# EFG EUROBANK ERGASIAS S.A.

## ANNUAL FINANCIAL REPORT

### FOR THE YEAR ENDED

### 31 DECEMBER 2010

According to Article 4 of the Law 3556/2007

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## *I. Statement of the members of the Board of Directors (according to the article 4, par. 2 of the Law 3556/2007)*

## Statement of the members of the Board of Directors
## (according to the article 4, par.2 of the Law 3556/2007)

To the best of our knowledge, the financial statements of EFG Eurobank Ergasias S.A. (the Bank) and the consolidated financial statements of the Bank and its subsidiaries (the Group) for the year ended 31 December 2010 comply with applicable accounting standards, and present fairly the financial position and the results of the Bank and the Group.

Furthermore, to the best of our knowledge, the Report of the Directors for the year includes a fair review of the development, the performance and the position of the Bank and the Group, together with a description of the principal risks and uncertainties they face.

Athens, 22 March 2011

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| **Efthymios N. Christodoulou** | **Nicholas C. Nanopoulos** | **Michael H. Colakides** |
| I.D. No AB - 049358 | I.D. No AE - 586794 | I.D. No 486588 |
| CHAIRMAN OF THE BOARD OF DIRECTORS | CHIEF EXECUTIVE OFFICER | DEPUTY CHIEF EXECUTIVE OFFICER |

## *II. Directors' Report*

The directors present their report together with the audited accounts for the year ended 31 December 2010.

**Profit Attributable**

The profit attributable to shareholders of the EFG Eurobank Ergasias S.A Group (Eurobank EFG or the Group) for 2010, before taking into account the special tax contribution imposed by the Greek Government in May 2010 on 2009 net revenues, amounted to €113m for the year (2009: €362m). After the special tax contribution, the profit attributable to shareholders amounted to €68m (2009: €305m) as set out in the consolidated income statement on page 4.

**Greek Economy Liquidity Support Program (law 3723/2008)**

Eurobank EFG participates in the Greek Government's program to support liquidity in the Greek economy under Law 3723/2008, (note 43 to the accounts).

**Dividends**

Pursuant to Laws 3723/2008, 3756/2009 and 3844/2010, banks participating in the Greek Economy Liquidity Support Program were prohibited by the Greek Government from declaring a cash dividend to the ordinary shareholders for the years 2008 and 2009. In view of this and in the context of current economic conditions, the Directors do not consider that the distribution of a dividend for 2010 would be appropriate.

In June 2010, and following the Annual General Meeting's approval, the 10% preference dividend for 2009, amounting to €59m, was paid to the Hellenic Republic (note 33 to the accounts).

**Activities and Regional Presence**

Eurobank EFG is a financial services provider engaged in retail, corporate and private banking, asset management, insurance, and treasury and capital markets services. The Group operates through branches, offices and subsidiaries in Greece and the region of Central, Eastern and South-eastern Europe (New Europe). Its regional presence is concentrated primarily in Euro – zone members (Greece, Cyprus, Luxembourg), European Union members (Romania, Bulgaria, Poland) and candidate member nations (Serbia and Turkey).

**Strategic Cooperation in Poland**

On 4 February 2011, Eurobank EFG announced a strategic cooperation in Poland, whereby 70% of Eurobank EFG's operations in Poland (Polbank EFG) will be transferred to Raiffeisen Bank International (RBI) and the remaining 30% will be exchanged for 13% in the to-be-combined Polbank EFG- RBI Poland operations. This initiative, which is expected to be completed in the fourth quarter of 2011, will improve the Group's Capital Adequacy Ratio by 125 bps, release approximately €2bn of liquidity, generate profitability and maintain a meaningful upside in the attractive Polish banking market.

**Financial Results Review**

The Greek sovereign debt crisis in Greece, coming after an equally challenging global crisis in 2009, has adversely affected the Group's operations, which have been adjusted accordingly in order to be aligned to the prevailing conditions. As a result in 2010 the Balance Sheet grew only modestly for a second consecutive year, reaching €87.2bn, up 3.5% from 2009.

During the year, the loan book continued shifting towards lower risk categories, with loans excluding consumer lending increasing by €2.4bn whereas consumer lending was down by €1.4bn. Gross loans reached €58.6bn, up 1.8%. The Group's deposits totalled €44.4bn, a modest decline of €2.4bn or 5.1% from the beginning of the year, but having registered a net inflow of €0.9bn in the second half of the year. The loan-to-deposit (L/D) ratio for the Group at the end of 2010 stood at 127%, up from 119% at the end of 2009 but down from 130% at the end of June. In New Europe, over the last 12 months, deposits increased by €1.7bn, whereas loans grew by €0.9bn; hence the New Europe L/D ratio reduced significantly from 145% to 131%. Proforma with the Polish transaction, the L/D ratio improves further to 124% and 121% for the Group and New Europe respectively.

Due to the Greek sovereign debt crisis, Greek banks could not access the markets for unsecured or secured funding. As a result, all Greek banks obtained funding through the European Central Bank's (ECB) normal market operations. At the year end, Eurobank EFG's net balance with the ECB totalled €20.3bn (2009:€7.2bn).

Despite the adverse market conditions and the significantly higher cost of funding, the Group managed to preserve its pre-provision income (PPI) relatively intact, as a result of continuous re-pricing of assets, cost containment, and targeted business development mainly in New Europe. In 2010 PPI reached €1,498m, down 4.5% from 2009. Net interest income amounted to €2,254m, down 3.7%, as the increased cost of deposits in Greece, especially in the middle half of the year, and the shift towards lower risk assets, were only partly mitigated by asset re-pricing. Net interest margin stood at 2.63% (2009: 2.81%).Despite New Europe's stronger performance, weaker fees and commissions in Greece decreased Group fees by 4.4% to €474m. To counter the impact on revenues, best-in-class cost containment continued for the second consecutive year. Operating expenses were 3% lower year-on-year as targeted, and 9% lower than 2008, containing the cost to income ratio to 48.8% (2009: 48.4%).

The containment of the impact of the Greek crisis on PPI enabled the full absorption of the increased loan provisions of €1,362m or 2.43% of average net loans (2009:€ 1,177m, 2.11%), and provisions have been stable the last 3 quarters of the year. Non performing loans now stand at 7.7% of gross loans and the last two quarters of the year a significant decelaration in the formation of new past due loans was recorded.

Overall, despite the adverse market environment and unprecedented conditions, the Group, remained profitable throughout the year, swiftly adjusting to the new requirements and supported by proven cost containment competencies and the improving environment and profitability in New Europe. Net profit attributable to shareholders, before the special tax contribution, amounted to €113m (2009: €362m) and New Europe achieved €32m profits from €44m losses in 2009.

**Ordinary Share Capital**

As at 31 December 2010, the ordinary share capital amounts to €1,481,136,126 divided into 538,594,955 ordinary voting shares of a nominal value of €2.75 each. All ordinary shares are registered, listed on the Athens Stocks Exchange and incorporate all the rights and obligations set by the Greek Law (note 32 to the accounts).

The Extraordinary General Meetings of 8th February 2011 of both Eurobank EFG and DIAS Closed End Investment Fund S.A. approved their merger, the latter being absorbed by the former. Following the merger, Eurobank EFG's share capital will amount to €1,553,785,079.87 divided into 552,948,427 ordinary voting shares of a nominal value of €2.81 each. The merger is expected to be completed within the next few weeks with the appropriate registration by the Ministry of Regional Development and Competitiveness in the Companies' Registry.

**Preference Share Capital**

As at 31 December 2010, the preference share capital amounts to €950,125,000 divided into 345,500,000 non-voting, non-listed, non-transferable, 10% preference shares, with nominal value €2.75 each, issued under Law 3723/2008 on 'Greek Economy Liquidity Support Program', and subscribed to by the Hellenic Republic. This entitles the Government to appoint its representative to the Board of Directors, veto cash dividend distributions and the acquisition of treasury shares, and restrict management remuneration (note 33 to the accounts).

**Capital Adequacy**

Regulatory capital totalled €5.6bn at the end of 2010, with Tier I capital at €5.1bn (end 2009: €6bn and €5.4bn respectively), whereas the Group's risk weighted assets totalled €48.0bn (end 2009: €47.8bn). Consequently the Capital Adequacy Ratio of the Group equalled 11.7% and the Tier I Ratio 10.6% (end 2009: 12.4%, and 11.2% respectively). With the completion of the strategic partnership in Poland and the merger with DIAS, the ratios on a pro-forma basis will increase to 13.1% and 11.9% respectively.

**Business Outlook and Risks**

In order to address the substantial issues of Greece's public finances and the structural problems of the Greek economy, in May 2010 the Greek Government entered into an agreement with the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF) for a three-year €110bn refinancing and restructuring programme. The programme addresses almost all of Greece's funding needs during the three-year period, and aims for a budget deficit of less than 3% in 2014.

Included in the programme are unprecedented measures to improve tax collection, rationalize the civil service and the pension system, achieve the equivalent of "internal devaluation" through severe austerity measures, initiate structural changes and improve competitiveness, as well as measures to support the liquidity and solvency of domestic banks. The programme contains explicit timetables, detailed conditionalities and quarterly targets, and a strict monitoring system to ensure its successful implementation.

During 2010, the contraction of Greece's Gross Domestic Product (GDP) for 2010 was quite severe at 4.5%, against a target of only 4%, following a large drop in consumption expenditure and an even more significant reduction in investments. Still, Greece almost achieved its revenue targets and exceeded its cost containment ones. As a result, the fiscal deficit reduced by 37% in absolute terms, and as a percentage of GDP improved by 6 percentage points (pps) versus a targeted improvement of 5.5pps. In this period, due to the lack of access to the markets, the Greek banking system relied on the ECB for its funding, which currently provides approximately €95 billion.

In January 2011, the third progress review by the EC/ECB/IMF team approved the drawdown of the fourth tranche of the €110bn loan, acknowledged the major structural changes to date, but also highlighted that significant work still remains.

Finally, on 11 March 2011, the Euro-Group summit approved a package of measures to tackle the EMU sovereign debt crisis providing additional support to member-states under pressure, including the authorisation to the European Financial Stability Fund to subscribe to primary issues of sovereign debt, in return for commitments of increased discipline in fiscal finances and improved competitiveness. Greece secured the extension of the €110bn loan facility from 5 to 11 years, and the reduction of the interest rate by 100bps. In return, Greece committed to the acceleration of structural reforms and the completion by 2015 of a €50bn privatization/sale of public property program.

In this context, credit demand in 2011 is expected to be weaker than 2010, and GDP to decrease by a further 3%, with positive expectations postponed for 2012. The continued rationalization, restructuring and austerity measures are expected to reduce the budget deficits further to 7.4% of GDP, with most initiatives already in place, whereas the soon–to-be-announced medium term budget plan (2012-2015) is designed to reduce the deficit further to about 2.5% of projected GDP by 2015.

With regard to Central and South-eastern European countries, macroeconomic conditions continue on an improving trend, and all countries are in a positive GDP growth mode. Turkey and Poland are expected to substantially outperform the others, partly because the global financial crisis found these economies with relatively low levels of financial leverage and in a better position to deal with external shocks.  The Ukraine is expected to continue its fast recovery from the deep recession in 2009. Serbia is accelerating its pace of growth while Bulgaria, Romania and Cyprus are expected to improve following a year of recession or stagnation. The Group maintains its positive view on the strong medium–term outlook of most economies in New Europe and expects profitability to accelerate.

As noted the main risks for the next 12 months stem from the macroeconomic environment and the success, or otherwise, of the significant fiscal adjustments in Greece and their impact on the economy. To date satisfactory results have been registered, but progress could be compromised by external shocks from the global economy as well as implementation risks and reform fatigue in Greece. In addition, the restoration of confidence, the attraction of new investments and the revival of economic growth remain key challenges that may be viewed as opportunities if successfully tackled.

Continuation of the recession could adversely affect the region and could lead to lower profitability and deterioration of asset quality. In addition, increased funding cost remains a significant risk, as it is dependent on the level of sovereign spreads, as well as foreign exchange rate risk, due to the unstable nature of some currencies. Finally, the Group holds positions in the bond, stock and foreign exchange markets and consequently is exposed to the risk of losses if market valuations decrease.

In this environment, Eurobank EFG remains profitable, adjusting continuously to the new requirements. The shift towards collateralised lending, self funded growth and the more promising markets has been in place for some time. In addition, the Group continues to reduce its cost base in order to increase the efficiency of operations. It also strengthens collection efforts to maximize loan recoveries by redeploying resources where necessary and implements conservative provisioning policies. Finally, the Group improves continuously the effectiveness of balance sheet management and reinforces its capital and liquidity, undertaking significant strategic initiatives in this direction.

The Group continues to support the recovery of the Greek economy and stands by its clients deepening relationships with them, enhances the engagement of its staff and strengthens the value of its franchise.

**Authority to issue new shares**

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

A) In relation to stock options (note 35 to the accounts):

- As authorised by the General Meeting, the Board of Directors may issue stock options to management and staff of the Bank and its subsidiaries, within the framework of the approved stock option program. This authority expires at the Annual General Meeting of 2011. In 2010 no new stock options were granted.
- In addition the Board of Directors has been authorised to issue shares to those stock option holders who exercise their rights within the rules set by the stock option program. In 2010 no stock options were exercised.

B) In relation to convertible bonds (note 34 to the accounts):

- As authorised by the General Meeting, the Board of Directors may issue, either in lump sum or gradually in tranches, callable bonds of up to €500 million, convertible to ordinary shares of the Bank after 5 years. In 2009 €400m were issued. In 2010 no convertible bonds were issued.
- In addition the Board of Directors is authorised to issue ordinary shares to bond holders if either they or the Bank exercise their rights in accordance with the terms of the convertible bond.

**Major Shareholdings**

Eurobank EFG is a member of the worldwide EFG Group. The EFG Group consists of credit institutions, financial services and financial holding companies. The operating parent company of the EFG Group is European Financial Group EFG (Luxembourg) S.A., whilst its ultimate parent company is Private Financial Holdings Limited, which is owned and controlled indirectly by members of the Latsis family (note 44 to the accounts).

As of 31 December 2010, the EFG Group held 44.8% (2009: 44.1%) of the ordinary shares and voting rights of the Bank through wholly owned subsidiaries of the ultimate parent company. The remaining ordinary shares and voting rights are held by institutional and retail investors, none of which, to the knowledge of the Bank, holds 5% or more.

The Hellenic Republic holds 100% of the non-voting preference shares.

**Board Membership**

The Board of Directors of Eurobank EFG is set out in note 45 to the accounts. The Board's term expires at the 2013 Annual General Meeting. Personal details of the Directors are available on our website.

**Employee Engagement**

Eurobank EFG is committed to ensuring that employees share in the success of the Group. Therefore, it has established a competitive compensation and benefits framework for the attraction and retention of its employees, which aims to align their individual goals with the long-term Group targets and strategy as well as shareholder value creation. Staff have substantial interests in Eurobank shares.

Employees are systematically kept informed on corporate issues in a variety of ways, including corporate employee magazines, announcements, briefings, intranet and corporate videos, achieving a common awareness of the financial and economic factors affecting the performance of the Group. In addition to the annual evaluation of every person's achievements, strengths and weaknesses, the continuous development of employees' technical skills, personal competencies and management capabilities through internal and external training as well as management development programmes fosters the professional growth of employees at all levels. Moreover, a professional development framework has been developed so as employees can enhance their skills and competencies in a consistent, systematic and targeted fashion. Finally, again this year a significant number of initiatives took place successfully enhancing corporate culture according to the action plans stemming from a corporate-wide employee survey in Greece.

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

**Corporate Social Responsibility**

As a "corporate citizen", Eurobank EFG recognises its responsibilities towards all stakeholders: employees, customers, shareholders, the society and the environment. Eurobank EFG follows closely the needs of its stakeholders and responds to them through an extensive wide social program that covers many countries in the region. This program focuses, among other initiatives, on Education, Culture, the Environment and charities.

In 2010, an exceptionally difficult year for the Greek society and economy, Eurobank EFG placed particular emphasis on supporting responsibly its customers while developing an innovative program of co-operation and action with Greek and international institutional bodies, aiming at supporting the economies of the countries where the Group is present. In addition, Eurobank EFG continued its 20-year long social program with current and new educational, cultural, environmental and other programs and initiatives.

**Financial Instruments**

The Group's financial risk management objectives and policies, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the exposure to market risk, credit risk and liquidity risk are set out in notes 2, 4 and 18 to the accounts.

**Sundry information required under Law 3556/2007 (article 4, par.7)**

According to the Bank's Articles of Association, other than the preference shares issued to the Greek Government which carry special rights and restrictions (see notes 33 and 43 to the accounts):

- there are no restrictions on the transfer of the Bank's shares
- there are no shares with special controlling or voting rights
- there are no restrictions on voting rights
- the rules related to the appointment and replacement of directors are in accordance with the provisions of company law.

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

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

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

**The Auditors**

The Board's Audit Committee reviews the appointment of the external auditors, as well as their relationship with the Group, including monitoring the Group's use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors. Having reviewed the independence and effectiveness of the external auditors, the Committee has recommended to the Board that the existing auditors, PricewaterhouseCoopers S.A., be reappointed. PricewaterhouseCoopers have signified their willingness to continue in office, and ordinary resolutions reappointing them as auditors and setting their remuneration in accordance with the Institute of Certified Public Auditors' decisions, will be proposed at the 2011 AGM.

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

**Related party transactions**

All transactions with related parties are entered into the normal course of business on an arm's length basis. There are no material related party transactions. See also note 44 to the accounts.

**Corporate Governance Statement**

Eurobank EFG’s Corporate Governance Code and Practices are on the website (www.eurobank.gr). The Corporate Governance Statement is at Section III of the Annual Financial Report (website: www.eurobank.gr) as attached to the current Directors’ Report.

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| Efthymios Christodoulou | Nicholas Nanopoulos |
| Chairman | Chief Executive Officer |

22 March 2011

# *III. Corporate Governance Statement*

## EFG EUROBANK ERGASIAS S.A.

## CORPORATE GOVERNANCE STATEMENT

### 1. Corporate Governance Code and Practices

In compliance with the local legislation and based on the international best practices on corporate governance, EFG Eurobank Ergasias S.A. ("the Bank") and its subsidiaries (collectively "Eurobank EFG" or the "Group") have adopted and implement a Corporate Governance Code ("Code"), which is based on the UK Corporate Governance Code.

The Code and relevant corporate governance practices are available on the Bank's website (www.eurobank.gr).

### 2. Board of Directors[1]

The Bank is headed by a Board which is collectively responsible for the long-term success of the Bank. The Board exercises its responsibilities effectively and in accordance with international best practices.

The Board consists of sixteen Directors, five Executive, seven Non Executive and four Independent Non Executive. In addition, one government representative has been appointed as an additional non executive Director in accordance with Law 3723/2008 requirements. The membership and term of the Board are approved by the General Meeting. The current Board was elected by the Annual General Meeting of 25 June 2010, and its term expires at the 2013 Annual General Meeting.

There are no restrictions in the re-election and cessation of Directors. In case of resignation, death or loss of capacity as Director in any other way, the Board, provided there are at least 3 Directors, may elect new members in replacement, or if there remain at least 8 Directors, the Board may continue as is.

The Executive Directors have responsibility for the day-to-day management and control of the Group and the implementation of strategy. The non-Executive Directors are responsible for the overall promotion and safeguarding of the Bank's interests and constructively challenge and help develop proposals on strategy. Each Independent Non-Executive Director has the duty, if he considers it necessary, to submit to the General Meeting his own report on a specific subject.

The Board has nominated the Chairman and the Chief Executive Officer (CEO) as the two persons responsible towards the Bank of Greece according to L. 3601/2007. The Chairman of the Board is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. The CEO is accountable for and manages strategy development and implementation in line with the vision of the Bank, which is to be the Bank of first choice in the region of New Europe while operating with a sense of responsibility towards its customers, shareholders and society. He is responsible for leading the organisation to the achievement of its objectives.

The Board meets regularly twice every quarter and on an ad hoc basis given at least two days notice, otherwise a decision is taken only when all members of the Board are present or represented and nobody objects to the taking of decisions. The Board is considered to be in quorum and meets validly when at least nine (half plus one) of its members are present (either physically or through telephone conference) or represented. Decisions of the Board are taken by majority of the Directors present or represented. In case of parity of votes, the vote of the Chairman of the Board does not prevail. During 2010 the Board held 17 meetings and the average ratio of attendance was 82%.

Submissions to the Board are normally circulated together with the agenda. Decisions are taken following discussions which exhaust the issues to the satisfaction of all Directors present. Board meetings minutes are kept by the Secretary of the Board, are approved at subsequent board meetings and signed by all Directors present.

It is forbidden to Directors and members of staff to pursue personal interests if these are in conflict with the Group's interests. All Directors and members of staff have a duty to inform the Board of any personal interests they may derive or any conflict of interest that may occur, in carrying out their duties as Directors.
The Group's remuneration policy aims to align the Executive Directors and employees' objectives with the long-term business objectives and strategy of Eurobank EFG and the long-term value creation for shareholders. The 2010 Board and key management remuneration disclosure is included in note 39 to the accounts.

[1] Information regarding the Board's composition is included in note 40 to the accounts and short biographical details of its members may be found at www.eurobank.gr.

## 3. Board Committees

The Board is assisted in carrying out its duties by Board sub-Committees, to whom it delegates some of its responsibilities, approves their mandate and composition, and whose performance it assesses.

### 3.1 Audit Committee[2]

The primary function of the Audit Committee is to assist the Board in discharging its oversight responsibilities primarily relating to:

- The review of the adequacy of the Internal Control and Risk Management systems and the compliance with rules and regulations monitoring process.
- The review of the financial reporting process and satisfaction as to the integrity of the Bank's Financial Statements.
- The External Auditors' selection, performance and independence.
- The effectiveness and performance of the Internal Audit function and of the Compliance function.

The Audit Committee's members are elected by the General Meeting for a term of 3 years following proposal by the Board. The current Audit Committee consists of six non executive Directors. Two (one of whom independent) have extensive knowledge and experience in accounting and auditing issues, two have recent and relevant financial experience, and two (one of whom independent) have recent and relevant legal experience.

The Audit Committee meets at least eight times per year or more frequently, as circumstances require, reports to the Board on a quarterly basis on its activities, and submits the minutes of its meetings to the Board. The Audit Committee resolutions require a majority vote. In case of a tie of votes, the Chairman has the casting vote. During 2010 the Audit Committee held 9 meetings and the average ratio of attendance was 84%. The Board shall be informed whenever a decision of the Audit Committee is not reached unanimously. In 2010 all decisions were unanimous.

The Audit Committee's Terms of Reference (ToR) are reviewed every three years and revised if necessary, unless significant changes necessitate earlier revision. The ToR are approved by the Board. At least annually the Committee reviews its own performance and the results are discussed with the Board.

### 3.2 Eurobank Risk Committee[2]

The Eurobank Risk Committee's (ERC) role is to approve all strategic risk management decisions (e.g. local risk appetite, balance sheet profile and risk management structure), monitor the quantitative and qualitative aspects of all market, credit, liquidity and operational risks and assign credit approval authorities to Management.

The ERC members are appointed and approved annually by the Board. The current Risk Committee consists of eight Directors, four executive, three non executive and one independent non executive. The ERC meets at least four times a year and minutes of its meetings are submitted to the Board. Other executives of Eurobank EFG or the EFG Group (note 39 to the accounts) may be invited to attend. Decisions are unanimous. There is a quorum when a majority of members are in attendance, and, for certain issues at least one of the two EFG Group representatives is present. During 2010 the ERC held 4 meetings and the average ratio of attendance was 89%.

On a quarterly basis, the ERC updates the Board on the adequacy of the risk management structure and reports key risks. Any significant matters of concern are escalated to the Board and to the EFG Group Risk Committee.

At least once every two years the Committee reviews its own performance and Terms of Reference (ToR). Its self assessment and any changes to ToR considered necessary are submitted to the Board for approval.

### 3.3 Remuneration Committee[2]

The Board has delegated to the Remuneration Committee the responsibility to consider matters relating to executive remuneration including remuneration policy for key management personnel, employee benefits and long-term incentive schemes, and the resolution of any Directors and senior management conflicts of interest.

The Committee is appointed and approved annually by the Board. The current Committee consists of three Directros the majority of whom are non-executive Directors. The Committee meets at least twice a year, minutes are kept and the Chairman of the Committee presents all relevant decisions to the Board. During 2010 the Remuneration Committee held 4 meetings and the ratio of attendance was 100.

At least once every two years the Committee reviews its own performance and Terms of Reference (ToR). Its self assessment and any changes to ToR considered necessary are submitted to the Board for approval.

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[2] Information regarding the Committee's main duties and responsibilities are included in the Bank's Code. Additionally, information regarding current composition and short biographical details of its members may be found at the Bank's website (www.eurobank.gr).

### 3.4 Nomination Committee[3]

The Board has delegated to the Nomination Committee the responsibility to consider matters related to the Board's adequacy, efficiency and effectiveness, and to the appointment of key management personnel.

The Committee is appointed and approved annually by the Board. The current Committee consists of three Directors, two of whom are are non-executive Directors and one is an independent non executive Director. The Committee meets at least twice a year, minutes are kept and the Chairman presents all relevant decisions to the Board. During 2010 the Nomination Committee held 2 meetings and the ratio of attendance was 100%.

At least once every two years the Committee reviews its own performance and Terms of Reference (ToR). Its self assessment and any changes to ToR considered necessary are submitted to the Board for approval.

## 4. Management Committees

The CEO establishes committees to assist him as required, the most important of which are the Executive Committee and the Strategic Planning Group.

Executive Committee[4]
The Executive Committee ("ExCo") has the responsibility for the day-to-day management of the Bank and the implementation of strategy.

It meets weekly and all meetings are minuted.

Its main duties and responsibilities include:
- implement the Bank's strategy
- plan, direct and control the Bank's activities to ensure high level of performance and customer satisfaction
- take decisions on all material business issues which relate to the Bank as a whole
- establish adequate systems of internal control and ensure they are properly maintained
- scrutinise risk management policies and their application
- ensure that all activities of the Bank are executed in accordance with local, state and EU laws and regulations
- review and approve annual budget and business plan for each business unit and country

Strategic Planning Group[4]
The Strategic Planning Group (SPG) meets twice per week and its main duties and responsibilities include:

- Planning the Bank's strategy
- Approving the Bank's annual budget and long term plans before submission to the Board
- Approving and/or executing strategic partnerships, acquisitions and disposals
- Maintaining and taking actions on regulatory and internal capital required to cover all types of risks (incl. strategic and reputational risks, as well as other non quantifiable risks) and ensuring that capital requirements are met at all times
- Monitoring the strategic and the key performance indicators of the Bank, including the segmental view

Decisions other than the submission of issues to the ExCo or other appropriate committees are minuted.

## 5. Key Control Functions

As part of its overall system of internal controls the Bank has established a number of dedicated control functions whose main responsibility is to act as independent control mechanisms thus reinforcing the control structure of the Bank. The most important functions and their key responsibilities are described below.

### 5.1 Internal Audit

Internal Audit Group ("IAG") is comprised of the "Inspection Division", the "Fraud Prevention and Detection Division", the "Internal Audit Division" and the "International Audit Division". All IAG's officers are full time employees exclusively dedicated to the Internal Audit function. IAG is a group function responsible for the Bank and all of its subsidiaries.

In order to safeguard its independence, IAG reports directly to the Audit Committee, is independent of the Bank units with operational responsibilities and for administrative purposes reports to the CEO. The Board has delegated the responsibility for monitoring the activity of the IAG to the Audit Committee of the Bank. The head of IAG is appointed by the Audit Committee who also assesses her performance.

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3 Information regarding the Committee's main duties and responsibilities are included in the Bank's Code. Additionally, information regarding current composition and short biographical details of its members may be found at the Bank's website (www.eurobank.gr).

4 Information regarding the Committee's current composition and short biographical details of its members may be found at the Bank's website (www.eurobank.gr).

IAG follows a risk-based methodology which examines the existence and adequacy of controls that address specific control objectives. Its main duties and responsibilities indicatively include:

- Provide reasonable assurance, in the form of an independent opinion, as to the adequacy and effectiveness of the internal control framework of the Bank and its subsidiaries. In order to form an opinion, IAG carries out audits based on an annual plan of audits. The required frequency of audits depends on the level of risk in each business unit
- Assist and advise management on the prevention of fraud and defalcation, unethical practices (code of conduct, insider dealing) and undertake such special projects as required
- Periodically include audit work on the financial statements and regulatory reports
- Assist management in enhancing the system of internal control by making recommendations to address weaknesses and improve existing policies and procedures
- Follow-up to ascertain that appropriate action is taken on reported audit findings within agreed deadlines

### 5.2 Compliance & Regulatory Requests

The Board has delegated the responsibility for monitoring the activity of the Compliance & Regulatory Requests Division to the Audit Committee of the Bank. The Head of Compliance & Regulatory Requests Division reports to the Audit Committee and for administrative purposes to the CEO. The head is appointed by the Audit Committee who also assesses her performance. Compliance & Regulatory Requests is a group function responsible for the Bank and all of its subsidiaries.

Its duties and responsibilities indicatively include:

- handling money laundering issues, in accordance with applicable laws and regulations including liaison with the relevant authorities and the provision of adequate training to the Group employees, as well as monitoring of the implementation of the relevant Group Guideline by the Group
- carrying out investigations in response to requirements by Regulatory and other Authorities, providing any information requested by such Authorities in writing and co-operating with them in order to facilitate their work
- setting up internal codes of conduct and to monitor staff adherence to such internal rules as well as to review staff accounts
- monitoring adherence of the Group to the MiFID related (Markets in Financial Instruments Directives) applicable laws and regulations

liaising with other divisions of the Bank and subsidiaries on the handling of banking secrecy and data protection issues

## 6. Principles of Internal Controls

The Group has established a system of internal controls that is based on international good practices and is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- efficient and effective operations
- reliability and completeness of financial and management information
- compliance with applicable laws and regulations

The key principles underlying the Group's system of internal controls are described below:

- **Control Environment:** The control environment is the foundation for all components of internal control, providing discipline and structure and influencing the control consciousness of employees. Integrity and high ethical values stem from management's philosophy and operating style and appropriate recruitment and training policies ensure the competence of the Group's people. The Group's organisation structure is suitable for its size and complexity with clearly defined responsibilities and reporting lines and clearly specified delegation of authority.

- **Risk Management:** the Group acknowledges that taking risks is an integral part of its business. It therefore sets mechanisms to identify those risks and assess their potential impact on the achievement of the Group's objectives. Because economic, industry, regulatory and operating conditions will continue to change, risk management mechanisms in place shall be set (and evolve) in a manner that enables to identify and deal with the special and new risks associated with changes.

- **Control Activities:** Internal control activities are documented in the policies and detailed procedures that are designed to ensure that operations are carried out safely and all transactions are recorded accurately in compliance with Management's directives and regulations. They occur throughout the organisation and business processes, at all levels and in all functions. One of the prime organisational measures to ensure control effectiveness in the Group is segregation of duties. Functions that shall be separated include those of approval (limits, limit excesses, specific transactions), dealing, administration (administrative input, settlement, confirmation checks, transaction approval check, documentation check, file keeping, custody) and controlling (reconciliation, limit monitoring, excess approval check, risk management, compliance checks, physical counts).

- **Information and Communication:** Information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities. The Group has set effective communication channels to ensure that information is communicated down, across and up within the organisation. Mechanisms are also in place to obtain appropriate external information as well as to communicate effectively with outside parties including regulators, shareholders and customers.

- **Monitoring:** the Group has established mechanisms for the ongoing monitoring of activities as part of the normal course of operations. These include regular management and supervisory activities and other actions personnel take in performing their duties that assess the performance of internal control systems. There are also independent evaluations of the internal control system by the Internal Audit function, the scope and frequency of which depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies are reported upstream, with serious matters reported to top management, the Audit Committee and the Board.

## 7. Ordinary Shareholders' General Meeting

The Ordinary Shareholders' General Meeting ("General Meeting") is the supreme body of the Bank, convened by the Board of Directors and entitled to resolve upon any matter concerning the Bank. All ordinary shareholders ("shareholders") have the right to participate either in person or by their legal representatives.

The General Meeting is the only corporate body entitled to approve significant decisions such as amendments to the Articles of Association (L.2190, art.34) and most decisions related to share capital.

The General Meeting is in quorum and meets validly when the shareholders, present or represented, represent at least 20% of the ordinary share capital ("share capital"). Resolutions are reached by absolute majority. Exceptionally, with regard to certain significant decisions such as most decisions related to share capital, mergers etc., the General Meeting is in quorum and meets validly when the shareholders, present or represented, represent at least 66.67% of the share capital. Resolutions are reached by two-thirds majority. In all cases lower quorums are required in repeat General Meetings if initial quorum is not reached.

In accordance with L.3723/2008, the Hellenic State, holders of preference shares issued under law 3723/2008, has the right to attend the Ordinary Shareholders' General Meeting and veto dividend distributions and management remuneration.

The Annual General Meeting is held every year before the end of June. An Extraordinary General Meeting may be convened by the Board when they consider it necessary or when required by law.

The minutes of the General Meeting are signed by the Chairman and the Secretary of the General Meeting.

All persons appearing as shareholders of ordinary shares of the Bank in the registry of the Dematerialized Securities System managed by Hellenic Exchanges S.A. on the Record Date have the right to participate and vote in the General Meeting. For each General Meeting, the Board arranges for the detailed notice, including date, place, record date, issues on the agenda and related papers to be available to shareholders at least 20 working days before the meeting, including the proposed resolution on each issue. The detailed notice also defines the procedure to be followed for voting by proxy, the minority shareholders rights and any available documentation relating to the General Meeting.

Standard minority rights, as described in c.l. 2190/1920, apply.

## 8. Preference Shareholders' General Meeting

Shareholders of non-voting preference shares ("preference shareholders") hold their own separate Preference Shareholders General Meeting to resolve on any issue affecting their rights. Other than as noted above, they do not participate in the Ordinary Shareholders' General Meeting.

## 9. Other information required by Directive 2004/25/EU

- ***Holders of securities with special control rights***

Greek Government's participation in the share capital of the Bank via the preference shares it holds provides it with special control rights which are referred to in notes 31 and 38 to the accounts.

- ***For other information required by Directive 2004/25/EU regarding the: a) Major shareholdings, b) Authority to issue new shares, c) Authority to acquire Treasury Shares, and d) Restrictions of voting rights please refer to section II, Directors' Report.***

| | |
|---|---|
| Efthymios Christodoulou | Nicholas Nanopoulos |
| Chairman | Chief Executive Officer |

22 March 2011

# *IV. Consolidated Financial Statements for the 2010 Financial Year (Auditor's Report included)*

# EFG EUROBANK ERGASIAS S.A.

## CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED

## 31 DECEMBER 2010

8 Othonos Street, Athens 105 57, Greece
www.eurobank.gr, Tel.: (+30) 210 333 7000
Company Registration No: 6068/06/B/86/07

## Index to the Consolidated Financial Statements

**Independent auditor's report**

**To the Shareholders of EFG Eurobank Ergasias S.A.**

**Report on the Financial Statements**

We have audited the accompanying financial statements of EFG Eurobank Ergasias (the "Bank") and its subsidiaries (the "Group") set out on pages 4 to 47 which comprise the consolidated balance sheet as of 31 December 2010 and the consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2010, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

**Reference on Other Legal Matters**

a) Included in the Board of Directors' Report is the corporate governance statement that contains the information that is required by paragraph 3d of article 43a of Codified Law 2190/1920.

b) We verified the conformity and consistency of the information given in the Board of Directors' report with the accompanying financial statements in accordance with the requirements of articles 43a, 108 and 37 of Codified Law 2190/1920.

