



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

MARFIN POPULAR BANK PUBLIC CO LTD GROUP

FINANCIAL REPORT

for the year ended 31 December 2010

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for the year ended 31 December 2010

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Andreas Vgenopoulos	-	Non Executive Chairman
Neoclis Lysandrou	-	Non Executive Vice Chairman
Vassilis Theocharakis	-	Non Executive Vice Chairman
Efthimios Bouloutas	-	Group Chief Executive Officer
Christos Stylianides	-	Deputy Chief Executive Officer
Panayiotis Kounnis	-	Deputy Chief Executive Officer
Eleftherios Hiliadakis		
Platon E. Lanitis		
Constantinos Mylonas		
Stelios Stylianou		
Markos Foros		
Hesham Al Qassim		
Fadel Al Ali		
Abdulrazaq Al Jassim		

Group Executive Committee

Efthimios Bouloutas	-	Chairman
Panayiotis Kounnis		
Christos Stylianides		
Eleftherios Hiliadakis		
Samuel David		
Iraklis Kounadis		
Kyriakos Magiras		
Dimitris Spanodimos		

Secretary of the Board of Directors

Stelios Hadjosif

Group Chief Financial Officer

Annita Philippidou

Registered Office

154, Limassol Avenue, 2025 Nicosia, Cyprus

Independent Auditors

PricewaterhouseCoopers Limited

Grant Thornton (Cyprus) Limited

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and the audited consolidated financial statements of Marfin Popular Bank Public Co Ltd Group (the "Group") for the year ended 31 December, 2010.

Principal activities

The principal activities of the Group continue to be the provision of banking and financial services. Also the Group offers insurance services through an associate (Note 26).

The Group operates through subsidiary companies, branches and representative offices in Cyprus and abroad.

Group restructuring, business acquisitions and disposals

On 15 May, 2009 the Boards of Directors of Marfin Popular Bank Public Co Ltd (the "Bank") and its subsidiary Marfin Egnatia Bank S.A. decided the commencement of merging the two Banks with the transformation date being 30 June, 2009.

On 15 September, 2009 the Boards of Directors of the two Banks decided the continuation of their merger process through the absorption of Marfin Egnatia Bank S.A. by Marfin Popular Bank Public Co Ltd in order for the legal seat of the Group to remain in Cyprus. The merger will be effected according to the provisions of the EU Directive 2005/56/EC regarding cross-border mergers of capital companies, which has been incorporated in the Cypriot and Greek legislation through laws L186(1)/2007 and L3777/2009 respectively.

On 26 November, 2009 the Boards of Directors of the two Banks decided to convene Extraordinary General Meetings of the shareholders for the approval of the merger. On 23 December, 2009 the Extraordinary General Meetings of the shareholders approved the Cross-Border Merger through the absorption of Marfin Egnatia Bank S.A. by Marfin Popular Bank Public Co Ltd.

Following the 15 December, 2010 decision of the Nicosia District Court, the date of the conclusion of the Cross-Border Merger was set as 31 March, 2011 (12:00 p.m.).

On 28 February, 2011, the sale of 85% of Laiki Bank (Australia) Ltd to Bank of Beirut s.a.l. was completed. The Bank will remain as a minority shareholder in Laiki Bank (Australia) Ltd until at least February 2013. From February 2013 onwards the Bank has the option to sell its remaining stake to Bank of Beirut s.a.l.

Details on the Group's restructuring and business acquisitions are presented in Notes 49 and 51 of the consolidated financial statements.

Review of results for the year and prospects for the future

The results for 2010 are shown in the consolidated income statement on page 17. The Group profit before provision for impairment of advances reached € 366,6 m compared to € 450,4 m in 2009. After provision for impairment of advances of € 266,1 m and share of profit of associates of € 14,2 m, profit before tax reached € 114,7 m against € 217,8 m in 2009. After deducting tax of € 25,4 m and non-controlling interests of € 2,1 m, net profit attributable to the equity holders of the Bank reached € 87,1 m compared to € 173,9 m in 2009.

The Group delivered another year of resilient operating performance, despite exceptionally adverse economic conditions. The 12% annual net interest income growth, which drove the Group's core income 5% higher, underlines the Group's expanding balance sheet and effective re-pricing. For the year 2010, Group loans and deposits grew by 6% and 7% respectively, significantly outpacing the respective Hellenic system growth rates and further improving the Group's loan to deposit ratio by 100 basis points to 104%. Furthermore, revenue expansion was combined with tight cost control and stabilising asset quality trends. NPL formation, for the year, declined by 21%, while cost of credit remained stable at 100 basis points with provision coverage at a comfortable 51% level.

The successful completion of the capital increase, the largest ever executed by a Cyprus Stock Exchange listed company, in combination with the recent disposal of the Australian subsidiary, have further improved the capital position, boosting the Tier I and total regulatory capital to € 3,3 bln and € 3,7 bln respectively, corresponding to Tier I and total capital ratios of 12,0% and 13,7% respectively, based on 31 December, 2010 pro-forma figures, thus positioning Marfin Popular Bank amongst the best capitalised banks in the Eurozone.

The recent capital-enhancing exercises enable the Group to fully align its capital structure to its strategic business objectives, as well as to the forthcoming Basel III capital requirements, thus dramatically improving its long-term growth potential.

Dividend

On 25 November, 2010 the Board of Directors decided the distribution of interim dividend of € 0,22 from the 2008 profits in the form of shares issued by the Bank with an issue price of € 1,4472 per share.

The Board of Directors recommends a dividend payment of € 0,10 (2009: € 0,08) per share in the form of shares issued by the Bank with an issue price of € 1,00 per share. The remaining net profit for the year is transferred to reserves.

REPORT OF THE BOARD OF DIRECTORS (continued)

Share capital

On 23 December, 2009 the Extraordinary General Meeting of the shareholders approved the authorisation of the Board of Directors for the issue of 5.781.000 new ordinary shares of the Bank of a nominal value of € 0,85 each, in the framework of the Cross-Border Merger through absorption of Marfin Egnatia Bank S.A. by the Bank, to be exchanged with 8.594.000 ordinary common shares of Marfin Egnatia Bank S.A. The Bank's shares to be issued, in exchange for the above common ordinary shares, not to be offered at first to existing shareholders of the Bank, as provided by the Articles of Association of the Bank, but to be offered to the existing shareholders of Marfin Egnatia Bank S.A. (except from the Bank itself) according to the provisions of the Common Terms of the Cross-Border Merger and the decisions of the Boards of Directors of the merging companies. The new shares which are in the process to be issued in the context of completion of the merger, as mentioned above, will have the same rights as the existing fully paid shares of the Bank.

On 25 May, 2010 the Extraordinary General Meeting of the shareholders approved the increase of the authorised share capital of the Bank from € 935.000.000 to € 1.062.500.000 by the creation of 150.000.000 additional shares, of nominal value of € 0,85 each.

On 21 June, 2010, the Bank issued 10.133.000 new ordinary shares, of nominal value of € 0,85 each, which resulted from the re-investment of the dividend for the year 2009 in accordance with the Dividend Re-investment Plan. Based on the Plan, the Bank's shareholders had the option of part or full re-investment of the net 2009 dividend paid, into shares of the Bank. The exercise price of the re-investment right of the 2009 dividend was set at € 1,34 per share, that was 10% lower than the average closing price of the Bank's share in the Cyprus Stock Exchange and the Athens Exchange for the period from 1 June to 7 June, 2010. The trading of the newly issued shares commenced on 15 July, 2010.

On 18 November, 2010, the Extraordinary General Meeting of the shareholders approved the increase of the authorised share capital of the Bank from € 1.062.500.000 to € 1.766.500.000 by the creation of 840.000.000 additional shares, of nominal value of € 0,85 each.

On 16 December, 2010, the Bank issued 123.830.000 new ordinary shares, of nominal value of € 0,85 each, which resulted from the distribution of interim dividend of € 0,22 per share in the form of shares issued by the Bank with an issue price of € 1,4472 per share which was 10% lower than the average closing price of the Bank's share on the Cyprus Stock Exchange and the Athens Exchange for the period from 11 October to 15 October, 2010. The trading of the newly issued shares commenced on 22 December, 2010.

On 16 February, 2011, the Bank issued 488.168.000 new ordinary shares, of nominal value of € 0,85 each, which resulted from the share capital increase through payment in cash and nil paid Rights in favour of existing shareholders of the Bank, in accordance with the terms and procedures of the Approved Prospectus dated 21 December, 2010, as applicable. The nil paid rights were issued and allotted to the existing shareholders at a ratio of one nil paid right for every ordinary share and every two nil paid rights which were exercised at a total exercise price of € 1 were converted into one fully paid share of the Bank. The trading of the new shares commenced on 23 February, 2011.

The Articles of Association of the Bank do not specify any restrictions in the transfer of the shares of the Bank.

The share capital and share premium are presented in Note 37 of the consolidated financial statements.

Shareholders with more than 5% of share capital

The shareholders of the Bank with more than 5% of the share capital are presented in Note 47 of the consolidated financial statements.

Shareholders' Agreements

The Bank is not aware of any agreements between its shareholders which might result in restrictions on the transfer of the Bank's shares or in the exercise of the voting rights conferred by its shares.

Important Agreements which come into effect, are amended or expire following a public offer

There are no agreements which come into effect, are amended or expire in case of change of control following a public offer.

Agreements with Members of the Board of Directors or employees of the Bank

There are no agreements of the Bank with Members of the Board of Directors or its employees which provide for the payment of compensation in case of the resignation or release without valid reason or in case of termination of their employment due to a public offer.

Risk management

As any other financial institution, the Group is exposed to risks. The nature of these risks and the Group's risk management policies are explained in Note 44 of the consolidated financial statements.

Post balance sheet events

Post balance sheet events are disclosed in Note 53 of the consolidated financial statements.

REPORT OF THE BOARD OF DIRECTORS (continued)

Board of Directors

The Members of the Board of Directors of the Bank are shown on page 3.

Soud Ba'alawy resigned from the Board of Directors on 9 February, 2010.

Andreas Vgenopoulos, Neoclis Lysandrou, Vassilis Theocharakis, Efthimios Bouloutas, Christos Stylianides, Panayiotis Kounnis, Eleftherios Hiliadakis, Platon E. Lanitis, Constantinos Mylonas, Stelios Stylianou, Markos Foros and Joseph Kamal Eskander were re-elected by the Annual General Meeting of the shareholders on 25 May, 2010.

In accordance with Article 96 of the Articles of Association, Abdulrazaq Al Jassim and Fadel Al Ali were proposed to the Bank and were elected as new Members of the Board of Directors by the Annual General Meeting of the shareholders on 25 May, 2010.

On 27 May, 2010, the Board of Directors re-appointed Andreas Vgenopoulos as Non Executive Chairman and Neoclis Lysandrou and Vassilis Theocharakis as Non Executive Vice Chairmen.

Joseph Kamal Eskander resigned from the Board of Director on 27 July, 2010. On the same date the Board, in accordance with Article 98 of the Articles of Association, appointed as a new Member Hesham Al Qassim who offers himself for re-election at the Annual General Meeting of the shareholders.

The remuneration of the Members of the Board of Directors is shown in Note 48 of the consolidated financial statements.

The interests of the Members of the Board of Directors in the share capital of the Bank are shown in Note 46 of the consolidated financial statements.

Statement regarding Corporate Governance Code

The Board of Directors has adopted the Corporate Governance Code of the Cyprus Stock Exchange (CSE) which is available on the CSE website, www.cse.com.cy.

The Board of Directors fully complies with the provisions of the CSE Corporate Governance Code with the exception of the provision A2.3 for the number of independent Non Executive Directors for which the Code allows an exception by giving the necessary explanation and authorises the CSE Council to grant companies reasonable time for complying with provision A2.3 which will not exceed twelve months. The Bank has applied to the CSE Council which has granted the Bank a compliance period until 31 December, 2011.

The Corporate Governance Report of the Group for 2010, which has been prepared in accordance with the provisions of the CSE Code, includes the above mentioned explanation, as well as the information required by Article 5 of the Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission. The Corporate Governance Report of the Group is shown on pages 7 to 12.

The Bank has not issued any share capital which gives any special rights of control or impose any voting limitations.

Independent Auditors

The Independent Auditors, PricewaterhouseCoopers Limited and Grant Thornton (Cyprus) Limited, have expressed their willingness to continue in office. A resolution recommending their reappointment and giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting of the shareholders.

By order of the Board

Andreas Vgenopoulos
Chairman

Nicosia, 29 March, 2011

CORPORATE GOVERNANCE REPORT

Part A

The Cyprus Stock Exchange (CSE) had adopted in September 2002 a Corporate Governance Code (the “Code”) for companies, which are listed on the Stock Exchange. The Code requires listed companies to include a Report on Corporate Governance in their Annual Report. The Board of Directors of Marfin Popular Bank Public Co Ltd (the “Group”) had taken the necessary decisions for its full implementation.

The CSE has issued in January 2007 a revised Corporate Governance Code (2nd Edition) replacing the Code issued in September 2002 and the Supplement issued in November 2003.

The CSE has issued in September 2009 a new Revised Corporate Code (3rd Edition), which replaces the Code issued in January 2007. In March 2011 the CSE has issued the Revised 3rd Edition.

In accordance with the 3rd Edition (Revised) of the Code part of the provisions will be included in the annual reports which will be submitted by listed companies as from April 2012.

The Board of Directors of Marfin Popular Bank Public Co Ltd states that it had adopted and fully complies with the provisions of the Revised CSE Code with the exception of Provision A2.3 for the number of independent non executive directors for which the Code allows an exception by giving the necessary explanations.

Part B

The Board of Directors of Marfin Popular Bank Public Co Ltd states that it complies with the provisions of the Code with the exception of Paragraph A2.3 as stated above.

The following information is submitted in relation to the adoption and implementation of the Code.

Board of Directors

The Board of Directors meets regularly (in 2010 it met sixteen times) which ensures that the Directors are able to review, inter alia, corporate strategy, the Budget and the results of the Bank and its subsidiaries, acquisitions, major capital and other important transactions.

The Directors are informed in writing and in time for all Board meetings and have at their disposal all necessary documents for each meeting. All Directors have access to the advice and services of the Secretary.

All fourteen directors offer themselves for re-election at regular intervals and at least every three years. The names of the Directors who are up for election or re-election are accompanied by sufficient biographical information.

All existing Members of the Board of Directors were elected by the Annual General Meeting on 25 May, 2010 except Hesham Al Qassim who was appointed by the Board in July 2010.

Soud Ba'alawy and Joseph Kamal Eskander resigned from the Board in February 2010 and July 2010 respectively.

The Board of Directors re-elected in May 2010 Andreas Vgenopoulos as Non Executive Chairman and Neoclis Lysandrou and Vasilis Theocharakis as Non Executive Vice Chairmen.

The Board is made up of the following persons:

- Andreas Vgenopoulos, Non Executive Chairman
- Neoclis Lysandrou, Non Executive Vice Chairman
- Vasilis Theocharakis, Non Executive Vice Chairman
- Efthimios Bouloutas, Chief Executive Officer
- Panayiotis Kounnis, Deputy Chief Executive Officer
- Christos Stylianides, Deputy Chief Executive Officer
- Eleftherios Hiliadakis, Executive Director
- Markos Foros, Non Executive Director
- Platon Lanitis, Non Executive Director
- Constantinos Mylonas, Non Executive Director
- Stelios Stylianou, Non Executive Director
- Abdulrazaq Al Jassim, Non Executive Director

CORPORATE GOVERNANCE REPORT (continued)

Board of Directors (continued)

- Fadel Al Ali, Non Executive Director
- Hesham Al Qassim, Non Executive Director

Three Non Executive Directors, namely, Markos Foros, Constantinos Mylonas and Hesham Al Qassim comply with the criteria for independent directors as specified by the CSE Code. The Board also appointed Constantinos Mylonas as Senior Independent Non Executive Director.

It is confirmed that there is a clear separation of the positions, duties and responsibilities of the Chairman of the Board and the Chief Executive Officer.

The Board of Directors taking into account the continuing reorganisation of the Group business believes that the present balance of executive, non executive and independent directors, which includes ten non executive directors, serves the interests of the shareholders and the Group in general. The Board of Directors, is examining the measures to be taken for implementing provision A2.3 and has applied to the CSE Council for obtaining a reasonable time period in accordance with the 3rd Edition of the Code. The CSE Council has granted Marfin Popular Bank Public Co Ltd a compliance period until 31 December, 2011.

Lending to Directors of Marfin Popular Bank and their related parties is shown in Note 48 of the consolidated financial statements. The Board confirms that such lending had been approved by it in the ordinary course of business and at arm's length.

It is also confirmed that with the exception of lending as explained above, there are no receivables from a company connected to a Director or a person related to him.

In addition, none of the Directors have a material interest, directly or indirectly, in any contract of significance with the Bank or any of its subsidiaries.

Appointment and replacement of Directors

The appointment and replacement of Directors are specified by the Articles of Association of the Bank as follows:

- One third of the Directors retire at every Annual General Meeting. If one third of the Directors is not an integer, the number of Directors retiring is rounded up to the nearest whole number.
- Directors retiring as stated above are eligible for re-election.
- The Bank at the Meeting at which a Director retires in the manner aforesaid, may fill the vacated place by electing a person thereto and if it fails in doing so, by default the retiring Director shall, if he offers himself for re-election be deemed to have been re-elected, unless at such meeting it is expressly resolved not to fill such vacated place, or unless a resolution for the re-election of such Director shall have been put to the Meeting and was rejected.
- No person other than a Director retiring at the meeting shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting, unless not less than three nor more than twenty one days before the date set for the meeting there shall have been left at the registered office of the Bank notice in writing signed by a member duly qualified to attend and vote at the meeting for which such notice is given, expressing his intention to propose such person for election, and also notice in writing signed by that person of his willingness to be elected.
- The Bank may from time to time by ordinary resolution increase or reduce the number of Directors, and may also determine the method the increased or reduced number will retire by rotation. In accordance with a decision of the Extraordinary General Meeting dated 8 May, 1996, the number of Directors cannot be less than nine or more than fifteen.
- The Directors shall have power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors shall not at any time exceed the number fixed in accordance with the Articles of Association of the Bank. Any Director so appointed shall hold office only until the next following Annual General Meeting, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

Authorities of the Board of Directors

The authorities of the Members of the Board of Directors, including the ability to buy back own shares, are specified by the Articles of Association of the Bank and Legislation.

Specifically for the issue of shares, the Board of Directors has the authority to issue shares, which will be offered to the existing shareholders pro-rata to their participation in the share capital of the Bank on a specific date to be designated by the Board of Directors. An essential requirement for the implementation of this authority is the availability of the necessary authorised share capital.

CORPORATE GOVERNANCE REPORT (continued)

Amendment of the Articles of Association

The Articles of Association of the Bank can only be changed with a Special Resolution at an Extraordinary General Meeting of the shareholders of the Bank.

Going Concern

The Board of Directors is satisfied that the Group has adequate resources to continue in business for the next twelve months.

Board Committees

The Board had appointed an Audit Committee, a Nomination Committee, a Compensation Committee and a Risk Management Committee in accordance with the provisions of the CSE Code.

Audit Committee

The Board has appointed for the first time an Audit Committee with written terms of reference before the adoption of a Corporate Governance Code. The Committee comprises exclusively of non executive directors, the majority of which are independent, namely:

- Constantinos Mylonas (Chairman)
- Markos Foros
- Neoclis Lysandrou

The Audit Committee is accountable to the Board and shall meet with such frequency as it may consider appropriate and shall report to the Board once a year or as the Board may otherwise determine. During 2010 it met eight times.

The main terms of reference of the Audit Committee are the following:

- To consider the appointment and the termination of the appointment of the external auditors, the audit fee, the scope and the cost-effectiveness of the auditors' work, and any related issues.
- To evaluate the independence and objectivity of the external auditors by, among other things, monitoring the nature and extent of any non-audit services provided (either directly or through a related entity).
- To review the Annual Report and the Financial Statements of the Group with Senior Management and with the company's external auditors to ensure that the information that they contain, has been fairly and accurately stated, and is in accordance with approved accounting principles including the International Financial Reporting Standards (IFRSs).
- To give to the Board such additional assurance as it may reasonably require regarding the reliability of financial information submitted to it and of financial statements issued by the Group.
- To discuss with the Group's external auditors their general approach to and the scope of their audit including, in particular, the nature of any significant unresolved accounting and auditing problems and reservations arising from their interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary).
- To review the external auditors' management letter and the response of management.
- To appoint, at least every three years, external auditors to carry out an overall evaluation of the internal control system in compliance with the relevant Central Bank of Cyprus Directive.
- To ensure that the Group, its subsidiary companies and those of its associates for which it provides management services comply with all supervisory and other regulations to which they are subject.
- To review the Group Internal Audit Report on internal control systems prior to presentation to the Board.
- To keep under general review the system of internal audit in operation within the Group, to assess its effectiveness and to consider the major findings of internal investigations and management's response.
- To liaise with the Audit Committees of subsidiary companies of the Group which must submit to it, at least once a year, a report on their internal control systems.
- To review the internal audit programme, ensure coordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group.
- To review whether transactions between the Group and Board Members, Senior Management, the Secretary, the external auditors and major shareholders, were on an arm's length basis.

CORPORATE GOVERNANCE REPORT (continued)

Audit Committee (continued)

- To prepare the Corporate Governance Report of the Company with the assistance of the officer responsible for Compliance with the Code.
- To undertake any other related tasks as the Board may from time to time entrust to it.

Risk Management Committee

The Risk Management Committee oversees all risk management activities of the Group for the purpose to identify, evaluate and manage all key business risks. During 2010 it met five times.

The Committee also ensures that systems, policies and procedures are in place to manage these risks and ensures that major issues are referred to the Board of Directors.

The Members of the Committee include an independent non executive director and an executive director.

The Committee comprises of the following:

- Neoclis Lysandrou (Chairman)
- Markos Foros
- Christos Stylianides

Nomination / Internal Governance Committee

The Nomination Committee is accountable to the Board and meets with such frequency as it may consider appropriate. During 2010 it met three times.

The main terms of reference of the Nomination Committee are the following:

- Identifies and nominates to the Board candidates to fill Board vacancies as and when they arise.
- Assesses on an annual basis the structure, size, composition, performance and effectiveness of the Board and makes recommendations to the Board with regard to any changes.
- Assesses on an annual basis the skills, knowledge and experience of the Members of the Board of Directors and reports this to the Board.
- Consider issues relating to succession planning and reviews the leadership needs of the Group.

The Committee makes its recommendations to the Board to take the relevant decisions, which are subject to the approval of the Annual General Meeting.

The Nomination Committee comprises of non executive directors including one independent non executive director, namely:

- Platon Lanitis (Chairman)
- Markos Foros
- Neoclis Lysandrou

Compensation Committee

The Compensation Committee is accountable to the Board and meets with such frequency as it may consider appropriate. During 2010 it met three times.

The terms of reference of the Compensation Committee are the following:

- Determines and agrees with the Board the Compensation Policy applicable to all employees of the Group.
- Reviews the Group Compensation Policy on an annual basis and ensures its implementation within the terms of the agreed policy, considers and makes recommendations to the Board for the total individual compensation package of the Executive Members of the Board and other Members of Management (Executive Management) as defined in the Policy, including where appropriate, bonuses, incentive payments and share schemes (Variable Compensation Schemes).
- Ensures that the compensation of Executive Management and other key personnel is consistent with the Bank's culture, objectives, strategy and control environment as reflected in the formulation of the Compensation Policy.

CORPORATE GOVERNANCE REPORT (continued)

Compensation Committee (continued)

- Ensures, in the recommendation to the Board, that the compensation of Executive Management is adequated to attract, retain and give incentives to people who have the required knowledge and experience, while at the same time avoiding having to pay more that is necessary for the purpose.
- Reviews annually the Variable Compensation Schemes to ensure their effectiveness.
- Has access to both internal and external professional advice to evaluate with caution the position of the Bank in matters of compensation in relation to other companies.

The Compensation Committee comprises of non executive directors, the majority of which are independent, namely:

- Constantinos Mylonas (Chairman)
- Markos Fors
- Platon Lanitis

Compensation Policy

The Board of Directors has approved in January 2010 a revised Compensation Policy for the Senior Management and other employees of the Group, which complies with the relevant Guideline of the Central Bank of Cyprus, so that compensation is aligned with the long term interests of shareholders.

The Compensation Policy of the Group states that for the determination of the compensation of executive directors their qualifications, experience, responsibilities and performance, comparative compensation in the banking industry and the profitability of the Group are taken into account aiming for the recruitment and continuation of employment of high calibre executive directors.

The compensation of the executive directors is determined on an individual basis by the Board of Directors and is made up of salary and other benefits (bonus and non-cash benefits), which are also available to all employees of the Group.

The Executive Directors have no separate contract of employment for their services and also the Directors based in Cyprus participate in a defined retirement benefit plan as all other employees of the Group. The Plan is explained in Note 2 of the consolidated financial statements.

The fees of the non executive Directors are related to their duties and responsibilities and the time spent for Board and Committee meetings, and are approved by the Annual General Meeting.

The Extraordinary General Meeting of the shareholders approved on 17 April, 2007 the introduction of a Share Option Scheme for the Members of the Board of Directors of the Bank and the employees of the Group. The exercise price for each Share Option was set at € 10.

On 9 May, 2007 the Board of Directors, following a recommendation of the Compensation Committee, granted Share Options to Members of the Board and employees of the Group.

The Extraordinary General Meeting of the shareholders held on 23 December, 2009, changed the exercise price of the Share Options to € 4,50 and extended the Scheme to the year 2013.

Based on the 2009 results, a Restricted Stock Scheme has been set up for the Members of the Board and Senior Management of the Group.

The compensation of Directors is shown in Note 48 of the consolidated financial statements.

Internal Control System

The Board of Directors has the overall responsibility for maintaining a proper internal control environment, which safeguards, among others, the assets of the Group and its clients, the accuracy and confidentiality of transactions, the reliability of financial information and compliance with applicable regulations.

To this end, the management of each business entity within the Group are tasked with introducing and operating internal control systems, which are commensurate with the scale and complexity of operations.

In addition, at Group level suitable risk management units exist for supporting the Risk Management Committee and the Assets and Liabilities Committee (ALCO) in drafting and monitoring implementation of the overall risk policy and in managing individual risks. For measurable risks, in particular, Group procedures require determination and periodic revision of acceptable exposure limits.

An internal control system aims at mitigating, but not eliminating, the risks faced by the entity, and provides reasonable but not absolute assurance that material loss will not be incurred.

CORPORATE GOVERNANCE REPORT (continued)

Internal Control System (continued)

The adequacy and proper operation of internal controls in individual areas of operation are reviewed periodically by the independent Internal Audit Division of the Group and its findings are reported to the Audit Committee. The latter informs the Board regarding important issues, and presents also an annual report on the adequacy and efficiency of the internal control systems of the Group. The annual reports prepared, confirm the adequacy and effectiveness of the internal control systems of the Group.

Based on the above, the Board states that it is satisfied with the adequacy of the system of internal control and also the procedures for ensuring that the information included in the financial statements and other announcements provided by the Bank to shareholders and investors is correct and complete.

In addition, the Board states that it has not come to its attention any violation of the Stock Exchange Laws and Regulations.

The Board has also appointed the Secretary of the Bank Stelios Hadjosif as Officer responsible for compliance with the Corporate Governance Code.

Relations with shareholders

The Group, recognising the importance of communicating correct and timely information, publishes its results on a quarterly basis.

The results and other information relating to the activities of the Group are presented at teleconferences at which analysts, journalists, shareholders and investors can take part.

The Bank encourages shareholders to attend the Annual General Meetings and in its relations with shareholders complies with the requirements of the Cyprus Companies Law and the Corporate Governance Code.

The Bank has also appointed Evelyn Vougesis as Investor Relations Officer.

Biographical information

Biographical information of a Member of the Board who offers himself for re-election:

Hesham Al Qassim

He studied Banking and Finance at the Higher College of Technology, Dubai and holds a Master's Degree in International Business from the University of Wollongong, Dubai. He also attended the Mohammed Bin Rashid Programme for Leadership Development. From 1994 to 2007 he held managerial positions at the National Bank of Dubai. Since 2007 he serves as Managing Director of Dubai Real Estate Corporation, a company that owns and manages substantial real estate properties in Dubai.



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

MARFIN POPULAR BANK PUBLIC CO LTD

CONSOLIDATED FINANCIAL STATEMENTS

Statement by the Members of the Board of Directors
and by the Group Chief Financial Officer

Independent Auditors' Report

Consolidated Income Statement

Consolidated Statement of Comprehensive Income

Consolidated Balance Sheet

Consolidated Statement of Changes in Equity

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

STATEMENT BY THE MEMBERS OF THE BOARD OF DIRECTORS AND BY THE GROUP CHIEF FINANCIAL OFFICER

In accordance with Article 9(7) of Law 190(I)/2007 on Transparency Requirements in relation to an issuer whose securities are listed for trading on a regulated market, we the Members of the Board of Directors and the Group Chief Financial Officer of Marfin Popular Bank Public Co Ltd (the "Bank") confirm that to the best of our knowledge:

- (a) The consolidated financial statements of the Bank for the financial year ended 31 December, 2010 have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union and Article 9(4) of Law 190(I)/2007 and in general with the applicable Cyprus Legislation and give a true and fair view of the consolidated assets and liabilities, the consolidated financial position and the consolidated profit of the Bank and the undertakings included in the consolidated financial statements, as a whole.
- (b) The Report of the Board of Directors of the Bank includes a fair review of the developments and performance of the business as well as the position of the Bank and the undertakings included in the consolidated financial statements, as a whole, together with the description of the principal risks and uncertainties that they face.

Members of the Board of Directors:

Andreas Vgenopoulos	-	Non Executive Chairman
Neoclis Lysandrou	-	Non Executive Vice Chairman
Vassilis Theocharakis	-	Non Executive Vice Chairman
Efthimios Bouloutas	-	Group Chief Executive Officer
Christos Stylianides	-	Deputy Chief Executive Officer
Panayiotis Kounnis	-	Deputy Chief Executive Officer
Eleftherios Hiliadakis	-	Executive Director
Platon E. Lanitis	-	Non Executive Director
Constantinos Mylonas	-	Non Executive Director
Stelios Stylianou	-	Non Executive Director
Markos Foros	-	Non Executive Director
Hesham Al Qassim	-	Non Executive Director
Fadel Al Ali	-	Non Executive Director
Abdulrazaq Al Jassim	-	Non Executive Director

Company official responsible for the drafting of the consolidated financial statements:

Annita Philippidou	-	Group Chief Financial Officer
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29 March, 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARFIN POPULAR BANK PUBLIC CO LTD

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Marfin Popular Bank Public Co Ltd and its subsidiaries on pages 17 to 118 which comprise the consolidated balance sheet as at 31 December, 2010 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Marfin Popular Bank Public Co Ltd and its subsidiaries as at 31 December, 2010 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of the Cyprus Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Bank.
- The Bank's consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 4 to 6 is consistent with the consolidated financial statements.

Pursuant to the requirements of the Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission, we report that a corporate governance statement has been made for the information relating to paragraphs (a), (b), (c), (f) and (g) of article 5 of the said Directive, and it forms a special part of the Report of the Board of Directors.

