



**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009**

MARFIN POPULAR BANK PUBLIC CO LTD GROUP
FINANCIAL REPORT
for the year ended 31 December 2009

CONTENTS

Board of Directors and other Officers

Report of the Board of Directors

Corporate Governance Report

Consolidated Financial Statements of Marfin Popular Bank Public Co Ltd Group
for the year ended 31 December 2009

Financial Statements of Marfin Popular Bank Public Co Ltd
for the year ended 31 December 2009

Data and Information for the year ended 31 December 2009

Table of Announcements that Marfin Popular Bank Public Co Ltd has issued
to the public during the period from 1 January, 2009 until 30 March, 2010

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
Marcos Foros
Joseph Kamal Eskander

Group Executive Committee

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

Secretary

Stelios Hadjiosif

Group Chief Financial Officer

Annita Philippidou

Registered Office

154, Limassol Avenue, 2025 Nicosia, Cyprus

Independent Auditors

PricewaterhouseCoopers Limited

Grant Thornton

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, 2009.

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 28).

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 L186/2007 and L3777/2009 respectively.

On 26 November, 2009 the Boards of Directors of the two Banks decided to convene Extraordinary General Meetings for the approval of the merger.

On 23 December, 2009 the Extraordinary General Meetings of the two Banks approved the merger through the absorption of Marfin Egnatia Bank S.A. by Marfin Popular Bank Public Co Ltd.

Details on the Group's restructuring, business disposals and acquisitions are presented in Notes 51, 52 and 54 of the consolidated financial statements.

Review of results for the year and prospects for the future

The results for 2009 are shown in the consolidated income statement on page 17. The Group profit before provision for impairment of advances reached € 450,4 m compared to € 494,1 m in 2008. After provision for impairment of advances of € 250,6 m and share of profit of associates of € 18,0 m, profit before tax reached € 217,8 m against € 367,2 m in 2008. After deducting tax of € 47,4 m and non-controlling interests of € 3,5 m, net profit attributable to the equity holders of the Bank reached € 173,9 m compared to € 394,6 m in 2008.

The sustained improving operating performance of the Group over the last three quarters reflects the successful implementation of the Group's strategy built upon prudent balance sheet and robust risk management combined with strong focus on efficiency and profitability. The Group's improving balance sheet structure during 2009 has been crystallised on a combination of strong liquidity and robust capital base. The Group's loan-to-deposit ratio has been maintained at a level close to 100%, while its total regulatory capital has grown to € 3,0 bln corresponding to a total capital adequacy ratio of 11,5% (including the proposed dividend) and Tier I ratio of 9,1%. Both the Group's liquidity and capital position continue to rank amongst the strongest both within the Hellenic, as well as, the European banking space.

Strong risk and collections management have underpinned a meaningful deceleration in non-performing loan formation from € 216 m in the second quarter of 2009 to € 74 m in the third quarter of 2009 and only € 36 m in the fourth quarter of 2009, resulting in an improvement of the non-performing loans ratio by 4 basis points to 6,10% in the fourth quarter 2009 from 6,14% in the third quarter of 2009. The above combined with adequate provisioning have allowed for an improvement in the Group's provisioning coverage from 50,5% in the third quarter of 2009 to 51,4% in the fourth quarter of 2009. Despite a moderate balance sheet expansion, the uplift in the Group's net interest margin, through effective and targeted pricing, has boosted the Group's net interest income, while fee and commission income has benefited from renewed activity in capital markets and international business banking. The Group's improved core revenue generation for the fourth quarter has been accompanied by well-contained cost trends primarily reflecting the impact of a series of initiatives. The resilience of the Group's operating performance against a backdrop of adverse economic and business conditions should add to its capacity to service and expand its customer base more effectively, thus contributing to the Group's medium to long term prospects.

REPORT OF THE BOARD OF DIRECTORS (continued)

Dividend

The Board of Directors recommends a dividend payment of € 0,08 (2008: € 0,15) per share. The remaining net profit for the year is transferred to reserves.

Share capital

On 19 May, 2009 the Extraordinary General Meeting approved the increase of the authorised share capital of the Bank from € 807.500.000 to € 935.000.000 by the creation of 150.000.000 additional shares of a nominal value of € 0,85 each.

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 in 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.