Athens, 22 March 2011

The Certified Auditor-Accountant

Marios Psaltis
SOEL Reg. No. 38081

pwc

PricewaterhouseCoopers
268 Kifissias Avenue
15 232 Halandri
SOEL Reg. No. 113

| | Note | Year ended 31 December 2010 € million | 2009 € million |
|---|---|---|---|
| Interest income | 5 | **5,317** | 5,987 |
| Interest expense | 5 | **(3,063)** | (3,646) |
| **Net interest income** | | **2,254** | 2,341 |
| | | | |
| Banking fee and commission income | | **546** | 549 |
| Banking fee and commission expense | | **(142)** | (131) |
| **Net banking fee and commission income** | 6 | **404** | 418 |
| | | | |
| Net insurance income | | **37** | 48 |
| Income from non banking services | 7 | **33** | 31 |
| Dividend income | | **7** | 9 |
| Net trading income | 8 | **79** | 97 |
| Gains less losses from investment securities | 8 | **87** | 74 |
| Other operating income | | **23** | 23 |
| | | **266** | 282 |
| | | | |
| **Operating income** | | **2,924** | 3,041 |
| | | | |
| Operating expenses | 9 | **(1,426)** | (1,471) |
| | | | |
| **Profit from operations before impairment losses on loans and advances** | | **1,498** | 1,570 |
| | | | |
| Impairment losses on loans and advances | 20 | **(1,362)** | (1,177) |
| Share of results of associates | 25 | **(0)** | 5 |
| | | | |
| **Profit before tax** | | **136** | 398 |
| | | | |
| Income tax expense | 11 | **(52)** | (82) |
| | | | |
| **Net profit for the year** | | **84** | 316 |
| | | | |
| Net profit for the year attributable to non controlling interest | | **16** | 11 |
| | | | |
| **Net profit for the year attributable to shareholders*** | | **68** | 305 |
| | | | |
| *** Comparable profit for the year excluding:** | | | |
| - Special tax contribution | 11 | **45** | 57 |
| | | | |
| **Net profit for the year excluding special tax contribution** | | **113** | 362 |
| | | | |
| | | **€** | **€** |
| **Earnings per share** | | | |
| -Basic and diluted earnings/(losses) per share | 13 | **(0.15)** | 0.74 |
| -Basic and diluted earnings/(losses) per share excluding preferred securities' gains/(losses) | 13 | **(0.15)** | 0.41 |
| | | | |
| **Earnings per share excluding special tax contribution** | | | |
| -Basic and diluted earnings/(losses) per share | 13 | **(0.06)** | 0.85 |
| -Basic and diluted earnings/(losses) per share excluding preferred securities' gains/(losses) | 13 | **(0.06)** | 0.51 |

*Notes on pages 9 to 47 form an integral part of these consolidated financial statements*

| | Note | At 31 December 2010 € million | 2009 € million |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with central banks | 14 | **3,606** | 3,079 |
| Loans and advances to banks | 16 | **5,159** | 4,784 |
| Financial instruments at fair value through profit or loss | 17 | **638** | 868 |
| Derivative financial instruments | 18 | **1,440** | 1,224 |
| Loans and advances to customers | 19 | **56,268** | 55,837 |
| Investment securities | 21 | **16,563** | 15,243 |
| Property, plant and equipment | 23 | **1,237** | 1,252 |
| Intangible assets | 24 | **734** | 710 |
| Other assets | 25 | **1,543** | 1,272 |
| **Total assets** | | **87,188** | 84,269 |
| **LIABILITIES** | | | |
| Due to other banks | 26 | **1,144** | 2,258 |
| Repurchase agreements with banks | 27 | **25,480** | 17,188 |
| Derivative financial instruments | 18 | **2,681** | 2,274 |
| Due to customers | 28 | **44,435** | 46,808 |
| Debt issued and other borrowed funds | 29 | **5,389** | 7,667 |
| Other liabilities | 30 | **1,965** | 1,760 |
| **Total liabilities** | | **81,094** | 77,955 |
| **EQUITY** | | | |
| Ordinary share capital | 32 | **1,478** | 1,480 |
| Share premium | 32 | **1,440** | 1,441 |
| Other reserves | | **1,113** | 1,377 |
| **Ordinary shareholders' equity** | | **4,031** | 4,298 |
| Preference shares | 33 | **950** | 950 |
| Preferred securities | 34 | **791** | 791 |
| Non controlling interest | | **322** | 275 |
| **Total** | | **6,094** | 6,314 |
| **Total equity and liabilities** | | **87,188** | 84,269 |

*Notes on pages 9 to 47 form an integral part of these consolidated financial statements*

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2010 | | 2009 | |
| | € million | | € million | |
| **Profit for the year** | | **84** | | 316 |
| **Other comprehensive income:** | | | | |
| **Cash flow hedges** | | | | |
| - net changes in fair value, net of tax | **(51)** | | (14) | |
| - transfer to net profit, net of tax | **(2)** | **(53)** | (11) | (25) |
| **Available for sale securities** | | | | |
| - net changes in fair value, net of tax | **(191)** | | 98 | |
| - transfer to net profit, net of tax | **41** | **(150)** | (48) | 50 |
| - net changes in fair value, net of tax | | | | |
| - associated undertakings | **(3)** | | 4 | |
| - transfer to net profit, net of tax | **7** | **4** | (0) | 4 |
| **Foreign currency translation** | | | | |
| - net changes in fair value, net of tax | **(28)** | | (55) | |
| - transfer to net profit, net of tax | **0** | **(28)** | - | (55) |
| **Other comprehensive income for the year** | | **(227)** | | (26) |
| **Total comprehensive income for the year attributable to:** | | | | |
| Shareholders | | **(157)** | | 280 |
| Non controlling interest | | **14** | | 10 |
| | | **(143)** | | 290 |

*Notes on pages 9 to 47 form an integral part of these consolidated financial statements*

## Consolidated Statement of Changes in Equity
## for the year ended 31 December 2010

| | Attributable to ordinary shareholders of the Bank | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Ordinary share capital € million | Share premium € million | Special reserves € million | Retained earnings € million | Total € million | Preference shares € million | Preferred securities € million | Non controlling interest € million | Total € million |
| Balance at 1 January 2009 | 1,378 | 1,100 | 481 | 628 | 3,587 | - | 705 | 331 | 4,623 |
| Other comprehensive income for the year | - | - | (25) | - | (25) | - | - | (1) | (26) |
| Profit for the year | - | - | - | 305 | 305 | - | - | 11 | 316 |
| Total comprehensive income for the year ended 31 December 2009 | - | - | (25) | 305 | 280 | - | - | 10 | 290 |
| Distribution of free shares to staff | 2 | 5 | (0) | - | 7 | - | - | - | 7 |
| Issue of preference shares, net of expenses | - | (10) | - | - | (10) | 950 | - | - | 940 |
| Non controlling interest's share in subsidiaries' capital increase | - | - | - | - | - | - | - | 2 | 2 |
| Acquisitions/changes in participating interests in subsidiary and associated undertakings | - | - | - | (3) | (3) | - | - | (54) | (57) |
| Purchase/sale of preferred securities | - | - | - | 173 | 173 | - | (308) | - | (135) |
| Issue of preferred securities | - | - | - | - | - | - | 394 | - | 394 |
| Preferred securities' dividend paid | - | - | - | (37) | (37) | - | - | - | (37) |
| Dividends paid in the form of free shares | 28 | - | - | (31) | (3) | - | - | - | (3) |
| Dividends distributed by subsidiaries attributable to non controlling interest | - | - | - | - | - | - | - | (14) | (14) |
| Share-based payment: | | | | | | | | | |
| - Value of employee services | - | - | 13 | - | 13 | - | - | - | 13 |
| Purchase of treasury shares | (1) | (3) | - | - | (4) | - | - | - | (4) |
| Sale of treasury shares, net of tax | 73 | 349 | - | (127) | 295 | - | - | - | 295 |
| Transfers between reserves | - | - | 209 | (209) | - | - | - | - | - |
| | 102 | 341 | 222 | (234) | 431 | 950 | 86 | (66) | 1,401 |
| Balance at 31 December 2009 | 1,480 | 1,441 | 678 | 699 | 4,298 | 950 | 791 | 275 | 6,314 |
| **Balance at 1 January 2010** | **1,480** | **1,441** | **678** | **699** | **4,298** | **950** | **791** | **275** | **6,314** |
| Other comprehensive income for the year | - | - | (225) | - | (225) | - | - | (2) | **(227)** |
| Profit for the year | - | - | - | 68 | 68 | - | - | 16 | **84** |
| Total comprehensive income for the year ended 31 December 2010 | **-** | **-** | **(225)** | **68** | **(157)** | **-** | **-** | **14** | **(143)** |
| Acquisitions/changes in participating interests in subsidiary and associated undertakings | - | - | - | (0) | (0) | - | - | 48 | **48** |
| Purchase/sale of preferred securities | - | - | - | - | - | - | 0 | - | **0** |
| Preference shares' and preferred securities' dividend paid | - | - | - | (108) | (108) | - | - | - | **(108)** |
| Dividends distributed by subsidiaries attributable to non controlling interest | - | - | - | - | - | - | - | (15) | **(15)** |
| Share-based payment: | | | | | | | | | |
| - Value of employee services | - | - | 4 | - | 4 | - | - | - | **4** |
| Purchase of treasury shares/arising from acquisitions | (3) | (1) | - | - | (4) | - | - | - | **(4)** |
| Sale of treasury shares, net of tax and related expenses | 1 | 0 | - | (3) | (2) | - | - | - | **(2)** |
| Transfers between reserves | - | - | 187 | (187) | - | - | - | - | **-** |
| | **(2)** | **(1)** | **191** | **(298)** | **(110)** | **-** | **0** | **33** | **(77)** |
| **Balance at 31 December 2010** | **1,478** | **1,440** | **644** | **469** | **4,031** | **950** | **791** | **322** | **6,094** |
| | Note 32 | Note 32 | Note 36 | | | Note 33 | Note 34 | | |

*Notes on pages 9 to 47 form an integral part of these consolidated financial statements*

**Consolidated Cash Flow Statement**
**for the year ended 31 December 2010**

| | Note | Year ended 31 December 2010 € million | 2009 € million |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Interest received and net trading receipts | | **4,053** | 5,052 |
| Interest paid | | **(2,198)** | (2,870) |
| Fees and commissions received | | **699** | 736 |
| Fees and commissions paid | | **(113)** | (113) |
| Other income received | | **4** | 4 |
| Cash payments to employees and suppliers | | **(1,290)** | (1,239) |
| Income taxes paid | | **(126)** | (46) |
| Cash flows from operating profits before changes in operating assets and liabilities | | **1,029** | 1,524 |
| | | | |
| **Changes in operating assets and liabilities** | | | |
| Net (increase)/decrease in cash and balances with central banks | | **(12)** | (196) |
| Net (increase)/decrease in financial instruments at fair value through profit or loss | | **92** | 79 |
| Net (increase)/decrease in loans and advances to banks | | **(817)** | 239 |
| Net (increase)/decrease in loans and advances to customers | | **(1,193)** | (670) |
| Net (increase)/decrease in derivative financial instruments | | **(15)** | (778) |
| Net (increase)/decrease in other assets | | **(174)** | (250) |
| Net increase/(decrease) in due to other banks and repurchase agreements | | **7,183** | 682 |
| Net increase/(decrease) in due to customers | | **(2,532)** | 986 |
| Net increase/(decrease) in other liabilities | | **(48)** | 162 |
| **Net cash from/(used in) operating activities** | | **3,513** | 1,778 |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment and intangible assets | | **(159)** | (188) |
| Proceeds from sale of property, plant and equipment and intangible assets | | **17** | 38 |
| Purchases of investment securities | | **(6,724)** | (9,349) |
| Proceeds from sale/redemption of investment securities | | **5,696** | 7,180 |
| Acquisition of subsidiary undertakings net of cash acquired and associated undertakings | | **(1)** | (54) |
| Dividends from investment securities and associated undertakings | | **9** | 9 |
| **Net cash from/(used in) investing activities** | | **(1,162)** | (2,364) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from debt issued and other borrowed funds | | **394** | 7,133 |
| Repayments of debt issued and other borrowed funds | | **(2,757)** | (7,961) |
| Purchase of preferred securities | 34 | **(94)** | (179) |
| Proceeds from sale/issue of preferred securities | 34 | **94** | 437 |
| Preference shares' and preferred securities' dividend paid | | **(108)** | (37) |
| Expenses for issue of preference and bonus shares | | **-** | (12) |
| Purchase of treasury shares | | **(2)** | (2) |
| Proceeds from sale of treasury shares, net of expenses | | **(1)** | 250 |
| Net contributions by non controlling interest | | **(17)** | (13) |
| **Net cash from/(used in) financing activities** | | **(2,491)** | (384) |
| | | | |
| Effect of exchange rate changes on cash and cash equivalents | | **2** | (28) |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **(138)** | (998) |
| Cash and cash equivalents at beginning of year | 15 | **4,182** | 5,180 |
| **Cash and cash equivalents at end of year** | 15 | **4,044** | 4,182 |

*Notes on pages 9 to 47 form an integral part of these consolidated financial statements*

## 1. General information

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

These consolidated financial statements were approved by the Board of Directors on 22 March 2011.

## 2. Principal accounting policies

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

### (a) Basis of preparation

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

The policies set out below have been consistently applied to the years 2009 and 2010. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

*(a) Amended and new standards and interpretations effective in 2010*

- IAS 27, Revised-Consolidated and Separate Financial Statements
- IAS 39, Amendment-Eligible Hedged Items
- IFRS 2, Amendment-Group Cash settled Share based payment transactions
- IFRS 3, Revised-Business Combinations
- IFRIC 15, Agreements for the Construction of Real Estate
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation
- IFRIC 17, Distributions of Non-cash Assets to Owners
- Amendments to various Standards that form part of IASB's 2009 Annual Improvement Project

*(b) Standards and interpretations issued but not yet effective*

- IAS 12, Amendment-Deferred tax: Recovery of Underlying Assets (effective 1 January 2012, not yet endorsed by EU)
- IAS 24, Amendment-Related Party Disclosures (effective 1 January 2011)
- IAS 32, Amendment-Classification of Rights Issues (effective 1 January 2011)
- IFRS 7, Amendment-Disclosures, Transfers of Financial Assets (effective 1 January 2012, not yet endorsed by EU)
- IFRS 9, Financial Instruments (effective 1 January 2013, not yet endorsed by EU)
- IFRIC 14, Amendment-Prepayments of a Minimum Funding Requirement (effective 1 January 2011)
- IFRIC 19, Extinguishing Financial Liabilities (effective 1 January 2011)
- Amendments to various Standards that form part of IASB's 2010 Annual Improvement Project (effective 1 January 2011)

IFRS 3 (revised in 2008) introduces changes in the accounting for business combinations prospectively from 1 January 2010 (accounting policy (b) (i)). IFRS 9 is part of IASB's project to replace IAS 39 Financial Instruments which has not been finalised yet and as a result, it is not practicable to quantify its impact. The application of the other above mentioned standards and interpretations is not expected to have a material impact on the Group's financial statements in the period of the initial application.

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

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

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

### (b) Consolidation

***(i) Subsidiaries***

Subsidiary undertakings are entities over which the Group, directly or indirectly, has the power to exercise control over their financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for an acquisition is measured at the fair value of the assets given, equity instruments issued or exchanged and liabilities undertaken at the date of acquisition, including the fair value of assets or liabilities resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any non-controlling interest. Any previously held interest in the acquiree is remeasured to fair value at the acquisition date with any gain or loss recognised in the income statement. The Group recognises on an acquisition-by-acquisition basis any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If this is less than the fair value of the net assets of the acquiree, the difference is recognised directly in the income statement. Financial assets or financial liabilities resulting from contingent consideration arrangements are measured at fair value, with changes in fair value included in the income statement.

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

Commitments to purchase non controlling interests through derivative financial instruments with the non-controlling interest's, as part of a business combination are accounted for as a financial liability, with no non-controlling interest recognised for reporting purposes. The financial liability is measured at fair value, using valuation techniques based on best estimates available to management. Any difference between the fair value of the financial liability upon initial recognition and the nominal non-controlling interest's share of net assets is recognised as part of goodwill. Subsequent revisions to the valuation of the derivatives are recognised in the income statement, except for business combinations with an acquisition date up to 31 December 2009, where such changes adjust the carrying amount of goodwill.

**2. Principal accounting policies (continued)**

**(b) Consolidation (continued)**

***(i) Subsidiaries (continued)***

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

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

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

***(ii) Transactions with non-controlling interests***

Changes in the Group's ownership interest in subsidiaries that do not result in a loss of control are recorded as equity transactions and any difference between the consideration and the share of the new net assets acquired is recorded directly in equity. Gains or losses arising from disposals of ownership interest that do not result in a loss of control by the Group are also recorded directly in equity. For disposals of ownership interests that result in a loss of control, the Group recognises gains and losses in the income statement. When the Group ceases to have control, any retained interest in the equity is remeasured to its fair value, with any changes in the carrying amount recognised in the income statement.

***(iii) Associates***

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

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

A listing of the Group's associated undertakings, which are accounted for using the equity method, is set out in note 25.

***(iv) Joint ventures***

The Group's interest in jointly controlled entities are accounted for by the equity method of accounting in the consolidated financial statements and are treated as associates. Where necessary the accounting policies used by the joint ventures have been changed to ensure consistency with the policies of the Group.

A listing of the Group's joint ventures is set out in note 25.

**(c) Foreign currencies**

***(i) Translation of foreign subsidiaries***

In the consolidated financial statements, the assets and liabilities of foreign subsidiaries are translated into the Group's presentation currency using the exchange rate ruling at the Balance Sheet date. Income and expenses are translated at the average rates of exchange for the reporting period.

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

***(ii) Transactions in foreign currency***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies have been translated into the functional currency at the market rates of exchange ruling at the balance sheet date and exchange differences are accounted for in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedge.

Non-monetary assets and liabilities have been translated into the functional currency at the exchange rates ruling at initial recognition, except for non-monetary items denominated in foreign currencies that are stated at fair value which have been translated using the rate of exchange at the date the fair value was determined. The exchange differences relating to these items are treated as part of the change in fair value and they are recognised in the income statement or recorded directly in equity depending on the classification of the non-monetary item.

**(d) Derivative financial instruments and hedging**

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

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

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

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as: (1) hedges of the exposure to changes in fair value of recognised assets or liabilities or unrecognised firm commitments (fair value hedge), (2) hedges of the exposure to variability in cash flows of recognised assets or liabilities or highly probable forecasted transactions (cash flow hedge); or, (3) hedges of the exposure to variability in the value of a net investment in a foreign operation associated with the translation of the investment's carrying amount in the Group's functional currency. Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

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

2. Principal accounting policies (continued)

(d) Derivative financial instruments and hedging (continued)

*(i) Fair value hedge*

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

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

*(ii) Cash flow hedge*

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

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

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

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

*(iii) Net investment hedge*

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

*(iv) Derivatives that do not qualify for hedge accounting*

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

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 18.

(e) Offsetting financial instruments

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

(f) Income statement

*(i) Interest income and expenses*

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

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

*(ii) Fees and commissions*

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

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent expenditure is recognised in the asset's carrying amount only when it is probable that future economic benefits will flow to the Group and the cost of the asset can be measured reliably. All other repair and maintenance costs are recognised in income statement as expenses as occurred.

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment, to their residual values over their estimated useful life as follows:
- Land: No depreciation
- Freehold buildings: 40-50 years
- Leasehold improvements: over the lease term or the useful life of the asset if shorter
- Computer hardware and software: 4-10 years
- Other furniture and equipment: 4-20 years
- Motor vehicles: 5-7 years

Property, plant and equipment are periodically reviewed for impairment, with any impairment charge being recognised immediately in the income statement.

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

(h) Intangible assets

*(i) Goodwill*

For business combinations completed from 1 January 2010, goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest and the fair value of any previously held equity interest in the acquiree over the fair value of the net identifiable assets of the acquired undertaking at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in ‘intangible assets’. Goodwill on acquisitions of associates is included in ‘investments in associates’.

## 2. Principal accounting policies (continued)

### (h) Intangible assets (continued)

***(i) Goodwill (continued)***

Goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash generating units or groups of cash generating units. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which goodwill arose. The carrying amount of goodwill is re-assessed annually as well as whenever a trigger event has been observed for impairment. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

***(ii) Computer software***

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

***(iii) Other intangible assets***

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

### (i) Financial Assets

The Group classifies its financial assets in the following IAS 39 categories: financial assets at fair-value-through-profit-or-loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

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

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

The Group designates certain financial assets upon initial recognition as at fair-value-through-profit-or-loss when any of the following apply:

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

***(ii) Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group upon initial recognition designates as at fair-value-through-profit-or-loss and those that the Group upon initial recognition designates as available-for-sale. Securities classified in this category are presented in Investment Securities under Debt Securities Lending portfolio.

***(iii) Held-to-maturity***

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

***(iv) Available-for-sale***

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

***Accounting treatment and calculation***

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

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

Dividends on equity instruments are recognised in the income statement when the entity's right to receive payment is established.

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

### (j) Impairment of financial assets

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

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

## 2. Principal accounting policies (continued)

### (j) Impairment of financial assets (continued)

***(i) Assets carried at amortised cost***

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

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

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

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

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

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

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

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

***(ii) Available-for-sale assets***

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

### (k) Sale and repurchase agreements and securities lending

***(i) Sale and repurchase agreements***

Securities sold subject to repurchase agreements ('repos') continue to be recorded in the Group's Balance Sheet while the counterparty liability is included in amounts due to other banks or due to customers, as appropriate. Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the period of the repo agreements using the effective interest method.

***(ii) Securities lending***

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

### (l) Financial liabilities

The Group classifies its financial liabilities in the following categories: financial liabilities measured at amortised cost and financial liabilities at fair-value-through-profit-or-loss. Financial liabilities at fair-value-through-profit-or-loss have two sub categories: financial liabilities held for trading and financial liabilities designated at fair-value-through-profit-or-loss upon initial recognition.

The Group designates financial liabilities at fair-value-through-profit-or-loss when any of the following apply:
a) it eliminates or significantly reduces measurement or recognition inconsistencies; or
b) financial liabilities share the same risks with financial assets and those risks are managed and evaluated on a fair value basis; or
c) structured products containing embedded derivatives that could significantly modify the cash flows of the host contract.

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

**2. Principal accounting policies (continued)**

**(m) Leases**

***(i) Accounting for leases as lessee***

Finance leases:

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

Operating leases:

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

***(ii) Accounting for leases as lessor***

Finance leases:

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

Operating leases:

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

**(n) Income tax**

***(i) Current income tax***

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

***(ii) Deferred income tax***

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

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

**(o) Employee benefits**

***(i) Pension obligations***

The Group provides a number of defined contribution pension plans where annual contributions are invested and allocated to specific asset categories. Eligible employees are entitled to the overall performance of the investment. The Group's contributions are recognised as employee benefit expense in the year in which they are paid.

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

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

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

***(iii) Performance-based cash payments***

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

***(iv) Performance-based share-based payments***

The Group's Management awards employees with bonuses in the form of shares and share options on a discretionary basis. Non-performance related shares vest in the period granted. Share based payments that are contingent upon the achievement of a performance and service condition, vest only if both conditions are satisfied.

The fair value of the shares granted is recognised as an employee benefit expense with a corresponding increase in share capital (par value) and share premium.

The fair value of the options granted is recognised as an employee benefit expense with a corresponding increase in a non-distributable reserve over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (par value) and share premium when the options are exercised, with a transfer of the non distributable reserve to share premium.

**2. Principal accounting policies (continued)**

**(p) Insurance activities**

***(i) Revenue recognition***

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

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

***(ii) Insurance liabilities***

Insurance reserves are classified as follows:

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

*Unearned premium and unexpired risk reserves*
Unearned premiums' reserves represent the part of the premium written for short term life, and property and casualty insurance contracts, that relates to the period beyond the reporting date until the termination of the period covered by the respective premium of the contract. An additional provision for unexpired risks is made when it is anticipated that unearned premiums will be insufficient to meet future losses and loss adjustment expenses of business in force at the reporting date.

*Outstanding claims' reserves*
Outstanding claims reserves are set for liabilities on claims incurred and reported but not fully settled by the end of the reporting period. The specified liabilities are examined on a case-by-case basis by professional valuers, based on existing information (loss adjustors' reports, medical reports, court decisions etc). The Group recognises additional provisions regarding claims incurred but not reported (IBNR) by the end of the reporting period. The calculation of these provisions is based on statistical methodologies.

***(iii) Liability adequacy***

At each reporting date, the Group performs a liability adequacy test ('LAT') to assess whether its recognised insurance liabilities are adequate by using current estimates of future cash flows including related handling costs. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the income statement.

***(iv) Reinsurance***

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

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

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

**(q) Repossessed properties**

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

**(r) Related party transactions**

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

**(s) Provisions**

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

**(t) Segment reporting**

A segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses within a particular economic environment. Operating segments are identified on the basis of internal reports about components of the entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker has been identified as the Strategic Planning Group (SPG) that makes strategic decisions. The Group is organised into five main business segments. Segment revenue, segment expenses and segment performance include transfers between business segments. Such transfers are accounted for at competitive prices in line with charges to unaffiliated customers for similar services.

**(u) Share capital**

Ordinary shares and preference shares are classified as equity

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

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

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

**2. Principal accounting policies (continued)**

**(v) Preferred securities**

Preferred securities issued by the Group are classified as equity when there is no contractual obligation to deliver to the holder cash or another financial asset.

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

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

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

**(w) Financial guarantees**

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

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

**(x) Securitisations**

The Group securitises financial assets, which generally results in the sale of the assets to special purpose entities (accounting policy b (i)), which, in turn issue debt securities to investors and in some instances to Group companies. These securitisations are all consolidated by the Group as it is exposed to the majority of risks and rewards of ownership in the special purpose entities.

**(y) Cash and cash equivalents**

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

**3. Critical accounting estimates and judgments in applying accounting policies**

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

***(a) Impairment losses on loans and advances***

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

***(b) Estimated impairment of goodwill***

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

***(c) Fair value of financial instruments***

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

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

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

***(e) Securitisations and consolidation of special purpose entities***

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

***(f) Income taxes***

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

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

***(g) Retirement benefit obligations***

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

The assumptions used in determining the net cost (income) for pensions include the discount rate, future salary increases and inflation rate. The Group determines the appropriate discount rate at the end of each year. In determining the appropriate discount rate the Group uses interest rates of government securities which have terms to maturity approximating the terms of the related liability. Other key assumptions for pension obligations are based in part on current market conditions.

***(h) Share-based payments***

The Group grants shares and share options to the employees as a common feature of employee remuneration. IFRS 2 requires recognition of an expense for those shares and share options at the fair value on the grant date (equity-settled plans). For shares granted to employees, the fair value is measured directly at the market price of the entity's shares, adjusted to take into account the terms and conditions upon which the shares were granted. For share options granted to employees, in many cases market prices are not available because the options granted are subject to terms and conditions that do not apply to traded options. If this is the case, the Group estimates the fair value of the equity instruments granted using a valuation technique, which is consistent with generally accepted valuation methodologies.

## 4. Financial risk management

### 4.1 Use of financial instruments

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

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

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

### 4.2 Financial risk factors

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

#### 4.2.1 Credit risk

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

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

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

***(a) Derivatives***

The Group maintains control limits on net open derivative positions i.e., the difference between purchase and sale contracts, by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e., derivatives with a positive fair value) which in relation to derivatives is only a small proportion of the contract notional amount used to express the volume of instruments outstanding. The credit risk exposure is managed as part of the overall lending limits with customers together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties. Further details of the Group's derivative instruments are provided in note 18.

***(b) Master netting arrangements***

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

***(c) Credit related commitments***

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

## 4. Financial risk management (continued)

### 4.2 Financial risk factors (continued)

### 4.2.1 Credit risk (continued)

#### 4.2.1.1 Maximum exposure to credit risk before collateral held

| Credit risk exposures relating to on-balance sheet assets are as follows: | 2010 € million | 2009 € million |
|---|---|---|
| Loans and advances to banks | **5,159** | 4,784 |
| Loans and advances to customers: | | |
| - Wholesale lending | **23,557** | 22,780 |
| - Mortgage lending | **17,119** | 15,412 |
| - Consumer lending | **8,926** | 10,306 |
| - Small business lending | **8,995** | 9,081 |
| Less: Provision for impairment losses | **(2,329)** | (1,742) |
| Financial instruments at fair value through profit or loss: | | |
| - Debt securities | **287** | 506 |
| Derivative financial instruments | **1,440** | 1,224 |
| Investment securities: | | |
| - Debt securities | **15,942** | 14,562 |
| Other assets | **754** | 675 |
| Credit risk exposures relating to off-balance sheet items (note 38) | **2,734** | 2,082 |
| | **82,584** | 79,670 |

The above table represents the maximum credit risk exposure to the Group at 31 December 2010 and 2009, without taking account of any collateral held or other credit enhancements that do not qualify for offset in the Group's financial statements.

For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet. Off-balance sheet items mentioned above include letters of guarantee, standby letters of credit, commitments to extend credit and documentary credits.

#### 4.2.1.2 Loans and advances to customers

Loans and advances are summarised as follows:

| | 2010 € million | 2009 € million |
|---|---|---|
| Neither past due nor impaired | **44,529** | 46,393 |
| Past due but not impaired | **8,377** | 7,299 |
| Impaired: | | |
| - collectively assessed | **3,379** | 2,231 |
| - individually assessed | **2,312** | 1,656 |
| **Gross** | **58,597** | 57,579 |
| Less: allowance for impairment | **(2,329)** | (1,742) |
| **Net** | **56,268** | 55,837 |
| Included in gross loans and advances are: | | |
| Past due more than 90 days | **5,635** | 3,850 |
| Of which non-performing loans | **4,534** | 2,974 |

*(a) Loans and advances neither past due nor impaired*

The credit quality of the portfolio of loans and advances that were neither past due nor impaired at 31 December 2010 and 2009 can be assessed by reference to the Group's standard grading system. The following information is based on that system:

| | 2010 € million | 2009 € million |
|---|---|---|
| Grades: | | |
| Satisfactory risk | **43,865** | 45,943 |
| Watch list and special mention | **664** | 450 |
| **Total** | **44,529** | 46,393 |

*(b) Loans and advances past due but not impaired*

| | **31 December 2010** | | | | |
|---|---|---|---|---|---|
| | **Wholesale € million** | **Mortgage € million** | **Consumer € million** | **Small business € million** | **Total € million** |
| Past due up to 29 days | **1,424** | **1,528** | **1,262** | **1,019** | **5,233** |
| Past due 30 - 89 days | **991** | **548** | **548** | **567** | **2,654** |
| Past due 90 - 180 days | **269** | **221** | **-** | **-** | **490** |
| **Total** | **2,684** | **2,297** | **1,810** | **1,586** | **8,377** |
| **Fair value of collateral** | **1,730** | **3,980** | **-** | **970** | **6,680** |

| | 31 December 2009 | | | | |
|---|---|---|---|---|---|
| | Wholesale € million | Mortgage € million | Consumer € million | Small business € million | Total € million |
| Past due up to 29 days | 1,267 | 1,118 | 1,689 | 783 | 4,857 |
| Past due 30 - 89 days | 598 | 447 | 599 | 496 | 2,140 |
| Past due 90 - 180 days | 156 | 146 | - | - | 302 |
| Total | 2,021 | 1,711 | 2,288 | 1,279 | 7,299 |
| Fair value of collateral | 1,263 | 2,846 | - | 726 | 4,835 |

Based on past experience, consumer and small business loans less than 90 days past due, and mortgage loans and fully collateralised wholesale loans less than 180 days past due, are not considered impaired, unless specific information indicates to the contrary.

4. Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.2 Loans and advances to customers (continued)

*(c) Impaired loans and advances collectively assessed*

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

The collectively assessed loans and advances to customers before taking into consideration the cash flows from collateral held are € 3,379 million (2009: € 2,231 million). The breakdown of the gross amount of collectively assessed loans and advances by class, along with the fair value of related collateral held by the Group as security, are as follows:

| | 31 December 2010 | | | | 31 December 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | Mortgage € million | Consumer € million | Small business € million | Total € million | Mortgage € million | Consumer € million | Small business € million | Total € million |
| Collectively assessed loans | 815 | 1,536 | 1,028 | 3,379 | 392 | 1,094 | 745 | 2,231 |
| Fair value of collateral | 1,292 | - | 499 | 1,791 | 661 | - | 426 | 1,087 |

*(d) Impaired loans and advances individually assessed*

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

The individually assessed loans and advances to customers before taking into consideration the cash flows from collateral held are € 2,312 million (2009: € 1,656 million). The breakdown of the gross amount of individually assessed loans and advances by class, along with the fair value of related collateral held by the Group as security, are as follows:

| | 31 December 2010 | | | 31 December 2009 | | |
|---|---|---|---|---|---|---|
| | Wholesale € million | Small business € million | Total € million | Wholesale € million | Small business € million | Total € million |
| Individually assessed loans | 1,623 | 689 | 2,312 | 1,215 | 441 | 1,656 |
| Fair value of collateral | 816 | 400 | 1,216 | 686 | 244 | 930 |

*(e) Loans and advances renegotiated*

In this category are included loans and advances, whose terms have been renegotiated and are no longer considered past due nor impaired, as the minimum number of payments and conditions required under the new arrangements have been fulfilled.

| | 2010 € million | 2009 € million |
|---|---|---|
| - Wholesale lending | 72 | - |
| - Mortgage lending | 39 | 8 |
| - Consumer lending | 123 | 52 |
| - Small business lending | 80 | - |
| | 314 | 60 |

*(f) Non-performing loans*

Non-performing loans are defined as the loans delinquent for a given period determined in accordance with the Group's policy. Mortgages are considered as non-performing when they are delinquent for more than 180 days and consumer loans for more than 90 days. Loans to corporate entities are considered as non-performing when they are transferred to non accrual status which occurs when the loans are delinquent for more than 180 days or earlier in the case of a material credit event.

| | 2010 € million | 2009 € million |
|---|---|---|
| - Wholesale lending | 924 | 723 |
| - Mortgage lending | 760 | 364 |
| - Consumer lending | 1,511 | 1,056 |
| - Small business lending | 1,339 | 831 |
| | 4,534 | 2,974 |

4.2.1.3 Debt Securities

The table below presents an analysis of debt securities by rating agency designation at 31 December 2010 and 2009, based on Moody's ratings or their equivalent:

| | 31 December 2010 | | | | |
|---|---|---|---|---|---|
| | Trading securities € million | Available-for-sale securities € million | Held to maturity securities € million | Debt securities lending portfolio € million | Total € million |
| Aaa | 25 | 609 | 811 | - | 1,445 |
| Aa1 to Aa3 | - | 51 | 166 | 198 | 415 |
| A1 to A3 | 5 | 513 | 92 | 169 | 779 |
| Lower than A3 | 224 | 1,483 | 2,360 | 9,351 | 13,418 |
| Unrated | 33 | 92 | 0 | 47 | 172 |
| **Total** | 287 | 2,748 | 3,429 | 9,765 | 16,229 |

4. Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Debt Securities (continued)

| | 31 December 2009 | | | | |
|---|---|---|---|---|---|
| | Trading securities € million | Available-for-sale securities € million | Held to maturity securities € million | Debt securities lending portfolio € million | Total € million |
| Aaa | 13 | 804 | 1,235 | - | 2,052 |
| Aa1 to Aa3 | 0 | 94 | 164 | 192 | 450 |
| A1 to A3 | 334 | 3,654 | 1,021 | 3,562 | 8,571 |
| Lower than A3 | 88 | 1,560 | 1,205 | 898 | 3,751 |
| Unrated | 71 | 162 | 0 | 11 | 244 |
| **Total** | 506 | 6,274 | 3,625 | 4,663 | 15,068 |

€ 12,673 million included in securities rated Lower than A3, relates to sovereign debt issued mainly by Euro-zone members, European Union members and candidate members (2009: € 3,454 million).

4.2.1.4 Concentration of credit risk

*(a) Geographical sectors*

The following table breaks down the Group's main credit exposure at their gross carrying amounts, as categorised by geographical region as at 31 December 2010 and 2009. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties.

| | 31 December 2010 | | | | |
|---|---|---|---|---|---|
| | Greece € million | Other Western European countries € million | New Europe countries € million | Other countries € million | Total € million |
| Loans and advances to banks | **984** | **3,638** | **318** | **219** | **5,159** |
| Loans and advances to customers: | | | | | |
| - Wholesale lending | **16,718** | **769** | **5,894** | **176** | **23,557** |
| - Mortgage lending | **11,413** | **68** | **5,617** | **21** | **17,119** |
| - Consumer lending | **6,398** | **1** | **2,517** | **10** | **8,926** |
| - Small business lending | **7,039** | **0** | **1,946** | **10** | **8,995** |
| Debt securities | **9,788** | **2,752** | **3,265** | **424** | **16,229** |
| Derivative financial instruments | **392** | **813** | **44** | **191** | **1,440** |
| Other assets | **621** | **29** | **101** | **3** | **754** |
| **Balance at 31 December 2010** | **53,353** | **8,070** | **19,702** | **1,054** | **82,179** |

| | 31 December 2009 | | | | |
|---|---|---|---|---|---|
| | Greece € million | Other Western European countries € million | New Europe countries € million | Other countries € million | Total € million |
| Loans and advances to banks | 838 | 3,494 | 376 | 76 | 4,784 |
| Loans and advances to customers: | | | | | |
| - Wholesale lending | 16,003 | 889 | 5,700 | 188 | 22,780 |
| - Mortgage lending | 10,620 | 64 | 4,706 | 22 | 15,412 |
| - Consumer lending | 7,304 | 1 | 3,001 | 0 | 10,306 |
| - Small business lending | 7,169 | 0 | 1,912 | 0 | 9,081 |
| Debt securities | 7,711 | 3,052 | 3,927 | 378 | 15,068 |
| Derivative financial instruments | 327 | 802 | 29 | 66 | 1,224 |
| Other assets | 498 | 10 | 144 | 23 | 675 |
| Balance at 31 December 2009 | 50,470 | 8,312 | 19,795 | 753 | 79,330 |

*(b) Industry sectors*

The following table breaks down the Group's main credit exposure at their gross carrying amounts, as categorised by the industry sectors of its counterparties as of 31 December 2010 and 2009.

| | 31 December 2010 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Commerce and services € million | Private individuals € million | Manufacturing € million | Shipping € million | Construction € million | Other € million | Total € million |
| Loans and advances to banks | **5,159** | **-** | **-** | **-** | **-** | **-** | **5,159** |
| Loans and advances to customers: | | | | | | | |
| - Wholesale lending | **13,430** | **538** | **5,264** | **1,295** | **2,305** | **725** | **23,557** |
| - Mortgage lending | **-** | **17,119** | **-** | **-** | **-** | **-** | **17,119** |
| - Consumer lending | **-** | **8,926** | **-** | **-** | **-** | **-** | **8,926** |
| - Small business lending | **7,448** | **137** | **806** | **-** | **506** | **98** | **8,995** |
| Debt securities | **2,123** | **-** | **76** | **-** | **68** | **13,962** | **16,229** |
| Derivative financial instruments | **1,062** | **1** | **40** | **65** | **34** | **238** | **1,440** |
| Other assets | **320** | **8** | **1** | **-** | **1** | **424** | **754** |
| **Balance at 31 December 2010** | **29,542** | **26,729** | **6,187** | **1,360** | **2,914** | **15,447** | **82,179** |

**4. Financial risk management (continued)**

**4.2 Financial risk factors (continued)**

**4.2.1 Credit risk (continued)**

**4.2.1.4 Concentration of credit risk (continued)**

| | 31 December 2009 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Commerce and services € million | Private individuals € million | Manufacturing € million | Shipping € million | Construction € million | Other € million | Total € million |
| Loans and advances to banks | 4,784 | - | - | - | - | - | 4,784 |
| Loans and advances to customers: | | | | | | | |
| - Wholesale lending | 13,692 | 416 | 5,053 | 1,006 | 1,947 | 666 | 22,780 |
| - Mortgage lending | - | 15,412 | - | - | - | - | 15,412 |
| - Consumer lending | - | 10,306 | - | - | - | - | 10,306 |
| - Small business lending | 7,285 | 32 | 913 | - | 716 | 135 | 9,081 |
| Debt securities | 2,448 | - | 232 | - | 68 | 12,320 | 15,068 |
| Derivative financial instruments | 899 | 1 | 37 | 52 | 25 | 210 | 1,224 |
| Other assets | 309 | 10 | 1 | 0 | 0 | 355 | 675 |
| Balance at 31 December 2009 | 29,417 | 26,177 | 6,236 | 1,058 | 2,756 | 13,686 | 79,330 |

Credit exposure to other industry sectors includes mainly sovereign assets.

**4.2.2 Market risk**

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

***(a) Interest rate risk***

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

***(b) Currency risk***

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

***(c) Equity risk***

Equity price risk is the risk of the decrease of fair values as a result of changes in the levels of equity indices and the value of individual stocks. The equity risk that the Group undertakes, arises mainly from the investment portfolio. The Eurobank's Risk Committee sets limits on the level of the exposures which are monitored daily.

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

**(i) VaR summary for 2010 and 2009**

VaR is a methodology used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon. The VaR that the Group measures is an estimate based upon a 99% confidence level and a holding period of 1 day and the methodology used for the calculation is Monte Carlo simulation (full reprising).

The VaR models are designed to measure market risk in a normal market environment. It is assumed that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution.

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

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

*Average VaR by risk type (Trading and Investment portfolios[(1)]) - Greece, Cyprus and Poland*

| | **2010 € million** | 2009 € million |
|---|---|---|
| Interest Rate Risk | **45** | 29 |
| Foreign Exchange Risk | **2** | 8 |
| Equities Risk | **12** | 12 |
| **Total VaR** | **52** | 37 |

[(1)] *Interest rate volatility applied to all portfolios. Credit spread volatility applied to Trading and Available-for-sale positions.*

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

4. Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Market risk (continued)

**(ii) Sensitivity analysis for 2010 and 2009**

Sensitivity analyses used for monitoring market risk stemming from New Europe operations, excluding Poland and Cyprus, do not represent worst case scenarios.

| | 31 December 2010 | | | 31 December 2009 | | |
|---|---|---|---|---|---|---|
| | Sensitivity of income statement € million | Sensitivity of equity € million | Total sensitivity € million | Sensitivity of income statement € million | Sensitivity of equity € million | Total sensitivity € million |
| Interest Rate: +100 bps parallel shift | (4) | (5) | (9) | (2) | (8) | (10) |
| Equities / Equity Indices / Mutual Funds: -10% decrease on prices | (0) | (0) | (0) | (0) | 0 | 0 |
| Foreign exchange: -10% depreciation of functional currency over foreign currencies | (0) | (93) | (93) | 5 | (75) | (70) |

### 4.2.3 Liquidity risk

The Group is exposed to daily calls on its available cash resources due to deposits withdrawals, loan draw-downs and guarantees, margin calls and payments on derivative transactions. The Group maintains cash resources to meet all of these needs. The Eurobank's Risk Committee sets liquidity limits to ensure that sufficient funds are available to meet such contingencies.

