	2,035.96	-53.2%	6.6%	-5.5%
FTSE/ATHEX TELECOM INDEX	3,275.56	6,937.00	11.8%	6,223.67	2,416.76	3,082.88	-50.5%	27.6%	-5.9%
FTSE/ATHEX BANKS INDEX	1,899.40	7,296.42	17.8%	6,411.76	1,571.74	1,628.38	-74.6%	3.6%	-14.3%
FTSE/ATHEX INSURANCE IDX	1,688.42	5,959.38	-2.8%	5,217.95	1,338.08	1,388.35	-73.4%	3.8%	-17.8%
FTSE-20 MEMBERS	Price 31/12/2008	Price 31/12/2007	2008%	52W High	52W Low	Price 22/1/2009	%52W High	% 52W Low	%YTD
AGRICULTURAL BANK OF GREECE	1.40	3.82	-63.4%	3.76	1.21	1.23	-67.3%	1.7%	-12.1%
ALPHA BANK A.E.	6.70	24.90	-73.1%	23.48	5.04	5.60	-76.1%	11.1%	-16.4%
BANK OF CYPRUS LTD	2.67	12.50	-78.6%	11.28	2.22	2.28	-79.8%	2.7%	-14.6%
COCA-COLA HELLENIC BOTTLING	10.40	29.60	-64.9%	32.40	7.36	11.30	-65.1%	53.5%	8.7%
EFG EUROBANK ERGASIAS	5.70	24.08	-76.3%	20.50	4.40	4.64	-77.4%	5.5%	-18.6%
ELLAKTOR SA	4.28	9.80	-56.3%	9.14	2.84	3.70	-59.5%	30.3%	-13.6%
HELLENIC PETROLEUM SA	5.40	11.28	-52.1%	10.76	4.84	5.16	-52.0%	6.6%	-4.4%
HELLENIC TELECOMMUN ORGANIZA	11.90	25.20	-52.8%	22.60	8.78	11.20	-50.4%	27.6%	-5.9%
INTRALOT S.A.-INTEGRATED LOT	3.00	13.54	-77.8%	13.56	2.70	3.06	-77.4%	13.3%	2.0%
MARFIN INVESTMENT GROUP SA	2.90	5.55	-47.8%	6.15	2.47	2.63	-57.2%	6.5%	-9.3%
MARFIN POPULAR BANK PUBLIC C	1.90	9.10	-79.1%	7.46	1.62	1.70	-77.2%	4.9%	-10.5%
MOTOR OIL (HELLAS) SA	7.64	15.80	-51.6%	17.10	6.50	7.06	-58.7%	8.6%	-7.6%
MYTILINEOS HOLDINGS S.A.	3.96	14.36	-72.4%	11.60	3.28	3.98	-65.7%	21.3%	0.5%
NATIONAL BANK OF GREECE	13.20	45.17	-70.8%	41.83	11.22	11.52	-72.5%	2.7%	-12.7%
OPAP SA	20.68	27.42	-24.6%	27.78	16.48	21.70	-21.9%	31.7%	4.9%
PIRAEUS BANK S.A.	6.40	26.70	-76.0%	23.16	4.94	5.50	-76.3%	11.3%	-14.1%
PUBLIC POWER CORP	11.54	36.00	-67.9%	32.20	8.66	11.50	-64.3%	32.8%	-0.3%
TITAN CEMENT CO. S.A.	13.90	31.20	-55.4%	32.08	11.20	12.36	-61.5%	10.4%	-11.1%
TT HELLENIC POSTBANK S.A.	5.58	12.38	-54.9%	13.28	4.26	4.38	-67.0%	2.8%	-21.5%
VIOHALCO	4.12	9.94	-58.6%	8.08	2.77	3.34	-58.7%	20.6%	-18.9%

FTSE-40 MEMBERS	Price 31/12/2008	Price 31/12/2007	2008%	52W High	52W Low	Price 22/1/2009	%52W High	% 52W Low	%YTD
AEGEAN AIRLINES	2.91	6.80	-57.2%	6.10	2.30	2.80	-54.1%	21.7%	-3.8%
ALAPIS HOLDING INDUSTRIAL	0.54	2.33	-76.8%	2.24	0.45	0.61	-72.8%	35.6%	13.0%
ALFA-BETA VASSILOPOULOS S.A.	25.30	37.98	-33.4%	51.90	14.20	26.00	-49.9%	83.1%	2.8%
ANEK LINES SA	0.82	2.29	-64.2%	2.32	0.73	0.76	-67.2%	4.1%	-7.3%
ASPIS BANK S.A.	0.94	3.18	-70.4%	2.93	0.78	0.81	-72.4%	3.8%	-13.8%
ATHENS MEDICAL CENTER	1.20	4.58	-73.8%	3.90	1.10	1.14	-70.8%	3.6%	-5.0%
ATHENS WATER SUPPLY & SEWAGE	5.22	11.82	-55.8%	11.88	4.50	5.56	-53.2%	23.6%	6.5%
BABIS VOVOS INTL CONSTRUCT	8.96	20.36	-56.0%	22.24	5.46	5.62	-74.7%	2.9%	-37.3%
CORINTH PIPEWORKS SA	0.88	5.96	-85.2%	5.82	0.78	0.84	-85.6%	7.7%	-4.5%
DIAGNOSTIC & THERAPEUTIC	1.90	4.05	-53.0%	4.22	1.40	1.73	-59.0%	23.6%	-8.9%
ELVAL ALUMINUM PROCESS CO.	0.87	3.18	-72.6%	3.04	0.74	0.84	-72.4%	13.5%	-3.4%
EUROBANK PROPERTIES REAL EST	5.58	9.10	-38.7%	9.00	4.50	5.70	-36.7%	26.7%	2.2%
FOLLI-FOLLIE SA-REG	5.80	25.50	-77.3%	23.72	4.86	5.00	-78.9%	2.9%	-13.8%
FORTHNET SA	0.71	7.35	-90.3%	7.43	0.56	0.74	-90.0%	32.1%	4.2%
FOURLIS SA	5.00	27.10	-81.5%	24.48	4.72	5.08	-79.2%	7.6%	1.6%
FRIGOGLOSS SA	3.40	20.97	-83.8%	19.61	2.98	2.99	-84.8%	0.3%	-12.1%
GEK TERNA SA	3.34	10.50	-68.2%	9.78	1.97	2.88	-70.6%	46.2%	-13.8%
GENIKI BANK SA	1.60	5.20	-69.2%	5.04	1.25	1.35	-73.2%	8.0%	-15.6%
HALCOR S.A.	0.75	3.14	-76.1%	3.00	0.65	0.68	-77.3%	4.6%	-9.3%
HELLENIC EXCHANGES SA HOLDIN	5.60	24.00	-76.7%	23.50	4.42	4.68	-80.1%	5.9%	-16.4%
INFO-QUEST SA	1.26	3.00	-58.0%	2.83	1.05	1.17	-58.7%	11.4%	-7.1%
INTRACOM HOLDINGS SA-REG	0.73	3.62	-79.8%	2.84	0.63	0.66	-76.8%	4.8%	-9.6%
J&P-AVAX SA	2.27	6.44	-64.8%	6.00	1.78	1.93	-67.8%	8.4%	-15.0%
JUMBO SA	4.34	12.40	-65.0%	11.14	3.36	4.08	-63.4%	21.4%	-6.0%
LAMBRAKIS PRESS SA	2.10	2.48	-15.3%	4.08	1.75	2.00	-51.0%	14.3%	-4.8%
LAMDA DEVELOPMENT SA	4.22	14.32	-70.5%	11.78	3.02	4.04	-65.7%	33.8%	-4.3%
METKA SA	6.62	15.42	-57.1%	15.50	5.28	6.02	-61.2%	14.0%	-9.1%
MICHANIKI SA	1.38	5.50	-74.9%	5.28	1.05	1.19	-77.5%	13.3%	-13.8%
MINOAN LINES SHIPPING SA	4.72	4.86	-2.9%	5.40	3.28	3.86	-28.5%	17.7%	-18.2%
PLAISIO COMPUTERS SA	5.70	8.68	-34.3%	8.30	5.10	5.30	-36.1%	3.9%	-7.0%
PROTON BANK SA	0.61	9.80	-93.8%	8.96	0.59	0.66	-92.6%	11.9%	8.2%
S & B INDUSTRIAL MINERALS SA	8.00	12.03	-33.5%	12.24	5.46	6.68	-45.4%	22.3%	-16.5%
SARANTIS SA	4.24	14.00	-69.7%	13.00	3.80	4.08	-68.6%	7.4%	-3.8%
SCIENS INTERNATIONAL INVESTM	0.38	1.36	-72.1%	1.25	0.33	0.38	-69.6%	15.2%	0.0%
SFAKIANAKIS S.A.	1.42	8.00	-82.3%	7.20	1.17	1.36	-81.1%	16.2%	-4.2%
SIDENOR STEEL PRODUCTS MANU	3.20	10.16	-68.5%	12.50	2.29	2.71	-78.3%	18.3%	-15.3%
SINGULARLOGIC SA	2.05	3.46	-40.8%	3.12	1.72	1.87	-40.1%	8.7%	-8.8%
SPRIDER STORES SA	1.43	5.20	-72.5%	4.30	0.88	1.14	-73.5%	29.5%	-20.3%
THESSALONIKI PORT AUTHORITY	9.88	33.00	-70.1%	37.38	9.04	9.46	-74.7%	4.6%	-4.3%
THESSALONIKI WATER & SEWAGE	4.30	6.30	-31.7%	7.42	2.54	4.16	-43.9%	63.8%	-3.3%

FTSE-80 MEMBERS	Price 31/12/2008	Price 31/12/2007	2008%	52W High	52W Low	Price 22/1/2009	%52W High	% 52W Low	%YTD
AGROTIKI INSURANCE SA	1.69	3.56	-52.5%	4.40	1.17	1.18	-73.2%	0.9%	-30.2%
ALCO HELLAS S.A.	0.51	1.16	-56.0%	1.19	0.42	0.46	-61.3%	9.5%	-9.8%
ALPHA GRISSIN SA	1.39	3.90	-64.4%	3.26	1.12	1.32	-59.5%	17.9%	-5.0%
ALUMIL MILONAS ALUMINIUM IND	1.14	5.10	-77.6%	4.36	0.98	1.06	-75.7%	8.2%	-7.0%
AS COMPANY SA	0.73	2.04	-64.2%	1.90	0.56	0.65	-65.8%	16.1%	-11.0%
ASTIR PALACE HOTELS SA	3.48	6.64	-47.6%	6.28	2.42	2.91	-53.7%	20.2%	-16.4%
AUDIO VISUAL ENTERPRISES SA	1.79	4.46	-59.9%	3.94	1.04	1.95	-50.5%	87.5%	8.9%
AXON SA HOLDING	0.70	2.46	-71.6%	1.70	0.68	0.69	-59.4%	1.5%	-1.4%
BALKAN REAL ESTATE SA	1.91	3.20	-40.3%	3.56	1.23	1.74	-51.1%	41.5%	-8.9%
ATTICA BANK	2.94	4.02	-26.9%	3.94	1.36	2.25	-42.9%	65.4%	-23.5%
BIOKARPET SA	0.97	2.84	-65.8%	2.74	0.84	0.96	-65.0%	14.3%	-1.0%
BIOTER S.A.	0.40	1.03	-61.2%	0.94	0.29	0.47	-50.0%	62.1%	17.5%
BITROS S.A.	1.35	2.84	-52.5%	2.99	1.17	1.38	-53.8%	17.9%	2.2%
BYTE COMPUTER S.A.	1.06	3.00	-64.7%	2.38	0.91	1.07	-55.0%	17.6%	0.9%
C. CARDASSILARIS & SONS S.A.	0.78	1.97	-60.4%	1.52	0.39	0.78	-48.7%	100.0%	0.0%
CENTRIC MULTIMEDIA SA	1.05	2.27	-53.7%	2.89	0.64	0.88	-69.6%	37.5%	-16.2%
CRETA FARM S.A.	3.64	7.86	-53.7%	9.96	2.40	3.82	-61.6%	59.2%	4.9%
CYCLON HELLAS SA	0.59	1.56	-62.2%	1.40	0.44	0.49	-65.0%	11.4%	-16.9%
DIAS AQUACULTURE SA-REG	1.05	4.68	-77.6%	4.58	0.68	0.71	-84.5%	4.4%	-32.4%
DROMEAS SA-REGD	0.34	1.14	-70.2%	1.03	0.28	0.32	-68.9%	14.3%	-5.9%
DRUCKFARBEN HELLAS A.E.B.E.	1.00	3.92	-74.5%	3.56	0.88	0.99	-72.2%	12.5%	-1.0%
EL. D. MOUZAKIS S.A.	0.57	2.35	-75.7%	2.08	0.45	0.63	-69.7%	40.0%	10.5%
ELASTRON S.A.	0.58	2.30	-74.8%	1.86	0.51	0.54	-71.0%	5.9%	-6.9%
ELEFTHERI TILEORASI SA	3.18	6.44	-50.6%	6.38	2.72	2.81	-56.0%	3.3%	-11.6%
ELGEKA SA	0.84	1.79	-53.1%	1.55	0.65	0.70	-54.8%	7.7%	-16.7%
ELTON CHEMICALS-REG	0.53	1.05	-49.5%	1.19	0.43	0.47	-60.5%	9.3%	-11.3%
ELVE S.A.	1.03	2.75	-62.5%	1.97	0.59	1.10	-44.2%	86.4%	6.8%
EMPORIKI BANK OF GREECE SA	5.70	20.32	-71.9%	20.00	5.14	5.46	-72.7%	6.2%	-4.2%
LIGHT METALS INDUSTRY	0.62	2.29	-72.9%	2.01	0.51	0.57	-71.6%	11.8%	-8.1%
EUROCONSULTANTS SA	2.02	3.14	-35.7%	3.42	1.62	1.84	-46.2%	13.6%	-8.9%
EURODRIP SA	0.78	0.98	-20.4%	1.31	0.60	0.63	-51.9%	5.0%	-19.2%
EUROPEAN RELIANCE GEN INSURA	0.75	3.10	-75.8%	2.87	0.61	0.70	-75.6%	14.8%	-6.7%
FASHION BOX HELLAS SA	2.05	2.99	-31.4%	3.32	1.29	1.92	-42.2%	48.8%	-6.3%
FHL MANUFACTUR-TRADING CO SA	0.31	1.71	-81.9%	1.50	0.22	0.24	-84.0%	9.1%	-22.6%
FLEXOPACK S.A.	7.52	8.00	-6.0%	8.50	6.94	7.52	-11.5%	8.4%	0.0%
GREGORYS MIKROGEUMATA S.A.	1.05	1.17	-10.3%	1.20	0.56	1.05	-12.5%	87.5%	0.0%
HELLAS ONLINE SA	1.37	3.90	-64.9%	4.04	1.17	1.19	-70.5%	1.7%	-13.1%
HELLENIC CABLES S.A.	1.44	5.20	-72.3%	4.60	1.06	1.24	-73.0%	17.0%	-13.9%
HELLENIC DUTY FREE SHOPS SA	5.74	12.06	-52.4%	11.86	4.66	5.22	-56.0%	12.0%	-9.1%
HELLENIC SUGAR INDUSTRY (CB)	1.14	4.48	-74.6%	4.64	0.95	1.15	-75.2%	21.1%	0.9%
IKTINOS HELLAS S.A.-REG	0.48	1.00	-52.0%	0.94	0.37	0.43	-54.3%	16.2%	-10.4%
ILYDA SA	0.90	1.17	-23.1%	1.37	0.52	0.85	-38.0%	63.5%	-5.6%
IMPERIO-ARGO GROUP TRANSPORT	0.77	3.18	-75.8%	2.43	0.53	0.64	-73.7%	20.8%	-16.9%
INFORM P. LYKOS S.A.	1.83	4.32	-57.6%	3.98	1.34	1.69	-57.5%	26.1%	-7.7%
INTRACOM S.A. TECHNICAL & STE	0.45	1.13	-60.3%	0.96	0.29	0.34	-64.6%	17.2%	-24.4%
KARATZI SA (HELLASNET)	1.40	2.10	-33.3%	2.28	1.06	1.07	-53.1%	0.9%	-23.6%
KIRIAKOULIS SHIPPING S.A.	1.27	1.45	-12.4%	2.52	0.98	1.23	-51.2%	25.5%	-3.1%
KORDELOS CH. BROS. S.A.	0.59	1.13	-47.8%	1.03	0.45	0.46	-55.3%	2.2%	-22.0%
KORRES NATURAL PRODUCTS	5.18	9.48	-45.4%	10.20	4.64	5.58	-45.3%	20.3%	7.7%
KOUMBAS SYNERGY GROUP S.A.	0.38	3.00	-87.3%	2.45	0.27	0.34	-86.1%	25.9%	-10.5%
KRI-KRI MILK INDUSTRY SA	1.42	2.20	-35.5%	1.99	0.88	1.36	-31.5%	55.1%	-4.2%
LOUIS MILLS S.A.	2.58	3.64	-29.1%	3.16	1.89	2.52	-20.3%	33.3%	-2.3%
MEVACO S.A.	1.56	2.53	-38.3%	2.94	1.21	1.44	-51.0%	19.0%	-7.7%
MULTIRAMA SA-REGISTERED SHS	2.24	7.28	-69.2%	7.14	1.63	2.02	-71.7%	23.9%	-9.8%
N.VARVERIS-MODA BAGNO S.A.	0.65	1.51	-57.0%	1.40	0.33	0.57	-59.3%	72.7%	-12.3%
NEORION NEW SA HOLDINGS	0.48	1.65	-70.9%	1.46	0.40	0.52	-64.4%	30.0%	8.3%
NEWSPHONE HELLAS SA	0.57	1.01	-43.6%	1.25	0.50	0.65	-48.0%	30.0%	14.0%
NEXANS HELLAS SA	3.20	3.98	-19.6%	6.90	2.51	2.74	-60.3%	9.2%	-14.4%
PARNASSOS ENTERPRISES S.A.	1.14	3.30	-65.5%	2.98	0.58	1.29	-56.7%	122.4%	13.2%
PASAL REAL ESTATE DEVELOPMEN	2.35	5.84	-59.8%	5.92	1.16	1.85	-68.8%	59.5%	-21.3%
PETROPOULOS	3.22	7.70	-58.2%	7.20	2.93	3.02	-58.1%	3.1%	-6.2%
PIRAEUS PORT AUTHORITY	9.72	30.08	-67.7%	30.74	7.86	9.42	-69.4%	19.8%	-3.1%
PIRAEUS REAL ESTATE INVEST	1.12	2.14	-47.7%	2.26	0.93	1.26	-44.2%	35.5%	12.5%
PROFILE SYSTEMS & SOFTWARE S	0.81	3.10	-73.9%	2.70	0.65	0.72	-73.3%	10.8%	-11.1%
REVOIL SA	0.59	1.74	-66.1%	1.44	0.41	0.60	-58.3%	46.3%	1.7%
RIDENCO HOLDINGS S.A.	0.45	1.33	-66.2%	1.21	0.34	0.37	-69.4%	8.8%	-17.8%
RILKEN SA	3.56	9.94	-64.2%	8.88	2.24	3.02	-66.0%	34.8%	-15.2%
SATO OFFICE AND HOUSEWARE	0.43	2.94	-85.4%	2.15	0.38	0.41	-80.9%	7.9%	-4.7%
SELECTED TEXTILE IND ASSOC	0.39	0.81	-51.9%	0.68	0.27	0.35	-48.5%	29.6%	-10.3%
SELONDA AQUACULTURES S.A.	0.65	3.50	-81.4%	2.74	0.50	0.59	-78.5%	18.0%	-9.2%
SIDMA SA	1.83	5.38	-66.0%	5.26	1.47	1.54	-70.7%	4.8%	-15.8%
SPACE HELLAS SA TELECOMMUNIC	0.68	1.53	-55.6%	1.28	0.41	0.57	-55.5%	39.0%	-16.2%
STELIOS KANAKIS	2.04	2.80	-27.1%	2.86	1.71	1.96	-31.5%	14.6%	-3.9%
TERNA ENERGY SA	3.86	8.40	-54.0%	8.50	2.92	4.10	-51.8%	40.4%	6.2%
THRACE PLASTICS CO SA	0.63	1.62	-61.1%	1.46	0.45	0.58	-60.3%	28.9%	-7.9%
VARDAS SA	0.99	3.12	-68.3%	2.97	0.89	0.90	-69.7%	1.1%	-9.1%
VOGIATZOLOU SYSTEMS SA	2.06	3.86	-46.6%	3.60	1.55	2.00	-44.4%	29.0%	-2.9%
X. BENRUH S.A.	3.18	4.06	-21.7%	5.20	2.92	3.44	-33.8%	17.8%	8.2%
YALCO S.A.	0.69	2.72	-74.6%	2.54	0.59	0.61	-76.0%	3.4%	-11.6%
ZENON SA ROBOTICS & INFORMAT	1.08	3.12	-65.4%	3.28	0.90	1.03	-68.6%	14.4%	-4.6%

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Financial Instruments according to the IFRS, the Case of Banking Sector in Greece.

Abstract

Securities are one of the main instruments that allow banks to speculate or hedge risks arising from their operations. After the implementation of IFRS in the banking sector in Greece the banks allocated their securities into separate portfolios in order to increase or decrease the effects of valuations on the Profit or Loss Account or the Shareholders Equity.