Other Matter

This report, including the opinion, has been prepared for and only for the Bank's members as a body in accordance with Section 156 of the Cyprus Companies Law, Cap. 113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

PricewaterhouseCoopers Limited
Chartered Accountants

Grant Thornton (Cyprus) Limited
Chartered Accountants

Nicosia, 29 March, 2011

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 € '000	2009 € '000
Interest income	4	1.553.320	1.573.434
Interest expense	4	(843.777)	(937.646)
Net interest income		709.543	635.788
Fee and commission income	5	243.091	269.589
Fee and commission expense	5	(42.610)	(41.676)
Net fee and commission income		200.481	227.913
Profit on disposal and revaluation of securities	6	39.991	132.655
Foreign exchange income		34.091	37.327
Other income	7	28.304	41.170
Operating income		1.012.410	1.074.853
Staff costs	8	(386.202)	(368.749)
Depreciation, amortisation and impairment	9	(56.162)	(57.222)
Administrative expenses	10	(203.403)	(198.532)
Profit before provision for impairment of advances		366.643	450.350
Provision for impairment of advances	11	(266.146)	(250.567)
Profit before share of profit from associates		100.497	199.783
Share of profit from associates	26	14.177	18.014
Profit before tax		114.674	217.797
Tax	12	(25.446)	(47.418)
Profit for the year		89.228	170.379
Attributable to:			
Owners of the Bank	38	87.080	173.872
Non-controlling interests		2.148	(3.493)
		89.228	170.379
Earnings per share – for profit attributable to the owners of the Bank			
Earnings per share – cent	13	10,2	20,8

The notes on pages 24 to 118 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010		2009	
		€ '000	€ '000	€ '000	€ '000
Profit for the year			89.228		170.379
Exchange differences arising in the year			11.588		(12.997)
Revaluation and transfer to results on disposal and impairment of available-for-sale financial assets			(159.870)	120.008	
Amortisation of loss on available-for-sale financial assets reclassified			7.453	4.602	
Net (losses)/gains on available-for-sale financial assets			(152.417)		124.610
Revaluation of property			11		314
Cash flow hedges			(543)		349
Share of other comprehensive income of associates			(872)		596
Income tax relating to components of other comprehensive income	14		16.402		(18.139)
Other comprehensive (loss)/income for the year, net of tax			(125.831)		94.733
Total comprehensive (loss)/income for the year			(36.603)		265.112
Total comprehensive (loss)/income attributable to:					
Owners of the Bank			(39.529)		267.518
Non-controlling interests			2.926		(2.406)
			(36.603)		265.112

The notes on pages 24 to 118 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

31 DECEMBER 2010

	Note	2010 € '000	2009 € '000
Assets			
Cash and balances with Central Banks	15	713.579	1.964.834
Due from other banks	16	4.696.112	3.447.128
Financial assets at fair value through profit or loss	18	229.336	238.435
Advances to customers	19	26.417.333	25.082.163
Debt securities lending	21	3.960.788	3.395.068
Available-for-sale financial assets	22	2.278.411	3.564.893
Held-to-maturity financial assets	23	1.480.046	1.381.330
Other assets	24	535.782	511.898
Current income tax assets	25	34.056	38.662
Deferred tax assets	36	127.185	91.958
Investments in associates	26	113.600	113.071
Intangible assets	27	1.634.734	1.646.842
Investment property	28	68.322	57.626
Property and equipment	29	291.202	294.455
Total assets		42.580.486	41.828.363
Liabilities			
Due to other banks	30	10.649.850	10.470.876
Customer deposits	31	25.508.361	23.885.776
Senior debt	32	477.637	1.398.502
Loan capital	33	1.267.931	1.050.501
Other liabilities	34	592.516	840.858
Current income tax liabilities	35	23.203	33.707
Deferred tax liabilities	36	134.634	133.881
Retirement benefit obligations	8	284.980	255.019
Total liabilities		38.939.112	38.069.120
Share capital and reserves attributable to the owners of the Bank			
Share capital	37	834.799	720.930
Share premium	37	2.252.897	2.179.146
Reserves	38	447.815	735.846
		3.535.511	3.635.922
Non-controlling interests		105.863	123.321
Total equity		3.641.374	3.759.243
Total equity and liabilities		42.580.486	41.828.363

A. Vgenopoulos, Chairman
E. Bouloutas, Group Chief Executive Officer
A. Philippidou, Group Chief Financial Officer

The notes on pages 24 to 118 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	Attributable to the owners of the Bank				Non-controlling interests € '000	Total € '000
		Share capital € '000	Share premium € '000	Fair value, currency translation and other reserves € '000	Revenue reserves € '000		
Balance 1 January 2009		705.607	2.144.141	(278.653)	858.726	139.755	3.569.576
Dividend payment and re-investment	37,38,50	10.409	17.144	-	(124.519)	-	(96.966)
Defence tax on deemed distribution	38	-	-	-	(284)	(238)	(522)
Share issue costs	37	-	(834)	-	-	-	(834)
Effect from the merger of Marfin Egnatia Bank S.A. with Marfin Popular Bank Public Co Ltd		4.914	18.695	(25.124)	32.592	(31.077)	-
Transfer from fair value reserves to revenue reserves	38	-	-	(2.029)	2.029	-	-
Cost of share-based payments to employees	38	-	-	-	2.933	52	2.985
Dividend paid by subsidiaries		-	-	-	-	(1.702)	(1.702)
Effect of change in non-controlling interests from changes in shareholdings in subsidiaries and other movements	38	-	-	-	2.657	18.937	21.594
		720.930	2.179.146	(305.806)	774.134	125.727	3.494.131
Profit/(loss) for the year		-	-	-	173.872	(3.493)	170.379
Other comprehensive income for the year, net of tax		-	-	93.646	-	1.087	94.733
Total comprehensive income/(loss) for the year		-	-	93.646	173.872	(2.406)	265.112
Balance 31 December 2009 / 1 January 2010		720.930	2.179.146	(212.160)	948.006	123.321	3.759.243
Dividend payment and re-investment	37,38,50	8.613	4.965	-	(67.390)	-	(53.812)
Script dividend	37,38,50	105.256	73.952	-	(187.551)	-	(8.343)
Defence tax on deemed distribution	38	-	-	-	34	71	105
Share issue costs	37	-	(5.166)	-	-	-	(5.166)
Transfer from fair value reserves to revenue reserves	38	-	-	(2.017)	2.017	-	-
Cost of share-based payments to employees	38	-	-	-	2.480	19	2.499
Dividend paid by subsidiaries		-	-	-	-	(1.735)	(1.735)
Increase in shareholdings in existing subsidiary companies		-	-	-	4.240	(18.739)	(14.499)
Other movements		-	-	-	(315)	-	(315)
		834.799	2.252.897	(214.177)	701.521	102.937	3.677.977
Profit for the year		-	-	-	87.080	2.148	89.228
Other comprehensive (loss)/income for the year, net of tax		-	-	(126.609)	-	778	(125.831)
Total comprehensive (loss)/income for the year		-	-	(126.609)	87.080	2.926	(36.603)
Balance 31 December 2010		834.799	2.252.897	(340.786)	788.601	105.863	3.641.374

The notes on pages 24 to 118 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 € '000	2009 € '000
Cash used in operations	40	(305.664)	(328.757)
Tax paid		(49.802)	(79.776)
Net cash used in operating activities		(355.466)	(408.533)
Cash flows from investing activities			
Purchase of property and equipment	29	(31.818)	(42.657)
Purchase of computer software	27	(10.232)	(11.750)
Purchase of investment property	28	(13.257)	(8.219)
Proceeds from disposal of property and equipment	29	692	6.495
Proceeds from disposal of investment property		1.121	580
Purchases of available-for-sale financial assets		(1.118.474)	(4.236.776)
Purchases of held-to-maturity financial assets		(1.358.538)	(1.140.813)
Proceeds from disposals and redemption of available-for-sale financial assets		2.101.641	3.083.274
Proceeds from redemption of held-to-maturity financial assets		1.287.861	926.122
Interest received from financial assets		183.612	160.854
Dividend received from financial assets		3.819	7.263
Dividend received from investments in associates	26	12.829	4.739
Business acquisitions net of cash and cash equivalents acquired		-	4.452
Business disposals net of cash and cash equivalents disposed		246	-
Changes in shareholding in subsidiary companies		(14.937)	(4.637)
Net cash from/(used in) investing activities		1.044.565	(1.251.073)
Cash flows from financing activities			
Dividend and capital return by subsidiaries to holders of non-controlling interests		(1.317)	(1.270)
Dividend paid		(62.155)	(96.966)
Interest paid on senior debt and loan capital		(68.981)	(65.493)
Share issue costs	37	(5.166)	(834)
Proceeds from the issue of senior debt and loan capital		318.022	953.858
Repayment of senior debt and loan capital		(1.022.870)	(144.726)
Net cash (used in)/from financing activities		(842.467)	644.569
Effects of exchange rate changes on cash and cash equivalents		10.513	1.578
Net decrease in cash and cash equivalents		(142.855)	(1.013.459)
Cash and cash equivalents at beginning of year		4.270.313	5.283.772
Cash and cash equivalents at end of year	41	4.127.458	4.270.313

The notes on pages 24 to 118 are an integral part of these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Country of incorporation

Marfin Popular Bank Public Co Ltd (the “Bank”) was established in Cyprus in 1901 under the name “Popular Savings Bank of Limassol”. In 1924 it was registered as the first public company in Cyprus under the name “The Popular Bank of Limassol Ltd”. In 1967 the Bank changed its name to “Cyprus Popular Bank Ltd” and on 26 May, 2004 it was renamed to “Cyprus Popular Bank Public Company Ltd”. An Extraordinary General Meeting held on 31 October, 2006 unanimously approved the change of its name to “Marfin Popular Bank Public Co Ltd”. The Bank’s shares are listed on the Cyprus Stock Exchange and the Athens Exchange. The Bank’s registered office is at 154, Limassol Avenue, 2025 Nicosia, Cyprus.

Principal activities

The principal activities of the Group, which were unchanged from last year, are the provision of banking and financial services. The Group also offers insurance services, through its associate (Note 26).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU), the requirements of the Cyprus Companies Law, Cap. 113 and the Cyprus Stock Exchange Laws and Regulations.

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

As of the date of the authorisation of the consolidated financial statements, all IFRSs issued by the International Accounting Standards Board (IASB) that are effective as of 1 January, 2010 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of the following:

- Certain provisions of IAS 39 “Financial Instruments: Recognition and Measurement” relating to portfolio hedge accounting.

The consolidated financial statements comprise the consolidated income statement and consolidated statement of comprehensive income showing as two statements, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes.

The Group classifies its expenses by the nature of expense method.

The Group presents its balance sheet broadly in order of liquidity. An analysis regarding recovery or settlement of every asset and liability respectively within twelve months after the balance sheet date and more than twelve months after the balance sheet date is presented in the respective notes in the consolidated financial statements.

The consolidated financial statements are presented in Euro, which is the Bank’s functional and presentation currency. The figures shown in the consolidated financial statements are stated in Euro thousands, unless where otherwise stated.

The disclosures on risks from financial instruments are presented in Note 44 “Financial risk management”.

The consolidated statement of cash flows shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities. Note 41 shows in which item of the consolidated balance sheet cash and cash equivalents are included.

The cash flows from operating activities are determined by using the indirect method. Consolidated net income is therefore adjusted by non-cash items, such as measurement gains or losses, changes in provisions, as well as changes from receivables and liabilities. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are also adjusted. The cash flows from investing and financing activities are determined by using the direct method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's consolidated financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Adoption of new and revised IFRSs

The accounting policies adopted are consistent with those of the previous financial year except for the adoption by the Group of all applicable new and revised IFRSs, all revised International Accounting Standards (IASs) and all new and revised interpretations which are relevant to its operations and are applicable for accounting periods beginning on 1 January, 2010 as stated below:

(i) Standards, amendments and interpretations effective in 2010

- (a) **IFRS 3 (Revised 2008), Business Combinations (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July, 2009)**
The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the 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. All acquisition-related costs should be expensed. There were no new business acquisitions during the year.
- (b) **IFRS 5 (Amendment), Non-Current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 July, 2009)**
The amendment clarifies that all its assets and liabilities of subsidiaries are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for these subsidiaries if the definition of a discontinued operation is met. This amendment did not have any impact in the consolidated financial statements.
- (c) **IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July, 2009)**
IFRIC 17 clarifies the accounting treatment and disclosures in the case of distributions (dividends) of non-cash assets to owners. A dividend obligation is recognised when the dividend is authorised by the appropriate body and is no longer at the discretion of the entity. This dividend obligation should be recognised at the fair value of the net assets to be distributed. The difference between the dividend paid and the carrying amount of the net assets distributed should be recognised in profit or loss. Additional disclosures are to be made if the net assets being held for distribution to owners meet the definition of a discontinued operation. This interpretation did not have any impact in the consolidated financial statements.
- (d) **Amendment to IAS 39, Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for annual periods beginning on or after 1 July, 2009)**
The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. On the designation of a one-sided risk in a hedged item, IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. This amendment did not have any material impact in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards, amendments and interpretations effective in 2010 (continued)

(e) IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 July, 2010)

IFRIC 16 clarifies the accounting treatment in respect of the hedging of a net investment in a foreign operation. This includes a clarification that net investment hedging relates to differences in functional currency and not presentation currency, and hedging instruments may be held anywhere in the Group. The Group has applied this interpretation from 1 January, 2010. This interpretation did not have any impact in the consolidated financial statements.

(f) IAS 27 (Revised 2008), Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July, 2009)

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting treatment when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The amendments to IAS 27 were applied by the Group in relation to transactions with non-controlling interests in respect of increase in shareholdings in existing subsidiaries. The effect of transactions with non-controlling interests during the year was the recording of € 4.240.000 credit in equity, instead of recording this in the consolidated income statement.

(g) Amendments to IFRS 2, Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January, 2010)

The amendments clarify the scope of the standard and the accounting for group cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction.

(ii) Standards, amendments and interpretations to existing standards that are applicable to the Group, that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January, 2011 or later periods, but the Group has not early adopted them:

(a) IFRS 9, Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January, 2013)

This standard is subject to endorsement by the EU. It replaces those parts of IAS 39 relating to the classification and measurement of financial assets. The key features of the new standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision for the classification has to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the financial instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised IFRSs (continued)

(ii) Standards, amendments and interpretations to existing standards that are applicable to the Group, that are not yet effective and have not been early adopted by the Group (continued)

(a) IFRS 9, Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January, 2013) (continued)

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- While adoption of IFRS 9 is mandatory from 1 January, 2013, earlier adoption is permitted.

The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group, subject to endorsement by the EU.

(b) Amendments to IFRS 7, Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 July, 2011)

The amendments are subject to endorsement by the EU and aim to enhance the disclosure requirements relating to transfers of financial assets.

(c) Amendments to IAS 12, Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January, 2012)

The amendments are subject to endorsement by the EU and address the determination of deferred tax on investment property measured at fair value.

(d) IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July, 2010)

The interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability.

(e) Amendments to IAS 32, Classification of Rights Issues (effective for annual periods beginning on or after 1 February, 2010)

The amendments state that if rights issues offered for a fixed amount of foreign currency are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity, not as derivative liabilities, regardless of the currency in which the exercise price is denominated.

(f) Amendment to IFRIC 14, Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January, 2011)

The amendment applies to entities which are subject to minimum funding requirements and make an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.

(g) Revised IAS 24, Related Party Disclosures (effective retrospectively for annual periods beginning on or after 1 January, 2011)

The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. It also provides a partial exemption from the disclosure requirements for government-related entities.

(h) Improvements to IFRSs

Additional "Improvements to IFRSs" were issued in May 2010. They contain amendments to six Standards and one Interpretation specifically IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13. The Group is in the process of assessing the impact of these amendments on its next annual financial statements. Effective dates range from 1 July, 2010 to 1 January, 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation

The financial statements of the subsidiaries that are included in the Bank's consolidated financial statements were prepared as of the parent company's reporting date.

(a) Subsidiary companies

Subsidiaries are all entities over which the Group, directly or indirectly, has the power to govern the financial and operating policies, and is able to exercise control over them in order to benefit from their activities. Usually in these entities there is a shareholding of more than 50% 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. The consolidated financial statements consolidate the financial statements of the Bank and its subsidiaries, including certain special purpose entities, as of 31 December, 2010.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability 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. On an acquisition-by-acquisition basis, the Group recognises 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.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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 Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

The integration of the subsidiaries into the consolidated financial statements is based on consistent accounting and valuation methods for similar transactions and other occurrences under similar circumstances.

Even if there is no shareholder relationship, special purpose entities (SPEs) are consolidated in accordance with SIC-12, if the Group controls them from an economic perspective.

When assessing whether the Group controls an SPE, in addition to the criteria in IAS 27, it evaluates a range of factors, including whether:

- the activities of the SPE are being conducted on the Group's behalf according to its specific business needs so that the Group obtains the benefits from the SPE's operations;
- the Group has the decision-making power to obtain the majority of the benefits of the activities of the SPE, or the Group has delegated this decision-making power by setting up an "autopilot" mechanism; or
- the Group has the right to obtain the majority of the benefits of the activities of the SPE and therefore may be exposed to risks related to the activities of the SPE; or
- the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain the benefits from its activities.

Whenever there is a change in the substance of the relationship between the Group and the SPE, the Group performs a re-assessment of consolidation. Indicators for a re-assessment of consolidation are changes in ownership of the SPE, changes in contractual arrangements and changes in the financing structure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation (continued)

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January, 2010 when revised IAS 27 "Consolidated and separate financial statements", became effective.

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence was lost became its cost for the purposes of subsequently accounting for the retained interests as associate, jointly controlled entity or financial asset.

The Group has applied the new accounting policy prospectively to transactions occurring on or after 1 January, 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the consolidated financial statements.

(c) Common control transactions

For business combinations involving entities under common control, the Group applies the predecessor values method of consolidation. Under this method, when an existing subsidiary of the Group is transferred within the Group, the predecessor values used to account for the common control transaction are the values that were included in the Group's consolidated financial statements when the subsidiary was first acquired. No goodwill arises under predecessor accounting and any difference arising on consolidation is recognised in equity. Under predecessor accounting the Group follows a policy whereby the consolidated financial statements incorporate the acquired entity's results from the date on which the transaction occurred and the comparatives are not restated.

(d) Associates

Associates are all entities over which the Group has significant influence but not control. Usually, in these entities the Group has a shareholding between 20% and 50% of the voting rights.

Investments in associates are initially recognised at cost and are then accounted for using the equity method of accounting. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss. The Group's share of post-acquisition profits or losses of associates is recognised in the consolidated income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation (continued)

(d) Associates (continued)

Gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intra-group losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

For summarised financial information on the Group's associates accounted for using the equity method, see Note 26.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are presented in Euro, which is the functional and presentation currency of the Bank. All amounts are rounded to the nearest thousand, unless where otherwise stated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items denominated in a foreign currency that are measured at historical cost are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except in the cases of qualifying net investment hedges and qualifying cash flow hedges, where foreign exchange gains and losses are recognised in equity.

All foreign exchange gains and losses recognised in the income statement are presented net in the consolidated income statement within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, other than in relation to impairment, are recognised in equity.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the fair value reserves in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction).
- All resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising from the above process are reported in shareholders' equity as "Currency Translation Reserve".

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is disposed of, or partially disposed of, exchange differences that were recorded in equity, are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries are treated as assets and liabilities of the foreign subsidiary and translated at the closing rate.

Non-current assets held for sale and discontinued operations

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. These measurement provisions do not apply to deferred tax assets and liabilities (IAS 12), financial assets in the scope of IAS 39 and investment properties that are accounted for in accordance with the fair value model in IAS 40.

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, subject to terms that are usual and customary for sales of such assets. Management must be committed to the sale and must actively market the asset for sale at a price that is reasonable in relation to the current fair value. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. These assets may be a component of an entity, a disposal group or an individual non-current asset.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Discontinued operations are presented in a separate line in the income statement.

Net profit from discontinued operations includes the net total of operating profit or loss before tax from operations, including net gain or loss on sale before tax or measurement to fair value less costs to sell and discontinued operations tax expense. A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group's operations and cash flows. If an entity or a component of an entity is classified as a discontinued operation, the Group restates prior periods in the consolidated income statement.

Interest income and expense

Interest income and expense are recognised in the consolidated income statement for all interest-bearing assets and liabilities using the effective interest rate method. Interest income includes interest earned on advances, held-to-maturity financial assets, available-for-sale financial assets, debt securities lending, financial assets at fair value through profit or loss, as well as the amortisation of discount and premium on bonds and other financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest income and expense (continued)

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. 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 (for example, prepayment options) 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.

Fee and commission income and expense

Fee and commission income and expense are generally recognised on an accrual basis when the service has been provided. Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual services provided as a proportion of the total services to be provided.

Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. The same principle is applied for wealth management and custody services that are continuously provided over an extended period of time. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

Dividend income

Dividend income is recognised in the consolidated income statement when the Group's right to receive payment is established.

Financial guarantee contracts

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 financial 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 at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised.

Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management.

The fee income earned is recognised on a straight-line basis over the life of the guarantee.

Any increase in the liability relating to guarantees is recognised in the consolidated income statement within other administrative expenses.

Current and deferred income tax

(a) Current income tax

Income tax payable or receivable is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense or income for the period respectively.

The Group does not offset current income tax liabilities and current income tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current and deferred income tax (continued)

(b) 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the date of the consolidated balance sheet and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property and equipment, revaluation of certain financial assets and liabilities including derivative contracts, provisions for retirement benefits and carry-forwards and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised when it is probable that future taxable profits will be available against which these temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are recognised in other comprehensive income, is also recognised in other comprehensive income.

Employee benefits

(a) Retirement benefits

Group companies operate various retirement benefit plans. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a retirement benefit plan under which the Group pays fixed contributions into a separate entity. For a defined contribution plan the Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a retirement plan that is not a defined contribution plan. Typically defined benefit plans define an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service and compensation.

The liability recognised in the consolidated balance sheet in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the date of the consolidated balance sheet less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the fair value of plan assets or 10% of the present value of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past service costs are recognised immediately in expenses, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

(a) Retirement benefits (continued)

The Group also pays contributions to the Government Social Insurance Fund of each country in accordance with legal requirements, where applicable.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: termination of the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the date of the consolidated balance sheet are discounted to present value.

Share-based compensation

The Group's share option scheme is an equity-settled, share-based compensation plan in respect of services received from certain of its employees.

The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of the employee services received in respect of the shares or share options granted is recognised as an expense in the consolidated income statement over the period that the services are received, which is the vesting period, with a corresponding credit in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted.

The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Except for those which include terms related to market conditions, vesting conditions included in the terms of the grant are not taken into account in estimating fair value.

Upon a modification of a share option scheme, whereby the modification increases the fair value of the equity instruments granted (for example by reducing the exercise price), measured immediately before and after the modification, the Group includes the incremental fair value granted in the measurement of the amount recognised for services received as consideration for the equity instruments granted. The incremental fair value granted is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

Upon a modification of a share option scheme, whereby the modification reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the services received as consideration for the equity instruments granted as if that modification had not occurred.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. They are taken into account by adjusting the number of shares or share options included in the measurement of the cost of employee services so that ultimately the amount recognised in the consolidated income statement reflects the number of vested shares or share options. Where vesting conditions are related to market conditions, the charges for the services received are recognised regardless of whether or not the market related vesting condition is met, provided that the non-market vesting conditions are met. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. The total amount expensed is recognised over the vesting period which is the period over which all of the specified vesting conditions are to be satisfied. The Group recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity, including cash and non-restricted balances with Central Banks and amounts due from other banks.

Repossessed property

In certain circumstances, property is repossessed following the foreclosure on loans that are in default. Repossessed properties are measured at the lower of carrying amount and fair value less costs to sell and are reported within "Other assets".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advances to customers

Advances to customers are presented on the balance sheet net of accumulated impairment provisions.

The Group assesses at each balance sheet date whether there is objective evidence that advances to customers are impaired. Advances to customers are impaired and impairment losses are incurred only 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.

The criteria that the Group uses to determine whether there is objective evidence for an impairment loss include:

- (a) violation of the contractual terms resulting in the delay of capital or interest payment,
- (b) evidence for significant deterioration in the loan repayment ability,
- (c) undertaking of legal action,
- (d) bankruptcy,
- (e) other objective evidence that leads to the conclusion that the Group will not collect the full amount due.

The Group first assesses whether objective evidence of impairment exists individually for advances. If the Group determines that no objective evidence of impairment exists for an individually assessed advance, it includes the asset in a group of advances with similar credit risk characteristics and collectively assesses them for impairment. Advances 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.

The calculation of the present value of the estimated future cash flows of a collateralised advance reflects the cash flows that may result from foreclosure whether or not foreclosure is probable. The provision amount is calculated as the difference between the advance's carrying amount and the present value of the estimated future cash flows.

For the purposes of a collective evaluation of impairment, advances are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Group's grading process that considers asset type, 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 advances 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 currently exist.

Impaired advances are monitored continuously and are reviewed for provisioning purposes on a quarterly basis. If the amount of the impairment loss decreases in a subsequent period, due to an event occurring after the impairment was recognised, the provision is written back by reducing the impairment provision account accordingly.

When an advance is uncollectible, it is written off against the related provision for impairment. Such advances are written off after all the necessary procedures have been completed, there is no realistic potential of recovery, and the amount of the loss has been determined, notwithstanding the Group's right to collect in the future any amounts that have been written off.

Financial assets

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

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

This category comprises two sub-categories: financial assets held-for-trading and those designated at fair value through profit or loss upon initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(a) Financial assets at fair value through profit or loss (continued)

A financial asset is classified as held-for-trading if acquired principally for the purpose of selling in the near 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. Derivative financial instruments are also categorised as held-for-trading, unless they are designated and effective as hedging instruments in which case hedge accounting is applied. Financial assets designated at fair value through profit or loss upon initial recognition are those that are managed and their performance is evaluated on a fair value basis, in accordance with a documented investment strategy. Information about these financial assets is provided internally on a fair value basis to key management personnel.

(b) 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: (a) those that the Group intends to sell immediately or in the short-term, which are classified as held-for-trading, and those that the Group upon initial recognition designates as at fair value through profit or loss, (b) those that the Group upon initial recognition designates as available-for-sale, or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets 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, other than: (a) those that the Group upon initial recognition designates as at fair value through profit or loss, (b) those that the Group designates as available-for-sale, and (c) those that meet the definition of loans and receivables.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Available-for-sale investments are financial assets that are 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 or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Regular-way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the financial asset. 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 carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. 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 financial assets are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the consolidated income statement within "Profit on disposal and revaluation of securities" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payment is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale, other than impairments, are recognised in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

In particular circumstances the Group may reclassify non-derivative financial assets (other than those designated at fair value through profit or loss upon initial recognition) and for which there is no longer intention to trade or sell in the foreseeable future, out of the fair value through profit or loss category. In such cases any gain or loss already recognised in the consolidated income statement is not reversed and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The Group may also transfer out of the available-for-sale category to either the loans and receivables or the held-to-maturity category, a financial asset that would have met the definition of loans and receivables or held-to-maturity, if it has the intention and ability to hold that financial asset for the foreseeable future or until maturity, respectively. Any previous gain or loss on that asset that has been recognised directly in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate method.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as "Profit on disposal and revaluation of securities".

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

Collateral (shares and bonds) offered by the Group under standard repurchase agreements and securities lending transactions is not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price and the criteria for derecognition are therefore not met.

Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the consolidated income statement within "Interest income". Dividends on available-for-sale equity instruments are recognised in the consolidated income statement within "Other income" when the Group's right to receive payments is established.

The fair value of investments quoted in an active market is based on quoted 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 other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indication of possible impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss, which is 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 consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

Financial liabilities

The Group's holding in financial liabilities consists mainly of financial liabilities measured at amortised cost. Financial liabilities measured at amortised cost are due from banks, customer deposits, senior debt and loan capital. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Reclassification of financial assets

The Group may choose to reclassify a non-derivative financial asset held-for-trading from the held-for-trading category to another relevant category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets, other than loans and receivables, are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification. Reclassification of financial assets effected by the Group are shown in Note 17.

Reclassifications are made at fair values as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

On reclassification of a financial asset out of the "at fair value through profit or loss" category, all embedded derivatives are re-assessed and, if necessary, separately accounted for.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Repurchase agreements

The Group enters into agreements for purchases (sales) of investments and to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price.

Investments sold subject to repurchase agreements (repos) continue to be recognised in the consolidated balance sheet and are measured according to their classification. The proceeds from the sale of the investments are reported as liabilities to either banks or customers. Investments purchased, on condition that they will be resold in the future (reverse repos), are not recognised in the consolidated balance sheet. The amounts paid for purchase thereof are recognised as receivables from either banks or customers. The difference between the sale and repurchase consideration is recognised as interest income or expense during the repurchase agreement period using the effective interest rate method.

The Group enters into share purchase agreements with the intention to resell them (stock reverse repos) through the Athens Derivatives Exchange. The acquired shares are then sold in the Athens Exchange. The shares are not recognised as assets but the resale of the shares is recognised as a liability in the balance sheet, and is measured at the fair value of the securities that the Group is committed to repurchase and return to the Derivatives Exchange Clearing House.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated 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.

Derivative financial instruments and hedge accounting

Derivative financial instruments include forward exchange contracts, currency and interest rate swaps, currency and index futures, equity and currency options and other derivative financial instruments. These are initially recognised in the consolidated balance sheet at fair value on the date a derivative contract is entered into and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices in active markets and valuation techniques such as discounted cash flow models and other pricing models as appropriate. All derivatives are shown within assets when fair value is positive and within liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments, are treated as separate derivatives when their economic characteristics and risks 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 consolidated income statement.

The Group uses derivative financial instruments for hedging risks that arise from changes in interest rates and exchange rates. The Group applies fair value hedges or cash flow hedges to these derivatives that meet the criteria for hedge accounting. For derivatives that do not meet the criteria for hedge accounting, any profit or loss arising from the changes in fair values is recorded in the consolidated income statement.

A hedge relationship for the purposes of applying hedge accounting exists when:

- At the inception of the hedge, the Group designates and documents the hedging relationship as well as its risk management objective and strategy for undertaking the hedge.
- The hedge is expected to be highly effective in offsetting changes in fair values or cash flows attributed to the hedged risk, pursuant to the documented risk management strategy for the said hedge relationship.
- For cash flow hedges, the forecast transaction that is the subject of the hedge is highly probable and must present an exposure to variations in cash flows that could ultimately affect the results.
- The effectiveness of the hedge can be reliably measured.
- The hedge is assessed as highly effective throughout the period.

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 either:

- hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges); or
- hedges of highly probable future cash flows attributable to a recognised asset or liability or a forecasted transaction (cash flow hedges); or
- hedges of a net investment in a foreign operation (net investment hedges).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

The Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, 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.

(a) Fair value hedge

For fair value hedges that meet the criteria for hedge accounting, any profit or loss from the revaluation of the derivative at fair value is recognised in the consolidated income statement. Any profit or loss of the hedged instrument that is due to the hedged risk, adjusts the carrying amount of the hedged instrument and is recognised in the consolidated income statement, irrespective of the classification of the financial instrument.

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 rate method is used is amortised to profit or loss over the period to maturity and recorded as net interest income. The adjustment to the carrying amount of a hedged equity security is included in the consolidated income statement when the equity security is disposed of as part of the gain or loss on the sale.

(b) 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. Any ineffective portion is recognised in the consolidated income statement.

Amounts accumulated in equity are recycled in the consolidated income statement in the periods when the hedged item affects profit or loss. They are recorded in the income or expense lines associated with the related hedged item.

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 consolidated 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 consolidated income statement.

(c) Net investment hedge

Hedges of net investments in 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 directly in equity; the gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement. Gains and losses accumulated in equity are included in the consolidated income statement when the foreign operation is disposed of as part of the gain or loss on the disposal.

(d) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. For derivative instruments that do not qualify for hedge accounting, changes in the fair value are recognised immediately in the consolidated income statement, under "Profit on disposal and revaluation of securities".

Investment property

Investment property includes land and buildings, owned by the Group with the intention of earning rentals or for capital appreciation or both, and are not used by the Group. Investment property is carried at fair value, representing open market value, as is determined annually by external independent professional valuers who apply recognised valuation techniques. Changes in fair values are included within "Other income" in the consolidated income statement.

Some properties may be partially occupied by the Group, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Group can be sold separately, the Group accounts for the portions separately. The portion that is owner-occupied is accounted for under IAS 16 and the portion that is held for rental income or capital appreciation or both is treated as investment property under IAS 40. When the portions cannot be sold separately, the whole property is treated as investment property only if an insignificant portion is owner-occupied.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the property will flow to the Group and the cost can be measured reliably. This is usually the day when all risks are transferred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property (continued)

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost was incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the date of the consolidated balance sheet. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated income statement in the year in which they arise. Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value is calculated by discounting the expected net rentals at a rate that reflects the current market conditions as of the valuation date adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure.

Intangible assets

Intangible assets comprise separately identifiable intangible items arising from business combinations, computer software licences and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life. Intangible assets with an indefinite useful life are not amortised. At each balance sheet date, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. The Group chooses to use the cost model for the measurement after initial recognition. Intangible assets with indefinite useful life are tested annually for impairment and whenever there is an indication that the asset may be impaired.

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in the balance sheet in "Intangible assets". Goodwill on acquisitions of associates is included in "Investments in associates". Goodwill is tested for impairment annually and whenever there are indications of impairment by comparing the present value of the expected future cash flows from a cash-generating unit with the carrying value of its net assets, including attributable goodwill and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified in accordance with IFRS 8.

(b) Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software programmes are carried at cost less accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement.

Costs associated with maintenance of computer software programmes are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful economic life, not exceeding a period of eight years (2009: five years). Amortisation commences when the computer software is available for use and is included within "Depreciation, amortisation and impairment" in the consolidated income statement.

(c) Other intangible assets

Other intangible assets represent the estimated value of intangible assets, such as the value of core deposits and customer relationships, in relation to acquired businesses (Notes 27 and 49).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

(c) Other intangible assets (continued)

Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method.

Other intangible assets are stated at cost less amortisation and provisions for impairment, if any, plus reversals of impairment, if any. Other intangible assets that have a finite useful life are amortised on a straight-line basis during their useful economic life (ranging from 5 to 23 years). Amortisation is included within "Depreciation, amortisation and impairment" in the consolidated income statement. Other intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually and whenever there is an indication that the intangible assets may be impaired.

Leases

Leases are accounted for in accordance with IAS 17 and IFRIC 4. They are divided into finance leases and operating leases.

(a) A Group company as a lessee

Finance lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and 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 corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the consolidated 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 and equipment acquired under finance leases is depreciated over the shorter of the useful economic life of the asset or the lease term.

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Total payments, including prepayments, made under operating leases (net of any incentives received by the lessor) are charged to "Administrative expenses" in the consolidated income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(b) A Group company as a lessor

Finance lease and hire purchase

When assets are leased out under finance lease/hire purchase agreements, 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. The present value of the receivable is recognised in the consolidated balance sheet under "Advances to customers". Lease income and hire purchase fees are recognised in the consolidated income statement in a systematic manner, based on instalments receivable during the year so as to provide a constant periodic rate of interest using the net investment method (before tax).

Operating lease

Assets leased out under operating leases are presented in the consolidated balance sheet as investment property and are accounted under the accounting policy for investment property. Payments received under operating leases are recorded in the consolidated income statement on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Land and buildings are shown at fair value, based on periodic valuations by external independent professional valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net carrying amount is restated to the revalued amount of the asset. Revaluations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the date of the balance sheet. All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of property and equipment.

Increases in the carrying amount arising on revaluation of land and buildings are credited to fair value reserves in equity. Decreases that offset previous increases of the same asset are charged against those reserves. All other decreases are charged to the consolidated income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the consolidated income statement and depreciation based on the asset's original cost is transferred from property fair value reserves to revenue reserves.

Land is not depreciated. Depreciation on other property and equipment is calculated using the straight-line method to allocate the cost or revalued amount of each asset less their residual values, over their estimated useful economic life. The estimated useful economic life of other property and equipment is as follows:

	Years
Buildings	33 - 50
Furniture and equipment	3 - 10

The assets' residual values and useful economic lives are reviewed and adjusted if appropriate at each balance sheet date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property and equipment was impaired as at 31 December, 2010 (2009: nil).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to "Administrative expenses" in the consolidated income statement during the financial period in which they are incurred.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are included in the consolidated income statement. When revalued assets are sold, the amounts included in the property fair value reserves are transferred to revenue reserves.

Properties under construction are carried at cost less any impairment loss where the recoverable amount of the property under construction is estimated to be lower than its carrying value. Depreciation for these assets commences when the assets are ready for their intended use.

Impairment of non-financial assets

Intangible assets that have an indefinite useful economic life are not subject to amortisation and are tested for impairment annually. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test can also be performed on a single asset when the fair value less costs to sell or the value-in-use can be determined reliably. Non-financial assets other than goodwill that suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Borrowings

Borrowings, comprising senior debt and loan capital, are recognised initially at fair value, being the issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the proceeds net of transaction costs and the redemption value is recognised in the consolidated income statement over the period of the borrowings. A financial liability is derecognised when it is extinguished, that is, when the obligation is discharged, cancelled or expired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital

Ordinary shares are classified as equity.

(a) Share issue costs

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

(b) Dividends on ordinary shares

The dividend distribution to the Bank's ordinary shareholders is recognised in the period in which the dividend is approved by the Bank's shareholders.

Dividend for the year that is declared after the balance sheet date is disclosed in Note 50.

