

OS AA01

Statement of details of parent law and other information for an overseas company



☒ **What this form is for**
You may use this form to
accompany your accounts
disclosed under parent law

☒ **What this form is NOT for**
You cannot use this form to register
an alteration of manner of compliance
with accounting requirements

FRIDAY



A60 08/04/2011 30
COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ①	EFG EUROBANK ERGASIAS SA
UK establishment number ②	B R 0 0 6 2 9 3

→ **Filling in this form**
Please complete in typescript or in bold black capitals
All fields are mandatory unless specified or indicated by *
① This is the name of the company in its home state
② This should only be completed if the company has already been registered in the UK

Part 2 Statement of details of parent law and other information for an overseas company

A1	Legislation
Legislation ①	In accordance with IFRS, as adopted by the European Union

① This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts

A2	Accounting principles
Accounts	Have the accounts been prepared in accordance with a set of generally accepted accounting principles? Please tick the appropriate box ☐ No Go to Section A3 ☒ Yes Please enter the name of the organisation or other body which issued those principles below, and then go to Section A3
Name of organisation or body ②	International Accounting Standards Board of IFRS Foundation

② Please insert the name of the appropriate accounting organisation or body

A3	Accounts
Accounts	Have the accounts been audited? Please tick the appropriate box ☐ No Go to Section A5 ☒ Yes Go to Section A4

OS AA01

Statement of details of parent law and other information for an overseas company

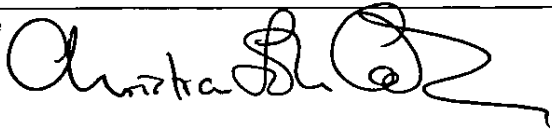
A4**Audited accounts**

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box ☐ No Go to Part 3 'Signature' ☒ Yes Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'	Please insert the name of the appropriate accounting organisation or body
Name of organisation or body	International Auditing and Assurance Standards Board (IAASB)	

A5**Unaudited accounts**

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box ☐ No ☐ Yes	
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Part 3**Signature**

I am signing this form on behalf of the overseas company		
Signature	Signature X  X	
This form may be signed by Director, Secretary, Permanent representative		

OS AA01

Statement of details of parent law and other information for an overseas company



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	CJ GALVIN
Company name	EFG EUROBANK ERGASIAS SA
Address	
1ST FLOOR	
25 BERKELEY SQUARE	
Post town	LONDON
County/Region	
Postcode	W 1 J 6 H N
Country	
DX	
Telephone	020 7973 8630



Checklist

We may return forms completed incorrectly or with information missing

Please make sure you have remembered the following

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register
- ☐ You have completed all sections of the form, if appropriate
- ☐ You have signed the form



Important information

Please note that all this information will appear on the public record



Where to send

You may return this form to any Companies House address

England and Wales

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ
DX 33050 Cardiff

Scotland

The Registrar of Companies, Companies House,
Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post)

Northern Ireland

The Registrar of Companies, Companies House,
Second Floor, The Linenhall, 32-38 Linenhall Street,
Belfast, Northern Ireland, BT2 8BG
DX 481 N R Belfast 1



Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

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EFG EUROBANK ERGASIAS S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2010



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COMPANIES HOUSE

26/03/2011
COMPANIES HOUSE

334

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

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Independent auditor's report

To the Shareholders of EFG Eurobank Ergasias S.A.

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Reference on Other Legal Matters

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

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

Athens, 22 March 2011

The Certified Auditor-Accountant

Marios Psaltis
SOEL Reg. No. 38081

 PRICEWATERHOUSECOOPERS

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

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

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

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

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

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

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

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

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

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

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

1 General information

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

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

2 Principal accounting policies

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

(a) Basis of preparation

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

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

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

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

(b) Standards and interpretations issued but not yet effective

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

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

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

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

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

(b) Consolidation

(i) Subsidiaries

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

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

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

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

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

2 Principal accounting policies (continued)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

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

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

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

(ii) Transactions with non-controlling interests

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

(iii) Associates

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

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

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

(iv) Joint ventures

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

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

(c) Foreign currencies

(i) Translation of foreign subsidiaries

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

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

(ii) Transactions in foreign currency

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

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

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

(d) Derivative financial instruments and hedging

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

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

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

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

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

2 Principal accounting policies (continued)

(d) Derivative financial instruments and hedging (continued)

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

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

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

(iii) Net investment hedge

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

(iv) Derivatives that do not qualify for hedge accounting

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

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

(e) Offsetting financial instruments

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

(f) Income statement

(i) Interest income and expenses

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

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

(ii) Fees and commissions

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

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent expenditure is recognised in the asset's carrying amount only when it is probable that future economic benefits will flow to the Group and the cost of the asset can be measured reliably. All other repair and maintenance costs are recognised in 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 lease term or the useful life of the asset if shorter
- Computer hardware and software: 4-10 years
- Other furniture and equipment: 4-20 years
- Motor vehicles: 5-7 years

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

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

(h) Intangible assets

(i) Goodwill

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

2 Principal accounting policies (continued)

(h) Intangible assets (continued)

(i) Goodwill (continued)

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

(ii) Computer software

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

(iii) Other intangible assets

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

(i) Financial Assets

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

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

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

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity

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

(iv) Available-for-sale

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

Accounting treatment and calculation

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

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

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

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

(j) Impairment of financial assets

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

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

2 Principal accounting policies (continued)

(j) Impairment of financial assets (continued)