On 23 December, 2009 the Extraordinary General Meeting 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 8.593.919 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.

The share capital and share premium are presented in Note 39 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 49 of the consolidated financial statements.

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 46 of the consolidated financial statements.

Post balance sheet events

Post balance sheet events are disclosed in Note 56 of the consolidated financial statements.

Board of Directors

The Members of the Board of Directors of the Bank are shown on page 1.

Sayanta Basu and Nicholas Wrigley submitted their resignations as Members of the Board of Directors as from the date of the Annual General Meeting, on 19 May, 2009.

Andreas Vgenopoulos, Neoclis Lysandrou, Vassilis Theocharakis, Efthimios Bouloutas, Christos Stylianides, Panayiotis Kounnis, Eleftherios Hiliadakis, Platon E. Lanitis, Constantinos Mylonas, Stelios Stylianou, Marcos Foros and Soud Ba'alawy were re-elected by the Annual General Meeting on 19 May, 2009.

In accordance with Article 96 of the Articles of Association, Mustafa Farid Mustafa and Joseph Kamal Eskander were proposed to the Bank and were elected as new Members of the Board of Directors by the Annual General Meeting on 19 May, 2009.

Mustafa Farid Mustafa resigned from the Board of Directors on 15 December, 2009.

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

REPORT OF THE BOARD OF DIRECTORS (continued)

Board of Directors (continued)

On 9 February, 2010 the Board of Directors appointed Andreas Vgenopoulos as Non Executive Chairman and Neoclis Lysandrou and Vassilis Theocharakis as Non Executive Vice Chairmen.

The remuneration of the Members of the Board of Directors is shown in Note 50 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 48 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.

The Corporate Governance Report of the Group for 2009, 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 DI 190-2007-04 of the Cyprus Securities and Exchange Commission. The Corporate Governance Report of the Group is shown on pages 5 to 11.

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, 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.

By order of the Board

Neoclis Lysandrou
Vice Chairman

Nicosia, 30 March, 2010

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.

It is noted that the provisions of the 3rd Edition (with the exception of Provision B3.1) will be applicable as from 1st January, 2010 and will be included in the Annual Report for 2010.

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 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 2009 it met fourteen 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 twelve 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 19 May, 2009.

At the Annual General Meeting on 19 May, 2009, the resignations of Sayanta Basu and Nicholas Wrigley were announced which were effective on the same date and Mustafa Farid and Joseph Kamal Eskander were elected as new Members.

Moustafa Farid Moustafa and Soud Ba'alawy resigned from the Board in December 2009 and February 2010 respectively.

The Board of Directors elected in February 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 A. 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

CORPORATE GOVERNANCE REPORT (continued)

Board of Directors (continued)

- Marcos Foros, Non Executive Director
- Platon Lanitis, Non Executive Director
- Constantinos Mylonas, Non Executive Director
- Stelios Stylianou, Non Executive Director
- Joseph Kamal Eskander, Non Executive Director

Two non-executive directors, namely, Marcos Foros and Constantinos Mylonas 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 eight 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 will apply to the CSE Council for obtaining a reasonable time period in accordance with the 3rd Edition of the Code.

Lending to Directors of Marfin Popular Bank and their related parties is shown in Note 50 of the 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 Company 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.

CORPORATE GOVERNANCE REPORT (continued)

Appointment and replacement of Directors (continued)

- 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 general authorities of the Members of the Board of Directors 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.

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 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 and also a Nomination and a Compensation Committee in accordance with the provisions of the CSE Corporate Governance Code. In addition, a Risk Management Committee has been appointed in accordance with the provisions of the relevant Central Bank of Cyprus Directive.

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)
- Marcos Foros
- Neoclis Lysandrou

The terms of reference, which were revised in order to comply with the principles of the Code and the guidelines of the Central Bank of Cyprus are the following:

- (a) The Audit Committee shall be accountable to the Board and shall meet with such frequency as it may consider appropriate (but in any event not less than four times a year) and shall report to the Board once a year or as the Board may otherwise determine.
- (b) The Audit Committee shall have the following duties and responsibilities:
 - 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).