The aim of this paper is to present the way in which each Greek Bank is handling the valuation volatility arising from securities. The data used was selected from published financial statements of the banks according to IFRS for the years 2004 – 2007.

Each Bank classifies, its securities according to IFRS in different ways following strategic approaches, defense to volatility using hedging instruments or straight speculating against the market prices of securities.

1. INTRODUCTION

Securities are titles of transferable financial value of fixed or variable return. Securities include almost all of

money market titles (with the exception of simple loan agreements) and capital market titles. Securities are also called financial instruments and their main types are;

- **Money Market Titles** such as public bonds of fixed or variable return, public bonded loans, interest-bearing notes, treasury bills, short term loan titles, corporate bonds and bonded loans either convertible to equity shares or not, etc. The main characteristics of money market titles, other than their issuing authority, are the maturity (short-term, long-term securities), the return – interest rate and whether they are listed on an organized financial market.

- **Capital Market Titles** such as companies' equity shares i.e. registered or anonymous shares, common or preferred, listed or not etc. These titles are, usually, of variable return, however, titles of fixed return are also found, mainly, in cases of preferred stock.

- **Financial Derivative Products;** these financial instruments are complex

ed principles – methodologies of estimates. Yet, the method of estimate

The stability or the lack of it, in terms of the return, depends on whether the security is linked with returns – interest rates which fluctuate according to the market e.g.

products of future purchase and sale of value. Derivatives exist on currency, equities, financial indexes, commodity prices as well as mixed or exotic derivatives. Derivatives are used by companies for speculating or hedging reasons.

The stability or the lack of it, in terms of the return, depends on whether the security is linked with returns – interest rates which fluctuate according to the market e.g.

Interbank rates of Euro zone or London (Euribor, Libor) in which case the security is of variable return, or the security has stable nominal yield in which case it is called of stable return. The real value of a security fluctuates according to market prevailing returns so that securities of variable return demonstrate less volatility (with regard to their value) than securities of stable return do, due to the fact that securities of variable return are linked with market indexes – interest rates. Securities valuation at their real value is also called fair value valuation. Under IFRS, fair value is the market price whenever a sound organized financial market exists (a high volume of transactions takes place within it), if such market does not exist, fair value is the value coming up from the generally accept-

that the corporation uses has to be followed consistently .

2. Theoretical foundations of permissible portfolios according to the IFRS

2.1 Trading Portfolio Securities

This category includes securities that have been bought with the objective of realising profits from short-term changes in their market prices³.

All realized gains / losses from the sale of trading portfolio securities as well as unrealized gains / losses from their valuation at fair value are included in “Income from trading portfolio securities” on the company’s profit and loss statement⁴.

The returns (interest rates or dividends) earned from the securities that the company has included within its trading portfolio can be recorded within “Interest Income” and “Dividend Income”, respectively, on the company’s profit and loss statement⁵. The accounting entries for trading portfolio securities are as following;

TABLE 1. Accounting entries for trading portfolio securities

2.2. Financial Assets at Fair Value through Profit or Loss

This category includes the securities

Table 1: Accounting entries for trading portfolio securities

Shares of Purchase	100.000,00		
Acquisition Price	10		
Acquisition Value	1.000.000,00		
	Account Description	Debit	Credit
Purchase			
	Stocks Listed		
	on the Exchange	1.000.000,00	
	Cash		1.000.000,00
Monthly Valuation -			
Valuation Price	12		
	Mark-to-Market Stocks		
	Listed on the Exchange	200.000,00	
	Income from Valuation		200.000,00
Sale - Sales Price	15		
	Cash	1.500.000,00	
	Provision for Change in		
	Stock Price (stock ABC)		200.000,00
	Stocks Listed on		
	the Exchange - (stocks ABC)		1.000.000,00
	Gains from Sale		300.000,00

or financial instruments that upon their acquisition were allocated by the company into a special portfolio as being valued at fair value through profit or loss account (agreements concerning asset exchanges are usually included into this portfolio)⁶. These securities are not held for trading but they are fair valued either in order to eliminate accounting inconsistencies or based on a documented investment strategy. A company may not engage into security transfers from and towards this portfolio category (the company is bounded by the way it has conducted the initial classification)⁷. The financial instruments being valued at fair value through the profit or

loss account are initially recorded at fair value (transaction costs are recorded directly into profit and loss) and, then, are valued at fair prices based upon current prices.

All realized gains / losses from the sale of financial instruments that are being valued at fair prices through profit or loss as well as all of unrealized gains / losses from financial instruments being valued at fair prices, are included into "Income from financial instruments valued at fair value through profit or loss account" on the company's profit and loss statement⁸.

The purchases and sales of the financial instruments that are being valued at fair value through profit or loss

account are classified into this portfolio on the transaction date i.e. the date when the company is committed with regard to the accounting treatment of these securities' purchase or sale⁹. The company ceases to hold the securities or the financial instruments in the financial statements from the moment that it ceases to have the control of the contractual rights that stem from these securities or financial instruments. The control of a financial instrument's rights ceases to exist when the financial instrument expires, is sold or written-off, or in the case that all of its relevant cash flows are transferred to a third party¹⁰. One could choose to classify Financial instruments as valued at fair value through profit or loss accounts when;

- They are linked with derivatives that have been classified into the trading portfolio. This will result in a decrease in the company's Profit or Loss fluctuations.
- The company wishes to have its security investments (bonds or stocks) valued at fair value while these securities do not fulfill the trading portfolio's criteria (short-term possession for speculation).
- The securities include embedded derivatives which significantly influence their cash flows.

The accounting treatment for the securities of this portfolio is the same with the one we saw above for the trading portfolio's securities.

2.3. Available for Sale Financial Assets

The available for sale portfolio is the securities portfolio that the company acquires without having a specific

time horizon for withdrawing from their possession. These securities can be liquidated according to the liquidity needs, interest rate or price changes or for any reason at a random (not initially specified) future point in time (in the short run or the long run).

Securities classification into the available for sale portfolio is not bounding and, consequently, we are allowed the subsequent change in classification to the held to maturity portfolio¹¹.

The typical purchases and sales of securities from the available for sale portfolio are recorded based on the transaction date, the date on which the company is committed to purchase or sell the securities¹². The securities of the available for sale portfolio upon acquisition are initially recorded at fair value (including transaction costs) and, subsequently, are valued at fair value based on current prices or the values derived from valuation models in those cases where the current prices are not available according to the provisions of IAS 39¹³.

The valuation gains or losses that have been generated by changes in the fair value of the securities classified in the available for sale portfolio are recorded in a special reserve on the shareholders' equity. Upon the sale of the securities of the available for sale portfolio the corresponding accumulated gains / losses are transferred from the special reserve to the profit and loss accounts of the Profit and Loss statement¹⁴.

The securities of the available for sale portfolio are impaired when the receipt of the cash flows is no longer achievable-possible or when the company has transferred most of a security's risks and rewards to third parties

through an agreement.

A company owes to examine every time that it is preparing its financial statements whether indications of permanent impairment in the value (significant or prolonged impairment in fair value) of these securities are present by means of various valuation

models.

When objective evidence exists that the available for sale asset has been permanently impaired, the accumulated loss that has been recorded throughout time in the equity specific reserve through valuations, it is transferred to the company's profit and

Table 2: Accounting entries for the available for sale securities

Shares of Purchase	100.000,00		
Acquisition Price	10		
Acquisition Value	1.000.000,00		
	Account Description	Debit	Credit
Purchase			
	Stocks Listed		
	on the Exchange	1.000.000,00	
	Cash		1.000.000,00
Monthly Valuation -			
Valuation Price	12		
	Mark-to-Market Account	200.000,00	
	Reserve of Difference from readjustment to securities' value		200.000,00
Sale - Valuation			
at Price	11,00		
	Valuation Provision		100.000,00
	Reserve of Difference from readjustment to securities' value	100.000,00	
	Cash	1.100.000,00	
	Valuation Provision		100.000,00
	Reserve of Difference from readjustment to securities' value	100.000,00	
	Stocks Listed		
	on the Exchange		1.000.000,00
	Gains from Sale		100.000,00

loss. This loss equals the difference between the acquisition cost and the current value less any impairment loss previously recognized in profits and losses¹⁵.

The impairment loss of stocks from the available for sale portfolio that has been recorded in profit and loss may not be reversed, i.e. by increasing the company's profit and loss and passing on the loss to the net worth reserve. The impairment loss of bonds from the available for sale portfolio may be reversed from profit and loss in the case when the increase in the current value of the bond can be objectively related to a fact that took place after the impairment loss of the bond had already been recorded in profit and loss¹⁶. The accounting entries for the available for sale securities are as follows;

TABLE 2. Accounting entries for the available for sale securities

2.4. Financial Assets Held to Maturity

The held to maturity portfolio is the one that the company both intends and is able to hold to maturity of all of its constituent securities. The held to maturity securities are initially recorded at fair value (which includes transaction costs)¹⁷. Subsequently, the securities of the held to maturity portfolio are measurement at amortized cost, using the effective interest rate method, minus any possible accumulated impairment of their value¹⁸.

An asset has been permanently impaired, if its book value exceeds its liquidation value. The impairment amount of the assets that are recorded at acquisition cost is derived as the difference between the asset's book value and the present value of expect-

ed future cash flows, discounted at the asset's original effective interest rate. The permanent impairment of value burdens the profit and loss¹⁹. If the company sells or transfers a part of the securities belonging to the held to maturity portfolio before their maturity, then, the total of the held to maturity portfolio has to be transferred to the available for sale portfolio (unless the IAS 39 provisions are fulfilled) and be valued at fair value reflecting the gain or loss that occurs at the reserve of the available for sale portfolio²⁰. In addition, in this case the IFRS dictate for prohibition penalty with regard to the classification of an asset as held to maturity for the two years following the date of the securities' transfer to a different portfolio²¹.

2.5. Derivatives

The derivatives are financial instruments that require no or insignificant initial net investment, are measured at fair value and their value changes in response to changes in a specific variable, while they are settled according to IAS 39 at a future date²². These instruments are usually selected as a means to hedging transactions, but they can also be used for speculation purposes.

Companies using derivatives as hedging instruments aim in addressing the risks related with their transactions from variations in prices (fair value hedge), or in cash flows (cash-flow hedge). They can also use derivatives in order to hedge net investments in accordance with IAS 21.

In many cases, although companies use derivatives for hedging purposes, they can not really use hedge accounting in their books, thus ending up

with significant accounting mismatches. The reason behind this is that they may not be able to fulfill the strict criteria for hedge accounting determined in the standard. The most frequent problem in achieving a hedging relationship within the framework of hedge accounting is the fact that many companies for business purposes tend to hedge net positions of assets and liabilities, while the stan-

dard requires the designation of specific items or specific groups of items (assets or liabilities) without allowing any mixture of them.

3. Portfolio Structure per Bank throughout Time – Comparative Data

3.1 Collective Data²³





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Table 3: Collective Data from Consolidated Balance Sheet for each Bank

CONSOLIDATED BALANCE SHEET ITEMS		GROUP OF PIRAEUS BANK		
(Amounts in mil.€)	2007	2006	2005	2004
Trading Portfolio	4.507	1.965	1.087	1.150
Bonds & Other Titles of Fixed Return	4.356	1.833	1.009	781
Stocks & Other Titles of Variable Return	151	132	78	369
Available-for-Sale Portfolio	1.384	1.300	686	472
Bonds & Other Titles of Fixed Return	1.104	693	369	262
Stocks & Other Titles of Variable Return	280	607	317	210
Held-to-Maturity Portfolio	110	100	96	18
Reserve of Available-for-Sale Portfolio	15	110	63	3
CONSOLIDATED BALANCE SHEET ITEMS		GROUP OF NATIONAL BANK		
(Amounts in mil.€)	2007	2006	2005	2004
Trading Portfolio	6.310	7.376	8.563	11.616
Bonds & Other Titles of Fixed Return	6.139	7.263	8.328	11.103
Stocks & Other Titles of Variable Return	171	113	235	513
Available-for-Sale Portfolio	4.626	4.191	2.813	2.383
Bonds & Other Titles of Fixed Return	3.873	3.338	2.234	211
Stocks & Other Titles of Variable Return	753	853	579	273
Held-to-Maturity Portfolio	-	-	21	-
Reserve of Available-for-Sale Portfolio	-24	22	42	-
CONSOLIDATED BALANCE SHEET ITEMS		GROUP OF EMPORIKI BANK		
(Amounts in mil.€)	2007	2006	2005	2004
Trading Portfolio	1.394	1.723	1.055	2.230
Bonds & Other Titles of Fixed Return	1.350	1.648	950	2.025
Stocks & Other Titles of Variable Return	44	75	105	205
Available-for-Sale Portfolio	1.600	278	112	100
Bonds & Other Titles of Fixed Return	1.557	241	33	33
Stocks & Other Titles of Variable Return	43	37	79	67
Held-to-Maturity Portfolio	70	130	29	33
Reserve of Available-for-Sale Portfolio	Note 1	Note 1	Note 1	Note 1
CONSOLIDATED BALANCE SHEET ITEMS		GROUP OF EUROBANK		
(Amounts in mil.€)	2007	2006	2005	2004
Trading Portfolio	498	621	1.075	2.358
Bonds & Other Titles of Fixed Return	410	508	963	2.329
Stocks & Other Titles of Variable Return	88	113	112	29
Available-for-Sale Portfolio	10.477	10.936	10.024	5.485
Bonds & Other Titles of Fixed Return	9.756	10.429	9.641	5.219
Stocks & Other Titles of Variable Return	721	507	383	266
Held-to-Maturity Portfolio	618	-	-	-
Reserve of Available-for-Sale Portfolio	-12	139	171	103
CONSOLIDATED BALANCE SHEET ITEMS		GROUP OF BANK OF CYPRUS		
(Amounts in mil.€)	2007	2006	2005	2004
Trading Portfolio	335	278	131	124
Bonds & Other Titles of Fixed Return	272	273	126	117
Stocks & Other Titles of Variable Return	63	5	5	7
Available-for-Sale Portfolio	3.422	3.646	3.386	2.445
Bonds & Other Titles of Fixed Return	3.345	3.582	3.355	2.421
Stocks & Other Titles of Variable Return	77	64	31	24
Held-to-Maturity Portfolio	125	5	5	469
Reserve of Available-for-Sale Portfolio	48	59	58	2
CONSOLIDATED BALANCE SHEET ITEMS		GROUP OF ALPHA BANK		
(Amounts in mil.€)	2007	2006	2005	2004
Trading Portfolio	266	306	123	162
Bonds & Other Titles of Fixed Return	263	273	117	161
Stocks & Other Titles of Variable Return	3	33	6	1
Available-for-Sale Portfolio	3.157	7.553	7.745	1.973
Bonds & Other Titles of Fixed Return	3.012	7.425	7.539	1.806
Stocks & Other Titles of Variable Return	145	128	206	167
Held-to-Maturity Portfolio	-	-	-	-
Reserve of Available-for-Sale Portfolio	-2	-84	-31	12
CONSOLIDATED BALANCE SHEET ITEMS		GROUP OF MARFIN		
(Amounts in mil.€)	2007	2006	2005	2004
Trading Portfolio	482	548	223	60
Bonds & Other Titles of Fixed Return	58	111	94	59
Stocks & Other Titles of Variable Return	424	438	129	2
Available-for-Sale Portfolio	2.737	1.942	950	664
Bonds & Other Titles of Fixed Return	2.223	308	113	69
Stocks & Other Titles of Variable Return	514	1.634	837	595
Held-to-Maturity Portfolio	376	47	-	221
Reserve of Available-for-Sale Portfolio	-116	54	12	3

Table 4: The main portfolios for the Greek Banks throughout the time

		2007	2006	2005	2004
	Trading Portfolio	4.507	1.965	1.087	1.150
	Available-for-Sale Portfolio	1.384	1.300	686	472
GROUP OF PIRAEUS BANK	Held-to-Maturity Portfolio	110	100	96	18
	Trading Portfolio	6.310	7.376	8.563	11.616
	Available-for-Sale Portfolio	4.626	4.191	2.813	2.383
GROUP OF NATIONAL BANK	Held-to-Maturity Portfolio	0	0	21	0
	Trading Portfolio	1.394	1.723	1.055	2.230
	Available-for-Sale Portfolio	1.600	278	112	100
GROUP OF EMPORIKI BANK	Held-to-Maturity Portfolio	70	130	29	33
	Trading Portfolio	498	621	1.075	2.358
	Available-for-Sale Portfolio	10.477	10.936	10.024	5.485
GROUP OF EURO BANK	Held-to-Maturity Portfolio	618	0	0	0
	Trading Portfolio	335	278	131	124
	Available-for-Sale Portfolio	3.422	3.646	3.386	2.445
GROUP OF BANK OF CYPRUS	Held-to-Maturity Portfolio	125	5	5	469
	Trading Portfolio	266	306	123	162
	Available-for-Sale Portfolio	3.157	7.553	7.745	1.973
GROUP OF ALPHA BANK	Held-to-Maturity Portfolio	0	0	0	0
	Trading Portfolio	482	548	223	60
	Available-for-Sale Portfolio	2.737	1.942	950	664
GROUP OF MARFIN	Held-to-Maturity Portfolio	376	47	0	221

Table 5: The reserve of Available for Sale Portfolio throughout the time

Reserve of Available-for-Sale Portfolio	2007	2006	2005	2004
PIRAEUS	15	110	63	3
NBG	-24	22	42	0
EUROBANK	-12	139	171	103
CYPRUS	48	59	58	2
ALPHA	-2	-84	-31	12
MARFIN	-116	54	12	3

Chart 1:

Portfolio Structure per Bank throughout Time – Comparative Data

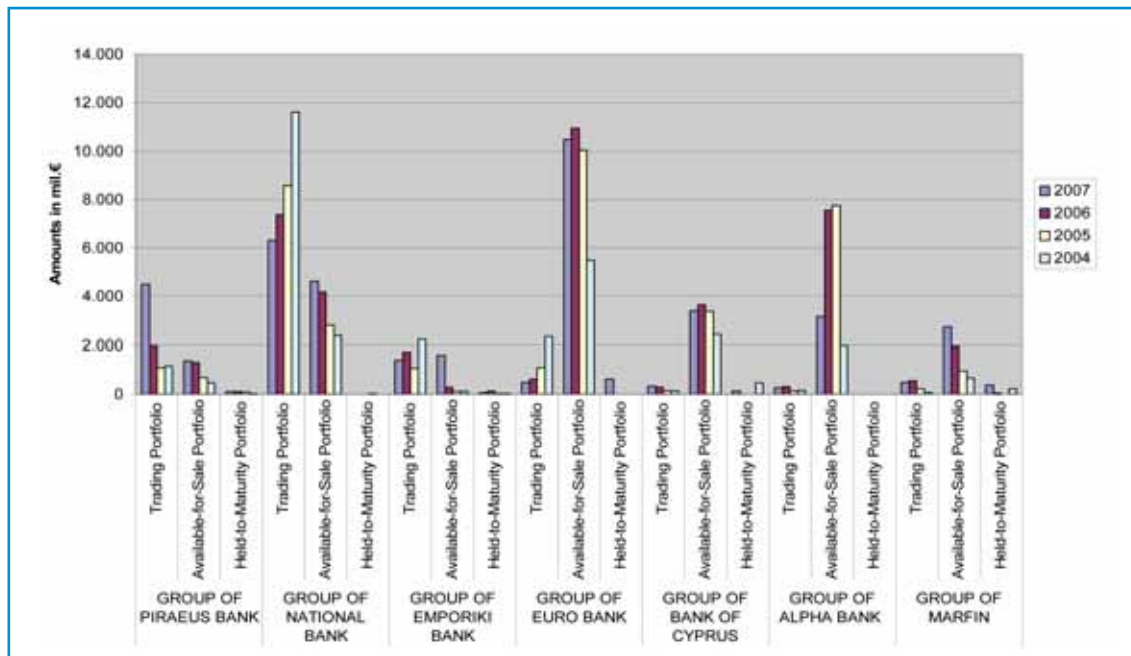


Chart 2:

Reserve of Available-for-Sale Portfolio throughout Time

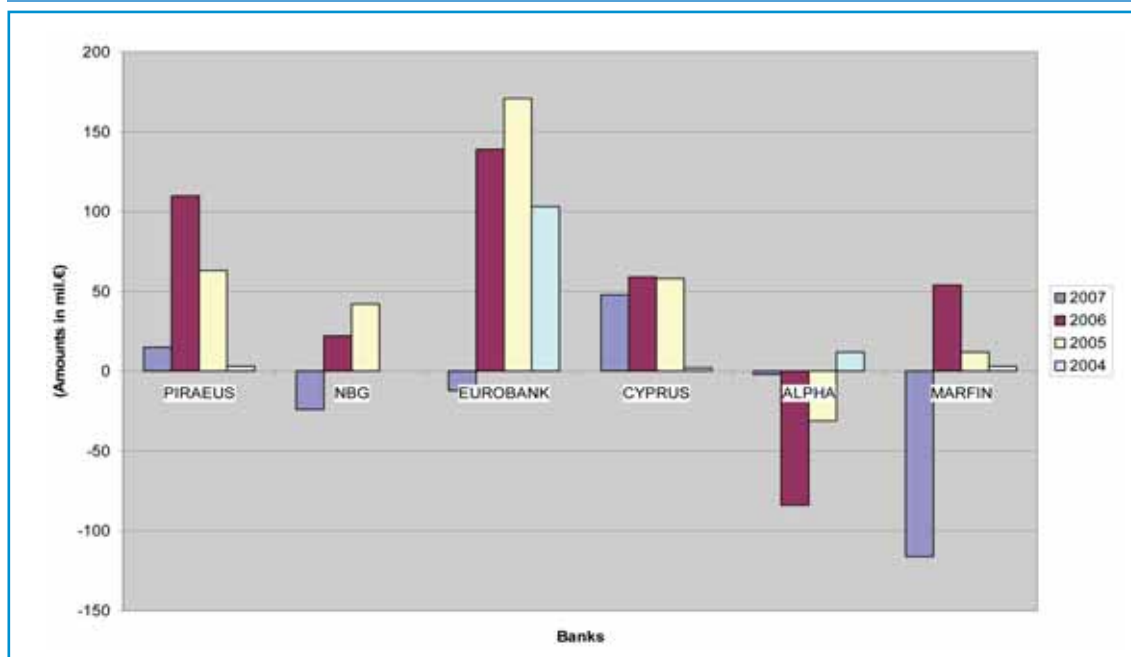
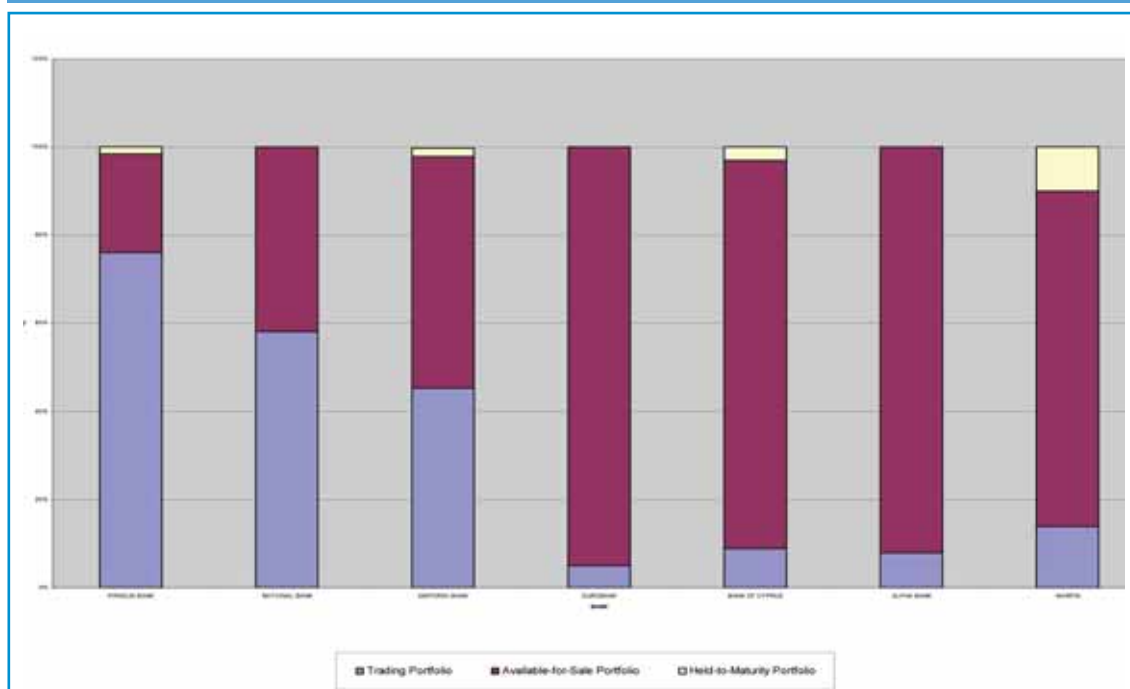


Table 6: Comparative Data of Bank Portfolios on 31/12/2007

PIRAEUS BANK, NATIONAL BANK, EMPORIKI BANK, EUROBANK, BANK OF CYPRUS, ALPHA BANK ,MARFIN							
Trading Portfolio	4.507	6.310	1.394	498	335	266	482
Bonds & Other Titles of Fixed Return	4.356	6.139	1.350	410	272	263	58
Stocks & Other Titles of Variable Return	151	171	44	88	63	3	424
Available-for-Sale Portfolio	1.384	4.626	1.600	10.477	3.422	3.157	2.737
Bonds & Other Titles of Fixed Return	1.104	3.873	1.557	9.756	3.345	3.012	2.223
Stocks & Other Titles of Variable Return	280	753	43	721	77	145	514
Held-to-Maturity Portfolio	110	0	70	618	125	0	376
TOTAL	6.001	10.936	3.064	11.593	3.882	3.423	3.595
Reserve of Available-for- Sale Portfolio	15	-24	-	-12	48	-2	-116
STRUCTURE % OF PORTFOLIOS PER BANK							
Trading Portfolio	76%	58%	45%	5%	9%	8%	14%
Bonds & Other Titles of Fixed Return	73%	56%	44%	4%	7%	8%	2%
Stocks & Other Titles of Variable Return	3%	2%	1%	1%	2%	0%	12%
Available-for-Sale Portfolio	23%	42%	52%	95%	88%	92%	76%
Bonds & Other Titles of Fixed Return	18%	35%	51%	89%	86%	88%	62%
Stocks & Other Titles of Variable Return	5%	7%	1%	7%	2%	4%	14%
Held-to-Maturity Portfolio	2%	0%	2%	0%	3%	0%	10%
TOTAL	100%	100%	100%	100%	100%	100%	100%
STRUCTURE % OF MAIN PORTFOLIOS PER BANK							
Trading Portfolio	76%	58%	45%	5%	9%	8%	14%
Available-for-Sale Portfolio	23%	42%	52%	95%	88%	92%	76%
Held-to-Maturity Portfolio	2%	0%	2%	0%	3%	0%	10%

Chart 3:
STRUCTURE OF BANK's PORTFOLIOS FOR THE YEAR 2007



3.2 Data Analysis

3.2.1 Groups Eurobank, Alpha Bank, and Bank of Cyprus

The groups of Eurobank, Alpha Bank and Bank of Cyprus hold mainly securities (bonds) available for sale (the respective percentages are 89%, 88% and 86% for bonds and only 7%, 4% and 2% for stocks and other Titles of variable return but significant high than trading Portfolio of their total portfolio). This classification implies control over the profit and loss through portfolio valuation as the accumulated gains / losses from valuations which are, initially, recorded in the reserve of the available for sale portfolio, are transferred into the profit and loss only at the sale of the above securities. It is noted that bond fair values are

directly affected by market rates fluctuations. Therefore, the valuations of these securities will lead in gains / losses proportionate to the interest rates' magnitude. Additionally, the exposure to credit risk is significant.

3.2.2. Marfin Group

Correspondingly, Marfin Group holds stocks about 26% of the total portfolio, 14% of which has been allocated to the available for sale portfolio and the rest 12% to the trading portfolio also holds bonds 64% of the total portfolio 62% of which has been allocated to the available for sale portfolio and the rest 2% to the trading portfolio. As in the case of the 3 previously mentioned groups, the gains / losses from stock valuations within the available for sale portfolio are initially recorded at the reserve of the available for sale portfolio. The accumulat-

ed gains / losses are recognized in profit and loss upon sale of these stocks.

The possession of a high percentage of stocks out of the total portfolio implies exposure to market risk. Stock prices fluctuations affect the valuations of the available for sale portfolio stocks but they do not have a direct impact upon profit and loss, since the gains / losses from the valuations are recorded into the reserve of the available for sale portfolio. The only direct influence upon profit and loss comes from the valuation of the trading portfolio stocks (12% of the total portfolio).

The exposure to interest rate risk is low as only 64% out of the total portfolio is composed of bonds (62% in the available for sale portfolio).

3.2.3 Groups of National Bank and Emporiki Bank

The portfolios of the groups of National Bank and Emporiki Bank demonstrate concentration in bonds of the trading portfolio, 56% and 44% of the total portfolio, respectively. Changes in market interest rates affect bond prices and, consequently, influence directly the profit and loss of the groups as these securities have been allocated to the trading portfolio. The percentages of the total portfolio that correspond to bonds of the available for sale portfolio of the groups of National Bank and Emporiki Bank are 35% and 51% respectively.

On the other hand, the quite small portfolios of equity securities in both banks imply limited market risk and insignificant hits to the profit and loss account or equity due to variations in stock prices.

3.2.4 Bank of Piraeus Group

The Bank of Piraeus Group holds mainly bonds of the trading portfolio (a percentage of 73% of the total portfolio) and bonds and stocks of the available for sale portfolio (a percentage of 18% of the total portfolio). The profit and loss is influenced by the valuations of bonds within the trading portfolio according to the fluctuations of market interest rates and, consequently, the fluctuations of bond prices. Due to the high concentration 73% (period of 2007) in trading portfolio bonds, the influence upon profit and loss can be significant in the case of changes in market interest rates. The available for sale portfolio includes bonds (18% of the total portfolio) and stocks (5% of the total portfolio). Valuations for both bonds and available for sale portfolio stocks are recorded in the reserve of the available for sale portfolio and are recognized in profit and loss only at the securities' sale.

4. Amendment to IAS 39 – Reclassification of Financial Assets

On 13-10-2008, the International Accounting Standards Board (IASB) announced the amendment to the provisions of IAS 39 with regard to the possibility of reclassification of financial assets at fair value through PL to other portfolios. The amendment to the provisions took place after the US Financial Accounting Standards Board (FASB) had announced respective amendments to the US GAAP, due to the credit crisis in financial markets, targeting at the harmonization of accounting principles applied by listed

companies in the USA and Europe. Specifically, the amendments announced by IASB include mainly the following:

1. It is now permissible to reclassify financial assets (bonds, stocks) except derivatives from the portfolio of financial assets at fair value through PL (including the trading portfolio) to other investment portfolios (held-to-maturity or available-for-sale).

It shall be noted that according to the amendment, the reclassification to the aforementioned portfolios is permissible “only in rare circumstances” (IAS 39 amendment, par. 50B) e.g. in the case of a global credit crisis as the IASB indicatively mentions in the press release of 13-10-2008.

Specifically, the book value of the financial assets that will be reclassified to the held-to-maturity portfolio will be their fair value on the date of reclassification. These securities (bonds) will be tested on an annual basis for impairment. It is noted that shares can not be reclassified to the held-to-maturity portfolio.

The financial assets that will be reclassified to the available-for-sale portfolio (bonds and/ or shares) will be valued at their fair value and the gain/ loss from the valuation will be recorded in a special reserve in the shareholders’ equity. The retained gains / losses will be recognized in the PL at the sale of these assets.

2. The reclassification may be applied retrospectively as of 1-7-2008. The financial assets shall be reclassified at their fair value on the date of reclassification. It is noted, that any gain or loss recognized before the reclassification date shall not be reversed.

3. In the case that the financial assets reclassification has occurred, the financial statements have to disclose the following (IAS 39, par. 12A a-f):

- the accounting balance of the financial assets reclassified from one category to another,
- the carrying values and fair values of the reclassified financial assets at each reporting period,
- the valuation effect on the PL, had the reclassification not been made,
- and the justification for the reclassification

5. Conclusion

Although numbers do not always tell the truth, they seem to be quite indicative of certain things in the case of the Greek banking sector. Almost all Greek banks hold steadily in recent years significant available for sale portfolios of securities. This choice makes their profit and loss accounts less vulnerable to value changes, while it makes the banks more flexible in enhancing their results by making selective moves, whenever market conditions turn positive.

The Greek banks remain conservative in their investment decisions with debt securities, and especially Greek bonds, being their instruments of preference, since they have proved to be less volatile than equity securities. Perhaps, this conservatism was the main reason why the Greek banking sector did not suffer any losses from the “credit crunch”.

Finally, it is evident that the Greek banks have a short and, to a smaller extent, medium term horizon in their investments, holding mainly trading and available for sale portfolios. On the other hand, held to maturity port-

folios are kept at extremely low levels (the greatest percentage out of the total portfolio (10%) is held by the Marfin group).

Securities, as it also becomes apparent from the up to now presentation, make up for banks a financial tool for the treatment of many administrative-managerial issues (such as risk coverage, liquidity, yield management). Even though securities are directly correlated with external financial indexes, mainly with interest rates and financial indexes with correlation coefficients above .9, their classification in portfolios according to the IFRS allows to a large degree the accounting treatment of their effects, alternatively, on the P&L or the Shareholder's Equity.

A proper planning for the securities classification in portfolios would take into consideration the need for securities holding (risk coverage, liquidity, yield management), the provisions for the magnitude of the external indexes that influence their value (interest rates, indexes) and the banks' relevant interest for the demonstration of the effects from securities holding, as assets, to the P&L or the bank's Shareholder's Equity.

The last observation should constitute a topic for future research.

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- Role of the Portfolio Manager
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What next in Investor Relations and Financial Communication?

October 2008

Abstract

Being in the middle of unprecedented financial crisis, listed companies in the Athens Stock Exchange facing a daily erosion of their market cap, which is not an easy case. As a response, there is the tendency to keep silent and staying on the sidelines accepting the unavoidable. The liquidation of the hard earned institutional positions, the downgrade from sell side analysts, the panic sell off from retail investors and an overall lack of trust written down on the daily press.

Such liquidations are unavoidable as the financial markets; its players, rule and regulations cease to exist the way we know it. Under the light of recent events such as Bear Sterns, and Lehman Brothers, the Athens Stock Exchange Market is subject to a domino effect of prop desks closures, hedge funds liquidating under the pressure of their investors and Growth type Investors existing in the disbelief of growth type Greek stocks. The effect is magnified as the Greek Market lacks against its peers in terms of Corporate Governance, transparency and depth.

As foreign Institutional Investors exit in crowds, the local Institutional Players are weakened by the facts to support the market and retail investors are still in rehabilitation from the 1999 traumas.

Being in the market and observing the market caps on a daily basis, we all wonder when will it stop. At the same time, we follow sell side outlook which only has to show conflicting views and we keep a tight view on the upcoming 9M and 12M results.

Will the International financial crisis affect the Greek real economy? What will be the effect on growth rates? How much Inflationary pressure could we expect and will companies cope to smoothly absorb it? What a listed company in the ASE does in the meantime? What is trend going forward? Bottom line, what are the Investor Relations challenges in this environment and what will be the new era? A general question with suggestions that could well apply globally. In attempting to answer these questions we need to put the framework in place for a market where foreign institutional participation dominated the

trend. Just to note that according to the official statistics the participation of foreign Institutional Investor in the ASE reached 62% in XXX 2008. In brief some of the main trends, which are expected to affect the stock market in Athens and the Investor Relations departments, are:

1. Investment Houses Restructuring
2. Sell Side Analysis reshaped
3. Corporate Governance Rules tightening
4. MIFID, OTC re-examined
5. Global reallocation of resources and sectors: new “sexy sectors
6. Corporate Strategy turns to Value Based Management
7. Nationalization versus Privatization
8. Real Economy concerns
9. Symmetric versus asymmetric shocks to the financial and real system

With all these changes taking place, the Investor Relations profession takes a more challenging role and redefines itself. Going away from simple administrative tasks into a more strategic role as part of a value integrated strategy regime. The new Investor Relations focus is the assessment of the tradeoffs between the three components of the TSR (Total Shareholder Return), meaning fundamental value, free cash flow and investor expectations. It is a fact that

no listed company can ignore the capital markets and the way investors view and value their stock.

Note that turbulence presents major challenges but also creates opportunities. Therefore, for those listed companies who will show the talent to effectively navigate through the turbulence that will be the key to superior value creation in the years ahead.

STEPS AHEAD

Shareholder Identification.

Who are the dominant investors on your registry? Are they the right once given your strategy?

One of the most important functions of the Investor Relations department is to keep track of all the investors in their registry and especially institutional investors. Knowing your Investors, their Investment profile and strategy is crucial to proactively estimate the changing trends. Market Intelligence versus your peer group, along with shareholder identification can assist the Management of the company to align TBR to TSR policies. In ASE, due to the immaturity of the market as far as Investor Relations is concerned almost nobody pursues such tasks. With the exception of 1-2 large caps maybe. One of the hardest lessons learned from this crisis in ASE is that the Investment Profile of your Investors is on the top of the agenda. That leads to healthy registry structures subject to the characteristics of the company and its evolution over time.

Perception Audit.

Do current or desired investors find your company and story credible?

What can we do to create better balance between the investor base and strategy?

To assess the impact of the current financial crisis to your investor base you should communicate with them and discuss their views, needs and requirements now and going forward. That will facilitate a two-way communication, which is crucial to ease tensions, establish comfort and transparency. At the same time, their responses will set the tone for the medium to long-term actions and reactions by defining their preferences and investment criteria.

Communication through the media.

In the short term, the aim is to alleviate panic and convey key messages in a consistent and coherent way.

Keeping the balance between exposure and over exposure is crucial to breed stability and credibility. The media is an important and successful channel of communication to build and sustain brand equity and investment equity in bad and good times alike.

In recession focus on key messages to proactively communicate with your audience.

What is the vulnerability of your top line in key markets of operation? How would that affect the cash flow of your business segments and the company overall? Which are your remedies?

Through the media you can reach a wide and international audience, which might be your current and/or potential shareholder. In the medium to long term when the current dust settles the media would be your align to tell the story to the world and to rebuild your wounded shareholder

base.

Aligning around the right strategy.

At the aftermath of this financial tsunami, fundamentals based on previous business plans will not be sufficient to merit the difference in market and fundamental values once we have factored in any additional discounts/premiums expected for the business or industry. At the same time, it will also be macroeconomic drivers, which will be inflating discounts for all companies and industries across countries.

As a result different internal actions of the company will have different impact on expectations, creating various risks and opportunities, depending on the investor base. A growth strategy will only be reflecting a low TSR as the overall consensus gears towards a recession.

In light of an upcoming recession, manage your business units as a recession portfolio and decide on the trade-offs between strategic importance and risk. Identify your historic TSR drivers to set your future goals. Understand the drivers of your valuation multiple versus your industry. Finally, focus on market expectations and its drivers. Proceed with comparable multiples analysis to proactively communicate and shape your investment thesis.

Targeting Who are the investors aligned to your TSR goals?

The financial markets follow business cycles and eventually the capital markets fade to fundamental values. With your strategy defined and clarified a targeting of the right investor base is crucial. Align your story to the right

audience and monitor the process.

Treat your investors like clients.

To successfully launch a product you spend budget and resources to identify the needs of your clients and their demographic characteristics. This is exactly what you should be thinking before you pencil in your next road show.

This is a dynamic process sometimes reactive, sometimes proactive. In any case, it must be targeted. Search for the right investors and do not solely rely on your brokers clientele.

Corporate Governance

A whole set of tighter rules will apply in this era from management compensation to board seats. Greece lacking behind in this respect has a long road to cover. It is one-way street, which all companies have to follow.

Following the new trends and regulations would be a global convergence process to boost transparency and standards of conduct.

Reporting Value Reporting

Reporting guidelines would also follow a similar suit along the IFRS evolution. The audience to address would need financial and non-financial KPIs

to monitor performance and value stocks. We expect a more thorough examination which would lead to a more “a la due diligence” information pack as buy side houses would mostly rely on their own assessments for a buying opportunity. To attract international investors implies that reporting of KPIs would be a competing business as wires brings it all closer.

All in all, a new era of Investor Relations and Financial

Communication lies ahead. One where communication is most important than even. At the same time more demanding than ever. Investor Relations comes closer to the Boardroom and becomes an important part of the Value Creation Chain.

To keep up with the new era, Investor Relations would set as a prerequisite a sound understanding of the capital markets and its participants. Investor Relations would become more competitive and grow away from a simple administrative function often related to public relations and corporate communication.

Author

Maria Nikolakaki
CEO Novus Finance SA

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*Nicholas I. Georgiadis
Partner – Valuation Research Specialists (VRS)*

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- No entry requirements
- Candidates are required to pass both units (Unit 1 – Regulation and Unit 2 – Corporate Finance) in order to acquire the Certificate in Corporate Finance

However separate certificates are issued when passing one of the separate units (modules).

Candidates are expected to have some professional or academic exposure to corporate or investment related matters.

About Securities & Investment Institute (SII):

Established in February 1992 with the endorsement of the FSA (formerly the Securities & Investment Board), the Bank of England, the London Stock Exchange and the London International Financial Futures and Options Exchange (LIFFE), Securities & Investment Institute is the largest and most widely respected professional body, representing over 17,000 members and affiliates working in the UK securities and investment industry.

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- Citigroup
- Deloitte and Touche
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- ING Baring
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The modular teaching and examination approach enables candidates to concentrate separately on regulation and technical material, and expand their skills, strengthen weaknesses and thus increase their success potential.

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- Receive discounts on hotel rates, tickets and a diverse range of retail products and services.