(c) Treasury shares

Where any Group company purchases the Bank's equity share capital (treasury shares), the consideration paid, is deducted from total shareholders' equity as treasury shares until the shares are cancelled. Where such shares are subsequently sold or reissued, any consideration received, is included in shareholders' equity.

Provisions

Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The Group recognises no provisions for future operating losses.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Credit-related transactions

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. The Group is also involved in trading transactions whereby it issues documentary credits on behalf of its customers. Assets arising from payments to a third party where the Group is awaiting reimbursement from the customer are shown on the consolidated balance sheet, less any necessary provisions.

Fiduciary activities

Where the Group acts in a fiduciary capacity such as nominee, trustee or agent, assets and related income arising thereon together with related undertakings to return such assets to customers are excluded from these consolidated financial statements.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Group Executive Committee as its chief operating decision-maker.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting (continued)

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

In accordance with IFRS 8, the Group has the following six main business segments on a worldwide basis:

- (a) corporate and investment banking, which includes all commercial and investment banking business derived from corporate clients;
- (b) retail banking, which includes all commercial banking business from retail clients;
- (c) wealth management, which includes all business from high net worth individuals (banking and asset management business);
- (d) international business banking, which includes all business from services offered to international business banking customers;
- (e) treasury and capital markets, which includes all treasury and capital market activity and
- (f) participations, investments and other segments, which includes the various participations and investments of the Group and all other business not falling into any of the other segments, none of which constitutes a separately reportable segment.

Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Where applicable, comparative figures have been adjusted to conform with changes in presentation in the current year.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRSs are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

(a) Impairment losses on advances to customers

The Group reviews its portfolio of advances to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of advances before the decrease can be identified within 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. Were the net present value of estimated cash flows to differ by +/- 1%, the impairment loss would be estimated to be € 6,0 m (2009: € 3,9 m) lower or € 3,7 m (2009: € 1,3 m) higher respectively.

(b) Fair value of financial instruments

The fair value of financial instruments that are not quoted in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The valuation techniques used are frequently assessed to ensure their validity and appropriateness. Changes in methods and assumptions about these factors could affect the reported fair value of financial instruments. Sensitivity analysis in relation to changes in the fair value of financial instruments as a result of changes in interest rates is disclosed in Note 44.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Impairment of goodwill

The Group tests whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates and assumptions as disclosed in Note 27.

For the banking operations in Greece, if the estimated return on equity was more than 0,6% lower than management's estimates, the Group would have to start recognising impairment of goodwill. If the discount rate applied to the discounting of cash flows was more than 1,5% higher than the management's estimates, the Group would have to start recognising impairment of goodwill.

For the investment operations in Greece, if the estimated return on equity was more than 0,7% lower than management's estimates, or the discount rate applied to the discounting of cash flows was more than 0,4% higher than the management's estimates, the Group would have to start recognising impairment of goodwill.

For the leasing operations in Greece, if the estimated return on equity was more than 1,8% lower than management's estimates, or the discount rate applied to the discounting of cash flows was more than 1,5% higher than the management's estimates, the Group would have to start recognising impairment of goodwill.

For the factoring operations in Greece, if the discount rate applied to the discounting of cash flows was more than 46% higher than the management's estimates, the Group would have to start recognising impairment of goodwill.

For the banking operations in Romania, if the estimated return on equity was more than 10,0% lower than management's estimates, or the discount rate applied to the discounting of cash flows was more than 6,8% higher than the management's estimates, the Group would have to start recognising impairment of goodwill.

For the banking operations in the Ukraine, if the estimated return on equity was more than 2,1% lower than management's estimates, the Group would have to start recognising impairment of goodwill. If the discount rate applied to the discounting of cash flows was more than 1,4% higher than the management's estimates, the Group would have to start recognising impairment of goodwill.

For the banking operations in Serbia, if the estimated return on equity was more than 1,9% lower or the discount rate applied to the discounting of cash flows was more than 1,3% higher than the management's estimates, the Group would have to start recognising impairment of goodwill.

For the banking operations in Malta, if the estimated return on equity was more than 18% lower than management's estimates, or the discount rate applied to the discounting of cash flows was more than 13,6% higher than the management's estimates, the Group would have to start recognising impairment of goodwill.

For the banking operations in Russia, if the estimated return on equity was more than 3,3% lower than management's estimates, or the discount rate applied to the discounting of cash flows was more than 2,1% higher than the management's estimates, the Group would have to start recognising impairment of goodwill.

Finally, for the investment operations in Cyprus, if the growth rate of future cash flows was more than 4% lower than management's estimates, or the discount rate applied to the discounting of cash flows was more than 1,5% higher than the management's estimates, the Group would have to start recognising impairment of goodwill.

(d) Retirement benefits

The present value of liabilities arising from staff retirement benefits is determined with an actuarial valuation using specific assumptions. These assumptions are disclosed in Note 8. According to the Group's accounting policy for retirement benefits, any changes in the assumptions are likely to have an effect on the level of the unrecognised actuarial gain or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(e) Held-to-maturity financial assets

The Group follows the guidance provided in IAS 39 in relation to the classification of non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity financial assets. Critical judgement is required when applying the classification, which takes into account the Group's intention and ability to hold investments to maturity. If the Group fails to hold the investments to maturity for any reason other than those explained in IAS 39, all financial assets held in the asset class will have to be reclassified as available-for-sale financial assets. Under these circumstances, investments will be presented at fair value and not amortised cost, in which case the book value of investments will decrease by € 42.108.000 (2009: decrease by € 34.272.000) with a corresponding debit in the fair value reserves within equity.

(f) 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 below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

4. NET INTEREST INCOME

	2010 € '000	2009 € '000
Interest income		
Interest from advances to customers	1.267.220	1.258.915
Interest from other banks	75.947	123.860
Interest from bonds and other interest	210.153	190.659
	1.553.320	1.573.434
Interest expense		
Interest on customer deposits	603.511	701.846
Interest to other banks	160.670	165.933
Interest on loan capital, senior debt and other interest	79.596	69.867
	843.777	937.646

5. NET FEE AND COMMISSION INCOME

	2010 € '000	2009 € '000
Fee and commission income		
Banking related fees and commissions	173.412	160.773
Portfolio and other management fees	10.458	21.335
Other fees and commissions	59.221	87.481
	243.091	269.589
Fee and commission expense		
Fees	21.338	11.962
Commissions	21.272	29.714
	42.610	41.676

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. PROFIT ON DISPOSAL AND REVALUATION OF SECURITIES

	2010 € '000	2009 € '000
Profit on disposal of financial assets at fair value through profit or loss – held-for-trading	6.336	17.954
Profit on disposal of available-for-sale financial assets	29.170	103.783
Profit/(loss) on disposal of debt security lending	17.016	(585)
Profit on disposal of subsidiary companies	841	-
Profit on redemption of held-to-maturity financial assets	58	-
(Loss)/profit on revaluation of financial assets at fair value through profit or loss:		
Held-for-trading	(3.955)	14.518
Designated at fair value through profit or loss at inception	(131)	1.358
Impairment:		
Available-for-sale financial assets	(4.851)	(4.373)
Held-to-maturity financial assets (Note 23)	(4.493)	-
	39.991	132.655

7. OTHER INCOME

	2010 € '000	2009 € '000
Dividend from available-for-sale financial assets	3.642	7.116
Dividend from financial assets at fair value through profit or loss	561	717
Fair value (loss)/gain on investment property (Note 28)	(1.669)	121
Profit/(loss) on disposal of investment property	193	(129)
(Loss)/profit on disposal of property and equipment (Note 29)	(415)	1.048
Other income	25.992	32.297
	28.304	41.170

8. STAFF COSTS

	2010 € '000	2009 € '000
Salaries and employer's contributions	338.729	321.513
Retirement benefit costs:		
Defined benefit plans	32.906	28.561
Defined contribution plans	562	529
Share-based payment compensation	2.499	2.985
Other staff costs	11.506	15.161
	386.202	368.749

Defined benefit plans

The amounts recognised in the consolidated income statement with respect to the defined benefit plans are as follows:

	2010 € '000	2009 € '000
Current service cost	18.743	15.959
Interest cost on plan liabilities	16.497	15.466
Expected return on plan assets	(3.942)	(3.440)
Actuarial loss recognised in the year	208	95
Loss on curtailments and settlements	1.400	481
	32.906	28.561

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. STAFF COSTS (continued)

Defined benefit plans (continued)

The amounts recognised in the consolidated balance sheet with respect to the defined benefit plans are shown below:

	2010 € '000	2009 € '000
Present value of funded obligations	93.676	90.756
Fair value of plan assets	(39.493)	(56.459)
<hr/>		
Present value of unfunded obligations	54.183	34.297
Unrecognised actuarial (loss)/gain	231.844	219.873
	(1.047)	849
<hr/>		
Retirement benefit obligations in the consolidated balance sheet	284.980	255.019

Included in the amount of plan assets is an amount of € 17.798.000 (2009: €22.056.000) which relates to the fair value of the Bank's assets.

The movement in the retirement benefit obligations recognised in the consolidated balance sheet is as follows:

	2010 € '000	2009 € '000
Balance 1 January	255.019	228.717
Total expense charged in the consolidated income statement	32.906	28.561
Benefits paid	(2.245)	(1.626)
Contributions	(718)	(716)
Decrease due to subsidiary companies disposed	(25)	-
Exchange differences	43	83
<hr/>		
Balance 31 December	284.980	255.019

The movement in the present value of funded and unfunded obligations is as follows:

	2010 € '000	2009 € '000
Balance 1 January	310.629	267.344
Current service cost	18.743	15.959
Interest cost	16.497	15.466
Contributions	135	126
Benefits paid	(10.282)	(2.642)
Actuarial (gain)/loss on obligation	(12.058)	13.001
Loss on curtailments and settlements	1.400	481
Decrease due to subsidiary companies disposed	(25)	-
Exchange differences	481	894
<hr/>		
Balance 31 December	325.520	310.629

The movement in the fair value of plan assets is as follows:

	2010 € '000	2009 € '000
Balance 1 January	56.459	43.635
Expected return on plan assets	3.942	3.440
Contributions	853	842
Benefits paid	(8.037)	(1.016)
Actuarial (loss)/gain on plan assets	(14.052)	8.986
Exchange differences	328	572
<hr/>		
Balance 31 December	39.493	56.459

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. STAFF COSTS (continued)

Defined benefit plans (continued)

Plan assets comprise the following:

	2010		2009	
	€ '000	%	€ '000	%
Equities	20.758	52,5	47.150	83,5
Bonds	1.529	3,9	1.244	2,2
Cash	17.206	43,6	8.065	14,3
	39.493	100,0	56.459	100,0

Actual return on plan assets is € 10.110.000 loss (2009: € 12.426.000 profit).

Equities include shares of Marfin Popular Bank Public Co Ltd of a value of € 16,6 m (2009: € 38,9 m).

The principal assumptions used in the actuarial valuations were:

	2010			2009		
	Cyprus	United Kingdom	Greece	Cyprus	United Kingdom	Greece
Discount rate	4,9%	5,4%	5,5%	5,25%	5,7%	5,5%
Average annual expected return on plan assets	4,25%	7,5%	-	6,55%	8,5%	-
Average annual increase in basic insurable earnings	3,5%	-	-	3,5%	-	-
Average annual increase in salaries	5,5%	3,3%	3,5%	6,5%	3,0%	4,0%
Average annual increase in inflation	2,0%	2,8%	2,5%	2,0%	2,5%	2,2%
Rate of increase of retirement benefit payments	-	2,3%	-	-	2,3%	-
		2010	2009	2008	2007	2006
		€ '000	€ '000	€ '000	€ '000	€ '000
At 31 December						
Present value of obligations		325.520	310.629	267.344	356.013	322.003
Fair value of plan assets		(39.493)	(56.459)	(43.635)	(170.679)	(143.206)
Unrecognised actuarial (loss)/gain		(1.047)	849	5.008	34.493	17.624
Retirement benefit obligations in the consolidated balance sheet		284.980	255.019	228.717	219.827	196.421
Experience adjustments on obligations		6.100	3.185	48.118	(30.662)	(10.957)
Experience adjustments on plan assets		(14.052)	8.986	(134.590)	29.128	68.328

9. DEPRECIATION, AMORTISATION AND IMPAIRMENT

	2010	2009
	€ '000	€ '000
Depreciation of property and equipment (Note 29)	25.509	25.271
Revaluation adjustment on property	-	371
Amortisation of computer software (Note 27)	8.078	9.064
Amortisation of other intangible assets (Note 27)	22.575	22.417
Impairment of goodwill (Note 27)	-	99
	56.162	57.222

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. ADMINISTRATIVE EXPENSES

	2010 € '000	2009 € '000
Occupancy costs	25.711	28.932
Computer maintenance costs	14.505	13.263
Marketing and sales expenses	20.281	26.703
Operating lease rentals	38.555	35.581
Printing and stationery expenses	9.882	5.932
Telephone expenses	7.474	7.849
Auditors' remuneration	1.638	1.825
Contribution to depositor protection schemes	14.938	16.288
Other administrative expenses	70.419	62.159
	203.403	198.532

11. PROVISION FOR IMPAIRMENT OF ADVANCES

	2010 € '000	2009 € '000
Provision for impairment of advances for the year (Note 44)	368.839	327.466
Release of provision and recoveries (Note 44)	(102.693)	(76.899)
	266.146	250.567

12. TAX

	2010 € '000	2009 € '000
Current year tax		
Cyprus corporation tax	7.341	17.669
Cyprus defence tax	18	32
Overseas corporation tax	27.952	42.517
Deferred tax (Note 36)	(18.546)	(20.077)
Total current year tax	16.765	40.141
Prior years' tax		
Corporation tax	8.681	7.277
Total tax charge	25.446	47.418

The profit of the Bank and its subsidiaries in Cyprus is subject to corporation tax at the rate of 10% (2009: 10%). The profit from overseas operations is subject to taxation at the tax rates applicable in the countries in which the profit is derived. In Greece, the tax rate applicable is 24% (2009: 25%), in Ukraine is 25% (2009: 25%), in Australia 30% (2009: 30%), in Guernsey and Serbia 10% (2009: 10%), in Romania 16% (2009: 16%), in Malta 35% (2009: 35%), in the United Kingdom 28% (2009: 28%) and in Russia 20% (2009: 20%). In Estonia the income tax rate is 21% (2009: 21%) and it is applied on the gross amount of actual and deemed profit distributions and not on profit earned.

For tax purposes in Cyprus, under certain conditions, interest may be exempt from income tax and only subject to defence contribution at the rate of 10%.

In certain cases dividends received from abroad may be subject to defence contribution at the rate of 15%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. TAX (continued)

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 € '000	2009 € '000
Profit before tax	114.674	217.797
Tax calculated at the applicable tax rates in Cyprus	11.467	21.780
Tax effect of expenses not deductible for tax purposes	473	2.521
Tax effect of income not subject to tax	(23.599)	(27.870)
Tax effect of different tax rates between overseas countries and Cyprus	28.424	43.710
Total current year tax	16.765	40.141

13. EARNINGS PER SHARE

Earnings per share was calculated by dividing profit attributable to the owners of the Bank with the weighted average number of ordinary shares in issue during the year.

	2010 € '000	2009 € '000
Profit attributable to the owners of the Bank	87.080	173.872
Weighted average number of ordinary shares in issue during the year	852.818	836.903
Earnings per share (basic and diluted) - cent	10,2	20,8

The Share Options Scheme does not have an impact on the diluted earnings per share, as the exercise price of the Share Options was higher than the average market price of Marfin Popular Bank Public Co Ltd shares at the Cyprus Stock Exchange and Athens Exchange during the year ended 31 December, 2010 and 31 December, 2009.

14. INCOME TAX EFFECTS RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2010			2009		
	Before tax amount € '000	Tax benefit/ (expense) € '000	Net-of-tax amount € '000	Before tax amount € '000	Tax (expense)/ benefit € '000	Net-of-tax amount € '000
Exchange differences arising in the year	11.588	-	11.588	(12.997)	-	(12.997)
(Losses)/gains on available-for-sale financial assets	(152.417)	16.433	(135.984)	124.610	(18.514)	106.096
Revaluation of property	11	(194)	(183)	314	479	793
Cash flow hedges	(543)	163	(380)	349	(104)	245
Share of other comprehensive income of associates	(872)	-	(872)	596	-	596
Other comprehensive (loss)/income for the year	(142.233)	16.402	(125.831)	112.872	(18.139)	94.733

15. CASH AND BALANCES WITH CENTRAL BANKS

Cash and balances with Central Banks include obligatory minimum reserves held for liquidity purposes. These reserves are not available for financing the Group's operational transactions.

	2010 € '000	2009 € '000
Cash in hand	200.920	175.047
Balances with Central Banks other than obligatory reserves for liquidity purposes	91.819	1.364.561
Obligatory reserves for liquidity purposes	420.840	425.226
	713.579	1.964.834
Current	618.085	1.539.608
Non-current	95.494	425.226
	713.579	1.964.834

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. DUE FROM OTHER BANKS

	2010 € '000	2009 € '000
Advances to other banks	27.852	7.768
Items in course of collection from other banks	338.590	458.094
Placements with other banks	4.263.102	2.961.917
Reverse repurchase agreements	66.568	19.349
	4.696.112	3.447.128
Current	4.559.300	3.287.594
Non-current	136.812	159.534
	4.696.112	3.447.128

17. RECLASSIFICATION OF FINANCIAL ASSETS

The Group adopted the amendments to IAS 39 and IFRS 7 "Reclassification of Financial Assets" and reclassified held-for-trading and available-for-sale bonds to debt securities lending. Additionally, it reclassified bonds from available-for-sale to held-to-maturity. In accordance with the provisions of the amended IAS 39, the Group identified the financial assets for which, on the date of reclassification, there was no intention of trading or sale in the foreseeable future and which met the criteria for reclassification.

In 2008, under IAS 39, as amended, the reclassifications were made with effect from 1 July, 2008 at the fair value on that date.

The book and fair value of the held-for-trading financial assets reclassified to debt securities lending at 1 July, 2008 was € 33,3 m and their book and fair value at 31 December, 2010 was € 32,1 m (2009: € 31,3 m) and € 31,9 m (2009: € 31 m) respectively. In 2009, bonds with a book value at 1 July, 2008 of € 3,1 m were sold at a loss of € 142.000.

The book and fair value of the available-for-sale financial assets reclassified to debt securities lending at 1 July, 2008 was € 684 m and their book and fair value at 31 December, 2010 was € 617,9 m (2009: € 684,1 m) and € 605 m (2009: € 683,3 m) respectively. Out of the reclassified available-for-sale financial assets, debt securities amounting to € 224,3 m with fair value 31 December, 2010 € 182,3 m (2009: € 177,8 m) have been hedged for changes in their fair value, which arise because of the risk of change in interest rates. The Group continues to use hedge accounting for these financial assets. In 2009, bonds with a book value at 1 July, 2008 of € 6,2 m matured and during 2010 bonds with a book value at 1 July, 2008 of € 78,1 m (2009: € 30,1 m) were sold at a profit of € 5 m (2009: € 0,5 m).

The book and fair value of the available-for-sale financial assets reclassified to held-to-maturity financial assets at 1 July, 2008 was € 79,9 m and their book and fair value at 31 December, 2010 after redemptions was € 23,7 m (2009: € 40,7 m) and € 23,5 m (2009: € 40,7 m) respectively. During 2010, bonds with a book value at 1 July, 2008 of € 26,2 m (2009: € 9,3 m) matured.

Had the Group not reclassified the bonds on 1 July, 2008 the consolidated income statement for 2010 would have included additional unrealised fair value gains on the reclassified held-for-trading financial assets of € 0,5 m (2009: unrealised fair value gains of € 3 m). In addition, the fair value reserves would have included € 1,9 m of additional unrealised fair value losses for 2010 (2009: unrealised fair value gains of € 16 m), as a result of the change in the fair value of the bonds reclassified in and out of the available-for-sale financial assets.

At 1 October, 2008 the Group reclassified equity securities held-for-trading to available-for-sale financial assets. Their book and fair value at 1 October, 2008 was € 1,3 m and at 31 December, 2010 was € 0,2 m (2009: € 0,5 m). Had the Group not reclassified these equity securities, unrealised fair value losses of € 0,3 m (2009: unrealised fair value losses of € 0,2 m) would have been included in the consolidated income statement for 2010 instead of in the fair value reserves.

In the last quarter of 2009, the Group had additional reclassifications of bonds from available-for-sale to debt securities lending, with book and fair value on the date of reclassification of € 1.428,3 m. The book and fair value of these bonds at 31 December, 2010 was € 1.417 m (2009: € 1.423,1 m) and € 1.032,1 m (2009: € 1.339,7 m), respectively. Out of the reclassified available-for-sale financial assets € 552,6 m, debt securities with fair value 31 December, 2010 € 499,6 m (2009: € 538,5 m) have been hedged for changes in their fair value, which arise because of the risk of change in interest rates. The Group will continue to use hedge accounting for these financial assets. During 2010, bonds with a book value on reclassification date of € 10 m were sold and bonds with a book value on reclassification date of € 0,5 m matured.

Had the Group not reclassified these bonds in the last quarter of 2009, the fair value reserves would have included € 297,8 m of additional unrealised fair value losses (2009: unrealised fair value losses of € 83,4 m), as a result of the change in the fair value of the bonds reclassified out of the available-for-sale financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. RECLASSIFICATION OF FINANCIAL ASSETS (continued)

During 2010, the Group reclassified certain available-for-sale financial assets to debt securities lending with effect from 1 April, 2010. The Group identified the debt securities for which, on the date of reclassification, there was no intention of trading or sale in the foreseeable future and which met the criteria for reclassification.

The book and fair value of the reclassified debt securities at 1 April, 2010 was € 228,5 m and their book and fair values at 31 December, 2010 were € 232,7 m and € 166,2 m respectively. Out of the reclassified available-for-sale financial assets € 68,2 m, debt securities with fair value 31 December, 2010 € 68,1 m, have been hedged for changes in the fair value which arise because of the risk of change in interest rates. The Group will continue to use hedge accounting for these financial assets.

Had the Group not reclassified the debt securities on 1 April, 2010, the Group's fair value reserves would have included € 66,4 m of additional unrealised revaluation losses as a result of the change in the fair value of these reclassified debt securities.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Held-for-trading		Designated at fair value through profit or loss at inception		Total	
	2010	2009	2010	2009	2010	2009
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Debt securities	8.385	36.970	-	-	8.385	36.970
Government bonds and treasury bills	29.219	4.024	-	-	29.219	4.024
Equity securities and funds	14.081	40.739	83.032	82.162	97.113	122.901
Derivative financial instruments with positive fair value (Note 39)	94.619	74.540	-	-	94.619	74.540
	146.304	156.273	83.032	82.162	229.336	238.435
Current	146.304	156.273	83.032	82.162	229.336	238.435
Debt securities						
Listed on the Cyprus Stock Exchange	352	440	-	-	352	440
Listed on other Stock Exchanges	8.033	24.533	-	-	8.033	24.533
Not listed	-	11.997	-	-	-	11.997
	8.385	36.970	-	-	8.385	36.970
Government bonds and treasury bills						
Listed on the Cyprus Stock Exchange	-	1.281	-	-	-	1.281
Listed on other Stock Exchanges	29.219	2.743	-	-	29.219	2.743
	29.219	4.024	-	-	29.219	4.024
Equity securities and funds						
Listed on the Cyprus Stock Exchange	380	2.335	-	-	380	2.335
Listed on other Stock Exchanges	12.477	37.048	-	-	12.477	37.048
Not listed	1.224	1.356	83.032	82.162	84.256	83.518
	14.081	40.739	83.032	82.162	97.113	122.901

Financial assets at fair value through profit or loss amounting to € 34.579.000 (2009: € 6.940.000) have been pledged in relation to funding from Central Banks.

Financial assets at fair value through profit or loss are presented as part of "Cash used in operations" in the consolidated statement of cash flows (Note 40).

Changes in fair values of financial assets at fair value through profit or loss are recorded in "Profit on disposal and revaluation of securities" in the consolidated income statement (Note 6).

Financial assets designated at fair value through profit or loss at inception are those whose performance is evaluated on a fair value basis, in accordance with a documented investment strategy. Information about these financial assets is provided internally on a fair value basis to key management personnel.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. ADVANCES TO CUSTOMERS

	2010 € '000	2009 € '000
Advances to individuals	8.537.035	8.350.786
Advances to corporate entities:		
Large corporate customers	10.116.113	9.498.822
Small and medium size enterprises (SMEs)	8.778.662	8.044.184
Advances to customers – gross	27.431.810	25.893.792
Provision for impairment of advances (Note 44)	(1.014.477)	(811.629)
Advances to customers – net	26.417.333	25.082.163
Current	7.438.284	7.804.061
Non-current	18.979.049	17.278.102
	26.417.333	25.082.163

The gross amount of advances to customers, includes gross receivables from instalment finance and leasing, amounting to € 1.067.327.000 (2009: € 1.111.323.000) (Note 20).

Marfin Egnatia Bank S.A. has pledged advances to customers amounting to € 4.153.385.000 (2009: € 2.276.395.000) as a portfolio security for the issuance of covered bonds.

Additionally, Marfin Popular Bank Public Co Ltd has pledged advances to customers amounting to € 979 m (2009: € 672 m) as collateral to the Republic of Cyprus for the issue of € 744 m (2009: € 550 m) special government bonds, which are used as collateral for obtaining financing. These funds were used for providing housing loans and loans to small and medium sized enterprises.

20. INSTALMENT FINANCE AND LEASING

	2010 € '000	2009 € '000
Gross investment in hire purchase and finance leases	1.251.938	1.297.345
Unearned finance income	(184.611)	(186.022)
Present value of minimum hire purchase and finance lease payments (Note 19)	1.067.327	1.111.323
Provision for impairment of hire purchase and finance leases	(152.068)	(142.948)
	915.259	968.375
Gross investment in hire purchase and finance leases		
Less than one year	338.558	395.171
Over one but less than five years	450.289	515.308
Over five years	463.091	386.866
	1.251.938	1.297.345
Present value of minimum hire purchase and finance lease payments		
Less than one year	309.484	357.820
Over one but less than five years	375.494	432.127
Over five years	382.349	321.376
	1.067.327	1.111.323

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. INSTALMENT FINANCE AND LEASING (continued)

The most important terms of the hire purchase contracts are as follows:

- The hirer pays a nominal fee at the end of the hire purchase term in exchange for the right to purchase the goods.
- The hirer pays monthly instalments including interest on the amount outstanding.
- The hirer is responsible for any loss or damage incurred on the goods concerned.

The most important terms of the finance lease contracts are as follows:

- The lessee undertakes the equipment under lease for the rental period concerned and pays during that period rentals and any other amounts that are payable in accordance with the terms of the contract.
- The rentals and any other amounts payable are subject to interest.
- The lessee is obliged to maintain the equipment in good condition and to compensate the owner for any damage or fault occurred.
- Upon expiry of the agreement, the lessee can either return the equipment to the owner or pay a minimal annual nominal fee in exchange for the right to continue to use the equipment.

21. DEBT SECURITIES LENDING

In 2008 the Group adopted the amendments to IAS 39 and IFRS 7 "Reclassification of Financial Assets" and proceeded to reclassify held-for-trading and available-for-sale bonds to debt securities lending. In accordance with the provisions of amended IAS 39, the Group identified the financial assets for which on 1 July, 2008 there was no intention of trading or sale in the foreseeable future and which met the criteria for reclassification. Under IAS 39, as amended, the reclassifications were made with effect from 1 July, 2008 at the fair value on that date. In 2009 and 2010 the Group made additional reclassifications of available-for-sale bonds to debt securities lending (Note 17).

	2010 € '000	2009 € '000
Debt securities	1.172.391	1.156.373
Government bonds and treasury bills	2.788.397	2.238.695
	3.960.788	3.395.068
Current	90.536	2.255
Non-current	3.870.252	3.392.813
	3.960.788	3.395.068
Movement for the year		
Balance 1 January	3.395.068	938.295
Transfer from available-for-sale financial assets (Note 22)	228.536	1.428.349
Revaluation of hedged debt securities lending in relation to hedged risk	28.264	(25.087)
Additions	481.256	1.218.748
Redemptions and disposals	(197.117)	(190.126)
Accrued interest and amortisation of premium/discount	16.298	29.328
Exchange differences	8.483	(4.439)
Balance 31 December	3.960.788	3.395.068

Debt securities lending amounting to € 2.342.925.000 (2009: € 1.753.197.000) have been pledged in relation to funding from Central Banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 € '000	2009 € '000
Debt securities	1.047.517	2.055.279
Government bonds and treasury bills	925.369	1.216.482
Equity securities and funds	305.525	293.132
	2.278.411	3.564.893
Listed on the Cyprus Stock Exchange	18.388	14.220
Listed on other Stock Exchanges	2.053.105	3.358.152
Not listed	206.918	192.521
	2.278.411	3.564.893
Current	216.625	469.363
Non-current	2.061.786	3.095.530
	2.278.411	3.564.893
Movement for the year		
Balance 1 January	3.564.893	3.606.173
Available-for-sale financial assets from business acquisitions (Note 49)	-	961
Transfer from financial assets at fair value through profit or loss	7.295	-
Transfer to debt securities lending (Note 21)	(228.536)	(1.428.349)
Additions	1.115.721	4.201.894
Redemptions and disposals	(2.094.600)	(2.960.600)
Revaluation for the year	(131.710)	120.625
Amortisation of premium/discount and accrued interest	22.079	39.185
Exchange differences	23.269	(14.996)
Balance 31 December	2.278.411	3.564.893

Included in available-for-sale financial assets as at 31 December, 2010 is a 2,70% (2009: 2,74%) shareholding in Marfin Investment Group Holdings S.A.

Available-for-sale financial assets include debt securities amounting to € 613.495.000 (2009: € 1.454.548.000) which have been pledged in relation to funding from Central Banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. HELD-TO-MATURITY FINANCIAL ASSETS

	2010 € '000	2009 € '000
Debt securities	770.200	847.741
Government bonds and treasury bills	709.846	533.589
	1.480.046	1.381.330
Listed on the Cyprus Stock Exchange	97.176	246.710
Listed on other Stock Exchanges	1.382.870	1.134.620
	1.480.046	1.381.330
Current	500.804	375.840
Non-current	979.242	1.005.490
	1.480.046	1.381.330
Movement for the year		
Balance 1 January	1.381.330	1.164.036
Additions	1.358.538	1.140.813
Redemptions	(1.287.803)	(926.122)
Accrued interest and amortisation of premium/discount	9.653	(7.457)
Impairment loss of held-to-maturity financial assets	(4.490)	-
Exchange differences	22.818	10.060
Balance 31 December	1.480.046	1.381.330
Allowance for impairment		
Balance 1 January	-	-
Charge for the year (Note 6)	4.493	-
Exchange differences	(3)	-
Balance 31 December	4.490	-

Held-to-maturity financial assets amounting to € 1.001.241.000 (2009: € 930.602.000) have been pledged in relation to funding from Central Banks.

24. OTHER ASSETS

	2010 € '000	2009 € '000
Non-current assets held for sale	157.452	47.720
Hedging derivative financial instruments with positive fair value (Note 39)	12.412	7.984
Extra contribution to Hellenic Deposit Guarantee Fund	149.259	95.491
Other assets	216.659	360.703
	535.782	511.898
Current	381.369	301.612
Non-current	154.413	210.286
	535.782	511.898

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. CURRENT INCOME TAX ASSETS

	2010 € '000	2009 € '000
Current income tax assets during the year	32.642	37.313
Adjustment recognised during the year for current tax of prior years	1.414	1.349
	34.056	38.662
Current income tax assets		
Current tax asset to be recovered after more than 12 months	11.121	14.697
Current tax asset to be recovered within 12 months	22.935	23.965
	34.056	38.662

26. INVESTMENTS IN ASSOCIATES

	2010 € '000	2009 € '000
Balance 1 January	113.071	99.473
Share of profit after tax	14.177	18.014
Dividend from associates	(12.829)	(4.739)
Share in fair value reserves	(872)	596
Exchange differences	53	(273)
Balance 31 December	113.600	113.071

The investments in associates relate to a 30% interest (2009: 30%) in the share capital of JCC Payment Systems Ltd, a 30% interest (2009: 30%) in the share capital of Aris Capital Management LLC and a 49,9% interest (2009: 49,9%) in the share capital of Marfin Insurance Holdings Ltd.

Marfin Insurance Holdings Ltd holds 100% of Laiki Cyprialife Ltd, Laiki Insurance Ltd, Marfin Life S.A. and Marfin Insurance Brokers S.A.

The summary financial information of the associates is as follows:

	2010				Issued share capital € '000
	Assets € '000	Liabilities € '000	Revenues € '000	Profit € '000	
JCC Payment Systems Ltd	44.885	17.984	20.891	4.999	1.800
Aris Capital Management LLC	731	60	911	269	7
Marfin Insurance Holdings Ltd	815.131	679.121	54.702	23.513	90
	2009				
	Assets € '000	Liabilities € '000	Revenues € '000	Profit € '000	Issued share capital € '000
JCC Payment Systems Ltd	63.840	16.939	23.693	8.991	1.800
Aris Capital Management LLC	861	159	1.005	322	7
Marfin Insurance Holdings Ltd	792.436	667.519	60.143	29.605	90

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. INTANGIBLE ASSETS

	Goodwill € '000	Computer software € '000	Other ⁽¹⁾ € '000	Total € '000
At 1 January 2009				
Cost or valuation	1.272.786	89.359	402.404	1.764.549
Accumulated amortisation and impairment	(8.283)	(66.507)	(46.776)	(121.566)
Net book value	1.264.503	22.852	355.628	1.642.983
Year ended 31 December 2009				
Net book value at the beginning of the year	1.264.503	22.852	355.628	1.642.983
Goodwill from business acquisitions	19.508	-	-	19.508
Intangible assets from business acquisitions (Note 49)	-	35	7.900	7.935
Transfer from the category "Property and equipment" (Note 29)	-	3.247	-	3.247
Additions ⁽²⁾	750	11.750	-	12.500
Amortisation charge (Note 9)	-	(9.064)	(22.417)	(31.481)
Impairment (Note 9)	(99)	-	-	(99)
Exchange differences	(5.820)	56	(1.987)	(7.751)
Net book value at the end of the year	1.278.842	28.876	339.124	1.646.842
At 31 December 2009				
Cost or valuation	1.287.224	104.964	408.263	1.800.451
Accumulated amortisation and impairment	(8.382)	(76.088)	(69.139)	(153.609)
Net book value	1.278.842	28.876	339.124	1.646.842
Year ended 31 December 2010				
Net book value at the beginning of the year	1.278.842	28.876	339.124	1.646.842
Transfer from the category "Property and equipment" (Note 29)	-	1.228	-	1.228
Additions	-	10.232	-	10.232
Amortisation charge (Note 9)	-	(8.078)	(22.575)	(30.653)
Exchange differences	5.790	56	1.239	7.085
Net book value at the end of the year	1.284.632	32.314	317.788	1.634.734
At 31 December 2010				
Cost or valuation	1.293.014	116.820	409.730	1.819.564
Accumulated amortisation and impairment	(8.382)	(84.506)	(91.942)	(184.830)
Net book value	1.284.632	32.314	317.788	1.634.734

⁽¹⁾ The category "Other" included in "Intangible assets" relates to the estimated value amount of trade names, customer relationships and intangible assets in relation to core deposits, computer software and asset management of the Group's subsidiaries: (a) in Greece which were acquired in 2006, (b) in the Ukraine which were acquired in 2007, (c) in Malta which was acquired in 2008, (d) in Russia which were acquired in 2008 and (e) in Cyprus (CLR Capital acquisition in 2009).