(i) Assets carried at amortised cost

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

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

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

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

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

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

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

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

(ii) Available-for-sale assets

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

(k) Sale and repurchase agreements and securities lending

(i) Sale and repurchase agreements

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

(ii) Securities lending

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

(l) Financial liabilities

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

The Group designates financial liabilities at fair-value-through-profit-or-loss when any of the following apply:

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

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

2 Principal accounting policies (continued)

(m) Leases

(i) Accounting for leases as lessee

Finance leases

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

Operating leases

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

(ii) Accounting for leases as lessor

Finance leases

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

Operating leases

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

(n) Income tax

(i) Current income tax

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

(ii) Deferred income tax

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

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

(o) Employee benefits

(i) Pension obligations

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

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

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

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

(iii) Performance-based cash payments

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

(iv) Performance-based share-based payments

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

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

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

2 Principal accounting policies (continued)

(p) Insurance activities

(i) Revenue recognition

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

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

(ii) Insurance liabilities

Insurance reserves are classified as follows:

Mathematical reserves

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

Unearned premium and unexpired risk reserves

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

Outstanding claims' reserves

Outstanding claims reserves are set for liabilities on claims incurred and reported but not fully settled by the end of the reporting period. The specified liabilities are examined on a case-by-case basis by professional valuers, based on existing information (loss 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.

(iii) Liability adequacy

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

(iv) Reinsurance

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

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

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

(q) Repossessed properties

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

(r) Related party transactions

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

(s) Provisions

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

(t) Segment reporting

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

(u) Share capital

Ordinary shares and preference shares are classified as equity.

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

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

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

2 Principal accounting policies (continued)

(v) Preferred securities

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

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

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

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

(w) Financial guarantees

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

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

(x) Securitisations

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

(y) Cash and cash equivalents

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

3 Critical accounting estimates and judgments in applying accounting policies

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

(a) Impairment losses on loans and advances

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

(b) Estimated impairment of goodwill

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

(c) Fair value of financial instruments

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

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

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

(e) Securitisations and consolidation of special purpose entities

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

(f) Income taxes

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

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

(g) Retirement benefit obligations

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

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

(h) Share-based payments

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

4 Financial risk management

4.1 Use of financial instruments

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

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

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

4.2 Financial risk factors

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

4.2.1 Credit risk

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

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

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

(a) Derivatives

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

(b) Master netting arrangements

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

(c) Credit related commitments

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

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.1 Maximum exposure to credit risk before collateral held

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

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

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

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

4.2.1.2 Loans and advances to customers

Loans and advances are summarised as follows

	2010 € million	2009 € million
Neither past due nor impaired	44,529	46,393
Past due but not impaired	8,377	7,299
Impaired		
- collectively assessed	3,379	2,231
- individually assessed	2,312	1,656
Gross	58,697	57,579
Less: allowance for impairment	(2,329)	(1,742)
Net	56,268	55,837
Included in gross loans and advances are		
Past due more than 90 days	5,635	3,850
Of which non-performing loans	4,534	2,974

(a) Loans and advances neither past due nor impaired

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

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

(b) Loans and advances past due but not impaired

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

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

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

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.2 Loans and advances to customers (continued)

(c) Impaired loans and advances collectively assessed

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

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

	31 December 2010				31 December 2009			
	Mortgage € million	Consumer € million	Small business € million	Total € million	Mortgage € million	Consumer € million	Small business € million	Total € million
Collectively assessed loans	815	1,636	1,028	3,379	392	1,094	745	2,231
Fair value of collateral	1,292	-	499	1,791	661	-	426	1,087

(d) Impaired loans and advances individually assessed

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

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

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

(e) Loans and advances renegotiated

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

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

(f) Non-performing loans

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

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

4.2.1.3 Debt Securities

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

	31 December 2010				
	Trading securities € million	Available-for-sale securities € million	Held to maturity securities € million	Debt securities lending portfolio € million	Total € million
Aaa	25	609	811	-	1,445
Aa1 to Aa3	-	51	166	198	415
A1 to A3	5	613	92	169	779
Lower than A3	224	1,483	2,360	9,351	13,418
Unrated	33	92	0	47	172
Total	287	2,748	3,429	9,765	16,229

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Debt Securities (continued)

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

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

4.2.1.4 Concentration of credit risk

(a) Geographical sectors

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

	31 December 2010				
	Greece € million	Other Western European countries € million	New Europe countries € million	Other countries € million	Total € million
Loans and advances to banks	984	3,638	318	219	5,159
Loans and advances to customers					
- Wholesale lending	16,718	769	5,894	176	23,557
- Mortgage lending	11,413	68	5,617	21	17,119
- Consumer lending	6,398	1	2,517	10	8,926
- Small business lending	7,039	0	1,946	10	8,995
Debt securities	9,788	2,762	3,265	424	16,229
Derivative financial instruments	392	813	44	191	1,440
Other assets	621	29	101	3	754
Balance at 31 December 2010	53,353	8,070	19,702	1,054	82,179

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

(b) Industry sectors

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

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

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.4 Concentration of credit risk (continued)

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

Credit exposure to other industry sectors includes mainly sovereign assets

4.2.2 Market risk

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

(a) Interest rate risk

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

(c) Equity risk

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

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

(i) VaR summary for 2010 and 2009

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

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

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

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

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

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

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

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

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Market risk (continued)

(ii) Sensitivity analysis for 2010 and 2009

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

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

4.2.3 Liquidity risk

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

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

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

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

Liquidity Risk Management Framework

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

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

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

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

Assets held for managing liquidity risk

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

- Cash and balances with central banks
- Eligible bonds and other financial assets for collateral purposes
- Interbank placings maturing within one month

