

FC023527



EFG EUROBANK ERGASIAS S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2009



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

Index to the consolidated financial statements

Note	Page	Note	Page
Independent Auditor's Report	3	20 Investment securities	29
Consolidated Income Statement	4	21 Shares in subsidiary undertakings	31
Consolidated Balance Sheet	5	22 Intangible assets	33
Consolidated Statement of Comprehensive Income	6	23 Property, plant and equipment	34
Consolidated Statement of Changes in Equity	7	24 Other assets	34
Consolidated Cash Flow Statement	8	25 Due to other banks	35
Notes to the Consolidated Financial Statements		26 Repurchase agreements with banks	35
1 General information	9	27 Due to customers	35
2 Principal accounting policies	9	28 Debt issued and other borrowed funds	36
3 Critical accounting estimates and judgements in applying accounting policies	16	29 Other liabilities	37
4 Financial risk management	17	30 Standard legal staff retirement indemnity obligations	37
5 Net interest income	24	31 Ordinary share capital, share premium and treasury shares	37
6 Net banking fee and commission income	24	32 Preference shares	38
7 Income from non banking services	24	33 Preferred securities	39
8 Operating expenses	24	34 Share options	39
9 Staff costs	24	35 Special reserves	40
10 Income tax expense	24	36 Operating leases	40
11 Deferred income taxes	25	37 Contingent liabilities and capital expenditure commitments	40
12 Earnings per share	25	38 Segment information	41
13 Cash and balances with central banks	26	39 Post balance sheet events	42
14 Cash and cash equivalents	26	40 Acquisition of subsidiaries	42
15 Loans and advances to banks	26	41 Greek Economy Liquidity Support Program	42
16 Financial instruments at fair value through profit or loss (including trading)	26	42 Related party transactions	43
17 Derivative financial instruments and hedge accounting	27	43 Board of Directors	43
18 Loans and advances to customers	28	44 Dividends	44
19 Provision for impairment losses on loans and advances to customers	28		

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 "Company") and its subsidiaries (the "Group") set out on pages 4 to 44 which comprise the consolidated balance sheet as at 31 December 2009 and 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 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 31 December 2009 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union

Reference on Other Legal Matters

We verified the consistency of the Board of Directors' report with the accompanying financial statements, in accordance with the articles 43a, 107 and 37 of Law 2190/1920

Athens, 24 March 2010

The Certified Auditor-Accountant

Marios Psaltis
SOEL Reg. No. 38081

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		Year ended 31 December	
	Note	2009 € million	2008 € million
Interest income	5	5,987	7 488
Interest expense	5	(3,646)	(5 103)
Net interest income		2,341	2 385
Banking fee and commission income		549	760
Banking fee and commission expense		(131)	(217)
Net banking fee and commission income	6	418	543
Net insurance income		48	46
Income from non banking services	7	31	29
Dividend income		9	20
Net trading income/(loss)		97	172
Gains less losses from investment securities		74	47
Other operating income		23	35
		282	349
Operating income		3,041	3,277
Operating expenses	8	(1,471)	(1 566)
Profit from operations before impairment losses on loans and advances		1,570	1,711
Impairment losses on loans and advances	19	(1,177)	(886)
Share of results of associates	24	5	(7)
Profit before tax		398	818
Income tax expense	10	(82)	(141)
Profit for the year		316	677
Net profit for the year attributable to minority interest		11	25
Net profit for the year attributable to shareholders *		305	652
		€	€
Earnings per share			
- basic	12	0.41	1.18
- diluted	12	0.41	1.17
		€ million	€ million
* Comparable profit for the year excluding			
- Special tax contribution	10	57	-
Net profit excluding special tax contribution		362	652
		€	€
Earnings per share excluding special tax contribution			
- basic	12	0.51	1.18
- diluted	12	0.51	1.17

Notes on pages 9 to 44 form an integral part of these consolidated financial statements

	Note	2009 € million	2008 € million
ASSETS			
Cash and balances with central banks	13	3,079	4,041
Loans and advances to banks	15	4,784	4,613
Financial instruments at fair value through profit or loss	16	868	1,012
Derivative financial instruments	17	1,224	1,518
Loans and advances to customers	18	55,837	55,878
Investment securities	20	15,243	12,200
Intangible assets	22	710	731
Property, plant and equipment	23	1,252	1,231
Other assets	24	1,272	978
Total assets		84,269	82,202
LIABILITIES			
Due to other banks	25	2,258	2,792
Repurchase agreements with banks	26	17,188	15,925
Derivative financial instruments	17	2,274	3,077
Due to customers	27	46,808	45,656
Debt issued and other borrowed funds	28	7,667	8,565
Other liabilities	29	1,760	1,564
Total liabilities		77,955	77,579
EQUITY			
Share capital	31	1,480	1,378
Share premium	31	1,441	1,100
Other reserves		1,377	1,109
Ordinary shareholders' equity		4,298	3,587
Preference shares	32	950	-
Preferred securities	33	791	705
Minority interest		275	331
Total		6,314	4,623
Total equity and liabilities		84,269	82,202

Notes on pages 9 to 44 form an integral part of these consolidated financial statements

	Year ended		
	31 December		
	2009		2008
	€ million		€ million
Profit for the year	316		677
Other comprehensive income			
Cash flow hedges			
- net changes in fair value net of tax	(14)		(27)
- transfer to net profit, net of tax	(11)	(25)	4
Available for sale securities			
- net changes in fair value, net of tax	120		(425)
- transfer to net profit, net of tax	(70)	50	(83)
- net changes in fair value net of tax - associated undertakings	4		(9)
- transfer to net profit, net of tax	(0)	4	0
Foreign currency translation			
- net changes in fair value net of tax	(55)		(222)
- transfer to net profit, net of tax	-	(55)	-
Other comprehensive income for the year	(26)		(762)
Total comprehensive income for the year attributable to			
Shareholders	280		(99)
Minority interest	10		14
	290		(85)

Notes on pages 9 to 44 form an integral part of these consolidated financial statements

	Attributable to ordinary shareholders of the Bank							
	Share capital € million	Share premium € million	Special reserves € million	Retained earnings € million	Total € million	Preference shares € million	Preferred securities € million	Minority interest € million
Balance at 1 January 2008	1 432	1 325	1,160	335	4,252	-	777	330
Other comprehensive income for the year	-	-	(751)	-	(751)	-	-	(11)
Profit for the year	-	-	-	652	652	-	-	25
Total comprehensive income for the year ended 31 December 2008	-	-	(751)	652	(99)	-	-	14
Distribution of free shares to executive directors management and staff	4	23	-	-	27	-	-	-
Share capital increase due to re-investment of dividend	4	20	-	-	24	-	-	-
Minority's share in subsidiaries capital increase	-	-	-	-	-	-	-	0
Acquisitions/Changes in participating interests in subsidiary and associated undertakings	-	-	-	(4)	(4)	-	-	(5)
Purchase/Sale of preferred securities	-	-	-	-	-	-	(72)	-
Preferred securities' dividend paid	-	-	-	(39)	(39)	-	-	-
Final dividend for 2007	-	-	-	(257)	(257)	-	-	-
Dividends paid by subsidiaries attributable to minority interest	-	-	-	-	-	-	-	(8)
Share-based payment	-	-	-	-	-	-	-	-
- Value of employee services	-	-	14	-	14	-	-	-
Purchase of treasury shares	(63)	(276)	-	-	(339)	-	-	-
Sale of treasury shares, net of tax	1	8	(1)	-	8	-	-	-
Transfers between reserves	-	-	59	(59)	-	-	-	-
	(54)	(225)	72	(359)	(566)	-	(72)	(13)
Balance at 31 December 2008	1 378	1 100	481	628	3 587	-	705	331
Balance at 1 January 2009	1,378	1,100	481	628	3,587	-	705	331
Other comprehensive income for the year	-	-	(25)	-	(25)	-	-	(1)
Profit for the year	-	-	-	305	305	-	-	11
Total comprehensive income for the year ended 31 December 2009	-	-	(25)	305	280	-	-	10
Distribution of free shares to staff	2	5	(0)	-	7	-	-	-
Issue of preference shares, net of expenses	-	(10)	-	-	(10)	950	-	-
Minority's share in subsidiaries capital increase	-	-	-	-	-	-	-	2
Acquisitions/Changes in participating interests in subsidiary and associated undertakings	-	-	-	(3)	(3)	-	-	(54)
Purchase/Sale of preferred securities	-	-	-	173	173	-	(308)	-
Issue of preferred securities	-	-	-	-	-	-	394	-
Preferred securities' dividend paid	-	-	-	(37)	(37)	-	-	-
Dividends paid in the form of free shares	28	-	-	(31)	(3)	-	-	-
Dividends paid by subsidiaries attributable to minority interest	-	-	-	-	-	-	-	(14)
Share-based payment	-	-	-	-	-	-	-	-
- Value of employee services	-	-	13	-	13	-	-	-
Purchase of treasury shares	(1)	(3)	-	-	(4)	-	-	-
Sale of treasury shares, net of tax	73	349	-	(127)	295	-	-	-
Transfers between reserves	-	-	209	(209)	-	-	-	-
	102	341	222	(234)	431	950	86	(66)
Balance at 31 December 2009	1,480	1,441	678	699	4,298	950	791	275
	Note 31	Note 31	Note 35			Note 32	Note 33	

Notes on pages 9 to 44 form an integral part of these consolidated financial statements

	Notes	Year ended 31 December	
		2009 € million	2008 € million
Cash flows from operating activities			
Interest received and net trading receipts		5,151	5,850
Interest paid		(2,870)	(3,783)
Fees and commissions received		736	804
Fees and commissions paid		(113)	(204)
Other income received		235	61
Cash payments to employees and suppliers		(1,239)	(1,319)
Income taxes paid		(46)	(107)
Cash flows from operating profits before changes in operating assets and liabilities		1,854	1,322
Changes in operating assets and liabilities			
Net (increase)/decrease in cash and balances with central banks		(196)	484
Net (increase)/decrease in financial instruments at fair value through profit or loss		79	(138)
Net (increase)/decrease in loans and advances to banks		239	(914)
Net (increase)/decrease in loans and advances to customers		(670)	(10,164)
Net (increase)/decrease in derivative financial instruments		(877)	678
Net (increase)/decrease in other assets		(250)	104
Net increase/(decrease) in due to other banks and repurchase agreements		682	5,817
Net increase/(decrease) in due to customers		988	9,168
Net increase/(decrease) in other liabilities		(69)	(849)
Net cash from/(used in) operating activities		1,778	5,508
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		(188)	(265)
Proceeds from sale of property, plant and equipment and intangible assets		38	41
Purchases of investment securities		(9,349)	(8,616)
Proceeds from sale/redemption of investment securities		7,180	7,285
Acquisition of subsidiary undertakings net of cash acquired		(54)	(30)
Acquisition of associated undertakings		-	(5)
Proceeds from sale of associated undertakings		-	5
Dividends from investment securities and associated undertakings		9	17
Net cash from/(used in) investing activities		(2,364)	(1,568)
Cash flows from financing activities			
Proceeds from debt issued and other borrowed funds		7,133	9,816
Repayments of debt issued and other borrowed funds		(7,961)	(12,496)
Purchases of preferred securities	33	(179)	(75)
Proceeds from sale/issue of preferred securities	33	437	3
Preferred securities' dividend paid		(37)	(39)
Dividends paid net of dividend re-invested		-	(233)
Expenses for issue of preference and bonus shares		(12)	(1)
Purchases of treasury shares		(2)	(339)
Proceeds from sale of treasury shares		250	10
Net contributions by minority interest		(13)	(8)
Net cash from/(used in) financing activities		(384)	(3,362)
Effect of exchange rate changes on cash and cash equivalents		(28)	(88)
Net increase/(decrease) in cash and cash equivalents		(998)	490
Cash and cash equivalents at beginning of year	14	5,180	4,690
Cash and cash equivalents at end of year	14	4,182	5,180

Notes on pages 9 to 44 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 24 March 2010.