CORPORATE GOVERNANCE REPORT (continued)

Audit Committee (continued)

- 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 company.
- To discuss with the company'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) major judgemental areas, the nature of any significant adjustments, the going concern assumption, compliance with accounting standards, the Stock Exchange and legal requirements, reclassifications or additional disclosures proposed by the auditor which are significant or which may in the future become material and the nature and impact of any material changes in accounting policies and practices.
- To review the Financial Statements of the company 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 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.
- 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.

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)
- Marcos Foros
- Christos Stylianides

CORPORATE GOVERNANCE REPORT (continued)

Nomination Committee

The Nomination Committee has the responsibility for selecting competent and suitable individuals for filling Board positions.

The terms of reference of the Committee are the following:

- The Nomination Committee shall be accountable to the Board and meet with such frequency as it may consider appropriate (but in any event not less than once a year) and at such other times as the Chairman of the Committee shall require.
- The main responsibility of the Committee is to identify and nominate to the Board candidates to fill board vacancies as and when they arise.
- The Committee may also from time to time review the size and composition of the Board and make recommendations to the Board with regards to any adjustments that are deemed necessary.

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 namely:

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

Compensation Committee

The Compensation Committee determines the framework of broad policy of the compensation of the employees of the Group in accordance with written terms of reference and meets with such frequency, as it may consider appropriate (but in any event not less than once a year). The Compensation Committee shall be accountable to the Board and prepare a report of its activities once a year or as the Board may otherwise determine.

The Compensation Committee has the following duties and responsibilities:

- Determine and agree with the Board the framework or broad policy for the compensation of the Executive Directors and other employees of the Group.
- Within the terms of the agreed policy, consider and make recommendations for the total individual compensation package of each Executive Director and the Members of the Group Executive Committee including where appropriate, bonuses and non-cash benefits.
- In determining such packages and arrangements give due regard to the provisions of the Corporate Governance Code and the relevant Guideline of the Central Bank of Cyprus.
- Ensure that provisions regarding the disclosure of compensation as set out in the Code are fulfilled.
- Undertake on behalf of the Chairman such other related tasks as the Chairman may from time to time entrust to it.

The Compensation Committee comprises of non-executive Directors, namely:

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

CORPORATE GOVERNANCE REPORT (continued)

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.

The compensation of Directors is shown in Note 50 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 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.

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.

C O R P O R A T E G O V E R N A N C E R E P O R T (continued)

Internal Control System (continued)

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 Hadjiosif as Officer responsible for compliance with the Code of Corporate Governance.

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 Vougehis as Investor Relations Officer.



**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

**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, 2009 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.

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
Marcos Foros	-	Non Executive Director
Joseph Kamal Eskander	-	Non Executive Director
Annita Philippidou	-	Group Chief Financial Officer

30 March, 2010

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 147 which comprise the consolidated balance sheet as at 31 December, 2009 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, 2009, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

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

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 2 to 4 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
Chartered Accountants

Nicosia, 30 March, 2010

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 € '000	2008 € '000
Interest income	4	1.573.434	2.028.151
Interest expense	4	(937.646)	(1.283.747)
Net interest income		635.788	744.404
Fee and commission income	5	269.589	339.548
Fee and commission expense	5	(41.676)	(52.809)
Net fee and commission income		227.913	286.739
Profit/(loss) on disposal and revaluation of securities	6	132.655	(67.696)
Foreign exchange income		37.327	64.964
Other income	7	41.170	56.875
Operating income		1.074.853	1.085.286
Staff costs	8	(368.749)	(349.749)
Depreciation, amortisation and impairment	9	(57.222)	(50.519)
Administrative expenses	10	(198.532)	(190.957)
Profit before provision for impairment of advances		450.350	494.061
Provision for impairment of advances	11	(250.567)	(129.414)
Profit before share of profit from associates		199.783	364.647
Share of profit from associates	28	18.014	2.528
Profit before tax		217.797	367.175
Tax	12	(47.418)	(56.024)
Profit after tax from continuing operations		170.379	311.151
Profit after tax from discontinued operations	13	-	92.194
Profit for the year		170.379	403.345
Attributable to:			
Owners of the Bank	40	173.872	394.563
Non-controlling interests		(3.493)	8.782
		170.379	403.345
Earnings per share – for profit attributable to the owners of the Bank			
Earnings per share – cent	14	20,8	48,3
Earnings per share – for profit after tax from continuing operations attributable to the owners of the Bank			
Earnings per share – cent	14	20,8	37,1