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

Maturity analysis of liabilities

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

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

	31 December 2010				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Gross/nominal (inflow)/outflow € million
Non-derivative liabilities					
- Due to other banks & repurchase agreements with banks	15,303	10,373	407	748	26,831
- Due to customers	27,683	7,878	8,030	1,038	44,629
- EMTNs	5	640	890	2,960	4,495
- Securitizations (redemptions and coupons) ⁽¹⁾	35	72	1,076	566	1,748
- Other liabilities	202	248	399	1,116	1,965
	43,228	19,211	10,801	6,428	79,668
Derivative financial instruments	64	-	-	-	64

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

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk (continued)

Off-balance sheet items

Credit related commitments
Capital expenditure
Operating lease commitments

Less than 1 year € million	Over 1 year € million
1,273	1,461
9	-
62	75
1,334	1,536

Non-derivative liabilities

- Due to other banks & repurchase agreements with banks
- Due to customers
- ECPs
- EMTNs
- Securitizations (redemptions and coupons)⁽¹⁾
 of which redemption of credit cards' securitization
- Other liabilities

31 December 2009					Gross nominal (inflow)/ outflow
Less than 1 month € million	1-3 months € million	3 months to 1 year € million	Over 1 year € million		€ million
6 727	2,539	9,489	719		19,474
27 518	10,832	7,457	1,688		47 495
135	131	17	-		283
2	405	422	5 087		5,916
65	130	1,066	1 329		2,590
		550			
789	47	198	726		1 760
35 236	14,084	18 649	9,549		77,518
229	-	-	-		229

Derivative financial instruments

⁽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

Credit related commitments
Capital expenditure
Operating lease commitments

Less than 1 year € million	Over 1 year € million
1 545	537
10	-
70	81
1 625	618

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

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

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

4.3 Capital management

Ordinary and Preferred shareholders' equity
Add: Regulatory non-controlling 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

Ratios

Core Tier I
Tier I
Capital Adequacy Ratio

Pro-forma ⁽¹⁾ 2010 € million	2010 € million	2009 ⁽²⁾ € million
	5,772	6 039
	232	253
	(633)	(533)
	(384)	(394)
5,341	5,087	5,365
	799	800
	(253)	(214)
5,886	5,633	5,951
45,035	47,968	47,827
%	%	%
10.2	9.1	9.6
11.9	10.6	11.2
13.1	11.7	12.4

⁽¹⁾ Pro forma with the completion of the strategic partnership in Poland and the merger with Dias S.A.

⁽²⁾ In accordance with Bank of Greece rules (19 March 2010) effective from 31 December 2009.

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

4 Financial risk management (continued)**4.3 Capital management (continued)**

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

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

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

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

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

4.4 Fair values of financial assets and liabilities

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

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

- trading assets, derivatives and other transactions undertaken for trading purposes as well as treasury bills, available-for-sale securities and assets and liabilities designated at fair-value-through-profit-or-loss are measured at fair value (notes 17, 18, 21, 28, 29 and 30) by reference to quoted market prices when available. If quoted market prices are not available, then the fair values are estimated using valuation techniques.
- substantially all of the Group's other financial assets and liabilities are at floating rates of interest, which re-price at frequent intervals. Therefore the Group has no significant exposure to fair value fluctuations and the carrying value of the financial assets and liabilities is substantially equivalent to their fair values, other than financial assets and financial liabilities which are referred to in notes 21 and 29.
- 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 2010				31 December 2009			
	Quoted prices in active market (Level 1) € million	Valuation technique observable parameters (Level 2) € million	Valuation technique non-observable parameters (Level 3) € million	Total € million	Quoted prices in active market (Level 1) € million	Valuation technique observable parameters (Level 2) € million	Valuation technique non-observable parameters (Level 3) € million	Total € million
Financial assets measured at fair value								
Financial assets held for trading	312	38	-	350	491	43	-	534
Financial assets designated at fair value through profit or loss	283	5	-	288	334	-	-	334
Derivative financial instruments	7	1,433	-	1,440	12	1,212	-	1,224
Available-for-sale investment securities	3,155	214	-	3,369	6,393	562	-	6,955
Total financial assets	3,757	1,690	-	5,447	7,230	1,817	-	9,047
Financial liabilities measured at fair value								
Derivative financial instruments	6	2,675	-	2,681	13	2,261	-	2,274
Trading liabilities	58	-	-	58	25	-	-	25
Due to customers								
- Structured deposits	-	192	-	192	-	358	-	358
- Unit linked products	293	362	-	655	323	407	-	730
Debt issued and other borrowed funds								
- Structured notes	-	318	-	318	-	289	-	289
Total financial liabilities	357	3,547	-	3,904	361	3,315	-	3,676

4 Financial risk management (continued)**4.5 Fiduciary activities**

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

5 Net interest income

	2010 € million	2009 € million
Interest income		
Customers	3,302	3,723
Banks	103	154
Trading securities	21	63
Other securities	778	731
Derivatives	1,113	1,316
	<u>6,317</u>	<u>5,987</u>
Interest expense		
Customers	(1,191)	(1,406)
Banks	(373)	(472)
Debt issued and other borrowed funds	(152)	(216)
Derivatives	(1,347)	(1,552)
	<u>(3,063)</u>	<u>(3,646)</u>
Net interest income	<u>2,254</u>	<u>2,341</u>