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 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 2008 and 2009. 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 2009

- IFRS 1 & IAS 27 Amendments - Cost of an Investment in a Subsidiary, Jointly controlled Entity or Associate
- IFRS 2, Amendment - Vesting conditions and cancellations
- IFRS 7, Amendment - Financial Instruments Disclosures
- IFRS 8, Operating segments
- IAS 1, Revised - Presentation of financial Statements. The Group has elected to present all non-owner changes in equity in two statements
- IAS 23, Amendment - Borrowing costs
- IAS 32 and IAS 1, Amendment - Puttable financial instruments and obligations arising on liquidation
- IAS 39 and IFRIC 9, Amendments to Embedded derivatives
- IFRIC 13, Customer loyalty programmes
- Amendments to various Standards that form part of IASB's Annual Improvement Project (issued May 2008)

(b) Standards and interpretations issued but not yet effective

- IFRS 2, Amendments - Group Cash settled Share based payment transactions (not yet endorsed by EU)
- IFRS 3, Revised - Business combinations (effective 1 January 2010)
- IFRS 9, Financial instruments (not yet endorsed by EU)
- IAS 24, Amendment - Related Party disclosures (not yet endorsed by EU)
- IAS 27, Revised - Consolidated and Separate Financial Statements (effective 01 January 2010)
- IAS 32, Amendment - Classification of Rights Issues (effective 1 January 2011)
- IAS 39, Amendment - Eligible Hedged Items (effective 1 January 2010)
- IFRIC 14, Amendment - Prepayments of a Minimum Funding Requirement (not yet endorsed by EU)
- IFRIC 15, Agreements for the Construction of Real Estate (effective 1 January 2010)
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective 1 January 2010)
- IFRIC 17, Distribution of non-cash assets to owners (effective 1 January 2010)
- IFRIC 19, Extinguishing Financial Liabilities (not yet endorsed by EU)
- Amendments to various Standards that form part of IASB's Annual Improvement Project (issued April 2009, not yet endorsed by EU)

The application of the above mentioned standards and interpretations is not expected to have a material impact on the Group's financial statements in the period of the initial application.

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

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

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

(b) Consolidation

(i) Subsidiaries

Subsidiary undertakings are all entities over which the Group, directly or indirectly, has the power to exercise control over 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.

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

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

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

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

A listing of the Company's subsidiaries is set out in note 21.

2 Principal accounting policies (continued)

(b) Consolidation (continued)

(ii) Transactions with minority interests

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

(iii) Associates

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

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

A listing of the Group's associated undertakings which are accounted for using the equity method, is shown in note 24.

(iv) Joint ventures

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

A listing of the Group's joint ventures is shown in note 24.

(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 hedges.

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.

(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.

(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.

2 Principal accounting policies (continued)

(d) Derivative financial instruments and hedging (continued)

(i) 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.

(ii) 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 17.

(e) Offsetting financial instruments

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

(f) Income statement

(i) Interest income and expenses

Interest income and expenses are recognised in the income statement for all interest-bearing instruments on an accruals basis, using the effective interest 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 the income statement as expenses as incurred.

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 life of the lease contract or useful life if shorter
- Computer hardware and software: 4-10 years
- Other furniture and equipment: 4-20 years
- Motor vehicles: 5-7 years

Property, 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

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. The cost of acquisition is adjusted for changes in the purchase consideration contingent on future events. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in 'Investments in associates'. Negative goodwill is recognised in the income statement.

Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing. 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.

2 Principal accounting policies (continued)

(h) Intangible assets (continued)

(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.

(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.

2 Principal accounting policies (continued)

(j) Impairment of financial assets (continued)

(i) Assets carried at amortised cost (continued)

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.

(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.

2 Principal accounting policies (continued)

(m) Leases (continued)

(i) 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 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.

(p) Insurance activities

(i) Revenue recognition

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

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

2 Principal accounting policies (continued)

(p) Insurance activities (continued)

(ii) Provision for insurance liabilities

Insurance provisions are classified as follows

Mathematical provisions

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

Unearned premiums provisions

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

Outstanding claims' provisions

Outstanding claims provisions concern liabilities on claims occurred and reported but not fully settled by the end of the reporting period. The specified liabilities are examined on a case-by-case basis by professional valuers, based on existing information (loss adjusters' 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 in order to estimate the average cost per claim and the number of claims.

(iii) Liability adequacy

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

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

(iv) Reinsurance

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

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

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

(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.

(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.

2 Principal accounting policies (continued)

(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 (see 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 recognized in the financial statements within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

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

(b) Estimated impairment of goodwill

The Group 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.

(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 Board of Directors' Risk Committee (Eurobank Risk Committee - ERC) places trading limits on the level of exposure that can be taken in relation to overnight and intra-day market positions as well as limits in longer durations. With the exception of specific hedging arrangements foreign exchange and interest rate exposures associated with these derivatives are normally concluded to hedge outstanding positions, thereby controlling the variability in the net cash amounts required to offset market positions.

4.2 Financial risk factors

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

4.2.1 Credit risk

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

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

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

(a) Derivatives

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

(b) Master netting arrangements

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

(c) Credit related commitments

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

4.2.1.1 Maximum exposure to credit risk before collateral held

Credit risk exposures relating to on-balance sheet assets are as follows:

Loans and advances to banks

Loans and advances to customers

- Wholesale lending

- Mortgage lending

- Consumer lending

- Small business lending

Less: Provision for impairment losses

Financial instruments at fair value through profit or loss

- Debt securities

Derivative financial instruments

Investment securities

- Debt securities

Other assets

Credit risk exposures relating to off-balance sheet items

At 31 December

	2009 € million	2008 € million
Loans and advances to banks	4,784	4,613
Loans and advances to customers		
- Wholesale lending	22,780	21,577
- Mortgage lending	15,412	14,884
- Consumer lending	10,306	11,738
- Small business lending	9,081	9,089
Less: Provision for impairment losses	(1,742)	(1,410)
Financial instruments at fair value through profit or loss		
- Debt securities	508	587
Derivative financial instruments	1,224	1,518
Investment securities		
- Debt securities	14,562	11,783
Other assets	675	593
Credit risk exposures relating to off-balance sheet items	2,257	2,609
At 31 December	<u>79,845</u>	<u>77,561</u>

The above table represents the maximum credit risk exposure to the Group at 31 December 2009 and 2008, without taking account of any collateral held. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

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

	2009 € million	2008 € million
Neither past due nor impaired	46,393	46,817
Past due but not impaired	7,299	8,245
Impaired		
- collectively assessed	2,231	1,175
- individually assessed	1,656	1,051
Gross	57,579	57,288
Less: allowance for impairment	(1,742)	(1,410)
Net	55,837	55,878
Included in gross loans and advances are		
Past due more than 90 days	3,850	2,236
Of which non-performing loans	2,974	1,577

(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 2009 and 2008 can be assessed by reference to the Group's standard grading system. The following information is based on that system

	2009 € million	2008 € million
Grades		
Satisfactory risk	45,943	46,429
Watch list and special mention	450	388
Total	46,393	46,817

(b) Loans and advances past due but not impaired

	31 December 2009				
	Wholesale € million	Consumer € million	Mortgage € million	Small business € million	Total € million
Past due up to 29 days	1,267	1,689	1,118	763	4,857
Past due 30 - 89 days	598	599	447	496	2,140
Past due 90 - 180 days	156	-	146	-	302
Total	2,021	2,288	1,711	1,279	7,299
Fair value of collateral	1,263	-	2,846	726	4,835

	31 December 2008				
	Wholesale € million	Consumer € million	Mortgage € million	Small business € million	Total € million
Past due up to 29 days	1,322	2,001	1,203	865	5,391
Past due 30 - 89 days	568	832	446	743	2,589
Past due 90 - 180 days	81	-	184	-	265
Total	1,971	2,833	1,833	1,608	8,245
Fair value of collateral	1,064	-	3,018	820	4,902

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 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 € 2,231 million (2008: € 1,175 million). The breakdown of the gross amount of collectively assessed loans and advances by class is as follows:

	31 December 2009			
	Consumer € million	Mortgage € million	Small business € million	Total € million
Collectively assessed loans	1,094	392	745	2,231
Fair value of collateral	-	661	428	1,087

	31 December 2008			
	Consumer € million	Mortgage € million	Small business € million	Total € million
Collectively assessed loans	632	189	354	1,175
Fair value of collateral	-	343	156	499

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 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 € 1,656 million (2008: € 1,051 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 2009			31 December 2008		
	Small business € million	Wholesale € million	Total € million	Small business € million	Wholesale € million	Total € million
Individually assessed loans	441	1,215	1,656	284	767	1,051
Fair value of collateral	244	686	930	121	378	497

(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.

	2009 € million	2008 € million
- Wholesale lending	-	23
- Mortgage lending	8	-
- Consumer lending	52	-
	60	23

(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.

	2009 € million	2008 € million
- Wholesale lending	723	453
- Mortgage lending	364	189
- Consumer lending	1,056	546
- Small business lending	831	389
	2,974	1,577

4.2.1.3 Debt Securities

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

	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

	31 December 2008				
	Trading securities € million	Available-for-sale securities € million	Held to maturity securities € million	Debt securities lending portfolio € million	Total € million
Aaa	1	610	1,407	10	2,028
Aa1 to Aa3	15	88	75	207	385
A1 to A3	233	2,907	355	2,577	6,072
Lower than A3	297	1,033	1,210	1,016	3,556
Unrated	21	234	5	49	309
Total	567	4,872	3,052	3,859	12,350

€ 3,454 million included in securities rated Lower than A3 relates to sovereign debt (2008: € 2,831 million).

During 2009 and 2010, the Greek Government debt credit spreads have deteriorated significantly. The macroeconomic risks affecting the Bank and the measures announced by the Greek Government in 2010 to address the increased fiscal deficits are analysed in the Business Outlook and Risks section of the Directors Report.

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 Group's main credit exposure at their gross carrying amounts, as categorised by geographical region as of 31 December 2009 and 2008. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties.