The notes on pages 24 to 147 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009		2008	
		€ '000	€ '000	€ '000	€ '000
Profit for the year			170.379		403.345
Exchange differences arising in the year			(12.997)		(68.388)
Revaluation and transfer to results on disposal and impairment of available-for-sale financial assets		120.008		(203.715)	
Amortisation of loss on available-for-sale financial assets reclassified		4.602		3.302	
Net gains/(losses) on available-for-sale financial assets			124.610		(200.413)
Revaluation of property			314		(92)
Cash flow hedges			349		-
Share of other comprehensive income of associates			596		-
Income tax relating to components of other comprehensive income	15		(18.139)		26.978
Other comprehensive income/(loss) for the year, net of tax			94.733		(241.915)
Total comprehensive income for the year			265.112		161.430
Total comprehensive income attributable to:					
Owners of the Bank					
Total comprehensive income for the year from continuing operations			267.518		69.994
Total comprehensive income for the year from discontinued operations			-		90.961
			267.518		160.955
Non-controlling interests					
Total comprehensive income for the year from continuing operations			(2.406)		360
Total comprehensive income for the year from discontinued operations			-		115
			(2.406)		475
			265.112		161.430

The notes on pages 24 to 147 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
31 DECEMBER 2009

	Note	2009 € '000	2008 € '000
Assets			
Cash and balances with Central Banks	16	1.964.834	1.839.670
Due from other banks	17	3.447.128	4.354.181
Financial assets at fair value through profit or loss	19	238.435	356.919
Advances to customers	20	25.082.163	23.427.226
Debt securities lending	23	3.395.068	938.295
Available-for-sale financial assets	24	3.564.893	3.606.173
Held-to-maturity financial assets	25	1.381.330	1.164.036
Other assets	26	511.898	496.138
Current income tax assets	27	38.662	39.006
Deferred tax assets	38	91.958	85.375
Investments in associates	28	113.071	99.473
Intangible assets	29	1.646.842	1.642.983
Investment property	30	57.626	42.819
Property and equipment	31	294.455	274.858
Total assets		41.828.363	38.367.152
Liabilities			
Due to other banks	32	10.470.876	6.863.205
Customer deposits	33	23.885.776	24.828.269
Senior debt	34	1.398.502	1.079.042
Loan capital	35	1.050.501	725.907
Other liabilities	36	840.858	900.089
Current income tax liabilities	37	33.707	45.626
Deferred tax liabilities	38	133.881	126.721
Retirement benefit obligations	8	255.019	228.717
Total liabilities		38.069.120	34.797.576
Share capital and reserves attributable to the owners of the Bank			
Share capital	39	720.930	705.607
Share premium	39	2.179.146	2.144.141
Reserves	40	735.846	580.073
		3.635.922	3.429.821
Non-controlling interests		123.321	139.755
Total equity		3.759.243	3.569.576
Total equity and liabilities		41.828.363	38.367.152