6 Net banking fee and commission income

	2010 € million	2009 € million
Lending related fees and commissions	199	196
Mutual funds and assets under management related fees	60	60
Capital markets related fees	56	74
Other fees	99	88
	<u>404</u>	<u>418</u>

7 Income from non banking services

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

8 Net trading income and gains less losses from investment securities

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

9 Operating expenses

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

10 Staff costs

	2010 € million	2009 € million
Wages, salaries and performance remuneration	565	589
Social security costs	109	109
Additional pension and other post employment costs	30	30
Other	68	65
	<u>772</u>	<u>793</u>

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

11 Income tax expense

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

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

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

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

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

12 Deferred income taxes

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

	2010 € million	2009 € million
The movement on the deferred income tax account is as follows:		
At 1 January	376	228
Income statement credit/(charge)	76	124
Available for sale investment securities		
- fair value measurement (note 21.1)	18	(41)
- transfer to net profit (note 21.1)	(8)	3
Cash flow hedges	17	8
Sale of treasury shares	-	42
Other	9	11
At 31 December	487	375

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

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

The net deferred income tax is analysed as follows:

	2010 € million	2009 € million
Deferred income tax assets (note 25)	603	389
Deferred income tax liabilities (note 30)	(116)	(14)
Net deferred income tax	487	375

The deferred income tax (credit)/charge in the income statement is attributable to the following items:

	2010 € million	2009 € million
Changes in fair value	29	15
Fixed assets	7	6
Pensions and other post retirement benefits	7	-
Loan impairment	(106)	(129)
Other	(13)	(16)
Deferred income tax (credit)/charge	(76)	(124)

13 Earnings per share

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

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

Net profit for the year attributable to ordinary shareholders (after deducting dividend attributable to preference shares and preferred securities holders, special tax contribution and after including gains/(losses) on preferred securities)

Weighted average number of ordinary shares in issue

Weighted average number of ordinary shares for diluted earnings per share

Year ended 31 December		
2010 2009		
€ million	(78)	384
Number of shares	537,991,864	519,514,999
Number of shares	537,991,864	520,182,348

Basic and diluted earnings/(losses) per share

Basic and diluted earnings/(losses) per share excluding gains/(losses) on preferred securities

€	(0.15)	0.74
€	(0.15)	0.41

Earnings/(losses) per share excluding special tax contribution (note 11)

Basic and diluted earnings/(losses) per share

Basic and diluted earnings/(losses) per share excluding gains/(losses) on preferred securities

€	(0.06)	0.85
€	(0.06)	0.51

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

14 Cash and balances with central banks

Cash in hand

Balances with central banks

of which

Mandatory deposits with central banks

2010	2009
€ million	€ million
586	629
3,020	2,450
3,606	3,079
1,414	1,403

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

15 Cash and cash equivalents

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

Cash and balances with central banks (excluding mandatory deposits with central banks)

Loans and advances to banks

Financial instruments at fair value through profit or loss

2010	2009
€ million	€ million
2,192	1,676
1,739	2,252
113	254
4,044	4,182

16 Loans and advances to banks

Pledged deposits with banks

Collateral deposits for securitisation of loans

Items in course of collection and current accounts with banks

Placements with other banks

Reverse repos with banks

Settlement balances with banks

2010	2009
€ million	€ million
1,824	1,501
1,335	1,154
247	81
741	626
1,010	1,166
2	256
5,159	4,784

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

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

	2010 € million	2009 € million
Trading portfolio		
Issued by public bodies		
- government	267	379
- other public sector	1	2
	<u>268</u>	<u>381</u>
Issued by other issuers		
- banks	35	99
- other	67	54
	<u>92</u>	<u>153</u>
	<u>360</u>	<u>534</u>
Other financial assets designated at fair value through profit or loss		
- unit linked products	283	324
- hedge funds	5	10
	<u>288</u>	<u>334</u>
Total	<u>638</u>	<u>868</u>
Equity securities	63	28
Treasury bills	0	100
Debt securities	287	406
Other financial assets at fair value through profit or loss	<u>288</u>	<u>334</u>
Total	<u>638</u>	<u>868</u>
Pledged securities with stock market clearing houses	2	5

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

18 Derivative financial instruments and hedge accounting

18.1 Derivative financial instruments

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

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

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

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

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

18 Derivative financial instruments and hedge accounting (continued)

18.1 Derivative financial instruments (continued)

	31 December 2010			31 December 2009		
	Contractual notional amount € million	Fair values Assets € million	Liabilities € million	Contractual notional amount € million	Fair values Assets € million	Liabilities € million
Derivatives held for trading						
<i>OTC currency derivatives</i>						
- Currency forwards	926	16	13	1,184	25	9
- Currency swaps	9,073	19	296	9,007	68	147
- OTC currency options bought and sold	14,983	243	241	12,310	121	113
		278	549		214	269
<i>OTC interest rate derivatives</i>						
- Interest rate swaps	32,555	817	971	44,940	739	973
- Cross-currency interest rate swaps	4,846	173	106	1,979	44	72
- Forward rate agreements	1,318	0	0	758	0	1
- OTC interest rate options	15,931	41	56	12,731	100	119
		1,031	1,133		883	1,165
Exchange traded interest rate futures	105	7	6	826	12	13
Exchange traded interest rate options	323	0	0	11	0	0
		1,038	1,139		895	1,178
<i>Other derivatives</i>						
Forward security contracts	13	0	0	754	4	0
Other derivative contracts (see below)	688	4	4	1,028	24	16
		4	4		28	16
Total derivative assets/liabilities held for trading		1,320	1,692		1,137	1,463
Derivatives designated as fair value hedges						
Interest rate swaps	6,867	57	714	15,526	72	655
Cross-currency interest rate swaps	125	0	22	91	1	20
		57	736		73	675
Derivatives designated as cash flow hedges						
Interest rate swaps	8,693	41	109	3,371	1	78
Cross-currency interest rate swaps	3,912	4	134	3,367	13	43
		45	243		14	121
Derivatives designated as net investment hedges						
Currency forwards/currency swaps	601	18	10	529	0	15
Total derivative assets/liabilities used for hedging purposes		120	989		87	811
Total derivatives assets/liabilities		1,440	2,681		1,224	2,274
Other derivative contracts include credit default swaps, over-the-counter equity options, exchange traded index futures, exchange traded index options bought and sold and commodity swaps						