For more information check www.sii.org.uk or e-mail: memberservices@sii.org.uk, or info@hfanalysis.gr

Agenda

SII™ - Certificate in Corporate Finance

Module 1 - Corporate Finance

- Chapter 1 - Quantitative Methods
- Discounted Cash Flows
 - Present Values & Net Present Values
 - Discount Factors & IRR
 - Calculating the Market Value of a Bond

- Chapter 2 - Accounting Analysis
- Purpose of Financial Statement
 - Regulations of Accounts
 - Balance Sheet, Profit & Loss, Cash Flow
 - Analysis of Accounts

- Chapter 3 - Capital Structure
- Equity Capital, Equity Shares, Preference Shares
 - Debt Capital
 - The Cost of Capital, Debt & Equity

- Chapter 4 - Introduction to Business Valuations
- Asset Based Valuations
 - Dividend-Based Valuations
 - Earnings-Based Valuations
 - Cash-Based Valuations

- Chapter 5 - Acquisitions and Disposals
- Motive for Acquisition
 - Motive for Disposal
 - Structuring the Deal

- Chapter 6 - Corporate Finance Documentation
- Acquisition Process Documentation
 - Financing Documentation

Module 2 - Regulation

- Chapter 7 - Regulatory Environment
- The Financial Services & Markets Act 2000
 - The Financial Services Authority

- Chapter 8 - The Contact of Business Sourcebook
- Accepting Customers
 - Rules Applicable to All Firms

- Chapter 9 - Financial Crime
- Market Abuse
 - Money Laundering

- Chapter 10 - City Code on Takeovers and Mergers and SARs
- Takeovers & Mergers
 - The Competition Commission
 - The Substantial Acquisition Rules

- Chapter 11 - Companies Act and the Combined Code
- The Companies Act 1985
 - Corporate Governance

- Chapter 12 - Equity Capital Markets
- The Listing Rules
 - New Issues of Equities
 - Applying for a Listing
 - The IPO Process
 - The Alternative Investment Market

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*Antigoni Lymberopoulou
Investment Manager – New Economy Development Fund SA.*

Interview

Financial Crisis and Crime



Constantine Kalentis
Interview

Q: During the last weeks Greece is devastated by street violence and many acknowledged experts and analysts from Greece and abroad, agree with the fact that this unrest, is threatening not only the government's hold on power, but is challenging the overall political system. How you comment on this?

A: Since the event of December 6th our country is facing a very difficult situation. If you take a closer look in the events, it is quite obvious that there is an underlying anger for a variety of reasons. A very important part of this simmering anger is coming from the public policies of the last decades, including education, the economy and high rates of unemployment. A serious part of the population, especially young people have lost their faith for a bright future. They see their parents facing serious financial stress, they feel that real values have declined and corruption is everywhere in their everyday lives. They feel the quality of educa-

tion they receive is declined, and at the same time they have the feeling that nobody cares and politics cannot be helpful for them. In a few words many young people have lost their vision for the future.

The financial crisis magnifies negative psychology. Under this situation they can be exploited by various groups that promote acts of violence. We have seen that stores, banks and international businesses have been attacked, and as a result, this act of violence is damaging the status of our country as a safe travelling or investing destination.

Some opposition groups called for fresh elections. In my opinion this is not the issue. The leaders of our country, as also the leaders of other countries should identify the real problems of society. They should rethink and always ask themselves what they should do for better governance, in order to lead more effectively. As Harvard professor Stephen Goldsmith notes, every administration needs to balance the political will of the elec-

torate, with the professionalism of the career public employees. And I think this is a key phrase. I am a strong believer of preemptive measures. The Greek government must ensure that our country in the future will be much better prepared for economic downturns.

Q: How you think the financial crisis will affect our economy?

A: Massive changes are taking place worldwide in the structure of capitalism. It is difficult to know what impact; these changes will have in the future. Our economy is doing well in specific sectors that traditionally produce growth. The thing is though, that entire industries exist today purely because of the widespread availability of easy credit – a trend that has ended. How prepared the consumer is, saving money for a long period of time? We used to live in a society of mass spending and no saving for years. This trend was unsustainable and has come to an end. And this factor will be a heavy hit for every economy all over the world. Our economy is in better position than other countries, but that doesn't mean that there are no serious risks.

Q: Do you think that financial crisis will contribute for further acts of violence and terrorism?

A: According recent surveys, people right now find financial crisis far greater threat than terrorism. This is a huge swift, if you compare it with the older surveys 3-4 years

ago. Beyond that, in my vocabulary, terrorism involves violence or the threat of violence, but of course acts of terrorism are legally distinguished from criminal acts done for other purposes. It is quite obvious that the depth of financial crisis is contributing in social instability and terrorism. For that reason the response in the financial crisis must be global and continuous. While each and every one of us is needed to recognize the international scale of the financial crisis, the Greek government must find a way to ease the impact of the crisis on the everyday lives of the people.

Q: Having in mind the fact that this crisis is the greatest threat for public opinion, how the world financial system came at this point, with so many problems in such a short period of time?

A: The financial crisis as we are talking is under development and begun in the 4th quarter of 2007 from the loss of confidence by investors in the value of securitized mortgages in the United States and that resulted in a serious worldwide liquidity crisis. Even it is often discussed that the housing collapse in the United States caused the crisis, I have my objections since the global financial system proved to be quite vulnerable. This is why we face the problems of failing banking, insurance and mortgage companies worldwide. As we know the United States Federal Reserve and the European Central Bank injected new capital into the financial mar-

kets. Now those problems are growing in the real economy and the governments launched assistance packages for their economies. There is a hope for an end of this crisis in 2009 but I think that this is not accurate, since the implications of this major crisis are different from country to country. As painful as the past few weeks have been, I must repeat that all we can do at this time is look forward.

Q: Looking forward what is the role of new technologies and the internet in our society?

A: Placing the spotlight in technology, we need to refocus the attention to the individuals. The advantages of technology are not in creating new "virtual" communities, but in strengthening already existing social networks. We can use internet and technology in general as a tool. But it depends on the people how to use that "tool". With the use of the Web, communication is gaining momentum in such a swift way that we cannot imagine.

Q: What about Cyber Terrorism? Is it a new form of crime?

A: No it is not a new form of crime. A few latest and well known examples are Moonlight maze, Titan rain, Esthonia in 2007, and of course Georgia this year. Therefore the basic question is the "what if scenario" in these kind of threats. Disruption of telecommunication equipment, disruptions of electricity, water filters, are often destruc-

tive the goals of the attackers. What I often do is to analyze the major methods of attack, like the theft of confidential information, from governments, political parties, private organizations, armed forces etc. I come up to the conclusion that as a country we need a national center for cyber intelligence, given the fact that incidents occur globally, actually since the end of the cold war.

Q: What about the software houses? Is there any way to produce safer applications?

A: My opinion on this, is that many software houses are extremely competitive, and very often the major concern is how the product will be out in the market as soon as possible. So in many cases quality control is poor, and if the product released without proper check, time exposure and huge costs that these houses face afterwards, cannot leave many hopes for serious improvements.

Q: What is your opinion on the quality of ISP's in Greece and the infrastructure they use?

A: Public and private organizations must be very careful when they choose providers. When they make a deal with an ISP for example they examine let's say speed, and cost. The thing is that nobody tells them about the security issues. So if you end up with the cheapest solution, don't expect to have highest level of security.

Constantine Kalentis CV

Constantine Kalentis is the Commercial Director of Datelec Hellas in Athens, Greece. He is engaged with the design and integration for some of the most critical security infrastructures in Greece and abroad. His professional experience counts more than ten years in the Banking, Telecommunications and National Defense sectors.

Constantine holds a BA from Baker in the United States. His post graduate studies include a Management degree

from the University of York, United Kingdom, and Harvard University Kennedy School of Government in the United States of America. Constantine is also a Ph.D. student at the University of the Aegean, with a research field in security methodologies and privacy. Areas of special interest include human resources, management, risk assessment, public policies, international legislation for security enforcement, and threat analysis. He is also author of many security articles, participates in conferences in Greece and abroad.

Reengineering Internal Audit and Compliance Functions within Greek Banks

Key Words: Bank of Greece, Basle II Requirements, Compliance, COSO II, Enterprise Risk Management), Greek banks, Internal Auditing, Internal Controls, International Best Practices, Knowledge Management, Performance Measures, Quality Assurance, Risk Assessment, Standards for the Professional Practice of Internal Auditing.

Abstract

Internal Audit and Compliance functions within Greek banks are imposed either by the Greek law for publicly listed enterprises (Law 3016 / 17.5.2002), or by the Bank of Greece which is responsible for the supervision of all banks operating in the Greek territory (Bank of Greece Governors Act 2438 / 1998 and Bank of Greece Governors Act 2577 / 2006). Bank of Greece is the primary body that sets the rules and monitors banking operations, risk management, compliance and internal audit functions.

This study investigates how Greek banks' Internal Audit and Compliance functions should adopt modern approaches, guidelines and best practices, as a mean to strengthen their operations and add value to the

organizations they serve, while they comply with the local and international regulations. Relevant research was based on personal interviews with specific Chief Audit Executives, Compliance Officers, Internal Auditors within banks and bank executives, as well as a case study approach according to authors professional experience in past and current projects related to reengineering and upgrading of Internal audit and Compliance functions in several big banks.

This study benchmarks Internal Audit and Compliance functions operation within Greek banks against local regulations, Standards for the Professional Practice of the Institute of Internal Auditors requirements, COSO II – ERM framework and Basle II requirements. Also, an auditee satisfaction survey was performed in five big

banks as a mean to identify how top and middle management perceive Internal Controls and Internal Auditing operation within their banks. Specifically, a gap analysis was performed in order to provide banks with recommendations for improvement. Based on the assessment of the issues stated above, best practices opportunities for banks and recommendations for improvement are identified.

1. Introduction and Objectives

Systems of Internal Controls within banks are heavily regulated in Greece, as well as in the most of the European and US countries. Moreover, publicly listed banks in Greece are required to comply with a big number of corporate governance related requirements. With the modification, completion and replacement of provisions of Law 2331 / 1995 and the corresponding adaptation of Greek legislation in the instruction 2001 / 97 / EU of the European Parliament, a significantly stricter regulatory framework is imposed. The Law 3424 / 2005 requires every financial service to assign a top management person, as responsible for co-ordination and compliance to the relative law provisions.

Finally, Basle II requirements, COSO II – ERM suggested framework and Standards for the Professional Practice of Internal Auditing provide a number of suggested best practices that should be adopted by all banks.

The main objective of this study was to provide banks with recommendations for improvement in order to upgrade Internal Audit and

Compliance functions in a number of areas.

2. Research Methodology

2.1 Introduction

This chapter includes the relevant literature review, as well as the methods and procedures that researchers used to accomplish the study's research objectives.

2.2 Literature Review

Literature review was based on the Institute of Internal Auditors material, Basle Committee suggested practices on Internal Controls, Internal Auditing and Compliance and COSO Committee material, and research on PricewaterhouseCoopers relevant publications was performed.

2.3 Research Setting

This study focuses on the evaluation of the role of Bank of Greece and other regulators to the establishment and functioning of adequate Internal Audit and Compliance functions within Greek banks' and the assessment of the impact of Basle II requirements, COSO II – ERM framework and the Standards for the Professional Practice of Internal Auditing to them.

Moreover, this study will evaluate Greek banks' Internal Audit and Compliance functions strategy, mission, organization, scope, methodology, human resources management / staffing and reporting / communication framework against Basle II requirements and Standards for Professional Practice of The Institute of Internal Auditors.

Finally, an evaluation of banks top

and middle level management, Chief Audit Executives and other Internal Auditors will be performed regarding the role of Internal Auditing, as a mean to identify areas for improvement.

2.4 Sources of Information

Qualitative research has been carried out to address the research topic, using primary and secondary data. In order to analyse the data, which was accumulated from the structured interviews and survey questionnaires, as well as secondary sources of information, a triangulation approach was used (Saunders et al., 2003).

Primary sources of information

1. Professional experience of the authors in a large number of banks.
2. Structured interviews with top and middle level management.
3. Structured interviews with Chief Audit Executives and top and middle level Internal Auditors.
4. Structured questionnaires completion by Internal Auditors (low level).
5. Structured interviews with Compliance Officers.
6. Answers obtained through the use of a survey questionnaire on a representative sample of the above banks management and Internal Auditors.

Secondary sources of information

1. Academic and professional journals and publications
2. Participant banks' annual reports and other related published data;
3. Web site information;
4. Codes of Best Practices
5. PricewaterhouseCoopers Clients Databases

2.5 Professional experience, Interviews and Questionnaires design

The methods that were used to carry out research were the evaluation of the field observations of the authors, personal and telephone structured interviews and analysis of the survey questionnaires.

Conducting interviews offer to the interviewers the ability to focus on some major issues and to gain an adequate rate of responses. Additionally, the interviewer has the opportunity to gain a more clear understanding on the topic, since the discussion is not limited on the interviewer's questions and the interviewees in many cases are free to express their feelings and views on many related issues to the topic (Saunders et al., 2003).

2.6 Participant Banks

2.6.1 National Bank of Greece

2.6.2 Alpha Bank

2.6.3 EFG Eurobank Ergasias

2.6.4 Emporiki Bank

2.6.5 Piraeus Bank

2.6.6 ATE Bank – Agricultural Bank of Greece

2.6.7 General Bank

2.6.8 Attica Bank

2.6.9 Bank of Cyprus

2.6.10 Egnatia Bank

2.6.11 Aspis Bank

2.6.12 Marfin Financial Group

2.6.13 Proton Bank

2.6.14 First Business Bank (FBB)

2.6.15 Greek Postal Savings Bank

3. Bank of Greece, Greek Capital

Markets Commission and other
Regulators Internal Audit and
Compliance requirements

Systems of Internal Controls within
banks are required to be more rigor-
ously organized than the Systems of
Internal Controls in other sectors, in
order to achieve compliance with the
compulsory and non-compulsory
codes of corporate governance Capital
Markets Commission Decisions Bank
of Greece Acts, as well as any other
Central Banks Acts and regulatory
framework of the countries where
they operate.

Bank of Greece requires banks to
establish and monitor adequate
Internal Controls, as well as to devel-
op written policies and procedures for
all banking operations and activities¹.
According to our research results,
although written policies, procedures
and circulars exist in most banks, the
majority of them are not homoge-
nized, are not user friendly and are
unavailable to banking personnel.
The Act of the Governor of Bank of
Greece 2438 / 6.8.1998 oblige banks to
comply with a number of Internal
Control, Internal Audit, Compliance
and Risk Management requirements.
Capital Markets Commission with the
decision 5/204/14-11-2000 has also
forced publicly listed banks in the

Athens Stock Market to shift their
behaviour towards investors and other
stakeholders as a means of compli-
ance with Capital Markets require-
ments, as well as with Greek
Corporate Governance Law 3016 / 17-
5-2002.

Due to the rapid expansion of the
banks and the increased risks associ-
ated with the banking operations,
Bank of Greece developed a new far
stricter than the 2438 / 1998 Act, with
increased compliance requirements by
both banks and External Auditors,
Bank of Greece Governor's Act 2577 /
9.3.2006.

Although banks regulations are get-
ting stricter, Athens Stock Market is
considering diminishing certain
Corporate Governance requirements
such as the establishment of the
Internal Audit function for middle and
small publicly listed companies². The
Hellenic Institute of Internal Auditors
reacted immediately stating the
importance of the Internal Audit func-
tion of all publicly and non-publicly
listed companies with a relevant
letter³.

4. The impact of Basle, COSO and the Institute of Internal Auditors requirements on Internal Auditing and Compliance functions

Basle II requirements and best prac-
tices recommendations play an impor-
tant role in modern banks.

Specifically, banks are required to
modify their risk management sys-
tems, especially the credit risk man-
agement systems, in order to effective-
ly accomplish the new suggested risk
management framework⁴.

Internal Audit and Compliance func-
tions are influenced by the adoption

of Basle II requirements. Greek banks have recently stated to Bank of Greece that will either adopt Standardized Approach, or the Basic Indicator Approach⁵.

Basle Internal Audit requirements are closely related to the Standards for Professional Practice of Internal Auditing. Finally, it requires adequate relationship with an effective audit committee and strongly recommends proper co-operation with External Auditors⁶.

Compliance function, defines conflict of interests cases, appropriate resources to effectively accomplish its duties, compliance function responsibilities, relationship with Internal Audit function, cross-border issues and finally outsourcing rules for certain compliance activities⁷.

COSO II – Enterprise Risk

Management impact on Greek banks unfortunately seem to be of little relevance. Risk Management according to the most contemporary theories is firstly a responsibility of the Board of Directors⁸.

Generally, business risks are classified according to the importance of the impact they could have for the Group or an entity in case they take place, as well as the likelihood for them to happen⁹.

Standards for the Professional Practice of Internal Auditing and the relative Code of Conduct should play an important role in the purpose, organization, scope and reporting – communication practices of banks Internal Audit functions. Standards for the Professional Practice of Internal Audit cover through a complete approach a number of issues that concern Internal Audit¹⁰.

5. Internal Auditing and Compliance functions current status within Greek banks – Best Practices discrepancies

5.1 Corporate Governance framework

Due to Greek corporate governance regulations and Basle Committee relevant recommendations, Greek banks demonstrated an improvement in the adequacy of corporate governance framework.

Although publicly listed enterprises are not required to establish sub – committees of the Board of directors for better governance, this is not the case in the banking sector where Bank of Greece imposed the operation of Audit Committees within banks and also proposed the operation of Asset - Liability Committees. A common weakness in all, but the Audit Committees where strict regulation applies, is the staffing of the above committees by persons who do not possess the necessary skills and qualifications or are not really independent and Committees terms of reference¹¹. Banking investor relations showed a significant improvement as specific departments have been assigned with this responsibility in all listed banks. Finally, the use of the corporate web pages both in Greek and English eased and reinforced the communication with the investors¹².

Finally, at present the operation of Capital Markets Commission as a supervisor body of the Athens Stock Market and other regulation is not sufficient¹³.

Business ethics issues are considered as of very high importance in the banking corporate governance agenda. Banks are obliged to behave ethically

to their customers, as Bank of Greece and the Hellenic Banking Association obliged them to do so. Moreover, Banks are obliged to follow up any customer complaints for whatever issue and report periodically to Bank of Greece¹⁴.

5.2 Strategic framework set by Board of Directors and Senior Management to address enterprise – wide risk, control and compliance issues

According to Standards for Professional Practice of Internal Auditing and Basle requirements, Board of directors are responsible for ensuring that Senior Management establishes and maintain an effective system of Internal Control, a measurement system for assessing the bank activities risks, a system for relating risks to the banks capital levels and appropriate methods for monitoring compliance with laws, regulations. At least once a year BoDs should review systems of Internal Controls and the capital assessment procedure¹⁵.

According to our research, in all big banks and in the majority of small banks, Internal Auditing does not assume operating responsibilities. The banks' Senior Management is responsible to identify, measure, monitor and control risks. At least once a year, senior management should report to the Board of Directors on the performance of system of Internal Controls and of the capital assessment procedure¹⁶.

5.3 Mission and Strategic plan of the Internal Audit and Compliance functions

The mission and strategic plan of the

Internal Audit function must support the vision and the objectives of the bank. During this study four major issues were noted. First of all, in some banks Chief Audit Executives are not always informed with respect to their banks strategy.

With the modification, completion and replacement of provisions of Law 2331 / 1995 (with Law 3424 / 2005) and the corresponding adaptation of Greek legislation in the instruction 2001 /97/ EU of the European Parliament, a significantly stricter regulatory framework is imposed with respect to the prevention of the use of the financial services system for the income legalization from illegal activities.

Compliance offices are expected to play this role, which apart from observing measures the bank sets for the non legalization of illegal activities income, are usually commissioned by many other responsibilities related to every kind of required compliance of the financial organization.

5.4 Organization of the Internal Audit and Compliance functions.

Both Standards for Professional Practice of Internal Auditing and Basle Committee principles require Internal Audit function to be independent and Internal Auditors to be objective in performing their work. Moreover Principle 5 of Basle recommendations require Internal Audit to remain independent of the every day internal control process¹⁷. This study indicates that the Internal Audit function should be sufficient to ensure its objective and independent operation. A major issue regarding Internal Audit function's organization was the lack of performance standards against which

they can be evaluated. Another issue is the fact that the audit departments' personnel do not sign statements regarding their compliance with the Standards for Professional practice of Internal Auditing, as well as with the relative Code of Ethics.

Regarding Compliance Offices organization, Basle requires the Compliance function to have a formal status within the bank, there should be a Group Compliance Officer with responsibility for coordinating the banks compliance risks, should not be in a position where there is a possible conflict of interest and an access to appropriate personnel and information¹⁸.

5.5 Internal Audit and Compliance Functions Human Resources characteristics

Adequate staffing and competent Human Resources are essential for effective Internal Audit and Compliance functions within the modern bank. The main weakness in the majority of Internal Audit functions is the competency of their staff in banking operations and areas.

As illustrated in this research study, Internal Auditing and Compliance functions in banks are not adequately staffed with competent staff, or staffs that do not possess the necessary skills and educational level in order to exercise their tasks effectively.

In the majority of the organizations that took part in this survey, there is no written and prescribed procedure of employee transfer to the internal auditing and compliance functions and vice versa.

Internal Audit staff appraisals must be generally updated as they are not usually linked with employee's progress

and take place in most cases yearly and not after the completion of each project.

The majority of banks Internal Auditors pay attention and importance to their continuous improvement and education. Moreover, not many bank auditors are members of the Hellenic Institute of Internal Auditors, as well as the International one.

5.6 Risk Assessment and development of Risk Based Internal Audit Plans.

According to COSO II – ERM, Risk is any event that could prevent an organization from achieving its objectives. Risk assessment consists of risk identification and risk analysis.