⁽²⁾ The additions to goodwill during the year relate to the increase in participation of existing subsidiary companies of the Group.

Intangible assets with indefinite useful lives amount to € 51.202.000 (2009: € 51.202.000). These intangibles have been recognised in relation to the acquisition of the Group's subsidiaries in Greece and in Malta and relate to trade names. The indefinite useful lives of intangible assets have been allocated to the banking operations cash generating unit in Greece and Malta and they have been assessed as having an indefinite useful life on the basis that there is no foreseeable limit to the period over which the trade names will generate net cash inflows for the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. INTANGIBLE ASSETS (continued)

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) according to the country of operation and the business segment for impairment test purposes. The analysis of goodwill is presented below:

	Corporate banking € '000	Investment banking € '000	Wealth management € '000	Total € '000
Cyprus	-	-	23.118	23.118
Greece	1.034.362	60.191	1.094	1.095.647
Romania	27.700	-	-	27.700
Serbia	11.735	-	-	11.735
Estonia	21	-	-	21
Ukraine	53.121	-	-	53.121
Malta	26.186	-	-	26.186
Russia	47.104	-	-	47.104
Total	1.200.229	60.191	24.212	1.284.632

The recoverable amount for the above CGUs has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial business plans approved by management covering a five year period. Cash flows beyond the period covered by financial business plans are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the business in which each CGU operates.

Key assumptions used for the calculation of value-in-use of the corporate banking cash-generating units of the Group are:

	Greece	Romania	Serbia	Ukraine	Malta	Russia
Average deposit growth rate	6,22%	28,50%	27,10%	32,78%	8,62%	30,37%
Average gross advances growth rate	7,13%	23,40%	26,02%	36,94%	8,31%	54,81%
Return on equity	16,00%	19,00%	20,00%	23,00%	17,00%	20,00%
Cash flow growth rate	4,00%	3,00%	4,00%	4,00%	3,00%	8,00%
Discount rate	10,00%	13,07%	15,33%	18,01%	9,66%	14,21%

Management determines the budgeted net profit margin based on past performance and its expectations for the market development. The weighted average profit growth rate used is consistent with the macroeconomic forecasts for the country of operation. The discount rate used reflects specific risks relating to the CGU. Critical accounting estimates and judgements in relation to impairment test for goodwill are disclosed in Note 3.

The impairment tests for goodwill show no impairment of goodwill during 2010 (2009: € 99.000 in relation to the Cyprus Wealth Management CGU).

28. INVESTMENT PROPERTY

	2010 € '000	2009 € '000
Balance 1 January	57.626	42.819
Investment property from business acquisitions (Note 49)	-	3.246
Additions	13.257	8.219
Disposals	(928)	(709)
Transfer from the category "Non-current assets held for sale"	-	1.147
Transfer from the category "Property and equipment" (Note 29)	-	2.764
Fair value (loss)/gain (Note 7)	(1.669)	121
Exchange differences	36	19
Balance 31 December	68.322	57.626

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. INVESTMENT PROPERTY (continued)

The investment properties are revalued annually on 31 December through reference to market prices by independent, professionally qualified valuers with adequate and relevant experience on the nature and the location of the property. Changes in the fair value are included in the consolidated income statement.

Included within "Other income" in the consolidated income statement is an amount of € 460.000 (2009: € 751.000) that relates to income from operating lease rentals from investment properties held by the Group. Included within "Administrative expenses" is an amount of € 71.000 (2009: € nil) which represents direct operating expenses arising from investment properties that generated rental income and an amount of € 220.000 (2009: € 32.000) from investment properties that did not generate rental income during the year.

At 31 December, 2010 there were not any contractual obligations to purchase, construct or develop investment property (2009: € 81.000).

29. PROPERTY AND EQUIPMENT

	Property € '000	Equipment € '000	Total € '000
At 1 January 2009			
Cost or valuation	265.158	186.161	451.319
Accumulated depreciation	(42.367)	(134.094)	(176.461)
Net book value	222.791	52.067	274.858
Year ended 31 December 2009			
Net book value at the beginning of the year	222.791	52.067	274.858
Property and equipment from business acquisitions (Note 49)	13.275	397	13.672
Transfer to the category "Investment property" (Note 28)	(2.764)	-	(2.764)
Transfer to the category "Intangible assets" (Note 27)	-	(3.247)	(3.247)
Additions	12.634	30.023	42.657
Disposals	(4.855)	(592)	(5.447)
Revaluation of property	(57)	-	(57)
Depreciation charge (Note 9)	(8.233)	(17.038)	(25.271)
Exchange differences	(372)	426	54
Net book value at the end of the year	232.419	62.036	294.455
At 31 December 2009			
Cost or valuation	283.196	209.159	492.355
Accumulated depreciation	(50.777)	(147.123)	(197.900)
Net book value	232.419	62.036	294.455
Year ended 31 December 2010			
Net book value at the beginning of the year	232.419	62.036	294.455
Property and equipment from business disposals	(6.958)	(9)	(6.967)
Transfer between the categories "Property" and "Equipment"	2.612	(2.612)	-
Transfer to the category "Intangible assets" (Note 27)	854	(2.082)	(1.228)
Additions	11.427	20.391	31.818
Disposals	(195)	(912)	(1.107)
Revaluation of property	11	-	11
Depreciation charge (Note 9)	(9.112)	(16.397)	(25.509)
Exchange differences	(528)	257	(271)
Net book value at the end of the year	230.530	60.672	291.202
At 31 December 2010			
Cost or valuation	298.437	211.228	509.665
Accumulated depreciation	(67.907)	(150.556)	(218.463)
Net book value	230.530	60.672	291.202

As at 31 December, 2010 and 31 December, 2009 the Group held no buildings under construction within property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. PROPERTY AND EQUIPMENT (continued)

In the consolidated statement of cash flows, proceeds from disposal of property and equipment comprise:

	2010 € '000	2009 € '000
Net book value	1.107	5.447
(Loss)/profit on disposal of property and equipment (Note 7)	(415)	1.048
Proceeds from disposal of property and equipment	692	6.495

At 31 December, 2007 a valuation of the Group's property was performed by independent professional valuers. The fair value of the Group's property is based on market values. Increases in the carrying amount arising on revaluation were credited to property fair value reserves. Decreases that offset previous increases of the same asset are charged against those reserves. All other decreases are charged to the consolidated income statement.

Included within the property of the Group is an amount of € 46.698.000 (2009: € 42.636.000) which represents improvements on leasehold buildings.

The net book value of revalued property that would have been included in the financial statements had the assets been carried at cost less depreciation is € 109.049.000 (2009: € 110.675.000).

30. DUE TO OTHER BANKS

	2010 € '000	2009 € '000
Interbank borrowing	1.977.823	2.178.671
Obligations to Central Banks	6.945.184	5.990.000
Repurchase agreements with third counterparties	1.726.843	2.302.205
	10.649.850	10.470.876
Current	10.247.851	10.363.818
Non-current	401.999	107.058
	10.649.850	10.470.876
Analysis by geographical area		
Cyprus	2.915.389	3.006.243
Greece	7.509.037	7.145.093
Other countries	225.424	319.540
	10.649.850	10.470.876

On 4 August, 2010 Marfin Egnatia Bank S.A., issued the third series of (common) covered bonds for the amount of € 1 bln, while it cancelled the second series of (common) covered bonds amounting to € 500 m, the issue of which was decided on 12 March, 2010. The bonds have a maturity of one year from the date of issuance with extension right of one year. The issuance was effected as part of a programme for the issuance of (common) covered bonds of up to € 3 bln. The cover pool assets constituting the "cover" for the bonds comprises residential mortgage loans. The first series of (common) covered bonds amounting to € 1 bln, were issued on 17 November, 2008 with maturity date (as amended in 2010) 17 November, 2011 and the option of one year extension. Following the issuance of the third series, the total amount of the (common) covered bonds of Marfin Egnatia Bank S.A. is € 2 bln. Moreover, as security of any claims of the bondholders and all secured creditors, Marfin Popular Bank Public Co Ltd has agreed to provide Marfin Egnatia Bank S.A. with credit facilities. The bonds were listed for trading at the Stock Exchange of Ireland and, upon issuance, were retained by Marfin Egnatia Bank S.A. at the price of issuance, for the purpose of re-disposing them to institutional investors at any time until maturity. Until their disposal, the bonds are used as security for obtaining liquid funds from the European Central Bank through the Bank of Greece.

On 19 August, 2009 the securitisation of bonds and other corporate loans by Marfin Egnatia Bank S.A. for the total amount of € 2,3 bln was completed. The issue of the debentures from the securitisation was delivered by Synergatis Plc. An amount of € 1,4 bln of the total bonds portfolio, which was fully covered by Marfin Popular Bank Public Co Ltd, received an AAA rating from Moody's rating agency. In July 2010, Moody's rating stood at A3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. DUE TO OTHER BANKS (continued)

Obligations to Central Banks include financing of € 672 m (2009: € 515 m) from the Central Bank of Cyprus secured through the pledging of € 744 m (2009: € 550 m) special government titles of a three-year duration which were issued by the Republic of Cyprus for this purpose. The aforementioned finance was solely used for providing housing loans and loans to small and medium size enterprises.

31. CUSTOMER DEPOSITS

	2010 € '000	2009 € '000
Current	25.144.161	23.476.131
Non-current	364.200	409.645
	25.508.361	23.885.776
Analysis by geographical area		
Cyprus	13.157.728	10.901.217
Greece	9.684.980	10.732.692
Other countries	2.665.653	2.251.867
	25.508.361	23.885.776

32. SENIOR DEBT

	2010 € '000	2009 € '000
Debentures Marfin Popular Bank Public Co Ltd (2007/2010)	-	612.711
Debentures Marfin Popular Bank Public Co Ltd (2009/2012)	376.953	377.280
Debentures Marfin Popular Bank Public Co Ltd (2009/2014)	22.813	23.185
Debentures Egnatia Finance Plc (2009/2010)	-	7.552
Debentures Egnatia Finance Plc (2009/2013)	17.756	15.390
Bond loan (Schuldschein) Marfin Egnatia Bank S.A. (2007/2010)	-	50.000
Bond loan (Schuldschein) Marfin Egnatia Bank S.A. (2008/2011)	50.220	50.000
Syndicated loan Marfin Egnatia Bank S.A. (2008/2010)	-	250.000
Promissory Notes Rossiysky Promyishlenny Bank Company Ltd	9.895	12.384
	477.637	1.398.502
Current	60.115	932.647
Non-current	417.522	465.855
	477.637	1.398.502

Debentures Marfin Popular Bank Public Co Ltd (2007/2010), Debentures Marfin Popular Bank Public Co Ltd (2009/2012), Debentures Marfin Popular Bank Public Co Ltd (2009/2014), Debentures Egnatia Finance Plc (2009/2010) and Debentures Egnatia Finance Plc (2009/2013)

During 2004, the Bank set up a Euro Medium Term Note (EMTN) Programme (the "Programme") for a total amount of € 750 m. In May 2006, an increase of the size of the Programme to € 1 bln was approved and in May 2007 a further increase to € 3 bln was approved. Pursuant to the Programme the Bank has the ability to issue senior and/or subordinated debt in accordance to its needs. In December 2008, the Programme was revised to enable Marfin Egnatia Bank S.A. and Egnatia Finance Plc, guaranteed by Marfin Egnatia Bank S.A., to issue senior and/or subordinated debt.

In May 2007, the Bank issued € 750 m of senior debt, due in 2010. In May 2009, the Bank repurchased and cancelled debentures of € 100 m. In May 2010, the debentures matured and the Bank repaid the remaining debentures of € 650 m in accordance with their terms of issue and an amount equal to the nominal value of the debentures plus accrued interest was paid to the holders. The debentures were repayable within three years from their issue and paid interest every three months. The interest rate was set at the three-month rate of Euro (Euribor) plus 0,29%. Part of the debentures was held by Group companies.

In September 2009, the Bank issued € 500 m of senior debt, due in 2012. The debentures are repayable within three years from their issue and pay interest once a year, on 21 September. The interest rate is set at 4,375%. Part of the debentures is held by Group companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. SENIOR DEBT (continued)

Debentures Marfin Popular Bank Public Co Ltd (2007/2010), Debentures Marfin Popular Bank Public Co Ltd (2009/2012), Debentures Marfin Popular Bank Public Co Ltd (2009/2014), Debentures Egnatia Finance Plc (2009/2010) and Debentures Egnatia Finance Plc (2009/2013) (continued)

In November 2009, the Bank issued € 25 m of senior debt, due in 2014. The debentures are repayable within five years from their issue and pay interest once a year, on 20 November. The interest rate is set at 4,35%. Part of the debentures is held by Group companies.

In March 2009, Egnatia Finance Plc issued € 10 m of senior debt, due in 2010. In March 2010, the debentures matured and Egnatia Finance Plc repaid the full amount of € 10 m debentures, in accordance with their terms of issue and an amount equal to the nominal value of the debentures plus accrued interest was paid to the holders. The debentures were repayable within one year from their issue and paid interest every six months. The interest rate was set at 12%. Part of the debentures was held by Group companies.

In September 2009, Egnatia Finance Plc issued USD 30 m (€ 21m) of senior debt, due in 2013. The debentures are repayable within four years from their issue and pay interest every three months. The interest rate is set at the three-month rate of United States Dollar with a minimum interest rate of 3,1%. Part of the debentures is held by Group companies.

The debentures are issued based on the Programme and are listed on the Luxembourg Stock Exchange. The market value at 31 December, 2010 was € 368,4 m (2009: € 367,1 m) for Debentures Marfin Popular Bank Public Co Ltd (2009/2012) and € 17,8 m (2009: € 15,1 m) for Debentures Egnatia Finance Plc (2009/2013).

Bond loan (Schuldschein) Marfin Egnatia Bank S.A. (2007/2010)

In December 2007, Marfin Egnatia Bank S.A. issued € 50 m three year bond loan (Schuldschein) due in 2010. In December 2010, the debentures matured and Marfin Egnatia Bank S.A. repaid the full amount of € 50 m debentures, in accordance with their terms of issue and an amount equal to the nominal value of the debentures plus accrued interest was paid to the holders. Interest was paid monthly, quarterly or half yearly, based on the decision of Marfin Egnatia Bank S.A., with the interest rate of Euro (Euribor) of the respective period (month, quarter, half year) plus 0,25%.

Bond loan (Schuldschein) Marfin Egnatia Bank S.A. (2008/2011)

In March 2008, Marfin Egnatia Bank S.A. issued € 50 m three year bond loan (Schuldschein) due in 2011. Interest is paid half yearly, with the six-month interest rate of Euro (Euribor) plus 0,25%. The debentures or part of them can be repurchased earlier after a decision of Marfin Egnatia Bank S.A.

Syndicated loan Marfin Egnatia Bank S.A. (2008/2010)

In September 2008, Marfin Egnatia Bank S.A. issued € 250 m two year syndicated loan due in 2010. In September 2010, the € 250 m syndicated loan matured and Marfin Egnatia Bank S.A. repaid the full amount of € 250 m syndicated loan in accordance with its term of issue and an amount equal to the nominal value of the syndicated loan plus accrued interest was paid to the holders. Interest was paid every three months, with the three-month rate of Euro (Euribor) plus 0,60%.

Promissory Notes Rossiysky Promyishlenny Bank Company Ltd

Rossiysky Promyishlenny Bank Company Ltd issues promissory notes to customers. As at 31 December, 2010 the issued promissory notes bore interest rates for Russian Roubles up to 14,5% and maturity up to August 2011. These promissory notes were issued at a discount and will be repaid at face value on their maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. LOAN CAPITAL

	2010 € '000	2009 € '000
Debentures Egnatia Finance Plc (2005/2015)	-	80.000
Debentures Egnatia Finance Plc (2009/2019)	106.308	95.138
Eurobonds Marfin Popular Bank Public Co Ltd due 2016	414.793	424.724
Capital securities Marfin Popular Bank Public Co Ltd	737.870	442.229
Subordinated debt Rossiysky Promyishlenny Bank Company Ltd (2004/2014)	8.960	8.410
	1.267.931	1.050.501
Non-current	1.267.931	1.050.501

Debentures Egnatia Finance Plc (2005/2015)

In May 2005, Egnatia Finance Plc issued € 80 m debentures, due in 2015. In May 2010, following the approval of the Bank of Greece, Egnatia Finance Plc proceeded to early repayment of the full amount of € 80 m debentures, in accordance with their terms of issue and an amount equal to the nominal value of the debentures plus accrued interest was paid to the holders. The debentures were repayable within ten years from their issue and paid interest every three months. The interest rate was set at the three-month rate of Euro (Euribor) plus 1,10% until their call in date and 2,40% until maturity. The issuing company had the right to call in the debentures after the end of the fifth year.

The debentures constituted direct, unsecured, subordinated obligations (Tier II Capital) but were guaranteed by Marfin Egnatia Bank S.A. and they ranked for payment after the claims of depositors and other creditors. The debentures were listed on the Luxembourg Stock Exchange.

Debentures Egnatia Finance Plc (2009/2019) and Eurobonds Marfin Popular Bank Public Co Ltd due 2016

During 2004 the Bank set up a Euro Medium Term Note (EMTN) Programme (the "Programme") for a total amount of € 750 m. In May 2006, an increase of the size of the Programme to € 1 bln was approved and in May 2007 a further increase to € 3 bln was approved. Pursuant to the Programme the Bank has the ability to issue senior and/or subordinated debt in accordance to its needs. In December 2008, the Programme was revised to enable Marfin Egnatia Bank S.A. and Egnatia Finance Plc, guaranteed by Marfin Egnatia Bank S.A., to issue senior and/or subordinated debt.

In May 2006, the Bank issued € 450 m of subordinated debt, due in 2016. The Bank has the right to call in the bonds after five years from their issue. The interest rate is set at the three-month rate of Euro (Euribor) plus 0,75% for the first five years, increased by 1% if the bonds are not called in. In June 2010, the Bank repurchased and cancelled bonds of € 23 m, which were held by Group companies. Part of the bonds is held by Group companies.

In May 2009, Egnatia Finance Plc issued USD 60 m (€ 41 m) of subordinated debt, under the guarantee of Marfin Egnatia Bank S.A. The issue was in the form of subordinated bonds, maturing in ten years, with the right to call in the bonds after five years from the issue date, upon written authorisation of the Bank of Greece. The interest rate is set at 5,5% over their whole duration. Part of the bonds is held by Group companies.

In July 2009, Egnatia Finance Plc, issued € 60 m of subordinated debt under the guarantee of Marfin Egnatia Bank S.A. The issue was in the form of subordinated bonds, maturing in ten years, with the right to call in the bonds after five years from the issue date, upon written authorisation of the Bank of Greece. The interest rate is set at 6,5% over their whole duration.

The bonds constitute direct, unsecured, subordinated obligations (Tier II Capital) and they rank for payment after the claims of depositors and other creditors. The bonds are issued based on the Programme and are listed on the Luxembourg Stock Exchange. Their market value at 31 December, 2010 was € 330,1 m (2009: € 338,2 m) for Eurobonds Marfin Popular Bank Public Co Ltd due 2016 and € 106,3 m (2009: € 95,1 m) for Debentures Egnatia Finance Plc (2009/2019).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. LOAN CAPITAL (continued)

Capital securities Marfin Popular Bank Public Co Ltd

On 17 March, 2008 the Board of Directors of the Bank approved the issue of capital securities up to the amount of € 200 m which are included in the Tier I Capital of the Bank (Hybrid Tier I Capital). Capital securities of € 116 m (1st Tranche) that were addressed to a limited group of individuals, professional investors and individuals who invested at least € 50.000 each, were issued on 14 April, 2008 at a nominal value of € 1.000 each. During the second phase (2nd Tranche), capital securities of € 84 m that were addressed to the general public through a Public Offer, were issued on 30 June, 2008 at a nominal value of € 1.000 each. The capital securities of the 1st Tranche paid 6,50% fixed interest rate for the first four quarters and the capital securities of the 2nd Tranche paid 6,50% fixed interest rate for the first three quarters, and subsequently both tranches a floating rate, which is reviewed on a quarterly basis. The interest rate is equal to the three-month rate of Euro (Euribor) at the beginning of each quarter plus 1,50% and the interest is payable every three months, at 31 March, 30 June, 30 September and 31 December.

On 19 March, 2009 the Board of Directors of the Bank approved the issue of capital securities up to the amount of € 250 m which are included in the Tier I Capital of the Bank. The issue, which was addressed to a limited group of individuals, professional investors and individuals who invested at least € 50.000 each, was completed on 13 May, 2009 and amounted to € 242,2 m. The interest rate was set at 7% and the interest is payable every three months.

On 30 March, 2010 the Board of Directors of the Bank approved the issue of capital securities, in one or more series, up to the amount of € 300 m which would be included in the Hybrid Tier I Capital of the Bank. The first tranche, which was addressed to a limited group of individuals, professional investors and individuals who invested at least € 50.000 each, was completed on 19 May, 2010 and amounted to € 250,5 m. The second tranche, which was addressed to the general public, was completed on 25 June, 2010 and amounted to € 45,1 m. The interest rate was set at 7% and the interest is payable every three months.

The capital securities do not have a maturity date but may, at the Bank's discretion, after approval by the Central Bank of Cyprus, be acquired in their entirety at their nominal value, together with any accrued interest, five years after the date of issue or on any interest payment date after that. The capital securities constitute direct, unsecured, subordinated obligations of the Bank and rank for payment after the claims of the depositors and other creditors. The capital securities are listed on the Cyprus Stock Exchange.

Subordinated debt Rossiysky Promyishlenny Bank Company Ltd (2004/2014)

In December 2004, Rossiysky Promyishlenny Bank Company Ltd received a deposit maturing in 2014. Interest rate is set at 8% annually. The deposit constitutes a direct obligation and ranks for payment after the claims of other creditors.

34. OTHER LIABILITIES

	2010 € '000	2009 € '000
Suppliers and other creditors	28.640	36.080
Accrued expenses	56.769	153.004
Cheques and orders payables	35.781	130.645
Derivative financial instruments with negative fair value (Note 39)	280.511	249.920
Other liabilities	190.815	271.209
	592.516	840.858
Current	376.058	571.975
Non-current	216.458	268.883
	592.516	840.858

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. CURRENT INCOME TAX LIABILITIES

	2010 € '000	2009 € '000
Current income tax liabilities	18.060	27.489
Adjustment recognised during the year for current tax of prior years	5.143	6.218
	23.203	33.707
Current income tax liabilities		
Current tax liability to be settled after more than 12 months	4.000	382
Current tax liability to be settled within 12 months	19.203	33.325
	23.203	33.707

36. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are calculated on all temporary differences under the liability method using the applicable tax rates (Note 12). Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The movement in deferred tax is as follows:

	2010 € '000	2009 € '000
Balance 1 January	41.923	41.346
Deferred tax liabilities/assets from:		
Business acquisitions (Note 49)	-	2.719
Business disposals	(150)	-
Credit in consolidated income statement (Note 12)	(18.546)	(20.077)
Debit/(credit) in property fair value reserves	194	(479)
(Credit)/debit in available-for-sale financial assets fair value reserves and cash flow hedge reserve	(16.596)	18.514
Exchange differences	624	(100)
	7.449	41.923

Deferred tax assets and liabilities are attributable to the following items:

	2010 € '000	2009 € '000
Deferred tax liabilities		
Differences between depreciation and wear and tear allowances	4.067	2.212
Revaluation of property	13.629	12.818
Intangible assets	76.368	87.243
Financial assets	205	188
Provision for impairment of advances	16.656	14.977
Other temporary differences	23.709	16.443
	134.634	133.881
Deferred tax assets		
Available-for-sale financial assets	44.325	27.571
Financial instruments	3.147	1.476
Tax losses	17.687	11.939
Provision for impairment of advances	47.038	40.748
Retirement benefit obligations	3.030	2.572
Other temporary differences	11.958	7.652
	127.185	91.958
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	123.982	120.945
Deferred tax liability to be recovered within 12 months	10.652	12.936
	134.634	133.881
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	122.389	87.752
Deferred tax asset to be recovered within 12 months	4.796	4.206
	127.185	91.958

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. DEFERRED TAX ASSETS AND LIABILITIES (continued)

The credit relating to deferred tax in the consolidated income statement is analysed by temporary differences as follows:

	2010 € '000	2009 € '000
Differences between depreciation and wear and tear allowances	167	124
Intangible assets	(5.674)	(5.803)
Tax losses	(5.754)	(2.502)
Financial instruments	(1.467)	5.350
Provision for impairment of advances	(6.958)	(20.671)
Other temporary differences	1.140	3.425
	(18.546)	(20.077)

37. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares '000	Share capital € '000	Share premium € '000	Total € '000
1 January 2009	830.126	705.607	2.144.141	2.849.748
Dividend re-investment (a)	12.246	10.409	17.144	27.553
Share issue costs	-	-	(834)	(834)
Shares in the process of being issued (b)	5.781	4.914	18.695	23.609
31 December 2009 / 1 January 2010	848.153	720.930	2.179.146	2.900.076
Dividend re-investment (c)	10.133	8.613	4.965	13.578
Script dividend (d)	123.830	105.256	73.952	179.208
Share issue costs	-	-	(5.166)	(5.166)
31 December 2010	982.116	834.799	2.252.897	3.087.696

- (a) In June 2009, the Bank issued 12.246.000 new ordinary shares, of nominal value € 0,85, which resulted from the re-investment of the dividend for the year 2008 in accordance with the Dividend Re-investment Plan. Based on the Plan, the Bank's shareholders had the option of part or full re-investment of the net 2008 dividend paid, into shares of the Bank. The exercise price of the re-investment right of the 2008 dividend was set at € 2,25 per share, that was 10% lower than the average closing price of the Bank's share on the Cyprus Stock Exchange and the Athens Exchange for the period from 26 May to 1 June, 2009. The trading of the newly issued shares commenced on 25 June, 2009.
- (b) On 23 December, 2009 the Extraordinary General Meeting of the shareholders of the Bank approved the authorisation of the Board of Directors to issue 5.781.000 new ordinary shares of the Bank, nominal value of € 0,85 each, in the framework of the Cross-Border Merger through absorption of Marfin Egnatia Bank S.A. by the Bank, to be exchanged with 8.594.000 ordinary common shares of Marfin Egnatia Bank S.A. The Bank's shares to be issued, in exchange for the above common ordinary shares, will not be offered at first to existing shareholders of the Bank, as provided by the Articles of Association of the Bank, but will be offered to the existing shareholders of Marfin Egnatia Bank S.A. (except from the Bank itself) according to the provisions of the Common Terms of the Cross-Border Merger and the decisions of the Board of Directors of the merging companies. The new shares which are in the process to be issued in the context of completion of the cross-border merger, as mentioned above, will have the same rights as the existing, fully paid shares of the Bank.
- (c) In June 2010, the Bank issued 10.133.000 new ordinary shares, of nominal value € 0,85, which resulted from the re-investment of the dividend for the year 2009 in accordance with the Dividend Re-Investment Plan. Based on the Plan, the Bank's shareholders had the option of part or full re-investment of the net 2009 dividend paid, into shares of the Bank. The exercise price of the re-investment right of the 2009 dividend was set at € 1,34 per share, that was 10% lower than the average closing price of the Bank's share on the Cyprus Stock Exchange and the Athens Exchange for the period from 1 June to 7 June, 2010. The trading of the newly issued shares commenced on 15 July, 2010.
- (d) In December 2010, the Bank issued 123.830.000 new ordinary shares, of nominal value € 0,85, which resulted from the distribution of interim dividend for the year 2010 in the form of shares. The issue price was set at € 1,4472, that was 10% lower than the average closing price of the Bank's share on the Cyprus Stock Exchange and the Athens Exchange for the period from 11 October to 15 October, 2010. The trading of the newly issued shares commenced on 22 December, 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. SHARE CAPITAL AND SHARE PREMIUM (continued)

As at 31 December, 2009 the Bank's authorised share capital comprised 1.100.000.000 shares of € 0,85 each. At the Extraordinary General Meeting of the shareholders of the Bank which was held on 25 May, 2010 approval was granted for the increase of the authorised nominal share capital of the Bank from € 935.000.000 to € 1.062.500.000 by the creation of 150.000.000 additional shares of € 0,85 nominal value each. At the Extraordinary General Meeting of the shareholders of the Bank which was held on 18 November, 2010 approval was granted for the increase of the authorised nominal share capital of the Bank from € 1.062.500.000 to € 1.776.500.000 by the creation of 840.000.000 additional shares of € 0,85 nominal value each.

As at 31 December, 2010 the Bank's authorised nominal share capital was € 1.776.500.000 (2009: € 935.000.000) divided into 2.090.000.000 (2009: 1.100.000.000) ordinary shares of nominal value € 0,85 each (2009: € 0,85).

All issued ordinary shares are fully paid and carry the same rights.

The share premium is not available for distribution to equity holders.

Share Options

In April 2007, the Extraordinary General Meeting of the shareholders of the Bank approved the introduction of a Share Options Scheme (the "Scheme") for the members of the Board of Directors of the Bank and the Group's employees. The shares to be issued with the application of this Scheme will have the same nominal value as the existing issued shares, that is, € 0,85 each. The exercise price of each share option (the "Option") was set at € 10.

Following the aforementioned approval and the ensuing decision of the Bank's Board of Directors on 9 May, 2007, 70.305.000 Options were granted with an expiration date on 15 December, 2011. The Options could be exercised by the beneficiaries during the years 2007 to 2011, according to the allocation determined by the Board of Directors, following a recommendation by the Remuneration Committee, based on the holders' performance being up to the Bank's expectations.

The fair value of the Options granted was measured initially on grant date using the Black and Scholes model. The model's pricing inputs were: share price of € 8,48 at the grant date, the Euro swap rate curve as the discount rate for the duration of the Scheme 4,15% (average), implied share price volatility determined on the basis of historic volatility 12% and a dividend yield of 3,82%.

On 23 December, 2009 the Extraordinary General Meeting of the shareholders of the Bank approved the amendment of the terms of the Scheme originally approved by the Extraordinary General Meeting held in April 2007. In particular, it approved the amendment of the exercise price from € 10 to € 4,50 and the extension of the Scheme by two years with 2013 as the last exercise period instead of 2011. The incremental fair value arising from the modification of the terms of the Scheme was calculated based on the following: share price as at 23 December, 2009 of € 2,32, the Euro swap rate curve as the discount rate for the duration of the Scheme 1,9% (average), implied share price volatility of 27,3% and dividend yield 3,45%. This incremental fair value is recognised over the period from the modification date until the date when the Options vest.

The total expense recognised in the consolidated income statement for the year ended 31 December, 2010 for Options granted amounts to € 2.499.000 (2009: € 2.985.000). During the years 2007, 2008, 2009 and 2010 no Options were exercised and as at 31 December, 2010 and 31 December, 2009 the number of Options outstanding were 70.305.000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. RESERVES

	2010 € '000	2009 € '000
Revenue reserves		
Balance 1 January	948.006	858.726
Profit for the year attributable to the owners of the Bank	87.080	173.872
Transfer from property fair value reserves	985	2.029
Dividend (Note 50)	(254.941)	(124.519)
Cost of share-based payments to employees	2.480	2.933
Effect of change in non-controlling interest from changes in shareholdings in subsidiaries and other movements	3.925	2.657
Defence tax on deemed distribution	34	(284)
Effect from the merger of Marfin Egnatia Bank S.A. with Marfin Popular Bank Public Co Ltd	-	32.592
Share of revenue reserves of associated companies	1.032	-
Balance 31 December	788.601	948.006
Property fair value reserves		
Balance 1 January	49.759	50.219
Revaluation for the year	11	418
Deferred tax on revaluation	(72)	459
Transfer to revenue reserves	(985)	(2.029)
Share of fair value reserves of associated companies	(1.032)	692
Balance 31 December	47.681	49.759
Available-for-sale financial assets fair value reserves		
Balance 1 January	(189.460)	(285.338)
Revaluation for the year	(142.438)	92.895
Deferred tax on revaluation	16.474	(18.051)
Transfer to results on disposal of available-for-sale financial assets	(21.886)	20.554
Transfer to results due to impairment	4.542	2.975
Amortisation of loss on available-for-sale financial assets reclassified	7.453	4.585
Effect from the merger of Marfin Egnatia Bank S.A. with Marfin Popular Bank Public Co Ltd	-	(6.984)
Share of fair value reserves of associated companies	(872)	(96)
Balance 31 December	(326.187)	(189.460)
Currency translation reserves		
Balance 1 January	(76.130)	(46.960)
Exchange differences arising in the year	10.559	(11.030)
Effect from the merger of Marfin Egnatia Bank S.A. with Marfin Popular Bank Public Co Ltd	-	(18.140)
Balance 31 December	(65.571)	(76.130)
Cash flow hedges reserve		
Balance 1 January	245	-
(Losses)/gains from changes in fair value recognised directly in equity	(543)	349
Deferred tax	163	(104)
Balance 31 December	(135)	245
Difference from conversion of share capital into Euro reserve		
Balance 1 January / 31 December	3.426	3.426
	447.815	735.846

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. RESERVES (continued)

The distributability of reserves is in accordance with the requirements of the Cyprus Companies Law, Cap. 113 for public companies and the Articles of Association of the Bank. In addition, in accordance with the regulations of the Central Bank of Cyprus the reserves arising from exchange differences are not available for distribution.