18.2 Hedge accounting

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

(a) Fair value hedges

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

(b) Cash flow hedges

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

(c) Net investment hedges

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

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

19 Loans and advances to customers

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

The loans and advances to customers include the following amounts

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

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

	2010 € million	2009 € million
Gross investment in finance leases receivable		
Not later than 1 year	401	441
Later than 1 year and not later than 5 years	997	1,044
Later than 5 years	1,241	1,174
	2,639	2,659
Unearned future finance income on finance leases	(511)	(444)
Net investment in finance leases	2,128	2,215
Less: provision for impairment losses	(89)	(67)
	2,039	2,148

The net investment in finance leases is analysed as follows

	2010 € million	2009 € million
Not later than 1 year	328	375
Later than 1 year and not later than 5 years	803	876
Later than 5 years	997	964
	2,128	2,215
Less: provision for impairment losses	(89)	(67)
	2,039	2,148

20 Provision for impairment losses on loans and advances to customers

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

	31 December 2010				
	Wholesale € million	Consumer € million	Mortgage € million	Small business € million	Total € million
Balance at 1 January	397	819	83	443	1,742
Impairment losses on loans and advances charged in the year	175	866	78	244	1,362
Amounts recovered during the year	3	27	0	1	31
Loans written off during the year as uncollectible	(7)	(638)	(0)	(60)	(705)
Foreign exchange differences and other movements	(8)	(85)	0	(8)	(101)
Balance at 31 December	560	988	161	620	2,329

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

Reposessed properties

During the year the net increase in reposessed assets amounted to € 108 million (2009 € 64 million)

21 Investment securities

	2010 € million	2009 € million
Available-for-sale investment securities	3,369	6,955
Debt securities lending portfolio	9,766	4,663
Held-to-maturity investment securities	3,429	3,625
	16,563	15,243
Maturing after 1 year	13,362	13,309

21 Investment securities (continued)

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

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

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

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

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

21.1 Available-for-sale investment securities

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

The movement in the account is as follows

	2010 € million	2009 € million
Net book value at 1 January	6,955	5,289
Arising from acquisitions	28	-
Reclassification to held-to-maturity investment securities	(102)	-
Reclassification to debt securities lending portfolio	(3,618)	-
Additions	4,643	6,413
Disposals and redemptions	(4,434)	(4,864)
Amortisation of discounts/premiums and interest	(37)	44
Net gains/(losses) from changes in fair value for the year	(247)	79
Exchange adjustments	81	(6)
Net book value at 31 December	<u>3,369</u>	<u>6,955</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

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

21 Investment securities (continued)**21.2 Debt securities lending portfolio**

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

The movement in the account is as follows

	2010 € million	2009 € million
Net book value at 1 January	4,663	3,859
Reclassification from available-for-sale investment securities	3,618	-
Additions	1,918	2,898
Disposals and redemptions	(670)	(1,988)
Amortisation of discounts/premiums and interest	109	(4)
Amortisation of mark-to-market of reclassified securities	74	7
Changes in fair value due to hedging	122	(99)
Exchange adjustments	31	(10)
Net book value at 31 December	<u>9,765</u>	<u>4,663</u>

21.3 Held-to-maturity investment securities

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

The movement in the account is as follows

	2010 € million	2009 € million
Net book value at 1 January	3,625	3,052
Reclassification from available-for-sale investment securities	102	-
Additions	163	991
Redemptions	(513)	(423)
Amortisation of discounts/premiums and interest	1	19
Amortisation of mark to market of reclassified securities	15	10
Exchange adjustments	36	(24)
Net book value at 31 December	<u>3,429</u>	<u>3,625</u>