All Greek banks took part in this survey stated that they follow a risk-based approach and develop risk based audit plans, however the vast majority of them could not prove it through a clearly documented risk-based audit plan. In fact, all banks consider risks when developing the long term and the annual audit plan; however this is based on relevant experience and not on the modern Risk Based Audit theory and practice¹⁹.

5.7 Internal Audit and Compliance Methodology

Internal Audit methodology should be sufficient, as well as effective and efficient enough to cover all relevant banking risks. As far as the Internal Audit functions methodology is concerned, a major issue we observed during our research was the absence of a formal framework in almost all cases, rather than in a comprehensive audit methodology.

The lack of any quality review of the audit work is another problematic area. The majority of the banks fail to compare the expected performance of the audit project to the actual results²⁰.

Another point of concern is the under-utilization of Information Technology and related Audit management and sampling software, as well as no adequate coverage of IT risks utilizing the appropriate technology.

Regarding Compliance function responsibilities, we noted that in very few cases all compliance responsibilities are exercised by the Compliance function. Basle guidance does not forbid this practice, however proper allocation of compliance responsibilities should be made²¹.

Regarding the identification, measurement and assessment of Compliance Risk, although Basle requires Compliance Office to evaluate compliance risks in all new products, business practices and types of relationships²², it was noted that this is not the case for the majority of them.

5.8 Reporting, Follow Up and Communication practices

Reporting and communication should be an open, continuous and concise task, which through its concluding remarks, explicitly assists the bank define its priorities.

Moreover, in the majority of banking institutions under review, the final report contained many observations regarding the bank's processes, as well as a number of suggestions on how to achieve better compliance.

According to this study audit issues Follow – Up in most cases consist a problem, as no clear responsibility has

been defined as to the extend Internal Audit function and management should get involved.

On the other hand, Compliance Office has to provide management with reports regarding Compliance Risk and other Compliance matters after relevant testing, as well as when significant changes occur on measurements such as performance indicators²³.

Management of the Internal Audit and Compliance functions

In order to achieve objectives in the most effective and efficient manner, Internal Audit and Compliance functions should follow International Standards and Best Practices.

Specifically, during this study, the following weaknesses with respect to the management of Internal Audit and Compliance functions were noted:

- A major issue that requires improvement is the use of Computer Assisted Audit Techniques, as well as Compliance and Money Laundering software
- Another issue is the lack of periodic Internal Quality Reviews on relevant working papers, reports and audit / compliance related file.
- Staff in most Internal Audit and Compliance functions, were not monitored.
- Internal Audit teams are not in all cases comprised of complementary skill sets.
- Internal Audit and Compliance in most cases have not formalized their quality assurance and improvement program.
- Periodical auditee satisfaction sur-

veys aiming at quality assurance of Internal Audit and Compliance functions are not distributed.

- Materialization of cost-benefit analysis regarding Internal Audit Services is not evidenced.
- None Internal Audit and Compliance functions in evaluated banks have a formal knowledge management strategy.
- Appropriate performance metrics are not in place in almost all cases as a mean to measure the effectiveness of the core processes of Internal Audit.

6. How do Banks top and middle level management perceive system of Internal Controls and Internal Audit function?

Top and middle level management in the central divisions of the bank view concerning the internal audit function's effectiveness was in all cases a positive one, even though many comments were expressed regarding certain aspects of the Internal Audit

process.

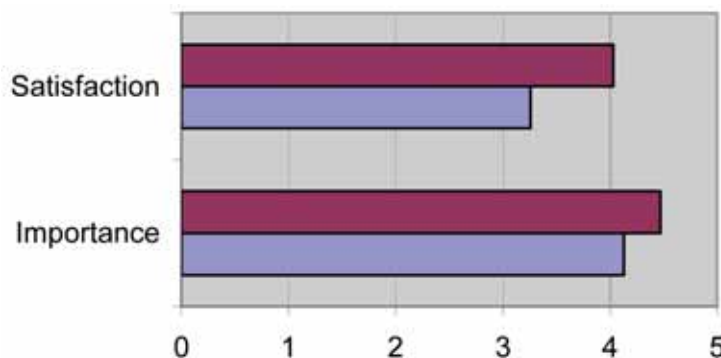
As far as the organization's information systems are concerned, in the majority of banks under review, the management is of the opinion that top management's involvement in the development of these systems is highly constructive.

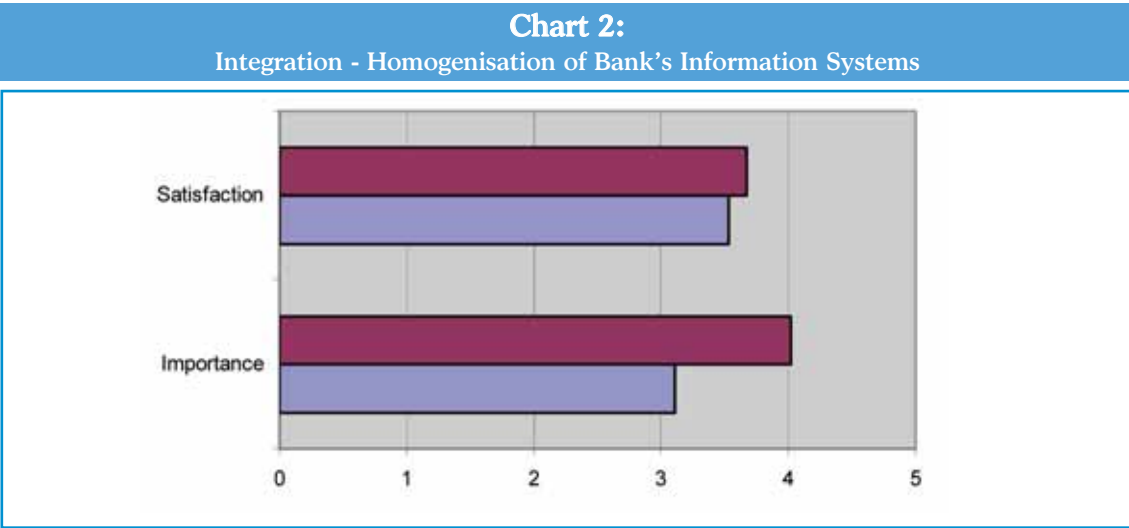
Regarding the bank's information systems, the branches' staff noticed the constant modifications that currently take place, while they expressed their concern on the fact that more have been arranged for the near future.

In the following lines, the Importance and Satisfaction rate of top and middle management of central divisions and branch managers will be presented. Participants marked using a scale between 1 (lowest) to 5 (greatest). Below, purple is management and light blue is branches' managers responses.

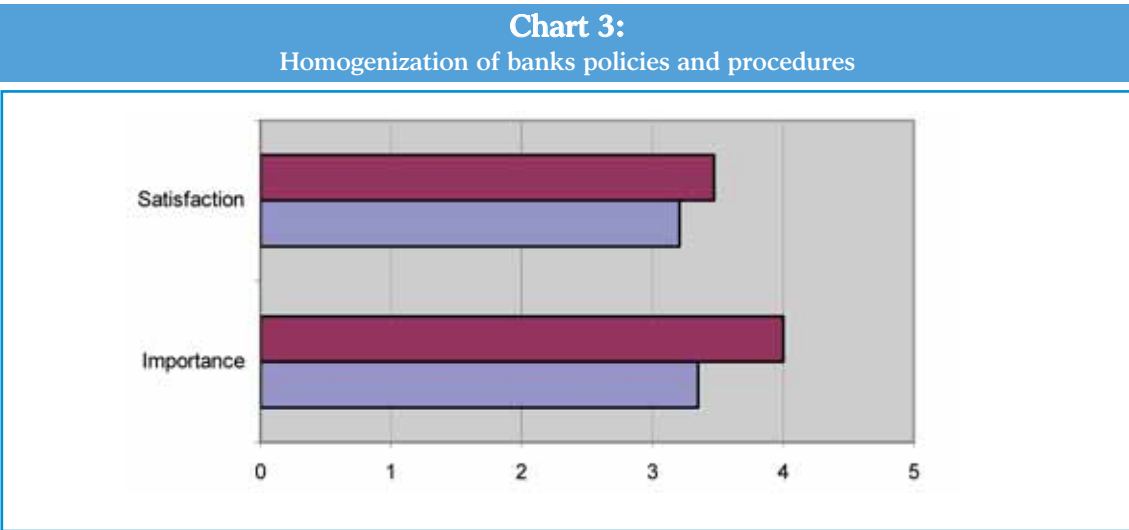
The majority of the management participants, as well as the majority of branches' managers view the current system of Internal Controls as very effective.

Chart 1:
Effectiveness of Banks Internal Controls





Regarding Banks Information Systems integration – homogenization, neither management, nor branches’ managers were satisfied with the current status.



Participants believe that a high degree of policies and procedures homogeneity has been achieved, which can be attributed to the many circulars that regularly receive by several divisions or department regarding banking operations.

Chart 4: Policies and Procedures

Existence of procedures manuals that are comprehensive and accessible by employees

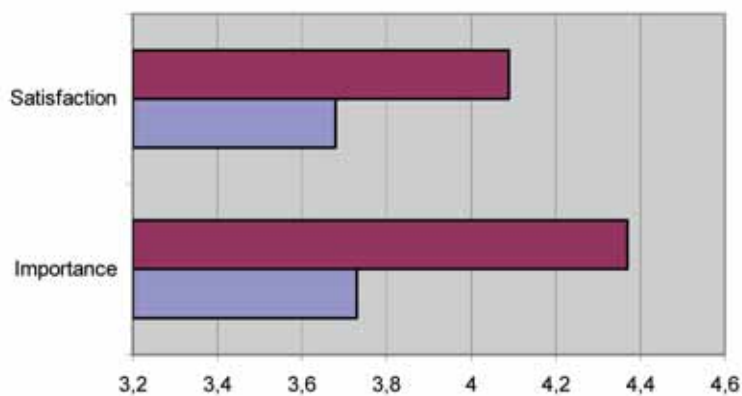
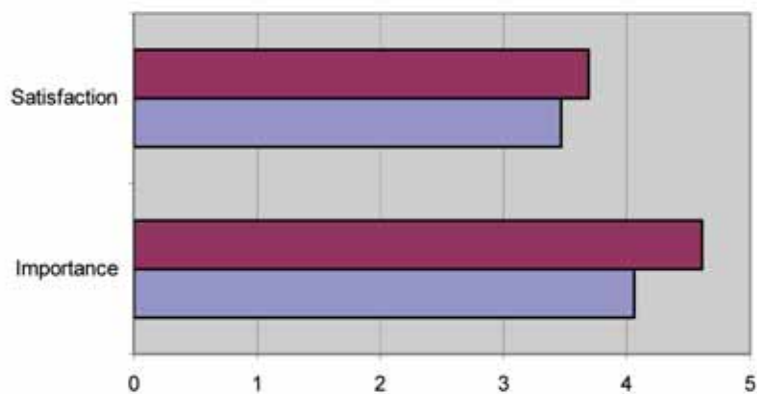


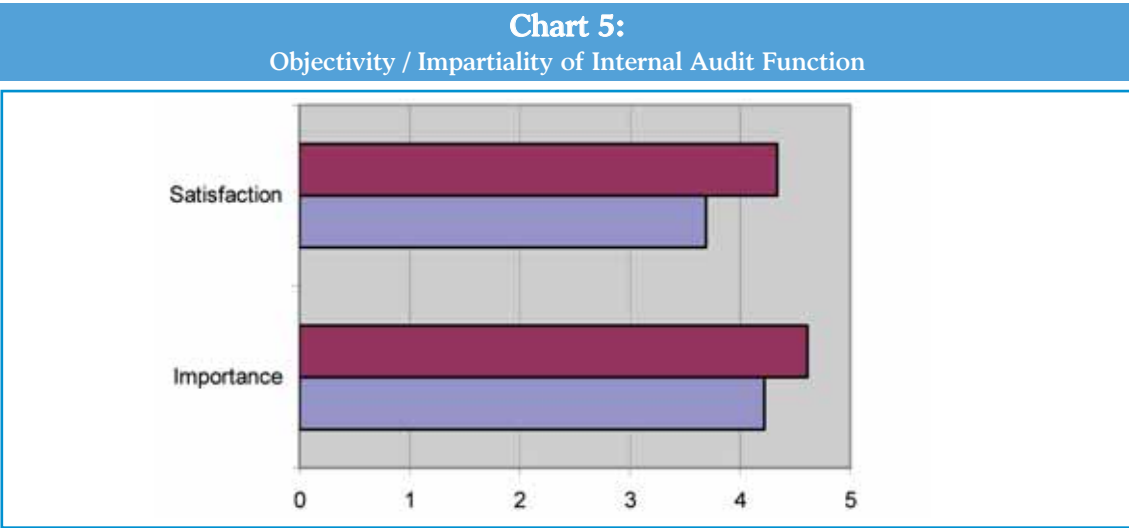
Chart 4.2: Policies and Procedures

Application of Policies and Procedures



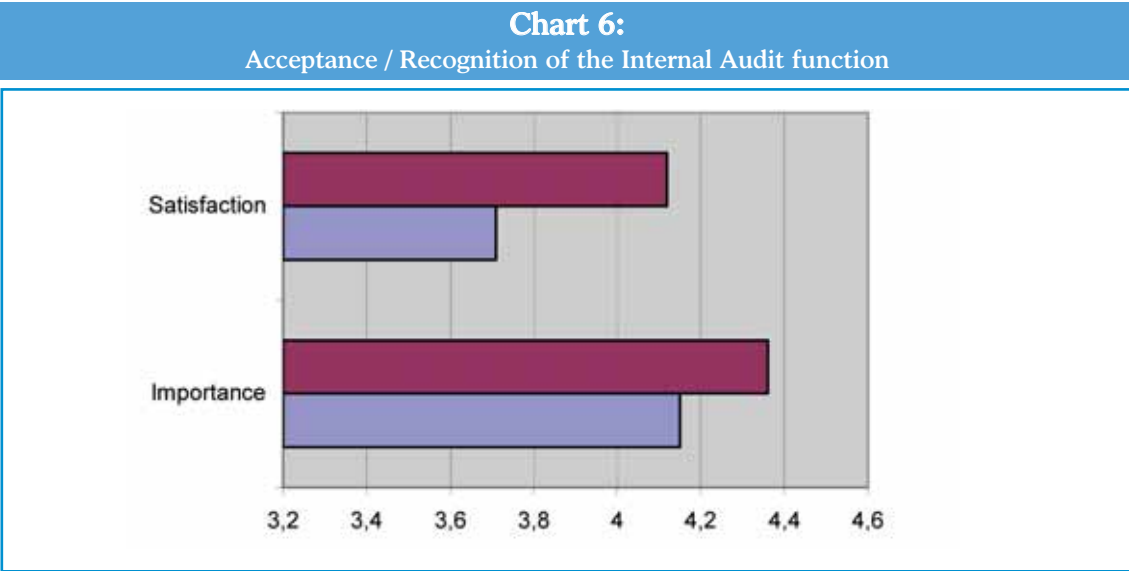
Management stated that it is satisfied with the banks procedures manuals. However, there was an urgent request for detailed and homogenized manu-

als, customized for each division's, departments and subsidiary's special needs and requirements.



Management and branches' managers are not totally satisfied with the perceived objectivity / impartiality of the Internal Audit function. In addition,

branches' managers perceived Internal Audit less objective and impartial than the management.

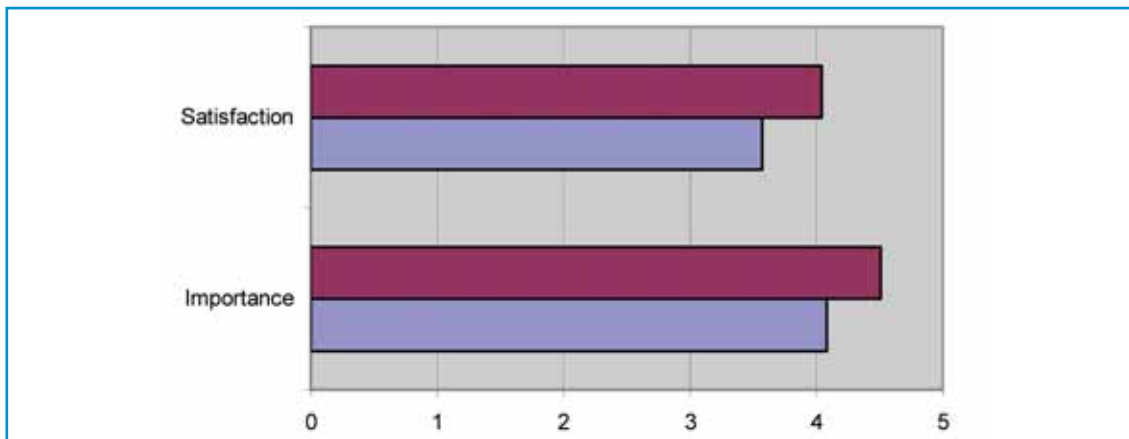


Management and branches' managers consider the Internal Audit function

as the most important element of the system of Internal Controls.

Chart 7:

Internal Audit function Human Resources Adequacy / Quality

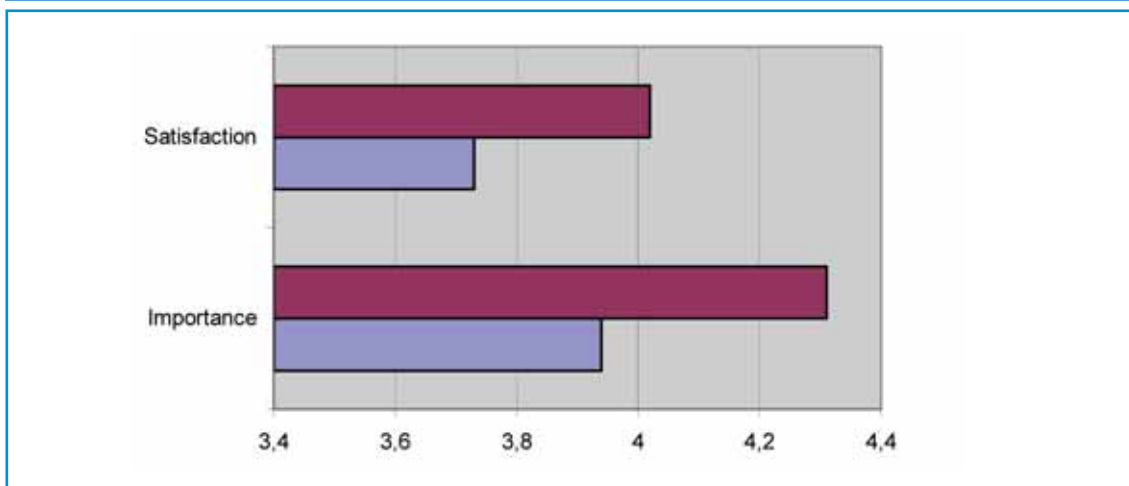


As far as the Internal Audit functions' human resources adequacy and quality is concerned branches' managers appeared to be far less satisfied compared to management probably

because Internal Auditors they do not perform their work within branches as consultants, but as inspectors adopting an authoritative approach.

Chart 8:

Ability to comprehend the audit area



Management believes that Internal Audit functions current ability to comprehend the audit area is ade-

quate, but this certainly should be further enhanced.



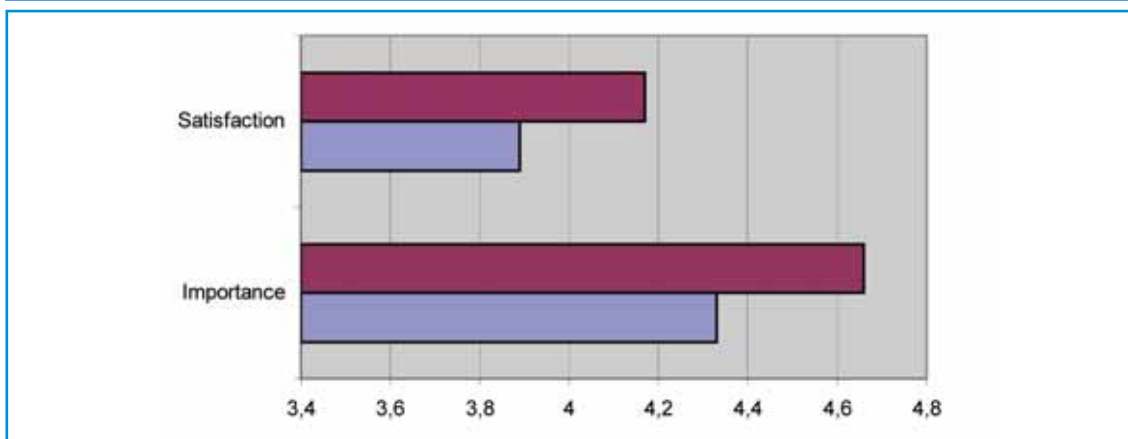
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Chart 9:

Priorities / Focus on significant audit areas

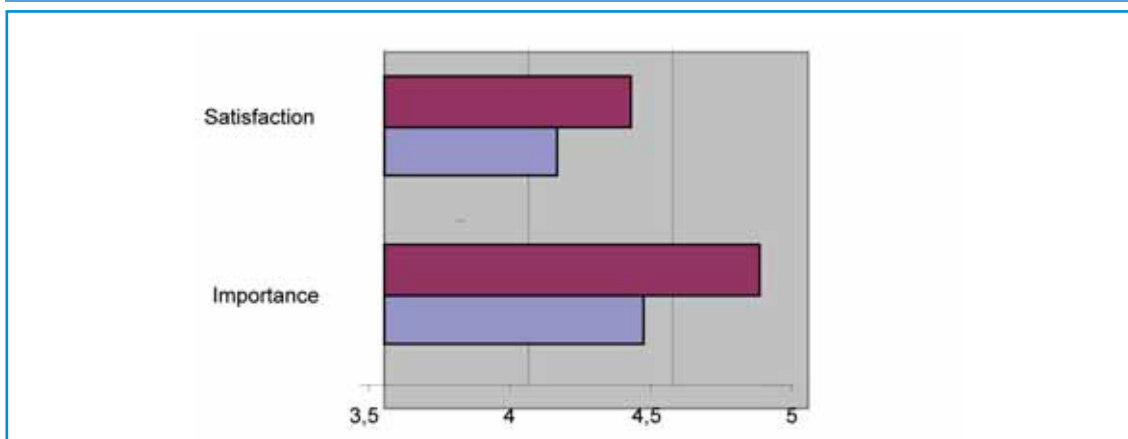


Even though the majority of management participants believe that Internal Audit functions operation is satisfactory, a big number of executives con-

sider that it should be improved, as they do not believe Internal Audit is really focusing in high risk / high priority areas.