From the tax year commencing 1 January, 2003 onwards, companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution Defence Law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividend 70% of these profits. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders (companies and individuals) at the end of the period of the two years after the end of the relevant tax year, are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividend paid out of the profits of the relevant year during the following two years. This special contribution for defence is payable for the account of the shareholders.

39. FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Group primarily uses derivative financial instruments to hedge risks stemming from interest rate and foreign exchange fluctuations. In addition, the Group uses derivative financial instruments for own trading, with the purpose of increasing its earnings. The main derivative financial instruments, used by the Group, and the method of determining their fair value are as follows.

Forward foreign exchange contracts specify the rate at which two currencies will be exchanged at a future date. The exchange rate agreed is determined when the deal is made. Forward foreign exchange contracts are revalued daily (using the current exchange rates) by calculating the new forward rate until the settlement of the contract, based on the current market rates.

Currency swaps are commitments to exchange specific amounts of two different currencies including interest, at a future date. The currency swaps are revalued to fair value (using the current exchange rates) by calculating the new swap points at the time of the revaluation.

Interest rate swaps are commitments to exchange one set of cash flows based on a fixed interest rate with one set of cash flows based on a floating interest rate. The cash flows are calculated on a fixed notional amount and for a fixed period of time. The fair value of interest rate swaps is calculated by comparing the present value of the discounted cash flows at the date of the revaluation with the current outstanding notional amount of the swap.

Furthermore, the Group deals in equity futures and foreign exchange and equity options, as well as forward rate agreements, foreign exchange and index forwards.

The notional amounts of those contracts provide a basis for comparison with other financial instruments recognised on the balance sheet, but they do not indicate the amounts of future cash flows or the fair value of the instruments and, therefore, do not present the Group's exposure to credit and other market 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The notional and fair value of derivatives were:

	2010			2009		
	Contract/ notional amount € '000	Fair value		Contract/ notional amount € '000	Fair value	
		Assets € '000	Liabilities € '000		Assets € '000	Liabilities € '000
Trading derivatives:						
Foreign currency derivatives						
Currency forwards	101.955	12.449	11.710	171.750	7.030	6.692
Currency swaps	2.526.944	41.617	49.986	2.246.588	25.370	23.142
Currency options OTC	97.217	-	-	-	-	-
		54.066	61.696		32.400	29.834
Interest rate derivatives						
Interest rate swaps	1.370.083	17.342	21.969	1.772.207	17.168	16.155
		17.342	21.969		17.168	16.155
Index/equity derivatives						
Futures	380.603	67	56	31.930	257	271
Options	367.618	21.642	22.927	228.995	23.499	22.366
Credit default swaps	63.613	1.413	987	394.788	1.214	2.841
Other (Index swaps, asset swaps, etc)	30	89	59	2.292	2	-
		23.211	24.029		24.972	25.478
Total trading derivatives (Note 18)		94.619	107.694		74.540	71.467
Hedging derivatives:						
Derivatives designated as fair value hedges						
Options	49.480	1.326	1.844	49.713	1.853	2.165
Futures	88.700	-	-	189.644	-	-
Interest rate swaps	2.344.721	7.963	52.521	2.860.840	2.721	75.639
Asset swaps	1.719.765	3.123	117.886	2.056.174	3.410	100.373
		12.412	172.251		7.984	178.177
Derivatives designated as cash flow hedges						
Interest rate swaps	39.329	-	566	35.803	-	276
		-	566		-	276
Total hedging derivatives (Note 24)		12.412	172.817		7.984	178.453
Total derivative financial instruments (Note 34)		107.031	280.511		82.524	249.920

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. CASH USED IN OPERATIONS

	2010 € '000	2009 € '000
Profit before tax	114.674	217.797
Adjustments for:		
Share of profit of associates after tax (Note 26)	(14.177)	(18.014)
Depreciation of property and equipment (Note 29)	25.509	25.271
Amortisation of intangible assets (Note 27)	30.653	31.481
Impairment of goodwill (Note 9)	-	99
Fair value loss/(gain) on investment property (Note 28)	1.669	(121)
Revaluation adjustment on property (Note 9)	-	371
Cost of share-based payment to employees (Note 8)	2.499	2.985
Impairment of available-for-sale financial assets (Note 6)	4.851	4.373
Impairment of held-to-maturity financial assets (Note 6)	4.493	-
Interest received from financial assets	(207.520)	(181.543)
Dividends	(4.203)	(7.833)
Interest on senior debt and loan capital	76.290	65.493
Loss/(profit) on disposal of property and equipment (Note 29)	415	(1.048)
Profit on disposal of available-for-sale financial assets (Note 6)	(29.170)	(103.783)
Profit on redemption of held-to-maturity financial assets (Note 6)	(58)	-
Profit on disposal of subsidiary companies (Note 6)	(841)	-
(Profit)/loss on disposal of investment property (Note 7)	(193)	129
Excess of the acquirer's interest in the fair value of acquiree's identifiable net assets over cost	-	(226)
	4.891	35.431
Change in:		
Due to other banks	180.227	3.588.285
Customer deposits	1.622.585	(942.493)
Other liabilities	(240.347)	(68.530)
Retirement benefit obligations	29.985	26.302
Restricted balances with Central Banks	15.310	92.914
Due from other banks	(155.894)	(324.486)
Financial assets at fair value through profit or loss	9.736	(8.172)
Advances to customers	(1.335.170)	(1.654.937)
Debt securities lending	(346.802)	(1.028.424)
Other assets	(90.185)	(44.647)
	(305.664)	(328.757)

41. CASH AND CASH EQUIVALENTS

	2010 € '000	2009 € '000
Cash and non-restricted balances with Central Banks	280.552	1.516.497
Due from other banks – due within three months	3.846.906	2.753.816
	4.127.458	4.270.313

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. SEGMENTAL ANALYSIS

In 2009, segment reporting by the Group was prepared for the first time in accordance with IFRS 8, "Operating Segments".

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group Executive Committee (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses their performance. All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

The Group has six main business segments on a worldwide basis:

- (a) Corporate and investment banking, which includes all commercial and investment banking business derived from corporate clients.
- (b) Retail banking, which includes all commercial banking business from retail clients.
- (c) Wealth management, which includes all business from high net worth individuals (banking and asset management business).
- (d) International business banking, which includes all business from services offered to international business banking customers.
- (e) Treasury and capital markets, which includes all treasury and capital market activity.
- (f) Participations, investments and other segments, which includes the various participations and investments of the Group and all other business not falling into any of the other segments, none of which constitutes a separately reportable segment.

As the Group's segment operations are all financial with the majority of revenues deriving from interest and as the Group Executive Committee relies primarily on net interest revenue to assess the performance of the segment, total interest income and expense for all reportable segments is presented on a net basis.

There were no changes in the reportable segments during the year 2010.

Transactions between the business segments are carried out at arm's length. The revenue from external parties reported to the Group Executive Committee is measured in a manner consistent with that in the consolidated income statement.

The Group's management reporting is based on a measure of profit before tax and before share of profit from associates comprising net interest income, net fee and commission income, financial and other income, less operating expenses and provision for impairment of advances. This measurement basis excludes the effects of non-recurring expenditure of the operating segments such as goodwill impairments when the impairment is the result of an isolated, non-recurring event as well as amortisation of intangible assets.

The information provided about each segment is based on the internal reports about segment profit or loss and other information, which are regularly reviewed by the Group Executive Committee.

The information reported to the Group Executive Committee in relation to the consolidated balance sheet items comprises advances to customers and customer deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. SEGMENTAL ANALYSIS (continued)

Segment information

The segment information provided to the Group Executive Committee for the reportable segments is as follows:

	Corporate and investment banking € '000	Retail banking € '000	Wealth management € '000	International business banking € '000	Treasury and capital markets € '000	Participations, investments and other segments € '000	Total € '000
For the year ended 31 December 2010							
Net interest income from external customers	270.608	311.057	(177)	38.943	80.912	3.634	704.977
Net fee and commission income	49.215	80.828	31.034	37.506	5.257	739	204.579
Financial and other income	17.847	7.318	1.770	(673)	84.869	22.916	134.047
Operating expenses	(67.522)	(384.928)	(43.575)	(44.677)	(25.554)	(63.961)	(630.217)
Provision for impairment of advances	(62.524)	(177.594)	(6.228)	(17.820)	-	(1.980)	(266.146)
Segment result	207.624	(163.319)	(17.176)	13.279	145.484	(38.652)	147.240

As at 31 December 2010							
Advances to customers	10.862.618	12.288.157	1.465.062	1.801.496	-	-	26.417.333
Customer deposits	5.095.762	12.931.229	1.492.440	5.988.930	-	-	25.508.361

For the year ended 31 December 2009							
Net interest income from external customers	278.954	259.775	9.574	53.609	32.113	448	634.473
Net fee and commission income	58.963	80.951	42.220	35.121	12.829	993	231.077
Financial and other income	4.863	5.190	5.212	10.832	174.120	21.353	221.570
Operating expenses	(84.738)	(354.500)	(43.086)	(39.706)	(23.080)	(64.044)	(609.154)
Provision for impairment of advances	(42.191)	(202.572)	-	(4.580)	-	(1.224)	(250.567)
Segment result	215.851	(211.156)	13.920	55.276	195.982	(42.474)	227.399

As at 31 December 2009							
Advances to customers	10.534.970	11.813.067	1.398.714	1.334.482	-	930	25.082.163
Customer deposits	5.022.638	12.838.566	1.580.264	4.444.308	-	-	23.885.776

Reconciliation of segment results to profit for the year

	Total management reporting € '000	Consolidation and adjustments € '000	Total consolidated € '000
For the year ended 31 December 2010			
Net interest income	704.977	4.566	709.543
Net fee and commission income	204.579	(4.098)	200.481
Financial and other income	134.048	(31.662)	102.386
Operating expenses	(630.218)	7.026	(623.192)
Provision for impairment of advances	(266.146)	-	(266.146)
Segment result	147.240	(24.168)	123.072
Amortisation of intangible assets			(22.575)
Share of profit from associates			14.177
Tax			(25.446)
Profit for the year			89.228
As at 31 December 2010			
Advances to customers	26.417.333	-	26.417.333
Customer deposits	25.508.361	-	25.508.361

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. SEGMENTAL ANALYSIS (continued)

Reconciliation of segment results to profit for the year (continued)

	Total management reporting € '000	Consolidation and adjustments € '000	Total consolidated € '000
For the year ended 31 December 2009			
Net interest income	634.473	1.315	635.788
Net fee and commission income	231.077	(3.164)	227.913
Financial and other income	221.570	(10.418)	211.152
Operating expenses	(609.154)	7.167	(601.987)
Provision for impairment of advances	(250.567)	-	(250.567)
Segment result	227.399	(5.100)	222.299
Amortisation and impairment of intangible assets			(22.516)
Share of profit from associates			18.014
Tax			(47.418)
Profit for the year			170.379
As at 31 December 2009			
Advances to customers	25.082.163	-	25.082.163
Customer deposits	23.885.776	-	23.885.776

Geographical information

	2010			
	Operating income € '000	Total assets € '000	Advances to customers € '000	Customer deposits € '000
Cyprus	449.597	19.302.358	10.114.848	13.157.728
Greece	416.051	19.343.854	13.425.646	9.684.980
Other countries	177.955	3.934.274	2.876.839	2.665.653
Total	1.043.603	42.580.486	26.417.333	25.508.361
	2009			
	Operating income € '000	Total assets € '000	Advances to customers € '000	Customer deposits € '000
Cyprus	459.988	17.791.371	9.059.776	10.901.217
Greece	438.725	19.307.827	13.255.602	10.732.692
Other countries	176.140	4.729.165	2.766.785	2.251.867
Total	1.074.853	41.828.363	25.082.163	23.885.776

There were no revenues deriving from transactions with a single external customer that amounted to 10% or more of the Group's revenues.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. CONTINGENCIES AND COMMITMENTS

Credit-related financial instruments

Credit-related financial instruments include commitments relating to documentary credits and guarantees, which are designed to meet the financial requirements of the Group's customers. The credit risk on these transactions represents the contract amount. However, the majority of these facilities are offset by corresponding obligations of third parties.

	2010 € '000	2009 € '000
Acceptances	387.088	96.249
Guarantees	1.313.082	1.395.483
	1.700.170	1.491.732

Unutilised credit facilities

The amount of approved unutilised credit facilities was € 205.581.000 (2009: € 186.106.000).

Trustee services

The Bank acts as a trustee of approved investments of insurance companies according to the provisions of the Insurance Companies Laws of 1984 and 1990.

Capital commitments

Capital expenditure contracted at 31 December, 2010 amounted to € 6,4 m (2009: € 7,2 m).

Legal proceedings

As at 31 December, 2010 there were pending litigations against the Group in connection with its activities. Based on legal advice the Board of Directors believes that there is adequate defence against all claims and it is not probable that the Group will suffer any significant damage. Therefore, no provision has been made in the consolidated financial statements regarding these cases.

On 4 March, 2009 the co-Trustees of the AremisSoft Corporation Liquidation Trust (the "Trustees"), filed a civil action against the Bank in the United States (United States of District Court for the District of New Jersey) for the amount of up to USD 80 m (€ 59,9 m). AremisSoft was a company that purported to sell computer software technology and, as alleged, was involved in a significant international fraud perpetrated by the company's main principals and operating officers. The Trustees alleged that the Bank, in breach of its obligations to AremisSoft permitted the principal of AremisSoft to execute transactions resulting to the appropriation by him of significant amounts which belonged to AremisSoft. On 1 June, 2009, the Bank filed a motion to dismiss, requesting dismissal of the complaint, among other reasons, for lack of personal jurisdiction and under the doctrine of forum non conveniens. On 1 March, 2010, the District Court granted the Bank's motion to dismiss the Trustees' complaint on the ground that it lacked personal jurisdiction over the Bank and such decision was unanimously upheld by the United States Court of Appeals for the Third Circuit, on 10 March, 2010, dismissing the Trustee's appeal. The Trustees have exhausted most of the avenues of appeal available to them. The only remaining path available to the Trustees with respect to this action is a request for permission to appeal to the United States Supreme Court (a writ of certiorari). The deadline for filing a petition for writ of certiorari expires on 7 April, 2011. There is no automatic right to appeal to the Supreme Court and a petition for review will be granted only for compelling reasons. In particular, in the circumstances of this case, petitions for review are rarely granted because there is no clear important question of federal law on which the Supreme Court would have jurisdiction to decide.

Operating lease commitments

The Group leases various branches, offices and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2010 € '000	2009 € '000
Less than one year	28.548	27.733
Over one but less than five years	81.937	81.413
Over five years	65.548	56.220
	176.033	165.366

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT

As a corporation operating in many countries in a rapidly changing and competitive environment, the Group recognizes its exposure to various risks that may adversely affect its results and strategic objectives. For this purpose, in an attempt to minimize the Group's risk exposure, risk management is one of the key functions of the Group.

As is the case for all other financial institutions, the Group is exposed to risks, the most important being credit risk, liquidity risk, interest rate risk, equity risk and currency risk. These risks are being continuously monitored using common international methodologies, so as to avoid the excessive concentration of risks. The nature of the risks undertaken and the ways in which they are managed by the Group are outlined below.

Year 2010 was, as expected, a particularly challenging year especially as regards the developments relating with the deterioration of the Greek public finances, the banking crisis in Ireland, which re-emerged strongly within the third quarter of the year and the widespread fiscal crisis around eurozone countries. The sovereign debt crisis in Greece has affected negatively the Group's operations, which have been adjusted accordingly in order to be aligned to the prevailing conditions.

In order to address the substantial issues of Greece's public finances and the structural problems of the Greek economy, the Greek government entered into an agreement with the European Union (EU), the European Central Bank (ECB) and the International Monetary Fund (IMF) for a three-year € 110 bln refinancing and restructuring programme. The programme contains explicit timetables, detailed conditionalities and quarterly targets, whilst a strict monitoring system is in place to ensure the successful implementation of the programme.

The uncertainties created by the sovereign debt issues in most EU countries raised significant concerns regarding the stability of European banking system. To this respect, the Committee of European Banking Supervisors (CEBS) in co-operation with the ECB and the EU authorities carried out stress tests simulating extreme macroeconomic deterioration over the next two years. The Group registered comfortable capital levels even under the extreme and highly improbable scenario (including an additional sovereign shock), with Tier 1 at the end of 2011 at 7,1%, significantly higher than the minimum required for the purpose of the stress test of 6%.

In the current unstable and unpredictable economic environment, the Group's key strategic objective is to sustain a strong capital and liquidity position that would in turn enable it to serve the interests of its shareholders and customers in the most effective way. To this direction, the Group completed two of its strategic goals within the first quarter of 2011, which aimed at enhancing its capital base. Specifically, in February 2011, the Group successfully raised € 488,2 m via a rights issue whilst it also announced its intention to issue € 660 m Convertible Capital Securities. Additionally, the Group announced the agreement to sell 85% of its subsidiary company in Australia for a consideration of € 104,3 m.

CREDIT RISK

Credit risk stems from the possibility of non-prompt repayment of existing and contingent obligations of the Group's counterparties, resulting in the loss of funds and earnings. Credit risk management focuses on ensuring a disciplined risk culture, risk transparency and rational risk taking, based on international common practices.

Credit risk management

The credit risk management function covers a wide range of activities, which commences at the stage of the credit risk undertaken, continues at the stage of credit risk management and ending up at the workout and collection stage.

Credit risk management methodologies are reviewed and modified to reflect the changing financial environment. The various credit risk assessment methods used are being revised at least annually or whenever deemed necessary and adjusted to be in line with the Group's overall strategy and objectives.

Credit risk undertaken

Credit policy

The Group's lending portfolio is split into retail, commercial and corporate. Retail lending comprises individuals and very small businesses, commercial lending comprises small and medium size enterprises and corporate lending comprises large and listed companies.

The Group's primary lending criterion is the borrower's repayment ability. Additionally, emphasis is placed on the quality of collateral, either in the form of tangible collateral or guarantees. The majority of the Group's customers are either private borrowers or small and medium businesses, utilising a number of different lending products and facilities.

In the area of corporate and commercial lending, periodical sectoral studies are prepared to identify those areas that may present problems and the target areas for credit expansion. These studies are also used in the formulation and review of the credit policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Credit risk undertaken (continued)

Credit policy (continued)

In order for the Group to determine its target markets, it takes into account aspects such as macroeconomic indicators, the local banking system, empirical evidence on the effects of stress scenarios, guidance from the regulator and current mix of the lending portfolio. Taking into consideration materiality issues and the local socio-economic environment, the main target markets are summarised and categorised based on the following: (a) economic sector, (b) banking division, (c) country, (d) type of facility, (e) type of security, (f) credit quality, and (g) currency. Once the above are identified further detailed analysis is carried out to decide the amount of credit to be granted to each target market.

Stress tests

Stress testing is used to capture the impact of exceptional but possible scenarios that could have a major impact on a portfolio. It could be generally implemented using one or a combination of the following two concepts: scenario tests (multiple factors) and sensitivity analysis (single factor). The purpose of stress testing is to assist the Group to assess the impact of a stress scenario on its profitability, loan portfolio and capital requirements.

Stress tests are performed on a semi-annual basis or whenever deemed necessary. Each subsidiary of the Group performs its own stress test, which depends on the particular risks that it faces.

Limits of authority

Credit limits of authority indicate the hierarchy of approving credit facilities to the Group's customers indicating that the higher the credit risk involved in the transaction, the higher the level of authority required to approve the transaction. The structure of the credit limits of authority is based on: (a) the customer's creditworthiness, (b) the quality of the collateral/security, (c) the type of facility e.g. advance or letter of guarantee, (d) the facility duration, and (e) the level of approving authority.

Limits of authority can be divided into two categories:

- (a) Front line limits, i.e. limits given to branch and sectoral managers and subsidiary companies.
- (b) Head office limits, i.e. limits given to Credit Committee and the Group Executive Committee.

All limits are usually reviewed on a yearly basis or whenever deemed necessary. The Risk Management Division may initiate limit changes based on specific guidelines of the Central Banks of the countries in which the Group operates, with which the Group needs to conform or with new management policy decisions that need to be adopted.

Rating models

The methods for assessing credit quality vary according to the counterparty type, which falls in one of the following categories: central governments (for buy and hold strategies with respect to bonds), financial institutions, small, medium and large businesses and private individuals.

In respect of the credit assessment of governments and financial institutions, this is analysed in the subsections "Counterparty banks' risk" and "Country risk".

Private individuals are being assessed by two different internal rating systems, depending on the Group subsidiary in which they belong, as well as the availability of data. The first system is applicable to existing customers and is based on their past credit behaviour and overall cooperation with the Group. The second system includes: (a) credit scoring that utilises both demographic factors and other objectively defined criteria, such as income and property owned, and (b) a separate credit scorecard for different product types.

For the assessment of small, medium and large businesses, the Group uses both the behavioural rating system, as outlined above, and the Moody's Risk Advisor system, which assesses the financial strength of a business based on both financial and qualitative data, as well as on the industry sector in which the business operates.

Counterparties are assessed by the internal rating systems on a monthly basis in order to ensure that ratings are up to date with respect to the risk taken and acts as a warning sign for monitoring purposes. The ongoing quality evaluation is supported by periodic audits conducted by both the Risk Management Division and the Internal Audit Division.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Credit risk undertaken (continued)

Rating models (continued)

A counterparty's credit rating is used during the approval process of new credit facilities and for defining the respective credit limits. In addition, it is used for the internal calculation of probabilities of default, as well as for the monitoring of changes in the quality of the Group's lending portfolio, with the aim of developing prompt strategic actions in order to minimise any potential increase in the risks undertaken.

Assessment of new products

As part of monitoring credit risk, the Risk Management Division ensures that the credit risk inherent in new products is identified and analysed in order to ensure that the Group will comply with the credit risk policy, the procedures of the Group and the directives issued by the Central Banks of the countries in which the Group operates. In addition, based on a cost-benefit analysis, the Risk Management Division assesses the effect of the new product on the Group's product portfolio and ensures that the credit risk of the portfolio does not exceed the desired levels.

Customer profitability and risk based pricing

Customer profitability is measured taking into account all income received from a customer and all associated direct and indirect costs. Furthermore, the cost of capital and the expected loss are taken into account to derive to the risk adjusted profitability (Economic Value Added), which is in turn used to determine the required pricing of advances. The degree and level of this application varies according to country and loan portfolio size.

Management of credit risk

Rating models

Rating models have been explained in detail in the previous section.

Monitoring of problematic advances

Problematic credit exposures are identified and monitored at an early stage through the internal rating system, the credit facilities approval procedures and controls and lending portfolio evaluation. These exposures are closely monitored at both the divisional management level and at head office level (by the Risk Management Division and the Internal Audit Division). Action plans and specific targets for improvement are set in co-operation with the banking units and regular follow up takes place to ensure that timely corrective action is taken.

Furthermore, specialised reports analysing and evaluating the credit portfolio and overdue amounts are prepared by the Risk Management Division and sent to the appropriate Committees and Senior Management of the Group with recommendations for actions.

Reporting

The Risk Management Division is responsible for preparing extensive reporting to the Group Risk Management Committee, the Group Executive Committee and the Group Assets and Liabilities Committee on credit risk management issues, including credit risk limits, limits of authority and results of stress tests. The Risk Management Division is also responsible for preparing reports on a solo and on a consolidated basis for the Central Bank of Cyprus regarding the quality of the lending portfolio and the percentage of accomplishment of quantitative targets set.

Collateral policy

The collateral policy followed, enables the Group to better manage credit risk and common principles exist for all subsidiaries. Minor differences with regards to the acceptable collaterals exist between Group subsidiaries due to different environments and country specific rules and culture.

The collateral policy principles determine: (a) the desired cover per collateral type, (b) the types of acceptable collaterals, which vary depending on the country specific environment, and (c) that periodic revaluations should be performed, either by the credit officers or by external official valuers.

The main types of collateral taken by the Group are: (a) mortgages, (b) bank guarantees, (c) cash, (d) shares pledged, and (e) other charges.

Collection

The Risk Management Division is responsible for the early detection of problematic credit exposures through the internal rating system and for setting criteria for the referral of customers to the specialised Debt Collection Division.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Concentration risk

Concentration risk is defined as the risk that arises from the uneven distribution of exposures to individual borrowers, specific industry or economic sectors, geographical regions or product type.

The Group recognises that concentration of exposures in credit portfolios is an important aspect of credit risk. Concentrated portfolios imply volatile returns and have to be supported by capital buffers, therefore the effective management and limit setting for this risk are fundamentally important.

Concentration of exposures in credit portfolios is an important aspect of credit risk. It may principally arise from the following types of imperfect diversification:

- Name concentration, which relates to imperfect diversification risk in the portfolio because of large exposures to a single borrower or a group of related borrowers.
- Sector concentration, which relates to imperfect diversification across systematic components of risk, namely sectoral factors (industry or geographical sectors).
- Collateral concentration, which relates to concentration in respect of individual collateral types.
- Foreign currency concentration, which arises from lending activities in non-domestic currencies.

The Risk Management Division ensures that exposures to individual borrowers, groups, geographical areas and other concentrations do not become excessive in relation to the Group's capital base and that are in line with limits set by the Board of Directors. The Risk Management Division is also responsible for reporting concentrations of risks to the Group Risk Management Committee, the Group Assets and Liabilities Committee, the Central Bank of Cyprus and the Central Banks of the countries in which the Group operates.

The monitoring and control of concentration risk is achieved by limit setting (e.g. industry limits) and reporting.

Credit rating of advances

The following table analyses the percentages of advances and the related impairment provision for each internal credit rating category of the Group.

Credit rating category:	2010		2009	
	Advances %	Provision for impairment of advances %	Advances %	Provision for impairment of advances %
Low risk	38	0,35	43	0,36
Medium risk	47	0,32	46	0,25
High risk	15	22,95	11	26,76
	100	3,70	100	3,13

The provision for impairment of advances percentages disclosed above relate to the cumulative provision for impairment of advances for each credit rating category as a percentage of the gross advances per credit rating category.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Provision for impairment of advances

The following is an analysis of the total provision for impairment of advances:

	Individual impairment € '000	Collective impairment € '000	Total € '000
2010			
Balance 1 January	561.984	249.645	811.629
Provision for impairment of advances for the year (Note 11)	242.299	126.540	368.839
Release of provision and recoveries (Note 11)	(87.315)	(15.378)	(102.693)
Advances written-off	(44.681)	(21.404)	(66.085)
Exchange differences	1.650	1.137	2.787
Balance 31 December	673.937	340.540	1.014.477
2009			
Balance 1 January	486.153	144.183	630.336
Provision for impairment of advances for the year (Note 11)	190.331	137.135	327.466
Release of provision and recoveries (Note 11)	(66.133)	(10.766)	(76.899)
Advances written-off	(43.324)	(20.550)	(63.874)
Exchange differences	(5.043)	(357)	(5.400)
Balance 31 December	561.984	249.645	811.629

The total amount of non-performing loans amounts to € 2.008.552.000 (2009: € 1.579.975.000).

The following is an analysis of the movement of the provision for impairment of advances by class:

Individual impairment

	Individuals € '000	Corporate entities		Total € '000
		Large corporate customers € '000	Small and medium size enterprises € '000	
2010				
Balance 1 January	181.564	119.287	261.133	561.984
Provision for impairment of advances for the year	94.082	51.900	96.317	242.299
Release of provision and recoveries	(51.488)	(13.168)	(22.659)	(87.315)
Advances written-off	(11.932)	(4.051)	(28.698)	(44.681)
Exchange differences	1.994	(88)	(256)	1.650
Balance 31 December	214.220	153.880	305.837	673.937
2009				
Balance 1 January	153.311	151.900	180.942	486.153
Provision for impairment of advances for the year	74.600	932	114.799	190.331
Release of provision and recoveries	(31.653)	(14.065)	(20.415)	(66.133)
Advances written-off	(13.506)	(15.144)	(14.674)	(43.324)
Exchange differences	(1.188)	(4.336)	481	(5.043)
Balance 31 December	181.564	119.287	261.133	561.984

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Provision for impairment of advances (continued)

Collective impairment

	Corporate entities			Total € '000
	Individuals € '000	Large corporate customers € '000	Small and medium size enterprises € '000	
2010				
Balance 1 January	203.369	30.143	16.133	249.645
Provision for impairment of advances for the year	88.882	26.910	10.748	126.540
Release of provision and recoveries	(3.931)	(8.939)	(2.508)	(15.378)
Advances written-off	(18.495)	(1.889)	(1.020)	(21.404)
Exchange differences	372	683	82	1.137
Balance 31 December	270.197	46.908	23.435	340.540
2009				
Balance 1 January	117.702	15.818	10.663	144.183
Provision for impairment of advances for the year	110.902	19.945	6.288	137.135
Release of provision and recoveries	(4.556)	(5.430)	(780)	(10.766)
Advances written-off	(20.550)	-	-	(20.550)
Exchange differences	(129)	(190)	(38)	(357)
Balance 31 December	203.369	30.143	16.133	249.645

Maximum exposure to credit risk before collateral held or other credit enhancements

The following table presents the Group's maximum credit risk exposure as at the balance sheet date, without taking into account any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out are based on the net carrying amounts as reported in the balance sheet.

	Maximum exposure	
	2010 € '000	2009 € '000
Credit risk exposures relating to on-balance sheet assets:		
Balances with Central Banks (Note 15)	512.659	1.789.787
Due from other banks (Note 16)	4.696.112	3.447.128
Financial assets at fair value through profit or loss:		
Debt securities (Note 18)	37.604	40.994
Derivative financial instruments with positive fair value (Note 18)	94.619	74.540
Advances to customers:		
Advances to individuals	8.052.618	7.965.853
Advances to corporate entities:		
Large corporate customers	9.915.325	9.349.392
Small and medium size enterprises (SMEs)	8.449.390	7.766.918
Debt securities lending (Note 21)	3.960.788	3.395.068
Available-for-sale financial assets – debt securities (Note 22)	1.972.886	3.271.761
Held-to-maturity financial assets (Note 23)	1.480.046	1.381.330
Other assets	129.056	431.692
	39.301.103	38.914.463
Credit risk exposures relating to off-balance sheet items:		
Acceptances (Note 43)	387.088	96.249
Guarantees (Note 43)	1.313.082	1.395.483
Amount of unutilised credit facilities (Note 43)	205.581	186.106
	1.905.751	1.677.838
	41.206.854	40.592.301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

As shown above, 76% of the total maximum exposure is derived from due from other banks and advances to customers (2009: 70%), 5% represents available-for-sale financial assets – debt securities (2009: 8%) and 13% represents debt securities measured at amortised cost (2009: 12%).

The management of the Group is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both the advances portfolio and debt securities based on the following:

- 85% of advances portfolio is categorised in the top two rating categories of the internal rating system (2009: 89%).
- 80% of the advances portfolio are assessed to be neither past due nor impaired (2009: 83%).
- € 2.009 m or 7% of advances are assessed to be individually impaired (2009: € 1.580 m or 6%).

Advances

The following table analyses the credit quality of the Group's advances.

	2010			2009		
	Advances to customers € '000	Due from other banks € '000	Balances with Central Banks € '000	Advances to customers € '000	Due from other banks € '000	Balances with Central Banks € '000
Neither past due nor impaired	21.918.068	4.696.112	512.659	21.415.285	3.447.128	1.789.787
Past due but not impaired	3.505.190	-	-	2.898.532	-	-
Impaired	2.008.552	-	-	1.579.975	-	-
Gross	27.431.810	4.696.112	512.659	25.893.792	3.447.128	1.789.787
Provision for impairment of advances	(1.014.477)	-	-	(811.629)	-	-
Net	26.417.333	4.696.112	512.659	25.082.163	3.447.128	1.789.787
Analysis of provision for impairment of advances						
Individual impairment	673.937	-	-	561.984	-	-
Collective impairment	340.540	-	-	249.645	-	-
Total provision for impairment of advances	1.014.477	-	-	811.629	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Advances (continued)

(a) Advances neither past due nor impaired

The following table analyses the Group's advances classified as neither past due nor impaired, for each credit rating category.

	Advances to customers			Total € '000	Due from other banks € '000	Balances with Central Banks € '000
	Individuals € '000	Large corporate customers € '000	Small and medium size enterprises € '000			
2010						
Credit rating category:						
Low risk	4.352.726	3.212.432	2.577.426	10.142.584	4.650.763	512.659
Medium risk	1.619.982	5.455.653	4.106.049	11.181.684	45.349	-
High risk	217.949	37.640	338.211	593.800	-	-
	6.190.657	8.705.725	7.021.686	21.918.068	4.696.112	512.659
2009						
Credit rating category:						
Low risk	4.136.943	3.823.401	2.338.296	10.298.640	3.432.017	1.789.787
Medium risk	2.175.877	4.555.696	3.874.461	10.606.034	15.111	-
High risk	138.224	129.370	243.017	510.611	-	-
	6.451.044	8.508.467	6.455.774	21.415.285	3.447.128	1.789.787

(b) Advances past due but not impaired

Advances less than 90 days past due are not considered impaired unless other information is available to indicate the contrary.

The following table presents advances which were past due but not impaired as at the balance sheet date by category, as well as the fair value of collateral held as security.

	Corporate entities			Total € '000
	Individuals € '000	Large corporate customers € '000	Small and medium size enterprises € '000	
2010				
Past due up to 30 days	620.184	596.296	285.753	1.502.233
Past due 31 to 60 days	306.477	144.400	194.015	644.892
Past due 61 to 90 days	200.585	108.481	107.600	416.666
Past due over 90 days	271.977	245.769	423.653	941.399
Advances past due but not impaired	1.399.223	1.094.946	1.011.021	3.505.190
Fair value of collateral	831.890	758.870	810.665	2.401.425
2009				
Past due up to 30 days	535.935	385.456	299.018	1.220.409
Past due 31 to 60 days	285.004	102.997	102.576	490.577
Past due 61 to 90 days	179.586	116.007	186.795	482.388
Past due over 90 days	181.454	158.882	364.822	705.158
Advances past due but not impaired	1.181.979	763.342	953.211	2.898.532
Fair value of collateral	571.562	492.183	660.381	1.724.126

The fair value of collateral is based on valuation techniques commonly used for the corresponding assets, which include reference to market prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Advances (continued)

(c) Advances individually impaired

The following table presents advances which have been individually impaired, as well as the fair value of collateral held as security, for each category. Advances included in this table are more than 90 days past due and are classified as non performing.