N. Lysandrou, Vice Chairman
E. Bouloutas, Group Chief Executive Officer
A. Philippidou, Group Chief Financial Officer

The notes on pages 24 to 147 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Attributable to the owners of the Bank			Non-controlling interests	Total	
		Share capital € '000	Share premium € '000	Fair value, currency translation and other reserves € '000	Revenue reserves € '000	€ '000	€ '000
Balance 1 January 2008		680.613	2.017.708	(45.074)	736.348	92.623	3.482.218
Dividend payment and re-investment	39,40,53	28.420	126.717	-	(278.842)	-	(123.705)
Defence tax on deemed distribution	40	-	-	-	(245)	(98)	(343)
Share issue costs	39	-	(284)	-	-	-	(284)
Difference from conversion of share capital into Euro	39,40	(3.426)	-	3.426	-	-	-
Transfer from fair value reserves to revenue reserves	40	-	-	(190)	190	-	-
Transfer of reserves due to disposal of subsidiaries	40	-	-	(3.207)	3.207	-	-
Cost of share-based payments to employees	40	-	-	-	3.780	105	3.885
Dividend paid by subsidiaries		-	-	-	-	(1.850)	(1.850)
Increase of capital by subsidiaries		-	-	-	-	1.013	1.013
Acquisition of subsidiaries		-	-	-	-	70.146	70.146
Effect of change in non-controlling interests from changes in shareholdings in subsidiaries and other movements	40	-	-	-	(275)	(22.659)	(22.934)
		705.607	2.144.141	(45.045)	464.163	139.280	3.408.146
Profit for the year		-	-	-	394.563	8.782	403.345
Other comprehensive loss for the year, net of tax		-	-	(233.608)	-	(8.307)	(241.915)
Total comprehensive income for the year		-	-	(233.608)	394.563	475	161.430
Balance 31 December 2008 / 1 January 2009		705.607	2.144.141	(278.653)	858.726	139.755	3.569.576
Dividend payment and re-investment	39,40,53	10.409	17.144	-	(124.519)	-	(96.966)
Defence tax on deemed distribution	40	-	-	-	(284)	(238)	(522)
Share issue costs	39	-	(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	40	-	-	(2.029)	2.029	-	-
Cost of share-based payments to employees	40	-	-	-	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	40	-	-	-	2.657	18.937	21.594
		720.930	2.179.146	(305.806)	774.134	125.727	3.494.131
Profit 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 for the year		-	-	93.646	173.872	(2.406)	265.112
Balance 31 December 2009		720.930	2.179.146	(212.160)	948.006	123.321	3.759.243

The notes on pages 24 to 147 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 € '000	2008 € '000
Cash (used in)/generated from operations	42	(328.757)	2.643.149
Tax paid		(79.776)	(110.250)
Net cash (used in)/from operating activities		(408.533)	2.532.899
Cash flows from investing activities			
Purchase of property and equipment	31	(42.657)	(47.897)
Purchase of computer software	29	(11.750)	(11.902)
Purchase of investment property	30	(8.219)	(4.391)
Proceeds from disposal of property and equipment	31	6.495	33.305
Proceeds from disposal of investment property		580	33.746
Additions less proceeds from redemption and sale of available-for-sale financial assets and redemption of held-to-maturity financial assets		(1.368.193)	(2.499.707)
Income received from financial assets		168.117	194.599
Dividend received from investments in associates	28	4.739	1.853
Acquisition of subsidiaries net of cash and cash equivalents acquired	52(d)	4.452	47.043
Disposal of subsidiaries net of cash and cash equivalents disposed	51	-	67.877
Changes in shareholding in subsidiary companies		(4.637)	(28.500)
Net cash used in investing activities		(1.251.073)	(2.213.974)
Cash flows from financing activities			
Dividend and capital return by subsidiaries to holders of non-controlling interests		(1.270)	(1.175)
Dividend paid		(96.966)	(123.705)
Interest paid on senior debt and loan capital		(65.493)	(93.895)
Share issue costs	39	(834)	(284)
Proceeds from the issue of senior debt and loan capital		953.858	647.534
Repayment of senior debt and loan capital		(144.726)	(442.029)
Net cash from/(used in) financing activities		644.569	(13.554)
Effects of exchange rate changes		-	1.578
Net (decrease)/increase in cash and cash equivalents		(1.015.037)	306.949
Cash and cash equivalents at beginning of year		5.285.350	4.978.401
Cash and cash equivalents at end of year	43	4.270.313	5.285.350

The notes on pages 24 to 147 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INDEX

Page

1.	General information	24
2.	Summary of significant accounting policies	24
3.	Critical accounting estimates and judgements	54
4.	Net interest income	57
5.	Net fee and commission income	57
6.	Profit/(loss) on disposal and revaluation of securities	57
7.	Other income	58
8.	Staff costs	58
9.	Depreciation, amortisation and impairment	61
10.	Administrative expenses	61
11.	Provision for impairment of advances	61
12.	Tax	61
13.	Discontinued operations	62
14.	Earnings per share	63
15.	Income tax effects relating to components of other comprehensive income	64
16.	Cash and balances with Central Banks	64
17.	Due from other banks	65
18.	Reclassification of financial assets	65
19.	Financial assets at fair value through profit or loss	67
20.	Advances to customers	68
21.	Instalment finance and leasing	68
22.	Provision for impairment of advances	69
23.	Debt securities lending	72
24.	Available-for-sale financial assets	73
25.	Held-to-maturity financial assets	74
26.	Other assets	74
27.	Current income tax assets	75
28.	Investments in associates	75
29.	Intangible assets	77