	Greece € million	Other Western European countries € million	New Europe countries € million	Other countries € million	Total € million
Loans and advances to banks	838	3,494	376	76	4,784
Loans and advances to customers					
- Wholesale lending	16,003	889	5,700	188	22,780
- Mortgage lending	10,820	64	4,706	22	15,412
- Consumer lending	7,304	1	3,001	0	10,306
- Small business lending	7,189	0	1,912	0	9,081
Debt securities	7,711	3,052	3,927	378	15,068
Derivative financial instruments	327	287	544	66	1,224
Other assets	498	10	144	23	675
As at 31 December 2009	50,470	7,797	20,310	753	79,330

	Greece € million	Other Western European countries € million	New Europe countries € million	Other countries € million	Total € million
Loans and advances to banks	736	3,594	167	116	4,613
Loans and advances to customers					
- Wholesale lending	14,770	969	5,652	186	21,577
- Mortgage lending	10,491	64	4,308	21	14,884
- Consumer lending	8,310	2	3,425	1	11,738
- Small business lending	7,082	0	2,007	0	9,089
Debt securities	4,480	3,486	3,989	395	12,350
Derivative financial instruments	507	817	85	109	1,518
Other assets	487	17	89	0	593
As at 31 December 2008	46,863	8,949	19,722	828	76,362

(b) Industry sectors

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

	Commerce and services € million	Private Individuals € million	Manufacturing € million	Shipping € million	Construction € million	Other € million	Total € million
Loans and advances to banks	4,784	-	-	-	-	-	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	450	10	1	0	0	214	675
As at 31 December 2009	29,558	25,177	6,236	1,058	2,756	13,545	79,330

	Commerce and services € million	Private Individuals € million	Manufacturing € million	Shipping € million	Construction € million	Other € million	Total € million
Loans and advances to banks	4,613	-	-	-	-	-	4,613
Loans and advances to customers							
- Wholesale lending	12,431	486	5,319	1,088	1,719	534	21,577
- Mortgage lending	-	14,884	-	-	-	-	14,884
- Consumer lending	-	11,738	-	-	-	-	11,738
- Small business lending	7,240	38	918	22	671	200	9,089
Debt securities	3,158	-	151	-	76	8,967	12,350
Derivative financial instruments	1,459	-	3	26	-	30	1,518
Other assets	408	28	2	1	1	153	593
As at 31 December 2008	29,307	27,174	6,393	1,137	2,467	9,884	76,362

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

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Market risk

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

(a) Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board's Risk Committee (ERC) sets limits on the level of mismatch of interest rate repricing that may be undertaken 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 ERC 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 ERC 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 2009 and 2008

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 repricing).

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

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

Since VaR constitutes an integral part of the Group's market risk control regime, VaR limits have been established for all (trading and 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) - Greece, Cyprus and Poland

	2009 € million	2008 € million
Interest rate Risk	61	52
Foreign Exchange Risk	8	12
Equities Risk	12	14
Total VaR	67	57

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.

(ii) Sensitivity analysis for 2009 and 2008

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

	31 December 2009			31 December 2008		
	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	(2)	(8)	(10)	3	(5)	(2)
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	5	(75)	(70)	29	(81)	(52)

4.2.3 Liquidity risk

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

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

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

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because 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)

Assets held for managing liquidity risk

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

- (a) Cash and balances with central banks
- (b) Collateral eligible liquid bonds
- (c) Interbank placings maturing within one month

The amounts disclosed in the table below are the contractual undiscounted cash flows for the years 2009 and 2008. Liabilities without contractual maturities (sight and saving deposits) are presented in the "less than 1 month" time bucket.

	31 December 2009				
	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Gross nominal (inflow/ outflow)
	€ million	€ million	€ million	€ million	€ 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
<i>of which redemption of credit cards securitization</i>			550		
- Other liabilities	789	47	198	726	1,760
	<u>35,236</u>	<u>14,084</u>	<u>18,649</u>	<u>9,549</u>	<u>77,518</u>
Derivative financial instruments					
- Outflows from gross and net settled	6,080	2,865	832	6,331	16,108
- Inflows from gross settled	(5,981)	(2,639)	(388)	(907)	(9,915)
	<u>99</u>	<u>226</u>	<u>444</u>	<u>5,424</u>	<u>6,193</u>

⁽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

Guarantees and standby letters of credit
Capital expenditure
Operating lease commitments

	Less than 1 year	Over 1 year
	€ million	€ million
Guarantees and standby letters of credit	1,545	537
Capital expenditure	10	-
Operating lease commitments	70	81
	<u>1,625</u>	<u>618</u>

	31 December 2008				
	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Gross nominal (inflow/ outflow)
	€ million	€ million	€ million	€ million	€ million
Non-derivative liabilities					
- Due to other banks & repurchase agreements with banks	10,426	4,710	3,054	879	19,069
- Due to customers	26,900	11,008	6,864	1,771	46,543
- ECPs	65	172	27	-	264
- EMTNs	93	74	929	4,856	5,952
- Securitizations (redemptions and coupons)	98	99	441	2,800	3,436
- Other liabilities	477	296	190	601	1,564
	<u>38,057</u>	<u>16,359</u>	<u>11,505</u>	<u>10,907</u>	<u>76,828</u>
Derivative financial instruments					
- Outflows from gross and net settled	12,331	1,844	1,000	3,562	18,737
- Inflows from gross settled	(12,367)	(1,980)	(874)	(1,046)	(16,067)
	<u>38,021</u>	<u>16,223</u>	<u>11,831</u>	<u>13,423</u>	<u>79,498</u>

Off-balance sheet items

Guarantees and standby letters of credit
Capital expenditure
Operating lease commitments

	Less than 1 year	Over 1 year
	€ million	€ million
Guarantees and standby letters of credit	1,518	941
Capital expenditure	63	-
Operating lease commitments	70	136
	<u>1,651</u>	<u>1,077</u>

4.3 Capital management

Ordinary and Preferred shareholders' equity
Add: Regulatory minority interest
Less: Goodwill
Less: Other regulatory adjustments
Total Tier I capital
Tier II capital - subordinated debt
Less: Other regulatory adjustments
Total Regulatory Capital
Risk Weighted Assets

	2009	2008 ⁽¹⁾
	€ million	€ million
Ordinary and Preferred shareholders' equity	6,039	4,292
Add: Regulatory minority interest	365	404
Less: Goodwill	(533)	(573)
Less: Other regulatory adjustments	(394)	(255)
Total Tier I capital	<u>5,477</u>	<u>3,868</u>
Tier II capital - subordinated debt	800	1,258
Less: Other regulatory adjustments	(214)	(100)
Total Regulatory Capital	<u>6,063</u>	<u>5,026</u>
Risk Weighted Assets	<u>47,827</u>	<u>48,375</u>

4 Financial risk management (continued)

4.3 Capital management (continued)

Ratios

Core Tier I

Tier I

Capital Adequacy Ratio

	2009	2008
	%	%
Core Tier I	9.8	8.0
Tier I	11.5	8.0
Capital Adequacy Ratio	12.7	10.4

⁽¹⁾ For banks using the IRB approach for credit risk, there are statutory limits to the percentage by which the capital requirement may be reduced in the first two years of implementation. In 2008, the requirement could not be reduced by more than 10% of the requirement under the Basel I rules, whereas in 2009 not more than 20%. Including capital floor, the Risk Weighted Average Assets at 31 December 2008 amounted to € 51.6 bn while the Core Tier I ratio became 7.5%, Tier I ratio 7.5% and Capital Adequacy Ratio 9.7%. As of January 2009, this no longer affects the Risk Weighted Assets calculation.

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

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

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

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

During 2009 the Group focused on the organic improvement of its capital position and managed to significantly increase its Core Tier I ratio. This was achieved by generating and retaining profits, placement of treasury shares and densing of lending portfolios through tighter credit policies.

New preference shares of € 950 million issued to the Hellenic Republic as part of the Greek Economy Liquidity Support Programme (Law 3723/2008) have enhanced the Group's capital base, adding almost 200 bps to the Tier I and Capital Adequacy Ratios.

Based on law 3723/2008, the Greek Government prohibited banks participating in the Greek Economy Liquidity Support Programme from declaring a cash dividend to ordinary shareholders for the years 2008 and 2009.

Regulatory disclosures regarding capital adequacy and risk management based on Bank of Greece Act 2592/2007 (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 rate used. The fair values of financial assets and liabilities approximate their carrying amounts due to the following reasons:

- trading assets, derivatives and other transactions undertaken for trading purposes as well as treasury bills, available-for-sale securities and assets and liabilities designated at fair-value-through-profit-or-loss are measured at fair value (see notes 16, 17, 20, 27, 28 and 29) by reference to quoted market prices when available. If quoted market prices are not available, then the fair values are estimated using valuation techniques.
- 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 20 and 28.
- 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:
 - 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.
 - 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.
 - 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 2009			
	Quoted prices in active market (Level 1)	Valuation technique: observable parameters (Level 2)	Valuation technique: non-observable parameters (Level 3)	Total
	€ million	€ million	€ million	€ million
Financial assets measured at fair value				
Financial assets held for trading	491	43	-	534
Financial assets designated at fair value through profit or loss	334	-	-	334
Derivative financial instruments	-	1,224	-	1,224
Available-for-sale investment securities	6,393	562	-	6,955
Total financial assets	7,218	1,829	-	9,047
Financial liabilities measured at fair value				
Derivative financial instruments	-	2,274	-	2,274
Trading liabilities	25	-	-	25
Due to customers	-	358	-	358
- Structured deposits	-	407	-	407
- Unit linked products	323	-	-	323
Debt issued and other borrowed funds	-	289	-	289
- Structured notes	-	-	-	-
Total financial liabilities	348	3,328	-	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 and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

5 Net interest income

Interest income

Banks and customers

Trading securities

Other securities

Total interest income

Interest expense

Banks and customers

Debt issued and other borrowed funds

Total interest expense

Net interest income

	2009 € million	2008 € million
Interest income		
Banks and customers	5,283	6,787
Trading securities	63	31
Other securities	641	670
Total interest income	5,987	7,488
Interest expense		
Banks and customers	(3,430)	(4,528)
Debt issued and other borrowed funds	(218)	(575)
Total interest expense	(3,648)	(5,103)
Net interest income	2,341	2,385

Derivative financial instruments contribute € 1,316 million (2008: € 1,900 million) to interest income and € 1,552 million (2008: € 1,977 million) to interest expense.

6 Net banking fee and commission income

Lending related fees and commissions

Mutual funds and assets under management related fees

Capital markets related fees

Other fees

Net banking fee and commission income

	2009 € million	2008 € million
Lending related fees and commissions	198	247
Mutual funds and assets under management related fees	60	75
Capital markets related fees	74	114
Other fees	88	107
Net banking fee and commission income	418	543

7 Income from non banking services

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

8 Operating expenses

Staff costs (note 9)

Administrative expenses

Amortisation and impairment of intangible assets (note 22)

Depreciation and impairment of property, plant and equipment (note 23)

Operating lease rentals

	2009 € million	2008 € million
Staff costs (note 9)	793	828
Administrative expenses	410	475
Amortisation and impairment of intangible assets (note 22)	29	24
Depreciation and impairment of property, plant and equipment (note 23)	111	110
Operating lease rentals	128	129
Operating expenses	1,471	1,566

9 Staff costs

Wages, salaries and performance remuneration

Social security costs

Additional pension and other post employment costs

Other

	2009 € million	2008 € million
Wages, salaries and performance remuneration	589	619
Social security costs	109	110
Additional pension and other post employment costs	30	27
Other	65	72
Staff costs	793	828

The average number of employees of the Group during the year was 23,791 (2008: 24,042).