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

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

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

**Liquidity Risk Management Framework**

The Group's Liquidity Risk Management Policy defines the following supervisory and control structure:

- Eurobank Risk Committee's role is to approve all strategic liquidity risk management decisions and monitor the quantitative and qualitative aspects of liquidity risk.
- Group Assets and Liabilities Committee has the mandate to form and implement the liquidity policies and guidelines in conformity with Group's risk appetite, and to review monthly the overall liquidity position of the Group.
- Group Treasury is responsible for the implementation of the Group's liquidity strategy, the daily management of the Group's liquidity and for the preparation and monitoring of the Group's liquidity budget.
- Global Market and Counterparty Risk Sector is responsible for measuring, monitoring and reporting the liquidity of the Group.

The following list summarises the reports which are produced on a periodic basis:

(a) The regulatory liquidity gap report along with the regulatory liquidity ratios
(b) Stress test scenarios. These scenarios evaluate the impact of a number of systemic stress events on the Group's liquidity position
(c) Liquidity warning indicators

**Assets held for managing liquidity risk**

The Group holds a diversified portfolio of cash and high liquid assets to support payment obligations and contingent deposit withdrawals in a stressed market environment. The Group's assets held for managing liquidity risk comprise:

(a) Cash and balances with central banks
(b) Eligible bonds and other financial assets for collateral purposes
(c) Interbank placings maturing within one month

The unutilised assets, containing highly liquid and central banks eligible assets, provide a contingent liquidity reserve of € 6 bn as at 31 December 2010. In addition the Group holds other types of highly liquid assets, as defined by the regulator, amounting to€ 2.5 bn (cash value).

**Maturity analysis of liabilities**

The amounts disclosed in the table below are the contractual undiscounted cash flows for the years 2010 and 2009. Liabilities without contractual maturities (sight and saving deposits) are presented in the "less than 1 month" time bucket. The Bank has established credit risk mitigation contracts with its interbank counterparties (ISDA/CSA). Due to these contracts the Bank has already posted collateral equal with the valuation of its net liabilities from interbank derivatives. For derivative liabilities not covered by ISDA/CSA agreements the negative valuation is presented at fair value in the "less than 1 month" time bucket.

It should be noted that this table represents the worst case scenario since it is based on the assumption that all liabilities will be paid earlier than expected (all term deposits are withdrawn at their contractual maturity). The recent experience shows that even in a period of a systemic financial crisis the likelihood of such an event is remote.

| | 31 December 2010 | | | | |
|---|---|---|---|---|---|
| | Less than 1 month € million | 1 - 3 months € million | 3 months to 1 year € million | Over 1 year € million | Gross nominal (inflow)/ outflow € million |
| Non-derivative liabilities: | | | | | |
| - Due to other banks & repurchase agreements with banks | 15,303 | 10,373 | 407 | 748 | 26,831 |
| - Due to customers | 27,683 | 7,878 | 8,030 | 1,038 | 44,629 |
| - EMTNs | 5 | 640 | 890 | 2,960 | 4,495 |
| - Securitizations (redemptions and coupons)(1) | 35 | 72 | 1,075 | 566 | 1,748 |
| - Other liabilities | 202 | 248 | 399 | 1,116 | 1,965 |
| | 43,228 | 19,211 | 10,801 | 6,428 | 79,668 |
| Derivative financial instruments: | 64 | - | - | - | 64 |

(1)Out of securitizations amounting to € 1.2 bn included in the up to 1 year range, € 0.4 bn outflow is covered by respective inflows from mortgage loans with matched maturity repayments.

**4. Financial risk management (continued)**

**4.2 Financial risk factors (continued)**

**4.2.3 Liquidity risk (continued)**

Off-balance sheet items

| | Less than 1 year € million | Over 1 year € million |
|---|---|---|
| Credit related commitments | **1,273** | **1,461** |
| Capital expenditure | **9** | **-** |
| Operating lease commitments | **52** | **75** |
| | **1,334** | **1,536** |

| | 31 December 2009 | | | | |
|---|---|---|---|---|---|
| | Less than 1 month € million | 1 - 3 months € million | 3 months to 1 year € million | Over 1 year € million | Gross nominal (inflow)/ outflow € million |
| Non-derivative liabilities: | | | | | |
| - Due to other banks & repurchase agreements with banks | 6,727 | 2,539 | 9,489 | 719 | 19,474 |
| - Due to customers | 27,518 | 10,832 | 7,457 | 1,688 | 47,495 |
| - ECPs | 135 | 131 | 17 | - | 283 |
| - EMTNs | 2 | 405 | 422 | 5,087 | 5,916 |
| - Securitizations (redemptions and coupons)[(1)] | 65 | 130 | 1,066 | 1,329 | 2,590 |
| *of which redemption of credit cards' securitization* | | | *550* | | |
| - Other liabilities | 789 | 47 | 198 | 726 | 1,760 |
| | 35,236 | 14,084 | 18,649 | 9,549 | 77,518 |
| Derivative financial instruments: | 229 | - | - | - | 229 |

[(1)]Out of securitizations amounting to € 1.3 bn included in the up to 1 year range, € 0.7 bn outflow is covered by respective inflows from mortgage loans with matched maturity repayments.

Off-balance sheet items

| | Less than 1 year € million | Over 1 year € million |
|---|---|---|
| Credit related commitments | 1,545 | 537 |
| Capital expenditure | 10 | - |
| Operating lease commitments | 70 | 81 |
| | 1,625 | 618 |

Due to the Greek sovereign debt crisis, Greek banks could not access the markets for secured and unsecured funding. As a result, all Greek banks obtained funding through the weekly tenders of European Central Bank (ECB). At the year-end, the Bank's net balance with ECB totalled € 20 bn (2009: € 7 bn).

The third Review Report of the International Monetary Fund (28 February 2011) for the progress of the Economic Adjustment Program for Greece, endorsed by the Ministry of Finance and the Bank of Greece, reiterates the stability and soundness of the Greek banking system and stresses its support to the banks' efforts towards gradually reducing dependence on the ECB in an orderly and smooth manner, without exacerbating the ongoing economic contraction. In this context, the Greek Government will undertake initiatives to preserve sufficient system liquidity, including a new tranche of government guarantees for uncovered bank bonds in the amount of € 30 bn, and the Bank of Greece will ask banks to devise and implement medium-term funding plans (note 43).

The Bank has recently undertaken significant initiatives to strengthen its liquidity position. In this context it has proceeded to the strategic cooperation in Poland (note 40) which, upon its completion, will release approximately€ 2 bn of liquidity.

**4.3 Capital management**

| | Pro-forma[(1)] 2010 € million | 2010 € million | 2009[(2)] € million |
|---|---|---|---|
| Ordinary and Preferred shareholders' equity | | **5,772** | 6,039 |
| Add: Regulatory non-controlling interest | | **232** | 253 |
| Less: Goodwill | | **(533)** | (533) |
| Less: Other regulatory adjustments | | **(384)** | (394) |
| **Total Tier I capital** | **5,341** | **5,087** | 5,365 |
| Tier II capital-subordinated debt | | **799** | 800 |
| Less: Other regulatory adjustments | | **(253)** | (214) |
| **Total Regulatory Capital** | **5,886** | **5,633** | 5,951 |
| **Risk Weighted Assets** | **45,035** | **47,968** | 47,827 |
| **Ratios:** | **%** | **%** | % |
| Core Tier I | **10.2** | **9.1** | 9.6 |
| Tier I | **11.9** | **10.6** | 11.2 |
| Capital Adequacy Ratio | **13.1** | **11.7** | 12.4 |

[(1)] *Pro forma with the completion of the strategic partnership in Poland and the merger with Dias S.A.*
[(2)] *In accordance with Bank of Greece rules (19 March 2010) effective from 31 December 2009.*

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

## 4. Financial risk management (continued)

### 4.3 Capital management (continued)

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

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

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

During 2010 the Group focused on the organic strengthening of its capital position and managed to maintain capital ratios at levels comfortably above minimum required. This was achieved by generating and retaining profits and by active derisking of lending portfolios through tighter credit policies and change in the portfolio mix in favour of more secured loans. In addition, it proceeded to two strategic initiatives, namely the partnership in Poland (note 40) and the merger with Dias S.A. (note 22) which with their completion will increase, on a pro-forma basis, the 31 December 2010 Capital Adequacy and Tier 1 ratios to 13.1% and 11.9% respectively.

Regulatory disclosures regarding capital adequacy and risk management, based on Bank of Greece Acts 2592/2007 and 2632/2010 (Basel II, Pillar 3), are available at the Bank's website.

### 4.4 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. Where market prices are not available, the fair value of financial assets and liabilities is estimated using present value or other estimation and valuation techniques where all significant inputs are observable.

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

a) trading assets, derivatives and other transactions undertaken for trading purposes as well as treasury bills, available-for-sale securities and assets and liabilities designated at fair-value-through-profit-or-loss are measured at fair value (notes 17, 18, 21, 28, 29 and 30) by reference to quoted market prices when available. If quoted market prices are not available, then the fair values are estimated using valuation techniques.

b) substantially all of the Group's other financial assets and liabilities are at floating rates of interest, which re-price at frequent intervals. Therefore the Group has no significant exposure to fair value fluctuations and the carrying value of the financial assets and liabilities is substantially equivalent to their fair values, other than financial assets and financial liabilities which are referred to in notes 21 and 29.

c) All financial instruments that are measured at fair value are categorised into one of the three fair value hierarchy levels at year-end; based on whether the inputs to their fair values are observable or non observable:

i) Level 1 - Quoted prices in active markets for identical assets or liabilities. Quoted prices must be readily and regularly available from an exchange or active index/market location and prices must represent actual and regularly occurring market transactions on an arm's length basis. This level includes listed equity securities, debt instruments and exchange traded derivatives.

ii) Level 2 - Financial instruments measured using valuation techniques where all significant inputs are market observable. This level includes OTC derivative contracts and structured assets and liabilities.

iii) Level 3 - Financial instruments measured using valuation techniques with significant non observable inputs.

#### 4.4.1 Financial assets and liabilities measured at fair value

The classification of the Group's financial assets and liabilities using the fair value hierarchy is presented in the following table:

| | 31 December 2010 | | | | 31 December 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Quoted prices in active market (Level 1) € million** | **Valuation technique observable parameters (Level 2) € million** | **Valuation technique non observable parameters (Level 3) € million** | **Total € million** | Quoted prices in active market (Level 1) € million | Valuation technique observable parameters (Level 2) € million | Valuation technique non observable parameters (Level 3) € million | Total € million |
| Financial assets measured at fair value: | | | | | | | | |
| Financial assets held for trading | **312** | **38** | **-** | **350** | 491 | 43 | - | 534 |
| Financial assets designated at fair value through profit or loss | **283** | **5** | **-** | **288** | 334 | - | - | 334 |
| Derivative financial instruments | **7** | **1,433** | **-** | **1,440** | 12 | 1,212 | - | 1,224 |
| Available-for-sale investment securities | **3,155** | **214** | **-** | **3,369** | 6,393 | 562 | - | 6,955 |
| Total financial assets | **3,757** | **1,690** | **-** | **5,447** | 7,230 | 1,817 | - | 9,047 |
| Financial liabilities measured at fair value: | | | | | | | | |
| Derivative financial instruments | **6** | **2,675** | **-** | **2,681** | 13 | 2,261 | - | 2,274 |
| Trading liabilities | **58** | **-** | **-** | **58** | 25 | - | - | 25 |
| Due to customers: | | | | | | | | |
| - Structured deposits | **-** | **192** | **-** | **192** | - | 358 | - | 358 |
| - Unit linked products | **293** | **362** | **-** | **655** | 323 | 407 | - | 730 |
| Debt issued and other borrowed funds: | | | | | | | | |
| - Structured notes | **-** | **318** | **-** | **318** | - | 289 | - | 289 |
| Total financial liabilities | **357** | **3,547** | **-** | **3,904** | 361 | 3,315 | - | 3,676 |

## 4. Financial risk management (continued)

### 4.5 Fiduciary activities

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

## 5. Net interest income

| | 2010 € million | 2009 € million |
|---|---|---|
| **Interest income** | | |
| Customers | **3,302** | 3,723 |
| Banks | **103** | 154 |
| Trading securities | **21** | 63 |
| Other securities | **778** | 731 |
| Derivatives | **1,113** | 1,316 |
| | **5,317** | 5,987 |
| **Interest expense** | | |
| Customers | **(1,191)** | (1,406) |
| Banks | **(373)** | (472) |
| Debt issued and other borrowed funds | **(152)** | (216) |
| Derivatives | **(1,347)** | (1,552) |
| | **(3,063)** | (3,646) |
| **Net interest income** | **2,254** | 2,341 |

## 6. Net banking fee and commission income

| | 2010 € million | 2009 € million |
|---|---|---|
| Lending related fees and commissions | **199** | 196 |
| Mutual funds and assets under management related fees | **50** | 60 |
| Capital markets related fees | **56** | 74 |
| Other fees | **99** | 88 |
| | **404** | 418 |

## 7. Income from non banking services

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

## 8. Net trading income and gains less losses from investment securities

| | 2010 € million | 2009 € million |
|---|---|---|
| Debt securities and other financial instruments | **113** | 114 |
| Equity securities and mutual funds | **1** | 20 |
| Changes in fair value of debt issued, designated at fair value (note 29) | **34** | 30 |
| Revaluation on foreign exchange positions | **18** | 7 |
| | **166** | 171 |

## 9. Operating expenses

| | 2010 € million | 2009 € million |
|---|---|---|
| Staff costs (note 10) | **772** | 793 |
| Administrative expenses | **403** | 410 |
| Depreciation and impairment of property, plant and equipment (note 23) | **96** | 111 |
| Amortisation and impairment of intangible assets (note 24) | **31** | 29 |
| Operating lease rentals | **124** | 128 |
| | **1,426** | 1,471 |

## 10. Staff costs

| | 2010 € million | 2009 € million |
|---|---|---|
| Wages, salaries and performance remuneration | **565** | 589 |
| Social security costs | **109** | 109 |
| Additional pension and other post employment costs | **30** | 30 |
| Other | **68** | 65 |
| | **772** | 793 |

The average number of employees of the Group during the year was 22,996 (2009: 23,791).

## 11. Income tax expense

| | 2010 € million | 2009 € million |
|---|---|---|
| Current tax | 62 | 115 |
| Deferred tax (note 12) | (76) | (124) |
| Overseas taxes | 21 | 34 |
| Special tax contribution (see below) | 45 | 57 |
| **Total tax charge** | 52 | 82 |

For 2010 the nominal Greek corporate tax rate is 24% (2009: 25%). According to a new draft tax law submitted to the Greek Parliament on 21 February 2011, the corporate tax rate applicable as of January 2011 is reduced from 24% to 20%. In addition, dividends distributed as of 2012 are subject to a 25% withholding tax (21% withholding tax for dividends distributed within 2011).

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

| | 2010 € million | 2009 € million |
|---|---|---|
| Profit before tax | 136 | 398 |
| Tax at the applicable tax rates | 33 | 100 |
| Tax effect of: | | |
| - income and expenses not subject to tax | (8) | (41) |
| - effect of different tax rates in different countries | (28) | (34) |
| - special tax contribution (see below) | 45 | 57 |
| - change in applicable tax rate for the Bank | 9 | - |
| - other | 1 | 0 |
| **Income tax expense** | 52 | 82 |

Income tax expense includes the amount of € 45 million for the year 2010 and of € 57 million for the year 2009 being a special tax contribution imposed by Laws 3845/May2010 and 3808/December 2009 on legal entities' net revenues of years 2009 and 2008, respectively.

## 12. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method at the rate in effect at the time the reversal is expected to take place.

| The movement on the deferred income tax account is as follows: | 2010 € million | 2009 € million |
|---|---|---|
| At 1 January | 375 | 228 |
| Income statement credit/(charge) | 76 | 124 |
| Available for sale investment securities: | | |
| - fair value measurement (note 21.1) | 18 | (41) |
| - transfer to net profit (note 21.1) | (8) | 3 |
| Cash flow hedges | 17 | 8 |
| Sale of treasury shares | - | 42 |
| Other | 9 | 11 |
| At 31 December | 487 | 375 |

| Deferred income tax assets/liabilities are attributable to the following items: | 2010 € million | 2009 € million |
|---|---|---|
| Changes in fair value accounted directly to available-for-sale revaluation reserve | 110 | 99 |
| Changes in fair value accounted through the income statement | (75) | (56) |
| Cash flow hedges | 27 | 10 |
| Sale of treasury shares | 41 | 42 |
| Fixed assets | (21) | (14) |
| Pensions and other post retirement benefits | 19 | 26 |
| Loan impairment | 311 | 205 |
| Unused tax losses | 33 | 24 |
| Other | 42 | 39 |
| **Net deferred income tax** | 487 | 375 |

| The net deferred income tax is analysed as follows: | 2010 € million | 2009 € million |
|---|---|---|
| Deferred income tax assets (note 25) | 503 | 389 |
| Deferred income tax liabilities (note 30) | (16) | (14) |
| **Net deferred income tax** | 487 | 375 |

| The deferred income tax (credit)/charge in the income statement is attributable to the following items: | 2010 € million | 2009 € million |
|---|---|---|
| Changes in fair value | 29 | 15 |
| Fixed assets | 7 | 6 |
| Pensions and other post retirement benefits | 7 | - |
| Loan impairment | (106) | (129) |
| Other | (13) | (16) |
| **Deferred income tax (credit)/charge** | (76) | (124) |

## 13. Earnings per share

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

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Group has three categories of potentially dilutive ordinary shares: share options, contingently (performance based) issuable shares and convertible, subject to certain conditions, preferred securities. In order to adjust the weighted average number of shares for the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Bank's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is added to the weighted average number of ordinary shares in issue in order to determine the weighted average number of ordinary shares used for the calculation of the diluted earnings per share.

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2010** | 2009 |
| Net profit for the year attributable to ordinary shareholders (after deducting dividend attributable to preference shares and preferred securities holders, special tax contribution and after including gains/(losses) on preferred securities) | *€ million* | **(78)** | 384 |
| Weighted average number of ordinary shares in issue | *Number of shares* | ***537,991,864*** | *519,514,999* |
| Weighted average number of ordinary shares for diluted earnings per share | *Number of shares* | ***537,991,864*** | *520,182,348* |
| Basic and diluted earnings/(losses) per share | € | **(0.15)** | 0.74 |
| Basic and diluted earnings/(losses) per share excluding gains/(losses) on preferred securities | € | **(0.15)** | 0.41 |
| **Earnings/(losses) per share excluding special tax contribution (note 11)** | | | |
| Basic and diluted earnings/(losses) per share | € | **(0.06)** | 0.85 |
| Basic and diluted earnings/(losses) per share excluding gains/(losses) on preferred securities | € | **(0.06)** | 0.51 |

Share options did not have an effect in the diluted earnings per share, as their exercise price exceeded the average annual market price of the Bank's share. In addition, the Series D and Series E of preferred securities (note 34) issued in July and November 2009 respectively and the performance based issuable shares were not included in the calculation of diluted earnings per share for 2010, as their effect would have been anti-dilutive.

## 14. Cash and balances with central banks

| | **2010** | 2009 |
|---|---|---|
| | **€ million** | € million |
| Cash in hand | **586** | 629 |
| Balances with central banks | **3,020** | 2,450 |
| | **3,606** | 3,079 |
| of which: | | |
| Mandatory deposits with central banks | **1,414** | 1,403 |

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

## 15. Cash and cash equivalents

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

| | **2010** | 2009 |
|---|---|---|
| | **€ million** | € million |
| Cash and balances with central banks (excluding mandatory deposits with central banks) | **2,192** | 1,676 |
| Loans and advances to banks | **1,739** | 2,252 |
| Financial instruments at fair value through profit or loss | **113** | 254 |
| | **4,044** | 4,182 |

## 16. Loans and advances to banks

| | **2010** | 2009 |
|---|---|---|
| | **€ million** | € million |
| Pledged deposits with banks | **1,824** | 1,501 |
| Collateral deposits for securitisation of loans | **1,335** | 1,154 |
| Items in course of collection and current accounts with banks | **247** | 81 |
| Placements with other banks | **741** | 626 |
| Reverse repos with banks | **1,010** | 1,166 |
| Settlement balances with banks | **2** | 256 |
| | **5,159** | 4,784 |

The fair value of financial assets that the Group accepted as collateral and may be sold or repledged is € 1,168 million (2009: € 1,165 million).

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

| Trading portfolio | 2010 € million | 2009 € million |
|---|---|---|
| Issued by public bodies: | | |
| - government | **257** | 379 |
| - other public sector | **1** | 2 |
| | **258** | 381 |
| Issued by other issuers: | | |
| - banks | **35** | 99 |
| - other | **57** | 54 |
| | **92** | 153 |
| | **350** | 534 |
| **Other financial assets designated at fair value through profit or loss** | | |
| - unit linked products | **283** | 324 |
| - hedge funds | **5** | 10 |
| | **288** | 334 |
| **Total** | **638** | 868 |
| Equity securities | **63** | 28 |
| Treasury bills | **0** | 100 |
| Debt securities | **287** | 406 |
| Other financial assets at fair value through profit or loss | **288** | 334 |
| **Total** | **638** | 868 |
| Pledged securities with stock market clearing houses | **2** | 5 |

Trading securities with fair value of € 97 million (2009: € 299 million) have been pledged under repurchase and other collateral agreements.

## 18. Derivative financial instruments and hedge accounting

### 18.1 Derivative financial instruments

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

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

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

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

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

## 18. Derivative financial instruments and hedge accounting (continued)

### 18.1 Derivative financial instruments (continued)

| | 31 December 2010 | | | 31 December 2009 | | |
|---|---|---|---|---|---|---|
| | Contract/ notional amount € million | Fair values Assets € million | Fair values Liabilities € million | Contract/ notional amount € million | Fair values Assets € million | Fair values Liabilities € million |
| **Derivatives held for trading** | | | | | | |
| *OTC currency derivatives* | | | | | | |
| - Currency forwards | 926 | 16 | 13 | 1,184 | 25 | 9 |
| - Currency swaps | 9,073 | 19 | 295 | 9,007 | 68 | 147 |
| - OTC currency options bought and sold | 14,983 | 243 | 241 | 12,310 | 121 | 113 |
| | | 278 | 549 | | 214 | 269 |
| *OTC interest rate derivatives* | | | | | | |
| - Interest rate swaps | 32,555 | 817 | 971 | 44,940 | 739 | 973 |
| - Cross-currency interest rate swaps | 4,846 | 173 | 106 | 1,979 | 44 | 72 |
| - Forward rate agreements | 1,318 | 0 | 0 | 758 | 0 | 1 |
| - OTC interest rate options | 15,931 | 41 | 56 | 12,731 | 100 | 119 |
| | | 1,031 | 1,133 | | 883 | 1,165 |
| Exchange traded interest rate futures | 105 | 7 | 6 | 826 | 12 | 13 |
| Exchange traded interest rate options | 323 | 0 | 0 | 11 | 0 | 0 |
| | | 1,038 | 1,139 | | 895 | 1,178 |
| *Other derivatives* | | | | | | |
| Forward security contracts | 13 | 0 | 0 | 754 | 4 | 0 |
| Other derivative contracts (see below) | 688 | 4 | 4 | 1,028 | 24 | 16 |
| | | 4 | 4 | | 28 | 16 |
| Total derivative assets/liabilities held for trading | | 1,320 | 1,692 | | 1,137 | 1,463 |
| **Derivatives designated as fair value hedges** | | | | | | |
| Interest rate swaps | 6,867 | 57 | 714 | 15,526 | 72 | 655 |
| Cross-currency interest rate swaps | 125 | 0 | 22 | 91 | 1 | 20 |
| | | 57 | 736 | | 73 | 675 |
| **Derivatives designated as cash flow hedges** | | | | | | |
| Interest rate swaps | 8,693 | 41 | 109 | 3,371 | 1 | 78 |
| Cross-currency interest rate swaps | 3,912 | 4 | 134 | 3,367 | 13 | 43 |
| | | 45 | 243 | | 14 | 121 |
| **Derivatives designated as net investment hedges** | | | | | | |
| Currency forwards/currency swaps | 601 | 18 | 10 | 529 | 0 | 15 |
| Total derivative assets/liabilities used for hedging purposes | | 120 | 989 | | 87 | 811 |
| **Total derivatives assets/liabilities** | | 1,440 | 2,681 | | 1,224 | 2,274 |

Other derivative contracts include credit default swaps, over-the-counter equity options, exchange traded index futures, exchange traded index options bought and sold and commodity swaps.

### 18.2 Hedge accounting

The Group uses derivatives for hedging purposes in order to reduce its exposure to market risks and non-derivative financial instruments to manage foreign currency risk. The hedging practices and accounting treatment are disclosed in Note 2 (d).

**(a) Fair value hedges**

The Group hedges a proportion of its existing interest rate risk resulting from any potential decrease in the fair value of fixed rate financial assets denominated both in local and foreign currencies using interest rate and cross currency interest rate swaps. The net fair value of these swaps at 31 December 2010 was € 679 million liability (2009: € 602 million liability). The Group recognized a loss of € 4 million (2009: € 2 million loss) from changes in the fair value of the hedged items attributable to the hedged risk, net of the changes in the fair value of the hedging instruments.

**(b) Cash flow hedges**

The Group hedges a proportion of its existing interest rate risk resulting from any cash flow variability associated with future interest rate changes on variable rate assets or liabilities or unrecognised highly probable forecast transactions using interest rate swaps. At 31 December 2010, interest rate swaps had a net fair value of € 198 million liability (2009: € 107 million liability). In 2010, the ineffectiveness recognised in income statement that arose from cash flow hedges was € 0.03 million gain (2009: € 6 million losses).

**(c) Net investment hedges**

The Group hedges part of the currency translation risk of net investments in foreign operations through derivative financial instruments and borrowings designated as hedging instruments, the results of which have been deferred in the translation reserve component of equity.

Borrowings and derivative financial instruments amounting to € 797 million (2009: € 866 million), analysed in RON 1.1 billion (2009: RON 1.1 billion), RSD 5.6 billion (2009: RSD 8.7 billion) and TRY 920 million (2009: TRY 970 million), gave rise to currency losses for the year of € 9.8 million (2009: € 3 million gains), which affected negatively the currency translation reserve.

## 19. Loans and advances to customers

| | 2010 € million | 2009 € million |
|---|---|---|
| Wholesale lending | **23,557** | 22,780 |
| Mortgage lending | **17,119** | 15,412 |
| Consumer lending | **8,926** | 10,306 |
| Small business lending | **8,995** | 9,081 |
| **Gross loans and advances to customers** | **58,597** | 57,579 |
| Less: Provision for impairment losses (note 20) | **(2,329)** | (1,742) |
| | **56,268** | 55,837 |

| The loans and advances to customers include the following amounts: | 2010 € million | 2009 € million |
|---|---|---|
| - securitised loans | **9,590** | 16,977 |
| - pledged loans under third stream of Greek economy liquidity support program (note 43) | **2,605** | 1,594 |
| - pledged loans under covered bond program (note 29) | **5,430** | - |
| - pledged loans with the European Central Bank (ECB) | **2,378** | 579 |
| - maturing after 1 year | **37,663** | 36,092 |

| Loans and advances to customers include finance lease receivables as detailed below: | 2010 € million | 2009 € million |
|---|---|---|
| Gross investment in finance leases receivable: | | |
| Not later than 1 year | **401** | 441 |
| Later than 1 year and not later than 5 years | **997** | 1,044 |
| Later than 5 years | **1,241** | 1,174 |
| | **2,639** | 2,659 |
| Unearned future finance income on finance leases | **(511)** | (444) |
| Net investment in finance leases | **2,128** | 2,215 |
| Less: provision for impairment losses | **(89)** | (67) |
| | **2,039** | 2,148 |
| The net investment in finance leases is analysed as follows: | | |
| Not later than 1 year | **328** | 375 |
| Later than 1 year and not later than 5 years | **803** | 876 |
| Later than 5 years | **997** | 964 |
| | **2,128** | 2,215 |
| Less: provision for impairment losses | **(89)** | (67) |
| | **2,039** | 2,148 |

## 20. Provision for impairment losses on loans and advances to customers

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

| | 31 December 2010 | | | | |
|---|---|---|---|---|---|
| | **Wholesale € million** | **Consumer € million** | **Mortgage € million** | **Small business € million** | **Total € million** |
| **Balance at 1 January** | **397** | **819** | **83** | **443** | **1,742** |
| Impairment losses on loans and advances charged in the year | **175** | **865** | **78** | **244** | **1,362** |
| Amounts recovered during the year | **3** | **27** | **0** | **1** | **31** |
| Loans written off during the year as uncollectible | **(7)** | **(638)** | **(0)** | **(60)** | **(705)** |
| Foreign exchange differences and other movements | **(8)** | **(85)** | **0** | **(8)** | **(101)** |
| **Balance at 31 December** | **560** | **988** | **161** | **620** | **2,329** |

| | 31 December 2009 | | | | |
|---|---|---|---|---|---|
| | Wholesale € million | Consumer € million | Mortgage € million | Small business € million | Total € million |
| Balance at 1 January | 394 | 623 | 51 | 342 | 1,410 |
| Impairment losses on loans and advances charged in the year | 125 | 827 | 32 | 193 | 1,177 |
| Amounts recovered during the year | 18 | 39 | 0 | 0 | 57 |
| Loans written off during the year as uncollectible | (138) | (609) | (2) | (88) | (837) |
| Foreign exchange differences and other movements | (2) | (61) | 2 | (4) | (65) |
| Balance at 31 December | 397 | 819 | 83 | 443 | 1,742 |

**Repossessed properties**

During the year, the net increase in repossessed assets amounted to€ 108 million (2009: € 64 million).

## 21. Investment securities

| | 2010 € million | 2009 € million |
|---|---|---|
| Available-for-sale investment securities | **3,369** | 6,955 |
| Debt securities lending portfolio | **9,765** | 4,663 |
| Held-to-maturity investment securities | **3,429** | 3,625 |
| | **16,563** | 15,243 |
| Maturing after 1 year | **13,362** | 13,309 |

## 21. Investment securities (continued)

Investment securities of € 13,280 million (2009: € 11,350 million) have been pledged under repurchase and other collateral agreements.

In 2008 and in accordance with the amendments to IAS 39, the Group reclassified eligible debt securities from the “Available-for-sale” portfolio to “Debt securities lending” portfolio carried at amortised cost. Interest on the reclassified securities continued to be recognised in interest income using the effective interest rate method. If the financial assets had not been reclassified, changes in the fair value for the period from the reclassification date until 31 December 2009 would have resulted in € 498 million losses net of tax, which would have been recognised in the available-for-sale revaluation reserve. Respectively, changes in the fair value for the year ended 31 December 2010 would have resulted in € 459 million losses net of tax, which would have been recognised in the available-for-sale revaluation reserve.

In April 2010 and in accordance with IAS 39, the Group reclassified debt securities of € 3,518 million, listed on non-active markets, which the Group has the intention and ability to hold for the foreseeable future, from the “Available-for-sale” portfolio to “Debt securities lending” portfolio carried at amortised cost. From the reclassified amount, € 2,093 million are hedged for changes in the fair value attributable to interest rate risk, for which the Group will continue to apply hedging accounting. Interest on the reclassified securities will continue to be recognised in interest income using the effective interest rate method.

The carrying amount of the reclassified securities as at 31 December 2010 is € 3,463 million. In 2010, until the reclassification date, losses of € 118 million net of tax, arising from changes in the fair value of the securities, are recorded in the available-for-sale revaluation reserve (2009: losses of € 27 million, net of tax). If the financial assets had not been reclassified, changes in the fair value for the period from the reclassification date until 31 December 2010 would have resulted in € 607 million losses net of tax, which would have been recognised in the available-for-sale revaluation reserve.

In April 2010, the Group reclassified from the "Available-for-sale" portfolio to "Held-to-maturity" portfolio debt securities of € 102 million due to change of intention to hold the securities to maturity.

### 21.1 Available-for-sale investment securities

| | 2010<br>€ million | 2009<br>€ million |
|---|---|---|
| Issued by public bodies: | | |
| - government | **2,391** | 5,603 |
| - other public sector | **36** | 28 |
| | **2,427** | 5,631 |
| Issued by other issuers: | | |
| - banks | **330** | 338 |
| - other | **612** | 986 |
| | **942** | 1,324 |
| Total | **3,369** | 6,955 |
| Listed | **2,893** | 6,330 |
| Unlisted | **476** | 625 |
| | **3,369** | 6,955 |
| Equity | **621** | 681 |
| Debt | **2,748** | 6,274 |
| | **3,369** | 6,955 |

| The movement in the account is as follows: | 2010<br>€ million | 2009<br>€ million |
|---|---|---|
| Net book value at 1 January | **6,955** | 5,289 |
| Arising from acquisitions | **28** | - |
| Reclassification to held-to-maturity investment securities | **(102)** | - |
| Reclassification to debt securities lending portfolio | **(3,518)** | - |
| Additions | **4,643** | 6,413 |
| Disposals and redemptions | **(4,434)** | (4,864) |
| Amortisation of discounts/premiums and interest | **(37)** | 44 |
| Net gains/(losses) from changes in fair value for the year | **(247)** | 79 |
| Exchange adjustments | **81** | (6) |
| Net book value at 31 December | **3,369** | 6,955 |

**Equity reserve : revaluation of the available-for-sale investments**

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

| | 2010<br>€ million | 2009<br>€ million |
|---|---|---|
| Balance at 1 January | **(473)** | (527) |
| Net gains/(losses) from changes in fair value | **(211)** | 143 |
| Deferred income taxes | **18** | (41) |
| Non controlling interest's share of changes in fair value | **0** | 0 |
| | **(193)** | 102 |
| Net (gains)/losses transferred to net profit on disposal | **(70)** | (93) |
| Impairment losses transferred to net profit | **5** | 9 |
| Deferred income taxes | **15** | 14 |
| | **(50)** | (70) |
| Net (gains)/losses transferred to net profit from fair value hedges/amortisation of mark-to-market | **121** | 33 |
| Deferred income taxes | **(23)** | (11) |
| | **98** | 22 |
| Balance at 31 December | **(618)** | (473) |

## 21. Investment securities (continued)

### 21.2 Debt securities lending portfolio

| | 2010 € million | 2009 € million |
|---|---|---|
| Issued by public bodies: | | |
| - government | **9,235** | 4,174 |
| - other public sector | **-** | 126 |
| | **9,235** | 4,300 |
| Issued by other issuers: | | |
| - banks | **308** | 168 |
| - other | **222** | 195 |
| | **530** | 363 |
| Total | **9,765** | 4,663 |
| Listed | **9,623** | 4,554 |
| Unlisted | **142** | 109 |
| | **9,765** | 4,663 |

| The movement in the account is as follows: | 2010 € million | 2009 € million |
|---|---|---|
| Net book value at 1 January | **4,663** | 3,859 |
| Reclassification from available-for-sale investment securities | **3,518** | - |
| Additions | **1,918** | 2,898 |
| Disposals and redemptions | **(670)** | (1,988) |
| Amortisation of discounts/premiums and interest | **109** | (4) |
| Amortisation of mark-to-market of reclassified securities | **74** | 7 |
| Changes in fair value due to hedging | **122** | (99) |
| Exchange adjustments | **31** | (10) |
| Net book value at 31 December | **9,765** | 4,663 |

### 21.3 Held-to-maturity investment securities

| | 2010 € million | 2009 € million |
|---|---|---|
| Issued by public bodies: | | |
| - government | **2,051** | 1,924 |
| - other public sector | **-** | 96 |
| | **2,051** | 2,020 |
| Issued by other issuers: | | |
| - banks | **520** | 688 |
| - other | **858** | 917 |
| | **1,378** | 1,605 |
| Total | **3,429** | 3,625 |
| Listed | **3,333** | 3,577 |
| Unlisted | **96** | 48 |
| | **3,429** | 3,625 |

| The movement in the account is as follows: | 2010 € million | 2009 € million |
|---|---|---|
| Net book value at 1 January | **3,625** | 3,052 |
| Reclassification from available-for-sale investment securities | **102** | - |
| Additions | **163** | 991 |
| Redemptions | **(513)** | (423) |
| Amortisation of discounts/premiums and interest | **1** | 19 |
| Amortisation of mark to market of reclassified securities | **15** | 10 |
| Exchange adjustments | **36** | (24) |
| Net book value at 31 December | **3,429** | 3,625 |