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INDEX (continued)

	Page
30. Investment property	79
31. Property and equipment	80
32. Due to other banks	81
33. Customer deposits	82
34. Senior debt	82
35. Loan capital	84
36. Other liabilities	86
37. Current income tax liabilities	86
38. Deferred tax assets and liabilities	87
39. Share capital and share premium	88
40. Reserves	90
41. Fair value of derivative financial instruments	91
42. Cash (used in)/generated from operations	93
43. Cash and cash equivalents	93
44. Segmental analysis	94
45. Contingencies and commitments	97
46. Financial risk management	99
47. Financial instruments by category	132
48. Directors' interest in the share capital of the Bank	133
49. Shareholders with more than 5% of share capital	134
50. Related party transactions	134
51. Business disposal	137
52. Business acquisitions	138
53. Dividend	143
54. Investments in subsidiary companies	144
55. Transactions with the group of Marfin Investment Group Holdings S.A.	146
56. Post balance sheet events	146
57. Approval of consolidated financial statements	147

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 28).

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, 2009 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 and
- Improvements to IFRSs 2009.

In addition, the following interpretations have been endorsed by the EU, however their effective date is not the same, although an entity may choose to early adopt them:

- International Financial Reporting Interpretation Committee (IFRIC) 12 “Service Concession Arrangements” (effective for annual periods beginning on or after 1 January, 2008, EU: 30 March, 2009);
- IFRIC 15 “Agreements for the Construction of Real Estate” (effective for annual periods beginning on or after 1 January, 2009, EU: 31 December, 2009) and
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation” (effective for annual periods beginning on or after 1 October, 2008, EU: 30 June, 2009).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

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 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 Group's 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 the financial risk management note (Note 46).

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 43 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.

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 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

(i) Standards, amendments and interpretations effective in 2009

The following standards, amendments and interpretations, which became effective in 2009 are relevant to the Group:

(a) IFRS 8, Operating Segments

IFRS 8 replaces IAS 14 "Segment Reporting", with its requirement to determine primary and secondary segments. Under the requirements of the revised standard, the Group's external segment reporting is based on the internal reporting to the Group Executive Committee (in its function as the chief operating decision-maker), which makes decisions on the allocation of resources and assesses the performance of the reportable segments. The Group has applied IFRS 8 as shown in Note 44 of the consolidated financial statements and the comparative information has been revised accordingly.

(b) IFRIC 13, Customer Loyalty Programmes

IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement by using fair values. The application of IFRIC 13 did not have a material impact on 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 2009 (continued)

(c) IAS 1 (Revised 2007), Presentation of Financial Statements

The revision to IAS 1 affects the presentation of owner changes in equity and of comprehensive income. IAS 1 (Revised 2007) requires an entity to present in a statement of changes in equity all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). The Group has applied the revised IAS 1 and presents two separate statements (an income statement and a statement of comprehensive income) in the consolidated financial statements. Comparative information has been re-presented so that it also conforms with the revised standard. According to the amendment of IAS 1, each component of equity, including each item of other comprehensive income, should be reconciled between carrying amount at the beginning and the end of the period. Since the change in accounting policy only impacts presentation aspects, there is no impact on retained earnings.

(d) IFRS 2, Share-based Payment (Amendment 2008: Vesting Conditions and Cancellations)

This amendment clarifies that only service conditions and performance conditions are vesting conditions. All other features are not vesting conditions. As a result of the amended definition of vesting conditions, non-vesting conditions should now be considered when estimating the fair value of the equity instrument granted. In addition, the standard describes the posting type if the vesting conditions and non-vesting conditions are not fulfilled. There is no material impact on the consolidated financial statements by applying the amendment of IFRS 2 at the date of the consolidated balance sheet. These amendments are applied retrospectively.

(e) Amendment to IFRS 7, Financial Instruments: Disclosures

This amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Group. Comparative information has not been restated as this is not required by the transitional provisions of the amendment.