10 Income tax expense

Current tax

Deferred tax (note 11)

Overseas taxes

Special tax contribution (see below)

Total tax charge

	2009 € million	2008 € million
Current tax	115	101
Deferred tax (note 11)	(124)	6
Overseas taxes	34	34
Special tax contribution (see below)	57	-
Total tax charge	82	141

The Greek corporate rate of tax in 2009 is 25% (2008: 25%). The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

Profit before tax

Tax at the applicable tax rates of 25%

Tax effect of

- income and expenses not subject to tax

- effect of different tax rates in different countries

- special tax contribution (see below)

- other

Income tax expense

	2009 € million	2008 € million
Profit before tax	398	818
Tax at the applicable tax rates of 25%	100	204
Tax effect of		
- income and expenses not subject to tax	(41)	(20)
- effect of different tax rates in different countries	(34)	(48)
- special tax contribution (see below)	57	-
- other	0	3
Income tax expense	82	141

Law 3808/December 2009 imposed a special one-off tax on 2008 revenues of large Greek legal entities. As a result, the Group was charged the amount of € 57 million.

11 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

	2009 € million	2008 € million
At 1 January	228	71
Income statement credit/(charge)	124	(6)
Available for sale investment securities		
- fair value measurement (note 20 1)	(44)	112
- transfer to net profit (note 20 1)	6	20
Cash flow hedges	8	7
Sale of treasury shares	42	-
Other	11	24
At 31 December	375	228

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

Valuation temporary differences accounted directly to special reserves	63	132
Valuation temporary differences accounted through the income statement	(22)	(38)
Cash flow hedges	10	2
Sale of treasury shares	42	-
Fixed assets temporary differences	(9)	(1)
Pensions and other post retirement benefits	26	25
Loan impairment	234	94
Unused tax losses	24	18
Other temporary differences	21	17
Deferred income tax assets (note 24)	389	249
Deferred income tax liabilities (note 29)	14	21
Net deferred income tax	375	228

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

Valuation temporary differences	15	28
Fixed assets temporary differences	6	3
Pensions and other post retirement benefits	-	2
Loan impairment	(129)	(48)
Other temporary differences	(16)	21
Deferred income tax (credit)/charge	(124)	6

12 Earnings per share

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

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all 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 share price of the Bank's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is added to the weighted average number of ordinary shares in issue in order to determine the weighted average number of ordinary shares used for the calculation of the diluted earnings per share.

	Year ended 31 December	
	2009	2008
Net profit for the year attributable to ordinary shareholders (after deducting dividend attributable to preference shares and preferred securities holders)	€ million 211	616
Weighted average number of ordinary shares in issue	Number of shares 519,514,999	523,030,605
Weighted average number of ordinary shares for diluted earnings per share	Number of shares 520,182,348	524,254,047
Basic earnings per share	€ 0.41	1.18
Diluted earnings per share	€ 0.41	1.17
Earnings per share excluding special tax contribution (note 10)		
Basic earnings per share	€ 0.51	1.18
Diluted earnings per share	€ 0.51	1.17

Basic and diluted earnings per share for 31 December 2008 have been adjusted taking into account the distribution of free shares to the Bank's junior level staff, in accordance with the decisions of the Annual General Meeting held on 19 June 2009.

Share options did not have an effect in the diluted earnings per share for the year ended 31 December 2009, as their exercise price exceeded the average annual market price. In addition, the Series D and Series E of preferred securities (note 33), issued in July and November 2009 respectively were not included in the calculation of diluted earnings per share as at December 31, 2009 as their effect would have been anti-dilutive.

13 Cash and balances with central banks

	2009 € million	2008 € million
Cash in hand	629	724
Balances with central banks	2,450	3,317
	<u>3,079</u>	<u>4,041</u>
of which		
Mandatory deposits with central banks	1,403	1,206

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

14 Cash and cash equivalents

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

	2009 € million	2008 € million
Cash and balances with central banks (excluding mandatory deposits with central banks)	1,676	2,834
Loans and advances to banks	2,252	1,981
Financial instruments at fair value through profit or loss	254	365
	<u>4,182</u>	<u>5,180</u>

15 Loans and advances to banks

	2009 € million	2008 € million
Pledged deposits with banks	1,501	2,116
Items in course of collection and current accounts with banks	1,235	756
Placements with other banks	626	506
Reverse repos with banks	1,166	1,226
Settlement balances with banks	256	9
	<u>4,784</u>	<u>4,613</u>
Included in loans and advances to banks are unsubordinated amounts due from - fellow subsidiary and associated undertakings	0	28

The fair value of financial assets that the Group accepted as collateral and may be sold or repledged is € 1,165 million (2008 € 1,224 million)

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

	2009 € million	2008 € million
Trading portfolio		
Issued by public bodies		
- government	379	314
- other public sector securities	2	4
	<u>381</u>	<u>318</u>
Issued by other issuers		
- banks	99	159
- other corporations	54	104
	<u>153</u>	<u>263</u>
Total trading portfolio	<u>534</u>	<u>581</u>
Other financial assets designated at fair value through profit or loss		
- unit linked products	324	326
- hedge funds	10	79
- convertible bonds	-	26
Total other portfolios	<u>334</u>	<u>431</u>
Total	<u>868</u>	<u>1,012</u>
Equity securities	28	15
Treasury bills	100	4
Debt securities	406	562
Other financial assets at fair value through profit or loss	334	431
	<u>868</u>	<u>1,012</u>
Pledged securities with stock market clearing houses	5	6

The fair value of the securities under repurchase agreements that continue to be recognised in the Balance Sheet at 31 December 2009 amounts to € 229 million (2008 € 422 million) and the carrying amount of their associated liabilities amounts to € 226 million (2008 € 420 million)

17 Derivative financial instruments and hedge accounting

17.1 Derivative financial instruments

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

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

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

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

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

	31 December 2009			31 December 2008		
	Contract/ notional amount € million	Fair values Assets € million	Liabilities € million	Contract/ notional amount € million	Fair values Assets € million	Liabilities € million
Derivatives held for trading						
<i>OTC currency derivatives</i>						
- Currency forwards	1,184	25	9	1,590	66	40
- Currency swaps	9,007	68	147	12,900	41	441
- OTC currency options bought and sold	12,310	121	113	10,701	213	248
		214	269		320	729
<i>OTC interest rate derivatives</i>						
- Interest rate swaps	44,940	739	973	50,894	888	1,265
- Cross-currency interest rate swaps	1,979	44	72	3,274	179	86
- Forward rate agreements	758	0	1	1,252	1	5
- OTC interest rate options	12,731	100	119	13,306	58	77
		883	1,165		1,126	1,433
Exchange traded interest rate futures	826	12	13	350	10	12
Exchange traded interest rate options	11	0	0	119	1	1
		895	1,178		1,137	1,446
<i>Other derivatives</i>						
Forward security contracts	754	4	0	334	3	3
Other derivative contracts (see below)	1,028	24	16	550	45	35
		28	16		48	38
Total derivative assets/liabilities held for trading		1,137	1,463		1,505	2,213
Derivatives designated as fair value hedges						
Interest rate swaps	15,526	72	655	7,730	5	807
Cross-currency interest rate swaps	91	1	20	92	2	20
		73	675		7	827
Derivatives designated as cash flow hedges						
Interest rate swaps	3,371	1	78	349	1	37
Cross-currency interest rate swaps	3,367	13	43	-	-	-
		14	121		1	37
Derivatives designated as net investment hedges						
Currency forwards/Currency swaps	529	0	15	161	5	0
Total derivatives assets/liabilities used for hedging purposes		87	811		13	864
Total derivatives assets/liabilities		1,224	2,274		1,518	3,077

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.

17.2 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 2009 was € 602 million liability (2008: € 820 million liability). The Group recognized a loss of € 2 million (2008: € 11 million gains) from changes in fair value of the hedged items attributable to the hedged risk net of changes in fair value of the hedging instruments.

17 Derivative financial instruments and hedge accounting (continued)

17.2 Hedge accounting (continued)

(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 2009, interest rate swaps had a net fair value of € 107 million liability (2008 € 36 million liability). In 2009 the ineffectiveness recognised in income statement that arose from cash flow hedges was € 6 million losses (2008 € 1 million gain).

(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 amounting to € 337 million (2008 € 184 million) and derivative financial instruments amounting to € 529 million (2008 € 161 million), analysed in RON 1.1 billion (2008 RON 175 million), RSD 8.7 bn (2008 RSD 8.7 bn) and TRY 970 million (2008 TRY 329 million) gave rise to currency gains for the year of € 3 million (2008 € 53 million gains) which affected positively the currency translation reserve.

18 Loans and advances to customers

	2009 € million	2008 € million
Wholesale lending	22,780	21,577
Mortgage lending	15,412	14,884
Consumer lending	10,306	11,738
Small business lending	9,081	9,089
Gross loans and advances to customers	57,579	57,288
Less: Provision for impairment losses (note 19)	(1,742)	(1,410)
	55,837	55,878

The loans and advances to customers include the following amounts:

- securitised loans	16,977	13,787
- pledged loans with central banks (note 41)	1,368	-

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

	2009 € million	2008 € million
Gross investment in finance leases receivable		
Not later than 1 year	441	512
Later than 1 year and not later than 5 years	1,044	1,132
Later than 5 years	1,174	1,281
	2,659	2,925
Unearned future finance income on finance leases	(444)	(609)
Net investment in finance leases	2,215	2,316
Less: provision for impairment losses	(67)	(45)
	2,148	2,271
The net investment in finance leases is analysed as follows:		
Not later than 1 year	375	421
Later than 1 year and not later than 5 years	876	906
Later than 5 years	964	989
	2,215	2,316
Less: provision for impairment losses	(67)	(45)
	2,148	2,271

19 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 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
	31 December 2008				
	Wholesale € million	Consumer € million	Mortgage € million	Small business € million	Total € million
Balance at 1 January	414	351	23	243	1,031
Impairment losses on loans and advances charged in the year	67	656	33	130	886
Amounts recovered during the year	3	78	2	0	83
Loans written off during the year as uncollectible	(86)	(409)	(6)	(31)	(532)
Foreign exchange differences and other movements	(4)	(53)	(1)	(0)	(58)
Balance at 31 December	394	623	51	342	1,410

Reposessed properties

During the year, the net increase in reposessed assets amounted to € 64 million (2008 € 22 million).