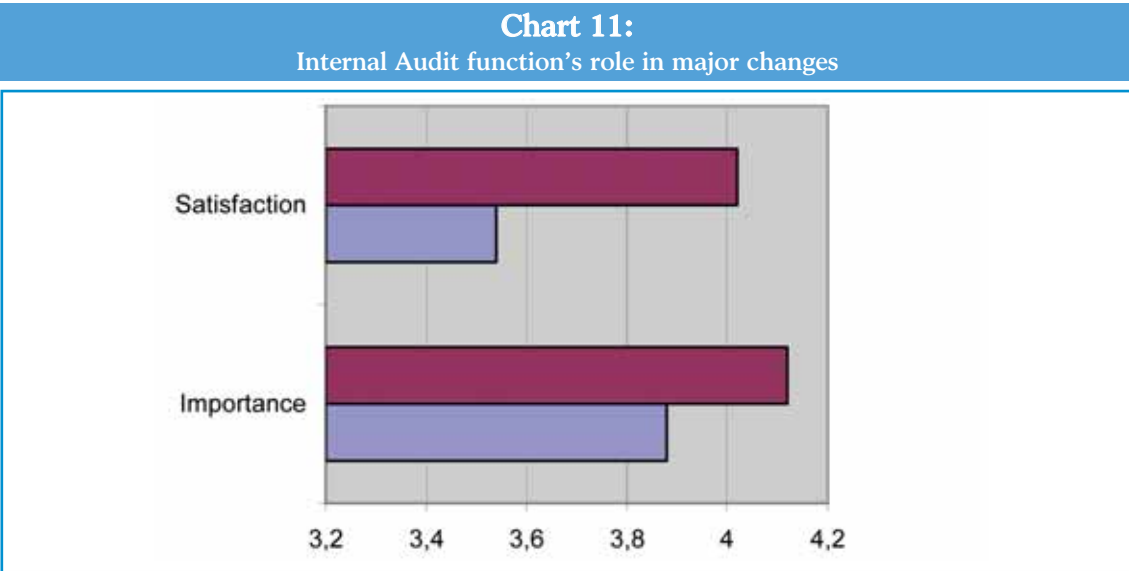
Chart 10:

Internal Audit function's usefulness



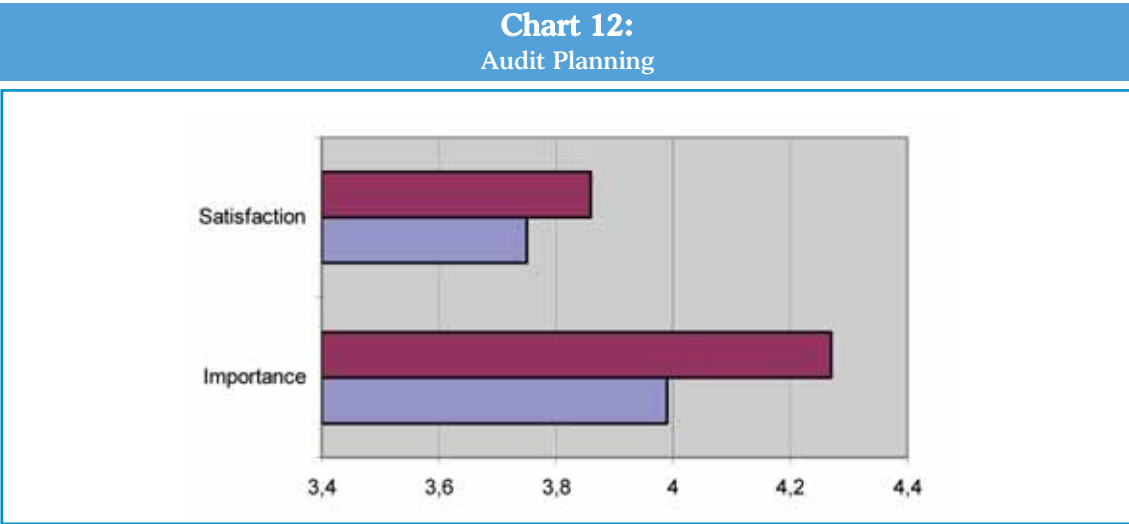
We should note that both groups of participants deem the Internal Audit function as the one, which assists banks in maintaining corporate objec-

tives and monitor the adequacy and effectiveness of organizational processes.



Even though branches' managers expressed their ignorance concerning the Internal Audit functions role in

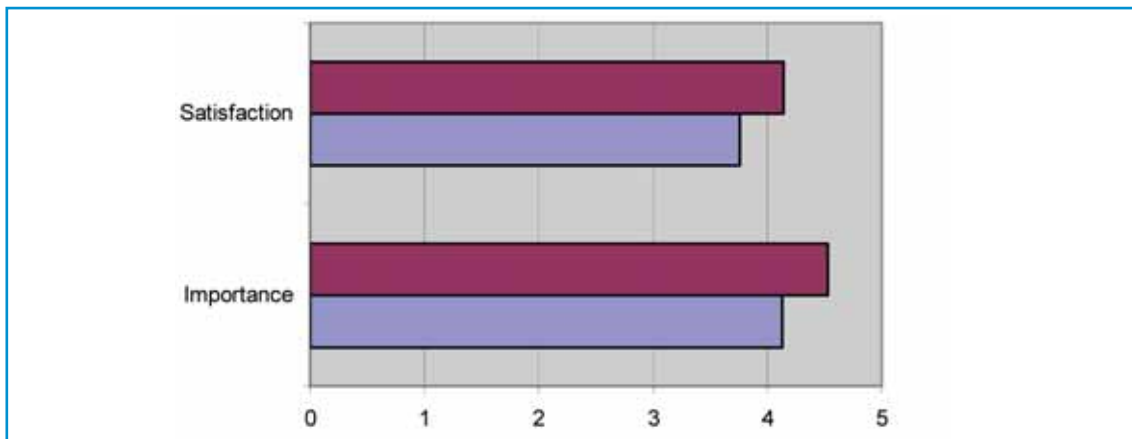
major changes within the organization, the majority from both groups consider it to be very significant.



Management considers the audit planning process as very important, while

branches' managers do not give as much credit to this.

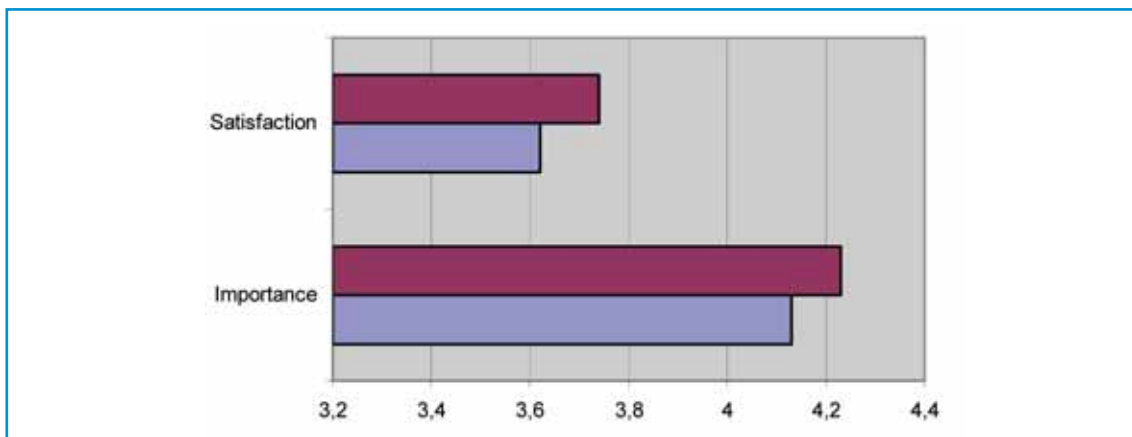
Chart 13:
Audit Performance



Both groups of participants view the benefits the organization receives by

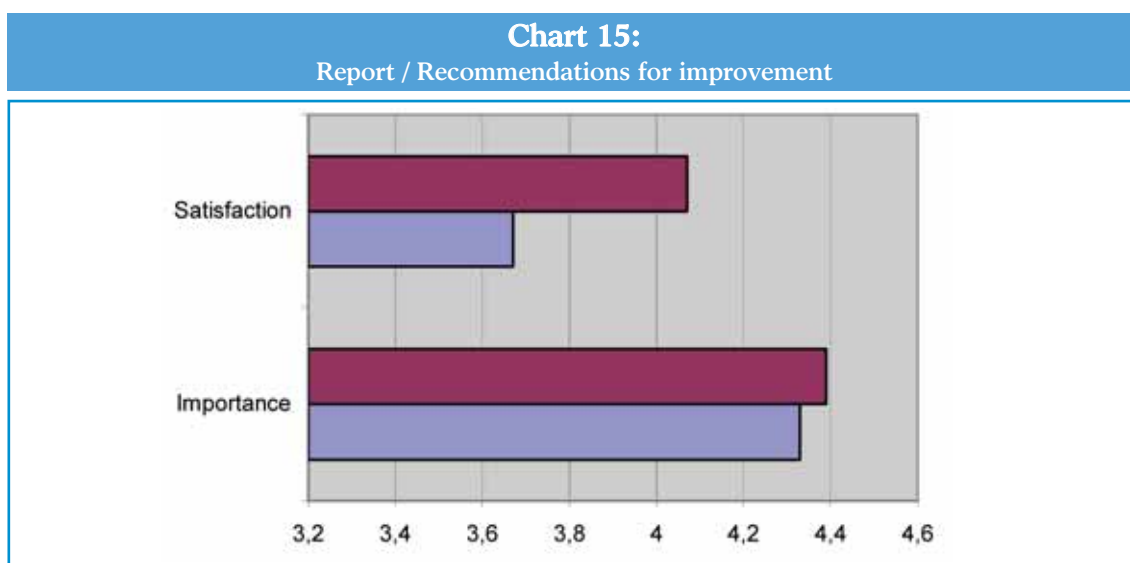
Internal Audit functions to be higher than the costs.

Chart 14:
Final Meeting



Both management and branches managers consider the final meeting to be

of high importance for banking operations and especially the auditees.



Management view that the final report is adequately structured with its recommendations being highly constructive, however, feels that an organization-wide briefing of all employees regardless of their position should be conducted.

7. Best Practices Recommendations

7.1 Corporate Governance framework

The Chairman of the Board of Directors and the Chief Executive Officer must be two different people so that there will be no supreme power authority that will possess unfettered power of decisions. The Board of Directors should apply relative evaluation procedures according to specific predefined criteria. Moreover, the service of independent and non - executive directors should not exceed a maximum accepted time-frame interval. Communication with institutional and other investors should be further

improved. Some of the best practices that can be followed with stronger discipline include the continuous, convenient and valid updating of each listed to the Athens Stock Market corporate web site both in Greek and English languages, the detailed presentation of all corporate, executives and directors details.

Public listed companies should use external auditors as advisors on the effectiveness of risk management procedures and the adequacy of internal control systems.

Banks should focus on developing procedures that will facilitate the collaboration of Internal and External Audit so that they improve the quality of their work and decrease their associated costs.

7.2 Strategic framework set by Board of Directors and Senior Management to address enterprise – wide risk, control and compliance issues

Boards of Directors in Greek banks should further enhance the independ-

ence of Internal Audit and Compliance functions by providing these functions with direct access to the Audit Committee. Currently, Internal Audit and Compliance functions except Audit Committee, informally report to operating management as well, which weakens their independence.

It is very unlikely for Internal Audit and Compliance functions to succeed without Senior Management support and commitment to address Risk, Control and Compliance issues effectively.

7.3 Mission and Strategic plan of the Internal Audit and Compliance functions

It is essential that Senior Management defines the Internal Audit function's mission, so as it reflects the organization's needs, its value-creating factors, and its priorities regarding the banking risks.

Compliance Officer should always be responsible for decision-making regarding the measures to prevent income legalization from illegal activities according to the article 4, paragraph 10 of the Law 2331 / 1995 and Law 3424 / 2005, in co-operation with the banks Board of Directors.

It should be also be the responsibility of the Compliance Office to follow-up Internal Audit / Inspection, and External Audit / consulting reports, as well as Bank of Greece and other regulatory bodies' reports for information regarding potential deviations and violations of the Bank and the Group from the existent institutional and regulatory framework.

Finally, Compliance office should relentlessly be in co-operation with

the Audit Committee, the Internal Audit function of the Bank, the Bank of Greece, the Greek Banks Association, the Bank Intervener, the Capital Markets Commission and all other regulatory bodies the bank requires to comply with.

7.4 Organization of the Internal Audit and Compliance functions

Internal Audit function organizational independence and objectivity should be enhanced through the improvement of Audit Committees', as well as improve their staffing with those people who possess the necessary skills, knowledge and qualifications that are required for the effective exercise of their duties.

Official channels of communication should be established in order to create a constant flow of information among the departments of the bank and its subsidiaries.

It is essential that Internal Auditors sign statements regarding their compliance with the Standards for Professional Practice of Internal Auditing.

Compliance Office should be responsible for the co-operation with other departments or services within the bank and the Group for fraud prevention and detection procedures.

7.5 Internal Audit and Compliance functions Human Resources characteristics

It is essential that Internal Audit and Compliance functions hire high-qualified and competent employees that possess the necessary skills and knowledge.

Apart from the development of an

improvement program of personnel's skills, the bank should create a customized performance evaluation system for Internal Audit and Compliance functions.

7.6 Risk Assessment and the development of Risk Based Internal Audit Plans

Risk-based Audit Plans should be driven by relevant Risk Assessments. Risk Assessment is a major COSO component of Internal Controls framework. The main objective of the Risk Assessment and Planning Process should be the development of an Annual Audit Plan in order to deploy resources.

7.7 Internal Audit and Compliance Methodology

First of all, it is crucial that top management gets involved in the development of the Internal Audit methodology. This will ensure that the audit function is in line with the organization's strategic planning.

An Internal Audit Manual, which will detail specific steps to be followed as a mean to effectively and efficiently conduct an audit should be developed in all cases.

7.8 Reporting, Follow Up and Communication practices.

In order to improve the results and recommendations presented in the final report, it is important that all stakeholders to get involved in the process.

Regarding the Follow-Up process, this should be an area that requires significant improvement in almost all banks, as this process remains one of the

main responsibilities of Internal Audit functions.

Compliance office should be obliged to inform divisions, departments, functions, branches and bank subsidiaries with relative instructions regarding compliance issues.

8. Conclusion

Although Internal Audit and Compliance functions, within Greek banks, are imposed as our research dictates either by the Greek law for publicly listed enterprises, or by the Bank of Greece, for banking operations they do not fully operate according to standard setters.

Minimum requirements, regarding the operation of the Audit Committees, Risk Management, Compliance and Internal Audit functions have been set up by the Bank of Greece which, in most cases, is followed by the Greek banks.

Personal interviews within banks and bank executives, as well as a case study approach according to authors professional experience in past and current projects related to reengineering and upgrading of Internal audit and Compliance functions in several big banks, led us to recommendations for improvement in a number of areas.

Our main recommendations can be summarized in the following lines:

The Chairman of the Board of Directors and Chief Executive Officer must be different persons. We propose that the staffing of the BoD should constitute of at least half independent and non-executive directors.

Boards of Directors in Greek banks should further enhance the independ-

ence of Internal Audit and Compliance functions by providing them with direct access to the Audit Committee. Compliance office should relentlessly be in co-operation with the Audit Committee, the Internal Audit and Risk Management functions of the Bank.

Internal Audit and Compliance functions should hire high-qualified and competent employees that possess the necessary skills and knowledge to effectively accomplish their duties and responsibilities.

The development of an Internal Audit Manual that summarizes the processes, which are required to follow, is considered essential.

Regarding the identification, measurement and assessment of Compliance Risk, Compliance Office should always evaluate compliance risks in all new products, business practices and types of relationships as Basle dictates.

Audit Reports should be clear, concise and constructive, as well as written in a user –friendly format, and include a detailed analysis of the significance of each problem raised by Internal Audit. Follow-Up process within Greek banks requires significant improvement. Specifically, banks should focus on significant issues that should regularly be followed-up.

Regular reports regarding Compliance Risk and other Compliance matters after relevant testing should be provided to Senior Management.

The use of Audit Management Software and Computer Assisted Audit Techniques in all aspects of audit work and on the generation of reports, as well as the knowledge management of past and other issues is strongly suggested.

IT Internal Audit should be involved with performing pre-implementation reviews of controls designed into new business processes/applications. Internal Audit and Compliance functions should formalize their quality assurance and improvement programs by documenting their approach to these periodic internal assessments and on-going performance reviews. Finally, appropriate performance metrics should be developed to measure the effectiveness of the core processes of Internal Audit and Compliance functions.

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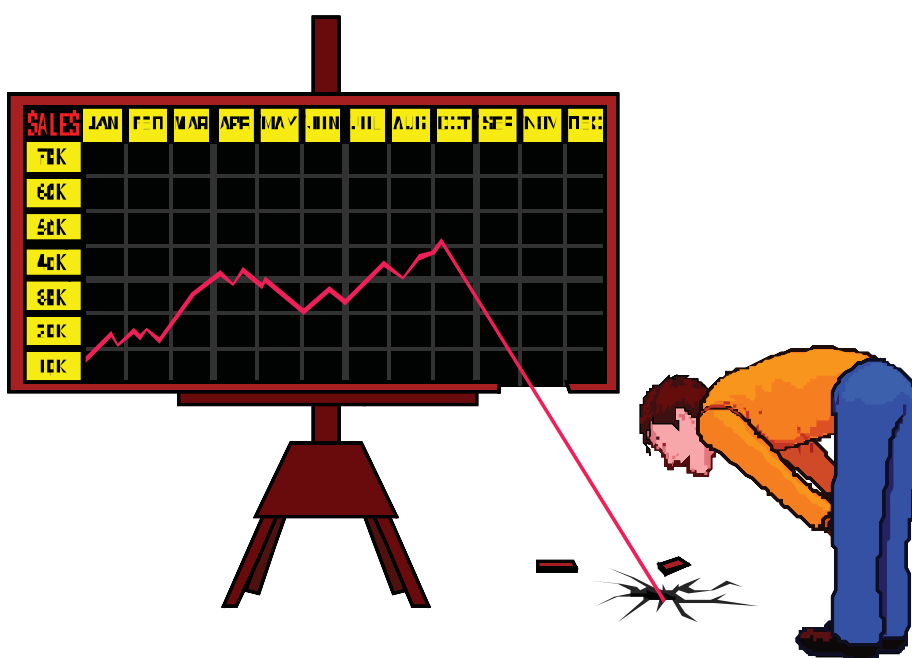
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The Great Unraveling of Leverage

Fall 2008



Over the last year, we have lived the Great Unraveling of leverage. It is accompanied by total risk aversion. Throughout the world of finance, investors all over the world strive to unwind their carry trades that have predominated over the last five years. Central banks have flooded the markets with funds whilst, at the same time, they have been reducing the cost of capital.

Sadly, all this has been to no avail. It is not the availability of funds that is

the problem. Nor is it the interest rates levels for there are no safe-havens! All positions are proportionately unwound. Sayings like “Cash is king” dominate. T- bills (returning near-to-zero percent after inflation), cash hoarding and gold bullion in vaults are fashionable.

All this has a sobering effect on all individuals who wish to reduce their level of debt, especially on fund managers wishing to reduce their leverage from the insane levels of x30 to a

more manageable and realistic x10-15 times net asset value.

My disagreement with the bailouts remains. During the affluent years, profits were privatized and retained by a few individuals through options and bonuses. Now their mismanagement, reckless lending practices and their subsequent losses are being nationalized so as to spread the losses- burdening everyone, including those still-to-be born, and not just the culprits.

In my opinion, the solution to the current financial crisis should be targeted

and should allow some workers to repay their debts-even if longer repayment periods are unavoidable. It might allow homeowners to repay smaller amounts towards the settlement of their debts over longer periods of time and thereby avoid the social pain of foreclosures and the inevitable lowering of housing prices.