	Corporate entities			Total € '000
	Individuals € '000	Large corporate customers € '000	Small and medium size enterprises € '000	
2010				
Individually impaired advances	947.156	315.441	745.955	2.008.552
Fair value of collateral	209.509	131.290	318.962	659.761
2009				
Individually impaired advances	717.763	227.013	635.199	1.579.975
Fair value of collateral	204.432	115.780	281.590	601.802

The interest income on advances individually impaired amounting to € 83.130.000 for 2010 (2009: € 45.126.000).

(d) Advances renegotiated

The carrying amount of advances which would have been categorised as past due or impaired and have been renegotiated during 2010 is € 1.267.543.000 (2009: € 800.521.000).

Debt securities

The following table analyses the credit quality of the Group's debt securities.

	Held-for- trading € '000	Debt securities lending € '000	Available- for-sale financial assets € '000	Held-to- maturity financial assets € '000	Total € '000
2010					
Neither past due nor impaired	37.604	3.960.788	1.972.886	1.473.035	7.444.313
Impaired	-	-	-	11.501	11.501
Gross	37.604	3.960.788	1.972.886	1.484.536	7.455.814
Allowance for impairment	-	-	-	(4.490)	(4.490)
Net	37.604	3.960.788	1.972.886	1.480.046	7.451.324

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Debt securities, treasury bills and other eligible bills

The table below presents an analysis of debt securities, treasury bills and other eligible bills by credit rating based on international rating agency ratings.

	Treasury bills and other bills € '000	Trading securities € '000	Investment securities € '000	Total € '000
2010				
AAA	326.275	626	343.040	669.941
AA- to AA+	176.492	100	517.499	694.091
A- to A+	258.721	-	879.101	1.137.822
Lower than A-	3.691.343	6.431	1.173.509	4.871.283
Unrated	-	1.228	76.959	78.187
	4.452.831	8.385	2.990.108	7.451.324
2009				
AAA	342.737	1.004	834.592	1.178.333
AA- to AA+	699.277	10.244	1.011.964	1.721.485
A- to A+	2.734.408	9.319	1.546.401	4.290.128
Lower than A-	216.368	6.509	625.858	848.735
Unrated	-	9.894	40.578	50.472
	3.992.790	36.970	4.059.393	8.089.153

Government bonds and treasury bills

	Cyprus € '000	Greece € '000	Eurozone countries € '000	Other countries € '000	Total € '000
2010					
Financial assets at fair value through profit or loss – held-for-trading	-	29.219	-	-	29.219
Debt securities lending	19.985	2.677.261	-	91.151	2.788.397
Available-for-sale financial assets	154.852	328.501	367.660	74.356	925.369
Held-to-maturity financial assets	96.411	377.909	97.675	137.851	709.846
	271.248	3.412.890	465.335	303.358	4.452.831
2009					
Financial assets at fair value through profit or loss – held-for-trading	-	1.322	-	2.702	4.024
Debt securities lending	-	2.156.404	-	82.291	2.238.695
Available-for-sale financial assets	360.510	331.625	167.388	356.959	1.216.482
Held-to-maturity financial assets	245.796	77.868	87.058	122.867	533.589
	606.306	2.567.219	254.446	564.819	3.992.790

Repossessed collateral

The table below presents the nature and carrying amount of assets that have been obtained by the Group during the year, either by taking possession of collateral held as security or by activating other credit enhancements which satisfy the criteria of recognition of other standards.

	2010 € '000	2009 € '000
Land	60.196	22.199
Buildings	79.062	37.970
Other	5.799	9.284
	145.057	69.453

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Concentration of risks of financial assets with credit exposure

(a) Geographical sectors

The table below analyses the Group's main credit exposures at carrying amount, as categorised by geographical region. For this table, the Group has allocated exposures to regions, based on the country of domicile of the counterparties.

	Cyprus € '000	Greece € '000	Eurozone countries ⁽¹⁾ € '000	CEE countries ⁽²⁾ € '000	Other countries € '000	Total € '000
On-balance sheet assets:						
Balances with Central Banks (Note 15)	71.806	154.644	38.684	206.205	41.320	512.659
Due from other banks (Note 16)	113.224	975.956	2.547.588	252.578	806.766	4.696.112
Financial assets at fair value through profit or loss:						
Debt securities (Note 18)	-	29.219	695	-	7.690	37.604
Derivative financial instruments with positive fair value (Note 18)	42	15.313	30.038	31.204	18.022	94.619
Advances to customers:						
Advances to individuals	2.713.588	4.196.198	44.653	246.702	851.477	8.052.618
Advances to corporate entities:						
Large corporate customers	3.133.636	3.871.970	250.967	579.543	2.079.209	9.915.325
Small and medium size enterprises	4.227.101	3.127.668	307.395	342.003	445.223	8.449.390
Debt securities lending (Note 21)	19.810	2.946.951	304.581	38.618	650.828	3.960.788
Available-for-sale financial assets -						
debt securities (Note 22)	159.439	343.978	869.046	96.475	503.948	1.972.886
Held-to-maturity financial assets (Note 23)	94.476	579.094	487.708	137.850	180.918	1.480.046
Other assets	1.224	78.106	19.345	22.876	7.505	129.056
Total on-balance sheet	10.534.346	16.319.097	4.900.700	1.954.054	5.592.906	39.301.103
Off-balance sheet items:						
Acceptances (Note 43)	190.925	125.154	-	71.009	-	387.088
Guarantees (Note 43)	747.965	486.430	14.445	50.949	13.293	1.313.082
Amount of unutilised credit facilities (Note 43)	-	-	80.528	31.994	93.059	205.581
Total off-balance sheet	938.890	611.584	94.973	153.952	106.352	1.905.751
31 December 2010	11.473.236	16.930.681	4.995.673	2.108.006	5.699.258	41.206.854
31 December 2009	11.002.350	16.839.310	4.975.268	2.099.396	5.675.977	40.592.301

⁽¹⁾ **Eurozone countries:** Belgium, Germany, Ireland, Greece, Spain, France, Italy, Cyprus, Luxemburg, Malta, The Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland.

⁽²⁾ **CEE Countries:** Estonia, Latvia, Lithuania, Poland, Czech Republic, Hungary, Romania, Croatia, Bosnia-Herzegovina, Serbia, Kosovo, Albania, Montenegro, Bulgaria, Russia and Ukraine.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Concentration of risks of financial assets with credit exposure (continued)

(b) Industry sectors

The table below analyses the Group's main credit exposures at carrying amount, as categorised by the industry sectors in which counterparties operate.

	Manu- facturing € '000	Tourism € '000	Trade € '000	Property and construction € '000	Personal, professional and home loans € '000	Financial institutions € '000	Other sectors € '000	Total € '000
On-balance sheet assets:								
Balances with Central Banks (Note 15)	-	-	-	-	-	509.059	3.600	512.659
Due from other banks (Note 16)	-	-	-	-	-	4.678.967	17.145	4.696.112
Financial assets at fair value through profit or loss:								
Debt securities (Note 18)	-	352	-	-	-	7.244	30.008	37.604
Derivative financial instruments with positive fair value (Note 18)	-	-	-	-	-	76.432	18.187	94.619
Advances to customers:								
Advances to individuals	29.216	64.586	143.104	116.477	7.613.919	412	84.904	8.052.618
Advances to corporate entities:								
Large corporate customers	379.161	371.787	1.079.248	1.759.357	881.304	168.051	5.276.417	9.915.325
Small and medium size enterprises	721.971	832.811	1.955.026	2.709.862	1.115.524	64.187	1.050.009	8.449.390
Debt securities lending (Note 21)	-	-	-	-	-	2.133.001	1.827.787	3.960.788
Available-for-sale financial assets – debt securities (Note 22)	28.981	1.306	1.111	865	607	617.560	1.322.456	1.972.886
Held-to-maturity financial assets (Note 23)	-	152	826	-	377.614	795.510	305.944	1.480.046
Other assets	-	-	-	-	-	39.506	89.550	129.056
Total on-balance sheet	1.159.329	1.270.994	3.179.315	4.586.561	9.988.968	9.089.929	10.026.007	39.301.103
Off-balance sheet items:								
Acceptances (Note 43)	37.863	2.638	82.497	20.483	78.144	129.063	36.400	387.088
Guarantees (Note 43)	39.860	43.085	107.017	366.328	138.752	27.700	590.340	1.313.082
Amount of unutilised credit facilities (Note 43)	9.983	2.243	27.739	49.481	62.461	180	53.494	205.581
Total off-balance sheet	87.706	47.966	217.253	436.292	279.357	156.943	680.234	1.905.751
31 December 2010	1.247.035	1.318.960	3.396.568	5.022.853	10.268.325	9.246.872	10.706.241	41.206.854
31 December 2009	1.223.155	1.096.916	3.315.681	4.774.244	10.179.636	9.389.620	10.613.049	40.592.301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

COUNTERPARTY BANKS' RISK

The Group runs the risk of loss of funds due to the possibility that a counterparty (i.e. a bank) with which the Group enters into a specific transaction, defaults before the final settlement of the transaction.

This risk may include derivative transactions, interbank transactions and capital market transactions.

As a result of the current financial and fiscal instabilities particularly in the euro area, the Group has restricted the number of financial institutions with which it has counterparty limits. Emphasis has been given to counterparty banks that have:

- stable and healthy financial position,
- satisfactory credit rating from global rating agencies,
- significant position with respect to the market share possessed in the local market,
- satisfactory financial robustness and healthy macroeconomic data of the local economy they operate, and
- the ability of governments to support the counterparty banks if necessary.

The Risk Management Division monitors on a daily basis the world financial developments, the financial announcements of counterparty banks, as well as, the changes of their credit ratings from global rating agencies and acts accordingly.

Roles and responsibilities

The Risk Management Division is responsible for setting prudent and appropriate policies, procedures and common risk methodologies for controlling, evaluating and measuring all major sources of counterparty bank risk embedded in the Group's operations. The Risk Management Committee and/or the Group Market Risk Committee (GMRC) have the responsibility for approving the limit framework for counterparty bank risk, the Group risk profile and the relative risk management strategies, policies and risk methodologies.

Upon approval of limits these are communicated to the respective Treasury location. For international operations, the responsibility for monitoring this risk is performed by local Risk Management Units.

Policies and procedures

The Group's Market Risk Manual describes the principles of managing and controlling counterparty bank risk, sets the responsibilities of the relevant authorities and describes the procedures of allocating limits and monitoring counterparty risk. Also, a Market Risk Methodology Manual exists which describes the methodologies and formulae used to calculate credit risk exposure to counterparties.

Measurement assessment and control

The Bankscope credit risk model is the basis for the Group's rating system, which sets the maximum allowable Group limits on the basis of a score derived as a result of assessment of specific quantitative and qualitative criteria. The total score is multiplied by own funds of the counterparty in order to calculate the maximum allowable limit. The analysis of counterparties' creditworthiness is supplemented by the Moody's credit rating reports as well as reports from other global rating agencies. In addition, other factors, which are taken into account, include:

- requirements imposed by regulatory authorities,
- the credit rating of the counterparties and the rating of country of operation,
- the current financial environment and market conditions, and
- other imposed internal controls.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

COUNTERPARTY BANKS' RISK (continued)

Monitoring and reporting

The Group monitors and controls limits and excesses while it consolidates major exposures on a frequent basis.

Positions against counterparty limits are monitored daily. The review of the limits per counterparty takes place once a year and if necessary, these are revised earlier depending on the Group's strategy and prevailing market conditions, following their approval by the relevant authorities.

COUNTRY RISK

Country risk is the risk that the Group may suffer a loss and involves various risks that may be generated at country level as a result of political or economic events. These include political risk as well as social upheaval, risk of government default (due to severe deterioration of macroeconomic conditions), inability of converting local currency to any major currency (convertibility risk) and transferring it out of the country (transferability risk due to direct sovereign intervention).

Country risk affects the Group via its international capital markets, interbank transactions and other banking activities. In addition, the Group is exposed to country risk through facilities provided to customers for their international operations.

Roles and responsibilities

The Board of Directors, Group Risk Committee and Group Market Risk Committee ensure that any approved business decisions regarding the Group's international operations have taken into account country risk considerations and that they are in line with the Group's strategy and desired risk profile. The Risk Management Division and Risk Management Units of subsidiaries are responsible for ensuring that all required systems are in place in order to measure, report and monitor country risk exposures accurately and promptly.

Policies and procedures

The Group Risk Management Committee has approved the Group Country Risk Policy Manual, which is applicable at Group level and sets general standards for the management of country risk, including roles and responsibilities, evaluation of country risk, measurement, monitoring and reporting. This policy, especially the allocation of Group country limits, is currently in the process of updating, in light of the developments of the financial environment.

Measurement and control

In light of the economic developments stemming from the current financial and fiscal instabilities in the euro zone, the Group is taking the necessary measures and reevaluates at regular intervals the risk and the limits of each country. This takes place by taking into account criteria which focus on the following:

- the degree that the country has been affected by the global macroeconomic backdrop,
- the actions taken and the relative strengths of each country,
- the support that the country receives from other countries and whether the country belongs to any organisations which will support it if necessary,
- the general macroeconomic, social and political environment, and
- the rating given by international credit rating organisations and relevant reports provided by institutional organisations.

INTEREST RATE RISK

Interest rate risk is defined as the exposure of a bank's financial condition to adverse movements in interest rates since the financial position and the cashflows of the Group are exposed to risk from the effects of the movements of the prevailing market interest rates.

The primary form of interest rate risk for the Group is considered to be the repricing risk, which arises from its banking book and the timing differences in the maturity (for fixed rate) and repricing date (for floating rate) of assets, liabilities and off-balance sheet positions. As a result of interest rate fluctuations, the changes in the fair value of financial instruments and the interest rate margins may create losses. A secondary source of interest rate risk arises from the Group's trading and available-for-sale bond portfolios as well as the interest rate related products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

INTEREST RATE RISK (continued)

Roles and responsibilities

The Group Risk Management Committee and/or the Group Market Risk Committee approve the interest rate risk strategy, policy and limits. The maximum loss limits are defined on a Group level and on a subsidiary level. The allocation of limits to subsidiaries takes place by taking into account the size, the experience, the nature of operations, the market nature where they operate, contribution to net income and interest received, the level of capital and equity and other special features of every subsidiary, as well as, the stress testing scenarios. The Group Assets and Liabilities Committee (GALCO) and Group Risk Management Committee (GRMC) review the Group's interest rate risk profile.

Policies and procedures

The Group Interest Rate Risk Policy Manual describes the risk management practices and guidelines for effective measurement, management and monitoring of interest rate risk.

Measurement

The main methodologies for measuring, monitoring and managing interest rate risk is the Present Value of a Basis Point methodology (PVBP) and the Static Repricing Gap methodology in order to assess the interest rate risk exposure of the banking book and trading book.

Interest rate risk exposures are mainly created from the retail and corporate activity and are usually hedged through transactions in derivative products (mainly interest rate swaps) or in the interbank market. In addition, there is limited activity in the trading book, with positions in capital market securities and interest rate futures.

Exposure calculations and associated limit structures are used for monitoring:

- interest rate risk exposure in each currency per predefined time period,
- interest rate risk total exposure in each main currency,
- interest rate risk exposure in all currencies per predefined time period, and
- interest rate risk total exposure in all periods and all currencies.

In addition to the monitoring of interest rate gaps, the Group's Risk Management Division is also monitoring the sensitivity of the value of financial assets and liabilities and the net interest income by applying different scenarios of interest rate risk changes.

Approved limits are monitored on a frequent basis and reviewed at least annually and amended whenever necessary according to the strategy of the Group and the prevailing market conditions, after the approval by the eligible authorities. Moreover, at regular time intervals interest rate risk exposure is evaluated by using stress test scenarios at Bank level and at Group level.

The Group also employs the Value at Risk methodology (VaR). Specifically, for assessing the VaR for trading and available-for-sale activities, the Group uses the variance – covariance methodology at a confidence level of 99% and a holding period of one day.

The VaR is calculated on a daily basis for the Group's trading portfolio along with the VaR per risk type (i.e. interest rate risk, credit spread risk, equity risk and foreign currency risk). The Group also performs back testing in order to verify the predictive power of the VaR model. Further to the VaR model, the Group performs stress testing on a quarterly basis. Such stress testing scenarios aim to evaluate gains/losses that may occur under extreme market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

INTEREST RATE RISK (continued)

Measurement (continued)

The table below presents the impact on net interest income and impact on fair value of financial instruments of the Group from significant movements on interest rates of all currencies that the Group is exposed to.

	Euro € '000	United States Dollar € '000	Sterling Pound € '000	Other currencies € '000	Total € '000
2010					
Impact on net interest income:					
+200 b.p. in all currencies	82.300	4.400	(600)	3.900	90.000
-200 b.p. in all currencies	(20.600)	(200)	100	-	(20.700)
Impact on fair value of financial instruments:					
+200 b.p. in all currencies	71.400	(33.800)	4.800	9.400	51.800
-200 b.p. in all currencies	(17.800)	1.700	(1.200)	(9.600)	(26.900)
2009					
Impact on net interest income:					
+200 b.p. in all currencies	161.000	(14.000)	3.500	(16.000)	134.500
-200 b.p. in all currencies	(40.000)	700	(1.000)	9.900	(30.400)
Impact on fair value of financial instruments:					
+200 b.p. in all currencies	110.000	(42.000)	2.000	(6.800)	63.200
-200 b.p. in all currencies	(27.000)	2.100	(500)	7.100	(18.300)

A parallel 200 basis points (2009: 200 basis points) increase in market interest rates across all currencies, applied to the Group's balance sheet banking book as at 31 December, 2010, would result in an increase in yearly net interest income by € 90,0 m (2009: € 134,5 m) and an increase in the fair value of financial instruments by € 51,8 m (2009: € 63,2 m). For those currencies where the base interest rate levels were below 2% (Euro, United States Dollar, Sterling Pound and Japanese Yen) a parallel decrease averaging approximately 1% and varying on a case by case basis would result in a decrease in yearly net interest income by € 20,7 m (2009: € 30,4 m) and a decrease in the fair value of financial instruments by € 26,9 m (2009: € 18,3 m). For the above sensitivity analysis for those currencies where the base interest rate was above 2%, a parallel 200 basis points (2009: 200 basis points) decrease was used.

The following tables summarise the Group's exposure to interest rate risk. Included in the tables are the Group's assets and liabilities at carrying amounts categorised by contractual repricing date for floating rate items and maturity date for fixed rate items. The tables also present the notional amount of interest rate derivatives, which are used to reduce the Group's exposure to interest rate movement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

INTEREST RATE RISK (continued)

Measurement (continued)

	Up to 1 month € '000	Over 1 month but less than 3 months € '000	Over 3 months but less than 1 year € '000	Over 1 year but less than 5 years € '000	Over 5 years € '000	Non- interest bearing € '000	Total € '000
2010							
Assets							
Cash and balances with Central Banks	512.659	-	-	-	-	200.920	713.579
Due from other banks	4.430.639	249.051	16.388	29	5	-	4.696.112
Financial assets at fair value							
through profit or loss	45.274	16.731	87	14.028	2.097	151.119	229.336
Advances to customers	17.824.760	4.260.142	2.226.442	1.564.467	541.522	-	26.417.333
Debt securities lending	174.722	1.851.079	138.863	669.222	1.126.902	-	3.960.788
Available-for-sale financial assets	145.270	275.072	115.021	649.128	788.551	305.369	2.278.411
Held-to-maturity financial assets	518.733	498.231	241.590	180.057	41.435	-	1.480.046
Other assets	61.374	717	-	-	-	634.932	697.023
Investments in associates	-	-	-	-	-	113.600	113.600
Intangible assets	-	-	-	-	-	1.634.734	1.634.734
Investment property	-	-	-	-	-	68.322	68.322
Property and equipment	-	-	-	-	-	291.202	291.202
Total assets	23.713.431	7.151.023	2.738.391	3.076.931	2.500.512	3.400.198	42.580.486
Liabilities							
Due to other banks	5.549.746	5.055.788	44.020	296	-	-	10.649.850
Customer deposits	14.474.951	5.580.589	4.772.665	619.392	60.764	-	25.508.361
Senior debt	6.518	20.420	50.933	399.766	-	-	477.637
Loan capital	-	1.152.663	-	8.960	106.308	-	1.267.931
Other liabilities	71.190	109	591	254	2.895	675.314	750.353
Retirement benefit obligations	-	-	-	-	-	284.980	284.980
Total liabilities	20.102.405	11.809.569	4.868.209	1.028.668	169.967	960.294	38.939.112
Net on-balance sheet position	3.611.026	(4.658.546)	(2.129.818)	2.048.263	2.330.545		
Net notional position of derivative financial instruments	1.437.759	1.532.643	1.171.495	(2.120.842)	(2.021.055)		
Net interest sensitivity gap	5.048.785	(3.125.903)	(958.323)	(72.579)	309.490		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

INTEREST RATE RISK (continued)

Measurement (continued)

	Up to 1 month € '000	Over 1 month but less than 3 months € '000	Over 3 months but less than 1 year € '000	Over 1 year but less than 5 years € '000	Over 5 years € '000	Non- interest bearing € '000	Total € '000
2009							
Assets							
Cash and balances with Central Banks	1.782.459	4.641	2.687	-	-	175.047	1.964.834
Due from other banks	2.448.441	572.371	391.246	10.000	-	25.070	3.447.128
Financial assets at fair value							
through profit or loss	22.958	17.852	1.094	15.352	1.996	179.183	238.435
Advances to customers	16.664.713	3.974.773	1.893.261	1.602.662	946.754	-	25.082.163
Debt securities lending	155.128	1.800.148	97.783	330.010	1.011.999	-	3.395.068
Available-for-sale financial assets	332.768	717.447	227.595	838.029	1.155.922	293.132	3.564.893
Held-to-maturity financial assets	561.373	454.077	163.688	132.414	69.778	-	1.381.330
Other assets	41.745	54.472	172	12.651	-	533.478	642.518
Investments in associates	-	-	-	-	-	113.071	113.071
Intangible assets	-	-	-	-	-	1.646.842	1.646.842
Investment property	-	-	-	-	-	57.626	57.626
Property and equipment	-	-	-	-	-	294.455	294.455
Total assets	22.009.585	7.595.781	2.777.526	2.941.118	3.186.449	3.317.904	41.828.363
Liabilities							
Due to other banks	4.184.695	1.683.173	4.585.100	-	-	17.908	10.470.876
Customer deposits	13.177.754	4.664.829	5.321.098	354.943	44.713	322.439	23.885.776
Senior debt	73.091	915.846	9.100	400.465	-	-	1.398.502
Loan capital	175.138	866.953	-	8.410	-	-	1.050.501
Other liabilities	14.665	417	237	171	436	992.520	1.008.446
Retirement benefit obligations	-	-	-	-	-	255.019	255.019
Total liabilities	17.625.343	8.131.218	9.915.535	763.989	45.149	1.587.886	38.069.120
Net on-balance sheet position	4.384.242	(535.437)	(7.138.009)	2.177.129	3.141.300		
Net notional position of derivative financial instruments	1.120.626	2.347.064	1.412.909	(2.841.064)	(2.039.535)		
Net interest sensitivity gap	5.504.868	1.811.627	(5.725.100)	(663.935)	1.101.765		

A significant part of the interest rate exposure is hedged through interest rate swaps instruments, which part of it is classified as hedge effective under IFRS 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

CURRENCY RISK

It relates to the risk of fluctuations in the value of future cash flows of financial instruments and assets and liabilities due to changes in exchange rates. Currency risk arises from an open position, either overbought or oversold, in a foreign currency, creating an exposure to a change in the relevant exchange rate. This may arise from the holding of financial assets in one currency funded by liabilities in another currency or from a spot or forward foreign exchange trade or forward exchange derivative.

Roles and responsibilities

The Risk Management Division is responsible for setting prudent and appropriate policies, procedures and common risk methodologies for controlling, evaluating and measuring currency risk embedded in Group operations. The Risk Management Committee and/or the Group Executive Committee have the responsibility to approve the limit framework for currency risk and the relative policies and risk methodologies. The Group Assets and Liabilities Committee and Risk Management Committee review the foreign exchange risk profile.

The open currency position is distinguished between Trading activities and Structural, with the latter incorporating the Group's strategic positions in foreign currency (i.e. investment in overseas subsidiaries) along with the equivalent FX transactions performed by the Treasury division. Compliance is achieved by entering into the appropriate offsetting positions, in an attempt to maintain its net exposure to each currency at low levels and within the pre-approved limits.

Policies and procedures

Internal policies and procedures are set so as to take into consideration and adhere to the foreign exchange position limits prescribed by the Central Bank of Cyprus, overseas regulators as well as the risk appetite of the Group.

Measurement and control

The Group enters into foreign exchange transactions in order to accommodate customer needs for hedging its own exposure and for trading purposes in major currencies. The Group's Treasury and overseas Treasuries also enter into spot foreign exchange transactions within predefined and approved limits, as well as into derivative products in foreign exchange futures, forwards and options.

The following exposure calculations and associated limit structures are used for monitoring:

- open position by currency – net long/short position of each currency,
- total net short position, and
- maximum loss limits – maximum level of losses resulting from foreign exchange fluctuations on a daily/monthly/yearly basis.

The Group employs the Value at Risk methodology (VaR). Specifically for assessing the VaR, the Group uses the variance-covariance methodology at a confidence level of 99% and a holding period of one day.

The VaR is calculated on a daily basis for the Group's trading portfolio, along with the VaR per risk type (i.e. interest rate risk, credit spread risk, equity risk and foreign currency risk). The Group also performs back testing exercise in order to verify the predictive power of VaR model. Further to the VaR model, the Group performs stress testing on a quarterly basis for FX risk. Such stress testing scenarios aim to evaluate gains/losses that may occur under extreme market conditions.

Monitoring and reporting

The maximum potential loss is calculated from the open positions in different currencies by working on stress testing scenarios. These scenarios assume extreme fluctuations in all currencies in a way that could adversely affect the Group's profitability. The approved limits are monitored and controlled regularly and reviewed at least annually, but limits may be modified, if necessary, according to the strategy of the Group and the prevailing market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

CURRENCY RISK (continued)

Monitoring and reporting (continued)

The table below represents the Group's currency risk which stems from open currency positions maintained in several currencies. The analysis below assumes possible scenarios of movements considered possible to take place for exchange rates against the Euro. The possibility of change for all scenarios below has been assessed based on historic exchange rate movements and empirical estimations.

	Change in exchange rate %	Impact on consolidated income statement € '000	Impact on equity € '000
2010			
Currency			
United States Dollar	5	(1.587)	(2.018)
Sterling Pound	5	128	111
Australian Dollar	5	(361)	550
Ukrainian Hryvnia	10	4.621	8.358
Romanian Lei	10	82	3.776
Russian Roubles	10	164	3.115
Serbian Dinar	10	1.504	8.468
Other	10	1.730	(192)
Currency			
United States Dollar	(5)	1.587	2.018
Sterling Pound	(5)	(128)	(111)
Australian Dollar	(5)	361	(550)
Ukrainian Hryvnia	(10)	(4.621)	(8.358)
Romanian Lei	(10)	(82)	(3.776)
Russian Roubles	(10)	(164)	(3.115)
Serbian Dinar	(10)	(1.504)	(8.468)
Other	(10)	(1.730)	192
2009			
Currency			
United States Dollar	5	(814)	368
Sterling Pound	5	(9)	31
Australian Dollar	5	(10)	(2.421)
Ukrainian Hryvnia	10	-	(1.448)
Romanian Lei	10	486	(7.686)
Russian Roubles	10	20	(3.433)
Serbian Dinar	10	1.297	699
Other	10	(512)	2.334
Currency			
United States Dollar	(5)	814	(368)
Sterling Pound	(5)	9	(31)
Australian Dollar	(5)	10	2.421
Ukrainian Hryvnia	(10)	-	1.448
Romanian Lei	(10)	(486)	7.686
Russian Roubles	(10)	(20)	3.433
Serbian Dinar	(10)	(1.297)	(699)
Other	(10)	512	(2.334)

The following table summarises the Group's exposure to currency risk. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by currency. The table also presents the notional amount of foreign exchange derivatives, which are used to reduce the Group's exposure to currency movements, categorised by currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

CURRENCY RISK (continued)

Monitoring and reporting (continued)

	Euro € '000	United States Dollar € '000	Sterling Pound € '000	Australian Dollar € '000	Other currencies € '000	Total € '000
2010						
Assets						
Cash and balances with Central Banks	510.209	17.376	38.115	9.693	138.186	713.579
Due from other banks	1.560.153	2.833.334	25.700	85.684	191.241	4.696.112
Financial assets at fair value through profit or loss	122.082	98.988	6.881	294	1.091	229.336
Advances to customers	20.641.270	2.575.566	925.179	590.031	1.685.287	26.417.333
Debt securities lending	3.806.879	153.909	-	-	-	3.960.788
Available-for-sale financial assets	1.822.995	422.715	25.903	-	6.798	2.278.411
Held-to-maturity financial assets	1.249.547	19.108	-	103.981	107.410	1.480.046
Other assets	607.425	9.162	3.018	1.249	76.169	697.023
Investments in associates	111.464	2.136	-	-	-	113.600
Intangible assets	1.631.040	-	513	508	2.673	1.634.734
Investment property	62.962	-	-	-	5.360	68.322
Property and equipment	252.017	-	9.196	2.491	27.498	291.202
Total assets	32.378.043	6.132.294	1.034.505	793.931	2.241.713	42.580.486
Liabilities						
Due to other banks	10.209.969	226.464	141.350	52.827	19.240	10.649.850
Customer deposits	17.461.987	5.425.585	998.567	838.118	784.104	25.508.361
Senior debt	449.986	17.756	-	-	9.895	477.637
Loan capital	1.213.597	54.334	-	-	-	1.267.931
Other liabilities	667.969	33.312	14.197	3.641	31.234	750.353
Retirement benefit obligations	283.526	-	1.454	-	-	284.980
	30.287.034	5.757.451	1.155.568	894.586	844.473	38.939.112
Non-controlling interests	85.821	-	-	-	20.042	105.863
Equity	3.568.782	(142)	14.036	31.895	(79.060)	3.535.511
Total liabilities and equity	33.941.637	5.757.309	1.169.604	926.481	785.455	42.580.486
Net on-balance sheet position	(1.563.594)	374.985	(135.099)	(132.550)	1.456.258	
Net notional position of derivative financial instruments	1.355.415	(415.335)	137.327	143.548	(1.220.955)	
Net currency position	(208.179)	(40.350)	2.228	10.998	235.303	
Off-balance sheet items:						
Acceptances	380.915	890	4.397	-	886	387.088
Guarantees	1.221.415	49.899	11.672	10.651	19.445	1.313.082
Amount of unutilised credit facilities	83.114	650	45.120	47.946	28.751	205.581
Total off-balance sheet	1.685.444	51.439	61.189	58.597	49.082	1.905.751
2009						
Total assets	33.001.265	5.209.465	1.363.410	616.424	1.637.799	41.828.363
Total liabilities and equity	33.730.820	5.265.774	1.230.959	791.207	809.603	41.828.363
Net on-balance sheet position	(729.555)	(56.309)	132.451	(174.783)	828.196	
Net notional position of derivative financial instruments	865.344	63.678	(131.832)	126.353	(923.543)	
Net currency position	135.789	7.369	619	(48.430)	(95.347)	
Off-balance sheet items:						
Acceptances	87.103	2.504	1.180	-	5.462	96.249
Guarantees	1.284.058	40.735	13.908	9.353	47.429	1.395.483
Amount of unutilised credit facilities	97.722	1.163	27.432	28.152	31.637	186.106
Total off-balance sheet	1.468.883	44.402	42.520	37.505	84.528	1.677.838

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

RISK FROM CHANGES IN THE PRICES OF EQUITY SECURITIES AND OTHER FINANCIAL ASSETS

Equity risk is the risk which relates to the potential loss which may occur from adverse changes in the prices of equity securities and other financial assets prices owned by the Group, depending on the purpose of acquisition the investments are classified in the appropriate portfolio. The Group Risk Management Committee, the Group Market Risk Committee and the Group Assets and Liabilities Committee receive information for monitoring this risk. The Group uses VaR methodology and position limits to monitor this specific risk.

For the equity securities that are measured at fair value through profit or loss, a change in the price affects the profit of the Group, whereas for the equity securities classified as available-for-sale, a change in the price affects the equity of the Group. The Group periodically holds a portfolio of equity derivatives which primarily serves as a mechanism to hedge the equity risk. The table below indicates how the profit before tax and equity before tax of the Group will be affected from a change in the price of the equity securities held.

	Available-for-sale			Held-for-trading			Designated at fair value through profit or loss at inception		
	Position € '000	Change in index or underlying variables for unlisted	Impact on equity before tax € '000	Position € '000	Change in index or underlying variables for unlisted	Impact on profit before tax € '000	Position € '000	Change in index or underlying variables for unlisted	Impact on profit before tax € '000
2010									
Equity securities and funds									
Listed on the Cyprus Stock Exchange	18.388	25%	4.597	380	25%	95	-	-	-
Listed on Athens Exchange	122.564	25%	30.641	12.477	25%	3.119	-	-	-
Listed on other Stock Exchanges	20.378	15%	3.057	-	-	-	-	-	-
Not listed	144.195	30%	43.258	1.224	30%	367	83.032	30%	24.910
Total	305.525		81.553	14.081		3.581	83.032		24.910
2009									
Equity securities and funds									
Listed on the Cyprus Stock Exchange	14.220	25%	3.555	2.335	25%	584	-	-	-
Listed on Athens Exchange	99.306	25%	24.827	36.423	25%	9.106	-	-	-
Listed on other Stock Exchanges	8.012	15%	1.202	625	15%	94	-	-	-
Not listed	171.594	30%	51.478	1.356	30%	407	82.162	30%	24.649
Total	293.132		81.062	40.739		10.191	82.162		24.649

The Group is not exposed to commodities price risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK

Liquidity risk is the risk that the Group either does not have sufficient financial resources available to meet its obligations as they fall due, or can secure them only at excessive cost. Such risk involves both the risk of unexpected increases in the cost of funding and the risk of being unable to liquidate a position in a timely manner on reasonable terms. Liquidity risk arises from potential mismatches in the timing of cash flows (i.e. the payment obligations to the incoming payments).