20 Investment Securities

	2009 € million	2008 € million
Available-for-sale investment securities	6,955	5,289
Debt securities lending portfolio	4,663	3,859
Held-to-maturity investment securities	3,625	3,052
	<u>15,243</u>	<u>12,200</u>

The fair value of the investment securities under repurchase agreements that continue to be recognised in the Balance Sheet at 31 December 2009 amounts to € 8,498 million (2008 € 8,841 million) and the carrying amount of their associated liabilities amounts to € 8,586 million (2008 € 9,054 million)

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 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 dates until 31 December 2008 would have resulted in € 466 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 2009 would have resulted in € 32 million losses net of tax, which would have been recognized in the available-for-sale revaluation reserve.

20.1 Available for-sale investment securities

	2009 € million	2008 € million
Issued by public bodies		
- government	5,603	4,037
- other public sector	28	-
	<u>5,631</u>	<u>4,037</u>
Issued by other issuers		
- banks	338	292
- other	986	960
	<u>1,324</u>	<u>1,252</u>
Total	<u>6,955</u>	<u>5,289</u>
Listed	6,330	4,757
Unlisted	625	532
	<u>6,955</u>	<u>5,289</u>
Equity	681	416
Debt	6,274	4,873
	<u>6,955</u>	<u>5,289</u>

The movement in the account is as follows

	2009 € million	2008 € million
Net book value at 1 January	5,289	10,477
Arising from acquisitions	-	21
Exchange adjustments	(6)	(103)
Additions	6,413	7,406
Disposals and redemptions	(4,864)	(7,203)
Reclassification to associated undertakings	-	(4)
Reclassification to held-to-maturity investment securities	-	(1,497)
Reclassification to debt securities lending portfolio	-	(3,215)
Amortisation of discounts/premiums and interest	44	(47)
Net gains/(losses) from changes in fair value for the year	79	(546)
Net book value at 31 December	<u>6,955</u>	<u>5,289</u>

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

	2009 € million	2008 € million
At 1 January	(527)	(12)
Net gains/(losses) from changes in fair value	168	(546)
Deferred income taxes	(44)	112
Minority share of changes in fair value	0	2
	<u>124</u>	<u>(432)</u>
Net (gains)/losses transferred to net profit on disposal	(93)	(64)
Impairment losses transferred to net profit	9	17
Deferred income taxes	14	7
	<u>(70)</u>	<u>(40)</u>
Net (gains)/losses transferred to net profit from fair value hedges	8	(56)
Deferred income taxes	(8)	13
	<u>0</u>	<u>(43)</u>
Balance at 31 December	<u>(473)</u>	<u>(527)</u>

20 Investment Securities (continued)

20.2 Debt securities lending portfolio

Issued by public bodies

- government
- other public sector

Issued by other issuers

- banks
- other

Total

Listed

Unlisted

	2009 € million	2008 € million
Issued by public bodies	4,174	3,362
- government	126	-
- other public sector	4,300	3,362
Issued by other issuers	168	173
- banks	195	324
- other	363	497
Total	4,663	3,859
Listed	4,554	3,744
Unlisted	109	115
	4,663	3,859

The movement in the account is as follows

Net book value at 1 January

Reclassification from available for sale investment securities

Additions

Changes in fair value due to hedging

Amortisation of discounts/premiums and interest

Disposals and redemptions

Exchange and other adjustments

Net book value at 31 December

	2009 € million	2008 € million
Net book value at 1 January	3,859	-
Reclassification from available for sale investment securities	-	3,215
Additions	2,898	94
Changes in fair value due to hedging	(92)	491
Amortisation of discounts/premiums and interest	(4)	(28)
Disposals and redemptions	(1,988)	-
Exchange and other adjustments	(10)	87
Net book value at 31 December	4,663	3,859

20.3 Held-to-maturity investment securities

Issued by public bodies

- government
- other public sector

Issued by other issuers

- banks
- other

Total

Listed

Unlisted

	2009 € million	2008 € million
Issued by public bodies	1,924	1,197
- government	96	-
- other public sector	2,020	1,197
Issued by other issuers	688	354
- banks	917	1,501
- other	1,605	1,855
Total	3,625	3,052
Listed	3,577	3,035
Unlisted	48	17
	3,625	3,052

The movement in the account is as follows

Net book value at 1 January

Exchange adjustments

Additions

Reclassification from available for sale investment securities

Amortisation of mark to market for reclassified securities

Redemptions

Amortisation of discounts/premiums and interest

Net book value at 31 December

	2009 € million	2008 € million
Net book value at 1 January	3,052	618
Exchange adjustments	(24)	(113)
Additions	991	1,116
Reclassification from available for sale investment securities	-	1,497
Amortisation of mark to market for reclassified securities	10	-
Redemptions	(423)	(82)
Amortisation of discounts/premiums and interest	19	16
Net book value at 31 December	3,625	3,052

21 Shares in subsidiary undertakings

The following is a listing of the Group's subsidiaries at 31 December 2009

Name	Note	Percentage Holding	Country of incorporation	Line of business
Be-Business Exchanges S A	a	98 01	Greece	Business-to business e-commerce
Best Direct S A		100 00	Greece	Sundry services
EFG Eurobank Ergasias Leasing S A		100 00	Greece	Leasing
EFG Eurolife General Insurance S A	b	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
EFG Mutual Funds Mngt Company S A		100 00	Greece	Mutual fund management
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 Securities S A	c	100 00	Greece	Capital markets and advisory services
Eurobank EFG Factors S A		100 00	Greece	Factoring
Eurobank EFG Telesis Finance S A	c	100 00	Greece	Investment banking and advisory services
Eurobank EFG Fin and Rent S A		100 00	Greece	Vehicle leasing and rental
Eurobank Properties R E I C		55 92	Greece	Real estate investments
Eurobank EFG Property Services S A		100 00	Greece	Real estate services
Eurobank EFG Financial Planning Services S A		100 00	Greece	Management of receivables
Global Fund Management S A	d	99 50	Greece	Investment advisors
Kalabokis Tours & Cargo SA		55 92	Greece	Real Estate
OPEN 24 S A		100 00	Greece	Sundry services
Tavros Protayi Anaptyxi S A	e	55 92	Greece	Real Estate
Eurobank EFG Bulgana A D	f	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 Bulgana E A D		100 00	Bulgaria	Capital markets and investment 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
Barbens Investments Limited		100 00	Channel Islands	Holding company
EFG Hellas Funding Limited		100 00	Channel Islands	Special purpose financing vehicle
Eurobank EFG Cyprus Ltd	g	100 00	Cyprus	Banking
CEH Balkan Holdings Ltd		100 00	Cyprus	Holding company
Eurocredit Retail Services Ltd	g	100 00	Cyprus	Credit card management
NEU Property Holdings LTD	h	100 00	Cyprus	Holding company
Eurobank EFG Private Bank Luxembourg S A		100 00	Luxembourg	Banking
Anstolux Investment Fund Management Company S A		98 40	Luxembourg	Investment fund management
Eurobank EFG Fund Management Company (Luxembourg) S A		100 00	Luxembourg	Fund management
Eurobank EFG Holding (Luxembourg) S A		100 00	Luxembourg	Holding company
EFG New Europe Funding B V		100 00	Netherlands	Finance company
EFG New Europe Holding B V		100 00	Netherlands	Holding company
EFG New Europe Funding II B V		100 00	Netherlands	Finance company
EFG Leasing Poland Sp z o o		100 00	Poland	Leasing
EFG Property Services Polska Sp z o o		100 00	Poland	Real estate services
EFG Poldystyrbucja Sp Zo o		100 00	Poland	Sundry services
Bancpost S A	i	98 98	Romania	Banking
IMO Property Investments Bucuresti S A	j	99 99	Romania	Real estate services
EFG Eurobank Securities S A		100 00	Romania	Stock brokerage
EFG Eurobank Finance S A		100 00	Romania	Investment banking
EFG Leasing IFN S A		100 00	Romania	Leasing
EFG Eurobank Mutual Funds Management Romania S A I S A	k	99 88	Romania	Mutual fund management
EFG Eurobank Property Services S A		80 00	Romania	Real estate services
EFG IT Shared Services S A		100 00	Romania	Informatics data processing
EFG Retail Services IFN S A	l	100 00	Romania	Credit card management
Eliade Tower S A		55 92	Romania	Real estate
Retail Development S A		55 92	Romania	Real estate
S C EFG Eurolife Asiguran de Viata S A		100 00	Romania	Insurance services
S C EFG Eurolife Asiguran 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
BDD EFG Securities a d Beograd		88 32	Serbia	Capital market services
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	m	100 00	Serbia	Real estate services
Reco Real Property a d		55 92	Serbia	Real estate
Eurobank Tefken A S	n	98 24	Turkey	Banking
EFG Finansal Kiralama A S	o	99 23	Turkey	Leasing
EFG Istanbul Holding A S		100 00	Turkey	Holding company
EFG Istanbul Menkul Degerler A S	p	99 24	Turkey	Capital market services
Anaptyxi 2008-1 PLC		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi APC Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi Holdings Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi Options Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi SME I Holdings Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi SME I PLC		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi SME II Holdings Ltd	q	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi SME II APC Limited	q	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi SME II 2009-1 Plc	q	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Andromeda Leasing I Holdings Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Andromeda Leasing I Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)

21 Shares in subsidiary undertakings (continued)

Name	Note	Percentage Holding	Country of Incorporation	Line of business
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		-	United Kingdom	Special purpose financing vehicle (SIC 12)
EFG Hellas PLC		100	United Kingdom	Special purpose financing vehicle
Karta 2005 -1 PLC		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta APC Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta Holdings Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta LNI 1 Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta Options Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Saturn Holdings Limited		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Saturn Finance Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themelion Mortgage Finance PLC		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themelion II Mortgage Finance PLC		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themelion III Mortgage Finance PLC		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themelion III Holdings Limited		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themelion IV Mortgage Finance PLC		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themelion IV Holdings Limited		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themelion V Mortgage Finance PLC		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themelion V Holdings Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themelion VI Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themelion VI Holdings Limited		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Public J S C Universal Bank	r	99.96	Ukraine	Banking
EFG Property Services Ukraine LLC		100	Ukraine	Real estate services
Eurobank EFG Ukraine Distribution LLC		100	Ukraine	Sundry services

(a) Be Business Exchanges S A , Greece

In August 2009, the Group increased its participation in Be-Business Exchanges S A from 97.26% to 98.01%

(b) EFG Eurolife General Insurance S A , Greece

In November 2009 EFG Eurolife General Insurance S A merged with Activa Insurance S A another 100% subsidiary of the Group

(c) Eurobank EFG Securitles S A and Eurobank EFG Telesis Finance S A , Greece

In December 2009, the Group decided the merger of Eurobank EFG Securitles S A with Eurobank EFG Telesis Finance S A

(d) Global Fund Management S A , Greece

In December 2009, the Group decided the liquidation of Global Fund Management S A

(e) Tavros Protayi Anaptixi S A , Greece

In December 2009 the Group acquired Tavros Protayi Anaptixi S.A, a real estate company operating in Greece and 100% subsidiary of Eurobank Properties R E I C