## 22. Shares in subsidiary undertakings

The following is a listing of the Bank's subsidiaries at 31 December 2010:

| Name | Note | Percentage Holding | Country of incorporation | Line of business |
|---|---|---|---|---|
| Be-Business Exchanges S.A. | | 98.01 | Greece | Business-to business e-commerce |
| Best Direct S.A. | | 100.00 | Greece | Sundry services |
| Dias S.A | a | 26.08 | Greece | Closed-end investment fund |
| EFG Eurobank Ergasias Leasing S.A. | b | 100.00 | Greece | Leasing |
| EFG Eurolife General Insurance S.A. | | 100.00 | Greece | Insurance services |
| EFG Eurolife Life Insurance S.A. | | 100.00 | Greece | Insurance services |
| EFG Insurance Services S.A. | | 100.00 | Greece | Insurance brokerage |
| Eurobank EFG Asset Management Investment Firm S.A. | | 100.00 | Greece | Asset management |
| Eurobank EFG Business Services S.A. | | 100.00 | Greece | Payroll and advisory services |
| Eurobank EFG Cards S.A. | | 100.00 | Greece | Credit card management |
| Eurobank EFG Equities S.A. | c | 100.00 | Greece | Capital markets and advisory services |
| Eurobank EFG Factors S.A. | | 100.00 | Greece | Factoring |
| Eurobank EFG Fin and Rent S.A. | b | 100.00 | Greece | Vehicle leasing and rental |
| Eurobank EFG Financial Planning Services S.A. | | 100.00 | Greece | Management of receivables |
| Eurobank EFG Mutual Funds Mngt Company S.A. | | 100.00 | Greece | Mutual fund management |
| Eurobank EFG Property Services S.A. | | 100.00 | Greece | Real estate services |
| Eurobank Properties R.E.I.C. | d,e | 55.92 | Greece | Real estate |
| Global Fund Management S.A. | | 99.50 | Greece | Investment advisors |
| OPEN 24 S.A. | | 100.00 | Greece | Sundry services |
| Tavros Protypi Anaptyxi S.A. | e | 55.92 | Greece | Real Estate |
| Eurobank EFG Bulgaria A.D. | | 99.99 | Bulgaria | Banking |
| Bulgarian Retail Services A.D. | | 100.00 | Bulgaria | Credit card management |
| EFG Auto Leasing E.O.O.D. | | 100.00 | Bulgaria | Vehicle leasing and rental |
| EFG Leasing E.A.D. | | 100.00 | Bulgaria | Leasing |
| EFG Property Services Sofia A.D. | | 80.00 | Bulgaria | Real estate services |
| EFG Securities Bulgaria E.A.D. | f | 100.00 | Bulgaria | Capital markets and investment services |
| IMO Property Investments Sofia E.A.D. | g | 100.00 | Bulgaria | Real estate services |
| EFG Hellas (Cayman Islands) Ltd | | 100.00 | Cayman Islands | Special purpose financing vehicle |
| EFG Hellas II (Cayman Islands) Ltd | | 100.00 | Cayman Islands | Special purpose financing vehicle |
| Berberis Investments Limited | | 100.00 | Channel Islands | Holding company |
| EFG Hellas Funding Limited | | 100.00 | Channel Islands | Special purpose financing vehicle |
| Eurobank EFG Cyprus Ltd | | 100.00 | Cyprus | Banking |
| CEH Balkan Holdings Ltd | | 100.00 | Cyprus | Holding company |
| EFG New Europe Funding III Ltd | h | 100.00 | Cyprus | Finance company |
| Eurocredit Retail Services Ltd | | 100.00 | Cyprus | Credit card management |
| NEU Property Holdings Ltd | | 100.00 | Cyprus | Holding company |
| Eurobank EFG Private Bank Luxembourg S.A. | | 100.00 | Luxembourg | Banking |
| Eurobank EFG Fund Management Company (Luxembourg) S.A. | | 100.00 | Luxembourg | Fund management |
| Eurobank EFG Holding (Luxembourg) S.A. | | 100.00 | Luxembourg | Holding company |
| EFG New Europe Funding B.V. | | 100.00 | Netherlands | Finance company |
| EFG New Europe Funding II B.V. | | 100.00 | Netherlands | Finance company |
| EFG New Europe Holding B.V. | | 100.00 | Netherlands | Holding company |
| EFG Leasing Poland Sp.z.o.o | | 100.00 | Poland | Leasing |
| EFG Poldystrybucja Sp.z.o.o | | 100.00 | Poland | Sundry services |
| EFG Property Services Polska Sp.z.o.o | | 100.00 | Poland | Real estate services |
| Bancpost S.A. | i | 99.02 | Romania | Banking |
| EFG Eurobank Finance S.A. | | 100.00 | Romania | Investment banking |
| EFG Eurobank Securities S.A. | | 100.00 | Romania | Capital markets services |
| EFG Leasing IFN S.A. | | 100.00 | Romania | Leasing |
| EFG Eurobank Property Services S.A. | | 80.00 | Romania | Real estate services |
| EFG IT Shared Services S.A. | | 100.00 | Romania | Informatics data processing |
| EFG Retail Services IFN S.A. | | 100.00 | Romania | Credit card management |
| Eliade Tower S.A. | | 55.92 | Romania | Real estate |
| IMO Property Investments Bucuresti S.A. | j | 100.00 | Romania | Real estate services |
| IMO-II Property Investments S.A. | k | 99.89 | Romania | Real estate services |
| Retail Development S.A. | | 55.92 | Romania | Real estate |
| S.C. EFG Eurolife Asigurari de Viata S.A. | | 100.00 | Romania | Insurance services |
| S.C. EFG Eurolife Asigurari Generale S.A. | | 100.00 | Romania | Insurance services |
| Seferco Development S.A. | | 55.92 | Romania | Real estate |
| Eurobank EFG A.D. Beograd | | 99.98 | Serbia | Banking |
| EFG Asset Fin d.o.o. Beograd | | 100.00 | Serbia | Asset management |
| EFG Business Services d.o.o. Beograd | | 100.00 | Serbia | Payroll and advisory services |
| EFG Leasing A.D. Beograd | | 99.99 | Serbia | Leasing |
| EFG Property Services d.o.o. Beograd | | 80.00 | Serbia | Real estate services |
| IMO Property Investments A.D. Beograd | | 100.00 | Serbia | Real estate services |
| Reco Real Property A.D. | | 55.92 | Serbia | Real estate |
| Eurobank Tekfen A.S. | | 99.24 | Turkey | Banking |
| EFG Finansal Kiralama A.S. | | 99.23 | Turkey | Leasing |
| EFG Istanbul Holding A.S. | | 100.00 | Turkey | Holding company |
| EFG Istanbul Menkul Degerler A.S. | | 99.24 | Turkey | Capital market services |
| Public J.S.C. Universal Bank | | 99.96 | Ukraine | Banking |
| EFG Property Services Ukraine LLC | | 100.00 | Ukraine | Real estate services |
| Eurobank EFG Ukraine Distribution LLC | | 100.00 | Ukraine | Sundry services |

**22. Shares in subsidiary undertakings (continued)**

| Name | Note | Percentage Holding | Country of incorporation | Line of business |
|---|---|---|---|---|
| Anaptyxi 2006-1 Plc | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Anaptyxi APC Ltd | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Anaptyxi Holdings Ltd [(1)] | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Anaptyxi Options Ltd [(1)] | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Anaptyxi SME I Holdings Ltd [(1)] | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Anaptyxi SME I Plc | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Anaptyxi SME II 2009-1 Plc | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Anaptyxi SME II APC Limited | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Anaptyxi SME II Holdings Ltd [(1)] | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Andromeda Leasing I Holdings Ltd [(1)] | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Andromeda Leasing I Plc | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Daneion 2007-1 Plc | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Daneion APC Ltd | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Daneion Holdings Ltd [(1)] | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| EFG Hellas Plc | | 100.00 | United Kingdom | Special purpose financing vehicle |
| Karta 2005-1 Plc | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Karta APC Ltd | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Karta Holdings Ltd [(1)] | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Karta LNI 1 Ltd | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Karta Options Ltd [(1)] | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Saturn Finance Plc | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Saturn Holdings Ltd [(1)] | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion II Mortgage Finance Plc | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion III Holdings Ltd [(1)] | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion III Mortgage Finance Plc | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion IV Holdings Ltd [(1)] | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion IV Mortgage Finance Plc | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion Mortgage Finance Plc | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion V Holdings Ltd [(1)] | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion V Mortgage Finance Plc | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion VI Holdings Ltd [(1)] | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion VI Mortgage Finance Plc | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |

[(1)] *not consolidated due to immateriality*

**(a) Dias S.A., Greece**
Following the approval of the merger between Dias S.A. and the Bank by the companies' Board of Directors in November 2010, the Group obtained control over Dias S.A. with the existing nominal shareholding percentage of 26.08%. Dias S.A. is a closed-end investment company, listed in the Athens Stock Exchange with a portfolio consisting mainly of listed shares with significant geographic diversification.

**(b) EFG Eurobank Ergasias Leasing S.A. and Eurobank EFG Fin and Rent S.A., Greece**
In November 2010, the Group decided to merge EFG Eurobank Ergasias Leasing S.A. with Eurobank EFG Fin and Rent S.A.

**(c) Eurobank EFG Equities S.A., Greece**
In May 2010, Eurobank EFG Securities S.A. merged with Eurobank EFG Telesis Finance S.A., another 100% subsidiary of the Group. The name of Eurobank EFG Securities S.A. changed to Eurobank EFG Equities S.A.

**(d) Eurobank Properties R.E.I.C., Greece**
In July 2010, Eurobank Properties R.E.I.C. merged with Kalabokis Tours & Cargo S.A.

**(e) Eurobank Properties R.E.I.C. and Tavros Protypi Anaptyxi S.A., Greece**
In November 2010, the Board of Directors of Eurobank Properties R.E.I.C. approved the merger agreement for the absorption of Tavros Protypi Anaptyxi S.A. by Eurobank Properties R.E.I.C. with a transformation balance sheet as at 31 July 2010. In March 2011, the merger of the above named companies was completed.

**(f) EFG Securities Bulgaria E.A.D., Bulgaria**
In September 2010, the Group decided the liquidation of EFG Securities Bulgaria E.A.D

**(g) IMO Property Investments Sofia E.A.D., Bulgaria**
In April 2010, Business Services Bulgaria E.A.D. was renamed to IMO Property Investments Sofia E.A.D. and started its operations as a real estate services company.

**(h) EFG New Europe Funding III Ltd, Cyprus**
In December 2010, the Group established, as a 100% subsidiary, EFG New Europe Funding III Ltd, a finance company incorporated in Cyprus.

**(i) Bancpost S.A., Romania**
During the year, the Group increased its participation in Bancpost S.A. from 98.98% to 99.02%.

**(j) IMO Property Investments Bucuresti S.A., Romania**
During the year, the Group increased its participation in IMO Property Investments Bucuresti S.A. from 99.99% to 100%.

**(k) IMO-II Property Investments S.A. (previously EFG Eurobank Mutual Funds Management Romania S.A.I. S.A.), Romania**
In December 2010, the name and activity of EFG Eurobank Mutual Funds Management Romania S.A.I. S.A. were changed. The new name of the entity is IMO-II Property Investments S.A. and it provides real estate services. Following the increase in shareholding of Bancpost S.A., the Group increased its shareholding in IMO-II Property Investments S.A. from 99.88% to 99.89%.

**(l) Aristolux Investment Fund Management Company S.A., Luxembourg**
During the year, the Group increased its participation in Aristolux Investment Fund Management Company S.A. from 98.40% to 100%. In March 2010, the liquidation of the company was completed.

**(m) BDD EFG Securities a.d. Beograd, Serbia**
During the year, the Group increased its participation in BDD EFG Securities a.d. Beograd from 88.32% to 100%. In December 2010, the liquidation of the company was completed.

***Post balance sheet event***
The Extraordinary General Meetings of 8th February 2011 of the Bank and Dias S.A. approved their merger, the latter being absorbed by the former. The merger is expected to be completed within the next few weeks with the appropriate registration by the Ministry of Regional Development and Competitiveness in the Companies' Registry. The share exchange ratio was determined at 5.3 Dias S.A. shares for each share of the Bank.

## 23. Property, plant and equipment

| | Land, buildings, leasehold improvements € million | Furniture, equipment motor vehicles € million | Computer hardware, software € million | Investment Property € million | Total fixed assets € million |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| **Balance at 1 January 2010** | **833** | **300** | **476** | **398** | **2,007** |
| Arising from acquisition of subsidiaries | **0** | **0** | **0** | **-** | **0** |
| Transfers | **(3)** | **0** | **(0)** | **1** | **(2)** |
| Additions | **29** | **14** | **21** | **39** | **103** |
| Disposals and write-offs | **(31)** | **(17)** | **(12)** | **(1)** | **(61)** |
| Impairment | **(0)** | **(0)** | **(0)** | **(1)** | **(1)** |
| Exchange adjustments | **(0)** | **0** | **0** | **(2)** | **(2)** |
| **Balance at 31 December 2010** | **828** | **297** | **485** | **434** | **2,044** |
| **Accumulated depreciation:** | | | | | |
| **Balance at 1 January 2010** | **(178)** | **(180)** | **(376)** | **(21)** | **(755)** |
| Arising from acquisition of subsidiaries | **(0)** | **(0)** | **(0)** | **-** | **(0)** |
| Transfers | **(0)** | **(0)** | **1** | **0** | **1** |
| Disposals and write-offs | **19** | **12** | **11** | **0** | **42** |
| Charge for the year | **(35)** | **(26)** | **(29)** | **(5)** | **(95)** |
| Exchange adjustments | **0** | **(0)** | **(0)** | **(0)** | **(0)** |
| **Balance at 31 December 2010** | **(194)** | **(194)** | **(393)** | **(26)** | **(807)** |
| **Net book value at 31 December 2010** | **634** | **103** | **92** | **408** | **1,237** |
| Cost: | | | | | |
| Balance at 1 January 2009 | 758 | 315 | 470 | 382 | 1,925 |
| Arising from acquisition of subsidiaries | 39 | (0) | (1) | - | 38 |
| Transfers | 33 | (5) | 6 | (34) | - |
| Additions | 42 | 14 | 21 | 56 | 133 |
| Disposals and write-offs | (29) | (19) | (17) | (3) | (68) |
| Impairment | (0) | - | - | - | (0) |
| Exchange adjustments | (10) | (5) | (3) | (3) | (21) |
| Balance at 31 December 2009 | 833 | 300 | 476 | 398 | 2,007 |
| Accumulated depreciation: | | | | | |
| Balance at 1 January 2009 | (158) | (166) | (352) | (18) | (694) |
| Arising from acquisition of subsidiaries | (0) | (0) | (1) | - | (1) |
| Transfers | 0 | 0 | 1 | (1) | - |
| Disposals and write-offs | 20 | 12 | 13 | 1 | 46 |
| Charge for the year | (42) | (28) | (38) | (3) | (111) |
| Exchange adjustments | 2 | 2 | 1 | 0 | 5 |
| Balance at 31 December 2009 | (178) | (180) | (376) | (21) | (755) |
| Net book value at 31 December 2009 | 655 | 120 | 100 | 377 | 1,252 |

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

Included in the above as at 31 December 2010 is € 9 million (2009: € 11 million) relating to assets under construction.

The net book value of finance leases included in property, plant and equipment as at 31 December 2010 was € 18 million (2009: € 23 million).

### Investment property

Investment property is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight line method over a period of 40-50 years. The fair value of investment property as at 31 December 2010 was € 484 million (2009: € 465 million). The fair values are open-market values provided by professionally qualified valuers.

During the year ended 31 December 2010 an amount of € 28 million (2009: € 28 million) was recognised as rental income from investment property in income from non banking services. As at 31 December 2010 and 2009, there were no capital commitments in relation to investment property.

## 24. Intangible assets

| | 31 December 2010 | | | 31 December 2009 | | |
|---|---|---|---|---|---|---|
| | Goodwill € million | Other intangible assets € million | Total intangible assets € million | Goodwill € million | Other intangible assets € million | Total intangible assets € million |
| **Cost:** | | | | | | |
| **Balance at 1 January** | **534** | **269** | **803** | 574 | 221 | 795 |
| Arising from acquisition of subsidiaries | **-** | **0** | **0** | - | 0 | 0 |
| Transfers | **-** | **(0)** | **(0)** | - | 1 | 1 |
| Additions | **-** | **56** | **56** | - | 51 | 51 |
| Disposals and write-offs | **-** | **(0)** | **(0)** | - | (1) | (1) |
| Exchange adjustments | **-** | **(1)** | **(1)** | - | (3) | (3) |
| Adjustment to goodwill (see below) | **0** | **-** | **0** | (40) | - | (40) |
| **Balance at 31 December** | **534** | **324** | **858** | 534 | 269 | 803 |
| | | | | | | |
| **Accumulated impairment/amortisation:** | | | | | | |
| **Balance at 1 January** | **(1)** | **(92)** | **(93)** | (1) | (63) | (64) |
| Arising from acquisition of subsidiaries | **-** | **(0)** | **(0)** | - | (0) | (0) |
| Transfers | **-** | **0** | **0** | - | (1) | (1) |
| Amortisation charge for the year | **-** | **(31)** | **(31)** | - | (29) | (29) |
| Disposals and write-offs | **-** | **0** | **0** | - | 0 | 0 |
| Exchange adjustments | **-** | **(0)** | **(0)** | - | 1 | 1 |
| **Balance at 31 December** | **(1)** | **(123)** | **(124)** | (1) | (92) | (93) |
| | | | | | | |
| **Net book value at 31 December** | **533** | **201** | **734** | 533 | 177 | 710 |

Included in the above as at 31 December 2010 is € 2 million (2009: € 1 million) relating to assets under construction.

Goodwill for 2009 was adjusted for contingent purchase consideration and fair value adjustments in accordance with the provisions of the acquisition agreements for Eurobank Tekfen A.S. (€ 41 million decrease) and Activa Insurance absorbed by EFG Eurolife General Insurance S.A. (€ 1 million increase).

Goodwill for 2010 was adjusted for contingent purchase consideration and fair value adjustments in accordance with the provisions of the acquisition agreements for Accentis S.A., which was absorbed by Eurobank EFG Telesis Finance S.A. that merged with Eurobank EFG Equities S.A. (€ 1.5 million decrease) and Eurobank EFG A.D. Beograd (€ 1.8 million increase).

### Impairment testing of goodwill

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

| | 2010 € million | 2009 € million |
|---|---|---|
| Global and Capital Markets | **2** | 3 |
| Wealth Management | **65** | 65 |
| New Europe (NE) | **466** | 465 |
| **Total goodwill** | **533** | 533 |

During the year ended 31 December 2010, no impairment losses of the CGUs to which goodwill has been allocated, arose.

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

<u>(i) Wealth Management and Global and Capital Markets segments</u>
The pre-tax discount rate applied to cash flow projections is 15%. The growth rate used to extrapolate cash flows beyond the initial ten-year period is 2% and does not exceed the average long-term growth rate for the relevant markets.

<u>(ii) New Europe segment</u>
The pre-tax discount rate applied to cash flow projections for New Europe entities is 12% for Bulgaria, 13% for Romania, 15% for Serbia, 16% for Eurobank Tekfen A.S., Turkey, 22% for EFG Istanbul Menkul Degerler A.S., Turkey and 22% for Ukraine. The growth rate used to extrapolate cash flows beyond the initial ten-year period is 3% and does not exceed the average long-term growth rate for the relevant markets.

## 25. Other assets

| | 2010 € million | 2009 € million |
|---|---|---|
| Prepaid expenses and accrued income | **58** | 44 |
| Deferred tax asset (note 12) | **503** | 389 |
| Repossessed properties | **272** | 164 |
| Receivable from Deposit Guarantee Fund | **188** | 115 |
| Income tax receivable | **96** | 95 |
| Settlement balances with customers | **12** | 42 |
| Investments in associated undertakings (see below) | **14** | 44 |
| Other assets | **400** | 379 |
| | **1,543** | 1,272 |

| The movement in investments in associated undertakings is as follows: | 2010 € million | 2009 € million |
|---|---|---|
| Balance at 1 January | **44** | 36 |
| Additions/(disposals) of associated undertakings | **2** | - |
| Conversion of associated undertakings to subsidiaries | **(30)** | - |
| Dividends collected/(paid) | **(3)** | (0) |
| Cancellation of own shares/other items | **1** | (1) |
| Share of available-for-sale revaluation reserve | **(0)** | 4 |
| Share of results for the year | **(0)** | 5 |
| Balance at 31 December | **14** | 44 |

The financial information of the Group's associates and joint ventures as at 31 December 2010 is presented below:

| Name | Notes | Country of Incorporation | Line of business | Percentage Holding | Assets € million | Liabilities € million | Share of Net Assets € million | Share of Profit/ (loss) € million |
|---|---|---|---|---|---|---|---|---|
| Unitfinance S.A. | | Greece | Financing company | 40.00 | **39** | **34** | **2** | **(1)** |
| BD Financial Limited | | British Virgin Islands | Financing company | 49.90 | **13** | **0** | **6** | **0** |
| Tefin S.A. | | Greece | Motor vehicle sales financing | 50.00 | **7** | **1** | **4** | **0** |
| Sinda Enterprises Company Limited | a | Cyprus | Special purpose investment vehicle | 48.00 | **5** | **0** | **2** | **0** |
| Cardlink S.A. | | Greece | POS administration | 50.00 | **1** | **0** | **0** | **0** |
| Dias S.A. | b | Greece | Closed-end investment fund | - | **-** | **-** | **-** | **1** |
| | | | | | **65** | **35** | **14** | **(0)** |

As at 31 December 2010 the above companies are unlisted.

Tefin S.A., Cardlink S.A. Unitfinance S.A. and Sinda Enterprises Company Limited are the Group's joint ventures.

**(a) Sinda Enterprises Company Limited**

During the year, the Bank together with Laskarides Group acquired, through the joint venture "Sinda Enterprises Company Limited", 40% of the shares of "Mesogeos S.A.", a company active in the sector of water and waste management.

**(b) Dias S.A.**

Following the approval of the merger between Dias S.A. and the Bank by the companies' Board of Directors in November 2010, the Group obtained control over DIAS S.A with the existing nominal shareholding percentage of 26.08% (note 22).

## 26. Due to other banks

| | 2010 € million | 2009 € million |
|---|---|---|
| Items in course of collection and current accounts with banks | **81** | 28 |
| Deposits from other banks | **1,055** | 1,925 |
| Settlement balances with banks | **8** | 305 |
| | **1,144** | 2,258 |
| Included in the amounts due to other banks are amounts due to: | | |
| - fellow subsidiaries | **55** | 51 |

## 27. Repurchase agreements with banks

| | 2010 € million | 2009 € million |
|---|---|---|
| Repurchase agreements with central banks | **21,885** | 8,199 |
| Repurchase agreements with other banks | **3,595** | 8,989 |
| | **25,480** | 17,188 |

## 28. Due to customers

| | 2010<br>€ million | 2009<br>€ million |
|---|---|---|
| Savings and current accounts | **13,149** | 14,935 |
| Term deposits and repurchase agreements | **29,787** | 30,306 |
| Unit linked products | **655** | 730 |
| Other term products | **844** | 837 |
| | **44,435** | 46,808 |
| Included in the amounts due to customers are amounts due to: | | |
| - parent undertaking | **-** | 0 |
| - fellow subsidiary and associate undertakings | **13** | 43 |

The carrying amount of structured deposits and liabilities of unit-linked products classified as at fair value through profit or loss at 31 December 2010 is € 847 million (2009: € 1,088 million). The fair value change as at 31 December 2010 amounts to € 10 million loss (2009: € 26 million loss), which is attributable to changes in market conditions.

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

The difference between the carrying amount and the contractual undiscounted amount that will be required to be paid at the maturity of the structured deposits is € 26 million (2009: € 51 million).

## 29. Debt issued and other borrowed funds

| | 2010<br>€ million | 2009<br>€ million |
|---|---|---|
| **Short-term debt** | | |
| - Commercial Paper (ECP) | **0** | 229 |
| - Other Short-Term Notes | **0** | 53 |
| | **0** | 282 |
| **Long-term debt** | | |
| - Medium-term notes (EMTN) | **3,181** | 4,367 |
| - Subordinated | **495** | 460 |
| - Securitised | **1,713** | 2,558 |
| | **5,389** | 7,385 |
| **Total** | **5,389** | 7,667 |

There is an unrecognised valuation gain of € 916 million (2009: € 805 million) related to long term debt of € 5,071 million (2009: € 7,096 million) carried at amortised cost, whereas its fair value is € 4,155 million (2009: € 6,291 million). The remaining long term debt consists of structured notes classified as at fair-value-through-profit-or-loss, whose carrying amount as at 31 December 2010 amounted to € 318 million (2009: € 289 million). The fair value change as at 31 December 2010 amounts to € 247 million gain (2009: € 213 million gain). The fair value of the structured notes takes into account the credit risk of the Group. The cumulative change in fair value of these instruments attributable to changes in credit risk, as at 31 December 2010 was a gain of € 244 million (2009: € 171 million gain), out of which € 73 million have been recorded in net trading income (2009: € 11 million). The changes in the fair value of the structured notes due to market risks other than the Group's credit risk are offset in the income statement against changes in the fair value of structured derivatives.

The difference between the carrying amount and the contractual undiscounted amount that will be required to be paid at the maturity of the structured notes is € 250 million (2009: € 209 million).

The EMTNs held by Group's customers which, as at 31 December 2010 amounted to€ 844 million (2009: € 837 million) are included in “Due to customers”.

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

**Asset Backed Securities**

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

In June 2004, the Group proceeded with the issuance of residential mortgage backed securities at an average funding cost of three month Euribor plus 19 basis points for seven years. As at 31 December 2010 the liability amounted to€ 52 million (2009: € 71 million).

In June 2005, the Group proceeded with the issuance of residential mortgage backed securities at an average funding cost of three month Euribor plus 17.5 basis points for seven years. As at 31 December 2010 the liability amounted to€ 105 million (2009: € 127 million).

In June 2006, the Group proceeded with the issuance of residential mortgage backed securities at an average funding cost of three month Euribor plus 16 basis points for seven years. As at 31 December 2010 the liability amounted to€ 185 million (2009: € 219 million).

In June 2007, the Group proceeded with the issuance of residential mortgage backed securities at an average funding cost of three month Euribor plus 13 basis points for five years. During the year, the Group has gradually proceeded with the partial repayment of residential mortgage backed securities amounting to € 194 million. As at 31 December 2010 the liability amounted to€ 597 million (2009: € 787 million).

**(b) Credit Card Asset Backed Securities**

During the year, credit card asset backed securities amounting to€ 550 million, issued by the Group's special purpose entity Karta 2005-1 Plc in July 2005, matured.

**(c) Small Business Loan Asset Backed Securities**

In October 2006, the Group proceeded with the issuance of small business loan asset backed securities at an average funding cost of three month Euribor plus 17 basis points for class A notes. As at 31 December 2010 the liability amounted to€ 774 million (2009: € 804 million).

## 29. Debt issued and other borrowed funds (continued)

**Lower Tier-II**

In May 2005 the Group issued ¥ 30 billion (equivalent to € 276 million) unsecured subordinated fixed rate notes denominated in JPY through its subsidiary EFG Hellas Plc. The notes have a thirty year maturity with a call provision after ten years. The notes pay fixed rate interest on a semester basis on a coupon of 2.76% per annum. The notes qualify as Lower Tier-II capital for the Group and are listed on the Luxembourg Stock Exchange. In October 2005 the Group issued ¥ 4 billion (equivalent to € 37 million) unsecured subordinated fixed rate notes through its subsidiary EFG Hellas Plc, which are consolidated and form a single series with the existing Lower Tier-II of € 276 million issued in May 2005. As at 31 December 2010 the liability amounted to€ 124 million (2009: € 83 million).

In June 2007, the Group issued € 750 million unsecured subordinated floating rate notes, through its subsidiary EFG Hellas PLC. The notes have a ten year maturity with a call provision after five years. The notes pay floating rate interest quarterly based on a coupon of three month Euribor plus 30 basis points for the first five years. The notes qualify as Lower Tier II capital for the Group and are listed on the Luxembourg Stock Exchange. As at 31 December 2010 the liability amounted to € 371 million (2009: € 377 million).

The notes held by Group's customers, which as at 31 December 2010 amounted to € 180 million are included in "Due to customers" (2009: € 177 million).

**Medium-term notes (EMTN)**

During the period, notes amounting to € 743 million, issued under the EMTN Program through the Group's special purpose entities, matured.

**Covered bonds and Government guaranteed bonds**

During the year, the Bank has issued € 3,750 million covered bonds and € 12,050 million bonds under the second stream of the Greek Economy Liquidity Support Program (note 43). As at 31 December 2010, the bonds were fully retained by the Bank.

***Post balance sheet event***

In March 2011, the Bank issued an additional amount of government guaranteed bonds of€ 1,550 million, which were fully retained by the Bank (note 43).

Financial disclosures required by the Act 2620/28.08.2009 of the Bank of Greece in relation to the covered bonds issued, are available at the Bank's website.

## 30. Other liabilities

| | 2010 € million | 2009 € million |
|---|---|---|
| Insurance liabilities | **972** | 749 |
| Acquisition obligations | **128** | 119 |
| Deferred income and accrued expenses | **119** | 109 |
| Standard legal staff retirement indemnity obligations (note 31) | **75** | 83 |
| Trading liabilities | **58** | 25 |
| Deferred tax liabilities (note 12) | **16** | 14 |
| Settlement balances with customers | **16** | 30 |
| Other liabilities | **581** | 631 |
| | **1,965** | 1,760 |

## 31. Standard legal staff retirement indemnity obligations

| **Movement in the liability for standard legal staff retirement indemnity obligations** | 2010 € million | 2009 € million |
|---|---|---|
| Liability for staff retirement indemnity obligations at 1 January | **83** | 81 |
| Arising from acquisitions | **0** | 0 |
| Cost for the year (see below) | **15** | 13 |
| Benefits paid | **(23)** | (9) |
| Exchange and other adjustments | **0** | (2) |
| Liability for staff retirement indemnity obligations at 31 December | **75** | 83 |

**Expense recognised in profit or loss**

| | | |
|---|---|---|
| Current service cost | **6** | 6 |
| Interest cost | **4** | 4 |
| Additional cost | **14** | 4 |
| Actuarial (gains)/losses | **(9)** | (1) |
| Total included in staff costs (note 10) | **15** | 13 |

**Actuarial assumptions**

| Principal actuarial assumptions (expressed as weighted averages) | % | % |
|---|---|---|
| Discount rate | **5.4** | 5.7 |
| Future salary increases | **3.2** | 3.1 |

## 32. Ordinary share capital, share premium and treasury shares

The par value of the Bank's shares is € 2.75 per share. All shares are fully paid. The movement of share capital, share premium and treasury shares is as follows:

| | Ordinary share capital € million | Treasury shares € million | Net € million | Share premium € million | Treasury shares € million | Net € million |
|---|---|---|---|---|---|---|
| At 1 January 2009 | 1,451 | (73) | 1,378 | 1,455 | (355) | 1,100 |
| Distribution of free shares to junior level staff | 2 | - | 2 | 5 | - | 5 |
| Issue of preference shares, expenses | - | - | - | (10) | - | (10) |
| Share capital increase due to the distribution of dividends in the form of free shares | 28 | - | 28 | - | - | - |
| Purchase of treasury shares | - | (1) | (1) | - | (3) | (3) |
| Sale of treasury shares | - | 73 | 73 | - | 349 | 349 |
| At 31 December 2009 | 1,481 | (1) | 1,480 | 1,450 | (9) | 1,441 |
| **At 1 January 2010** | **1,481** | **(1)** | **1,480** | **1,450** | **(9)** | **1,441** |
| Arising from acquisitions[1] | **-** | **(2)** | **(2)** | **-** | **(1)** | **(1)** |
| Purchase of treasury shares | **-** | **(1)** | **(1)** | **-** | **(0)** | **(0)** |
| Sale of treasury shares | **-** | **1** | **1** | **-** | **0** | **0** |
| **At 31 December 2010** | **1,481** | **(3)** | **1,478** | **1,450** | **(10)** | **1,440** |

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

| | Number of shares | | | |
|---|---|---|---|---|
| | Issued | Treasury shares under special scheme | Other treasury shares | Net |
| At 1 January 2009 | 527,591,242 | (26,011,770) | (436,550) | 501,142,922 |
| Distribution of free shares to junior level staff | 772,330 | - | - | 772,330 |
| Share capital increase due to the distribution of dividends in the form of free shares | 10,231,383 | - | - | 10,231,383 |
| Purchase of treasury shares | - | (241,719) | (325,410) | (567,129) |
| Sale of treasury shares | - | 26,253,489 | 167,537 | 26,421,026 |
| At 31 December 2009 | 538,594,955 | - | (594,423) | 538,000,532 |
| **At 1 January 2010** | **538,594,955** | **-** | **(594,423)** | **538,000,532** |
| Arising from acquisitions[1] | **-** | **-** | **(490,000)** | **(490,000)** |
| Purchase of treasury shares | **-** | **-** | **(277,186)** | **(277,186)** |
| Sale of treasury shares | **-** | **-** | **341,040** | **341,040** |
| **At 31 December 2010** | **538,594,955** | **-** | **(1,020,569)** | **537,574,386** |

In June 2009, the Annual General Meeting approved the issue, within certain parameters, the terms and timing of which are at the Board of Directors discretion, either in lump sum or gradually in tranches, of a callable bond of up to€ 500 million, convertible to ordinary shares of the Bank (note 34, Series D and E).

***Post balance sheet event***
Following the merger of the Bank and Dias S.A. (note 22), the Bank's share capital will amount to € 1,554 million divided into 552,948,427 ordinary voting shares of a nominal value of € 2.81 each.

**Treasury shares**

**a. Treasury shares under special scheme**

As resolved by the Annual General Meeting in April 2008, the Bank established a special scheme, for the acquisition of up to 5% of the Bank's shares under Article 16 of Company Law, to optimise on a medium and long term basis the Group's equity, profits per share, dividends per share and capital adequacy ratios, as well as for use in a possible acquisition. According to the Law 3756/2009, banks participating in the Government's Greek Economy Liquidity Support Program are not allowed to acquire treasury shares under article 16 of the Company Law. The program expired in April 2010.

**b. Other treasury shares**

In the ordinary course of business, subsidiaries of the Group may acquire and dispose of treasury shares; the majority relates to life insurance activity.

[1]Treasury shares arising from Dias S.A. acquisition will be cancelled upon completion of the merger agreement between the Bank and Dias S.A. (note 22).

## 33. Preference shares

| | Preference Shares | | |
|---|---|---|---|
| | Number of shares | 2010 € million | 2009 € million |
| | 345,500,000 | 950 | 950 |
| **At 31 December** | **345,500,000** | **950** | 950 |

On 12 January 2009 the Extraordinary General Meeting of the Bank approved the issue of 345,500,000 non-voting, non-listed, non-transferable, tax deductible, non-cumulative 10% preference shares, with nominal value € 2.75 each, under Law 3723/2008 "Greek Economy Liquidity Support Program", to be fully subscribed to and paid by the Greek State with bonds of equivalent value. The proceeds of the issue total € 940 million, net of expenses, and the transaction was completed on 21 May 2009. In accordance with the current legal and regulatory framework, the issued shares have been classified as Tier 1 capital.

The preference shares pay a non-cumulative coupon of 10%, subject to meeting minimum capital adequacy requirements, set by Bank of Greece, availability of distributable reserves in accordance with article 44a of Company Law 2190/1920 and the approval of the Annual General Meeting. According to article 39 of Law 3844/2010, five years after the issue of the preference shares or earlier subject to the approval of the Bank of Greece, the Bank may redeem the preference shares at their nominal value. In case of non redemption at the expiration of the five year period, the coupon is increased by 2% each year.

In June 2010, the Annual General Meeting approved the distribution of dividend amounting to€ 59 million attributable to preference shares for 2009.

As at 31 December 2010, the dividend attributable to preference shares amounted to€ 95 million (2009: € 59 million).

## 34. Preferred securities

On 18 March 2005, the Group, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 200 million preferred securities which represent Lower Tier 1 capital for the Group. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 18 March 2010 and annually thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative annual dividend of 6.75% for the first two years and non-cumulative annual dividends that are determined based on the ten year Euro swap rate plus a spread of 0.125% capped at 8% thereafter. The rate of preferred dividends for the Tier 1 Issue series A has been determined to 3.48% for the period March 18, 2010 to March 17, 2011. The preferred dividend must be declared and paid if the Bank declares a dividend. The preferred securities are listed on the Luxembourg and Frankfurt Stock Exchanges.

On 2 November 2005, the Group, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 400 million preferred securities which represent Lower Tier 1 capital for the Group. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 2 November 2015 and quarterly thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative annual dividend of 4.57% for the first ten years and non-cumulative annual dividends that are determined based on the 3month Euribor plus a spread of 2.22% thereafter. The preferred dividend must be declared and paid if the Bank declares dividend. The preferred securities are listed on the London Stock Exchange.

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

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

On 29 July 2009, the Group, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 300 million preferred securities which represent Tier 1 capital for the Group. This is in accordance with the decision of the Annual General Meeting on 30 June 2009 which allows the Bank to issue in tranches up to € 500 million of such securities. The preferred securities have no fixed redemption date and give the issuer the right to call the issue after five years from the issue date and quarterly thereafter. In addition the securities, subject to certain conditions, are convertible at the option of the bondholder and the issuer after October 2014 into Eurobank EFG ordinary shares at a 12% discount to the share market price during the period preceding the exchange. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative dividend on a quarterly basis at a rate of 8.25% per annum. The preferred dividend must be declared and paid if the Bank declares a dividend. The preferred securities are listed on the London Stock Exchange.

On 30 November 2009, the Group, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 100 million preferred securities which represent Tier 1 capital for the Group. The terms and conditions of the issue are similar to preferred securities issued on 29 July 2009 and the conversion option applies from February 2015. The preferred securities are listed on the London Stock Exchange.

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

| | Series A € million | Series B € million | Series C € million | Series D € million | Series E € million | Total € million |
|---|---|---|---|---|---|---|
| At 1 January 2010 | 94 | 176 | 173 | 292 | 56 | 791 |
| Purchase of preferred securities | (0) | (6) | (2) | (83) | (3) | (94) |
| Sale of preferred securities | 3 | 5 | 2 | 78 | 6 | 94 |
| **At 31 December 2010** | **97** | **175** | **173** | **287** | **59** | **791** |

As at 31 December 2010, the dividend attributable to preferred securities holders amounts to€ 51 million (2009: € 36 million).

As at 31 December 2010, there were no gains/(losses) on preferred securities (2009:€ 173 million gains).

## 35. Share options

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

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

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

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| | Exercise price in € per share | Number of share options | Exercise price in € per share | Number of share options |
| At 1 January | **11.55** | **5,485,110** | 11.77 | 5,622,482 |
| Adjustment for corporate actions | **-** | **-** | 11.56 | 111,740 |
| Expired and cancelled | **11.20** | **(315,981)** | 11.27 | (249,112) |
| **Balance at 31 December and average exercise price per share** | **11.57** | **5,169,129** | 11.55 | 5,485,110 |

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

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| **Expiry date - 31 December** | Exercise price in € per share | Number of share options | Exercise price in € per share | Number of share options |
| 2011 | **12.00** | **421,897** | 12.00 | 421,897 |
| 2012 | **12.00** | **1,343,722** | 12.00 | 1,407,074 |
| 2013 | **13.58** | **1,337,700** | 13.58 | 1,412,689 |
| 2014 | **9.90** | **2,065,810** | 9.90 | 2,243,450 |
| | **11.57** | **5,169,129** | 11.55 | 5,485,110 |

## 36. Special reserves

| | Statutory reserves € million | Non-taxed reserves € million | IAS 39 reserves € million | Other reserves € million | Total € million |
|---|---|---|---|---|---|
| Balance at 1 January 2009 | 288 | 922 | (534) | (195) | 481 |
| Transfers between reserves | 47 | 189 | - | (27) | 209 |
| Available-for-sale securities | | | | | |
| - net changes in fair value net of tax | - | - | 102 | - | 102 |
| - transfer to net profit net of tax | - | - | (48) | - | (48) |
| Cash flow hedges | | | | | |
| - net changes in fair value net of tax | - | - | (14) | - | (14) |
| - transfer to net profit net of tax | - | - | (11) | - | (11) |
| Currency translation differences, net of hedging | - | - | - | (54) | (54) |
| Value of employee services | - | - | - | 13 | 13 |
| At 31 December 2009 | 335 | 1,111 | (505) | (263) | 678 |
| Balance at 1 January 2010 | **335** | **1,111** | **(505)** | **(263)** | **678** |
| Transfers between reserves | **58** | **131** | **-** | **(2)** | **187** |
| Available-for-sale securities | | | | | |
| - net changes in fair value net of tax | **-** | **-** | **(193)** | **-** | **(193)** |
| - transfer to net profit net of tax | **-** | **-** | **48** | **-** | **48** |
| Cash flow hedges | | | | | |
| - net changes in fair value net of tax | **-** | **-** | **(51)** | **-** | **(51)** |
| - transfer to net profit net of tax | **-** | **-** | **(2)** | **-** | **(2)** |
| Currency translation differences, net of hedging | **-** | **-** | **-** | **(27)** | **(27)** |
| Value of employee services | **-** | **-** | **-** | **4** | **4** |
| **At 31 December 2010** | **393** | **1,242** | **(703)** | **(288)** | **644** |

Statutory reserves and IAS 39 reserves are not distributable. Included in IAS 39 reserves as at 31 December 2010 is € 85 million loss (2009: € 32 million loss) relating to cash flow hedging reserve.