A substantial portion of the Group's assets is funded by customer deposits, covered bonds, securitised assets and utilised European Central Bank repurchase agreements. Savings and sight deposits cover immediate cash needs while long-term investment needs are usually covered by the issue of loan capital, senior debt and time deposits. The Group monitors on a regular basis the levels of short and long term deposits so that these are maintained at comfortable levels as they consist the main funding source of the Group. The Group aims to achieve good long-term relationships of trust with its customers through competitive and transparent pricing strategies. Although certain deposits may be withdrawn on demand with no notice in advance, the large diversification by number and type of depositors helps to protect against unexpected fluctuations and constitutes a stable deposit base.

The Group, through Group Treasury wholesale funding desk, has in place a funding program to diversify its financing sources and prolong the maturity profile of its liabilities. Based on the prevailing market conditions and most efficient pricing, the Group is assessing the possibility to issue senior debt, loan capital, covered bonds and securitised assets. Finally, the Group maintains a portfolio of high quality liquid assets diversified by currency and maturity, held to enable the Group to respond quickly and smoothly to unforeseen liquidity requirements.

Roles and responsibilities

The Board of Directors, the Group Risk Management Committee and the Group Market Risk Committee are responsible for the following:

- approve the Group's Liquidity Policy Manual,
- allocate to the appropriate senior managers the authority and responsibility to manage liquidity risk,
- monitor the liquidity profile of the Group as well as any material changes in current or future liquidity profile, and
- review the contingency plans of the Group.

The members of the GALCO and Senior Management ensure that liquidity is effectively managed and that the appropriate liquidity strategies are formulated. Day-to-day liquidity management is performed by the local Treasuries. Medium term and long term liquidity management strategies of the Group are determined by the Group's Treasury and the respective actions are approved by the GALCO and/or the Group Executive Committee.

Policies and procedures

The Group Liquidity Management Policy Manual documents the policies and principles for the management of liquidity risk.

Measurement and control

The Group manages to control the risk through a developed liquidity management structure comprising a diverse range of controls, procedures and limits. In this way, the Group complies with liquidity ratios set by banking regulators, as well as with internal limits.

The main liquidity ratios calculated by the Bank and by each subsidiary of the Group are the following:

- maturity mismatches between maturing assets and liabilities for time periods of up to one month (usually 0 – 7 days and 0 – 1 month), and
- ratio of liquid assets over borrowed funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

Measurement and control (continued)

Other criteria used to assess the liquidity profile are the following:

- liquid assets to total assets,
- advances to retail deposits,
- concentration risk on largest retail and interbank depositors,
- ability to access wholesale and interbank markets,
- assessment of the liquidity of capital markets investments and other liquid financial assets,
- ECB and third party repo funding, and
- the level of off-balance sheet liabilities.

In addition to the above, the liquidity status of the Group is assessed, using several different stress testing scenarios, i.e. the case where large part of deposits are withdrawn, the case where interbank borrowings are not renewed and the unsuccessful attempt to liquidate financial assets.

Monitoring and reporting

The Group Executive Committee, the Group Risk Management Committee and the Group Assets and Liabilities Committee receive regular reporting as to the liquidity position of the Group by the Risk Management Division.

The Group performs stress test scenarios on liquidity risk, while there are appropriate contingency plans in place.

Non-derivative cash flows

The following liquidity tables analyse the financial assets and financial liabilities of the Group into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date with exemption in some cases where behaviouralisations have been taken into account (i.e. all eligible with European Central Bank pledged assets are considered liquid and placed at the “Within 1 month” maturity period). The amounts disclosed in the tables are the contractual undiscounted cash flows and hence differ from the carrying amounts disclosed on the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

Non-derivative cash flows (continued)

	Within 1 month € '000	Over 1 month but less than 3 months € '000	Over 3 months but less than 1 year € '000	Over 1 but less than 5 years € '000	Over 5 years € '000	Total € '000
2010						
Financial assets						
Cash and balances with Central Banks	705.973	-	-	-	8.639	714.612
Due from other banks	4.248.664	242.193	119.811	96.537	53	4.707.258
Financial assets at fair value through profit or loss	88.374	91.056	14.614	21.644	13.648	229.336
Advances to customers	5.848.958	882.244	2.059.672	8.608.536	16.252.694	33.652.104
Debt securities lending	1.459.638	1.233.945	142.878	1.166.252	809.438	4.812.151
Available-for-sale financial assets	654.863	179.484	110.755	658.561	949.584	2.553.247
Held-to-maturity financial assets	898.805	344.936	108.251	196.067	490.264	2.038.323
	13.905.275	2.973.858	2.555.981	10.747.597	18.524.320	48.707.031
Financial liabilities						
Due to other banks	5.512.629	4.992.108	82.793	6.653	110.886	10.705.069
Customer deposits	14.293.605	5.469.808	5.428.355	363.010	138.261	25.693.039
Senior debt	7.921	57.437	14.716	433.909	-	513.983
Loan capital	2.920	10.078	446.368	872.215	133.319	1.464.900
	19.817.075	10.529.431	5.972.232	1.675.787	382.466	38.376.991
Off-balance sheet items:						
Acceptances	387.088	-	-	-	-	387.088
Guarantees	1.313.082	-	-	-	-	1.313.082
Amount of unutilised credit facilities	205.581	-	-	-	-	205.581
	1.905.751	-	-	-	-	1.905.751
2009						
Financial assets						
Cash and balances with Central Banks	1.951.457	4.804	6.118	-	7.326	1.969.705
Due from other banks	2.141.909	597.284	553.060	160.265	47	3.452.565
Financial assets at fair value through profit or loss	79.516	85.864	32.071	38.013	8.145	243.609
Advances to customers	5.754.736	738.238	2.128.834	7.807.390	14.577.015	31.006.213
Debt securities lending	369.946	39.588	1.868.887	759.652	981.334	4.019.407
Available-for-sale financial assets	694.180	447.393	1.030.492	962.367	1.015.337	4.149.769
Held-to-maturity financial assets	203.468	409.223	655.797	103.574	108.963	1.481.025
	11.195.212	2.322.394	6.275.259	9.831.261	16.698.167	46.322.293
Financial liabilities						
Due to other banks	3.305.192	1.360.145	5.761.004	2.237	102.649	10.531.227
Customer deposits	12.876.600	5.287.652	5.456.715	306.014	107.466	24.034.447
Senior debt	2.007	17.254	939.462	498.698	-	1.457.421
Loan capital	1.814	7.117	21.598	981.552	175.138	1.187.219
	16.185.613	6.672.168	12.178.779	1.788.501	385.253	37.210.314
Off-balance sheet items:						
Acceptances	96.249	-	-	-	-	96.249
Guarantees	1.395.483	-	-	-	-	1.395.483
Amount of unutilised credit facilities	186.106	-	-	-	-	186.106
	1.677.838	-	-	-	-	1.677.838

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

Non-derivative cash flows (continued)

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and balances with Central Banks, treasury and other eligible bills, due from other banks and advances to customers. The Group would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources.

Derivative cash flows

The following liquidity tables analyse the cash flows arising from the Group's derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the tables are contractual undiscounted cash flows and hence differ from the carrying amounts included in the consolidated balance sheet.

(a) Derivatives settled on a net basis

	Within 1 month € '000	Over 1 month but less than 3 months € '000	Over 3 months but less than 1 year € '000	Over 1 year but less than 5 years € '000	Over 5 years € '000	Total € '000
2010						
Derivatives held for trading:						
Foreign exchange derivatives	(42)	(37)	74	-	-	(5)
Interest rate derivatives	45	(5.683)	1.886	(6.940)	(156)	(10.848)
	3	(5.720)	1.960	(6.940)	(156)	(10.853)
Derivatives held for hedging:						
Interest rate derivatives	180	(4.245)	(6.928)	(14.372)	1.519	(23.846)
	183	(9.965)	(4.968)	(21.312)	1.363	(34.699)
2009						
Derivatives held for trading:						
Foreign exchange derivatives	(115)	(2.740)	(115)	(11)	-	(2.981)
Interest rate derivatives	(33)	(1.791)	(4.519)	(8.603)	(901)	(15.847)
	(148)	(4.531)	(4.634)	(8.614)	(901)	(18.828)
Derivatives held for hedging:						
Interest rate derivatives	(96)	(208)	(675)	(1.447)	(376)	(2.802)
	(244)	(4.739)	(5.309)	(10.061)	(1.277)	(21.630)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

Derivative cash flows (continued)

(b) Derivatives settled on a gross basis

	Within 1 month € '000	Over 1 month but less than 3 months € '000	Over 3 months but less than 1 year € '000	Over 1 year but less than 5 years € '000	Over 5 years € '000	Total € '000
2010						
Derivatives held for trading:						
Foreign exchange derivatives						
Outflow	(1.795.210)	(818.780)	(233.484)	(81.994)	-	(2.929.468)
Inflow	1.774.473	801.953	225.766	77.316	-	2.879.508
Interest rate derivatives						
Outflow	(907)	(8.463)	(4.206)	(53.852)	(125.560)	(192.988)
Inflow	140	6.641	1.366	73.099	210.632	291.878
Derivatives held for hedging:						
Foreign exchange derivatives						
Outflow	(9.866)	-	-	-	-	(9.866)
Inflow	9.821	-	-	-	-	9.821
Interest rate derivatives						
Outflow	(7.124)	(27.293)	(87.426)	(301.849)	(150.466)	(574.158)
Inflow	5.107	9.238	35.369	195.255	142.301	387.270
Total outflow	(1.813.107)	(854.536)	(325.116)	(437.695)	(276.026)	(3.706.480)
Total inflow	1.789.541	817.832	262.501	345.670	352.933	3.568.477
2009						
Derivatives held for trading:						
Foreign exchange derivatives						
Outflow	(380.565)	(235.874)	(130.596)	(304.198)	-	(1.051.233)
Inflow	380.917	234.442	131.087	303.750	-	1.050.196
Interest rate derivatives						
Outflow	(742)	(1.709)	(13.017)	(119.853)	(339.727)	(475.048)
Inflow	776	1.839	14.334	132.286	373.050	522.285
Derivatives held for hedging:						
Foreign exchange derivatives						
Outflow	(3.105)	-	-	-	-	(3.105)
Inflow	3.098	-	-	-	-	3.098
Interest rate derivatives						
Outflow	(11.243)	(41.342)	(154.541)	(429.369)	(234.605)	(871.100)
Inflow	5.326	16.195	73.388	335.581	236.729	667.219
Total outflow	(395.655)	(278.925)	(298.154)	(853.420)	(574.332)	(2.400.486)
Total inflow	390.117	252.476	218.809	771.617	609.779	2.242.798

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

FAIR VALUE OF ASSETS AND LIABILITIES

Fair value represents the amount at which an asset could be exchanged, or a liability settled, in an arm's length transaction. Differences can therefore arise between carrying values and fair values. The definition of fair value assumes that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Generally accepted methods of determining fair value include reference to quoted market prices or to prices prevailing for similar financial instruments.

With reference to the above, the carrying value of the Group's assets and liabilities is not materially different from their fair value with the exception of held-to-maturity financial assets and debt securities lending.

(a) Due from/to other banks

Due from/to other banks include inter-bank placements and items in the course of collection. The fair value of floating as well as fixed rate placements closely approximates their carrying value since their average maturity is approximately one month.

(b) Advances to customers

Advances to customers are presented net of provisions for impairment. The vast majority of advances earns interest at floating rates and hence their fair value approximates carrying value.

(c) Held-to-maturity financial assets

The fair value of held-to-maturity financial assets amounts to € 1.437.938.000 (2009: € 1.347.058.000). Fair value for held-to-maturity financial assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

(d) Debt securities lending

The fair value of debt securities lending amounts to € 3.195.073.000 (2009: € 3.075.638.000). Fair value for debt securities lending is based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

(e) Customer deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed as well as floating interest-bearing deposits closely approximates their carrying value since their average maturity is less than one year.

(f) Senior debt

The fair value of senior debt is disclosed in Note 32.

(g) Loan capital

The fair value of loan capital is disclosed in Note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

FAIR VALUE OF ASSETS AND LIABILITIES (continued)

Fair value of financial instruments in levels

The Group uses 3 Levels for determining and disclosing fair value: (a) Level 1, where valuation takes place using quoted prices in active markets; (b) Level 2, where valuation takes place using models for which all inputs which have a significant effect on fair value are market observable; and (c) Level 3, where valuation takes place using models for which inputs with a significant effect on fair value are not based on observable market data.

The tables below present financial instruments recorded at fair value according to the above 3 Levels of valuation.

	Level 1 € '000	Level 2 € '000	Level 3 € '000	Total € '000
2010				
Financial assets				
Financial assets at fair value through profit or loss				
Held-for-trading				
Debt	33.886	3.718	-	37.604
Equity	14.081	-	-	14.081
Derivative financial instruments	6.015	88.604	-	94.619
Designated at fair value through profit or loss at inception				
Equity	-	83.032	-	83.032
Available-for-sale financial assets				
Debt	1.717.111	255.709	66	1.972.886
Equity	86.437	148.818	70.270	305.525
Other assets				
Hedging derivative financial instruments with positive fair value	-	12.412	-	12.412
	1.857.530	592.293	70.336	2.520.159
Financial liabilities				
Other liabilities				
Trading derivative financial instruments with negative fair value	8.061	99.633	-	107.694
Hedging derivative financial instruments with negative fair value	-	172.817	-	172.817
	8.061	272.450	-	280.511

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

FAIR VALUE OF ASSETS AND LIABILITIES (continued)

Fair value of financial instruments in levels (continued)

	Level 1 € '000	Level 2 € '000	Level 3 € '000	Total € '000
2009				
Financial assets				
Financial assets at fair value through profit or loss				
Held-for-trading				
Debt	24.559	16.435	-	40.994
Equity	40.739	-	-	40.739
Derivative financial instruments	28.167	46.373	-	74.540
Designated at fair value through profit or loss at inception:				
Equity	-	82.162	-	82.162
Available-for-sale financial assets				
Debt	2.814.691	457.004	66	3.271.761
Equity	58.215	132.143	102.774	293.132
Other assets				
Hedging derivative financial instruments with positive fair value	-	7.984	-	7.984
	2.966.371	742.101	102.840	3.811.312
Financial liabilities				
Other liabilities				
Trading derivative financial instruments with negative fair value	25.041	46.426	-	71.467
Hedging derivative financial instruments with negative fair value	-	178.453	-	178.453
	25.041	224.879	-	249.920

The movement in Level 3 financial instruments which are measured at fair value is presented below:

	Available-for-sale financial assets	
	Debt € '000	Equity € '000
2010		
Balance 1 January	66	102.774
Total gains or losses:		
Consolidated income statement	-	(1.580)
Other comprehensive income	-	(35.118)
Purchases	-	7.032
Disposals	-	(2.838)
Balance 31 December	66	70.270
2009		
Balance 1 January	1.019	123.460
Total gains or losses:		
Consolidated income statement	(905)	(1.314)
Other comprehensive income	-	(20.304)
Purchases	-	2.269
Disposals	(48)	(1.337)
Balance 31 December	66	102.774

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

FAIR VALUE OF ASSETS AND LIABILITIES (continued)

Sensitivity analysis of Level 3 items

	Reflected in consolidated income statement		Reflected in equity	
	Favourable changes € '000	Unfavourable changes € '000	Favourable changes € '000	Unfavourable changes € '000
2010				
Available-for-sale financial assets	-	805	17.153	16.187
2009				
Available-for-sale financial assets	1.158	1.412	25.510	23.799

Favourable changes reflect the positive changes/impacts that relate to the security and that may take place and result in the increase of the value of the security. On the other hand, unfavourable changes reflect the negative changes/impacts that relate to the security and that may take place and result in the decrease of the value of the security.

CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- to comply with the regulatory and business environment in which the Group operates,
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for its shareholders and benefits to other stakeholders, and
- to maintain a strong capital base and healthy rates to support the development of its business.

The capital adequacy of the Group is monitored based on the Directive for the Computation of Capital Requirements and Large Exposures ("Directive") issued by the Central Bank of Cyprus.

The Central Bank of Cyprus supervises the Group on a consolidated basis. In addition, the overseas subsidiaries are supervised by the local regulators.

The Central Bank of Cyprus, under Pillar I, requires a minimum capital adequacy ratio of 8%. The Central Bank of Cyprus may impose additional capital requirements for risks not covered under Pillar I.

The table below summarises the composition of regulatory capital and the capital adequacy ratio of the Group for the years ended 31 December, 2010 and 2009 as they were submitted to the Central Bank of Cyprus. During these two years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they were subject.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT (continued)

CAPITAL MANAGEMENT (continued)

	2010 € '000	2009 € '000
Tier I capital		
Share capital	834.799	720.930
Share premium	2.252.897	2.179.146
Retained earnings (net of foreseeable dividends)	699.027	784.171
Non-controlling interests	105.863	123.321
Capital securities	737.753	350.757
Less: Goodwill and other intangibles and prudential filters 50% of investments in non-banking subsidiaries and investments in companies in the financial sector that exceed 10% of their capital	(1.862.981)	(1.819.944)
Total qualifying Tier I capital	2.752.722	2.318.932
Tier II capital		
Qualifying subordinated loan capital	528.269	699.744
Revaluation reserves and prudential filters	55.183	53.765
Less: 50% of investments in non-banking subsidiaries and investments in companies in the financial sector that exceed 10% of their capital	(14.636)	(19.449)
Total qualifying Tier II capital	568.816	734.060
Less: Investments in insurance undertakings	(103.402)	(97.024)
Total regulatory capital	3.218.136	2.955.968
Total risk-weighted assets	27.627.390	25.621.603
Capital adequacy ratio	11,6%	11,5%

The Group's total regulatory capital is divided into Tier I and Tier II capital.

- Tier I capital mostly comprises share capital (net of the book value of any treasury shares), share premium, retained earnings net of foreseeable dividends and non-controlling interests. The book value of goodwill and other intangibles is deducted in arriving at Tier I capital.
- Tier II capital mostly comprises qualifying subordinated loan capital and unrealised gains arising on the fair valuation of property and available-for-sale financial assets.

Investments in non-banking subsidiary companies and investments in companies in the financial sector that exceed 10% of their capital are equally deducted from the Tier I and Tier II capital. Investments in insurance undertakings are deducted from the total Tier I and Tier II capital to arrive at the regulatory capital.

Risk-weighted assets for credit and market risk are calculated using the standardised approach. For operational risk the capital requirements are calculated in accordance with the Basic Indicator approach.

The increase of regulatory capital during 2010 is mainly attributable to the current year profit and the capital increase following the 2010 Capital Securities issue net of the losses on revaluation of available-for-sale investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables € '000	Assets at fair value through profit or loss € '000	Derivatives used for hedging € '000	Available-for-sale assets € '000	Held-to-maturity assets € '000	Total € '000
2010						
Financial assets as per consolidated balance sheet						
Cash and balances with Central Banks	713.579	-	-	-	-	713.579
Due from other banks	4.696.112	-	-	-	-	4.696.112
Financial assets at fair value through profit or loss	-	229.336	-	-	-	229.336
Advances to customers	26.417.333	-	-	-	-	26.417.333
Debt securities lending	3.960.788	-	-	-	-	3.960.788
Available-for-sale financial assets	-	-	-	2.278.411	-	2.278.411
Held-to-maturity financial assets	-	-	-	-	1.480.046	1.480.046
Other assets	116.644	-	12.412	-	-	129.056
	35.904.456	229.336	12.412	2.278.411	1.480.046	39.904.661

	Derivative liabilities at fair value through profit or loss € '000	Derivatives used for hedging € '000	Other financial liabilities at amortised cost € '000	Total € '000
2010				
Financial liabilities as per consolidated balance sheet				
Due to other banks	-	-	10.649.850	10.649.850
Customer deposits	-	-	25.508.361	25.508.361
Senior debt	-	-	477.637	477.637
Loan capital	-	-	1.267.931	1.267.931
Other liabilities	107.694	172.817	-	280.511
	107.694	172.817	37.903.779	38.184.290

	Loans and receivables € '000	Assets at fair value through profit or loss € '000	Derivatives used for hedging € '000	Available-for-sale assets € '000	Held-to-maturity assets € '000	Total € '000
2009						
Financial assets as per consolidated balance sheet						
Cash and balances with Central Banks	1.964.834	-	-	-	-	1.964.834
Due from other banks	3.447.128	-	-	-	-	3.447.128
Financial assets at fair value through profit or loss	-	238.435	-	-	-	238.435
Advances to customers	25.082.163	-	-	-	-	25.082.163
Debt securities lending	3.395.068	-	-	-	-	3.395.068
Available-for-sale financial assets	-	-	-	3.564.893	-	3.564.893
Held-to-maturity financial assets	-	-	-	-	1.381.330	1.381.330
Other assets	423.708	-	7.984	-	-	431.692
	34.312.901	238.435	7.984	3.564.893	1.381.330	39.505.543

	Derivative liabilities at fair value through profit or loss € '000	Derivatives used for hedging € '000	Other financial liabilities at amortised cost € '000	Total € '000
2009				
Financial liabilities as per consolidated balance sheet				
Due to other banks	-	-	10.470.876	10.470.876
Customer deposits	-	-	23.885.776	23.885.776
Senior debt	-	-	1.398.502	1.398.502
Loan capital	-	-	1.050.501	1.050.501
Other liabilities	71.467	178.453	-	249.920
	71.467	178.453	36.805.655	37.055.575

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE BANK

The beneficial interest in the Bank's share capital owned by members of the Board of Directors, directly or indirectly, is as follows:

	Beneficial interest at 31 December, 2010	Beneficial interest 24 March, 2011
Platon E. Lanitis	4,57%	4,59%
Vassilis Theocharakis	2,40%	1,66%
Andreas Vgenopoulos	0,51%	0,50%
Eleftherios Hiliadakis	0,05%	0,05%
Efthimios Bouloutas	0,05%	0,05%
Constantinos Mylonas	0,03%	0,03%
Christos Stylianides	0,01%	0,01%
Neoclis Lysandrou	0,01%	0,01%

The percentages are based on the total issued share capital.

47. SHAREHOLDERS WITH MORE THAN 5% OF SHARE CAPITAL

	Shareholding at 31 December, 2010	Shareholding at 24 March, 2011
Dubai Financial Limited Liability Company	18,69%	18,69%
Marfin Investment Group Holdings S.A.	9,49%	9,49%

The percentages are based on the total issued share capital.

48. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

	2010 Number of Directors	2009 Number of Directors	2010 € '000	2009 € '000
Advances to Directors and their connected persons:				
More than 1% of the net assets of the Group	2	2	323.610	307.732
Less than 1% of the net assets of the Group	12	11	12.721	9.073
	14	13	336.331	316.805
Advances to other key management personnel and their connected persons			12.653	12.926
Total advances			348.984	329.731
Commitments for guarantees and letters of credit:				
Guarantees to Directors and their connected persons:				
More than 1% of the net assets of the Group			39.420	38.418
Less than 1% of the net assets of the Group			1	-
Total guarantees			39.421	38.418
Letters of credit to Directors and their connected persons:				
More than 1% of the net assets of the Group			2.898	9
Total letters of credit			2.898	9
Total advances and commitments			391.303	368.158
Tangible securities			426.975	406.041
Interest income			14.873	10.210
Deposits			33.559	119.118
Interest expense			993	3.238

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48. RELATED PARTY TRANSACTIONS (continued)

Transactions with key management personnel (continued)

There were no commitments relating to other key management personnel of the Group.

The amount of tangible securities is presented in aggregate in the preceding table. Therefore, it is possible that some individual facilities are not fully covered with tangible securities. The total amount of facilities that are unsecured at 31 December, 2010 amounts to € 67.979.000 (2009: € 60.540.000).

Connected persons include the spouse, minor children and companies in which key management personnel hold, directly or indirectly, at least 20% of the voting rights in a general meeting or act as directors or exercise control of the entities in any way.

Other transactions with key management personnel

During 2010, the Group received commissions on stock exchange transactions from key management personnel and their connected persons amounting to € 194.000 (2009: € 46.000) and purchased goods and received services amounting to € 243.000 (2009: € 148.000) from companies connected to Lanitis group.

The above transactions are carried out as part of the normal activities of the Group, on commercial terms.

Compensation of key management personnel

	Fees € '000	Salaries and other short-term benefits € '000	Employer's social insurance contributions € '000	Retirement benefits scheme expense € '000	Share options scheme expense € '000	Total € '000	Income tax withheld at source € '000	Total after income tax withheld at source € '000
Year ended 31 December 2010								
Executive Directors								
Efthimios Bouloutas	-	767	13	-	126	906	320	586
Christos Stylianides	-	241	24	63	63	391	57	334
Panayiotis Kounnis	-	242	26	63	63	394	58	336
Eleftherios Hiliadakis	-	153	11	-	45	209	51	158
	-	1.403	74	126	297	1.900	486	1.414
Non Executive Directors								
Andreas Vgenopoulos ¹	-	-	-	-	215	215	-	215
Neoclis Lysandrou ²	20	-	-	-	11	31	-	31
Vassilis Theocharakis	20	-	-	-	11	31	-	31
Platon E. Lanitis	20	-	-	-	11	31	-	31
Constantinos Mylonas	30	-	-	-	11	41	-	41
Stelios Stylianou	20	70	10	18	7	125	12	113
Markos Foros	20	-	-	-	18	38	-	38
Hesham Al Qassim ³	9	-	-	-	-	9	-	9
Fadel Al Ali ⁴	12	-	-	-	-	12	-	12
Abdulrazaq Al Jassim ⁴	12	-	-	-	-	12	-	12
Joseph Kamal Eskander ⁵	24	-	-	-	-	24	-	24
Soud Ba'alawy ⁶	-	-	-	-	-	-	-	-
	187	70	10	18	284	569	12	557
Other key management personnel⁷								
	-	1.628	76	36	341	2.081	612	1.469
	187	3.101	160	180	922	4.550	1.110	3.440

¹ Executive Director until 9 February, 2010.

² Received additional fees for consultancy services of € 200.000.

³ Appointed on 27 July, 2010.

⁴ Appointed on 25 May, 2010.

⁵ Appointed on 19 May, 2009 and resigned on 27 July, 2010. The amount of fees paid is for the whole period of his appointment.

⁶ Resigned on 9 February, 2010.

⁷ Includes the remaining 4 members of the Group Executive Committee (that are not Directors) and the Group Chief Financial Officer. Their total compensation consists of payments from the Bank and Investment Bank of Greece S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel (continued)

	Fees € '000	Salaries and other short-term benefits € '000	Employer's social insurance contributions € '000	Retirement benefits scheme expense € '000	Share options scheme expense € '000	Total € '000	Income tax withheld at source € '000	Total after income tax withheld at source € '000
Year ended 31 December 2009								
Executive Directors								
Efthimios Bouloutas	-	762	13	-	150	925	342	583
Christos Stylianides	-	241	24	59	75	399	102	297
Panayiotis Kounnis	-	241	24	59	75	399	103	296
Eleftherios Hiliadakis	-	152	10	-	54	216	48	168
	-	1.396	71	118	354	1.939	595	1.344
Non Executive Directors								
Andreas Vgenopoulos ¹	-	-	-	-	257	257	-	257
Neoclis Lysandrou ²	20	-	-	-	13	33	-	33
Vassilis Theocharakis	-	-	-	-	13	13	-	13
Platon E. Lanitis	20	-	-	-	13	33	-	33
Constantinos Mylonas	30	-	-	-	13	43	-	43
Stelios Stylianou	20	65	9	16	9	119	11	108
Markos Foros	20	-	-	-	21	41	-	41
Joseph Kamal Eskander ³	-	-	-	-	-	-	-	-
Soud Ba'alawy ⁴	-	-	-	-	-	-	-	-
Mustafa Farid Mustafa ⁵	-	-	-	-	-	-	-	-
Sayanta Basu ⁶	-	-	-	-	-	-	-	-
Nicholas Wrigley ⁶	-	-	-	-	-	-	-	-
	110	65	9	16	339	539	11	528
Other key management personnel⁷	-	1.214	53	31	333	1.631	659	972
	110	2.675	133	165	1.026	4.109	1.265	2.844

¹ Executive Director until 9 February, 2010.

² Received additional fees for consultancy services of € 200.000.

³ Appointed on 19 May, 2009.

⁴ Resigned on 9 February, 2010.

⁵ Appointed on 19 May, 2009 and resigned on 15 December, 2009.

⁶ Resigned on 19 May, 2009.

⁷ Includes the remaining 3 members of the Group Executive Committee (that are not Directors) and the Group Chief Financial Officer. Their total compensation consists of payments from the Bank and Investment Bank of Greece S.A.

In addition, during 2009, key management personnel received a total bonus of € 2,2 m with reference to the results of 2008 and charged on the results of 2008.

Based on 2009 results, management personnel participate in a Restricted Stock Scheme that has been introduced for the Group managers. The Scheme provides for the purchase of Bank's shares in the name of the Group management personnel and these shares cannot be sold for a period of 3 years. The shares will be released gradually based on performance between 2011 - 2013.

Based on the Scheme, the number of shares that each Director will receive is as follows: Efthimios Bouloutas 401.000, Panayiotis Kounnis 229.000, Christos Stylianides 229.000, Eleftherios Hiliadakis 115.000 and Andreas Vgenopoulos (Executive Director until 9 February, 2010) 573.000. The total number of shares that other key management personnel will receive is 889.000.

The number of Share Options for each Director, none of which was exercised up to 31 December, 2010 was as follows: Andreas Vgenopoulos 6.000.000, Efthimios Bouloutas 3.500.000, Christos Stylianides 1.750.000, Panayiotis Kounnis 1.750.000, Eleftherios Hiliadakis 1.250.000, Markos Foros 500.000, Neoclis Lysandrou, Vassilis Theocharakis, Platon E. Lanitis and Constantinos Mylonas 300.000 each and Stelios Stylianou 200.000. The number of Options for other key management personnel, none of which was exercised up to 31 December, 2010 was 9.500.000. Further information regarding the Options is presented in Note 37 of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel (continued)

Key management personnel as at 31 December, 2010 include the 14 members of the Board of Directors, 4 of which had executive duties, the members of the Group Executive Committee and the Group Chief Financial Officer. Key management personnel for 2009 included the 13 members of the Board of Directors, 4 of which had executive duties, the members of the Group Executive Committee and the Group Chief Financial Officer.

Transactions with other related parties

On 31 December, 2010 the balances with other related parties were as follows:

	2010		2009	
	Receivables € '000	Payables € '000	Receivables € '000	Payables € '000
Consolidated balance sheet				
Marfin Insurance Holdings Ltd group (associate)	7.412	227.922	6.656	205.077
JCC Payment Systems Ltd (associate)	60	9.117	-	23.294
Provident Funds of the employees of the Group in Cyprus	5	28.788	-	17.429
	7.477	265.827	6.656	245.800

Additionally, Marfin Insurance Holdings Ltd group held at 31 December, 2010 senior debt and loan capital of the Group of nominal value of € 39,9 m (2009: € 15,1 m).

During the year ended 31 December, 2010 the following transactions were realised with other related parties:

	2010		2009	
	Income € '000	Expense € '000	Income € '000	Expense € '000
Consolidated income statement				
Marfin Insurance Holdings Ltd group (associate)	1.668	11.626	3.733	12.955
JCC Payment Systems Ltd (associate)	4	862	3	1.140
Provident Funds of the employees of the Group in Cyprus	41	694	20	700
Dubai Financial Limited Liability Company (major shareholder)	-	-	560	-
	1.713	13.182	4.316	14.795

Additionally, during 2010 the Group received dividend of € 7.500.000 (2009: € 1.872.000) from JCC Payment Systems Ltd and € 5.329.000 (2009: € 2.867.000) from Marfin Insurance Holdings Ltd group.

49. BUSINESS ACQUISITIONS

Acquisition of CLR Capital Public Ltd and change in shareholding in Marfin CLR Public Co Ltd

According to the terms of the Reorganisation and Merger Plan dated 1 August, 2008 CLR Capital Public Ltd merged with Laiki Investments (Financial Services) Public Company Ltd (renamed to Marfin CLR Public Co Ltd on 5 January, 2009). On 9 January, 2009 Marfin CLR Public Co Ltd decided to issue and allocate 85.713.000 new ordinary shares of Marfin CLR Public Co Ltd to the shareholders of CLR Capital Public Ltd. As a result of this new issue the Bank's shareholding in Marfin CLR Public Co Ltd decreased to 52,97%.

Details regarding the net assets of CLR Capital Public Ltd that were acquired in 2009 are as follows:

	€ '000
Consideration for acquisition:	
Fair value of shares issued	29.142
Acquisition expenses	320
Total consideration for acquisition	29.462
Fair value of net assets acquired	(10.558)
Goodwill	18.904

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. BUSINESS ACQUISITIONS (continued)

Acquisition of CLR Capital Public Ltd and change in shareholding in Marfin CLR Public Co Ltd (continued)

The goodwill is attributable to the acquisition of a well established company with significant market share in the brokerage industry, which has contributed to the creation of the largest brokerage company in the Cyprus Stock Exchange (following the merger with Laiki Investments (Financial Services) Public Company Ltd). The merger will improve the profitability of the Group and give it the necessary platform to expand its global operations.

The assets and liabilities acquired at the acquisition date in 2009 were as follows:

	Fair value € '000	Book value € '000
Cash and cash equivalents	5.362	5.362
Financial assets at fair value through profit or loss	2.387	2.387
Available-for-sale financial assets	961	961
Other assets	8.581	8.581
Intangible assets	7.935	35
Investment property	3.246	3.246
Property and equipment	13.672	13.672
Due to other banks	(19.385)	(21.019)
Other liabilities	(9.299)	(10.274)
Current income tax liabilities	(183)	(183)
Deferred tax liabilities	(2.719)	(1.929)
Net assets acquired	10.558	839
Acquisition expenses		(320)
Cash and cash equivalents acquired		5.362
Cash inflow from acquisition		5.042

In December 2009, Marfin CLR Public Co Ltd completed the fair valuation and purchase price allocation for the acquisition of CLR Capital Public Ltd. Based on adjustments to the preliminary accounting adopted in the consolidated financial statements for the period ended 31 March, 2009, the Group recognised in these consolidated financial statements € 7,9 m intangible assets, which relate to the estimated fair value of the brand name and the relationship with trading customers (brokerage activities). The results were charged with amortisation of the intangible assets recognised amounting to € 586.000. A deferred tax liability of € 790.000 in relation to the aforementioned intangible assets has also been recognised.

In March 2009, the Bank acquired an additional 4,2 m shares of Marfin CLR Public Co Ltd for € 1,4 m. This acquisition brought the Bank's holding to 54,45%. Goodwill arising on the additional shares acquired was € 224.000. In December 2010, the Bank acquired additional 25,2 m shares in Marfin CLR Public Co Ltd for € 3,5 m, thus increasing its shareholding to 63,27%.