(f) Eurobank EFG Bulgaria A D , Bulgaria

During the year the Group increased its participation in Eurobank EFG Bulgaria A D from 99.70% to 99.99%

(g) Eurocredit Retail Services Ltd and Eurobank EFG Cyprus Ltd, Cyprus

In April 2009, the Group decided the merger of Eurocredit Retail Services LTD with Eurobank EFG Cyprus Ltd

(h) NEU Property Holdings Ltd, Cyprus

In September 2009, the Group established as a 100% subsidiary, NEU Property Holdings Ltd, a holding company operating in Cyprus

(i) Bancpost S A , Romania

During the year the Group increased its participation in Bancpost S A from 77.63% to 98.98%

(j) IMO Property Investments Bucuresti S A (previously Bancpost Fond de Pensii S A), Romania

In October 2009 the name and activity of Bancpost Fond de Pensii S A were changed. The new name of the entity is IMO Property Investments A D Bucuresti and it provides real estate services. Following the increase in shareholding of Bancpost S A, the Group increased its shareholding in IMO Property Investments Bucuresti S A from 77.62% to 99.99%

(k) EFG Eurobank Mutual Funds Management Romania S A I S A , Romania

Following the increase in shareholding of Bancpost S A the Group increased its shareholding in EFG Eurobank Mutual Funds Romania S A I S A from 87.43% to 99.88%

(l) EFG Retail Services IFN S A , Romania

Following the increase in shareholding of Bancpost S A, the Group increased its shareholding in EFG Retail Services IFN S A from 99.96% to almost 100%

(m) IMO Property Investments A D Beograd (previously EFG Retail Services a d Beograd), Serbia

In October 2009 the name and activity of EFG Retail Services a d Beograd were changed. The new name of the entity is IMO Property Investments A D Beograd and it provides real estate services

(n) Eurobank Tekfen A S , Turkey

The Group increased its participation in Eurobank Tekfen A S from 98.23% to 99.24% following the corresponding increase of Tekfen Holding's A S percentage in Eurobank Tekfen A S share capital from 28.23% to 29.24%. Tekfen Holding's A S current holding of 29.24% is included in the Group's participation, as under the shareholders' agreement, it is subject to put and call options whose exercise price is based on future events

(o) EFG Finansal Kiralama A S , Turkey

Following the increased participation in Eurobank Tekfen A S the Group increased its participation in EFG Finansal Kiralama A S from 98.22% to 99.23%

(p) EFG Istanbul Menkul Degerler A S , Turkey

Following the increased participation in Eurobank Tekfen A S the Group increased its participation in EFG Istanbul Menkul Degerler A S from 98.23% to 99.24%

(q) Anaptixi SME II, United Kingdom

In February 2009 the Group established Anaptixi SME II 2009-1 PLC, Anaptixi SME II APC Limited and Anaptixi SME II Holding Ltd, special purpose entities as part of the second securitization of wholesale loans

(r) Public J S C Universal Bank, Ukraine

During the year the Group increased its participation in Public J S C Universal Bank, Ukraine from 99.95% to 99.96%

(s) Eurobank EFG Internet Services S A , Greece

In December 2009 EFG Eurobank Ergasias S A absorbed its 100% owned subsidiary EFG Internet Services S A

22 Intangible assets

	31 December 2009			31 December 2008		
	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	574	221	795	606	173	779
Arising from acquisition of subsidiaries	-	0	0	21	0	21
Transfers	-	1	1	-	(1)	(1)
Additions	-	51	51	-	60	60
Disposals and write-offs	-	(1)	(1)	-	(1)	(1)
Exchange adjustments	-	(3)	(3)	-	(10)	(10)
Adjustment to goodwill (see below)	(40)	-	(40)	(53)	-	(53)
Balance at 31 December	534	269	803	574	221	795
Accumulated impairment/amortisation						
Balance at 1 January	(1)	(63)	(64)	(1)	(43)	(44)
Arising from acquisition of subsidiaries	-	(0)	(0)	-	0	0
Transfers	-	(1)	(1)	-	(0)	(0)
Amortisation charge for the year	-	(29)	(29)	-	(24)	(24)
Disposals and write-offs	-	0	0	-	0	0
Exchange adjustments	-	1	1	-	4	4
Balance at 31 December	(1)	(92)	(93)	(1)	(63)	(64)
Net book value at 31 December	533	177	710	573	158	731

Goodwill for 2008 was adjusted for contingent purchase consideration and fair value adjustments in accordance with the provisions of the acquisition agreements for Accentus S.A. absorbed by Eurobank EFG Telesis Finance at the end of 2007 (€ 2 million increase), EFG Istanbul Menkul Değerler A.Ş. (€ 3.8 million increase) Eurobank Tekfen A.Ş. (€ 54 million decrease), BDD EFG Securities AD Beograd (€ 4 million decrease) and Intertrust (€ 0.8 million decrease)

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.Ş. (€ 41 million decrease) and Activa Insurance absorbed by EFG EuroLife General Insurance S.A. (€ 1 million increase)

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

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

	2009 € million	2008 € million
Global and Capital Markets	3	3
Wealth Management	65	64
New Europe (NE)	465	506
Total goodwill	533	573

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

During the year ended 31 December 2009 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

(i) Wealth Management and Global and Capital Markets segments

The pre-tax discount rate applied to cash flow projections is 14%. The growth rate used to extrapolate cash flows beyond the initial ten - year period is 1.5% and does not exceed the average long-term growth rate for the relevant markets

(ii) New Europe segment

The pre-tax discount rate applied to cash flow projections for NE entities is 13% for Bulgaria, 14% for Romania, 15% for Serbia, 16% for Eurobank Tekfen A.Ş. Turkey, 23% for EFG Istanbul Menkul Değerler A.Ş. Turkey and 23% 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

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 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
Cost					
Balance at 1 January 2008	716	274	446	324	1,760
Arising from acquisition of subsidiaries	3	1	1	62	67
Transfers	(0)	6	(6)	1	1
Additions	93	72	53	23	241
Disposals and write-offs	(13)	(17)	(15)	(21)	(66)
Impairment	(2)	(0)	-	(1)	(3)
Exchange adjustments	(39)	(21)	(9)	(6)	(75)
Balance at 31 December 2008	758	315	470	382	1,925
Accumulated depreciation					
Balance at 1 January 2008	(141)	(157)	(328)	(14)	(640)
Arising from acquisition of subsidiaries	(0)	(1)	(1)	-	(2)
Transfers	(0)	(0)	1	(0)	1
Disposals and write-offs	8	13	15	1	37
Charge for the year	(31)	(28)	(43)	(5)	(107)
Exchange adjustments	6	7	4	0	17
Balance at 31 December 2008	(158)	(166)	(352)	(18)	(694)
Net book value at 31 December 2008	600	149	118	364	1,231

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

Included in the above as at 31 December 2009 is € 9 million (2008 € 45 million) relating to assets under construction

The net book value of finance leases included in property, plant and equipment as at 31 December 2009 was € 3 million (2008 € 2 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 2009 was € 465 million (2008 € 426 million). The fair values are open-market values provided by professionally qualified valuers.

During the year ended 31 December 2009 an amount of € 28 million (2008 € 26 million) was recognised as rental income from investment property in income from non banking services. Capital commitments in relation to investment property as at 31 December 2009 were € nil (2008 € nil).

24 Other assets

	2009 € million	2008 € million
Prepaid expenses and accrued income	44	50
Deferred tax asset (note 11)	389	249
Repossessed properties	164	100
Settlement balances with customers	42	22
Investments in associated undertakings (see below)	44	36
Other assets	589	521
	1,272	978

The movement in investments in associated undertakings is as follows

	2009 € million	2008 € million
Balance at 1 January	36	46
Additions/disposals of associated undertakings	-	8
Dividends collected	(0)	(3)
Cancellation of own shares/other items	(1)	-
Share of available-for-sale revaluation reserve	4	(8)
Share of results for the year	5	(7)
Balance at 31 December	44	36

24 Other assets (continued)

The following is a listing of the Group's associates and joint ventures as at 31 December 2009

Name	Notes	Country of Incorporation	Line of business	Percentage Holding	Assets € million	Liabilities € million	Share of Net Assets € million	Profit/ (loss) € million
Dias S A	a	Greece	Closed-end investment fund	25.36	124	5	30	13
Unitfinance S A		Greece	Financing company	40.00	38	27	4	2
BD Financial Limited		British Virgin Islands	Financing company	49.90	13	0	6	3
Tefin S A		Greece	Motor vehicle sales financing	50.00	8	1	4	0
Cardlink S A		Greece	POS administration	50.00	1	0	0	0
					182	33	44	18

As at 31 December 2009, all of the Group's associates are unlisted except for Dias S A. The fair value of the investments in the Group's associates that are listed based on quoted market prices as at 31 December 2009 was € 17 million (2008: € 12 million).

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

(a) Dias S A

During the year the Group increased its participation in Dias S A from 25.11% to 25.36%.

25 Due to other banks

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

	2009 € million	2008 € million
Items in course of collection and current accounts with banks	28	32
Deposits from other banks	1,925	2,758
Settlement balances with banks	305	2
	2,258	2,792
Included in the amounts due to other banks are amounts due to: - fellow subsidiary and associated undertakings	51	196

26 Repurchase agreements with banks

Repurchase agreements with central banks
Repurchase agreements with other banks

	2009 € million	2008 € million
Repurchase agreements with central banks	8,199	10,953
Repurchase agreements with other banks	8,989	4,972
	17,188	15,925

27 Due to customers

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

	2009 € million	2008 € million
Savings and current accounts	14,935	12,716
Term deposits and repurchase agreements	30,306	29,042
Unit-linked products	730	729
Other term products	837	3,169
	46,808	45,656
Included in the amounts due to customers are amounts due to: - parent undertaking	0	6
- fellow subsidiary and associate undertakings	43	57

The carrying amount of structured deposits and liabilities of unit-linked products classified as at fair value through profit or loss at 31 December 2009 is € 1,088 million (2008: € 2,196 million). The fair value change as at 31 December 2009 amounts to € 26 million loss (2008: € 193 million gain), 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 € 51 million (2008: € 106 million).

28 Debt issued and other borrowed funds

Short-term debt

- Commercial Paper (ECP)
- Other Short-Term Notes

Long-term debt

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

Total

	2009 € million	2008 € million
Short-term debt		
- Commercial Paper (ECP)	229	258
- Other Short-Term Notes	53	49
	<u>282</u>	<u>307</u>
Long-term debt		
- Medium-term notes (EMTN)	4,367	4,339
- Subordinated	460	885
- Securitised	2,558	3,034
	<u>7,385</u>	<u>8,258</u>
Total	<u>7,667</u>	<u>8,565</u>

There is an unrecognised valuation gain of € 805 million related to long term debt of € 7,096 million (2008 € 7,803 million) carried at amortised cost whereas its fair value is € 6,291 million (2008 € 6,592 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 2009 amounted to € 289 million (2008 € 504 million). The fair value change as at 31 December 2009 amounts to € 213 million gain (2008 € 183 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 2009 was a gain of € 171 million (2008 € 160 million gain), out of which € 11 million have been recorded in net trading income. 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 € 209 million (2008 € 367 million).