Non-taxed reserves are taxed when distributed. As at 31 December 2010, non-taxed reserves include an amount of € 246 million which consists of € 289 million which following Law 3513/2006 were subject to one-off taxation amounting to € 43.3 million. The Bank has contested the above taxation in the courts.

Included in other reserves as at 31 December 2010 is € 255 million loss (2009: € 228 million loss) relating to currency translation reserve, net of hedging.

## 37. Operating leases

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

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| | Land and buildings € million | Furniture, equipment, vehicles € million | Land and buildings € million | Furniture, equipment, vehicles € million |
| Not later than one year | **50** | **2** | 68 | 2 |
| Later than one year and no later than five years | **62** | **3** | 63 | 1 |
| Later than five years | **10** | **0** | 17 | - |
| | **122** | **5** | 148 | 3 |

The total of future minimum sublease payments to be received under non-cancellable subleases at the balance sheet date is€ 27 million (2009: € 9 million).

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

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| | Land and buildings € million | Furniture, equipment, vehicles € million | Land and buildings € million | Furniture, equipment, vehicles € million |
| Not later than one year | **20** | **31** | 21 | 1 |
| Later than one year and no later than five years | **77** | **10** | 80 | 3 |
| Later than five years | **102** | **-** | 70 | - |
| | **199** | **41** | 171 | 4 |

## 38. Contingent liabilities and other commitments

| | 2010 € million | 2009 € million |
|---|---|---|
| Guarantees and standby letters of credit | **974** | 1,278 |
| Other guarantees and commitments to extend credit | **1,595** | 677 |
| Documentary credits | **165** | 127 |
| Capital expenditure | **9** | 10 |
| | **2,743** | 2,092 |

Included above is a guarantee that the Bank issued in favour of EFG Ora Funding Limited III amounting to € 271 million (2009: € 271 million), against which the ultimate parent company of the Group has guaranteed unconditionally and without the right of cancellation.

### Legal Proceedings

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

## 39. Segment information

Management has determined the operating segments based on the internal reports reviewed by the Strategic Planning Group (SPG) that are used to allocate resources and to assess its performance in order to make strategic decisions. The SPG considers the business both from a business unit and geographic perspective. Geographically, management considers the performance of its business in Greece and other countries in Europe (New Europe). Greece is further segregated into retail, wholesale, wealth management, and global and capital markets while New Europe is monitored and reviewed on a country basis. The Group aggregates segments when they exhibit similar economic characteristics and profile and are expected to have similar long-term economic development.

With the exception of Greece no other individual country contributed more than 10% of consolidated income. The Group is organized in the following reportable segments:

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

Other operations of the Group comprise mainly of investing activities, including property management and investment and the management of unallocated capital.

The Group's management reporting is based on IFRS. The accounting policies of the Group's operating segments are the same with those described in the principal accounting policies.

Revenues from transactions between business segments are allocated on a mutually agreed basis at rates that approximate market prices.

## 39. Segment information (continued)

### 39.1 Operating segments

| | 31 December 2010 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Retail € million | Corporate € million | Wealth Management € million | Global & Capital Markets € million | Other € million | New Europe € million | Elimination center € million | Total € million |
| Net interest income | 1,091 | 469 | 4 | 16 | (51) | 725 | - | 2,254 |
| Net commission income | 59 | 61 | 48 | 61 | 2 | 173 | - | 404 |
| Other net revenue | 27 | (20) | 45 | 70 | 99 | 45 | - | 266 |
| Total external revenue | 1,177 | 510 | 97 | 147 | 50 | 943 | - | 2,924 |
| Inter-segment revenue | 104 | 3 | (32) | (44) | 15 | (2) | (44) | - |
| Total revenue | 1,281 | 513 | 65 | 103 | 65 | 941 | (44) | 2,924 |
| Operating expenses | (507) | (113) | (69) | (77) | (78) | (626) | 44 | (1,426) |
| Impairment losses on loans and advances | (909) | (93) | (1) | (0) | (0) | (359) | - | (1,362) |
| Profit before tax attributable to shareholders | (136) | 306 | (5) | 26 | (29) | (45) | 0 | 117 |
| Segment assets | 24,184 | 18,122 | 2,101 | 15,324 | 5,158 | 22,299 | - | 87,188 |

| | 31 December 2009 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Retail € million | Corporate € million | Wealth Management € million | Global & Capital Markets € million | Other € million | New Europe € million | Elimination center € million | Total € million |
| Net interest income | 1,111 | 422 | (1) | 58 | (8) | 759 | - | 2,341 |
| Net commission income | 54 | 52 | 48 | 105 | (3) | 162 | - | 418 |
| Other net revenue | 11 | 2 | 60 | 49 | 133 | 27 | - | 282 |
| Total external revenue | 1,176 | 476 | 107 | 212 | 122 | 948 | - | 3,041 |
| Inter-segment revenue | 88 | 20 | (29) | (42) | 11 | (2) | (46) | - |
| Total revenue | 1,264 | 496 | 78 | 170 | 133 | 946 | (46) | 3,041 |
| Operating expenses | (557) | (120) | (61) | (70) | (71) | (638) | 46 | (1,471) |
| Impairment losses on loans and advances | (671) | (51) | (1) | (2) | - | (452) | - | (1,177) |
| Profit before tax attributable to shareholders | 35 | 325 | 16 | 98 | 51 | (140) | - | 385 |
| Segment assets | 24,906 | 16,937 | 1,473 | 14,359 | 5,119 | 21,475 | - | 84,269 |

### 39.2 Entity wide disclosures

**(a) Analysis of revenue by category**

Breakdown of the Group's revenue for each group of similar products and services is as follows:

| | 2010 € million | 2009 € million |
|---|---|---|
| Lending related activities | 2,775 | 2,674 |
| Deposits, network and asset management activities | (288) | (129) |
| Capital markets | 358 | 396 |
| Insurance related activities | 37 | 48 |
| Non banking and other services | 42 | 52 |
| | 2,924 | 3,041 |

**(b) Geographical information**

The following table breaks down the Group's total revenues and total assets based on the country in which the Group's operation is located:

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| | Revenues € million | Total assets € million | Revenues € million | Total assets € million |
| Greece | 1,984 | 64,889 | 2,095 | 62,794 |
| Romania | 305 | 5,355 | 305 | 5,615 |
| Poland | 189 | 5,693 | 167 | 5,357 |
| Bulgaria | 171 | 3,611 | 193 | 3,911 |
| Other countries | 275 | 7,640 | 281 | 6,592 |
| | 2,924 | 87,188 | 3,041 | 84,269 |

## 40. Post balance sheet events

In February 2011 the Group entered into an investment agreement to form a strategic partnership with Raiffeisen Bank International AG ("RBI") in relation to their Polish operations. The terms of the transaction envisage RBI acquiring 70% of Polbank EFG for an upfront cash consideration of € 490 million, following the incorporation of the Bank's branch operations in Poland as a separate bank. Subsequently, the Group and RBI shall bring together their Polish banking operations, with RBI controlling 87% and the Group retaining a 13% stake in the to-be-combined entity. The closing of the transaction, expected for the fourth quarter of 2011, is subject to the completion of the incorporation of Polbank EFG and subsequent customary regulatory approvals. This initiative will improve Capital Adequacy ratio by 125 bps, release approximately € 2 bn of liquidity, generate profitability and maintain a meaningful upside in the Polish banking market.

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

Note 11-Income tax expense
Note 22-Shares in subsidiary undertakings
Note 29-Debt issued and other borrowed funds
Note 32-Ordinary share capital, share premium and treasury shares
Note 43-Greek Economy Liquidity Support Program

## 41. Acquisition of subsidiaries

**Acquisition of Dias S.A.**

As a result of obtaining control over Dias S.A., in accordance with the revised IFRS 3, the Group recognised losses of € 13 million from remeasuring its previously held interest to fair value and € 6 million from recycling to the income statement its share of losses of Dias S.A. available-for-sale portfolio that was previously recognised in other comprehensive income.

The fair value of total assets acquired was € 116 million, less total liabilities having a fair value of € 2 million. The fair value of the previously held interest in Dias SA and the fair value of the non-controlling interest was determined by reference to the market price of Dias S.A. shares traded in Athens Stock Exchange. Included in other operating income is an amount of € 20 million attributed to the resulting negative goodwill. The negative goodwill was due to the discount at which Dias S.A. shares are traded in the Athens Stock Exchange relatively to the company's net asset value.

The acquired company contributed revenue of € 2.2 million and a net gain of € 0.7 million to the Group during the period from the date of its acquisition to 31 December 2010. During the period from 1 January 2010 until the date of its acquisition Dias S.A. contributed to the Group as an associate a net gain of € 0.7 million. If the acquisition had occurred on 1 January 2010, the acquired company would have contributed revenue of € 6.8 million and an additional net gain of € 0.5 million.

Included in the € 116 million of fair value of total assets acquired are € 31 million of cash and cash equivalents, with the remaining balance representing financial assets.

Acquisition related costs amounted to € 0.1 million.

Changes in participating interests of subsidiary undertakings that have been recognised directly in equity include Bancpost S.A., BDD EFG Securities a.d. Beograd, IMO-II Property Investments S.A., IMO Property Investments Bucuresti S.A. and Dias S.A.

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

**Adjustments to the provisional values of previous year acquisitions**

With respect to the acquisition of Eurobank EFG A.D. Beograd, effected and presented provisionally in 2006, total goodwill has increased by € 1.8 million as a result of adjustments related to the exercise of the call option, that increased total acquisition cost accordingly.

With respect to the acquisition of Accentis S.A., which was absorbed by Eurobank EFG Telesis Finance S.A. in 2007, that merged with Eurobank EFG Equities S.A. in May 2010, total Goodwill has decreased by € 1.5 million, as a result of the settlement of a contingent consideration liability.

## 42. Stress test for the European Banks

The uncertainties created by the sovereign debt issues in most EU countries raised significant concerns regarding the stability of the European banking system. To address this, the Committee of European Banking Supervisors (CEBS) in co-operation with European Central Bank and European Union authorities carried out stress tests of the systemically important banks in the European Union simulating a scenario of extreme macroeconomic deterioration over the next two years.

Eurobank EFG, as well as the majority of the banks tested, registered comfortable capital levels even under the extreme and highly improbable scenario, with Tier 1 at the end of 2011 at 8.17%, significantly higher than the minimum required for the purpose of the stress test of 6%.

## 43. Greek Economy Liquidity Support Program

The Bank participates in the Greek Government's plan to support liquidity in the Greek economy under Law 3723/2008, as extended by Laws 3844/April 2010, 3845/May 2010 and 3872/September 2010, as follows:

(a) First stream - preference shares

345,500,000 non-voting preference shares with nominal value of € 950 million were subscribed to by the Hellenic Republic on 21 May 2009 (note 33).

(b) Second stream - bonds guaranteed by the Hellenic Republic

During the year, the Bank has issued bonds of € 12,050 million. As at 31 December 2010, the bonds were fully retained by the Bank (note 29).

In March 2011, an additional amount of government guaranteed bonds of € 1,550 million was issued by the Bank (note 29).

(c) Third stream - lending of Greek Government bonds

Liquidity obtained under this stream must be used to fund mortgages and loans to small and medium-size enterprises. As at 31 December 2010, the Bank had borrowed special Greek Government bonds of € 1,737 million.

According to the third review report of the International Monetary Fund (28 February 2011) for the progress of the Economic Adjustment Program in Greece, endorsed by the Ministry of Finance and the Bank of Greece, the Greek Government will undertake initiatives to preserve sufficient system liquidity, including a new tranche of government guarantees for uncovered bank bonds in the amount of € 30 bn, and the Bank of Greece will ask banks to devise and implement medium-term funding plans envisioning the gradual reduction on ECB dependence.

According to Law 3723/2008, for the period the Bank participates in the program through the preference shares or the guaranteed bonds (streams (a) and (b) above), the Government is entitled to appoint its representative to the Board of Directors, veto dividend distributions and restrict management remuneration.

In addition, according to Law 3756/2009, as extended by article 39 of Law 3844/2010, banks participating in the Greek Economy Liquidity Support Program were not allowed to declare a cash dividend to their ordinary shareholders for 2008 and 2009 and were not allowed to acquire treasury shares under article 16 of the Company Law.

## 44. Related party transactions

The Bank is a member of the worldwide EFG Group, which consists of credit institutions, financial services and financial holding companies. The operating parent company of the EFG Group is European Financial Group EFG (Luxembourg) S.A., whilst its ultimate parent company is Private Financial Holdings Limited (PFH), which is owned and controlled indirectly by members of the Latsis family. As at 31 December 2010, the EFG Group held 44.8% of the ordinary shares and voting rights of the Bank through wholly owned subsidiaries of the ultimate parent company, the remaining ordinary shares and voting rights being held by institutional and retail investors, none of which, to the knowledge of the Bank, holds 5% or more.

The Bank's annual consolidated financial statements are fully consolidated in the annual consolidated financial statements of European Financial Group EFG (Luxembourg) S.A.

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

| | 31 December 2010 | | | 31 December 2009 | | |
|---|---|---|---|---|---|---|
| | EFG Group € million | Key management personnel € million | Other € million | EFG Group € million | Key management personnel € million | Other € million |
| Loans and advances to banks | 2 | - | - | 0 | - | - |
| Financial instruments at fair value through profit or loss | - | - | - | 2 | - | - |
| Investment securities | 82 | - | 10 | 83 | - | 19 |
| Loans and advances to customers | 64 | 19 | 121 | 32 | 20 | 235 |
| Other assets | 1 | 0 | 0 | 0 | - | 6 |
| Due to other banks | 55 | - | - | 51 | - | - |
| Due to customers | 1 | 53 | 239 | 19 | 72 | 239 |
| Other liabilities | 4 | 1 | 0 | 3 | 1 | 1 |
| Net interest income | 1 | (1) | 0 | (2) | (1) | (0) |
| Net banking fee and commission income | (4) | - | 2 | (3) | - | 5 |
| Other operating income/(expense) | 1 | 0 | (2) | (0) | - | 0 |
| Guarantees issued | 271 | 1 | 1 | 271 | 1 | 1 |
| Guarantees received | 271 | 0 | 56 | 271 | 74 | - |

### Key management compensation (including directors)

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

No provisions have been recognised in respect of loans given to related parties (2009: nil).

Key management personnel are entitled to compensation in the form of short-term employee benefits € 7.5 million (2009: € 7.8 million), and long-term employee benefits € 2.6 million out of which € 2.1 million are share-based payments (2009: € 3.1 million and € 2.7 million respectively).

## 45. Board of Directors

The three year term of the Board of Directors expired at the Annual General Meeting on 25 June 2010. The General Meeting appointed a new Board on 25 June 2010, whose three year term expires at the Annual General Meeting which will take place in 2013.

Other than as noted below, Directors served throughout 2009 and 2010:

| | |
|---|---|
| E. N. Christodoulou | Chairman (non executive-appointed as of 25 June 2010) |
| X. C. Nickitas | Chairman (until 25 June 2010) |
| G. C. Gondicas | Honorary Chairman (non executive) |
| A. M. L. J. Latsis | Vice Chairman (non executive) |
| L. D. Efraimoglou | Vice Chairman (non executive-until 25 June 2010) |
| N. C. Nanopoulos | Chief Executive Officer |
| B. N. Ballis | Deputy Chief Executive Officer |
| N. V. Karamouzis | Deputy Chief Executive Officer |
| M. H. Colakides | Deputy Chief Executive Officer |
| N. K. Pavlidis | Executive |
| F. S. Antonatos | Non Executive |
| A.G. Bibas | Non Executive (until 25 June 2010) |
| E. L. Bussetil | Non Executive |
| S. J. Latsis | Non Executive |
| P. P. Petalas | Non Executive |
| D. A. Georgoutsos | Non Executive (appointed as of 18 June 2010 under Law 3723/2008) |
| D.N. Damianos | Non Executive (appointed as of 16 March 2009 until 18 June 2010 under Law 3723/2008) |
| S. L. Lorentziadis | Independent Non Executive |
| A. J. Martinos | Non Executive (appointed as of 25 June 2010-designated as Independent Non Executive by EGM on 10 January 2011) |
| D. A. Papalexopoulos | Non Executive (appointed as of 25 June 2010-designated as Independent Non Executive by EGM on 10 January 2011) |
| P. V. Tridimas | Independent Non Executive |

## 46. Dividends

Final dividends are not accounted for until they have been ratified by the Annual General Meeting. In June 2010, the Annual General Meeting approved the distribution of dividend amounted to € 59 million attributable to preference shares for 2009 (note 33).

According to Law 3756/2009, as extended by article 39 of Law 3844/2010, banks participating in the Greek Economy Liquidity Support Program were not allowed to declare a cash dividend to their ordinary shareholders for 2008 and 2009. In the context of current economic conditions, the Directors do not consider that the distribution of a dividend for 2010 would be appropriate.

Athens, 22 March 2011

| | | | |
|---|---|---|---|
| **Efthymios N. Christodoulou** | **Nicholas C. Nanopoulos** | **Paula N. Hadjisotiriou** | **Harris V. Kokologiannis** |
| I.D. No AB - 049358 | I.D. No AE - 586794 | I.D. No T - 005040 | I.D. No AK - 021124 |
| CHAIRMAN OF THE BOARD OF DIRECTORS | CHIEF EXECUTIVE OFFICER | CHIEF FINANCIAL OFFICER | HEAD OF GROUP FINANCE & CONTROL |

## *V. Solo Financial Statements for the 2010 Financial Year (Auditor's Report included)*

# EFG EUROBANK ERGASIAS S.A.

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2010**

8 Othonos Street, Athens 105 57, Greece
www.eurobank.gr, Tel.: (+30) 210 333 7000
Company Registration No: 6068/06/B/86/07

## Index to the financial statements

**Independent auditor's report**

**To the Shareholders of EFG Eurobank Ergasias S.A.**

**Report on the Financial Statements**

We have audited the accompanying financial statements of EFG Eurobank Ergasias (the "Bank") set out on pages 4 to 40 which comprise the balance sheet as of 31 December 2010 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2010, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Athens, 22 March 2011

The Certified Auditor-Accountant

Marios Psaltis
SOEL Reg. No. 38081

pwc

PricewaterhouseCoopers
268 Kifissias Avenue
15 232 Halandri
SOEL Reg. No. 113

| | Note | Year ended 31 December 2010 € million | 2009 € million |
|---|---|---|---|
| Interest income | 5 | **4,745** | 5,311 |
| Interest expense | 5 | **(3,398)** | (3,979) |
| **Net interest income** | | **1,347** | 1,332 |
| | | | |
| Banking fee and commission income | | **407** | 366 |
| Banking fee and commission expense | | **(126)** | (115) |
| **Net banking fee and commission income** | | **281** | 251 |
| | | | |
| Income from non banking services | | **4** | 5 |
| Dividend income | | **102** | 71 |
| Net trading income | 6 | **66** | 5 |
| Gains less losses from investment securities | 6 | **79** | 62 |
| Other operating income | | **2** | 8 |
| | | **253** | 151 |
| | | | |
| **Operating income** | | **1,881** | 1,734 |
| | | | |
| Operating expenses | 7 | **(892)** | (898) |
| | | | |
| **Profit from operations before impairment losses on loans and advances** | | **989** | 836 |
| | | | |
| Impairment losses on loans and advances | 17 | **(1,093)** | (836) |
| | | | |
| **Profit/(loss) before tax** | | **(104)** | 0 |
| | | | |
| Income tax | 9 | **21** | 3 |
| | | | |
| **Net profit/(loss) for the year attributable to shareholders*** | | **(83)** | 3 |
| | | | |
| *** Comparable profit for the year excluding:** | | | |
| - Special tax contribution | 9 | **24** | 44 |
| | | | |
| **Net profit/(loss) for the year excluding special tax contribution** | | **(59)** | 47 |

*Notes on pages 9 to 40 form an integral part of these financial statements*

| | Note | At 31 December 2010 € million | 2009 € million |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with central bank | 11 | **2,238** | 1,731 |
| Loans and advances to banks | 13 | **29,483** | 39,828 |
| Financial instruments at fair value through profit or loss | 14 | **200** | 1,842 |
| Derivative financial instruments | 15 | **1,725** | 1,460 |
| Loans and advances to customers | 16 | **43,539** | 42,015 |
| Investment securities | 18 | **8,639** | 8,702 |
| Shares in subsidiary undertakings | 19 | **2,926** | 2,895 |
| Investments in associated undertakings | 20 | **5** | 32 |
| Property, plant and equipment | 21 | **357** | 380 |
| Intangible assets | 22 | **106** | 100 |
| Other assets | 23 | **1,154** | 871 |
| **Total assets** | | **90,372** | 99,856 |
| | | | |
| **LIABILITIES** | | | |
| Due to other banks | 24 | **8,332** | 13,398 |
| Repurchase agreements with banks | 25 | **25,173** | 17,206 |
| Derivative financial instruments | 15 | **2,689** | 2,151 |
| Due to customers | 26 | **40,522** | 45,807 |
| Debt issued and other borrowed funds | 27 | **8,032** | 15,299 |
| Other liabilities | 28 | **509** | 509 |
| **Total liabilities** | | **85,257** | 94,370 |
| | | | |
| **EQUITY** | | | |
| Ordinary share capital | 30 | **1,481** | 1,481 |
| Share premium | 30 | **1,450** | 1,450 |
| Other reserves | | **444** | 814 |
| **Ordinary shareholders' equity** | | **3,375** | 3,745 |
| Preference shares | 31 | **950** | 950 |
| Hybrid capital | 32 | **790** | 791 |
| **Total** | | **5,115** | 5,486 |
| | | | |
| **Total equity and liabilities** | | **90,372** | 99,856 |

*Notes on pages 9 to 40 form an integral part of these financial statements*

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2010 | | 2009 | |
| | € million | | € million | |
| **Profit/(loss) for the year** | | **(83)** | | 3 |
| **Other comprehensive income:** | | | | |
| **Cash flow hedges** | | | | |
| - net changes in fair value, net of tax | **(56)** | | (10) | |
| - transfer to net profit, net of tax | **2** | **(54)** | (11) | (21) |
| **Available for sale securities** | | | | |
| - net changes in fair value, net of tax | **(117)** | | 125 | |
| - transfer to net profit, net of tax | **(6)** | **(123)** | 16 | 141 |
| **Foreign currency translation** | | | | |
| - net changes in fair value, net of tax | **(3)** | | (1) | |
| - transfer to net profit, net of tax | **-** | **(3)** | - | (1) |
| **Other comprehensive income for the year** | | **(180)** | | 119 |
| **Total comprehensive income for the year** | | **(263)** | | 122 |

*Notes on pages 9 to 40 form an integral part of these financial statements*

| | Attributable to ordinary shareholders of the Bank | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Ordinary share capital € million | Share premium € million | Special reserves € million | Retained earnings € million | Total € million | Preference shares € million | Hybrid capital € million | Total € million |
| **Balance at 1 January 2009** | 1,379 | 1,110 | 580 | 121 | 3,190 | - | 705 | 3,895 |
| Other comprehensive income for the year | - | - | 119 | - | 119 | - | - | 119 |
| Profit for the year | - | - | - | 3 | 3 | - | - | 3 |
| Total comprehensive income for the year ended 31 December 2009 | - | - | 119 | 3 | 122 | - | - | 122 |
| Distribution of free shares to staff | 2 | 5 | (0) | - | 7 | - | - | 7 |
| Issue of preference shares, net of expenses | - | (10) | - | - | (10) | 950 | - | 940 |
| Purchase/sale of hybrid capital | - | - | - | 173 | 173 | - | (308) | (135) |
| Issue of hybrid capital | - | - | - | - | - | - | 394 | 394 |
| Hybrid capital's dividend paid | - | - | - | (37) | (37) | - | - | (37) |
| Dividends paid in the form of free shares | 28 | - | - | (31) | (3) | - | - | (3) |
| Share-based payment: | | | | | | | | |
| - Value of employee services | - | - | 13 | - | 13 | - | - | 13 |
| Purchase of treasury shares | (1) | (1) | - | - | (2) | - | - | (2) |
| Sale of treasury shares, net of tax | 73 | 346 | - | (127) | 292 | - | - | 292 |
| Transfers between reserves | - | - | 50 | (50) | - | - | - | - |
| | 102 | 340 | 63 | (72) | 433 | 950 | 86 | 1,469 |
| **Balance at 31 December 2009** | 1,481 | 1,450 | 762 | 52 | 3,745 | 950 | 791 | 5,486 |
| **Balance at 1 January 2010** | **1,481** | **1,450** | **762** | **52** | **3,745** | **950** | **791** | **5,486** |
| Other comprehensive income for the year | - | - | (180) | - | (180) | - | - | **(180)** |
| Profit/(loss) for the year | - | - | - | (83) | (83) | - | - | **(83)** |
| Total comprehensive income for the year ended 31 December 2010 | **-** | **-** | **(180)** | **(83)** | **(263)** | **-** | **-** | **(263)** |
| Purchase/sale of hybrid capital | - | - | - | - | - | - | (1) | **(1)** |
| Preference shares' and hybrid capital's dividend paid | - | - | - | (108) | (108) | - | - | **(108)** |
| Share-based payment: | | | | | | | | |
| - Value of employee services | - | - | 4 | - | 4 | - | - | **4** |
| Sale of treasury shares, net of tax and related expenses | - | - | - | (3) | (3) | - | - | **(3)** |
| Transfers between reserves | - | - | 105 | (105) | - | - | - | **-** |
| | **-** | **-** | **109** | **(216)** | **(107)** | **-** | **(1)** | **(108)** |
| **Balance at 31 December 2010** | **1,481** | **1,450** | **691** | **(247)** | **3,375** | **950** | **790** | **5,115** |
| | Note 30 | Note 30 | Note 34 | | | Note 31 | Note 32 | |

*Notes on pages 9 to 40 form an integral part of these financial statements*

**Cash Flow Statement**
**for the year ended 31 December 2010**

| | Note | Year ended 31 December 2010 € million | 2009 € million |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Interest received and net trading receipts | | **3,625** | 4,358 |
| Interest paid | | **(2,640)** | (3,346) |
| Fees and commissions received | | **380** | 351 |
| Fees and commissions paid | | **(104)** | (102) |
| Other income received | | **7** | 0 |
| Cash payments to employees and suppliers | | **(836)** | (777) |
| Income taxes paid | | **(53)** | - |
| Cash flows from operating profits before changes in operating assets and liabilities | | **379** | 484 |
| **Changes in operating assets and liabilities** | | | |
| Net (increase)/decrease in cash and balances with central bank | | **(13)** | (369) |
| Net (increase)/decrease in financial instruments at fair value through profit or loss | | **508** | (306) |
| Net (increase)/decrease in loans and advances to banks | | **3,791** | (8,012) |
| Net (increase)/decrease in loans and advances to customers | | **(2,145)** | 1,071 |
| Net (increase)/decrease in derivative financial instruments | | **165** | (431) |
| Net (increase)/decrease in other assets | | **(164)** | (266) |
| Net increase/(decrease) in due to other banks and repurchase agreements | | **2,879** | 2,924 |
| Net increase/(decrease) in due to customers | | **(5,438)** | 1,236 |
| Net increase/(decrease) in other liabilities | | **(80)** | 196 |
| **Net cash from/(used in) operating activities** | | **(118)** | (3,473) |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment and intangible assets | | **(46)** | (68) |
| Proceeds from sale of property, plant and equipment and intangible assets | | **1** | 11 |
| Purchases of investment securities | | **(2,483)** | (3,472) |
| Proceeds from sale/redemption of investment securities | | **3,415** | 4,490 |
| Acquisition of subsidiary undertakings and participations in capital increases | | **(5)** | (469) |
| Dividends from investment securities, subsidiary and associated undertakings | | **124** | 41 |
| **Net cash from/(used in) investing activities** | | **1,006** | 533 |
| **Cash flows from financing activities** | | | |
| Proceeds from debt issued and other borrowed funds | | **15,805** | 4,486 |
| Repayments of debt issued and other borrowed funds | | **(23,075)** | (2,999) |
| Purchase of hybrid capital | 32 | **(94)** | (178) |
| Proceeds from sale/issue of hybrid capital | 32 | **93** | 437 |
| Preference shares' and hybrid capital's dividend paid | | **(108)** | (37) |
| Expenses for issue of preference and bonus shares | | **-** | (12) |
| Purchase of treasury shares | | **-** | (1) |
| Proceeds from sale of treasury shares, net of expenses | | **(1)** | 250 |
| **Net cash from/(used in) financing activities** | | **(7,380)** | 1,946 |
| Effect of exchange rate changes on cash and cash equivalents | | **7** | 3 |
| **Net increase/(decrease) in cash and cash equivalents** | | **(6,485)** | (991) |
| Cash and cash equivalents at beginning of year | 12 | **9,720** | 10,711 |
| **Cash and cash equivalents at end of year** | 12 | **3,235** | 9,720 |

*Notes on pages 9 to 40 form an integral part of these financial statements*

## 1. General information

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

These financial statements were approved by the Board of Directors on 22 March 2011.

## 2. Principal accounting policies

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

### (a) Basis of preparation

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

The policies set out below have been consistently applied to the years 2009 and 2010. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

*(a) Amended and new standards and interpretations effective in 2010*

-IAS 27, Revised-Consolidated and Separate Financial Statements
-IAS 39, Amendment-Eligible Hedged Items
-IFRS 2, Amendment-Group Cash settled Share based payment transactions
-IFRIC 15, Agreements for the Construction of Real Estate
-IFRIC 16, Hedges of a Net Investment in a Foreign Operation
-IFRIC 17, Distributions of Non-cash Assets to Owners
-Amendments to various Standards that form part of IASB's 2009 Annual Improvement Project

*(b) Standards and interpretations issued but not yet effective*

-IAS 12, Amendment-Deferred tax: Recovery of Underlying Assets (effective 1 January 2012, not yet endorsed by EU)
-IAS 24, Amendment-Related Party Disclosures (effective 1 January 2011)
-IAS 32, Amendment-Classification of Rights Issues (effective 1 January 2011)
-IFRS 7, Amendment-Disclosures, Transfers of Financial Assets (effective 1 January 2012, not yet endorsed by EU)
-IFRS 9, Financial instruments (effective 1 January 2013, not yet endorsed by EU)
-IFRIC 14, Amendment-Prepayments of a Minimum Funding Requirement (effective 1 January 2011)
-IFRIC 19, Extinguishing Financial Liabilities (effective 1 January 2011)
- Amendments to various Standards that form part of IASB's Annual Improvement Project (effective 1 January 2011)

IFRS 9 is part of IASB's project to replace IAS 39 Financial Instruments which has not been finalised yet and as a result, it is not practicable to quantify its impact. The application of the other above mentioned standards and interpretations is not expected to have a material impact on the Bank's financial statements in the period of the initial application.

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

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

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

### (b) Investments in subsidiaries, associated undertakings and joint ventures

Investments in subsidiaries, associated undertakings and joint ventures are accounted at cost less any impairment losses.

### (c) Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies have been translated into the functional currency at the market rates of exchange ruling at the balance sheet date and exchange differences are accounted for in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedge.

Non-monetary assets and liabilities have been translated into the functional currency at the exchange rates ruling at initial recognition, except for non-monetary items denominated in foreign currencies that are stated at fair value which have been translated using the rate of exchange at the date the fair value was determined. The exchange differences relating to these items are treated as part of the change in fair value and they are recognized in the income statement or recorded directly in equity depending on the classification of the non-monetary item.

## 2. Principal accounting policies (continued)

### (d) Derivative financial instruments and hedging

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

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

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

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Bank designates certain derivatives as: (1) hedges of the exposure to changes in fair value of recognised assets or liabilities or unrecognised firm commitments (fair value hedge); (2) hedges of the exposure to variability in cash flows of recognised assets or liabilities or highly probable forecasted transactions (cash flow hedge); or (3) hedges of the exposure to variability in the value of a net investment in a foreign operation associated with the translation of the investment's carrying amount in the Bank's functional currency. Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

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

***(i) Fair value hedge***

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

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

***(ii) Cash flow hedge***

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

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

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

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

***(iii) Net investment hedge***

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

***(iv) Derivatives that do not qualify for hedge accounting***

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

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 15.

### (e) Offsetting financial instruments

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

### (f) Income statement

***(i) Interest income and expenses***

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

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

***(ii) Fees and commissions***

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

2. **Principal accounting policies (continued)**

**(g) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent expenditure is recognized in the asset's carrying amount only when it is probable that future economic benefits will flow to the Bank and the cost of the asset can be measured reliably. All other repair and maintenance costs are recognised in income statements as expenses as occurred.

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment, to their residual values over their estimated useful life as follows:
- Land: No depreciation
- Freehold buildings: 40-50 years
- Leasehold improvements: over the lease term or the useful life of the asset if shorter
- Computer hardware and software: 4-10 years
- Other furniture and equipment: 4-20 years
- Motor vehicles: 5-7 years

Property, plant and equipment are periodically reviewed for impairment, with any impairment charge being recognised immediately in the income statement.

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

**(h) Intangible assets**

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

**(i) Financial Assets**

The Bank classifies its financial assets in the following IAS 39 categories: financial assets at fair-value-through-profit-or-loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

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

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

The Bank designates certain financial assets upon initial recognition at fair-value-through-profit-or-loss when any of the following apply:
a) it eliminates or significantly reduces measurement or recognition inconsistencies; or

b) financial assets share the same risks with financial liabilities and those risks are managed and evaluated on a fair value basis; or

c) structured products containing embedded derivatives that could significantly modify the cash flows of the host contract.

***(ii) Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Bank upon initial recognition designates as at fair-value-through-profit-or-loss and those that the Bank upon initial recognition designates as available-for-sale. Securities classified in this category are presented in Investment Securities under Debt Securities Lending portfolio.

***(iii) Held-to-maturity***

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

***(iv) Available-for-sale***

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

***Accounting treatment and calculation***

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

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

Dividends on equity instruments are recognised in the income statement when the entity’s right to receive payment is established.

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

**2. Principal accounting policies (continued)**

**(j) Impairment of financial assets**

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

a) significant financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
- adverse changes in the payment status of borrowers in the group; or
- national or local economic conditions that correlate with defaults on the assets in the group.

***(i) Assets carried at amortised cost***

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

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

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

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

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

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

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

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

***(ii) Available-for-sale assets***

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

**(k) Sale and repurchase agreements and securities lending**

***(i) Sale and repurchase agreements***

Securities sold subject to repurchase agreements ('repos') continue to be recorded in the Bank's Balance Sheet while the counterparty liability is included in amounts due to other banks or due to customers, as appropriate. Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the period of the repo agreements using the effective interest method.

***(ii) Securities lending***

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

**2. Principal accounting policies (continued)**

**(l) Financial liabilities**

The Bank classifies its financial liabilities in the following categories: financial liabilities measured at amortised cost and financial liabilities at fair-value-through-profit-or-loss. Financial liabilities at fair-value-through-profit-or-loss have two sub categories: financial liabilities held for trading and financial liabilities designated at fair-value-through-profit-or-loss upon initial recognition.

The Bank designates financial liabilities at fair-value-through-profit-or-loss when any of the following apply:
a) it eliminates or significantly reduces measurement or recognition inconsistencies; or
b) financial liabilities share the same risks with financial assets and those risks are managed and evaluated on a fair value basis ;or
c) structured products containing embedded derivatives that could significantly modify the cash flows of the host contract.

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

**(m) Leases**

***(i) Accounting for leases as lessee***

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

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

***(ii) Accounting for leases as lessor***

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

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

**(n) Income tax**

***(i) Current income tax***

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

***(ii) Deferred income tax***

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

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

**(o) Employee benefits**

***(i) Pension obligations***

The Bank provides a number of defined contribution pension plans where annual contributions are invested and allocated to specific asset categories. Eligible employees are entitled to the overall performance of the investment. The Bank's contributions are recognised as employee benefit expense in the year in which they are paid.

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

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

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

**2. Principal accounting policies (continued)**

**(o) Employee benefits (continued)**

***(iii) Performance-based cash payments***

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

***(iv) Performance-based share-based payments***

The Bank's Management awards employees with bonuses in the form of shares and share options on a discretionary basis. Non-performance related shares vest in the period granted. Share-based payments that are contingent upon the achievement of a performance and service condition, vest only if both conditions are satisfied.

The fair value of the shares granted is recognised as an employee benefit expense with a corresponding increase in share capital (par value) and share premium.

The fair value of the options granted is recognised as an employee benefit expense with a corresponding increase in a non-distributable reserve over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (par value) and share premium when the options are exercised, with a transfer of the non distributable reserve to share premium.

**(p) Repossessed properties**

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

**(q) Related party transactions**

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

**(r) Provisions**

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

**(s) Share capital**

Ordinary and preference shares are classified as equity.

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

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

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

**(t) Hybrid capital**

Hybrid capital issued by the Bank is classified as equity when there is no contractual obligation to deliver to the holder cash or another financial asset.

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

Dividend distribution on hybrid capital is recognised as a deduction in the Bank's equity on the date it is due.

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

**(u) Financial guarantees**

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

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

**(v) Securitisations**

The Bank securitises financial assets, which generally results in the sale of the assets to special purpose entities, which, in turn issue debt securities to investors and in some instances to EFG Eurobank subsidiaries. These securitisations are all consolidated by the Bank as it is exposed to the majority of risks and rewards of ownership in the special purpose entities.

**(w) Cash and cash equivalents**

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

## 3. Critical accounting estimates and judgements in applying accounting policies

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

***(a) Impairment losses on loans and advances***

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

***(b) Fair value of financial instruments***

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

***(c) Impairment of available for sale equity investments***

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

***(d) Income taxes***

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

***(e) Retirement benefit obligations***

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

The assumptions used in determining the net cost (income) for pensions include the discount rate, future salary increases and inflation rate. The Bank determines the appropriate discount rate at the end of each year. In determining the appropriate discount rate the Bank uses interest rates of government securities which have terms to maturity approximating the terms of the related liability. Other key assumptions for pension obligations are based in part on current market conditions.

***(f) Share - based payments***

The Bank grants shares and share options to the employees as a common feature of employee remuneration. IFRS 2 requires recognition of an expense for those shares and share options at the fair value on the grant date (equity-settled plans). For shares granted to employees, the fair value is measured directly at the market price of the entity's shares, adjusted to take into account the terms and conditions upon which the shares were granted. For share options granted to employees, in many cases market prices are not available because the options granted are subject to terms and conditions that do not apply to traded options. If this is the case, the Bank estimates the fair value of the equity instruments granted using a valuation technique, which is consistent with generally accepted valuation methodologies.

## 4. Financial risk management

### 4.1 Use of financial instruments

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

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

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

### 4.2 Financial risk factors

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

## 4. Financial risk management (continued)

### 4.2 Financial risk factors (continued)

### 4.2.1 Credit risk

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

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

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

***(a) Derivatives***

The Bank maintains control limits on net open derivative positions i.e., the difference between purchase and sale contracts, by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e., derivatives with a positive fair value) which in relation to derivatives is only a small proportion of the contract notional amount used to express the volume of instruments outstanding. The credit risk exposure is managed as part of the overall lending limits with customers together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties. Further details of the Bank's derivative instruments are provided in note 15.