22 Shares in subsidiary undertakings

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

Name	Note	Percentage Holding	Country of Incorporation	Line of business
Be-Business Exchanges S A		98 01	Greece	Business-to business e-commerce
Best Direct S A.		100 00	Greece	Sundry services
Dias S A	a	26 08	Greece	Closed-end investment fund
EFG Eurobank Ergasias Leasing S A	b	100 00	Greece	Leasing
EFG Eurolife General Insurance S A.		100 00	Greece	Insurance services
EFG Eurolife Life Insurance S A		100 00	Greece	Insurance services
EFG Insurance Services S A.		100 00	Greece	Insurance brokerage
Eurobank EFG Asset Management Investment Firm S A		100 00	Greece	Asset management
Eurobank EFG Business Services S.A.		100 00	Greece	Payroll and advisory services
Eurobank EFG Cards S A		100 00	Greece	Credit card management
Eurobank EFG Equities S A.	c	100 00	Greece	Capital markets and advisory services
Eurobank EFG Factors S A		100 00	Greece	Factoring
Eurobank EFG Fin and Rent S.A	b	100 00	Greece	Vehicle leasing and rental
Eurobank EFG Financial Planning Services S A		100 00	Greece	Management of receivables
Eurobank EFG Mutual Funds Mngt Company S A		100 00	Greece	Mutual fund management
Eurobank EFG Property Services S A		100 00	Greece	Real estate services
Eurobank Properties R E I C	d e	55 92	Greece	Real estate
Global Fund Management S A.		99 50	Greece	Investment advisors
OPEN 24 S A		100 00	Greece	Sundry services
Tavros Protypi Anaptyxi S.A	e	55 92	Greece	Real Estate
Eurobank EFG Bulgana A D		99 99	Bulgaria	Banking
Bulgarian Retail Services A D		100 00	Bulgaria	Credit card management
EFG Auto Leasing E O O D		100 00	Bulgaria	Vehicle leasing and rental
EFG Leasing E A D		100 00	Bulgaria	Leasing
EFG Property Services Sofia A D		80 00	Bulgaria	Real estate services
EFG Securities Bulgaria E.A.D	f	100 00	Bulgaria	Capital markets and investment services
IMO Property Investments Sofia E A D	g	100 00	Bulgaria	Real estate services
EFG Hellas (Cayman Islands) Ltd		100 00	Cayman Islands	Special purpose financing vehicle
EFG Hellas II (Cayman Islands) Ltd		100 00	Cayman Islands	Special purpose financing vehicle
Berbens Investments Limited		100 00	Channel Islands	Holding company
EFG Hellas Funding Limited		100 00	Channel Islands	Special purpose financing vehicle
Eurobank EFG Cyprus Ltd		100 00	Cyprus	Banking
CEH Balkan Holdings Ltd		100 00	Cyprus	Holding company
EFG New Europe Funding III Ltd	h	100 00	Cyprus	Finance company
Eurocredit Retail Services Ltd		100 00	Cyprus	Credit card management
NEU Property Holdings Ltd		100 00	Cyprus	Holding company
Eurobank EFG Private Bank Luxembourg S.A		100 00	Luxembourg	Banking
Eurobank EFG Fund Management Company (Luxembourg) S A		100 00	Luxembourg	Fund management
Eurobank EFG Holding (Luxembourg) S A		100 00	Luxembourg	Holding company
EFG New Europe Funding B V		100 00	Netherlands	Finance company
EFG New Europe Funding II B V		100 00	Netherlands	Finance company
EFG New Europe Holding B V		100 00	Netherlands	Holding company
EFG Leasing Poland Sp z o o		100 00	Poland	Leasing
EFG Poldystyrbucja Sp z o o		100 00	Poland	Sundry services
EFG Property Services Polska Sp z o o		100 00	Poland	Real estate services
Bancpost S A	i	99 02	Romania	Banking
EFG Eurobank Finance S.A		100 00	Romania	Investment banking
EFG Eurobank Securities S A		100 00	Romania	Capital markets services
EFG Leasing IFN S.A.		100 00	Romania	Leasing
EFG Eurobank Property Services S A		80 00	Romania	Real estate services
EFG IT Shared Services S A		100 00	Romania	Informatics data processing
EFG Retail Services IFN S A		100 00	Romania	Credit card management
Eliade Tower S A		55 92	Romania	Real estate
IMO Property Investments Bucuresti S A	j	100 00	Romania	Real estate services
IMO-II Property Investments S A	k	99 89	Romania	Real estate services
Retail Development S A.		55 92	Romania	Real estate
S C EFG Eurolife Asigurari de Viata S A.		100 00	Romania	Insurance services
S C EFG Eurolife Asigurari Generale S A.		100 00	Romania	Insurance services
Seferco Development S A		55 92	Romania	Real estate
Eurobank EFG A.D. Beograd		99 98	Serbia	Banking
EFG Asset Fin d o o Beograd		100 00	Serbia	Asset management
EFG Business Services d o o Beograd		100 00	Serbia	Payroll and advisory services
EFG Leasing A D Beograd		99 99	Serbia	Leasing
EFG Property Services d o o Beograd		80 00	Serbia	Real estate services
IMO Property Investments A D Beograd		100 00	Serbia	Real estate services
Reco Real Property A D		55 92	Serbia	Real estate
Eurobank Tekfen A S		99 24	Turkey	Banking
EFG Finansal Kiralama A.S		99 23	Turkey	Leasing
EFG Istanbul Holding A.S		100 00	Turkey	Holding company
EFG Istanbul Menkul Degerler A S		99 24	Turkey	Capital market services
Public J S C Universal Bank		99 96	Ukraine	Banking
EFG Property Services Ukraine LLC		100 00	Ukraine	Real estate services
Eurobank EFG Ukraine Distribution LLC		100 00	Ukraine	Sundry services

22 Shares in subsidiary undertakings (continued)

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

⁽¹⁾ not consolidated due to immaturity

(a) Dias S A, Greece

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

(b) EFG Eurobank Ergasias Leasing S A and Eurobank EFG Fin and Rent S A, Greece

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

(c) Eurobank EFG Equities S A, Greece

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

(d) Eurobank Properties R E I C, Greece

In July 2010 Eurobank Properties R E I C merged with Kalabokis Tours & Cargo S A.

(e) Eurobank Properties R E I C and Tavros Protymi Anaptyxi S A, Greece

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

(f) EFG Securities Bulgaria E A D, Bulgaria

In September 2010 the Group decided the liquidation of EFG Securities Bulgaria E A D.