The EMTNs held by Group's customers which, as at 31 December 2009 amounted to € 837 million (2008 € 3,169 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) and Euro Commercial Paper (ECP) programs.

Asset Backed Securities

(a) Residential Mortgage Backed Securities (RMBS)

In June 2004 the Group proceeded with the issuance of residential mortgage backed securities at an average funding cost of three month Euribor plus 19 basis points for seven years. As at 31 December 2009 the liability amounted to € 71 million (2008 € 107 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 2009 the liability amounted to € 127 million (2008 € 163 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 2009 the liability amounted to € 219 million (2008 € 289 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. As at 31 December 2009 the liability amounted to € 787 million (2008 € 991 million).

(b) Credit Card Asset Backed Securities

In July 2005 the Group proceeded with the issuance of credit card asset backed securities at an average funding cost of three month Euribor plus 21.7 basis points. As at 31 December 2009 the liability amounted to € 550 million (2008 € 652 million).

(c) Small Business Loan Asset Backed Securities

In October 2006 the Group proceeded with the issuance of small business loan asset backed securities at an average funding cost of three month Euribor plus 17 basis points for class A notes. As at 31 December 2009 the liability amounted to € 804 million (2008 € 832 million).

Lower Tier-II

In May 2005 the Group issued ¥ 30 billion (equivalent to € 225 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 € 30 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 € 225 million issued in May 2005. As at 31 December 2009 the liability amounted to € 83 million (2008 € 124 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 3-month Euribor plus 30 basis points for the first five years. The notes qualify as Lower Tier II capital for the Group and are listed on the Luxembourg Stock Exchange. As at 31 December 2009 the liability amounted to € 377 million (2008 € 577 million).

The notes held by Group's customers which as at 31 December 2009 amounted to € 177 million are included in "Due to customers" (2008 € 251 million).

Medium-term notes (EMTN)

In May 2009, the Group, through its subsidiary EFG Hellas PLC, issued a € 500 million Note to institutional investors under its Programme for the Issuance of Debt Instruments (the "EMTN Programme"). The two-year fixed rate notes pay an annual 4.25% coupon and are listed on the Luxembourg Stock Exchange. This issue was increased by € 100 million in June 2009 and by another € 100 million in July 2009.

In August 2009 the Group through its subsidiary EFG Hellas PLC issued a € 500 million Note to institutional investors under its EMTN Programme. The 3.5-year fixed rate notes pay an annual 4.375% coupon and are listed on the Luxembourg Stock Exchange. The issue was increased by € 300 million in November 2009.

In September 2009, the Group, through its subsidiary EFG Hellas PLC, issued a € 500 million Note to institutional investors under its EMTN Programme. The 1.5-year floating rate notes pay a coupon of 3 month Euribor plus 125 bps and are listed on the Luxembourg Stock Exchange.

Post Balance sheet event

On 3 March 2010 the Group established a € 5 bn programme for the issue of covered bonds. On 8 March 2010, the Group issued the first tranche of covered bonds, totalling € 500 million. The issue has a maturity of 5 years which can be extended by 10 years, with a coupon rate based on the ECB rate plus a margin of 250 bps. The cover pool for this bond consists mainly of residential mortgage loans originated by the Group.

29 Other liabilities

	2009 € million	2008 € million
Insurance liabilities	749	551
Acquisition obligations	119	144
Deferred income and accrued expenses	109	138
Standard legal staff retirement indemnity obligations (note 30)	83	81
Trading liabilities	25	41
Deferred tax liabilities (note 11)	14	21
Settlement balances with customers	30	43
Other liabilities	631	545
	<u>1,760</u>	<u>1,564</u>

30 Standard legal staff retirement indemnity obligations

	2009 € million	2008 € million
Movement in the liability for standard legal staff retirement indemnity obligations		
Liability for staff retirement indemnity obligations at 1 January	81	75
Arising from acquisitions	0	2
Cost for the year (see below)	13	13
Benefits paid	(9)	(9)
Exchange and other adjustments	(2)	(0)
Liability for staff retirement indemnity obligations at 31 December	<u>83</u>	<u>81</u>
Expense recognised in profit or loss		
Current service cost	6	4
Interest cost	4	4
Additional cost	4	9
Actuarial gains/losses	(1)	(4)
Total included in staff costs (note 9)	<u>13</u>	<u>13</u>

Actuarial assumptions

Principal actuarial assumptions (expressed as weighted averages)

	2009 %	2008 %
Discount rate	5.7	5.4
Future salary increases	3.1	3.6
Inflation rate	2.5	2.6

31 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 2008	1,443	(11)	1,432	1,412	(87)	1,325
8 April 2008						
- Distribution of free shares to executive directors management and staff	4	-	4	23	-	23
21 April 2008						
- Share capital increase due to re-investment of dividend	4	-	4	20	-	20
Purchase of treasury shares	-	(63)	(63)	-	(276)	(276)
Sale of treasury shares	-	1	1	-	8	8
At 31 December 2008	<u>1,451</u>	<u>(73)</u>	<u>1,378</u>	<u>1,455</u>	<u>(355)</u>	<u>1,100</u>
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 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	<u>1,481</u>	<u>(1)</u>	<u>1,480</u>	<u>1,450</u>	<u>(9)</u>	<u>1,441</u>

31 Ordinary share capital, share premium and treasury shares (continued)

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

	Number of shares			
	Issued	Treasury shares under special scheme	Other treasury shares	Net
At 1 January 2008	524,945,638	(3,431,626)	(699,080)	520,814,932
8 April 2008				
- Distribution of free shares to executive directors, management and staff	1,400,000	-	-	1,400,000
21 April 2008				
- Share capital increase due to re-investment of dividend	1,245,604	-	-	1,245,604
Purchase of treasury shares	-	(22,580,144)	(240,576)	(22,820,720)
Sale of treasury shares	-	-	503,108	503,108
At 31 December 2008	<u>527,591,242</u>	<u>(26,011,770)</u>	<u>(436,550)</u>	<u>501,142,922</u>
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 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	-	28,253,489	167,537	28,421,026
At 31 December 2009	<u>538,594,955</u>	<u>-</u>	<u>(594,423)</u>	<u>538,000,532</u>

In June 2009 the Annual General Meeting approved the following

(a) the distribution of 772,330 free shares to the junior level employees of the Bank

(b) the distribution in compliance with law 3723/2008 of a scrip dividend of 10,231,383 ordinary shares to existing shareholders in the ratio of 2 new shares for every 98 held. The new shares were listed on the Athens Stock Exchange in the first week of August

(c) 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 (see note 33)

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. The program expires in twenty four months (April 2010), the shares may be acquired within the price range of the nominal value (currently € 2.75) and € 34 per share.

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.

On September 10, 2009 the Bank sold all of the 26.3 million treasury shares held under special scheme, representing 4.87% of the Bank's issued ordinary shares at € 9.55 per share to international investors through a private placement.

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. These shares are included in Group's accounts at a cost of € 10 million (2008: € 10.8 million).

32 Preference shares

At 1 January 2009

21 May 2009

- Issue of preference shares

At 31 December 2009

Preference Shares	
Number of shares	Par Value € million
-	-
345,500,000	950
<u>345,500,000</u>	<u>950</u>

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 C.L. 2190/1920 and the approval of the Annual General Meeting. According to a draft law submitted by the Ministry of Finance to the Greek Parliament on 17 March 2010, the coupon is increased by 2% each year after the first five years. Five years after the issue of the preference shares, the Ministry of Finance may convert the preference shares into ordinary shares, subject to the approval of the Bank of Greece.

As at 31 December 2009 the dividend attributable to preference shares amounted to € 59 million.

33 Preferred securities

On 18 March 2005, the Group through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 200 million preferred securities which represent Lower Tier 1 capital for the Group. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 18 March 2010 and annually thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative annual dividend of 6.75% for the first two years and non-cumulative annual dividends that are determined based on the ten year Euro swap rate plus a spread of 0.125% capped at 8% thereafter. The rate of preferred dividends for the Tier 1 Issue series A has been determined to 3.61% for the period March 18, 2009 to March 17, 2010. The preferred dividend must be declared and paid if the Bank declares a dividend. The preferred securities are listed on the Luxembourg and Frankfurt Stock Exchanges.

On 2 November 2005, the Group through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 400 million preferred securities which represent Lower Tier 1 capital for the Group. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 2 November 2015 and quarterly thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative annual dividend of 4.565% for the first ten years and non-cumulative annual dividends that are determined based on the 3month Euribor plus a spread of 2.22% thereafter. The preferred dividend must be declared and paid if the Bank declares 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 2009	142	370	193	-	-	705
Purchase of preferred securities	(55)	(196)	(23)	(34)	(45)	(351)
Sale of preferred securities	7	1	3	31	1	43
Issue of preferred securities	-	-	-	294	100	394
At 31 December 2009	94	175	173	291	56	791

As at 31 December 2009, the dividend attributable to preferred securities holders amounts to € 36 million (2008: € 36 million).

34 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 programme 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 2009		31 December 2008	
	Exercise price in € per share	Number of share options	Exercise price in € per share	Number of share options
At 1 January	11.77	5,622,482	12.89	3,375,190
Adjustment for corporate actions	11.56	111,740	12.81	7,904
Granted in the year	-	-	10.00	2,600,000
Waived	-	-	11.62	(5,962,258)
Granted at modified terms	-	-	11.78	5,624,631
Expired and cancelled	11.27	(249,112)	11.45	(22,985)
Balance at 31 December and average exercise price per share	11.55	5,485,110	11.77	5,622,482

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

	31 December 2009		31 December 2008	
	Exercise price in € per share	Number of share options	Exercise price in € per share	Number of share options
Expiry date - 31 December				
2011	12.00	421,897	12.25	413,287
2012	12.00	1,407,074	12.25	1,426,070
2013	13.58	1,412,689	13.85	1,451,370
2014	9.90	2,243,450	10.10	2,331,755
	11.55	5,485,110	11.77	5,622,482

35 Special reserves

	Statutory reserves € million	Non-taxed reserves € million	IAS 39 reserves € million	Other reserves € million	Total € million
Balance at 1 January 2008	303	767	4	86	1 160
Transfers between reserves	(15)	155	-	(81)	59
Available-for-sale securities					
- net changes in fair value net of tax	-	-	(438)	-	(438)
- transfer to net profit net of tax	-	-	(77)	-	(77)
Cash flow hedges					
- net changes in fair value net of tax	-	-	(27)	-	(27)
- transfer to net profit net of tax	-	-	4	-	4
Currency translation differences, net of hedging	-	-	-	(213)	(213)
Value of employee services	-	-	-	14	14
Profit/(loss) from sale of treasury shares	-	-	-	(1)	(1)
At 31 December 2008	288	922	(534)	(195)	481
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	-	-	124	-	124
- transfer to net profit net of tax	-	-	(70)	-	(70)
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

Statutory reserves and IAS39 reserves are not distributable. Included in IAS39 reserves as at 31 December 2009 is € 32 million loss (2008 € 7 million loss) relating to cash flow hedging reserve.