The pace of de-leveraging is tremendous; it has never been experienced before by either the fund managers or the traders. All involved hoard cash-confirming that their fears for the

Now their mismanagement, reckless lending practices and their subsequent losses are being nationalized so as to spread the losses- burdening everyone, including those still-to-be born, and not just the culprits.

to first-home loan owners and owners who during this “slowdown” are in a financial pinch, neither to the bankers nor to housing speculators who bought houses just to turn over for a good profit. Instead outstanding loans should be bought up by governments to arrange a safety net that would pacify and reassure homeowners and reduce the pressure on the banks, placing a floor to distressed selling ever-reducing home values.

I wish to that a modern version of the ‘New Deal’, with global funds invested in infrastructure projects, is now needed to prevent global economies tail spinning into contraction. Such a plan would alleviate unemployment

future have reached bubble territories. There appear to be harsher times ahead while one thing is for sure-we will become more humble in the months to come.

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DEFLATION, REAL COST OF DEBT & VALUATIONS

How to adjust DCF models

December 2008

Now that deflation is spreading across the US economy and the world markets have started experiencing similar effects, it is time to explore the implications of deflation on cost of debt, one of the assumptions needed to run equity valuation models.

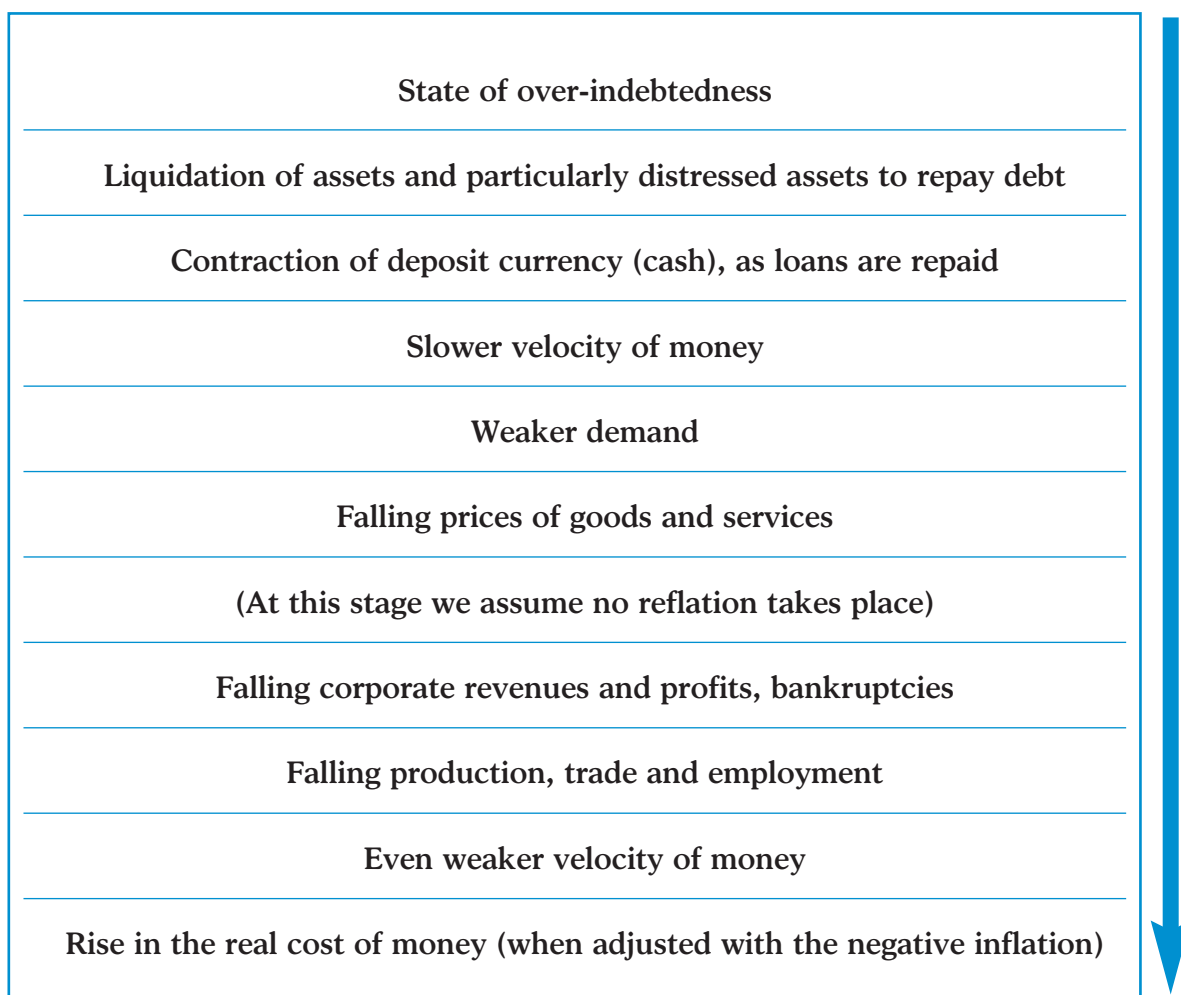
As a first step, we should describe the current environment of falling prices across the board: Weak demand from consumers in combination with high inventory levels have put pressures on companies to sell their products at the lowest possible price level and have created the first signs of deflation. This case is evident despite the recent stimulus package released by the US government in an effort to boost consumption and aggregate demand. It seems that all recent initiatives by the US economic authorities to stimulate economy have so far failed to produce

concrete results in demand for goods and services since people are still hesitant to spend money because they fear of a worse economic future.

Consumers also have as top priority now to repay their loans and control their debt obligations before it is too late.

This mix of falling prices and high leverage is often called as deadly economic condition. It was initially analyzed by Irving Fisher (*), an American economist and professor, in his Debt-Deflation Theory of Great Depressions (1933). This theory supports the view that conditions of debt and deflation in the economy tend to create a depressed environment for consumers and corporations alike. The main chain of effects according to Fisher's theory is presented below:

Taking into consideration the reper-



cussions of debt deflation on the broader economy and particularly to companies of price sensitive sectors we should deduce that if such sce-

nario arises in the following months the real cost of debt at the least for the explicit period in the DCF based valuation will tend to be higher.

Author Nicholas I. Georgiadis
 Director of Research - “VRS” (“Valuation & Research Specialists”)

	2008	2009	2010	2011	2012	L-Term Assumptions
ASSUMPTIONS						
Growth Rate (Sales)	8.00%	236.40%	62.52%	23.89%	8.69%	1.50%
EBIT Margin	1779.88%	328.02%	171.09%	146.53%	141.14%	90.00%
Tax Rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Working Capital (% of sales)	-17.81%	1.81%	-0.65%	0.19%	-9.64%	2.60%
Capex (% of sales)	56.00%	-31.89%	-4.07%	-0.14%	-9.87%	5.00%
Cost of Capital	8.32%	7.59%	7.00%	6.89%	6.97%	6.00%
Depreciation (% of sales)	1.82%	0.70%	0.56%	0.59%	0.70%	2.00%
Turnover						
EBIT	2,752	9,257	15,045	18,639	20,258	20,562
Less: Adjusted Tax	48,979	30,365	25,741	27,312	28,592	18,506
Adjusted Operating Profit	12,245	7,591	6,435	6,828	7,148	4,626
Plus: Depreciation	36,734	22,774	19,306	20,484	21,444	13,879
Operating Cash Flow	36,784	22,839	19,390	20,594	21,587	14,290
Less: Change in Working Capital	-490	167	-98	35	-1,952	411
Less: Capex	62,230	56,064	17,624	-27	-2,000	1,028
Cash Flow to the Firm (FCFF)	-24,955	-33,392	1,664	20,585	25,539	12,851
Discount Factor						
Discount Factor	0.923	0.864	0.818	0.766	0.714	0.747
Present Value of Cash Flows	-23,038	-28,845	1,521	15,769	18,232	
Accumulated Present Value	-23,038	-51,883	-50,362	-34,593	-16,361	
Residual Value						285,580
Present Value of Residual Value						213,402
Value of Firm	197,041					
% Residual Value of Total	108.30%					
VALUATION						
Present Value of Future Cash Flows	-18,361					
Present Value of Residual Value	213,402					
Value of firm	197,041					
Less: Net Debt	89,566					
Value of firm	107,475					
Outstanding number of shares (000)	14,968					
Current Price	5.12					
Value of share	7.18					
% upside potential	40.24%					
WACC CALCULATION						
Risk Free Rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Beta Factor	1.20	1.20	1.20	1.20	1.20	1.20
Market risk Premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Cost of Equity	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Debt / Debt + Equity	26.3%	48.4%	26.3%	27.2%	30.0%	75.0%
Cost of Debt	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Weighted Average Cost of Capital	8.32%	7.59%	7.00%	6.89%	6.97%	6.00%

Debt deflation conditions in the economy may imply an upward adjustment for cost of debt in the DCF based valuation model.

(*) Professor Fisher (1867-1947) was an early mathematical economist, specializing in monetary and financial economics. Fisher's contributions to the field of economics included the equation of exchange, the distinction between real and nominal interest rates, and an early analysis of inter-temporal allocation.



Name	Irving Fisher
Birth	February 27, 1867
Death	April 29, 1947 (aged 80)
Nationality	United States
Field	Mathematical economics
Influences	Willard Gibbs William Graham Sumner
Contributions	Fisher equation Equation of exchange Price index Phillips curve Money illusion Fisher separation theorem

Source:

http://en.wikipedia.org/wiki/Irving_Fisher

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- **Collins Stewart (CI) Ltd**
- **Smith & Williamson Investment**
- **Credit Suisse Asset Management**
- **Deutsche Bank**
- **UBS Global Asset Management**

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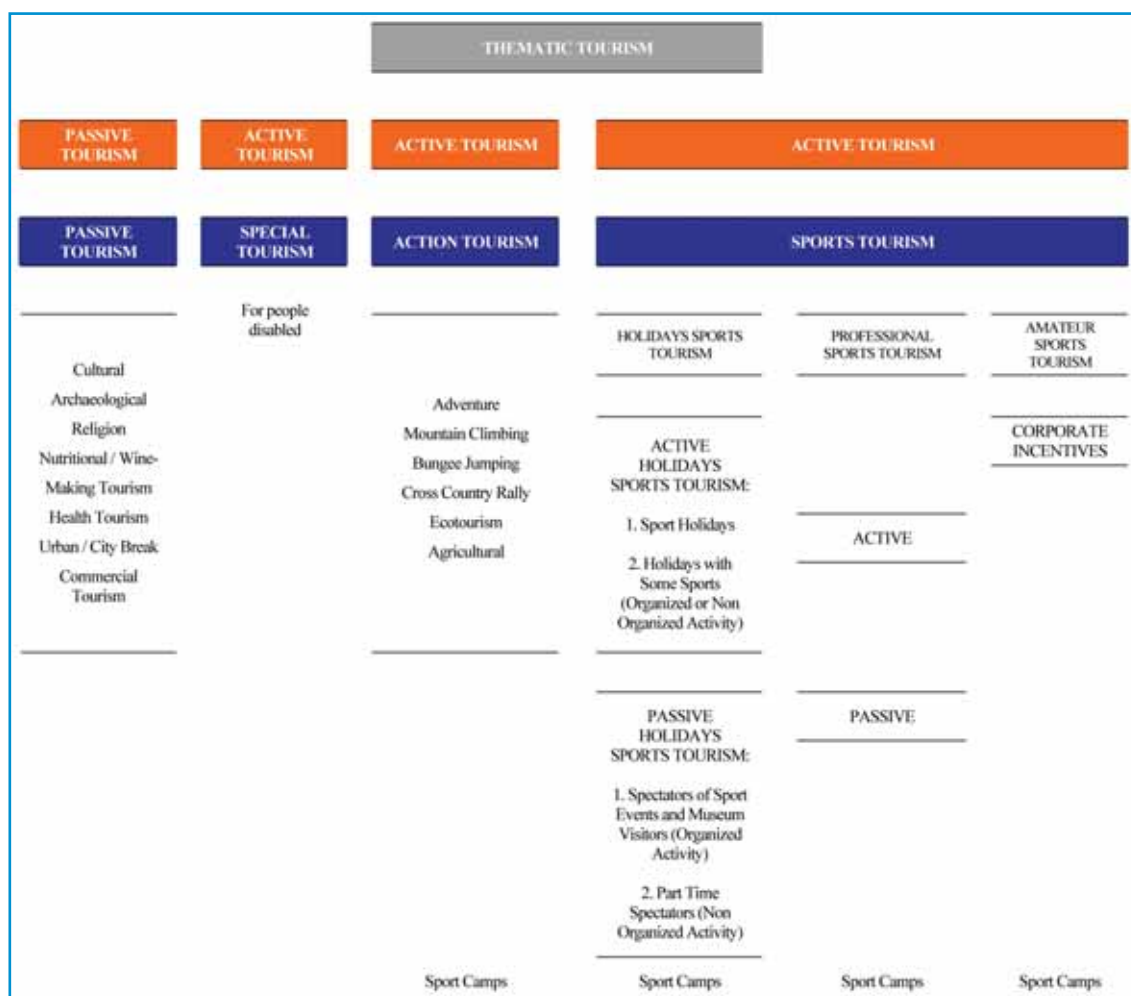
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ACTIVE & SPORTS TOURISM



Sports tourism is a niche market, which can be broadly described as a tourism activity generated by participation in sporting activity. That activity can be a sporting event or competition, a tour of a sporting facility, or a training camp. Participation might involve being a competitor/participant, official, or spectator.

Sport Tourism is a multi-billion dollar business, one of the fastest growing areas of the \$4.5-5.0 trillion global travel and tourism industry. By 2011, travel and tourism is expected to represent more than 10 percent of the global gross domestic product. The economies of cities, regions and even countries around the world are

According to market surveys, more than 35 million Europeans are fans of Active & Sports Tourism, with their size growing by 20% per annum. The concept is quite new in Greece, where targeted market grows on a faster rate

[Source: Ministry of Development, Greece]

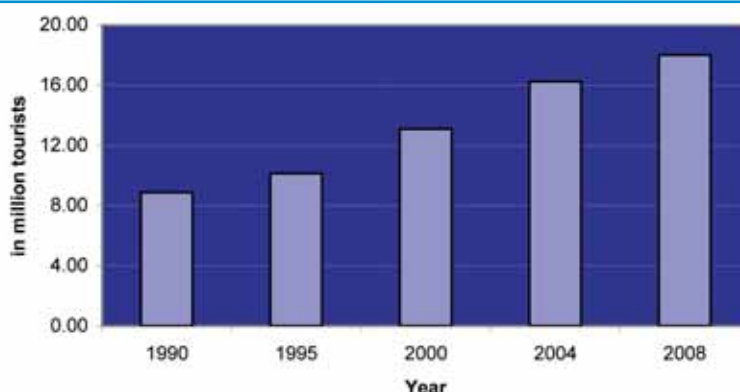
increasingly reliant on the visiting golfer and skier or the traveling football, rugby or cricket supporter. In some countries, sport can account for as much as 25 percent of all tourism receipts.

Sport tourists are passionate, high-spending, enjoy new sporting experiences and often stimulate other tourism. Their direct benefit to a destination is cash - their indirect benefit can be years of follow-on tourists. Sport tourism is now a tool to make achieve many things - to make-money, create thousands of new jobs and even help change cultural perceptions such as in the Middle East and South Africa.

Active & Sports Tourism demonstrates a significant growth potential in Greece, over 20% annually according to market surveys, with the target-

ed group of active tourists currently estimated at 250,000 people. The shift of Greeks towards active forms of tourism is attributed to the need for a way out from the contemporary life in the urban centers. In terms of growth rate, Greece is lagging behind European countries such as Germany, Austria, and Switzerland, since people culture and inclination towards active tourism has been developing since the last few years. Other factors driving demand for active forms of tourism related to health and corpulence problems, as well as economic aspects of the contemporary Greek way of life. With the entry of Euro, life has become more expensive, thus Greeks have no longer the luxury to travel abroad and as a result are searching for tourist activities within their country.

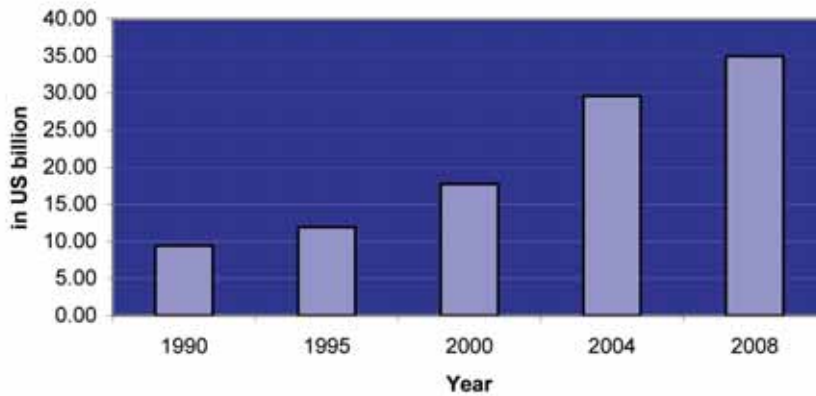
Chart 1:
Evolution of Arrivals in Greece



Source: World Travel & Tourism Council, World Bank, VRS estimates.

Chart 2:

Aggregate Tourism Income in Greece



Source: World Travel & Tourism Council, World Bank, VRS estimates.

From another point of view, we could distinguish sports tourism market in the following activities:

Coaching Tourism – Professional Teams.

This category belongs to professional and amateur sports tourism in the diagram. This type of tourism includes professional as well as amateur teams of athletes along with their escorts and administrative staff. These groups visit a certain tourist destination during the coaching/preparation period, thus obtaining a “tourist interest”. The coaching / preparation period is essential in order to prepare themselves for major or minor sport events taking place in the same place or similar – in terms of climate - areas. This tourism activity normally occurs one year prior to the sport event which athletes prepare for.

Spectators.

This category is included in the passive holidays sports tourism in the diagram. In this case, we refer to sport

fans visiting a tourist destination in order to experience a major sport event, creating at the same time tourism activity.

Participation in Important Events.

This category is also included in the passive holidays sports tourism in the diagram. In this particular case, we refer to sport events of a lower scale, such as city marathons, local sport tournaments, car races, organized outdoor sport activities, and all sort of events where participation is open and massive.

Outdoor Sport Activities.

This category belongs to the active holidays sports tourism, combined with various forms of passive tourism, in the diagram. This type of tourism refers to residents of large urban centers undertaking weekend excursions and enjoying simultaneously cultural tourist activities. For example, this tourism category would encompass mountain skiing and climbing during the winter or wind surfing during the summer.



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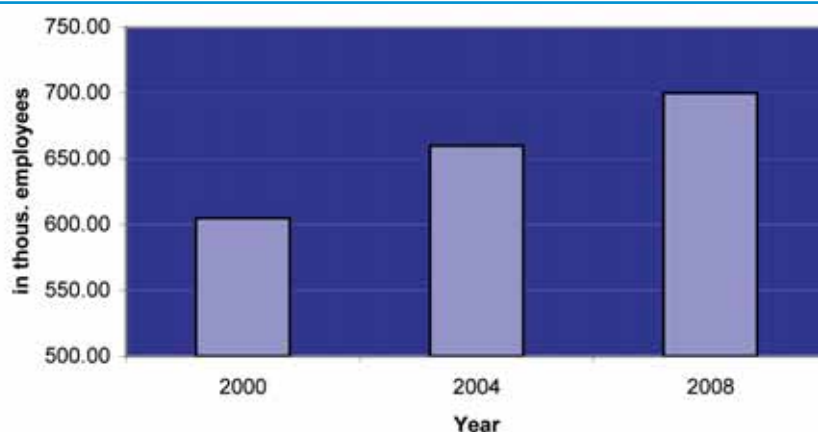
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Hotel Sport Activities & Entertainment.

This category belongs to the active holidays sports tourism, combined with various forms of passive tourism, in the diagram. Recreational sport activities refer to special action undertaken within the area of large hotel

resorts. In Greece, the above action is usually combined with passive tourism, such as educational, cultural and environmental activities. Persons engaged in this mix of activities are neither professional nor amateur athletes.

Chart 3:
Total Number of Employees in Greece



Source: World Travel & Tourism Council, "The Impact of Travel and Tourism on Jobs and the Economy", VRS estimates.

Passive Tourism:

Passive Tourism, at least in the approach this report makes, is part of the broader Thematic Tourism, since it incorporates a lot of tourist action, although not an athletic one. The major definitions and descriptions of the various forms of Passive Tourism are presented below:

Cultural Tourism:

It integrates educational aspects in relation to the Ancient Greek language with participants spending their holidays in ancient monuments where they can further stimulate their

actions and feel the ancient spirit. The co-operation with an International School of Philosophy or with the Athens University may facilitate the successful "delivery" of such an experience to the tourists / customers.

Archaeological / Educational Tourism:

This form of tourism is also educational as it integrates knowledge for the Ancient world through real life experience in the way Ancient Greeks lived, ate and worked. According to this model, tourists would stay in an agricultural village close to ancient monuments and buildings, and experi-

ence the ancient way of life (from nutrition habits up to philosophical interactions) in combination with lectures, seminars and speeches on archaeological issues. Also there would be interaction with ancient nutritional habits.

Religion Tourism:

Although it sounds as passive tourism, in our model we combine religion tourism with strong action aspects. Tourists would stay in monastery camps and would combine agro-tourism (work in the monasteries' agricultural areas) with education and other forms of active tourism.