(f) Amendments resulting from the IASB's Annual Improvements Project published in May 2008

The Group has assessed the implications of the following amendments and has applied them as follows:

▪ IAS 27 (Amendment), Consolidated and Separate Financial Statements

Where an investment in a subsidiary that is accounted for under IAS 39 "Financial Instruments: Recognition and Measurement" is classified as held-for-sale under IFRS 5 "Non-Current Assets Held-for-sale and Discontinued Operations" IAS 39 would continue to be applied.

▪ IAS 28 (Amendment), Investments in Associates

An investment in associate is treated as a single asset for the purposes of impairment testing and allocation of any impairment loss. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases.

▪ IAS 36 (Amendment), Impairment of Assets

Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

▪ IAS 38 (Amendment), Intangible Assets

A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.

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 2009 (continued)

(f) Amendments resulting from the IASB's Annual Improvements Project published in May 2008 (continued)

- **IAS 19 (Amendment), Employee Benefits**
IAS 19 (Amendment) introduces some minor amendments including the clarification of curtailments and negative past service costs and amendment to the definition of return on plan assets.
- **IAS 39 (Amendment), Financial Instruments: Recognition and Measurement**
This amendment clarifies that it is possible that there are movements into and out of the fair value through profit or loss category when a derivative commences or ceases to qualify as a hedging instrument and requires the use of a revised effective interest rate on cessation of fair value hedge accounting.

The following amendments and interpretations became effective in 2009 but were not relevant to the Group's operations:

- (a) **IAS 23 (Amendment), Borrowing Costs**
The amendment eliminates the option of immediate recognition of borrowing costs as an expense for assets that require a substantial period of time to get ready for their intended use. The application of this amendment had no impact on the consolidated financial statements, as there were no qualifying assets.
- (b) **IAS 32, Financial Instruments: Presentation and IAS 1, Presentation of Financial Statements (Amendment 2008: Puttable Financial Instruments and Obligations Arising on Liquidation)**
The amended IAS 32 now requires some financial instruments that meet the definition of a financial liability to be classified as equity. Puttable financial instruments that represent a residual interest in the net assets of the entity are now classified as equity provided that specified conditions are met. Similar to those requirements is the exception to the definition of a financial liability for instruments that entitle the holder to a pro rata share of the net assets of an entity only on liquidation. The application of these amendments had no impact on the consolidated financial statements.
- (c) **IFRS 1 (Amendment), First Time Adoption of IFRS and IAS 27, Consolidated and Separate Financial Statements**
The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The application of these amendments had no impact on the consolidated financial statements.
- (d) **Amendments resulting from the IASB's Annual Improvements Project published in May 2008**
The Group has assessed the implications of the following amendments and has applied them as follows:
 - **IAS 23 (Amendment), Borrowing Costs**
The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest rate method defined in IAS 39 "Financial Instruments: Recognition and Measurement". The application of this amendment had no impact on the consolidated financial statements, as there were no qualifying assets.
 - **IAS 40 (Amendment), Investment Property**
The amendment deals with classification and measurement of property that is under construction or development for future use as investment property. The application of this amendment had no impact on the consolidated financial statements, as there were no investment properties under construction.

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 2009 (continued)

(d) Amendments resulting from the IASB's Annual Improvements Project published in May 2008 (continued)

The following amendments under the 2008 Annual Improvements Project have not been analysed in detail as they have no impact on the Group's financial statements either because they are minor or not applicable to the Group's operations:

- IFRS 7, Financial Instruments: Disclosures
- IAS 1 (Amendment), Presentation of Financial Statements
- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10, Events after the Reporting Period
- IAS 16 (Amendment), Property, Plant and Equipment
- IAS 18, Revenue
- IAS 20 (Amendment), Accounting for Government Grants and Disclosure of Government Assistance
- IAS 29 (Amendment), Financial Reporting in Hyperinflationary Economies
- IAS 31 (Amendment), Interests in Joint Ventures
- IAS 34, Interim Financial Reporting
- IAS 41 (Amendment), Agriculture

(e) IFRIC 18, Transfers of Assets from Customers

IFRIC 18 clarifies the accounting treatment for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment, and the entity must then use that item to provide the customer with ongoing access to the supply of goods and/or services. The application of this interpretation had no impact on the consolidated financial statements.

(ii) Standards, amendments and interpretations to existing standards 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, 2010 or later periods, but the Group has not early adopted them:

(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. The Group will apply IFRS 3 (Revised 2008) prospectively to all business combinations from 1 January, 2010.