(g) IMO Property Investments Sofia E A D, Bulgaria

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

(h) EFG New Europe Funding III Ltd, Cyprus

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

(i) Bancpost S A, Romania

During the year, the Group increased its participation in Bancpost S A from 98.98% to 99.02%.

(j) IMO Property Investments Bucuresti S A, Romania

During the year the Group increased its participation in IMO Property Investments Bucuresti S A from 99.99% to 100%.

(k) IMO-II Property Investments S A (previously EFG Eurobank Mutual Funds Management Romania S A I S A), Romania

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

(l) Aristolux Investment Fund Management Company S A, Luxembourg

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

(m) BDD EFG Securities a d Beograd, Serbia

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

Post balance sheet event

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

23 Property, plant and equipment

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

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

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

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

Investment property

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

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

24 Intangible assets

	31 December 2010			31 December 2009		
	Goodwill € million	Other intangible assets € million	Total intangible assets € million	Goodwill € million	Other intangible assets € million	Total intangible assets € million
Cost						
Balance at 1 January	534	269	803	574	221	795
Arising from acquisition of subsidiaries	-	0	0	-	0	0
Transfers	-	(0)	(0)	-	1	1
Additions	-	66	66	-	51	51
Disposals and write-offs	-	(0)	(0)	-	(1)	(1)
Exchange adjustments	-	(1)	(1)	-	(3)	(3)
Adjustment to goodwill (see below)	0	-	0	(40)	-	(40)
Balance at 31 December	534	324	858	534	269	803
Accumulated impairment/amortisation						
Balance at 1 January	(1)	(92)	(93)	(1)	(63)	(64)
Arising from acquisition of subsidiaries	-	(0)	(0)	-	(0)	(0)
Transfers	-	0	0	-	(1)	(1)
Amortisation charge for the year	-	(31)	(31)	-	(29)	(29)
Disposals and write-offs	-	0	0	-	0	0
Exchange adjustments	-	(0)	(0)	-	1	1
Balance at 31 December	(1)	(123)	(124)	(1)	(92)	(93)
Net book value at 31 December	533	201	734	533	177	710

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

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

Goodwill for 2010 was adjusted for contingent purchase consideration and fair value adjustments in accordance with the provisions of the acquisition agreements for Accentus S A which was absorbed by Eurobank EFG Telesis Finance S A that merged with Eurobank EFG Equities S A (€ 15 million decrease) and Eurobank EFG A D Beograd (€ 18 million increase)

Impairment testing of goodwill

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

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

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

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

(i) Wealth Management and Global and Capital Markets segments

The pre-tax discount rate applied to cash flow projections is 15%. The growth rate used to extrapolate cash flows beyond the initial ten-year period is 2% and does not exceed the average long-term growth rate for the relevant markets

(ii) New Europe segment

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

25 Other assets

	2010 € million	2009 € million
Prepaid expenses and accrued income	68	44
Deferred tax asset (note 12)	503	389
Reposessed properties	272	164
Receivable from Deposit Guarantee Fund	188	115
Income tax receivable	96	95
Settlement balances with customers	12	42
Investments in associated undertakings (see below)	14	44
Other assets	400	379
	1,543	1,272

The movement in investments in associated undertakings is as follows

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

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

Name	Notes	Country of Incorporation	Line of business	Percentage Holding	Assets € million	Liabilities € million	Share of Net Assets € million	Share of Profit/(loss) € million
Unitfinance S A		Greece	Financing company	40 00	39	34	2	(1)
BD Financial Limited		British Virgin Islands	Financing company	49 90	13	0	6	0
Tefin S A		Greece	Motor vehicle sales financing	50 00	7	1	4	0
Sinda Enterprises Company Limited	a	Cyprus	Special purpose investment vehicle	48 00	5	0	2	0
Cardlink S A		Greece	POS administration	50 00	1	0	0	0
Dias S A	b	Greece	Closed-end investment fund	-	-	-	-	1
					65	35	14	(0)

As at 31 December 2010 the above companies are unlisted

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

(a) Sinda Enterprises Company Limited

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

(b) Dias S A

Following the approval of the merger between Dias S A and the Bank by the companies' Board of Directors in November 2010, the Group obtained control over DIAS S A with the existing nominal shareholding percentage of 26 08% (note 22)

26 Due to other banks

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

27 Repurchase agreements with banks

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

28 Due to customers

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

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

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

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

29 Debt issued and other borrowed funds

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

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

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

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

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

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

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

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

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

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

(b) Credit Card Asset Backed Securities

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

(c) Small Business Loan Asset Backed Securities

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

29 Debt issued and other borrowed funds (continued)**Lower Tier-II**

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

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

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

Medium-term notes (EMTN)

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

Covered bonds and Government guaranteed bonds

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

Post balance sheet event

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

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

30 Other liabilities

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

31 Standard legal staff retirement indemnity obligations

	2010 € million	2009 € million
Movement in the liability for standard legal staff retirement indemnity obligations		
Liability for staff retirement indemnity obligations at 1 January	83	81
Arising from acquisitions	0	0
Cost for the year (see below)	15	13
Benefits paid	(23)	(9)
Exchange and other adjustments	0	(2)
Liability for staff retirement indemnity obligations at 31 December	75	83
Expense recognised in profit or loss		
Current service cost	6	6
Interest cost	4	4
Additional cost	14	4
Actuarial (gains)/losses	(9)	(1)
Total included in staff costs (note 10)	15	13
Actuarial assumptions		
Principal actuarial assumptions (expressed as weighted averages)	%	%
Discount rate	5.4	5.7
Future salary increases	3.2	3.1