50. DIVIDEND

On 21 June, 2010 a dividend payment of € 67.390.000 was made, € 0,08 per share of nominal value € 0,85 (2009: € 124.519.000, € 0,15 per share). The dividend has been accounted for in equity as an appropriation of retained earnings (Note 38). Part of the dividend amounting to € 13.578.000 (2009: € 27.553.000) has been re-invested into shares of the Bank.

In addition, on 25 November, 2010 the Board of Directors approved the distribution of an interim dividend of € 187.551.000 (2009: Nil), € 0,22 per share of nominal value € 0,85, in the form of shares.

The Board of Directors decided on 29 March, 2011 to propose to the Annual General Meeting a dividend of € 0,10 per share in the form of shares issued by the Bank with an issue price of € 1,00 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

51. INVESTMENTS IN SUBSIDIARY COMPANIES

The main subsidiary companies of the Group, as at 31 December, 2010 were as follows:

Company name	Effective shareholding ⁽¹⁾		Country of incorporation	Issued share capital € '000	Activity sector
	2010	2009			
Investment Bank of Greece S.A. (a)	96%	93%	Greece	110.427	Investment banking
Marfin Global Asset Management Mutual Funds Management S.A.	99%	99%	Greece	4.572	Portfolio management, investment and brokerage services
Marfin CLR Public Co Ltd ((b) and Note 49)	63%	54%	Cyprus	97.142	Portfolio management, investment and brokerage services
Laiki Bank (Australia) Ltd	100%	100%	Australia	60.901	Banking
Public Joint-Stock Company Marfin Bank (c)	100%	100%	Ukraine	33.774	Banking
Marfin Bank (Romania) S.A. (d)	99%	99%	Romania	57.224	Banking
Marfin Bank JSC Belgrade (e)	99%	99%	Serbia	52.594	Banking
Marfin Pank Eesti AS (f)	63%	53%	Estonia	9.384	Banking
Rossiysky Promyishlenny Bank Company Ltd	50%	50%	Russia	26.686	Banking
Lombard Bank Malta Plc (g)	48,9%	44,9%	Malta	9.023	Banking
Laiki Bank (Guernsey) Ltd	100%	100%	Guernsey	2.324	Banking
Marfin Leasing S.A. (h)	100%	100%	Greece	83.440	Leasing
Marfin Factors & Forfaiters S.A.	100%	100%	Greece	10.870	Factoring, invoice discounting
Laiki Factors Ltd	100%	100%	Cyprus	855	Factoring, invoice discounting
Paneuropean Insurance Co Ltd	100%	100%	Cyprus	14.025	Investment company
Philiki Insurance Co Ltd	100%	100%	Cyprus	9.800	Investment company
Cyprialife Ltd	100%	100%	Cyprus	8.550	Investment company
Closed Joint-Stock Company RPB Holding	50%	50%	Russia	24.498	Investment company
IBG Investments S.A.	96%	93%	British Virgin Islands	2.239	Investment services
Marfin Capital Partners Ltd	70%	70%	United Kingdom	810	Investment management
Synergatis Plc	-	-	United Kingdom	-	Special purpose entity

⁽¹⁾ The effective shareholding includes the direct holding of Marfin Popular Bank Public Co Ltd and the indirect holding through its subsidiary companies.

Marfin Popular Bank Public Co Ltd is registered in Cyprus and operates in Cyprus and through branches in the United Kingdom. On 23 December, 2009 an Extraordinary General Meeting of the shareholders of the Bank approved the Cross-Border Merger through absorption of Marfin Egnatia Bank S.A. by the Bank, in accordance with the provisions of Directive 2005/56/EC of the European Parliament and the Council of 26 October, 2005, as well as in accordance with Cypriot and Greek laws as defined by the Common Terms of the Cross-Border Merger dated 13 November, 2009.

In accordance with the terms of the Cross-Border Merger Plan, as of 1 July, 2009 and until the date of effect of the merging companies' merger, the deeds of Marfin Egnatia Bank S.A. are considered from an accounting point of view to be effected on behalf of the Bank, and the financial results of Marfin Egnatia Bank S.A. from that date and until the entering of the merger into effect are considered as results of the Bank, and the relevant amounts will be transferred to its books in one or more consolidating entries.

On 15 December, 2010, following the decision of the Nicosia District Court in accordance to articles 201(xvii) and 201(xix) of the (Cyprus) Companies Law, set the 31 March, 2011 (12:00 p.m.) as the date of legal conclusion of the Cross-Border Merger through absorption of Marfin Egnatia Bank S.A. by the Bank.

The full consolidation method is applied to all the subsidiary companies of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

51. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

(a) Increase in shareholding in Investment Bank of Greece S.A.

In February 2010, Marfin Egnatia Bank S.A. acquired 59.897 shares in its subsidiary Investment Bank of Greece S.A. for € 3,9 m. This acquisition increased the holding of the Bank from 92,8% to 94,4%. In June 2010, 52.737 additional shares were acquired for € 3,6 m, increasing the Bank's holding to 95,8%.

(b) Increase in shareholding in Marfin CLR Public Co Ltd

In December 2010 the Bank acquired 25,2 m shares in Marfin CLR Public Co Ltd for € 3,5 m, thus increasing its shareholding from 54,45% to 63,27%.

(c) Change of name of Open Joint-Stock Company Marine Transport Bank

In November, 2010 Open Joint-Stock Company Marine Transport Bank was renamed to Public Joint-Stock Company Marfin Bank.

(d) Increase of share capital of Marfin Bank (Romania) S.A.

In April 2010, an increase of the share capital of Marfin Bank (Romania) S.A. was made for the amount of € 5 m, which was fully covered by Marfin Egnatia Bank S.A. As a result, the Bank's holding increased from 99,2% to 99,3%.

(e) Increase of share capital of Marfin Bank JSC Belgrade

In March 2010, an increase of the share capital of Marfin Bank JSC Belgrade was made for the amount of € 15 m, which was fully covered by the Bank. As a result the Bank's holding increased from 98,7% to 99%.

(f) Increase of share capital of Marfin Pank Eesti AS

In March 2010, an increase of the share capital of Marfin Pank Eesti AS was made for the amount of € 2,8 m, which was fully covered by the Bank. As a result the Bank's holding increased from 52,8% to 63%.

(g) Increase in shareholding in Lombard Bank Malta Plc

In April 2010, Lombard Bank Malta Plc paid a dividend of € 2,3 m. The amount attributable to the Bank, which was re-invested into company's shares, was € 1 m. Additionally, during 2010, the Bank acquired 1.309.186 shares of Lombard Bank Malta Plc for € 3,9 m. Following the above, the Bank's holding increased from 44,9% to 48,9%.

The Bank exercises control over Lombard Bank Malta Plc because its significant shareholding allows the control of the decisions taken at the Annual General Meeting, including the decisions for the appointment of Directors, and therefore Lombard Bank Malta Plc is accounted for as a subsidiary company of the Group.

(h) Increase of share capital of Marfin Leasing S.A.

In November 2010, an increase of the share capital of Marfin Leasing S.A. was made, for the amount of € 14 m, which was fully paid by Marfin Egnatia Bank S.A.

(i) Increase of share capital of Dynamic Asset Operating Leasing S.A.

In September 2010, an increase of the share capital of Dynamic Asset Operating Leasing S.A. was made, for the amount of € 1 m, which was paid fully by its sole shareholder Marfin Leasing S.A.

(j) Disposal of shareholding in Egnatia Properties SRL

In July 2010, Obafemi Holdings Ltd sold its shareholding (99,96%) in Egnatia Properties SRL, established in Romania, to MIG Real Estate S.A., established in Greece.

(k) Increase of share capital of Marfin Egnatia Fin S.A.

In August 2010, Marfin Egnatia Bank S.A. participated in the share capital increase of its subsidiary Marfin Egnatia Fin S.A. amounting to € 1,5 m, thus increasing its shareholding from 99% to 99,84%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

51. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

(I) Disposal of shareholding in Marfin Travel Ltd

In October 2010, Marfin Egnatia Fin S.A. sold its shareholding (100%) in Marfin Travel Ltd to Amathus Hellas Tourism S.A., established in Greece.

52. TRANSACTIONS WITH THE GROUP OF MARFIN INVESTMENT GROUP HOLDINGS S.A.

As at 31 December, 2010 the Group had receivables from Marfin Investment Group Holdings S.A. group of € 838 m (2009: € 699 m) and payables to the group of € 711 m (2009: € 587 m). Additionally, the income and expenses recognised by the Group amounted to € 38 m and € 22 m respectively (2009: € 40 m and € 31 m respectively).

53. POST BALANCE SHEET EVENTS

On 28 January, 2011 the Bank announced its agreement with the Bank of Beirut s.a.l. concerning the sale of the 85% of Laiki Bank (Australia) Ltd. The Bank will remain as a minority shareholder in Laiki Bank (Australia) Ltd until at least February 2013. From that date onwards, the Bank will have the option to sell its remaining stake to the Bank of Beirut s.a.l. The disposal of Laiki Bank (Australia) Ltd has been completed on 28 February, 2011 and the total cash consideration of the transaction reached AU\$ 142,9 m, while the profit from the sale reached approximately € 52,7 m. The total cash consideration represents a multiple of approximately 1,65 times the net book value of Laiki Bank (Australia) Ltd as at 31 December, 2010.

On 14 February, 2011 the Bank announced that it has successfully completed its € 488,2 m increase of share capital through the issue and exercise of Rights. The rights issue was oversubscribed by 111%.

The Rights have been allotted in the ratio of one nil-paid Right for each ordinary share of the Bank and for every two Rights exercised one fully paid new share resulted at an exercise price of € 1. The period of exercise of Rights was from 24 January, 2011 until 11 February, 2011 while the period of the trading of the rights was between 24 January, 2011 and 4 February, 2011. The exercise of the rights had as a result the listing of 488.168.000 new ordinary shares.

The increase of the share capital of the Bank and the disposal of Laiki Bank (Australia) Ltd boosted the Group's Tier I and total Regulatory capital ratios to 12% and 13,7% respectively. This corresponds to a Group Tier I and total regulatory capital base of € 3,3 bln and € 3,8 bln respectively.

54. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 29 March, 2011.

Independent Auditors' Report on page 16.

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Andreas Vgenopoulos
Chairman

.....
Efthimios Bouloutas
Group Chief Executive Officer

.....
Annita Philippidou
Group Chief Financial Officer



EXTRACTS FROM FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

MARFIN POPULAR BANK PUBLIC CO LTD

FINANCIAL STATEMENTS

Statement of by the Members of the Board of Directors
and by the Group Chief Financial Officer

Income Statement

Statement of Comprehensive Income

Balance Sheet

Statement of Changes in Equity

Statement of Cash Flows

STATEMENT BY THE MEMBERS OF THE BOARD OF DIRECTORS AND BY THE GROUP CHIEF FINANCIAL OFFICER

In accordance with Article 9(7) of Law 190(I)/2007 on Transparency Requirements in relation to an issuer whose securities are listed for trading on a regulated market, we the Members of the Board of Directors and the Group Chief Financial Officer of Marfin Popular Bank Public Co Ltd (the "Bank") confirm that to the best of our knowledge:

- (a) The financial statements of the Bank for the financial year ended 31 December, 2010 have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union and Article 9(4) of Law 190(I)/2007 and in general with the applicable Cyprus Legislation and give a true and fair view of the assets and liabilities, the financial position and the profit of the Bank and the undertakings included in the financial statements, as a whole.
- (b) The Report of the Board of Directors of the Bank includes a fair review of the developments and performance of the business as well as the position of the Bank together with the description of the principal risks and uncertainties that they face.

Members of the Board of Directors:

Andreas Vgenopoulos	-	Non Executive Chairman
Neoclis Lysandrou	-	Non Executive Vice Chairman
Vassilis Theocharakis	-	Non Executive Vice Chairman
Efthimios Bouloutas	-	Group Chief Executive Officer
Christos Stylianides	-	Deputy Chief Executive Officer
Panayiotis Kounnis	-	Deputy Chief Executive Officer
Eleftherios Hiliadakis	-	Executive Director
Platon E. Lanitis	-	Non Executive Director
Constantinos Mylonas	-	Non Executive Director
Stelios Stylianou	-	Non Executive Director
Markos Foros	-	Non Executive Director
Hesham Al Qassim	-	Non Executive Director
Fadel Al Ali	-	Non Executive Director
Abdulrazaq Al Jassim	-	Non Executive Director

Company official responsible for the drafting of the consolidated financial statements:

Annita Philippidou	-	Group Chief Financial Officer
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29 March, 2011

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 € '000	2009 € '000
Interest income	1.339.989	1.043.873
Interest expense	(770.332)	(612.834)
Net interest income	569.657	431.039
Fee and commission income	167.106	141.295
Fee and commission expense	(26.476)	(11.800)
Net fee and commission income	140.630	129.495
Profit on disposal and revaluation of securities	36.342	72.335
Foreign exchange income	25.970	24.381
Other income	29.137	19.599
Operating income	801.736	676.849
Staff costs	(299.380)	(222.890)
Depreciation and amortisation	(36.792)	(25.777)
Administrative expenses	(153.581)	(109.333)
Profit before provision for impairment of advances	311.983	318.849
Provision for impairment of advances	(230.403)	(118.139)
Profit before tax	81.580	200.710
Tax	(7.712)	(30.158)
Profit for the year	73.868	170.552
Earnings per share – cent	8,7	20,4

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	2010		2009	
	€ '000	€ '000	€ '000	€ '000
Profit for the year		73.868		170.552
Exchange differences arising in the year		(9.321)		(8.729)
Revaluation and transfer to results on disposal and impairment of available-for-sale financial assets, investments in subsidiary companies and associates	(121.189)		111.402	
Amortisation of loss on available-for-sale financial assets reclassified	7.294		3.831	
Net (losses)/gains on available-for-sale financial assets		(113.895)		115.233
Income tax relating to components of other comprehensive income		16.563		(4.919)
Other comprehensive (loss)/income for the year, net of tax		(106.653)		101.585
Total comprehensive (loss)/income for the year		(32.785)		272.137

BALANCE SHEET

31 DECEMBER 2010

	2010 € '000	2009 € '000
Assets		
Cash and balances with Central Banks	422.886	1.715.230
Due from other banks	5.363.351	4.227.227
Financial assets at fair value through profit or loss	214.062	205.469
Advances to customers	24.178.644	22.957.440
Debt securities lending	3.960.788	3.395.068
Available-for-sale financial assets	2.220.717	3.536.350
Held-to-maturity financial assets	1.092.606	1.078.264
Other assets	366.479	398.317
Current income tax assets	11.543	17.300
Deferred tax assets	96.546	67.388
Investments in subsidiary companies	1.215.582	1.123.344
Investments in associates	113.600	113.071
Intangible assets	1.134.794	1.145.648
Investment property	49.088	42.873
Property and equipment	202.014	201.315
Total assets	40.642.700	40.224.304
Liabilities		
Due to other banks	10.772.528	10.799.243
Customer deposits	23.724.438	22.281.292
Senior debt	472.486	1.394.001
Loan capital	1.259.099	1.048.602
Other liabilities	512.444	727.687
Current income tax liabilities	8.316	15.563
Deferred tax liabilities	80.505	77.089
Retirement benefit obligations	277.855	247.776
Total liabilities	37.107.671	36.591.253
Share capital and reserves		
Share capital	834.799	720.930
Share premium	2.162.760	2.089.009
Reserves	537.470	823.112
Total equity	3.535.029	3.633.051
Total equity and liabilities	40.642.700	40.224.304

A. Vgenopoulos, Chairman
E. Bouloutas, Group Chief Executive Officer
A. Philippidou, Group Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital € '000	Share premium € '000	Fair value, currency translation and other reserves € '000	Revenue reserves € '000	Total € '000
Balance 1 January 2009	705.607	2.054.004	(22.112)	653.761	3.391.260
Dividend payment and re-investment	10.409	17.144	-	(124.519)	(96.966)
Shares issue costs	-	(834)	-	-	(834)
Transfer from fair value reserves to revenue reserves	-	-	(362)	362	-
Cost of share-based payments to employees	-	-	-	1.994	1.994
Effect of merger of Marfin Egnatia Bank S.A. with the Bank	4.914	18.695	(70.069)	111.920	65.460
	720.930	2.089.009	(92.543)	643.518	3.360.914
Profit for the year	-	-	-	170.552	170.552
Other comprehensive income for the year, net of tax	-	-	101.585	-	101.585
Total comprehensive income for the year	-	-	101.585	170.552	272.137
Balance 31 December 2009 / 1 January 2010	720.930	2.089.009	9.042	814.070	3.633.051
Dividend payment and re-investment	8.613	4.965	-	(67.390)	(53.812)
Script dividend	105.256	73.952	-	(187.551)	(8.343)
Share issue costs	-	(5.166)	-	-	(5.166)
Transfer from fair value reserves to revenue reserves	-	-	(176)	176	-
Cost of share-based payments to employees	-	-	-	2.084	2.084
	834.799	2.162.760	8.866	561.389	3.567.814
Profit for the year	-	-	-	73.868	73.868
Other comprehensive loss for the year, net of tax	-	-	(106.653)	-	(106.653)
Total comprehensive (loss)/income for the year	-	-	(106.653)	73.868	(32.785)
Balance 31 December 2010	834.799	2.162.760	(97.787)	635.257	3.535.029

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 € '000	2009 € '000
Cash used in operations	(459.059)	(929.841)
Tax paid	(18.383)	(32.886)
Net cash used in operating activities	(477.442)	(962.727)
Cash flows from investing activities		
Purchase of property and equipment	(17.922)	(15.393)
Purchase of computer software	(8.619)	(9.915)
Purchase of investment property	(7.901)	(4.739)
Proceeds from disposal of property and equipment	189	6.015
Proceeds from disposal of investment property	1.121	12
Purchase of available-for-sale financial assets	(1.061.629)	(1.878.456)
Purchase of held-to-maturity financial assets	(555.487)	(144.962)
Proceeds from disposal and redemption of available-for-sale financial assets	2.064.937	1.876.573
Proceeds from redemption of held-to-maturity financial assets	547.226	110.576
Interest received from financial assets	163.897	159.354
Dividend received	24.432	13.261
Payments for changes in shareholdings and capital of subsidiary companies	(53.621)	(45.960)
Net cash from investing activities	1.096.623	66.366
Cash flows from financing activities		
Dividend paid	(62.155)	(96.966)
Interest paid on senior debt and loan capital	(67.840)	(50.937)
Share issue costs	(5.166)	(834)
Proceeds from the issue of senior debt and loan capital	295.524	803.589
Repayment of senior debt and loan capital	(999.393)	(231)
Net cash (used in)/from financing activities	(839.030)	654.621
Effects of exchange rate changes	3.134	3.436
Net decrease in cash and cash equivalents	(216.715)	(238.304)
Cash and cash equivalents from the merger of Marfin Egnatia Bank S.A. with the Bank	-	1.604.033
Cash and cash equivalents at beginning of year	4.697.737	3.332.008
Cash and cash equivalents at end of year	4.481.022	4.697.737



**TABLE OF ANNOUNCEMENTS THAT
MARFIN POPULAR BANK PUBLIC CO LTD
HAS ISSUED TO THE PUBLIC DURING THE PERIOD
1 JANUARY 2010 UNTIL 29 MARCH 2011**

Date	Subject	Website
04/01/2010	Interest rate of 2008 Capital Securities for the period 31/12/2009 – 30/03/2010	www.marfinbank.com
01/02/2010	Process of completion of the Cross-Border Merger through absorption of Marfin Egnatia Bank S.A. (MEB) by MPB	www.marfinbank.com
05/02/2010	Meeting of the Board of Directors on 25/02/2010 to examine the preliminary results for the year 2009	www.marfinbank.com
09/02/2010	Changes in the constitution of the Board of Directors of the Bank	www.marfinbank.com
25/02/2010	Preliminary Results of the Group for the year 2009	www.marfinbank.com
02/03/2010	Capital Securities 2008 – Payment of interest on 31/03/2010	www.marfinbank.com
02/03/2010	Capital Securities 2009 – Payment of interest on 31/03/2010	www.marfinbank.com
12/03/2010	Issue of second series of covered bonds by MEB	www.marfinbank.com
18/03/2010	Meeting of the Board of Directors on 30/03/2010 – Final Financial Statements for the year 2009 – Dividend policy	www.marfinbank.com
19/03/2010	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.marfinbank.com
24/03/2010	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.marfinbank.com
26/03/2010	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.marfinbank.com
29/03/2010	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.marfinbank.com
30/03/2010	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.marfinbank.com
30/03/2010	Final results 2009 – Dividend 2009 – Capital Securities 2010 – Merger MPB with MEB	www.marfinbank.com
31/03/2010	Capital Securities 2008 – Interest rate for the period 31/03/2010 – 29/06/2010	www.marfinbank.com
31/03/2010	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.marfinbank.com
13/04/2010	Annual Bulletin 2009 (Announcements from 27/03/2009 – 30/03/2010)	www.marfinbank.com
15/04/2010	Financial Calendar for the year 2010	www.marfinbank.com
26/04/2010	Announcement of Regulated Information – Purchase of MPB shares by Mr. Neoclis Lysandrou (Non Executive Vice Chairman of the Board of Directors)	www.marfinbank.com
27/04/2010	Extraordinary General Meeting on 25/05/2010	www.marfinbank.com
29/04/2010	Announcement of Regulated Information – Purchase of MPB shares by Mr. Neoclis Lysandrou (Non Executive Vice Chairman of the Board of Directors)	www.marfinbank.com

Date	Subject	Website
03/05/2010	The Annual Report for the year 2009 and the Notices to the Annual and Extraordinary General Meeting have been mailed to the Shareholders	www.marfinbank.com
04/05/2010	Reminder of the Re-investment Plan for the 2009 dividend	www.marfinbank.com
17/05/2010	Meeting of the Board of Directors on 27/05/2010 – Group Financial Results for the period January – March 2010	www.marfinbank.com
19/05/2010	Capital Securities 2010 – Completion of issue of Tranche 1	www.marfinbank.com
26/05/2010	Decisions of the Annual and the Extraordinary General Meeting of 25/05/2010	www.marfinbank.com
26/05/2010	Announcement of Regulated Information – Proxies for General Meetings	www.marfinbank.com
27/05/2010	Group Financial Statements for the period January – March 2010	www.marfinbank.com
27/05/2010	Form for the 2009 Dividend Re-investment Plan	www.marfinbank.com
28/05/2010	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.marfinbank.com
31/05/2010	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.marfinbank.com
01/06/2010	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.marfinbank.com
01/06/2010	Capital Securities 2010 – Approval of the Prospectus	www.marfinbank.com
02/06/2010	Capital Securities 2008 – Payment of interest on 30/06/2010	www.marfinbank.com
02/06/2010	Capital Securities 2009 – Payment of interest on 30/06/2010	www.marfinbank.com
08/06/2010	Re-investment price for the 2009 dividend	www.marfinbank.com
16/06/2010	Capital Securities 2010 – Payment of interest on 30/06/2010	www.marfinbank.com
01/07/2010	Document for the 2009 Dividend Re-investment Plan – Listing of new shares on Cyprus Stock Exchange (CSE) and Athens Exchange (AE)	www.marfinbank.com
02/07/2010	Capital Securities 2008 – Interest rate for the period 30/06/2010 – 29/09/2010	www.marfinbank.com
07/07/2010	Capital Securities 2010 – Completion of the issue of Tranche 2	www.marfinbank.com
12/07/2010	Listing of shares resulting from re-investment of 2009 dividend	www.marfinbank.com
16/07/2010	Announcement of Regulated Information – Re-investment of 2009 dividend	www.marfinbank.com
23/07/2010	Results of the 2010 EU Wide Stress Test Exercise	www.marfinbank.com
27/07/2010	Comments on an article regarding the rumours about the Dutch Group ING	www.marfinbank.com
27/07/2010	Changes in the constitution of the Board of Directors of the Bank	www.marfinbank.com

Date	Subject	Website
29/07/2010	Announcement of Regulated Information – Increase of share capital due to re-investment of 2009 dividend	www.marfinbank.com
30/07/2010	Meeting of the Board of Directors on 31/08/2010 – Group Financial Results for the period January – June 2010	www.marfinbank.com
05/08/2010	Issue of new series of covered bonds by Marfin Egnatia Bank S.A.	www.marfinbank.com
31/08/2010	Financial Results of the Group for the period January – June 2010	www.marfinbank.com
02/09/2010	Capital Securities 2008 – Payment of interest on 30/09/2010	www.marfinbank.com
02/09/2010	Capital Securities 2009 – Payment of interest on 30/09/2010	www.marfinbank.com
02/09/2010	Capital Securities 2010 – Payment of interest on 30/09/2010	www.marfinbank.com
07/09/2010	Denial of an article regarding the sale of the Bank	www.marfinbank.com
20/09/2010	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.marfinbank.com
23/09/2010	Sale of MPB shares held by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.marfinbank.com
24/09/2010	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.marfinbank.com
24/09/2010	Announcement of Regulated Information – Purchase of MPB shares by Officers of the Bank	www.marfinbank.com
04/10/2010	Capital Securities 2008 – Interest rate for the period 30/09/2010 – 30/12/2010	www.marfinbank.com
18/10/2010	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.marfinbank.com
18/10/2010	Convention of an Extraordinary General Meeting on 18/11/2010	www.marfinbank.com
20/10/2010	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.marfinbank.com
21/10/2010	Notice of Extraordinary General Meeting on 18/11/2010	www.marfinbank.com
21/10/2010	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.marfinbank.com
22/10/2010	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.marfinbank.com
29/10/2010	Mail of the Notice of the Extraordinary General Meeting on 18/11/2010	www.marfinbank.com
01/11/2010	Meeting of the Board of Directors on 11/11/2010 – Structure of the capital base of the Bank	www.marfinbank.com
11/11/2010	Decisions of the Board of Directors at its Meeting on 11/11/2010	www.marfinbank.com
12/11/2010	Extraordinary General Meeting of 18/11/2010 – Revised agenda	www.marfinbank.com

Date	Subject	Website
15/11/2010	Meeting of the Board of Directors on 25/11/2010 – Group Financial Results for the period January – September 2010	www.marfinbank.com
17/11/2010	Announcement of Regulated Information – Proxies for the Extraordinary General Meeting of 18/11/2010	www.marfinbank.com
18/11/2010	Decisions of the Extraordinary General Meeting of 18/11/2010 and Press Release	www.marfinbank.com
25/11/2010	Financial Results of the Group for the period January – September 2010	www.marfinbank.com
26/11/2010	Completion of Financial Calendar 2010	www.marfinbank.com
01/12/2010	Dispatch of the questionnaire for Special Contribution of Defence	www.marfinbank.com
02/12/2010	Capital Securities 2008 – Payment of interest on 31/12/2010	www.marfinbank.com
02/12/2010	Capital Securities 2009 – Payment of interest on 31/12/2010	www.marfinbank.com
02/12/2010	Capital Securities 2010 – Payment of interest on 31/12/2010	www.marfinbank.com
02/12/2010	Distribution of interim dividend – Ex-dividend date – Listing and trading of the new shares	www.marfinbank.com
08/12/2010	Increase of share capital – Answers to relevant questions	www.marfinbank.com
20/12/2010	Commencement of trading new shares from share capital increase by the distribution of interim dividend in the form of shares	www.marfinbank.com
22/12/2010	Share capital increase in the form of nil paid Rights Issue – Approval of Prospectus	www.marfinbank.com
22/12/2010	Prospectus (share capital increase in the form of nil paid Rights Issue)	www.marfinbank.com
23/12/2010	Definition of start of the results of the cross-border merger	www.marfinbank.com
28/12/2010	Announcement of Regulated Information – Share capital increase by the distribution of interim dividend in the form of shares	www.marfinbank.com
31/12/2010	Annual General Meeting on 18/05/2011	www.marfinbank.com
03/01/2011	Capital Securities 2008 – Interest rate for the period 31/12/2010 – 30/03/2011	www.marfinbank.com
28/01/2011	Sale of a majority stake in Laiki Bank (Australia) Ltd	www.marfinbank.com
02/02/2011	Approval of Supplementary Prospectus (nil paid Rights)	www.marfinbank.com
02/02/2011	Announcement of Regulated Information – Sale of MPB nil paid Rights by Nik. I. Theocharakis S.A. (closely associated with V. Theocharakis, Member of the Board of Directors)	www.marfinbank.com
02/02/2011	Announcement of Regulated Information – Sale of MPB nil paid Rights by Mrs. Despina Theocharaki (closely associated with V. Theocharakis, Member of the Board of Directors)	www.marfinbank.com
02/02/2011	Announcement of Regulated Information – Sale of MPB nil paid Rights by Mrs. Anna Maria Theocharaki (closely associated with V. Theocharakis, Member of the Board of Directors)	www.marfinbank.com

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03/02/2011	Announcement of Regulated Information – Sale of MPB nil paid Rights by Mr. Vasilis Theocharakis, Member of the Board of Directors	www.marfinbank.com
03/02/2011	Announcement of Regulated Information – Sale of MPB nil paid Rights by Mrs. Marina Theocharaki (closely associated with V. Theocharakis, Member of the Board of Directors)	www.marfinbank.com
03/02/2011	Announcement of Regulated Information – Sale of MPB nil paid Rights by Teodomi AKTE (closely associated with V. Theocharakis, Member of the Board of Directors)	www.marfinbank.com
03/02/2011	Announcement of Regulated Information – Sale of MPB nil paid Rights by Talanton Investment Inc. (closely associated with V. Theocharakis, Member of the Board of Directors)	www.marfinbank.com
07/02/2011	Announcement of Regulated Information – Sale of MPB nil paid Rights by Talanton Investment Inc. (closely associated with V. Theocharakis, Member of the Board of Directors)	www.marfinbank.com
14/02/2011	Completion of the share capital increase	www.marfinbank.com
15/02/2011	Meeting of the Board of Directors on 28/02/2011 – Preliminary Results of the Group for the year 2010	www.marfinbank.com
15/02/2011	Expected date of commencement of trading of the new shares is 23/02/2011	www.marfinbank.com
18/02/2011	Commencement of trading of new shares from the share capital increase	www.marfinbank.com
24/02/2011	Announcement of Regulated Information of Cyprus Law 190(I)/2007	www.marfinbank.com
25/02/2011	Announcement of Regulated Information – Share capital increase	www.marfinbank.com
28/02/2011	Preliminary Results of the Group for the year 2010	www.marfinbank.com
02/03/2011	Capital Securities 2008 – Payment of interest on 31/03/2011	www.marfinbank.com
02/03/2011	Capital Securities 2009 – Payment of interest on 31/03/2011	www.marfinbank.com
02/03/2011	Capital Securities 2010 – Payment of interest on 31/03/2011	www.marfinbank.com
03/03/2011	Announcement of Regulated Information – Purchase of MPB shares by Mr. Andreas Elia (Director – Finance)	www.marfinbank.com
04/03/2011	Announcement of Regulated Information – Purchase of MPB shares by Mr. Panayiotis Kounnis (Member of the Board of Directors)	www.marfinbank.com
08/03/2011	Announcement of Regulated Information – Purchase of MPB shares by Mr. Panayiotis Kounnis (Member of the Board of Directors)	www.marfinbank.com
08/03/2011	Announcement of Regulated Information – Purchase of MPB shares by Mr. Miltos Michaelas (Director – International Business Banking)	www.marfinbank.com
09/03/2011	Announcement of Regulated Information – Purchase of MPB shares by Mr. Panayiotis Kounnis (Member of the Board of Directors)	www.marfinbank.com
09/03/2011	Completion of the sale of 85% of Laiki Bank (Australia) Ltd to Bank of Beirut s.a.l.	www.marfinbank.com
10/03/2011	Announcement of Regulated Information – Purchase of MPB shares by Mr. Christos Stylianides (Member of the Board of Directors)	www.marfinbank.com

Date	Subject	Website
10/03/2011	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Joanna Laniti (closely associated with Pl. Lanitis, Member of the Board of Directors)	www.marfinbank.com
10/03/2011	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Antigoni Laniti (closely associated with Pl. Lanitis, Member of the Board of Directors)	www.marfinbank.com
10/03/2011	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Tereza Laniti (closely associated with Pl. Lanitis, Member of the Board of Directors)	www.marfinbank.com
14/03/2011	Announcement of Regulated Information – Purchase of MPB shares by Mr. Miltos Michaelas (Director – International Business Banking)	www.marfinbank.com
14/03/2011	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Inka Marian Laniti (closely associated with Pl. Lanitis, Member of the Board of Directors)	www.marfinbank.com
15/03/2011	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Inka Marian Laniti (closely associated with Pl. Lanitis, Member of the Board of Directors)	www.marfinbank.com
16/03/2011	Announcement of Regulated Information – Purchase of MPB shares by Mr. Doros Ktorides (Director – Debt Collection)	www.marfinbank.com
16/03/2011	Announcement of Regulated Information – Purchase of MPB shares by Mr. Polys Votsis (Director – Human Resources)	www.marfinbank.com
16/03/2011	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Inka Marian Laniti (closely associated with Pl. Lanitis, Member of the Board of Directors)	www.marfinbank.com
17/03/2011	Meeting of the Board of Directors on 29/03/2011 – Final Results for the year 2010	www.marfinbank.com
22/03/2011	Announcement of Regulated Information – Purchase of MPB shares by officers of the Bank	www.marfinbank.com
24/03/2011	Announcement of Regulated Information – Purchase of MPB shares by Mr. Christos Stylianides (Member of the Board of Directors)	www.marfinbank.com
24/03/2011	Announcement of Regulated Information – Purchase of MPB shares by Mr. Polys Votsis (Director – Human Resources)	www.marfinbank.com
28/03/2011	Announcement of Regulated Information – Purchase of MPB shares by Mr. Polys Votsis (Director – Human Resources)	www.marfinbank.com
28/03/2011	Announcement of Regulated Information – Purchase of MPB shares by Mr. Christos Stylianides (Member of the Board of Directors)	www.marfinbank.com
29/03/2011	Announcement of Regulated Information – Purchase of MPB shares by Mr. Polys Votsis (Director – Human Resources)	www.marfinbank.com
29/03/2011	Announcement of Regulated Information – Purchase of MPB shares by Mr. Christos Stylianides (Member of the Board of Directors)	www.marfinbank.com
29/03/2011	Final Audited Financial Statements of the Group for 2010 – Final Dividend 2010	www.marfinbank.com