***(b) Master netting arrangements***

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

***(c) Credit related commitments***

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

#### 4.2.1.1 Maximum exposure to credit risk before collateral held

| | **2010**<br>**€ million** | 2009<br>€ million |
|---|---|---|
| Credit risk exposures relating to on-balance sheet assets are as follows: | | |
| Loans and advances to banks | **29,483** | 39,828 |
| Loans and advances to customers: | | |
| - Wholesale lending | **15,444** | 13,769 |
| - Mortgage lending | **15,016** | 13,497 |
| - Consumer lending | **7,314** | 8,392 |
| - Small business lending | **7,626** | 7,674 |
| Less: Provision for impairment losses | **(1,861)** | (1,317) |
| Financial instruments at fair value through profit or loss: | | |
| - Debt securities | **190** | 1,825 |
| Derivative financial instruments | **1,725** | 1,460 |
| Investment securities: | | |
| - Debt securities | **8,203** | 8,213 |
| Other assets | **475** | 363 |
| Credit risk exposures relating to off-balance sheet items (note 36) | **14,559** | 16,790 |
| | **98,174** | 110,494 |

The above table represents the maximum credit risk exposure to the Bank at 31 December 2010 and 2009, without taking account of any collateral held or other credit enhancements that do not qualify for offset in the Bank's financial statements.

For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet. Off-balance sheet items mentioned above include letters of guarantee, standby letter of credit, commitments to extend credit and documentary credits.

**4. Financial risk management (continued)**

**4.2 Financial risk factors (continued)**

**4.2.1 Credit risk (continued)**

**4.2.1.2 Loans and advances to customers**

Loans and advances are summarised as follows:

| | 2010 € million | 2009 € million |
|---|---|---|
| Neither past due nor impaired | **34,853** | 35,409 |
| Past due but not impaired | **6,290** | 5,199 |
| Impaired: | | |
| - collectively assessed | **2,709** | 1,686 |
| - individually assessed | **1,548** | 1,038 |
| **Gross** | **45,400** | 43,332 |
| Less: allowance for impairment | **(1,861)** | (1,317) |
| **Net** | **43,539** | 42,015 |
| Included in gross loans and advances are: | | |
| Past due more than 90 days | **4,151** | 2,653 |
| Of which non-performing loans | **3,498** | 2,014 |

*(a) Loans and advances neither past due nor impaired*

The credit quality of the portfolio of loans and advances that were neither past due nor impaired at 31 December 2010 and 2009 can be assessed by reference to the Bank's standard grading system. The following information is based on that system:

| | 2010 € million | 2009 € million |
|---|---|---|
| Grades: | | |
| Satisfactory risk | **34,424** | 35,109 |
| Watch list and special mention | **429** | 300 |
| **Total** | **34,853** | 35,409 |

*(b) Loans and advances past due but not impaired*

| | **31 December 2010** | | | | |
|---|---|---|---|---|---|
| | **Wholesale € million** | **Mortgage € million** | **Consumer € million** | **Small business € million** | **Total € million** |
| Past due up to 29 days | **807** | **1,400** | **1,119** | **908** | **4,234** |
| Past due 30 - 89 days | **362** | **477** | **478** | **488** | **1,805** |
| Past due 90 - 180 days | **57** | **194** | **-** | **-** | **251** |
| **Total** | **1,226** | **2,071** | **1,597** | **1,396** | **6,290** |
| **Fair value of collateral** | **743** | **3,680** | **-** | **841** | **5,264** |

| | 31 December 2009 | | | | |
|---|---|---|---|---|---|
| | Wholesale € million | Mortgage € million | Consumer € million | Small business € million | Total € million |
| Past due up to 29 days | 408 | 1,015 | 1,515 | 632 | 3,570 |
| Past due 30 - 89 days | 138 | 391 | 504 | 420 | 1,453 |
| Past due 90 - 180 days | 59 | 117 | - | - | 176 |
| Total | 605 | 1,523 | 2,019 | 1,052 | 5,199 |
| Fair value of collateral | 364 | 2,474 | - | 583 | 3,421 |

Based on past experience, consumer and small business loans less than 90 days past due, and mortgage loans and fully collateralised wholesale loans less than 180 days past due, are not considered impaired, unless specific information indicates to the contrary.

*(c) Impaired loans and advances collectively assessed*

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

The collectively assessed loans and advances to customers before taking into consideration the cash flows from collateral held are € 2,709 million (2009: € 1,686 million). The breakdown of the gross amount of collectively assessed loans and advances by class, along with the fair value of related collateral held by the Bank as security, are as follows:

| | **31 December 2010** | | | |
|---|---|---|---|---|
| | **Mortgage € million** | **Consumer € million** | **Small business € million** | **Total € million** |
| Collectively assessed loans | **674** | **1,377** | **658** | **2,709** |
| Fair value of collateral | **1,161** | **-** | **258** | **1,419** |

| | 31 December 2009 | | | |
|---|---|---|---|---|
| | Mortgage € million | Consumer € million | Small business € million | Total € million |
| Collectively assessed loans | 309 | 889 | 488 | 1,686 |
| Fair value of collateral | 567 | - | 261 | 828 |

**4. Financial risk management (continued)**

**4.2 Financial risk factors (continued)**

**4.2.1 Credit risk (continued)**

**4.2.1.2 Loans and advances to customers (continued)**

*(d) Impaired loans and advances individually assessed*

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

The individually assessed loans and advances to customers before taking into consideration the cash flows from collateral held are € 1,548 million (2009: € 1,038 million). The breakdown of the gross amount of individually assessed loans and advances by class, along with the fair value of related collateral held by the Bank as security, are as follows:

| | 31 December 2010 | | | 31 December 2009 | | |
|---|---|---|---|---|---|---|
| | Wholesale € million | Small business € million | Total € million | Wholesale € million | Small business € million | Total € million |
| Individually assessed loans | **867** | **681** | **1,548** | 606 | 432 | 1,038 |
| Fair value of collateral | **384** | **396** | **780** | 275 | 242 | 517 |

*(e) Loans and advances renegotiated*

In this category are included loans and advances, whose terms have been renegotiated and are no longer considered past due nor impaired, as the minimum number of payments and conditions required under the new arrangements have been fulfilled.

| | 2010 € million | 2009 € million |
|---|---|---|
| - Wholesale lending | **7** | - |
| - Mortgage lending | **29** | 8 |
| - Consumer lending | **122** | 52 |
| - Small business lending | **67** | - |
| | **225** | 60 |

*(f) Non-performing loans*

Non-performing loans are defined as the loans delinquent for a given period determined in accordance with the Bank's policy. Mortgages are considered as non-performing when they are delinquent for more than 180 days and consumer loans for more than 90 days. Loans to corporate entities are considered as non-performing when they are transferred to non accrual status which occurs when the loans are delinquent for more than 180 days or earlier in the case of a material credit event.

| | 2010 € million | 2009 € million |
|---|---|---|
| - Wholesale lending | **452** | 331 |
| - Mortgage lending | **623** | 282 |
| - Consumer lending | **1,352** | 783 |
| - Small business lending | **1,071** | 618 |
| | **3,498** | 2,014 |

**4.2.1.3 Debt securities**

The table below presents an analysis of debt securities by rating agency designation at 31 December 2010 and 2009, based on Moody's ratings or their equivalent:

| | 31 December 2010 | | | | |
|---|---|---|---|---|---|
| | Trading securities € million | Available-for-sale securities € million | Held to maturity securities € million | Debt securities lending portfolio € million | Total € million |
| Aaa | **-** | **471** | **811** | **-** | **1,282** |
| Aa1 to Aa3 | **-** | **11** | **79** | **176** | **266** |
| A1 to A3 | **5** | **355** | **57** | **159** | **576** |
| Lower than A3 | **153** | **873** | **1,108** | **4,033** | **6,167** |
| Unrated | **32** | **59** | **-** | **11** | **102** |
| **Total** | **190** | **1,769** | **2,055** | **4,379** | **8,393** |

| | 31 December 2009 | | | | |
|---|---|---|---|---|---|
| | Trading securities € million | Available-for-sale securities € million | Held to maturity securities € million | Debt securities lending portfolio € million | Total € million |
| Aaa | 13 | 617 | 1,236 | - | 1,866 |
| Aa1 to Aa3 | 0 | 20 | 68 | 170 | 258 |
| A1 to A3 | 1,546 | 1,125 | 447 | 2,534 | 5,652 |
| Lower than A3 | 160 | 512 | 677 | 702 | 2,051 |
| Unrated | 106 | 94 | - | 11 | 211 |
| **Total** | 1,825 | 2,368 | 2,428 | 3,417 | 10,038 |

€ 4,353 million included in securities rated Lower than A3, relates to sovereign debt issued mainly by Euro-zone members, European Union members and candidate members (2009: € 2,420 million).

4. Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.4 Concentration of credit risk

*(a) Geographical sectors*

The following table breaks down the Bank's main credit exposure at their gross carrying amounts, as categorised by geographical region as at 31 December 2010 and 2009. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties.

| | 31 December 2010 | | | | |
|---|---|---|---|---|---|
| | Greece € million | Other Western European countries € million | New Europe countries € million | Other countries € million | Total € million |
| Loans and advances to banks | **836** | **15,998** | **12,434** | **215** | **29,483** |
| Loans and advances to customers: | | | | | |
| - Wholesale lending | **14,484** | **185** | **720** | **55** | **15,444** |
| - Mortgage lending | **11,412** | **68** | **3,515** | **21** | **15,016** |
| - Consumer lending | **6,398** | **1** | **915** | **0** | **7,314** |
| - Small business lending | **6,916** | **0** | **710** | **0** | **7,626** |
| Debt securities | **4,260** | **2,406** | **1,605** | **122** | **8,393** |
| Derivative financial instruments | **395** | **820** | **296** | **214** | **1,725** |
| Other assets | **445** | **0** | **30** | **-** | **475** |
| **Balance at 31 December 2010** | **45,146** | **19,478** | **20,225** | **627** | **85,476** |

| | 31 December 2009 | | | | |
|---|---|---|---|---|---|
| | Greece € million | Other Western European countries € million | New Europe countries € million | Other countries € million | Total € million |
| Loans and advances to banks | 594 | 18,415 | 20,752 | 67 | 39,828 |
| Loans and advances to customers: | | | | | |
| - Wholesale lending | 12,929 | 186 | 619 | 35 | 13,769 |
| - Mortgage lending | 10,625 | 64 | 2,788 | 20 | 13,497 |
| - Consumer lending | 7,309 | 1 | 1,082 | 0 | 8,392 |
| - Small business lending | 7,042 | - | 632 | - | 7,674 |
| Debt securities | 5,010 | 2,666 | 2,124 | 238 | 10,038 |
| Derivative financial instruments | 307 | 797 | 291 | 65 | 1,460 |
| Other assets | 342 | - | 21 | - | 363 |
| Balance at 31 December 2009 | 44,158 | 22,129 | 28,309 | 425 | 95,021 |

*(b) Industry sectors*

The following table breaks down the Bank's main credit exposure at their gross carrying amounts, as categorised by the industry sectors of its counterparties as of 31 December 2010 and 2009.

| | 31 December 2010 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Commerce and services € million | Private individuals € million | Manufacturing € million | Shipping € million | Construction € million | Other € million | Total € million |
| Loans and advances to banks | **29,483** | **-** | **-** | **-** | **-** | **-** | **29,483** |
| Loans and advances to customers: | | | | | | | |
| - Wholesale lending | **9,716** | **73** | **2,824** | **1,270** | **1,163** | **398** | **15,444** |
| - Mortgage lending | **-** | **15,016** | **-** | **-** | **-** | **-** | **15,016** |
| - Consumer lending | **-** | **7,314** | **-** | **-** | **-** | **-** | **7,314** |
| - Small business lending | **6,562** | **37** | **563** | **8** | **400** | **56** | **7,626** |
| Debt securities | **2,946** | **-** | **41** | **-** | **67** | **5,339** | **8,393** |
| Derivative financial instruments | **1,327** | **1** | **39** | **65** | **34** | **259** | **1,725** |
| Other assets | **181** | **-** | **-** | **-** | **-** | **294** | **475** |
| **Balance at 31 December 2010** | **50,215** | **22,441** | **3,467** | **1,343** | **1,664** | **6,346** | **85,476** |

| | 31 December 2009 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Commerce and services € million | Private individuals € million | Manufacturing € million | Shipping € million | Construction € million | Other € million | Total € million |
| Loans and advances to banks | 39,828 | - | - | - | - | - | 39,828 |
| Loans and advances to customers: | | | | | | | |
| - Wholesale lending | 8,952 | 41 | 3,039 | 855 | 648 | 234 | 13,769 |
| - Mortgage lending | - | 13,497 | - | - | - | - | 13,497 |
| - Consumer lending | - | 8,392 | - | - | - | - | 8,392 |
| - Small business lending | 6,305 | 15 | 705 | - | 573 | 76 | 7,674 |
| Debt securities | 3,671 | - | 126 | - | 67 | 6,174 | 10,038 |
| Derivative financial instruments | 1,184 | 1 | 37 | 40 | 25 | 173 | 1,460 |
| Other assets | 142 | - | - | - | - | 221 | 363 |
| Balance at 31 December 2009 | 60,082 | 21,946 | 3,907 | 895 | 1,313 | 6,878 | 95,021 |

Credit exposure to other industry sectors includes mainly sovereign assets.

## 4. Financial risk management (continued)

### 4.2 Financial risk factors (continued)

#### 4.2.2 Market risk

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

***(a) Interest rate risk***

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

***(b) Currency risk***

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Eurobank's Risk Committee sets limits on the level of exposures which are monitored daily.

***(c) Equity risk***

Equity price risk is the risk of the decrease of fair values as a result of changes in the levels of equity indices and the value of individual stocks. The equity risk that the Bank undertakes, arises mainly from the investment portfolio. The Eurobank's Risk Committee sets limits on the level of the exposures which are monitored daily.

Market risk is managed and monitored using Value at Risk (VaR) methodology.

**VAR summary for 2010 and 2009**

VaR is a methodology used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon. The VaR that the Bank measures is an estimate based upon a 99% confidence level and a holding period of 1 day and the methodology used for the calculation is Monte Carlo simulation (full repricing).

The VaR models are designed to measure market risk in a normal market environment. It is assumed that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution.

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

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

*Average VaR by risk type (Trading and Investment portfolios [(1)] ) - Greece and Poland*

| | **2010 € million** | 2009 € million |
|---|---|---|
| Interest Rate Risk | **31** | 20 |
| Foreign Exchange Risk | **2** | 7 |
| Equities Risk | **10** | 9 |
| **Total VaR** | **36** | 27 |

*[(1)] Interest rate volatility applied to all portfolios. Credit spread volatility applied to Trading and Available-for-sale positions.*

The aggregate of the interest rate, foreign exchange and equities VaR results does not constitute the Bank's total VaR due to correlations and consequent diversification effects among risk factors.

#### 4.2.3 Liquidity risk

The Bank is exposed to daily calls on its available cash resources due to deposits withdrawals, loan draw-downs and guarantees, margin calls and payments on derivative transactions. The Bank maintains cash resources to meet all of these needs. The Eurobank's Risk Committee sets liquidity limits to ensure that sufficient funds are available to meet such contingencies.

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

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

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

4. **Financial risk management (continued)**

4.2 **Financial risk factors (continued)**

4.2.3 **Liquidity risk (continued)**

**Liquidity Risk Management Framework**

The Bank's Liquidity Risk Management Policy defines the following supervisory and control structure:

- Eurobank Risk Committee's role is to approve all strategic liquidity risk management decisions and monitor the quantitative and qualitative aspects of liquidity risk.
- Bank's Assets and Liabilities Committee has the mandate to form and implement the liquidity policies and guidelines in conformity with Bank's risk appetite, and to review monthly the overall liquidity position of the Bank.
- Bank Treasury is responsible for the implementation of the Bank's liquidity strategy, the daily management of the Bank's liquidity and for the preparation and monitoring of the Bank's liquidity budget.
- Global Market and Counterparty Risk Sector is responsible for measuring, monitoring and reporting the liquidity of the Bank.

The following list summarises the reports which are produced on a periodic basis:

(a) The regulatory liquidity gap report along with the regulatory liquidity ratios
(b) Stress test scenarios. These scenarios evaluate the impact of a number of systemic stress events on the Bank's liquidity position
(c) Liquidity warning indicators

**Assets held for managing liquidity risk**

The Bank holds a diversified portfolio of cash and high liquid assets to support payment obligations and contingent deposit withdrawals in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

(a) Cash and balances with central bank
(b) Eligible bonds and other financial assets for collateral purposes
(c) Interbank placings maturing within one month

**Maturity analysis of liabilities**

The amounts disclosed in the table below are the contractual undiscounted cash flows for the years 2010 and 2009. Liabilities without contractual maturities (sight and saving deposits) are presented in the "less than 1 month" time bucket. The Bank has established credit risk mitigation contracts with its interbank counterparties (ISDA/CSA). Due to these contracts the Bank has already posted collateral equal with the valuation of its net liabilities from interbank derivatives. For derivative liabilities not covered by ISDA/CSA agreements the negative valuation is presented at fair value in the "less than 1 month" time bucket.

It should be noted that this table represents the worst case scenario since it is based on the assumption that all liabilities will be paid earlier than expected (all term deposits are withdrawn at their contractual maturity). The recent experience shows that even in a period of a systemic financial crisis the likelihood of such an event is remote.

| | 31 December 2010 | | | | |
|---|---|---|---|---|---|
| | Less than 1 month € million | 1 - 3 months € million | 3 months to 1 year € million | Over 1 year € million | Gross nominal (inflow)/ outflow € million |
| Non-derivative liabilities: | | | | | |
| - Due to other banks & repurchase agreements with banks | 19,351 | 12,981 | 855 | 369 | 33,556 |
| - Due to customers | 23,390 | 6,709 | 5,865 | 4,992 | 40,956 |
| - Debt issued and other borrowed funds | 100 | 208 | 3,131 | 4,776 | 8,215 |
| - Other liabilities | 9 | 212 | 227 | 61 | 509 |
| | 42,850 | 20,110 | 10,078 | 10,198 | 83,236 |
| Derivative financial instruments: | 81 | - | - | - | 81 |

| Off-balance sheet items | Less than 1 year € million | Over 1 year € million |
|---|---|---|
| Credit related commitments | 12,241 | 2,318 |
| Capital expenditure | 5 | - |
| Operating lease commitments | 35 | 47 |
| | 12,281 | 2,365 |

| | 31 December 2009 | | | | |
|---|---|---|---|---|---|
| | Less than 1 month € million | 1 - 3 months € million | 3 months to 1 year € million | Over 1 year € million | Gross nominal (inflow)/ outflow € million |
| Non-derivative liabilities: | | | | | |
| - Due to other banks & repurchase agreements with banks | 14,470 | 5,827 | 9,829 | 527 | 30,653 |
| - Due to customers | 23,725 | 9,523 | 6,112 | 7,055 | 46,415 |
| - Debt issued and other borrowed funds | 135 | 237 | 2,090 | 13,349 | 15,811 |
| - Other liabilities | 509 | 0 | 0 | 0 | 509 |
| | 38,839 | 15,587 | 18,031 | 20,931 | 93,388 |
| Derivative financial instruments: | 28 | - | - | - | 28 |

**4. Financial risk management (continued)**

**4.2 Financial risk factors (continued)**

**4.2.3 Liquidity risk (continued)**

Off-balance sheet items

| | Less than 1 year € million | Over 1 year € million |
|---|---|---|
| Credit related commitments | 14,770 | 2,020 |
| Capital expenditure | 6 | - |
| Operating lease commitments | 54 | 63 |
| | 14,830 | 2,083 |

Due to the Greek sovereign debt crisis, Greek banks could not access the markets for secured and unsecured funding. As a result, all Greek banks obtained funding through the weekly tenders of European Central Bank (ECB). At the year-end, the Bank's net balance with ECB totalled € 20 bn (2009: € 7 bn).

The third Review Report of the International Monetary Fund (28 February 2011) for the progress of the Economic Adjustment Program for Greece, endorsed by the Ministry of Finance and the Bank of Greece, reiterates the stability and soundness of the Greek banking system and stresses its support to the banks' efforts towards gradually reducing dependence on the ECB in an orderly and smooth manner, without exacerbating the ongoing economic contraction. In this context, the Greek Government will undertake initiatives to preserve sufficient system liquidity, including a new tranche of government guarantees for uncovered bank bonds in the amount of € 30 bn, and the Bank of Greece will ask banks to devise and implement medium-term funding plans (note 38).

The Bank has recently undertaken significant initiatives to strengthen its liquidity position. In this context it has proceeded to the strategic cooperation in Poland (note 37) which, upon its completion, will release approximately € 2 bn of liquidity.

**4.3 Capital management**

| | **Pro-forma[(1)] 2010 € million** | **2010 € million** | 2009 € million |
|---|---|---|---|
| Ordinary and Preferred shareholders' equity | | **5,116** | 5,487 |
| Less: Other regulatory adjustments | | **(312)** | (355) |
| **Total Tier I capital** | **5,081** | **4,804** | 5,132 |
| Tier II capital-subordinated debt | | **909** | 911 |
| Less: Other regulatory adjustments | | **(221)** | (199) |
| **Total Regulatory Capital** | **5,769** | **5,492** | 5,844 |
| **Risk Weighted Assets** | **41,837** | **44,667** | 47,132 |
| **Ratios:** | **%** | **%** | **%** |
| Core Tier I | **8.7** | **7.6** | 7.9 |
| Tier I | **12.1** | **10.8** | 10.9 |
| Capital Adequacy Ratio | **13.8** | **12.3** | 12.4 |

(1) Pro forma with the completion of the strategic partnership in Poland and the merger with Dias S.A.

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

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

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

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

During 2010 the Bank focused on the organic strengthening of its capital position and managed to maintain capital ratios at levels comfortably above minimum required. This was achieved by generating and retaining profits and by active derisking of lending portfolios through tighter credit policies and change in the portfolio mix in favour of more secured loans. In addition, it proceeded to two strategic initiatives, namely the partnership in Poland (note 37) and the merger with Dias S.A. (note 19) which with their completion will increase, on a pro-forma basis, the 31 December 2010 Capital Adequacy and Tier 1 ratios to 13.8% and 12.1% respectively.

Regulatory disclosures regarding capital adequacy and risk management, based on Bank of Greece Acts 2592/2007 and 2632/2010 (Basel II, Pillar 3), are available at the Bank's website.

**4.4 Fair values of financial assets and liabilities**

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. Where market prices are not available, the fair value of financial assets and liabilities is estimated using present value or other estimation and valuation techniques where all significant inputs are observable.

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

## 4. Financial risk management (continued)

### 4.4 Fair values of financial assets and liabilities (continued)

a) trading assets, derivatives and other transactions undertaken for trading purposes as well as treasury bills, available-for-sale securities and assets and liabilities designated at fair-value-through-profit-or-loss are measured at fair value (notes 14, 15, 18, 26 and 28) by reference to quoted market prices when available. If quoted market prices are not available, then the fair values are estimated using valuation techniques.

b) substantially all of the Bank's other financial assets and liabilities are at floating rates of interest, which re-price at frequent intervals. Therefore the Bank has no significant exposure to fair value fluctuations and the carrying value of the financial assets and liabilities is substantially equivalent to their fair values, other than financial assets and financial liabilities which are referred to in note 18.

c) All financial instruments that are measured at fair value are categorised into one of the three fair value hierarchy levels at year-end; based on whether the inputs to their fair values are observable or non observable:

i) Level 1 - Quoted prices in active markets for identical assets or liabilities. Quoted prices must be readily and regularly available from an exchange or active index/market location and prices must represent actual and regularly occurring market transactions on an arm's length basis. This level includes listed equity securities, debt instruments and exchange traded derivatives.

ii) Level 2 - Financial instruments measured using valuation techniques where all significant inputs are market observable. This level includes OTC derivative contracts and structured assets and liabilities.

iii) Level 3 - Financial instruments measured using valuation techniques with significant non observable inputs.

### 4.4.1 Financial assets and liabilities measured at fair value

The classification of the Bank's financial assets and liabilities using the fair value hierarchy is presented in the following table:

| | 31 December 2010 | | | |
|---|---|---|---|---|
| | **Quoted prices in active market (Level 1) € million** | **Valuation technique observable parameters (Level 2) € million** | **Valuation technique non observable parameters (Level 3) € million** | **Total € million** |
| Financial assets measured at fair value: | | | | |
| Financial assets held for trading | **112** | **83** | **-** | **195** |
| Financial assets designated at fair value through profit or loss | **-** | **5** | **-** | **5** |
| Derivative financial instruments | **7** | **1,718** | **-** | **1,725** |
| Available-for-sale investment securities | **1,928** | **277** | **-** | **2,205** |
| Total financial assets | **2,047** | **2,083** | **-** | **4,130** |
| Financial liabilities measured at fair value: | | | | |
| Derivative financial instruments | **6** | **2,683** | **-** | **2,689** |
| Trading liabilities | **56** | **-** | **-** | **56** |
| Due to customers: | | | | |
| - Structured deposits | **-** | **192** | **-** | **192** |
| Total financial liabilities | **62** | **2,875** | **-** | **2,937** |

| | 31 December 2009 | | | |
|---|---|---|---|---|
| | Quoted prices in active market (Level 1) € million | Valuation technique observable parameters (Level 2) € million | Valuation technique non observable parameters (Level 3) € million | Total € million |
| Financial assets measured at fair value: | | | | |
| Financial assets held for trading | 1,298 | 534 | - | 1,832 |
| Financial assets designated at fair value through profit or loss | 10 | - | - | 10 |
| Derivative financial instruments | 12 | 1,448 | - | 1,460 |
| Available-for-sale investment securities | 2,612 | 245 | - | 2,857 |
| Total financial assets | 3,932 | 2,227 | - | 6,159 |
| Financial liabilities measured at fair value: | | | | |
| Derivative financial instruments | 14 | 2,137 | - | 2,151 |
| Trading liabilities | 24 | - | - | 24 |
| Due to customers: | | | | |
| - Structured deposits | - | 204 | - | 204 |
| Total financial liabilities | 38 | 2,341 | - | 2,379 |

### 4.5 Fiduciary activities

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

## 5. Net interest income

| | 2010 € million | 2009 € million |
|---|---|---|
| **Interest income** | | |
| Customers | **2,197** | 2,457 |
| Banks | **928** | 988 |
| Trading securities | **29** | 72 |
| Other securities | **349** | 358 |
| Derivatives | **1,242** | 1,436 |
| | **4,745** | 5,311 |
| **Interest expense** | | |
| Customers | **(1,003)** | (1,178) |
| Banks | **(662)** | (741) |
| Debt issued and other borrowed funds | **(252)** | (338) |
| Derivatives | **(1,481)** | (1,722) |
| | **(3,398)** | (3,979) |
| **Net interest income** | **1,347** | 1,332 |

## 6. Net trading income and gains less losses from investment securities

| | 2010 € million | 2009 € million |
|---|---|---|
| Debt securities and other financial instruments | **124** | 8 |
| Equity securities and mutual funds | **(9)** | 20 |
| Changes in fair value of deposits, designated at fair value (note 26) | **20** | 23 |
| Revaluation on foreign exchange positions | **9** | 16 |
| | **144** | 67 |

## 7. Operating expenses

| | 2010 € million | 2009 € million |
|---|---|---|
| Staff costs (note 8) | **485** | 507 |
| Administrative expenses | **265** | 250 |
| Depreciation and impairment of property, plant and equipment (note 21) | **44** | 48 |
| Amortisation and impairment of intangible assets (note 22) | **18** | 15 |
| Operating lease rentals | **80** | 78 |
| | **892** | 898 |

## 8. Staff costs

| | 2010 € million | 2009 € million |
|---|---|---|
| Wages, salaries and performance remuneration | **342** | 367 |
| Social security costs | **75** | 74 |
| Additional pension and other post employment costs | **22** | 22 |
| Other | **46** | 44 |
| | **485** | 507 |

The average number of employees of the Bank during the year was 9,961 (2009:10,037).

## 9. Income tax

| | 2010 € million | 2009 € million |
|---|---|---|
| Current tax | **37** | 76 |
| Deferred tax (note 10) | **(82)** | (123) |
| Special tax contribution (see below) | **24** | 44 |
| **Total tax charge/(income)** | **(21)** | (3) |

For 2010 the nominal Greek corporate tax rate is 24% (2009: 25%). According to a new draft tax law submitted to the Greek Parliament on 21 February 2011, the corporate tax rate applicable as of January 2011 is reduced from 24% to 20%. In addition, dividends distributed as of 2012 are subject to a 25% withholding tax (21% withholding tax for dividends distributed within 2011).

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

| | 2010 € million | 2009 € million |
|---|---|---|
| Profit/(loss) before tax | **(104)** | 0 |
| Tax at the applicable tax rates | **(25)** | 0 |
| Tax effect of: | | |
| - income and expenses not subject to tax | **(44)** | (57) |
| - special tax contribution (see below) | **24** | 44 |
| - change in applicable tax rate for the Bank | **9** | - |
| - other | **15** | 10 |
| **Income tax** | **(21)** | (3) |

Income tax expense includes the amount of € 24 million for the year 2010 and of € 44 million for the year 2009 being a special tax contribution imposed by Laws 3845/May2010 and 3808/December 2009 on legal entities' net revenues of years 2009 and 2008 respectively.

## 10. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method at the rate in effect at the time the reversal is expected to take place.

| | 2010 € million | 2009 € million |
|---|---|---|
| The movement on the deferred income tax account is as follows: | | |
| At 1 January | **360** | 230 |
| Income statement credit/(charge) | **82** | 123 |
| Available for sale investment securities: | | |
| - fair value measurement (note 18.1) | **34** | (42) |
| - transfer to net profit (note 18.1) | **1** | (5) |
| Cash flow hedges | **17** | 7 |
| Sale of treasury shares | **(1)** | 42 |
| Other | **(2)** | 5 |
| At 31 December | **491** | 360 |

Deferred income tax assets are attributable to the following items:

| | 2010 € million | 2009 € million |
|---|---|---|
| Changes in fair value accounted directly to available-for-sale revaluation reserve | **108** | 74 |
| Changes in fair value accounted through the income statement | **(41)** | (21) |
| Cash flow hedges | **26** | 9 |
| Sale of treasury shares | **41** | 42 |
| Fixed assets | **(10)** | (5) |
| Pensions and other post retirement benefits | **18** | 24 |
| Loan impairment | **347** | 215 |
| Unused tax losses | **14** | 13 |
| Other | **(12)** | 9 |
| **Deferred income tax assets (note 23)** | **491** | 360 |

The deferred income tax (credit)/charge in the income statement is attributable to the following items:

| | 2010 € million | 2009 € million |
|---|---|---|
| Changes in fair value | **20** | 4 |
| Fixed assets | **5** | (4) |
| Pensions and other post retirement benefits | **6** | - |
| Loan impairment | **(132)** | (130) |
| Unused tax losses | **(1)** | - |
| Other | **20** | 7 |
| **Deferred income tax (credit)/charge** | **(82)** | (123) |

## 11. Cash and balances with central bank

| | 2010 € million | 2009 € million |
|---|---|---|
| Cash in hand | **430** | 476 |
| Balances with central bank | **1,808** | 1,255 |
| | **2,238** | 1,731 |
| of which: | | |
| Mandatory deposits with central bank | **465** | 451 |

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

## 12. Cash and cash equivalents

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

| | 2010 € million | 2009 € million |
|---|---|---|
| Cash and balances with central bank (excluding mandatory deposits with central bank) | **1,773** | 1,280 |
| Loans and advances to banks | **1,439** | 8,061 |
| Financial instruments at fair value through profit or loss | **23** | 379 |
| | **3,235** | 9,720 |

Pledged deposits with banks are not included in cash and cash equivalents.

## 13. Loans and advances to banks

| | 2010 € million | 2009 € million |
|---|---|---|
| Pledged deposits with banks | **22,114** | 27,399 |
| Collateral deposits for securitization of loans | **973** | 1,154 |
| Items in course of collection and current accounts with banks | **262** | 93 |
| Placements with other banks | **4,907** | 5,308 |
| Reverse repos with banks | **1,225** | 5,618 |
| Settlement balances with banks | **2** | 256 |
| | **29,483** | 39,828 |

## 13. Loans and advances to banks (continued)

| | 2010 € million | 2009 € million |
|---|---|---|
| Included in loans and advances to banks are unsubordinated amounts due from: | | |
| - subsidiary undertakings | **24,746** | 35,185 |
| Included in loans and advances to banks are subordinated amounts due from: | | |
| - subsidiary undertakings | **465** | 359 |

The fair value of financial assets that the Bank accepted as collateral and may be sold or repledged is € 1,384 million (2009: € 5,465 million). As at 31 December 2010, the Bank has borrowed bonds with a fair value of € 5,396 million under a securities lending agreement, the majority of which has been repledged with European Central Bank.

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

| | 2010 € million | 2009 € million |
|---|---|---|
| **Trading portfolio** | | |
| Issued by public bodies: | | |
| - government | **89** | 253 |
| - other public sector | **-** | 2 |
| | **89** | 255 |
| Issued by other issuers: | | |
| - banks | **90** | 93 |
| - other | **16** | 1,484 |
| | **106** | 1,577 |
| **Total trading portfolio** | **195** | 1,832 |
| **Other financial assets designated at fair value through profit or loss** | **5** | 10 |
| | **200** | 1,842 |

| | 2010 € million | 2009 € million |
|---|---|---|
| Equity securities | **5** | 7 |
| Treasury bills | **-** | 100 |
| Debt securities | **190** | 1,725 |
| Other financial assets at fair value through profit or loss | **5** | 10 |
| | **200** | 1,842 |
| Pledged securities with stock market clearing houses | **2** | 5 |

Trading securities with fair value of € 91 million (2009: € 1,125 million) have been pledged under repurchase and other collateral agreements.

## 15. Derivative financial instruments and hedge accounting

### 15.1 Derivative financial instruments

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

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

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

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

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

## 15. Derivative financial instruments and hedge accounting (continued)

### 15.1 Derivative financial instruments (continued)

| | 31 December 2010 | | | 31 December 2009 | | |
|---|---|---|---|---|---|---|
| | Contract/ notional amount € million | Fair values Assets € million | Fair values Liabilities € million | Contract/ notional amount € million | Fair values Assets € million | Fair values Liabilities € million |
| **Derivatives held for trading** | | | | | | |
| *OTC currency derivatives* | | | | | | |
| - Currency forwards | **1,933** | **35** | **26** | 1,400 | 10 | 26 |
| - Currency swaps | **10,401** | **47** | **303** | 8,635 | 76 | 65 |
| - OTC currency options bought and sold | **14,871** | **238** | **237** | 12,310 | 117 | 108 |
| | | **320** | **566** | | 203 | 199 |
| *OTC interest rate derivatives* | | | | | | |
| - Interest rate swaps | **35,938** | **997** | **980** | 44,560 | 907 | 946 |
| - Cross-currency interest rate swaps | **5,478** | **254** | **101** | 1,804 | 124 | 64 |
| - Forward rate agreements | **1,318** | **0** | **0** | 758 | 0 | 1 |
| - OTC interest rate options | **15,949** | **41** | **56** | 12,662 | 100 | 119 |
| | | **1,292** | **1,137** | | 1,131 | 1,130 |
| Exchange traded interest rate futures | **105** | **7** | **6** | 802 | 12 | 14 |
| Exchange traded interest rate options | **323** | **0** | **0** | 0 | 0 | 0 |
| | | **1,299** | **1,143** | | 1,143 | 1,144 |
| *Other derivatives* | | | | | | |
| OTC index options bought and sold | **376** | **4** | **4** | 350 | 6 | 6 |
| Forward security contracts | **13** | **0** | **-** | 754 | 3 | 1 |
| Other derivative contracts (see below) | **170** | **0** | **1** | 531 | 18 | 9 |
| | | **4** | **5** | | 27 | 16 |
| Total derivative assets/liabilities held for trading | | **1,623** | **1,714** | | 1,373 | 1,359 |
| **Derivatives designated as fair value hedges** | | | | | | |
| Interest rate swaps | **6,864** | **57** | **714** | 15,526 | 72 | 655 |
| Cross-currency interest rate swaps | **119** | **0** | **21** | 91 | 1 | 20 |
| | | **57** | **735** | | 73 | 675 |
| **Derivatives designated as cash flow hedges** | | | | | | |
| Interest rate swaps | **8,693** | **41** | **107** | 3,370 | 1 | 74 |
| Cross-currency interest rate swaps | **3,912** | **4** | **133** | 3,367 | 13 | 43 |
| | | **45** | **240** | | 14 | 117 |
| Total derivative assets/liabilities used for hedging purposes | | **102** | **975** | | 87 | 792 |
| **Total derivative assets/liabilities** | | **1,725** | **2,689** | | 1,460 | 2,151 |

Other derivative contracts include credit default swaps, over the counter equity options and commodity swaps.

### 15.2 Hedge accounting

The Bank uses derivatives for hedging purposes in order to reduce its exposure to market risks and non-derivative financial instruments to manage foreign currency risk. The hedging practices and accounting treatment are disclosed in Note 2 (d).

**(a) Fair value hedges**

The Bank hedges a proportion of its existing interest rate risk resulting from any potential decrease in the fair value of fixed rate financial assets denominated both in local and foreign currencies using interest rate and cross currency interest rate swaps. The net fair value of these swaps at 31 December 2010 was € 678 million liability (2009: € 602 million liability). The Bank recognized a loss of € 4 million (2009: € 1 million loss) from changes in the fair value of the hedged items attributable to the hedged risk, net of changes in the fair value of the hedging instruments.

**(b) Cash flow hedges**

The Bank hedges a proportion of its existing interest rate risk resulting from any cash flow variability associated with future interest rate changes on variable rate assets or liabilities or unrecognised highly probable forecast transactions using interest rate swaps. At 31 December 2010, interest rate swaps had a net fair value of € 195 million liability (2009: € 103 million liability). In 2010, the ineffectiveness recognised in income statement that arose from cash flow hedges was € 0.03 million gain (2009: € 4 million losses).