32 Ordinary share capital, share premium and treasury shares

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

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

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

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

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

Post balance sheet event

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

Treasury shares**a Treasury shares under special scheme**

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

b Other treasury shares

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

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

33 Preference shares

Preference Shares		
Number of shares	2010 € million	2009 € million
345,500,000	950	950
345,500,000	950	950

At 31 December

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

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

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

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

34 Preferred securities

On 18 March 2005, the Group, through its Special Purpose Entity EFG Hellas Funding Limited issued € 200 million preferred securities which represent Lower Tier 1 capital for the Group. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 18 March 2010 and annually thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative annual dividend of 8.75% for the first two years and non-cumulative annual dividends that are determined based on the ten year Euro swap rate plus a spread of 0.125% capped at 8% thereafter. The rate of preferred dividends for the Tier 1 Issue series A has been determined to 3.48% for the period March 18, 2010 to March 17, 2011. The preferred dividend must be declared and paid if the Bank declares a dividend. The preferred securities are listed on the Luxembourg and Frankfurt Stock Exchanges.

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

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

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

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

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

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

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

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

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

35 Share options

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

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

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

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

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

	31 December 2010		31 December 2009	
	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	12.00	421,897
2012	12.00	1,343,722	12.00	1,407,074
2013	13.58	1,337,700	13.58	1,412,689
2014	9.90	2,065,810	9.90	2,243,450
	11.57	5,169,129	11.55	5,485,110

36 Special reserves

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

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

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

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

37 Operating leases

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

Not later than one year
Later than one year and no later than five years
Later than five years

31 December 2010		31 December 2009	
Land and buildings € million	Furniture, equipment and vehicles € million	Land and buildings € million	Furniture, equipment and vehicles € million
60	2	68	2
62	3	63	1
10	0	17	-
122	5	148	3

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

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

Not later than one year
Later than one year and no later than five years
Later than five years

31 December 2010		31 December 2009	
Land and buildings € million	Furniture, equipment and vehicles € million	Land and buildings € million	Furniture, equipment and vehicles € million
20	31	21	1
77	10	80	3
102	-	70	-
199	41	171	4

38 Contingent liabilities and other commitments

Guarantees and standby letters of credit
Other guarantees and commitments to extend credit
Documentary credits
Capital expenditure

2010 € million	2009 € million
974	1,278
1,595	677
165	127
9	10
2,743	2,092

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

Legal Proceedings

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

39 Segment information

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

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

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

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

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

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

39 Segment information (continued)

39.1 Operating segments

	31 December 2010							
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	Other € million	New Europe € million	Elimination center € million	Total € million
Net interest income	1,091	469	4	16	(51)	725	-	2,254
Net commission income	59	61	48	61	2	173	-	404
Other net revenue	27	(20)	45	70	99	45	-	266
Total external revenue	1,177	510	97	147	50	943	-	2,924
Inter-segment revenue	104	3	(32)	(44)	15	(2)	(44)	-
Total revenue	1,281	513	65	103	65	941	(44)	2,924
Operating expenses	(507)	(113)	(69)	(77)	(78)	(626)	44	(1,426)
Impairment losses on loans and advances	(909)	(93)	(1)	(0)	(0)	(359)	-	(1,362)
Profit before tax attributable to shareholders	(136)	306	(5)	26	(29)	(45)	0	117
Segment assets	24,184	18,122	2,101	15,324	5,168	22,299	-	87,188

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

39.2 Entity wide disclosures

(a) Analysis of revenue by category

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

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

(b) Geographical information

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

	31 December 2010		31 December 2009	
	Revenues € million	Total assets € million	Revenues € million	Total assets € million
Greece	1,984	64,889	2,095	62 794
Romania	305	5,356	305	5,615
Poland	189	5,693	167	5,357
Bulgaria	171	3,611	193	3,911
Other countries	275	7,640	281	6 592
	2,924	87,188	3,041	84 269

40 Post balance sheet events

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

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

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

41 Acquisition of subsidiaries**Acquisition of Dias S A**

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

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

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

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

Acquisition related costs amounted to € 0.1 million.

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

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

Adjustments to the provisional values of previous year acquisitions

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

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

42 Stress test for the European Banks

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

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

43 Greek Economy Liquidity Support Program

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

- (a) First stream - preference shares
 345 500 000 non-voting preference shares with nominal value of € 950 million were subscribed to by the Hellenic Republic on 21 May 2009 (note 33).
- (b) Second stream - bonds guaranteed by the Hellenic Republic
 During the year, the Bank has issued bonds of € 12 050 million. As at 31 December 2010, the bonds were fully retained by the Bank (note 29).
 In March 2011, an additional amount of government guaranteed bonds of € 1,550 million was issued by the Bank (note 29).
- (c) Third stream - lending of Greek Government bonds
 Liquidity obtained under this stream must be used to fund mortgages and loans to small and medium-size enterprises. As at 31 December 2010, the Bank had borrowed special Greek Government bonds of € 1 737 million.

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

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

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

44 Related party transactions

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

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

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

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

Key management compensation (including directors)

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

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

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

45 Board of Directors

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

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

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

46 Dividends

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

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

Athens, 22 March 2011

Efthymios N. Christodoulou
I.D. No AB - 049358
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 AK - 021124
HEAD OF GROUP FINANCE & CONTROL