Non-taxed reserves are taxed when distributed. As at 31 December 2009, non-taxed reserves include an amount of € 246 million which consists of € 289 million which following L 3513/2006 were subject to one-off taxation amounting to € 43.3 million. The Bank has contested the above taxation in the courts.

Included in other reserves as at 31 December 2009 is € 228 million loss (2008 € 174 million loss) relating to currency translation reserve net of hedging.

36 Operating leases

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

	31 December 2009		31 December 2008	
	Land and buildings € million	Furniture, equipment, vehicles € million	Land and buildings € million	Furniture, equipment, vehicles € million
Not later than one year	68	2	68	2
Later than one year and no later than five years	63	1	102	3
Later than five years	17	-	33	-
	148	3	203	5

The total of future minimum sublease payments to be received under non-cancellable subleases at the balance sheet date is € 9 million (2008 € 12 million).

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

	31 December 2009		31 December 2008	
	Land and buildings € million	Furniture, equipment, vehicles € million	Land and buildings € million	Furniture, equipment, vehicles € million
Not later than one year	21	1	25	0
Later than one year and no later than five years	80	3	76	1
Later than five years	70	-	48	-
	171	4	149	1

37 Contingent liabilities and capital expenditure commitments

	2009 € million	2008 € million
Contingent liabilities		
Guarantees		
- guarantees and standby letters of credit	1,278	1 589
- other guarantees	677	769
	1,955	2 358
Commitments		
Documentary credits	127	101
Capital expenditure	10	63
	137	164
	2,092	2,522

Included above is a guarantee that the Bank issued in favour of EFG Ora Funding Limited III amounting to € 271 million (2008 € 393 million), against which a Swiss fellow subsidiary bank has guaranteed unconditionally and without the right of cancellation.

Legal Proceedings

There were a number of legal proceedings outstanding against the Group as at the 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.

38 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. Following the adoption of IFRS 8, the Group changed the basis of allocating certain revenues among reportable segments. Comparatives have been adjusted accordingly; the relevant impact is immaterial.

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.

38.1 Operating segments

	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

	31 December 2008							
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	Other € million	New Europe € million	Elimination center € million	Total € million
Net interest income	1,191	312	22	81	33	746	-	2,385
Net commission income	56	43	70	139	(3)	238	-	543
Other net revenue	14	26	53	53	166	37	-	349
Total external revenue	1,261	381	145	273	196	1,021	-	3,277
Inter-segment revenue	51	16	(34)	(16)	40	(2)	(55)	-
Total revenue	1,312	397	111	257	236	1,019	(55)	3,277
Operating expenses	(606)	(115)	(63)	(76)	(64)	(697)	55	(1,566)
Impairment losses on loans and advances	(401)	(24)	(0)	(1)	(240)	(220)	-	(886)
Profit before tax attributable to shareholders	306	258	48	180	(89)	87	-	790
Segment assets	25,994	15,978	1,181	13,895	3,912	21,242	-	82,202

38 Segment information (continued)**38.2 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

	2009 € million	2008 € million
Lending related activities	2,674	2 169
Deposits network & asset management activities	(129)	458
Capital markets	396	544
Insurance related activities	48	46
Non banking & other services	52	60
	3,041	3 277

(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 2009 € million		31 December 2008 € million	
	Revenues	Total assets	Revenues	Total assets
Greece	2,095	62,794	2 259	60 960
Romania	305	5,815	321	6,008
Poland	167	5,357	201	4,922
Bulgaria	193	3,911	196	4 212
Other countries	281	6,592	300	6,100
	3,041	84,269	3 277	82 202

39 Post balance sheet events

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

Note 28 - Debt issued and other borrowed funds

40 Acquisition of subsidiaries

Details of acquisitions of subsidiaries during the year ended 31 December 2009 that gave rise to goodwill are as follows

	Fair value of total assets acquired € million	Fair value of total liabilities acquired € million	Fair value of net assets acquired € million	Consideration paid € million	Goodwill € million
Tavros Protymi Anaptyxi S A	24	18	6	5	(1)

The above acquisition has been accounted for by the purchase method of accounting. If the acquisition had been completed on 1 January 2009, the acquired company would have contributed net loss of € 0.1 million for the year ended 31 December 2009.

Cash and cash equivalents amounting to € 3 million are included in the fair value of the total assets acquired.

Changes in participating interests of subsidiary undertakings that have been recognised directly in equity include Be-Business Exchanges S.A., Eurobank EFG Bulgaria A.D., Bancpost S.A., IMO Property Investments Bucuresti S.A., EFG Eurobank Mutual Funds Management Romania S.A.I. S.A., EFG Retail Services IFN S.A., Eurobank Tekfen A.S., EFG Finansal Kralama A.S., EFG Istanbul Menkul Değerler A.S., and Public J.S.C. Universal Bank.

With respect to the acquisition of Tavros Protymi Anaptyxi S.A., negative goodwill amounting to € 1 million has been recognised in the Income Statement and is included in operating expenses.

The initial accounting for the business combinations that were effected during the 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 98.23% of the share capital of Eurobank Tekfen A.S. effected and presented provisionally in 2007 and the increase of 1.01% following the corresponding increase of Tekfen Holding's A.S. percentage in Eurobank Tekfen A.S. share capital from 28.23% to 29.24% in September 2009, total goodwill has decreased by € 41 million as a result of adjustments related to the valuation of the put option that decreased accordingly total acquisition cost.

With respect to the acquisition of 100% of the share capital of Activa Insurance S.A. which was absorbed by EFG General Insurance in November 2009, total goodwill has increased by € 1 million as a result of adjustments to the value of net assets acquired.

41 Greek Economy Liquidity Support Program

The Bank participates in the Greek Government's € 28 bn plan to support liquidity in the Greek economy under Law 3723/2008. The program consists of three streams which enable the Bank to raise more than € 5 bn additional liquidity. The Board of Directors resolved in December 2008 to participate in all three streams which are as follows:

- First stream - preference shares for which the law allocates € 5 bn**
On 12 January 2009 the Bank's Extraordinary General Meeting approved a share capital increase of € 950 million, through the issuance of 345,500,000 non-voting preference shares to be subscribed to and fully paid by the Greek State with bonds of equivalent value. The transaction was completed on 21 May 2009.
- Second stream - bonds guaranteed by the Hellenic Republic, for which the law allocates € 15 bn**
The Bank may issue up to € 3,155 million of bonds guaranteed by the Hellenic Republic, with duration up to 3 years. The Bank issued bonds of € 0.5 bn in January 2009 which matured in November 2009.
- Third stream - lending of Greek Government bonds for which the law allocates € 8 bn**
The Bank may obtain additional liquidity of up to € 1,368 million in order to fund mortgages and loans to small and medium-size enterprises by borrowing newly issued Greek Government bonds. As at 31 December 2009, the liquidity made available to the Bank totalled € 0.9 bn.

According to the above law 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 and the draft law submitted to the Greek Parliament on 17 March 2010, banks participating in the Greek Economy Liquidity Support Program are not allowed to declare a cash dividend to their ordinary shareholders for 2008 and 2009 and are not allowed to acquire treasury shares under Article 16 of Company Law.

42 Related party transactions

The Bank is a member of the worldwide EFG Group which consists of credit institutions, financial services and financial holding companies. Its ultimate parent company is Private Financial Holdings Limited, which is owned and controlled indirectly by members of the Latsis family. As at 31 December 2009, the EFG Group held 44.1% of the ordinary shares and voting rights of the Bank through 100% controlled subsidiaries. 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.

Private Financial Holdings Limited (PFH) became the ultimate parent company on 6 August 2009 after the restructuring of the EFG Group. The Bank's consolidated financial statements are included in PFH's subsidiary "European Financial Group EFG (Luxembourg) S A" consolidated financial statements. Until 6 August 2009, the ultimate parent company of EFG Group was EFG Bank European Financial Group (EFGB) and the Bank's consolidated financial statements were included in EFGB's consolidated financial statements.

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, guarantees and derivatives. In addition, as part of its normal course of business in investment banking activities, the Group at times may hold positions in debt and equity instruments of related parties. The volume of related party transactions and outstanding balances at the year-end are as follows:

	31 December 2009			31 December 2008		
	EFG Group	Key management personnel	Other	EFG Group	Key management personnel	Other
	€ million	€ million	€ million	€ million	€ million	€ million
Loans and advances to banks	0	-	-	28	-	0
Financial instruments at fair value through profit or loss	2	-	-	-	-	-
Investment securities	83	-	19	77	-	10
Loans and advances to customers	32	20	225	118	17	220
Other assets	0	-	6	1	-	1
Due to other banks	51	-	-	196	-	-
Due to customers	19	72	239	7	60	305
Other liabilities	3	1	1	2	1	1
Net interest income/(expense)	(2)	(1)	0	(8)	(1)	(4)
Net banking fee and commission income/(expense)	(3)	-	5	0	-	2
Dividend income	-	-	-	-	-	3
Other operating income/(expense)	(0)	-	0	-	-	(0)
Guarantees issued	271	1	1	395	1	5
Guarantees received	271	74	-	409	89	-

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 (2008: nil).

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

Key management personnel are entitled to compensation in the form of short-term employee benefits € 7.8 million (2008: € 14.9 million out of which € 3.1 million are share-based payments), and long-term employee benefits € 3.1 million out of which € 2.7 million are share-based payments (2008: € 4.2 million and € 3.9 million respectively).

43 Board of Directors

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

X. C. Nickitas	Chairman
G. C. Gondicas	Honorary Chairman (non executive)
Ms A. M. L. I. Latsis	1st Vice Chairman (non executive)
L. D. Eframoglou	2nd Vice Chairman (non executive)
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 (appointed as of 1 November 2007)
N. K. Pavlidis	Executive
F. S. Antonatos	Non Executive
A. G. Bibas	Non Executive
E. L. C. Bussetil	Non Executive
S. J. Latsis	Non Executive
P. P. Petalas	Non Executive
D. N. Damianos	Non Executive (appointed as of 16 March 2009 under L. 3723/2008)
P. V. Trdimas	Independent Non Executive
S. L. Lorentziadis	Independent Non Executive

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

44 Dividends

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

In June 2009 the Annual General Meeting approved a scnp dividend for the year 2008 of 10 231 383 ordinary shares to existing shareholders in the ratio of 2 new shares for every 98 held

In addition, according to Law 3756/2009 and the draft law submitted to the Greek Parliament on 17 March 2010, banks participating in the Greek Economy Liquidity Support Program are not allowed to declare a cash dividend to their ordinary shareholders for 2008 and 2009

Athens, 24 March 2010

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

Nicholas C Nanopoulos
I D No AE - 586794
CHIEF EXECUTIVE OFFICER

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

Harris V Kokologianis
I D No AH - 608305
HEAD OF GROUP FINANCE & CONTROL