## 16. Loans and advances to customers

| | 2010 € million | 2009 € million |
|---|---|---|
| Wholesale lending | **15,444** | 13,769 |
| Mortgage lending | **15,016** | 13,497 |
| Consumer lending | **7,314** | 8,392 |
| Small business lending | **7,626** | 7,674 |
| **Gross loans and advances to customers** | **45,400** | 43,332 |
| Less: Provision for impairment losses (note 17) | **(1,861)** | (1,317) |
| | **43,539** | 42,015 |

## 16. Loans and advances to customers (continued)

| | 2010 € million | 2009 € million |
|---|---|---|
| The loans and advances to customers include the following amounts: | | |
| - securitised loans | **9,087** | 16,357 |
| - pledged loans under third stream of Greek economy liquidity support program (note 38) | **2,605** | 1,594 |
| - pledged loans under covered bonds program (note 27) | **5,430** | - |
| - pledged loans with the European Central Bank (ECB) | **2,378** | 579 |
| - maturing after 1 year | **31,802** | 29,432 |

## 17. Provision for impairment losses on loans and advances to customers

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

| | **31 December 2010** | | | | |
|---|---|---|---|---|---|
| | **Wholesale € million** | **Consumer € million** | **Mortgage € million** | **Small business € million** | **Total € million** |
| **Balance at 1 January** | **243** | **667** | **58** | **349** | **1,317** |
| Impairment losses on loans and advances charged in the year | **95** | **756** | **59** | **183** | **1,093** |
| Amounts recovered during the year | **4** | **24** | **0** | **1** | **29** |
| Loans written off during the year as uncollectible | **(6)** | **(467)** | **(0)** | **(13)** | **(486)** |
| Foreign exchange differences and other movements | **(4)** | **(80)** | **(0)** | **(8)** | **(92)** |
| **Balance at 31 December** | **332** | **900** | **117** | **512** | **1,861** |

| | 31 December 2009 | | | | |
|---|---|---|---|---|---|
| | Wholesale € million | Consumer € million | Mortgage € million | Small business € million | Total € million |
| Balance at 1 January | 295 | 540 | 43 | 306 | 1,184 |
| Impairment losses on loans and advances charged in the year | 56 | 645 | 18 | 117 | 836 |
| Amounts recovered during the year | (0) | 35 | 1 | 0 | 36 |
| Loans written off during the year as uncollectible | (108) | (498) | (4) | (74) | (684) |
| Foreign exchange differences and other movements | (0) | (55) | 0 | 0 | (55) |
| Balance at 31 December | 243 | 667 | 58 | 349 | 1,317 |

**Repossessed properties**

During the year, the net increase in repossessed assets amounted to € 40 million (2009: € 49 million).

## 18. Investment Securities

| | 2010 € million | 2009 € million |
|---|---|---|
| Available-for-sale investment securities | **2,205** | 2,857 |
| Debt securities lending portfolio | **4,379** | 3,417 |
| Held-to-maturity investment securities | **2,055** | 2,428 |
| | **8,639** | 8,702 |
| Maturing after 1 year | **7,425** | 7,791 |

Investment securities of € 7,698 million (2009: € 7,168 million) have been pledged under repurchase and other collateral agreements.

In 2008 and in accordance with the amendments to IAS 39, the Bank reclassified eligible debt securities from the "Available-for-sale" portfolio to "Debt securities lending" portfolio carried at amortized cost. Interest on the reclassified securities continued to be recognized in interest income using the effective interest rate method. If the financial assets had not been reclassified, changes in the fair value for the period from the reclassification date until 31 December 2009 would have resulted in € 418 million losses net of tax, which would have been recognized in the available-for-sale revaluation reserve. Respectively, changes in the fair value for the year ended 31 December 2010 would have resulted in € 297 million losses net of tax, which would have been recognized in the available-for-sale revaluation reserve.

In April 2010 and in accordance with IAS 39, the Bank has reclassified debt securities of € 351 million, listed on non-active markets, which the Bank has the intention and ability to hold for the foreseeable future, from the "Available-for-sale" portfolio to "Debt securities lending" portfolio carried at amortised cost. From the reclassified amount, € 153 million are hedged for changes in the fair value attributable to interest rate risk, for which the Bank will continue to apply hedging accounting. Interest on the reclassified securities will continue to be recognised in interest income using the effective interest rate method.

The carrying amount of the reclassified securities as at 31 December 2010 is € 359 million. In 2010, until the reclassification date, losses of € 10 million net of tax, arising from changes in the fair value of the securities, are recorded in the available-for-sale revaluation reserve (2009: losses of € 7 million, net of tax). If the financial assets had not been reclassified, changes in the fair value for the period from the reclassification date until 31 December 2010 would have resulted in € 80 million losses net of tax, which would have been recognised in the available-for-sale revaluation reserve.

In April 2010 and in accordance with IAS 39, the Bank has reclassified debt securities of € 771 million, listed on non-active markets, which the Bank has the intention and ability to hold for the foreseeable future, from the "Trading" portfolio to "Debt securities lending" portfolio carried at amortised cost. Interest on the reclassified securities will continue to be recognised in interest income using the effective interest rate method.

The carrying amount of the reclassified securities as at 31 December 2010 is € 537 million. In 2010, until the reclassification date, losses of € 15 million net of tax, arising from changes in the fair value of the securities, are recorded in the income statement (2009: losses of € 10 million, net of tax). If the financial assets had not been reclassified, changes in the fair value for the period from the reclassification date until 31 December 2010 would have resulted in € 14 million losses net of tax, which would have been recognised in the income statement.

## 18. Investment Securities (continued)

### 18.1 Available-for-sale investment securities

| | 2010 € million | 2009 € million |
|---|---|---|
| Issued by public bodies: | | |
| - government | **1,119** | 1,928 |
| - other public sector | **-** | 14 |
| | **1,119** | 1,942 |
| Issued by other issuers: | | |
| - banks | **676** | 143 |
| - other | **410** | 772 |
| | **1,086** | 915 |
| Total | **2,205** | 2,857 |
| Listed | **2,121** | 2,592 |
| Unlisted | **84** | 265 |
| | **2,205** | 2,857 |
| Equity | **436** | 489 |
| Debt | **1,769** | 2,368 |
| | **2,205** | 2,857 |

| | 2010 € million | 2009 € million |
|---|---|---|
| The movement in the account is as follows: | | |
| Net book value at 1 January | **2,857** | 3,033 |
| Reclassification to debt securities lending portfolio | **(351)** | - |
| Additions | **2,426** | 1,862 |
| Disposals and redemptions | **(2,585)** | (2,173) |
| Amortisation of discounts/premiums and interest | **8** | 19 |
| Net gains/(losses) from changes in fair value for the year | **(193)** | 117 |
| Exchange adjustments | **43** | (1) |
| Net book value at 31 December | **2,205** | 2,857 |

**Equity reserve : revaluation of the available-for-sale investments**

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

| | 2010 € million | 2009 € million |
|---|---|---|
| Balance at 1 January | **(218)** | (359) |
| Net gains/(losses) from changes in fair value | **(151)** | 167 |
| Deferred income taxes | **34** | (42) |
| | **(117)** | 125 |
| Net (gains)/losses transferred to net profit on disposal | **(49)** | (59) |
| Impairment losses transferred to net profit | **5** | 10 |
| Deferred income taxes | **10** | 12 |
| | **(34)** | (37) |
| Net (gains)/losses transferred to net profit from fair value hedges/amortisation of mark to market | **37** | 70 |
| Deferred income taxes | **(9)** | (17) |
| | **28** | 53 |
| Balance at 31 December | **(341)** | (218) |

### 18.2 Debt securities lending portfolio

| | 2010 € million | 2009 € million |
|---|---|---|
| Issued by public bodies: | | |
| - government | **3,430** | 3,029 |
| - other public sector | **-** | 126 |
| | **3,430** | 3,155 |
| Issued by other issuers: | | |
| - banks | **734** | 136 |
| - other | **215** | 126 |
| | **949** | 262 |
| Total | **4,379** | 3,417 |
| Listed | **4,240** | 3,308 |
| Unlisted | **139** | 109 |
| | **4,379** | 3,417 |

## 18. Investment Securities (continued)

### 18.2 Debt securities lending portfolio (continued)

| | 2010 € million | 2009 € million |
|---|---|---|
| The movement in the account is as follows: | | |
| Net book value at 1 January | **3,417** | 3,187 |
| Reclassification from trading securities | **771** | - |
| Reclassification from available-for-sale investment securities | **351** | - |
| Additions | **58** | 2,416 |
| Disposals and redemptions | **(347)** | (2,063) |
| Amortisation of discounts/premiums and interest | **17** | (9) |
| Amortisation of mark to market of reclassified securities | **22** | 1 |
| Changes in fair value due to hedging | **68** | (104) |
| Exchange adjustments | **22** | (11) |
| Net book value at 31 December | **4,379** | 3,417 |

### 18.3 Held-to-maturity investment securities

| | 2010 € million | 2009 € million |
|---|---|---|
| Issued by public bodies: | | |
| - government | **677** | 728 |
| - other public sector | **-** | 96 |
| | **677** | 824 |
| Issued by other issuers: | | |
| - banks | **507** | 688 |
| - other | **871** | 916 |
| | **1,378** | 1,604 |
| Total | **2,055** | 2,428 |
| Listed | **2,050** | 2,428 |
| Unlisted | **5** | - |
| | **2,055** | 2,428 |

| | 2010 € million | 2009 € million |
|---|---|---|
| The movement in the account is as follows: | | |
| Net book value at 1 January | **2,428** | 2,563 |
| Additions | **-** | 142 |
| Redemptions | **(413)** | (276) |
| Amortisation of discounts/premiums and interest | **2** | 8 |
| Amortisation of mark to market of reclassified securities | **15** | 10 |
| Exchange adjustments | **23** | (19) |
| Net book value at 31 December | **2,055** | 2,428 |

## 19. Shares in subsidiary undertakings

The following is a listing of the Bank's subsidiaries at 31 December 2010:

| Name | Note | Percentage holding | Country of incorporation | Line of business |
|---|---|---|---|---|
| Be-Business Exchanges S.A. | | 98.01 | Greece | Business-to business e-commerce |
| Dias S.A. | a | 26.08 | Greece | Closed-end investment fund |
| EFG Eurobank Ergasias Leasing S.A. | | 100.00 | Greece | Leasing |
| EFG Eurolife General Insurance S.A. | | 100.00 | Greece | Insurance services |
| EFG Eurolife Life Insurance S.A. | | 100.00 | Greece | Insurance services |
| EFG Insurance Services S.A. | | 95.00 | Greece | Insurance brokerage |
| Eurobank EFG Asset Management Investment Firm S.A. | | 100.00 | Greece | Asset management |
| Eurobank EFG Business Services S.A. | | 100.00 | Greece | Payroll and advisory services |
| Eurobank EFG Cards S.A. | | 100.00 | Greece | Credit card management |
| Eurobank EFG Equities S.A. | b | 100.00 | Greece | Capital markets and advisory services |
| Eurobank EFG Factors S.A. | | 100.00 | Greece | Factoring |
| Eurobank EFG Fin and Rent S.A. [1] | | 25.00 | Greece | Vehicle leasing and rental |
| Eurobank EFG Financial Planning Services S.A. | | 100.00 | Greece | Management of receivables |
| Eurobank EFG Mutual Funds Mngt Company S.A. | | 100.00 | Greece | Mutual fund management |
| Eurobank EFG Property Services S.A. | | 100.00 | Greece | Real estate services |
| Eurobank Properties R.E.I.C. | | 55.54 | Greece | Real estate |
| Global Fund Management S.A. | | 90.00 | Greece | Investment advisors |

## 19. Shares in subsidiary undertakings (continued)

| Name | Note | Percentage holding | Country of incorporation | Line of business |
|---|---|---|---|---|
| Eurobank EFG Bulgaria A.D. (1) | | 34.56 | Bulgaria | Banking |
| EFG Leasing E.A.D. | | 100.00 | Bulgaria | Leasing |
| EFG Property Services Sofia A.D. | | 80.00 | Bulgaria | Real estate services |
| EFG Hellas (Cayman Islands) Ltd | | 100.00 | Cayman Islands | Special purpose financing vehicle |
| EFG Hellas II (Cayman Islands) Ltd | | 100.00 | Cayman Islands | Special purpose financing vehicle |
| Berberis Investments Limited | | 99.99 | Channel Islands | Holding company |
| EFG Hellas Funding Limited | | 100.00 | Channel Islands | Special purpose financing vehicle |
| CEH Balkan Holdings Ltd | | 100.00 | Cyprus | Holding company |
| NEU Property Holdings Ltd | | 100.00 | Cyprus | Holding company |
| Eurobank EFG Private Bank Luxembourg S.A. | | 100.00 | Luxembourg | Banking |
| Eurobank EFG Fund Management Company (Luxembourg) S.A. | | 100.00 | Luxembourg | Fund management |
| Eurobank EFG Holding (Luxembourg) S.A. | | 99.00 | Luxembourg | Holding company |
| EFG New Europe Funding B.V. | | 100.00 | Netherlands | Finance company |
| EFG New Europe Holding B.V. | | 100.00 | Netherlands | Holding company |
| EFG Poldystrybucja Sp. Zo.o. | | 100.00 | Poland | Sundry services |
| EFG Property Services Polska Sp. z.o.o (1) | | 1.67 | Poland | Real estate services |
| Bancpost S.A. | | 93.29 | Romania | Banking |
| EFG Eurobank Finance S.A. (1) | c | 37.20 | Romania | Investment banking |
| EFG Leasing IFN S.A. (1) | d | 7.37 | Romania | Leasing |
| EFG Eurobank Property Services S.A. | | 80.00 | Romania | Real estate services |
| EFG IT Shared Services S.A. | | 99.72 | Romania | Informatics data processing |
| IMO-II Property Investments S.A. (1) | e | 49.15 | Romania | Real estate services |
| S.C. EFG Eurolife Asigurari de Viata S.A. (1) | | 9.90 | Romania | Insurance services |
| S.C. EFG Eurolife Asigurari Generale S.A. (1) | | 9.34 | Romania | Insurance services |
| Eurobank EFG A.D. Beograd | | 55.80 | Serbia | Banking |
| EFG Leasing A.D. Beograd (1) | | 25.81 | Serbia | Leasing |
| EFG Property Services d.o.o. Beograd | | 80.00 | Serbia | Real estate services |
| EFG Istanbul Holding A.S. | | 100.00 | Turkey | Holding company |
| Eurobank EFG Ukraine Distribution LLC | | 100.00 | Ukraine | Sundry services |
| Anaptyxi 2006-1 Plc | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Anaptyxi APC Ltd | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Anaptyxi Holdings Ltd (2) | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Anaptyxi Options Ltd (2) | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Anaptyxi SME I Holdings Ltd (2) | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Anaptyxi SME I Plc | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Anaptyxi SME II 2009-1 Plc | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Anaptyxi SME II APC Ltd | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Anaptyxi SME II Holdings Ltd (2) | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Andromeda Leasing I Holdings Ltd (2) | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Andromeda Leasing I Plc | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Daneion 2007-1 PLC | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Daneion APC Ltd | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Daneion Holdings Ltd (2) | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| EFG Hellas PLC | | 99.99 | United Kingdom | Special purpose financing vehicle |
| Karta 2005 -1 PLC | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Karta APC Ltd | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Karta Holdings Ltd (2) | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Karta LNI 1 Ltd | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Karta Options Ltd (2) | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Saturn Finance Plc | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Saturn Holdings Ltd (2) | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion II Mortgage Finance PLC | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion III Holdings Ltd (2) | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion III Mortgage Finance PLC | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion IV Holdings Ltd (2) | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion IV Mortgage Finance PLC | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion Mortgage Finance PLC | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion V Holdings Ltd (2) | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion V Mortgage Finance Plc | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion VI Holdings Ltd (2) | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion VI Mortgage Finance Plc | | - | United Kingdom | Special purpose financing vehicle (SIC 12) |

(1) indirect control by the Bank
(2) not consolidated due to immateriality

**(a) Dias S.A., Greece**

Following the approval of the merger between DIAS S.A and the Bank by the companies' Board of Directors in November 2010, the Bank obtained control over DIAS S.A. with the existing nominal shareholding percentage of 26.08%. DIAS S.A is a closed-end investment company, listed in the Athens Stock Exchange with a portfolio consisting mainly of listed shares with significant geographic diversification.

**(b) Eurobank EFG Equities S.A., Greece**

In May 2010, Eurobank EFG Securities S.A. merged with Eurobank EFG Telesis Finance S.A., another 100% subsidiary of the Bank. The name of Eurobank EFG Securities S.A. changed to Eurobank EFG Equities S.A.

**(c) EFG Eurobank Finance S.A.**

During the year, the Bank decreased its participation in EFG Eurobank Finance S.A. from 100% to 37.20%.

**(d) EFG Leasing IFN S.A.**

During the year, the Bank decreased its participation in EFG Leasing IFN S.A. from 7.79% to 7.37%.

**(e) IMO-II Property Investments S.A. (previously EFG Eurobank Mutual Funds Management Romania S.A.I. S.A.), Romania**

In December 2010, the name and activity of EFG Eurobank Mutual Funds Management Romania S.A.I. S.A. were changed. The new name of the entity is IMO-II Property Investments S.A. and it provides real estate services.

## 19. Shares in subsidiary undertakings (continued)

***Post balance sheet event***

The Extraordinary General Meetings of 8th February 2011 of the Bank and Dias S.A. approved their merger, the latter being absorbed by the former. The merger is expected to be completed within the next few weeks with the appropriate registration by the Ministry of Regional Development and Competitiveness in the Companies' Registry. The share exchange ratio was determined at 5.3 Dias S.A. shares for each share of the Bank.

## 20. Investments in associated undertakings

The following is a listing of the Bank's associates and joint ventures at 31 December 2010:

| Name | Note | Country of incorporation | Line of business | Percentage holding |
|---|---|---|---|---|
| Tefin S.A. | | Greece | Motor vehicle sales financing | 50.00 |
| Cardlink S.A. | | Greece | POS administration | 50.00 |
| Sinda Enterprises Company Limited | a | Cyprus | Special purpose investment vehicle | 48.00 |
| Unitfinance S.A. | | Greece | Financing company | 40.00 |

As at 31 December 2010 the above companies are unlisted.

Tefin S.A., Cardlink S.A., Unitfinance S.A and Sinda Enterprises Company Limited are the Bank's joint ventures.

**(a) Sinda Enterprises Company Limited**

During the year, the Bank together with Laskarides Group acquired, through the joint venture "Sinda Enterprises Company Limited", 40% of the shares of "Mesogeos S.A.", a company active in the sector of water and waste management.

**(b) Dias S.A.**

Following the approval of the merger between DIAS S.A. and the Bank by the companies' Board of Directors in November 2010, the Bank obtained control over DIAS S.A. with the existing nominal shareholding percentage of 26.08% (note 19).

## 21. Property, plant and equipment

| | Land, buildings, leasehold improvements € million | Furniture, equipment, motor vehicles € million | Computer, hardware, software € million | Investment property € million | Total fixed assets € million |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| **Balance at 1 January 2010** | **319** | **136** | **355** | **64** | **874** |
| Transfers | **(2)** | **(0)** | **0** | **(0)** | **(2)** |
| Additions | **6** | **5** | **12** | **0** | **23** |
| Disposals and write-offs | **(10)** | **(7)** | **(5)** | **(0)** | **(22)** |
| Impairment | **(0)** | **(0)** | **(0)** | **(1)** | **(1)** |
| Exchange adjustments | **1** | **1** | **0** | **-** | **2** |
| **Balance at 31 December 2010** | **314** | **135** | **362** | **63** | **874** |
| **Accumulated depreciation:** | | | | | |
| **Balance at 1 January 2010** | **(108)** | **(93)** | **(291)** | **(2)** | **(494)** |
| Transfers | **(0)** | **(0)** | **0** | **0** | **(0)** |
| Disposals and write-offs | **7** | **6** | **7** | **(0)** | **20** |
| Charge for the year | **(17)** | **(10)** | **(16)** | **0** | **(43)** |
| Exchange adjustments | **0** | **0** | **0** | **-** | **0** |
| **Balance at 31 December 2010** | **(118)** | **(97)** | **(300)** | **(2)** | **(517)** |
| **Net book value at 31 December 2010** | **196** | **38** | **62** | **61** | **357** |

| | Land, buildings, leasehold improvements € million | Furniture, equipment, motor vehicles € million | Computer, hardware, software € million | Investment property € million | Total fixed assets € million |
|---|---|---|---|---|---|
| Cost: | | | | | |
| Balance at 1 January 2009 | 321 | 136 | 354 | 59 | 870 |
| Transfers | (4) | 0 | 0 | 4 | 0 |
| Additions | 16 | 6 | 11 | 3 | 36 |
| Disposals and write-offs | (14) | (6) | (10) | (2) | (32) |
| Exchange adjustments | 0 | 0 | 0 | - | 0 |
| Balance at 31 December 2009 | 319 | 136 | 355 | 64 | 874 |
| Accumulated depreciation: | | | | | |
| Balance at 1 January 2009 | (103) | (87) | (278) | (3) | (471) |
| Transfers | 0 | (0) | 0 | - | 0 |
| Disposals and write-offs | 11 | 5 | 8 | 1 | 25 |
| Charge for the year | (16) | (11) | (21) | 0 | (48) |
| Exchange adjustments | 0 | 0 | 0 | - | 0 |
| Balance at 31 December 2009 | (108) | (93) | (291) | (2) | (494) |
| Net book value at 31 December 2009 | 211 | 43 | 64 | 62 | 380 |

## 21. Property, plant and equipment (continued)

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

Included in the above as at 31 December 2010 is € 9 million (2009: € 11 million) relating to assets under construction.

**Investment property**

Investment property is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight line method over a period of 40-50 years. The fair value of investment property as at 31 December 2010 was € 78 million (2009: € 81 million). The fair values are open-market values provided by professionally qualified valuers.

During the year ended 31 December 2010 an amount of € 2 million (2009: € 2 million) was recognised as rental income from investment property in income from non banking services. As at 31 December 2010 and 2009 there were no capital commitments in relation to investment property.

## 22. Intangible assets

| | 2010<br>€ million | 2009<br>€ million |
|---|---|---|
| **Cost:** | | |
| **Balance at 1 January** | **135** | 107 |
| Additions and transfers | **23** | 28 |
| Disposals and write-offs | **-** | 0 |
| Exchange adjustments | **1** | 0 |
| **Balance at 31 December** | **159** | 135 |
| **Accumulated impairment/amortisation:** | | |
| **Balance at 1 January** | **(35)** | (20) |
| Amortisation charge for the year | **(18)** | (15) |
| Disposals and write-offs | **-** | (0) |
| Exchange adjustments | **(0)** | 0 |
| **Balance at 31 December** | **(53)** | (35) |
| **Net book value at 31 December** | **106** | 100 |

Included in the above as at 31 December 2010 is € 2 million (2009: € 1 million) relating to assets under construction.

## 23. Other assets

| | 2010<br>€ million | 2009<br>€ million |
|---|---|---|
| Prepaid expenses and accrued income | **38** | 25 |
| Deferred tax asset (note 10) | **491** | 360 |
| Repossessed properties | **188** | 148 |
| Receivable from Deposit Guarantee Fund | **186** | 115 |
| Income tax receivable | **92** | 93 |
| Settlement balances with customers | **3** | 19 |
| Other assets | **156** | 111 |
| | **1,154** | 871 |

## 24. Due to other banks

| | 2010<br>€ million | 2009<br>€ million |
|---|---|---|
| Items in course of collection and current accounts with banks | **220** | 231 |
| Deposits from other banks | **8,104** | 12,862 |
| Settlement balances with banks | **8** | 305 |
| | **8,332** | 13,398 |
| Included in the amounts due to other banks are amounts due to: | | |
| - subsidiary undertakings | **7,918** | 12,163 |
| - fellow subsidiaries | **54** | 51 |

## 25. Repurchase agreements with banks

| | 2010<br>€ million | 2009<br>€ million |
|---|---|---|
| Repurchase agreements with central bank | **21,641** | 7,973 |
| Repurchase agreements with other banks | **3,532** | 9,233 |
| | **25,173** | 17,206 |

## 26. Due to customers

| | 2010<br>€ million | 2009<br>€ million |
|---|---|---|
| Savings and current accounts | **11,435** | 13,772 |
| Term deposits | **27,093** | 31,156 |
| Repurchase agreements | **1,994** | 879 |
| | **40,522** | 45,807 |

**26. Due to customers (continued)**

| | 2010 € million | 2009 € million |
|---|---|---|
| Included in the amounts due to customers are amounts due to: | | |
| - subsidiary undertakings | **7,943** | 9,945 |
| - fellow subsidiary and associate undertakings | **13** | 43 |

The carrying amount of structured deposits classified as at fair value through profit or loss at 31 December 2010 is € 192 million (2009: € 204 million), which includes the proceeds of an EFG Hellas issued structured note of € 124 million deposited to the Bank. The cumulative change in fair value of this deposit attributable to changes in credit risk as at 31 December 2010 was a gain of € 205 million (2009: € 148 million).

The fair value change of the structured deposits as at 31 December 2010 amounts to € 208 million gain (2009: € 188 million) and is attributable to changes in market conditions with the exception of EFG Hellas structured deposit, which also takes into account the credit risk of the Bank.

The difference between the carrying amount and the contractual undiscounted amount that will be required to be paid at the maturity of the structured deposits is € 212 million (2009: € 193 million).

**27. Debt issued and other borrowed funds**

Debt issued and other borrowed funds arisen from the securitization of assets from special purpose vehicles on behalf of the Bank are as follows:

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

In June 2004, the Bank proceeded with the issuance of residential mortgage backed securities by Themeleion Mortgage Finance PLC, a special purpose entity, at an average funding cost of three month Euribor plus 19 basis points for seven years. As at 31 December 2010 the liability amounted to € 83 million (2009: € 106 million).

In June 2005, the Bank proceeded with the issuance of residential mortgage backed securities by Themeleion II Mortgage Finance PLC, a special purpose entity, at an average funding cost of three month Euribor plus 17.5 basis points for seven years. As at 31 December 2010 the liability amounted to € 123 million (2009: € 145 million).

In June 2006, the Bank proceeded with the issuance of residential mortgage backed securities by Themeleion III Mortgage Finance PLC, a special purpose entity, at an average funding cost of three month Euribor plus 16 basis points for seven years. As at 31 December 2010 the liability amounted to € 237 million (2009: € 271 million).

In June 2007, the Bank proceeded with the issuance of residential mortgage backed securities by Themeleion IV Mortgage Finance PLC, a special purpose entity, at an average funding cost with a coupon of three month Euribor plus 13 basis points for five years. During the year, the Bank has gradually proceeded with the partial repayment of residential mortgage backed securities amounting to € 174 million. As at 31 December 2010 the liability amounted to € 1,035 million (2009: € 1,208 million).

In May 2010, the Bank proceeded with the redemption of the residential mortgage backed securities amounting to € 848 million, issued by its special purpose entity Themeleion V Mortgage Finance PLC in February 2008.

In June 2010, the Bank proceeded with the redemption of the residential mortgage backed securities amounting to € 1,665 million, issued by its special purpose entity Themeleion VI Mortgage Finance PLC in November 2008.

**(b) Credit Card Asset Backed Securities**

During the year, credit card asset backed securities amounting to € 751 million, issued by the Bank's special purpose entity Karta 2005-1 PLC in July 2005, matured.

**(c) Small Business Loan Asset Backed Securities**

In October 2006, the Bank proceeded with the issuance of small business loan asset backed securities by Anaptyxi 2006-1 PLC, a special purpose entity, at an average funding cost of three month Euribor plus 17 basis points for class A notes. As at 31 December 2010 the liability amounted to € 2,253 million (2009: € 2,252 million).

**(d) Consumer Loan Asset Backed Securities**

In November 2007, the Bank proceeded with the issuance of consumer loan asset backed securities by Daneion 2007-1 PLC, a special purpose entity. In November 2010, the Bank proceeded with the partial repayment of consumer loan asset backed securities amounting to € 300 million. As at 31 December 2010 the liability amounted to € 2,200 million (2009: € 2,499 million) .

**(e) Corporate Loan Asset Backed Securities**

In July 2008, the Bank proceeded with the first issuance of bond loan asset backed securities by Anaptyxi SME I PLC, a special purpose entity. During the year, the Bank has gradually proceeded with the partial repayment of bond loan asset backed securities amounting to € 399 million. As at 31 December 2010 the liability amounted to € 2,101 million (2009: € 2,500 million).

In June 2010, the Bank proceeded with the redemption of the first securitisation of receivables arising from overdraft accounts amounting to € 3,000 million, issued by its special purpose entity Anaptyxi SME II 2009-1 PLC in February 2009.

**Covered bonds and Government guaranteed bonds**

During the year, the Bank has issued € 3,750 million covered bonds and € 12,050 million bonds under the second stream of the Greek Economy Liquidity Support Program (note 38). As at 31 December 2010, the bonds were fully retained by the Bank.

***Post balance sheet event***

In March 2011, the Bank issued an additional amount of government guaranteed bonds of € 1,550 million, which were fully retained by the Bank (note 38).

Financial disclosures required by the Act 2620/28.08.2009 of the Bank of Greece in relation to the covered bonds issued, are available at the Bank's website.

**28. Other liabilities**

| | 2010 € million | 2009 € million |
|---|---|---|
| Acquisition obligations | **0** | 1 |
| Deferred income and accrued expenses | **95** | 83 |
| Standard legal staff retirement indemnity obligations (note 29) | **61** | 71 |
| Trading liabilities | **56** | 24 |
| Other liabilities | **297** | 330 |
| | **509** | 509 |

## 29. Standard legal staff retirement indemnity obligations

| | 2010 € million | 2009 € million |
|---|---|---|
| **Movement in the liability for standard legal staff retirement indemnity obligations** | | |
| Liability for staff retirement indemnity obligations at 1 January | **71** | 69 |
| Cost for the year (see below) | **10** | 10 |
| Benefits paid | **(20)** | (8) |
| Liability for staff retirement indemnity obligations at 31 December | **61** | 71 |
| **Expense recognised in profit or loss** | | |
| Current service cost | **4** | 4 |
| Interest cost | **4** | 3 |
| Additional cost | **12** | 4 |
| Actuarial (gains)/losses | **(9)** | (1) |
| Total included in staff costs (note 8) | **11** | 10 |

**Actuarial assumptions**

| Principal actuarial assumptions (expressed as weighted averages) | % | % |
|---|---|---|
| Discount rate | **5.3** | **5.5** |
| Future salary increases | **3.0** | **3.0** |

## 30. Ordinary share capital, share premium and treasury shares

The par value of the Bank's shares is € 2.75 per share. All shares are fully paid. The movement of share capital, share premium and treasury shares is as follows:

| | Ordinary share capital € million | Treasury shares € million | Net € million | Share premium € million | Treasury shares € million | Net € million |
|---|---|---|---|---|---|---|
| At 1 January 2009 | 1,451 | (72) | 1,379 | 1,455 | (345) | 1,110 |
| Distribution of free shares to junior level staff | 2 | - | 2 | 5 | - | 5 |
| Issue of preference shares, expenses | - | - | - | (10) | - | (10) |
| Share capital increase due to the distribution of dividends in the form of free shares | 28 | - | 28 | - | - | - |
| Purchase of treasury shares | - | (1) | (1) | - | (1) | (1) |
| Sale of treasury shares | - | 73 | 73 | - | 346 | 346 |
| At 31 December 2009 | 1,481 | - | 1,481 | 1,450 | - | 1,450 |

| | **Ordinary share capital € million** | **Treasury shares € million** | **Net € million** | **Share premium € million** | **Treasury shares € million** | **Net € million** |
|---|---|---|---|---|---|---|
| | **1,481** | **-** | **1,481** | **1,450** | **-** | **1,450** |
| **At 31 December 2010** | **1,481** | **-** | **1,481** | **1,450** | **-** | **1,450** |

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

| | Number of shares Issued | Treasury shares | Net |
|---|---|---|---|
| At 1 January 2009 | 527,591,242 | (26,011,770) | 501,579,472 |
| Distribution of free shares to junior level staff | 772,330 | - | 772,330 |
| Share capital increase due to the distribution of dividends in the form of free shares | 10,231,383 | - | 10,231,383 |
| Purchase of treasury shares | - | (241,719) | (241,719) |
| Sale of treasury shares | - | 26,253,489 | 26,253,489 |
| At 31 December 2009 | 538,594,955 | - | 538,594,955 |

| | **Number of shares Issued** | **Treasury shares** | **Net** |
|---|---|---|---|
| | **538,594,955** | **-** | **538,594,955** |
| **At 31 December 2010** | **538,594,955** | **-** | **538,594,955** |

**30. Ordinary share capital, share premium and treasury shares (continued)**

In June 2009, the Annual General Meeting approved the issue, within certain parameters, the terms and timing of which are at the Board of Directors discretion, either in lump sum or gradually in tranches, of a callable bond of up to € 500 million, convertible to ordinary shares of the Bank (note 32, Series D and E).

***Post balance sheet event***

Following the merger of the Bank and Dias S.A. (note 19), the Bank's share capital will amount to € 1,554 million divided into 552,948,427 ordinary voting shares of a nominal value of € 2.81 each.

**Treasury shares under special scheme**

As resolved by the Annual General Meeting in April 2008, the Bank established a special scheme, for the acquisition of up to 5% of the Bank's shares under Article 16 of Company Law, to optimise on a medium and long term basis the Bank's equity, profits per share, dividends per share and capital adequacy ratios, as well as for use in a possible acquisition. According to the Law 3756/2009, banks participating in the Government's Greek Economy Liquidity Support Program are not allowed to acquire treasury shares under article 16 of the Company Law. The program expired in April 2010.

**31. Preference shares**

| | Preference Shares | | |
|---|---|---|---|
| | Number of shares | 2010 € million | 2009 € million |
| | 345,500,000 | 950 | 950 |
| **At 31 December** | **345,500,000** | **950** | 950 |

On 12 January 2009 the Extraordinary General Meeting of the Bank approved the issue of 345,500,000 non-voting, non-listed, non-transferable, tax deductible, non-cumulative 10% preference shares, with nominal value € 2.75 each, under Law 3723/2008 "Greek Economy Liquidity Support Program", to be fully subscribed to and paid by the Greek State with bonds of equivalent value. The proceeds of the issue total € 940 million, net of expenses, and the transaction was completed on 21 May 2009. In accordance with the current legal and regulatory framework, the issued shares have been classified as Tier 1 capital.

The preference shares pay a non-cumulative coupon of 10%, subject to meeting minimum capital adequacy requirements, set by Bank of Greece, availability of distributable reserves in accordance with article 44a of Company Law 2190/1920 and the approval of the Annual General Meeting. According to article 39 of Law 3844/2010, five years after the issue of the preference shares or earlier subject to the approval of the Bank of Greece, the Bank may redeem the preference shares at their nominal value. In case of non redemption at the expiration of the five year period, the coupon is increased by 2% each year.

In June 2010, the Annual General Meeting approved the distribution of dividend amounting to € 59 million attributable to preference shares for 2009.

As at 31 December 2010, the dividend attributable to preference shares amounted to € 95 million (2009: € 59 million).

**32. Hybrid capital**

On 18 March 2005, the Bank, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 200 million hybrid capital in the form of preferred securities which represents Lower Tier 1 capital for the Bank. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 18 March 2010 and annually thereafter. All obligations of the issuer in respect of the hybrid capital are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative annual dividend of 6.75% for the first two years and non-cumulative annual dividends that are determined based on the ten year Euro swap rate plus a spread of 0.125% capped at 8% thereafter. The rate of preferred dividends for the Tier 1 Issue series A has been determined to 3.48% for the period March 18, 2010 to March 17, 2011. The hybrid dividend must be declared and paid if the Bank declares a dividend. The hybrid capital is listed on the Luxembourg and Frankfurt Stock Exchanges.

On 2 November 2005, the Bank, through the Special Purpose Entity, EFG Hellas Funding Limited, issued € 400 million hybrid capital in the form of preferred securities which represents Lower Tier 1 capital for the Bank. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 2 November 2015 and quarterly thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative annual dividend of 4.57% for the first ten years and non-cumulative annual dividends that are determined based on the 3month Euribor plus a spread of 2.22% thereafter. The preferred dividend must be declared and paid if the Bank declares dividend. The preferred securities are listed on the London Stock Exchange.

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

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

On 29 July 2009, the Bank, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 300 million hybrid capital in the form of preferred securities which represents Tier 1 capital for the Bank. This is in accordance with the decision of the Annual General Meeting on 30 June 2009 which allows the Bank to issue in tranches up to € 500 million of such capital. The preferred securities has no fixed redemption date and give the issuer the right to call the issue after five years from the issue date and quarterly thereafter. In addition the securities, subject to certain conditions, is convertible at the option of the bondholder and the issuer after October 2014 into Eurobank EFG ordinary shares at a 12% discount to the share market price during the period preceding the exchange. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The capital pays fixed non-cumulative dividend on a quarterly basis at a rate of 8.25% per annum. The preferred dividend must be declared and paid if the Bank declares a dividend. The preferred securities are listed on the London Stock Exchange.

On 30 November 2009, the Bank, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 100 million hybrid capital which represents Tier 1 capital for the Bank. The terms and conditions of the issue are similar to hybrid capital issued on 29 July 2009 and the conversion option applies from February 2015. The hybrid capital is listed on the London Stock Exchange.

## 32. Hybrid capital (continued)

The movement of hybrid capital issued by the Bank through the Special Purpose Entity, EFG Hellas Funding Limited, is as follows:

| | Series A € million | Series B € million | Series C € million | Series D € million | Series E € million | Total € million |
|---|---|---|---|---|---|---|
| At 1 January 2010 | 94 | 176 | 173 | 292 | 56 | **791** |
| Purchase of hybrid capital | (0) | (6) | (2) | (83) | (3) | **(94)** |
| Sale of hybrid capital | 2 | 5 | 2 | 78 | 6 | **93** |
| **At 31 December 2010** | **96** | **175** | **173** | **287** | **59** | **790** |

As at 31 December 2010, the dividend attributable to hybrid capital holders amounts to € 51 million (2009: € 36 million).

As at 31 December 2010, there were no gains/(losses) on hybrid capital (2009: € 173 million gains).

## 33. Share options

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

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

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

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| | Exercise price in € per share | Number of share options | Exercise price in € per share | Number of share options |
| At 1 January | **11.55** | **5,485,110** | 11.77 | 5,622,482 |
| Adjustment for corporate actions | **-** | **-** | 11.56 | 111,740 |
| Expired and cancelled | **11.20** | **(315,981)** | 11.27 | (249,112) |
| **Balance at 31 December and average exercise price per share** | **11.57** | **5,169,129** | 11.55 | 5,485,110 |

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

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| **Expiry date - 31 December** | Exercise price in € per share | Number of share options | Exercise price in € per share | Number of share options |
| 2011 | **12.00** | **421,897** | 12.00 | 421,897 |
| 2012 | **12.00** | **1,343,722** | 12.00 | 1,407,074 |
| 2013 | **13.58** | **1,337,700** | 13.58 | 1,412,689 |
| 2014 | **9.90** | **2,065,810** | 9.90 | 2,243,450 |
| | **11.57** | **5,169,129** | 11.55 | 5,485,110 |

## 34. Special reserves

| | Statutory reserves € million | Non-taxed reserves € million | IAS 39 reserves € million | Other reserves € million | Total € million |
|---|---|---|---|---|---|
| Balance at 1 January 2009 | 200 | 786 | (366) | (40) | 580 |
| Transfers between reserves | - | 169 | - | (115) | 54 |
| Available-for-sale securities | | | | | |
| - net changes in fair value net of tax | - | - | 133 | - | 133 |
| - transfer to net profit net of tax | - | - | 8 | - | 8 |
| Cash flow hedges | | | | | |
| - net changes in fair value net of tax | - | - | (10) | - | (10) |
| - transfer to net profit net of tax | - | - | (11) | - | (11) |
| Currency translation differences, net of hedging | - | - | - | (5) | (5) |
| Value of employee services | - | - | - | 13 | 13 |
| At 31 December 2009 | 200 | 955 | (246) | (147) | 762 |
| **Balance at 1 January 2010** | **200** | **955** | **(246)** | **(147)** | **762** |
| Transfers between reserves | **-** | **119** | **-** | **(14)** | **105** |
| Available-for-sale securities | | | | | |
| - net changes in fair value net of tax | **-** | **-** | **(89)** | **-** | **(89)** |
| - transfer to net profit net of tax | **-** | **-** | **(34)** | **-** | **(34)** |
| Cash flow hedges | | | | | |
| - net changes in fair value net of tax | **-** | **-** | **(56)** | **-** | **(56)** |
| - transfer to net profit net of tax | **-** | **-** | **2** | **-** | **2** |
| Currency translation differences, net of hedging | **-** | **-** | **-** | **(3)** | **(3)** |
| Value of employee services | **-** | **-** | **-** | **4** | **4** |
| **At 31 December 2010** | **200** | **1,074** | **(423)** | **(160)** | **691** |

**34. Special reserves (continued)**

Statutory reserves and IAS39 reserves are not distributable. Included in IAS39 reserves as at 31 December 2010 is € 81 million loss (2009: € 27 million loss) relating to cash flow hedging reserve.