Nutritional / Wine Making Tourism:

It incorporates experience and knowledge of nutritional issues and wine making procedures. Tourists interested on this type of tourism may easily find farms in Eastern Attica with Achaia Claus facilities type.

Health Tourism:

Health tourism may include aspects rehabilitation and beauty care aspects along with traditional health care services. The above services and experience would be provided from medical centers (for example the Interbalkan Medical Center in Thessalonica, Greece), rehabilitation and health centers (such as the Olympion Center in Patras, Greece) or even from joint ventures created by teams of physicians.

Urban Tourism / City Break:

This form of tourism is available in the large Greek cities, which apart from the capital of Athens include Thessalonica, Volos, Patras and

Iraklio. For example, tourists would participate in conferences, go shopping in major commercial streets of the city, or shopping centers or large malls, and also entertain themselves in the city's music hall.

Commercial Tourism:

It would refer to Open Exhibitions, conferences, business congregations, etc.

Amateur Sports Tourism:

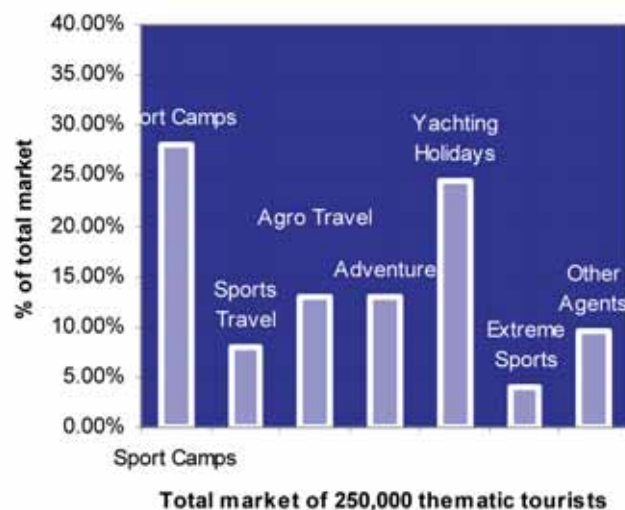
In our business model, Amateur Sports Tourism is mainly related to foreign tourists with high sport consciousness visiting Greece for sport activities. Such tourists are usually from Central and Northern Europe (Germany, Austria, Switzerland and Scandinavia) where the potential market consists of over 150,000 amateurs sport clubs with 5 million members. The major factor behind the expected traffic of tourists from the above countries to Greece is the extension of the holiday zone, which strengthens demand for sport tourism services throughout the year.

Major Players of Active & Sports Tourism Market in Greece

Active and sports tourist activities are not entirely new in Greece, however there is a lack of a strategic and organized business approach to capture market shares and create a long-term growth potential in this very promising market. The following chart depicts the major players that have been so far active in offering tourist packages with thematic and sports activities, along with their market shares in total targeted domestic market of 250,000 thematic tourists.

Chart 4:

Major Players of Active & Sports Tourism Market in Greece



Source: Market surveys, V&P Sports.

The History of Amateurs Sports Tourism

In Europe, the Amateur Sports Tourism was “born” in early 1980’s and gradually evolved as an especially active type of tourism. Although amateur sports tourism was developed in several European countries along the time, Germany was the pioneer country in establishing the spirit of the amateur sports tourism due to the following reasons or factors:

- 1) In Germany, people are fans of sports from the very early years of their lives (normally from 3 years old). Sport activities are more of a habit rather than a necessity that would have emerged due to health reasons or other factors.
- 2) There is a very well organized structure in the country’s sport life with more than 45,000 amateur sports clubs operating in every city and village, covering all sort of sports. Soccer, handball, tennis, classical sports, basketball and swimming are the most popular ones. Sport clubs are very well funded from the annual membership subscriptions and sponsors. These funds are invested in new infrastructure, such as sport facilities, as well as a full range of supporting facilities including restaurants, cafeterias, offices, etc.
- 3) There are extended holiday seasons in the country. For example, there are holiday periods ranging from 5 to 10 days during October-November (the first ten days of the month might be holiday season for certain cities, the following 10 days might be holiday season for other cities, and so on), Christmas and New Year’s Eve, Easter, and sum-

mer (approximately 20-day holidays, in different periods within the summer for different cities within Germany).

- 4) In view of so many holiday seasons in Germany, sport clubs are accustomed to travel and enjoy sports tourism not only in their home country but also in other countries. The most preferable countries, such as Spain, Italy, Portugal and Greece, are located in South Europe due to favorable climate and beautiful coasts.

International Trends

Traditionally, Europe is the world leader of thematic tourism market, setting the pace of the sector's developments as well as growth trends. Following a booming tourist industry during the 1980s, North Europe introduced innovative sports tourism products and services. In Germany for example, there are 40,000 amateur sport clubs with 30 members each on average basis, implying an aggregate market of 1,200,000 potential tourists. Furthermore, there are 1,000 professional sport clubs with 50 members each on average basis, implying an additional market of 50,000 professional sportsmen. Especially German fans of sports tourism enjoy their activities not only during the summer

but also along the whole year, taking advantage of their official holidays in autumn, winter and spring.

Trends in the Greek Market

Over the past 10-15 years, organized athletic activities and sport events have been attracting the attention of Greeks, who in turn have become fans of a combination based on sports – athletics – training – tourism.

As it will be described in the following sections of this report, the athlotouristic project called Athlopolis is a strong motive to engage in sports tourism for both Greek and foreign tourists, since Greece has more favorable climate conditions compared to competitors, such as Spain and Portugal.

The 13 peripheral (regional) areas of Greece and the former Olympic cities are also capable of promoting thematic tourism products and services, including active and sports tourism. Greece has become the attraction of large size international tourist corporations with an interest to create sports centers and golf resorts in the country.

Finally, the successful organization of the Athens Olympics in 2004 is a strong motive for international investment funds to search for opportunities in the active and sports tourism industry in Greece.

3 Mega Sports Events Boosting Active & Sports Tourism in Greece

PHOTO 1:

Greece as Winner of the Euro 2004 (soccer)



PHOTO 2:

Athens Olympic Games 2004



PHOTO 3:

Greece as Winner of the Eurobasket 2005







Global Energy Sector & Valuation of a RES Project in Greece

1. The Global Energy Sector

As of today, the largest part of energy production worldwide derives from mineral combustible materials through drilling or mining. Those materials are not renewable, thus at a certain point in time they could be totally consumed, leading –theoretically– the world economies to exploit renewable sources of energy.

According to the Global Wind Energy Council more than 20,000 MW of wind power was installed in 2007, led by the US, China and Spain, bringing world-wide installed capacity to 94,112 MW (71,146 MW in 2006). This is an increase of 32.3% compared with the 2006 market.

In the EU, wind power continues to be one of the most popular electricity

generating technologies. Since 2000, the installed wind capacity has increased almost six-fold from 9.7 GW to 56.5 GW. According to figures from Platts PowerVision and EWEA, in 2007, wind power installations made up 40% of total new power installations, representing the fastest growing power generating technology in Europe.

The appearance of renewable energy sources (RES) in the global marketplace dates back to the 1970's when the first oil crisis raised the need of an alternative energy source. Nowadays, almost all developed countries offer significant incentives for the development of wind or solar parks from private entities, targeting gains from reducing carbon dioxide emissions.

Chart 1:
Renewable Energy Sources

- Solar energy
- Wind energy
- Hydro energy
- Geothermal energy
- Biomass (Bio-gas energy)
- Sea wave energy

The following key parameters are also driving current investment activities in the European market:

- Environmental protection and climate change;

- Security of supply;
- High-energy prices;
- Job creation;
- Technology enhancements;
- Trade benefits.

Chart 2:
Cumulative installed capacity EU - 27 by end of 2007 (MW)

Country	End 2006	New Installed 2007	Decommissioned 2007	Total End 2007
Germany	20,622	1,667	41	22,247
Spain	11,623	3,522	0	15,145
Denmark	3,136	3	14	3,125
Italy	2,123	603	0	2,726
France	1,567	888	1	2,454
UK	1,962	427	0	2,389
Portugal	1,716	434	0	2,150
Netherlands	1,558	210	22	1,746
Austria	965	20	3	982
Greece	746	125	0	871
Ireland	746	59	0	805
Sweden	571	217	0	788
Belgium	194	93	0	287
Poland	153	123	0	276
Czech Republic	54	63	1	116
Finland	86	24	0	110
Bulgaria	36	34	0	70
Hungary	61	4	0	65
Estonia	32	26	0	58
Lithuania	48	7	5	50
Luxembourg	35	0	0	35
Latvia	27	0	0	27
Romania	3	5	0	8
Slovakia	5	0	0	5
Cyprus	0	0	0	0
Malta	0	0	0	0
Slovenia	0	0	0	0

2. The Greek Energy Sector

Greece's per capita consumption of electricity is among the lowest levels in the EU implying a significant upside potential for the energy market's overall growth. The major developments of the Greek energy sector over the past 15 years have been the following: Liberalization of the Greek electricity market in the production (1999) and distribution (2007) level;

- Enlargement of the RES market;
- Greater use of natural gas;

- Positioning of Greece as a cross-road in the South-East European energy market.

The Greek RES market has experienced a significant stream of investments over the past 10 years. Currently the aggregate amount exceeds ? 1 billion with investment growing at a double-digit rate annually (more than 50%). According to the Kyoto Pact and the relevant EU directive 2001/77, renewable sources should account for 20%

of total energy consumed in Greece by 2010 (or about 3000-3500 MW) and approximately 7.000 MW by the end of the year 2020. As of December 23rd 2008, the total RES capacity accounted for 1,050.67 MW (source: DESMIE) while for the fiscal 2008, the total capacity entered to the system

accounted for 187 MW, well below the Kyoto target. In order to reach the directive target in 2020, total new RES in Greece should account for at least 500 MW per year.

The following table presents the breakdown of the RES installed capacity in Greece as of end 2006:

RES installed capacity in Greece as of end 2006	
Type of RES	Installed Capacity (MW)
Wind Parks	745
Hydro Electric Stations	108
Bio-Mass	24
Geothermal Units	0
Solar Energy Parks	1
TOTAL	878

The wind parks' installed capacity (745 MW) was allocated among a

number of companies activating in the Greek market as of end 2006:

Number of companies activating in the Greek market as of end 2006		
Company	Installed Capacity MW (2006)	Market Share
Rokas / Iberdrola	193	25.9%
Terna Energy	109	14.6%
ENEL	75	10.1%
EDF Energies Nouvelles	59	7.9%
Hellenic Technodomiki	50	6.7%
CESA	36	4.8%
Endesa Hellas	26	3.5%
Other Companies	197	26.4%
TOTAL	745	100.0%

As of 2006, total electricity consumption in Greece reached 64,300 GWh with electricity production from RES accounting for 8,500 GWh breaking down as follows:

- Hydroelectric stations generated 79% of the total or 6,774 GWh
- Wind parks 20% or 1,692 GWh
- Other sources 1%.

The following table presents Greece's official targets by the year 2010:

3. How to Value a RES Project in Greece

We value a RES project by applying the discounted cash flow method (DCF) to the projected financials of the plant for the first 15 years. We

The following table presents Greece's official targets by the year 2010

	Installed Capacity Target in MW by 2010	Electricity Production in TWh by 2010
Wind Parks	3,372	7.09
Large Scale Hydro Electric Stations	364	1.09
Small Scale Hydro Electric Stations	3,325	4.58
Bio-Mass	103	0.81
Geothermal Units	12	0.09
Solar Energy Parks	18	0.02
TOTAL	7,193	13.67

assume that the project will have a residual value at the end of the 15th year as it will have the prospect to continue its operation by updating its license for another 15 years and performing the necessary investments. WACC: The weighted average cost of capital (WACC) used for the discounting of the cash flow is calculated at about 9% for the first years of the project given that part of the investment is financed through bank debt. After the maturing of bank debt (5-7 years), the WACC increases and reaches about 13-14% equaling the estimated cost of equity (risk free rate at 4.5%, beta at 1.5, and risk premium at 5.5%).

Financial Projections: With regard to a wind park project, the projected financial results are based on measurable expenditures (Capex and Opex) and projected revenues. The assumptions for the operation of a wind park project stand for 2 important parameters:

1. Price per MWh. The price per MWh that we expect the Company will receive by selling energy to the electric grid of the Greek Public Power Corporation (PPC) is determined by the Greek law. PPC is obliged to buy all electricity generated by renewable power plants which hold a legal oper-

ating license. The energy-selling price today is ?75.82/MWh, according to the law 3468/06 and is linked to the PPC's regulated tariffs. This assumes that any increase in PPC selling prices (which are affected by the inflation and the oil price) will increase proportionally the price that PPC buys from the alternative producers.

2. Annual Production Capacity. We calculate the net power production for each year based on the total nominal capacity as it is assumed by the wind generator's manufacturer and the annual average wind speed, the capacity factor which is calculated based on different probabilities of wind and the risk factor.

CAPEX – OPEX: The investment expenditure is entitled for state grant of about 40% of the total expense (according to the Investment Law 3299/04). Operating expenses include operation & maintenance costs (about 60% of total opex), insurance costs, municipality duties and power consumption cost.

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Winston Churchill:

"...I would like to see finance less proud and industry more content..."

Thoughts & Views on the Memorable Quote
by the English Politician

March 2009

Reflecting the words of the English politician on the "wreckage" left behind by the American credit crisis "hurricane", the financial sector has displayed extreme arrogance and impudence. The greed of investors and investment groups, the frantic desire of banks to operate as investment institutions, careless investments in toxic products, as well as constant granting of loans to companies for investments that eventually did not promote competition but rendered such "dependent" on loans in order to feed their operation, have led to the collapse of banking and investment giants, threatening at the same time the entire global financial system. The consequences may have surprised those involved in the turmoil; however in the end they should have been expected. When reckless placements are undertaken in complex products

and the actions of one financial institution also affect others connected to such, then it is only natural that a large part of the banking system experiences collapse and losses.

The financial sector – the part of the system responsible for financing economies or in other words 'finance' – could contribute less to the system's support, namely to the support of businesses and industries. This would lead to a healthier condition for the economy and businesses that would rely on their own capacity (content industry). Content Industry means that companies can create ideas, produce innovative products and be more competitive. Therefore, they are able to "stand on their own feet" autonomously, without pursuing debt capital (loans) either from the financial sector or from governments, as is the case today with the automobile

industry in the US. Finance, according to Churchill, can mean financial assistance both from banks and from direct or indirect government support.

The pursuit of financing support either by banking or government entities entails, as evidenced recently, many types of risks. Such risks include credit risk, risk of non-repayment, risk for further leverage and therefore over-debt of the debtor through accumulated liabilities. The above result in the materialization of default risk, a phenomenon that took place during the past few months mainly amongst industrial giants and companies that were of great importance for the economy.

Perhaps companies, in their effort to ensure their healthy operation and to extend their investments with the objective of profitability, turned to the easy way, at least seemingly easy, which would secure them quickly with liquidity to cover their liabilities. However, they disregarded or overlooked – the companies themselves know which is the case – the loan terms and even more the real risks hidden behind the loans (of any form) which they undertook.

It is not obvious whether the situation would be relatively better had the companies and industries relied exclu-

sively, or at least to the largest extent, on their own strengths. Nonetheless, what can be said with relevant certainty is that companies would be in a position to internally face any potential problem that would have emerged, attempting not to transmit their own problem to the broader economy but only to a specific sector, with the hope that the forces of supply and demand would counterbalance, at least in the long-term, any possible negative effects. Definitely the repercussions would be noticeable also in the broader economy in any case, however each case would be handled individually, without involving a domino of effects and without dragging companies that until that time had not faced any significant problem.

It is therefore obvious that both the financing aspect of the system and the large industrial companies, appeared to be particularly unprepared against the credit crisis that inflicted the U.S. and also the entire world, having utterly forgotten the wish made by the British politician several decades ago while thinking prudently on the need for a measure that in the end must also govern modern economies.

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Press Release

Supply Chain Management & Customer Service

Author: Dimitrios T. Theodoras PhD



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Stamoulis Publications S.A. announces the launch of the book Supply Chain Management and Customer Service. This book answers all the fundamental questions concerning the effective management of the supply chain. The main focus of the book is to determine how logistics' strategy can be placed among corporate strategy and how it can contribute in customer service and cost efficiency.

The first part of the book describes the planning, evaluation and selection of the appropriate supply chain strategy. In addition, it analyzes the elements of customer service, the internal and external control processes, as well as the methodologies for customer service segmentation.

In the second part, the author presents the methodology, the conclusions and recommendations of a market research conducted in the FMCG industry aiming to examine the impact of supply chain strategy to customer support. The main research questions of the study are:

- Is there a differentiation in supply chain strategy of Greek FMCG retailers and multi-national FMCG retailers?
- Can the FMCG wholesalers differentiate customer support accordingly to the supply chain strategy of FMCG retailers?
- Can the FMCG wholesalers differentiate customer support accordingly to different food product categories?

This edition is suitable for marketing & logistics executives, entrepreneurs and consultants. It provides tools for every day business problem solving such as customer service measurements, the interface of marketing and logistics and contemporary statistical methods.

Dimitrios Theodoras holds a PhD from the department of Industrial Management and Technology of the University of Pireaus. His current research is focused on Supply Chain and Service Quality Management. Dr. Theodoras has held marketing & logistics executive positions in various Greek firms. He has also been appointed as a consultant and advisor of the Greek Ministry of Development. Dr. Theodoras currently works as a consultant for the Greek Ministry of Economics. His articles have been published by several reputable scientific journals.



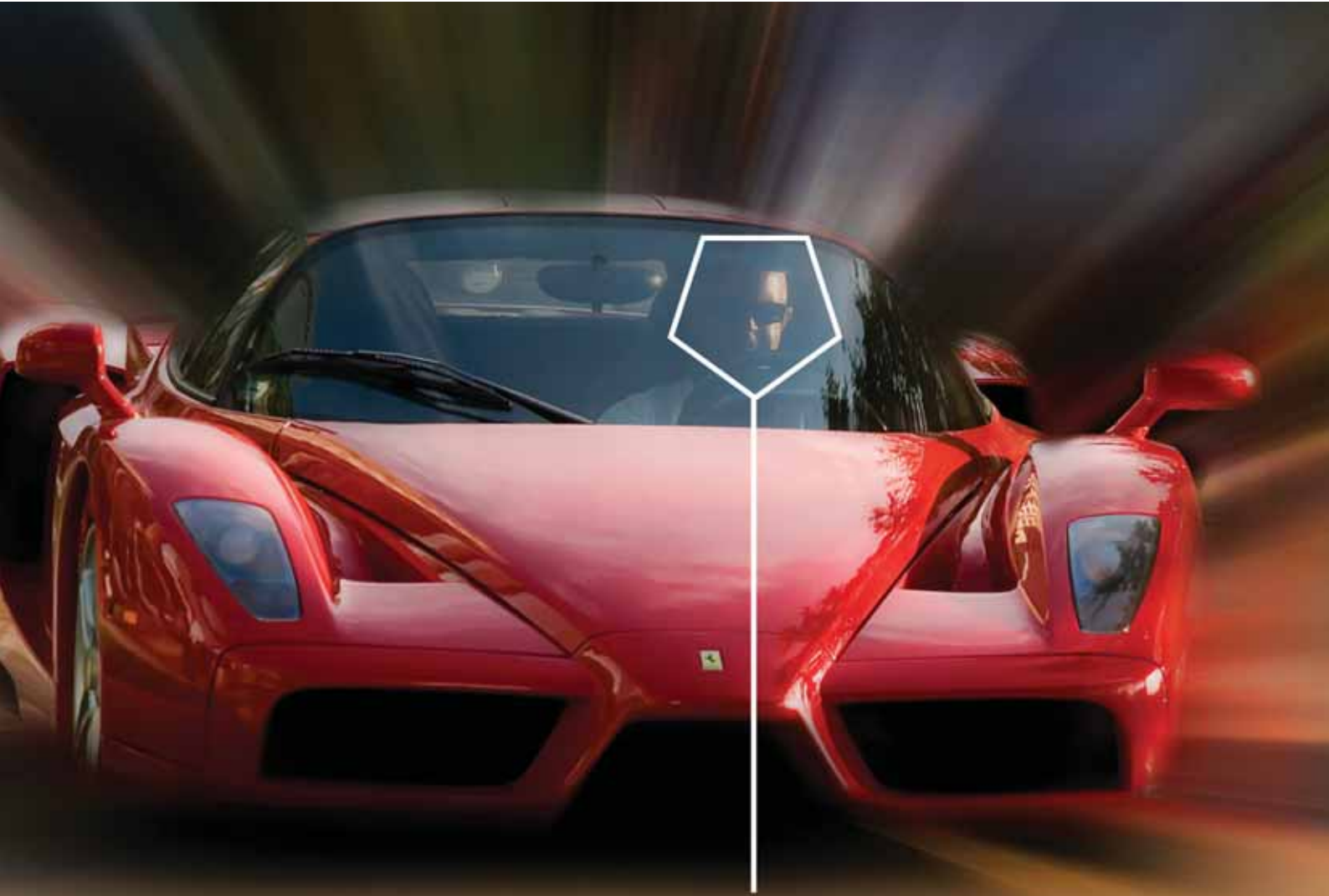


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