Non-taxed reserves are taxed when distributed. As at 31 December 2010, non-taxed reserves include an amount of € 246 million which consists of € 289 million which following Law 3513/2006 were subject to one-off taxation amounting to € 43.3 million. The Bank has contested the above taxation in the courts.

**35. Operating leases**

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

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| | Land and buildings € million | Furniture, equipment, vehicles € million | Land and buildings € million | Furniture, equipment, vehicles € million |
| Not later than one year | **34** | **1** | 54 | 1 |
| Later than one year and no later than five years | **41** | **3** | 54 | 0 |
| Later than five years | **3** | **-** | 8 | - |
| | **78** | **4** | 116 | 1 |

The total of future minimum sublease payments to be received under non-cancellable subleases at the balance sheet date is € nil (2009: € nil).

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

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| | Land and buildings € million | Furniture, equipment, vehicles € million | Land and buildings € million | Furniture, equipment, vehicles € million |
| Not later than one year | **1** | **-** | 1 | - |
| Later than one year and no later than five years | **0** | **-** | 0 | - |
| Later than five years | **-** | **-** | - | - |
| | **1** | **-** | 1 | - |

**36. Contingent liabilities and other commitments**

| | 2010 € million | 2009 € million |
|---|---|---|
| Guarantees and standby letters of credit | **13,417** | 16,256 |
| Other guarantees and commitments to extend credit | **1,119** | 502 |
| Documentary credits | **23** | 32 |
| Capital expenditure | **5** | 6 |
| | **14,564** | 16,796 |

Included above is a guarantee that the Bank issued in favour of EFG Ora Funding Limited III amounting to € 271 million (2009: € 271 million), against which the ultimate parent company of the Bank has guaranteed unconditionally and without the right of cancellation.

**Legal Proceedings**

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

**37. Post balance sheet events**

In February 2011 the Bank entered into an investment agreement to form a strategic partnership with Raiffeisen Bank International AG ("RBI") in relation to their Polish operations. The terms of the transaction envisage RBI acquiring 70% of Polbank EFG for an upfront cash consideration of € 490 million, following the incorporation of the Bank's branch business in Poland as a separate bank. Subsequently, the Bank and RBI shall bring together their Polish banking operations, with RBI controlling 87% and the Bank retaining a 13% stake in the to-be-combined entity. The closing of the transaction, expected for the fourth quarter of 2011, is subject to the completion of the incorporation of Polbank EFG and subsequent customary regulatory approvals. This initiative will improve Capital Adequacy ratio by 125 bps, release approximately € 2 bn of liquidity, generate profitability and maintain a meaningful upside in the Polish banking market.

Details of significant post balance sheet events are also provided in the following notes:
Note 9-Income tax
Note 19-Shares in subsidiary undertakings
Note 27-Debt issued and other borrowed funds
Note 30-Ordinary share capital, share premium and treasury shares
Note 38-Greek Economy Liquidity Support Program

## 38. Greek Economy Liquidity Support Program

The Bank participates in the Greek Government's plan to support liquidity in the Greek economy under Law 3723/2008, as extended by Laws 3844/April 2010, 3845/May 2010 and 3872/September 2010, as follows:

(a) First stream - preference shares

345,500,000 non-voting preference shares with nominal value of € 950 million were subscribed to by the Hellenic Republic on 21 May 2009 (note 31).

(b) Second stream - bonds guaranteed by the Hellenic Republic

During the year, the Bank has issued bonds of € 12,050 million. As at 31 December 2010, the bonds were fully retained by the Bank (note 27).

In March 2011, an additional amount of government guaranteed bonds of € 1,550 million was issued by the Bank (note 27).

(c) Third stream - lending of Greek Government bonds

Liquidity obtained under this stream must be used to fund mortgages and loans to small and medium-size enterprises. As at 31 December 2010, the Bank had borrowed special Greek Government bonds of € 1,737 million.

According to the third review report of the International Monetary Fund (28 February 2011) for the progress of the Economic Adjustment Program in Greece, endorsed by the Ministry of Finance and the Bank of Greece, the Greek Government will undertake initiatives to preserve sufficient system liquidity, including a new tranche of government guarantees for uncovered bank bonds in the amount of € 30 bn, and the Bank of Greece will ask banks to devise and implement medium-term funding plans envisioning the gradual reduction on ECB dependence.

According to Law 3723/2008, for the period the Bank participates in the program through the preference shares or the guaranteed bonds (streams (a) and (b) above), the Government is entitled to appoint its representative to the Board of Directors, veto dividend distributions and restrict management remuneration.

In addition, according to Law 3756/2009, as extended by article 39 of Law 3844/2010, banks participating in the Greek Economy Liquidity Support Program were not allowed to declare a cash dividend to their ordinary shareholders for 2008 and 2009 and were not allowed to acquire treasury shares under article 16 of the Company Law.

## 39. Related party transactions

The Bank is a member of the worldwide EFG Group, which consists of credit institutions, financial services and financial holding companies. The operating parent company of the EFG Group is European Financial Group EFG (Luxembourg) S.A., whilst its ultimate parent company is Private Financial Holdings Limited (PFH), which is owned and controlled indirectly by members of the Latsis family. As at 31 December 2010, the EFG Group held 44.8% of the ordinary shares and voting rights of the Bank through wholly owned subsidiaries of the ultimate parent company, the remaining ordinary shares and voting rights being held by institutional and retail investors, none of which, to the knowledge of the Bank, holds 5% or more.

The Bank's annual consolidated financial statements are fully consolidated in the annual consolidated financial statements of European Financial Group EFG (Luxembourg) S.A.

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

| | 31 December 2010 | | | |
|---|---|---|---|---|
| | Subsidiaries € million | EFG Group € million | Key management personnel € million | Other € million |
| Loans and advances to banks | 25,211 | 2 | - | - |
| Financial instruments at fair value through profit or loss | 77 | - | - | - |
| Investment securities | 487 | 82 | - | 10 |
| Derivative financial instruments assets | 313 | - | - | - |
| Loans and advances to customers | 1,269 | 41 | 11 | 104 |
| Other assets | 32 | 1 | - | - |
| Due to other banks | 7,918 | 54 | - | - |
| Derivative financial instruments liabilities | 52 | - | - | - |
| Due to customers | 7,943 | 1 | 41 | 114 |
| Debt issued and other borrowed funds | 6,724 | - | - | - |
| Other liabilities | 19 | 4 | - | - |
| | | | | |
| Net interest income | (58) | 0 | (1) | 1 |
| Net banking fee and commission income | 80 | (4) | - | - |
| Dividend income | 99 | - | - | 3 |
| Net trading income (1) | 64 | - | - | - |
| Other operating income | 2 | 1 | - | - |
| Operating expenses | (23) | (0) | - | (2) |
| Impairment losses on loans and advances to customers | (24) | - | - | - |
| | | | | |
| Guarantees issued | 11,473 | 271 | 1 | 2 |
| Guarantees received | - | 271 | 0 | 56 |

## 39. Related party transactions (continued)

| | 31 December 2009 | | | |
|---|---|---|---|---|
| | Subsidiaries € million | EFG Group € million | Key management personnel € million | Other € million |
| Loans and advances to banks | 35,544 | - | - | - |
| Financial instruments at fair value through profit or loss | 1,478 | 2 | - | - |
| Investment securities | - | 83 | - | 19 |
| Derivative financial instruments assets | 292 | - | - | - |
| Loans and advances to customers | 799 | 6 | 11 | 45 |
| Other assets | 42 | - | - | - |
| Due to other banks | 12,163 | 51 | - | - |
| Derivative financial instruments liabilities | 51 | - | - | - |
| Due to customers | 9,945 | 19 | 56 | 128 |
| Debt issued and other borrowed funds | 13,087 | (0) | - | - |
| Other liabilities | 23 | 3 | - | - |
| Net interest income | (127) | (3) | (1) | (2) |
| Net banking fee and commission income | 31 | (3) | - | (0) |
| Dividend income | 64 | - | - | - |
| Net trading income [(1)] | (11) | - | - | - |
| Other operating income | 2 | 0 | - | - |
| Operating expenses | (25) | (0) | - | - |
| Impairment losses on loans and advances to customers | (24) | - | - | - |
| Guarantees issued | 11,712 | 271 | 1 | 1 |
| Guarantees received | - | 271 | 10 | - |

[(1)] Trading gains/losses from derivatives with subsidiaries are offset by corresponding gains/losses from derivatives with third parties.

**Key management compensation (including directors)**

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

No provisions have been recognised in respect of loans given to related parties (2009: € nil).

In relation to the letters of guarantee issued to the Bank's subsidiaries, the Bank has received cash collateral of € 6,225 million as at 31 December 2010 (2009: € 7,733 million), which is included in due to customers above.

Key management personnel are entitled to compensation in the form of short-term employee benefits € 6.9 million (2009: € 7.2 million), and long-term employee benefits € 2.6 million out of which € 2.1 million are share-based payments (2009: € 3.1 million and € 2.7 million respectively).

## 40. Board of Directors

The three year term of the Board of Directors expired at the Annual General Meeting on 25 June 2010. The General Meeting appointed a new Board on 25 June 2010, whose three year term expires at the Annual General Meeting which will take place in 2013.

Other than as noted below, Directors served throughout 2009 and 2010:

| | |
|---|---|
| E. N. Christodoulou | Chairman (non executive-appointed as of 25 June 2010) |
| X.C. Nickitas | Chairman (until 25 June 2010) |
| G. C. Gondicas | Honorary Chairman (non executive) |
| A. M. L. J. Latsis | Vice Chairman (non executive) |
| L.D. Efraimoglou | Vice Chairman (non executive-until 25 June 2010) |
| N. C. Nanopoulos | Chief Executive Officer |
| B. N. Ballis | Deputy Chief Executive Officer |
| N. V. Karamouzis | Deputy Chief Executive Officer |
| M. H. Colakides | Deputy Chief Executive Officer |
| N. K. Pavlidis | Executive |
| F. S. Antonatos | Non Executive |
| A.G. Bibas | Non Executive (until 25 June 2010) |
| E. L. Bussetil | Non Executive |
| S. J. Latsis | Non Executive |
| P. P. Petalas | Non Executive |
| D. A. Georgoutsos | Non Executive (appointed as of 18 June 2010 under Law 3723/ 2008) |
| D.N. Damianos | Non Executive (appointed as of 16 March 2009 until 18 June 2010 under Law 3723/2008) |
| S. L. Lorentziadis | Independent Non Executive |
| A. J. Martinos | Non Executive (appointed as of 25 June 2010-designated as Independent Non Executive by EGM on 10 January 2011) |
| D. A. Papalexopoulos | Non Executive (appointed as of 25 June 2010-designated as Independent Non Executive by EGM on 10 January 2011) |
| P. V. Tridimas | Independent Non Executive |

## 41. Dividends

Final dividends are not accounted for until they have been ratified by the Annual General Meeting. In June 2010, the Annual General Meeting approved the distribution of dividend amounted to € 59 million attributable to preference shares for 2009 (note 31).

According to Law 3756/2009, as extended by article 39 of Law 3844/2010, banks participating in the Greek Economy Liquidity Support Program were not allowed to declare a cash dividend to their ordinary shareholders for 2008 and 2009. In the context of current economic conditions, the Directors do not consider that the distribution of a dividend for 2010 would be appropriate.

**Athens, 22 March 2011**

| | | | |
|---|---|---|---|
| Efthymios N. Christodoulou<br>I.D. No AB - 049358<br>CHAIRMAN OF THE BOARD OF DIRECTORS | Nicholas C. Nanopoulos<br>I.D. No AE - 586794<br>CHIEF EXECUTIVE OFFICER | Paula N. Hadjisotiriou<br>I.D. No T - 005040<br>CHIEF FINANCIAL OFFICER | Harris V. Kokologiannis<br>I.D. No AK - 021124<br>HEAD OF GROUP FINANCE & CONTROL |

## *VI. Summary Financial (Solo and Consolidated) Data and Information for the Year from 1 January to 31 December 2010*

**EFG EUROBANK ERGASIAS S.A.**
**FINANCIAL DATA AND INFORMATION FOR THE YEAR**
**from 1 January to 31 December 2010**
(published according to the Article 135 of Law 2190, for companies preparing annual financial statements, consolidated or not, in accordance with the IFRS)

The information listed below aims to provide a general overview about the financial position and the financial results of EFG Eurobank Ergasias S.A. and its Group. Consequently, readers are strongly advised to visit the website of the Bank, where the Annual Financial Statements prepared under International Financial Reporting Standards (IFRS), as well as the certified auditors' opinion are available, before any investment decision or transaction with the Bank is entered into.

COMPANY'S DATA

| | |
|---|---|
| Registered office: | 8 Othonos Street, Athens 105 57 |
| Register No: | 6068/06/B/86/07 |
| Appropriate Authority: | Ministry of Regional Development and Competitiveness |
| Date of approval of the annual financial statements (from which data were compiled): | 22 March 2011 |
| Certified Public Accountant-Auditor: | Marios Psaltis |
| Audit Firm: | PricewaterhouseCoopers S.A. |
| Auditors' opinion : | Unqualified |
| Company's website: | http://www.eurobank.gr |

Board of directors:

| | |
|---|---|
| Efthymios N. Christodoulou | Chairman (non executive) |
| George C. Gondicas | Honorary Chairman (non executive) |
| Anna Maria Louisa J. Latsis | Vice Chairman (non executive) |
| Nicholas C. Nanopoulos | Chief Executive Officer |
| Byron N. Ballis | Deputy Chief Executive Officer |
| Nikolaos V. Karamouzis | Deputy Chief Executive Officer |
| Michael H. Colakides | Deputy Chief Executive Officer |
| Nicholas K. Pavlidis | Executive |
| Fotios S. Antonatos | Non Executive |
| Emmanuel L. Bussetil | Non Executive |
| Dr. Spiros J. Latsis | Non Executive |
| Dr. Pericles P. Petalas | Non Executive |
| Dimitrios A. Georgoutsos | Non Executive (appointed under L. 3723) |
| Spyros L. Lorentziadis | Independent Non Executive |
| Athanasios J. Martinos | Independent Non Executive |
| Dimitrios A. Papalexopoulos | Independent Non Executive |
| Dr. Panayiotis V. Tridimas | Independent Non Executive |

## INCOME STATEMENT

**Amounts in euro million**

| Bank | | | Group | |
|---|---|---|---|---|
| 1 Jan- 31 Dec 2010 | 1 Jan- 31 Dec 2009 | | 1 Jan- 31 Dec 2010 | 1 Jan- 31 Dec 2009 |
| **1,347** | 1,332 | Net interest income | **2,254** | 2,341 |
| **281** | 251 | Net banking fee and commission income | **404** | 418 |
| **-** | - | Net insurance income | **37** | 48 |
| **4** | 5 | Income from non banking services | **33** | 31 |
| **102** | 71 | Dividend income | **7** | 9 |
| **66** | 5 | Net trading income | **79** | 97 |
| **79** | 62 | Gains less losses from investment securities | **87** | 74 |
| **2** | 8 | Other operating income | **23** | 23 |
| **1,881** | 1,734 | **OPERATING INCOME** | **2,924** | 3,041 |
| **(892)** | (898) | Operating expenses | **(1,426)** | (1,471) |
| **989** | 836 | **PROFIT FROM OPERATIONS BEFORE IMPAIRMENT LOSSES ON LOANS AND ADVANCES** | **1,498** | 1,570 |
| **(1,093)** | (836) | Impairment losses on loans and advances | **(1,362)** | (1,177) |
| **-** | - | Share of results of associates | **(0)** | 5 |
| **(104)** | 0 | **PROFIT/(LOSS) BEFORE TAX** | **136** | 398 |
| **21** | 3 | Income tax | **(52)** | (82) |
| **(83)** | 3 | **NET PROFIT/(LOSS) FOR THE YEAR** | **84** | 316 |
| **-** | - | Net profit for the year attributable to non controlling interest | **16** | 11 |
| **(83)** | 3 | **NET PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS** | **68** | 305 |
| **(59)** | 47 | **NET PROFIT/(LOSS) FOR THE YEAR EXCLUDING SPECIAL TAX CONTRIBUTION** | **113** | 362 |
| **(0.4260)** | 0.1568 | **Basic earnings/(losses) per share** | **(0.1458)** | 0.7386 |
| **(0.3817)** | 0.2401 | **Earnings/(losses) per share excluding special tax contribution - Basic** | **(0.0636)** | 0.8455 |

## STATEMENT OF COMPREHENSIVE INCOME

**Amounts in Euro million**

| Bank | | | Group | |
|---|---|---|---|---|
| 1 Jan- 31 Dec 2010 | 1 Jan- 31 Dec 2009 | | 1 Jan- 31 Dec 2010 | 1 Jan- 31 Dec 2009 |
| **(83)** | 3 | **Net profit/(loss) for the year** | **84** | 316 |
| **(177)** | 120 | IAS 39 revaluation reserve | **(199)** | 29 |
| **(3)** | (1) | Foreign currency translation | **(28)** | (55) |
| **(263)** | 122 | **Total comprehensive income after tax** | **(143)** | 290 |
| | | Attributable to: | | |
| **(263)** | 122 | - Equity holders of the bank | **(157)** | 280 |
| **-** | - | - Non controlling interest | **14** | 10 |

## BALANCE SHEET

**Amounts in euro million**

| Bank | | | Group | |
|---|---|---|---|---|
| 31 Dec 2010 | 31 Dec 2009 | | 31 Dec 2010 | 31 Dec 2009 |
| | | **ASSETS** | | |
| **2,238** | 1,731 | Cash and balances with central banks | **3,606** | 3,079 |
| **29,483** | 39,828 | Loans and advances to banks | **5,159** | 4,784 |
| **200** | 1,842 | Financial instruments at fair value through profit or loss | **638** | 868 |
| **1,725** | 1,460 | Derivative financial instruments | **1,440** | 1,224 |
| **43,539** | 42,015 | Loans and advances to customers | **56,268** | 55,837 |
| **2,205** | 2,857 | Available-for-sale investment securities | **3,369** | 6,955 |
| **2,055** | 2,428 | Held-to-maturity investment securities | **3,429** | 3,625 |
| **4,379** | 3,417 | Debt securities lending portfolio | **9,765** | 4,663 |
| **2,926** | 2,895 | Shares in subsidiary undertakings | **-** | - |
| **5** | 32 | Investments in associated undertakings | **14** | 44 |
| **296** | 318 | Own used fixed assets | **829** | 875 |
| **61** | 62 | Investment property | **408** | 377 |
| **106** | 100 | Intangible assets | **734** | 710 |
| **1,154** | 871 | Other assets | **1,529** | 1,228 |
| **90,372** | 99,856 | **Total assets** | **87,188** | 84,269 |
| | | **LIABILITIES** | | |
| **8,332** | 13,398 | Due to other banks | **1,144** | 2,258 |
| **25,173** | 17,206 | Repurchase agreements with banks | **25,480** | 17,188 |
| **2,689** | 2,151 | Derivative financial instruments | **2,681** | 2,274 |
| **40,522** | 45,807 | Due to customers | **44,435** | 46,808 |
| **8,032** | 15,299 | Debt issued and other borrowed funds | **5,389** | 7,667 |
| **509** | 509 | Other liabilities | **1,965** | 1,760 |
| **85,257** | 94,370 | **Total liabilities** | **81,094** | 77,955 |
| | | **EQUITY** | | |
| **1,481** | 1,481 | Ordinary share capital | **1,481** | 1,481 |
| **950** | 950 | Preference shares | **950** | 950 |
| **2,431** | 2,431 | **Ordinary and preference share capital** | **2,431** | 2,431 |
| **1,450** | 1,450 | Share premium | **1,450** | 1,450 |
| **444** | 814 | Other reserves | **1,113** | 1,377 |
| **-** | - | Less: treasury shares | **(13)** | (10) |
| **4,325** | 4,695 | **Ordinary and preferred shareholders' equity** | **4,981** | 5,248 |
| **790** | 791 | Hybrid capital-preferred securities | **791** | 791 |
| **-** | - | Non controlling interest | **322** | 275 |
| **5,115** | 5,486 | **Total** | **6,094** | 6,314 |
| **90,372** | 99,856 | **Total equity and liabilities** | **87,188** | 84,269 |

*Notes* :

1. The Bank's annual consolidated financial statements are fully consolidated in the annual consolidated financial statements of European Financial Group EFG (Luxembourg) S.A., the operating parent company of the EFG Group. As at 31 December 2010, European Financial Group EFG (Luxembourg) S.A. indirectly held 43.6% of the Bank's ordinary shares and voting rights, whilst the EFG Group held in total 44.8%.
2. The fixed assets of the Bank and the Group are free of charges or encumbrances.
3. The outcome of pending lawsuits is not expected to have a significant impact on the Bank's and the Group's financial statements.
4. A list of the companies consolidated on 31 December 2010 is mentioned in notes 22 and 25 of the consolidated financial statements where information on the percentage of Group's holding, the country of incorporation, as well as the consolidation method applied is reported. (a) Dias S.A. was fully consolidated as of 26 November 2010. Furthermore, the companies that were fully consolidated on 31 December 2010 but not included in the 31 December 2009 consolidation are IMO Property Investments Sofia E.A.D. which started its operations during the second quarter of 2010, as well as EFG New Europe Funding III Ltd which was established during the fourth quarter of 2010, (b) On 31 December 2010 the following companies are not included in the consolidated financial statements: (i) Aristolux Investment Fund Management Company S.A. which was liquidated in March 2010, (ii) Eurobank EFG Telesis Finance Investment Firm S.A. which was merged with Eurobank EFG Equities S.A. in May 2010, (iii) Kalabokis Tours & Kargo S.A. which was merged by absorption by Eurobank Properties R.E.I.C. in July 2010, (iv) BDD EFG Securities A.D. Beograd which was liquidated in December 2010, (c) Sinda Enterprises Company Limited was consolidated under the equity method for the first time in the third quarter of 2010, (d) The companies that are not included in the consolidated financial statements of 31 December 2010 are mentioned in notes 19 and 22 of the Bank's and the Group's financial statements respectively.
5. a) The Bank has been audited by tax authorities up to 2008. b) Of the Group's bank subsidiaries: i) Eurobank EFG Bulgaria A.D., Eurobank EFG Cyprus Ltd and Eurobank EFG Private Bank Luxembourg S.A. have been audited by tax authorities up to 2007, ii) Eurobank EFG a.d. Beograd (Serbia) has been audited by tax authorities up to 2004, and iii) Bancpost S.A. (Romania) has been audited by tax authorities up to 2005. The remaining of the Group's subsidiaries and associates (notes 22 and 25 of the consolidated financial statements), which operate in countries where a statutory tax audit is explicitly stipulated by law, have open tax years from 0 to 7 years.
6. The total number of employees as at 31 December 2010 was 9,840 (2009: 10,080) for the Bank and 22,717 (2009: 23,578) for the Group.
7. The number of treasury shares held by subsidiaries and associated undertakings of the Bank as at 31 December 2010 was 4,114,539 at a cost of € 40m.
8. The related party transactions of the Group are as follows: receivables € 280m., liabilities € 299m., guarantees issued € 272m., guarantees received € 327m., expenses € 15m. and revenues € 13m. The related party transactions of the Bank are as follows: receivables € 27,629m., liabilities € 22,829m., guarantees issued € 11,746m., guarantees received € 327m., expenses € 1,142m. and revenues € 1,281m. The transactions of the Group with the key management personnel are as follows: compensation € 10.1m., receivables € 19m., liabilities € 54m., guarantees issued € 0.7m., guarantees received € 0.4m., expenses € 1.5m. and revenues € 0.5m. The transactions of the Bank with the key management personnel are as follows: compensation € 9.5m., receivables € 11m., liabilities € 41m., guarantees issued € 0.8m., guarantees received € 0.4m., expenses € 1m. and revenues € 0.2m.
9. Income tax expense includes the amount of € 45m. for the Group out of which € 24m. for the Bank, being a special one-off tax imposed by law 3845/2010. Further information is provided in notes 9 and 11 of the Bank's and the Group's financial statements respectively.
10. The Annual General Meeting on 25 June 2010 approved the distribution of 10% preference dividend for 2009, amounting to € 59m., to the Hellenic Republic.
11. The Extraordinary General Meetings of 8 February 2011 of the Bank and Dias S.A. approved their merger, the latter being absorbed by the former. Further information is provided in notes 19 and 22 of the Bank's and the Group's financial statements respectively.
12. In February 2011 the Group entered into an investment agreement to form a strategic partnership with Raiffeisen International AG ("RBI"), in relation to their Polish operations. Further information is provided in notes 37 and 40 of the Bank's and the Group's financial statements respectively.

## STATEMENT OF CHANGES IN EQUITY

**Amounts in euro million**

| Bank | | | Group | |
|---|---|---|---|---|
| 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 | | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
| **5,486** | 3,895 | **Balance at 1st January** | **6,314** | 4,623 |
| **(83)** | 3 | Profit/(loss) for the year | **84** | 316 |
| **(180)** | 119 | Other comprehensive income for the year | **(227)** | (26) |
| **-** | - | Dividends distributed by subsidiaries attributable to non controlling interest | **(15)** | (14) |
| **-** | 940 | Issue of preference shares, net of expenses | **-** | 940 |
| **(109)** | 222 | Preference shares/preferred securities | **(108)** | 222 |
| **-** | - | Acquisitions/changes in participating interests in subsidiary and associated undertakings | **48** | (57) |
| **(3)** | 290 | (Purchase)/sale of treasury shares | **(6)** | 291 |
| **4** | 17 | Other | **4** | 19 |
| **5,115** | 5,486 | **Balance at 31st December** | **6,094** | 6,314 |

## CASH FLOW STATEMENT

**Amounts in euro million**

| Bank | | | Group | |
|---|---|---|---|---|
| 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 | | 1 Jan - 31 Dec 2010 | 1 Jan - 31 Dec 2009 |
| **(118)** | (3,473) | Net cash from/(used in) operating activities | **3,513** | 1,778 |
| **1,006** | 533 | Net cash from/(used in) investing activities | **(1,162)** | (2,364) |
| **(7,380)** | 1,946 | Net cash from/(used in) financing activities | **(2,491)** | (384) |
| **(6,492)** | (994) | Net increase/(decrease) in cash and cash equivalents | **(140)** | (970) |
| **7** | 3 | Effect of exchange rate changes on cash and cash equivalents | **2** | (28) |
| **(6,485)** | (991) | **Total cash inflow/(outflow) for the year** | **(138)** | (998) |
| **9,720** | 10,711 | **Cash and cash equivalents at beginning of year** | **4,182** | 5,180 |
| **3,235** | 9,720 | **Cash and cash equivalents at end of year** | **4,044** | 4,182 |

Athens, 22 March 2011

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|---|---|---|---|
| Efthymios N. Christodoulou | Nicholas C. Nanopoulos | Paula N. Hadjisotiriou | Harris V. Kokologiannis |
| I.D. No AB - 049358 | I.D. No AE - 586794 | I.D. No T - 005040 | I.D. No AK-021124 |
| CHAIRMAN OF THE BOARD OF DIRECTORS | CHIEF EXECUTIVE OFFICER | CHIEF FINANCIAL OFFICER | HEAD OF GROUP FINANCE & CONTROL |

## *VII. Reference Table to the Information Required by Law 3401/2005, article 10*

| Regulatory Announcements | | |
|---|---|---|
| **Date** | **Announcement** | **Web Address** |
| 26/1/2010 | Consolidated supervision of Eurobank EFG | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1425&code=ANNOUNCE&lang=en |
| 4/3/2010 | Announcement dates of Financial Results | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1436&code=ANNOUNCE&lang=en |
| 8/3/2010 | Covered Bonds Issue | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1439&code=ANNOUNCE&lang=en |
| 23/3/2010 | Publication date of the 2009 Annual Financial Statements | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1443&code=ANNOUNCE&lang=en |
| 23/4/2010 | Announcement | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1448&code=ANNOUNCE&lang=en |
| 23/4/2010 | Announcement Date of the Annual General Meeting 2010 | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1449&code=ANNOUNCE&lang=en |
| 10/5/2010 | Announcement Covered Bonds Issue | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1451&code=ANNOUNCE&lang=en |
| 26/5/2010 | Covered Bonds Issue | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1456&code=ANNOUNCE&lang=en |
| 2/6/2010 | Shareholders' Annual General Meeting Invitation, 25 June 2010 | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1460&code=ANNOUNCE&lang=en |
| 9/6/2010 | Covered Bonds Issue | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1461&code=ANNOUNCE&lang=en |
| 22/6/2010 | Announcement | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1463&code=ANNOUNCE&lang=en |
| 25/6/2010 | Annual General Shareholders' Meeting 25.06.2010 | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1465&code=ANNOUNCE&lang=en |
| 25/6/2010 | Resolutions of the Bank's Annual General Shareholders' Meeting of 25.06.2010 | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1466&code=ANNOUNCE&lang=en |
| 13/7/2010 | Next phase of development for Polbank EFG | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1468&code=ANNOUNCE&lang=en |
| 23/7/2010 | Stress Test Results CEBS | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1473&code=ANNOUNCE&lang=en |
| 23/7/2010 | Date of Announcement of First Half 2010 Results | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1474&code=ANNOUNCE&lang=en |
| 29/7/2010 | Announcement dates of Financial Results | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1476&code=ANNOUNCE&lang=en |
| 14/9/2010 | Date of Announcement Nine Month 2010 Results | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1482&code=ANNOUNCE&lang=en |
| 14/9/2010 | Announcement dates of Financial Results | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1483&code=ANNOUNCE&lang=en |
| 22/10/2010 | Announcement | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1502&code=ANNOUNCE&lang=en |
| 1/11/2010 | Initiation of merger process | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1507&code=ANNOUNCE&lang=en |
| 26/11/2010 | Announcement – Approval of draft merger with DIAS S.A. | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1521&code=ANNOUNCE&lang=en |
| 8/12/2010 | Announcement – Summary of the Draft Merger Agreement of Eurobank EFG and DIAS S.A. | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1532&code=ANNOUNCE&lang=en |
| 16/12/2010 | Notice to the Shareholders' Extraordinary General Meeting on 10 January 2011 | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1540&code=ANNOUNCE&lang=en |
| 16/12/2010 | Draft amendment of the Articles of Association | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1541&code=ANNOUNCE&lang=en |
| **Press Releases** | | |
| 19/1/2010 | Eurobank Trader | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1423&code=PRESS&lang=en |
| 1/3/2010 | Live Banking | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1434&code=PRESS&lang=en |
| 8/3/2010 | New Program Life and Health for Women | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1438&code=PRESS&lang=en |

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| 8/3/2010 | Covered Bonds Issue | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1440&code=PRESS&lang=en |
| 11/3/2010 | FY 2009 Financial Results | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1441&code=PRESS&lang=en |
| 18/5/2010 | National Competition for Applied Research and Innovation | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1453&code=PRESS&lang=en |
| 21/5/2010 | Debt Facilitation Programs | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1455&code=PRESS&lang=en |
| 27/5/2010 | First Quarter 2010 Results | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1457&code=PRESS&lang=en |
| 31/5/2010 | Eurobank EFG Equities | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1458&code=PRESS&lang=en |
| 25/6/2010 | Annual General Meeting | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1464&code=PRESS&lang=en |
| 28/6/2010 | Eurobank EFG Factors Leading Factoring and Forfeiting services | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1467&code=PRESS&lang=en |
| 13/7/2010 | Next phase of development for Polbank EFG | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1469&code=PRESS&lang=en |
| 19/7/2010 | Event On the Prospects of the Greek Economy | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1470&code=PRESS&lang=en |
| 23/7/2010 | Eurobank EFG Stress Test | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1475&code=PRESS&lang=en |
| 29/7/2010 | Facilities for heavily indebted loanees | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1477&code=PRESS&lang=en |
| 5/8/2010 | Greek banks ranking according to The Banker | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1478&code=PRESS&lang=en |
| 30/8/2010 | First Half 2010 Results | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1479&code=PRESS&lang=en |
| 9/9/2010 | Investments in Green Economy | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1480&code=PRESS&lang=en |
| 13/9/2010 | Event on the Greek Economy in Salonica | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1481&code=PRESS&lang=en |
| 15/9/2010 | EFG Eurolife Insurance Group 1H 2010 Results | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1484&code=PRESS&lang=en |
| 20/9/2010 | Green Housing Loan: The modern way to save energy and money. | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1485&code=PRESS&lang=en |
| 27/9/2010 | Event on the Greek Economy in Cyprus | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1486&code=PRESS&lang=en |
| 5/10/2010 | EBRD provides financing to Bancpost (Romania), Eurobank EFG Bulgaria and Eurobank EFG (Serbia) to support lending in the region | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1487&code=PRESS&lang=en |
| 13/10/2010 | Great success for the first phase of the competition | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1493&code=PRESS&lang=en |
| 18/10/2010 | Eurobank concludes Repo Agreement with Greek Government Bonds as collateral in the International Market | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1499&code=PRESS&lang=en |
| 29/10/2010 | Adjustment of interest rates | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1505&code=PRESS&lang=en |
| 17/11/2010 | Client events on new corporate tax legislation | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1511&code=PRESS&lang=en |
| 29/11/2010 | EUROBANK EFG: NINE-MONTH 2010 FINANCIAL RESULTS | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1523&code=PRESS&lang=en |
| 10/12/2010 | Management Changes in Bancpost - Romania | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1536&code=PRESS&lang=en |
| 20/12/2010 | The €PISTROFI reward program broadens its partnership network | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1543&code=PRESS&lang=en |
| 21/12/2010 | Best Consumer Internet Bank Award | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1544&code=PRESS&lang=en |

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| 28/12/2010 | Event with MIT Professor Sklavounos | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1546&code=PRESS&lang=en |
| 29/12/2010 | Best Trade Finance Bank in Greece award | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1547&code=PRESS&lang=en |
| 30/12/2010 | Adjustment of interest rates | http://www.eurobank.gr/online/home/viewNews2.aspx?id=1548&code=PRESS&lang=en |
| **Financial Results** | | |
| 11/3/2010 | FY 2009 Results – Press Release | http://www.eurobank.gr/Uploads/pdf/Eurobank%20EFG%202009%20Results%20Press%20Release.pdf |
| 24/3/2010 | Consolidated Financial Statements 2009 | http://www.eurobank.gr/Uploads/pdf/AnnualReport%202009300310Final.pdf |
| 24/3/2010 | Summary Financial Data and Information for the year ended 31 December 2009 | http://www.eurobank.gr/Uploads/pdf/EFG%20EUROBANK%20ERGASIAS%20S.AFinStInf.pdf |
| 24/3/2010 | Annual Financial Report for the year ended 31 December 2009 | http://www.eurobank.gr/Uploads/pdf/REPORTSITE%202009Final1.pdf |
| 24/3/2010 | Consolidated Basel II Pillar 3 Report | http://www.eurobank.gr/Uploads/pdf/Pillar3Report%202009.pdf |
| 27/5/2010 | 1Q 2010 Results – Press Release | http://www.eurobank.gr/Uploads/pdf/Eurobank%20EFG%201Q2010%20Results%20Press%20Release1.pdf |
| 28/5/2010 | 1Q 2010 Consolidated Interim Financial Statement | http://www.eurobank.gr/Uploads/pdf/Fin.%20Stat.Full%20NotesConsolidated2010.pdf |
| 28/5/2010 | Summary Financial Data and Information for the period ended 31 March 2010 | http://www.eurobank.gr/Uploads/pdf/FinStatand%20Information2010.pdf |
| 30/8/2010 | 1H 2010 Results – Press Release | http://www.eurobank.gr/Uploads/pdf/FinStatand%20Information2010.pdf |
| 30/8/2010 | 1H 2010 Consolidated Interim Financial Statement | http://www.eurobank.gr/Uploads/pdf/ΕΝΟΠΟΙΗΜΕΝΑ%20ΑΓΓΛΙΚΑ%2030.6.10.pdf |
| 30/8/2010 | Summary Financial Data and Information for the period ended 30 June 2010 | http://www.eurobank.gr/Uploads/pdf/PRESS_ENG_30%2006%2010.pdf |
| 30/8/2010 | Financial Report for the six months ended 30 June 2010 | http://www.eurobank.gr/Uploads/pdf/REPORT2010T2%20SITE.pdf |
| 29/11/2010 | 9M 2010 Results – Press Release | http://www.eurobank.gr/Uploads/pdf/Eurobank%20EFG%209M2010%20Results%20Press%20Release.pdf |
| 29/11/2010 | 9M 2010 Consolidated Interim Financial Statement | http://www.eurobank.gr/Uploads/pdf/EFG%20EUROBANK%20ERGASIAS%20S.A.%20(Fin.%20Stat.Full%20Notes%20Consolidated).pdf |
| 29/11/2010 | Summary Financial Data and Information for the period ended 30 September 2010 | http://www.eurobank.gr/Uploads/pdf/EFG%20EUROBANK%20ERGASIAS%20S.A.%20(Fin.%20Stat.and%20Informationnew.pdf |
| **Annual Report – Annual Financial Report for the year ended 31 December 2009** | | |
| 24/3/2010 | Annual Financial Report for the year ended 31 December 2009 | http://www.eurobank.gr/Uploads/pdf/REPORTSITE%202009Final1.pdf |
| 8/6/2010 | Annual Report 2009 | http://www.eurobank.gr/Uploads/pdf/Eurobank%20EFG%20Annual%20Report%202009.pdf |
| **Announcements of Transactions** | | |
| 2010 | Transactions' announcements according to article 13 of l.3340/2005 and article 6 of Capital Market Commission's Regulation 3/347/2005. | http://www.eurobank.gr/online/home/generic.aspx?id=272 |

## VIII. Website Address for Information on Subsidiaries of the Bank

The Financial Statements of the companies which are required by law to publish financial statements in their local language prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which are included in the Consolidated Financial Statements of EFG Eurobank Ergasias S.A, accompanied by their Auditor's Report and the Directors' Report, are posted to at the website address: http://www.eurobank.gr