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 not yet effective and have not been early adopted by the Group (continued)**

(b) **IAS 27 (Revised 2008), Consolidated and Separate Financial Statements (effective for annual periods beginning from 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 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 Group will apply IAS 27 (Revised 2008) prospectively to transactions with non-controlling interests from 1 January, 2010.

(c) **Amendment resulting from the IASB's Annual Improvements Project published in May 2008**

The Group will assess the implications of the following amendment and will apply it from its effective date:

▪ **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 of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January, 2010.

(d) **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 was authorised by the appropriate entity 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. The Group will apply this interpretation prospectively from 1 January, 2010.

(e) **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. The Group will apply this amendment retrospectively from 1 January, 2010, but does not expect this amendment to impact its financial statements.

(f) **IFRS 9, Financial Instruments: Classification and Measurement**

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 is 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 instrument.

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 not yet effective and have not been early adopted by the Group (continued)

(f) IFRS 9, Financial Instruments: Classification and Measurement (continued)

- 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.
- 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.

(g) Improvements to IFRSs

Additional "Improvements to IFRSs" were issued in April 2009. They contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. "Improvements to IFRSs" comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRSs. The Group is in the process of assessing the impact of these amendments on its next annual financial statements. Effective dates range from 1 January, 2009 to 1 January, 2010.

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

The interpretation is subject to endorsement by the EU and 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.

(i) 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.

(j) Amendments to IFRS 1, Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January, 2010)

The amendments are subject to endorsement by the EU and include several additional exemptions for first-time adopters.

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 not yet effective and have not been early adopted by the Group (continued)**

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

The amendments are subject to endorsement by the EU. 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.

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

The amendment is subject to endorsement by the EU and 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.

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

The revised standard is subject to endorsement by the EU. It 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.

(n) **Amendment to IFRS 1, Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July, 2010)**

The amendment is subject to endorsement by the EU and relieves first-time adopters of IFRSs from providing the additional disclosures introduced in March 2009 by "Improving Disclosures about Financial Instruments" (Amendments to IFRS 7).

(o) **Amendment to IFRIC 9, Reassessment of Embedded Derivatives and IAS 39, Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 July, 2009)**

The amendment to IFRIC 9 specifies that an entity can reassess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when there is a reclassification of a financial asset out of the fair value through profit or loss category, in which case an assessment is required. The amendment to IAS 39 specifies that if an entity is unable to measure separately the embedded derivative that would have to be separated on reclassification of a hybrid contract out of the fair value through profit or loss category, that reclassification is prohibited. In such circumstances the hybrid contract remains classified as at fair value through profit or loss in its entirety. The Bank will apply this amendment from 1 January, 2010.

(p) **IFRIC 15, Agreements for Construction of Real Estate (effective for annual periods beginning on or after 1 January, 2010)**

The interpretation clarifies whether IAS 18 "Revenue" or IAS 11 "Construction Contracts", should be applied to particular transactions. IFRIC 15 is not relevant to the Group's operations.

(q) **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 net investment hedging. This includes the fact 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 Bank will apply this interpretation from 1 January, 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation

The financial statements of the consolidated subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date. The consolidation principles are unchanged as against the previous year.

(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, 2009.

Subsidiaries are fully consolidated from the effective acquisition date, that is, the date on which control is transferred to the Group and are de-consolidated from the date on which control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the accounting 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation (continued)

(a) Subsidiary companies (continued)

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 especially changes in ownership of the SPE, changes in contractual arrangements and changes in the financing structure.

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. Under IFRS 3, "Business Combinations", a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants. A business generally consists of inputs, processes applied to those inputs and resulting outputs that are or will be used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

For acquisitions meeting the definition of a business, the acquisition method of accounting is used. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Any goodwill arising from initial consolidation is tested for impairment at least once a year and whenever events or changes in circumstances indicate the need for impairment. If the cost of acquisition is less than the fair value of the Group's share of the net assets acquired, the difference is recognised directly in the consolidated income statement.

For acquisitions not meeting the definition of a business, the Group allocates the cost of the transaction between the individual identifiable assets and liabilities based on their relative fair values and no goodwill is recognised. The cost of acquired assets and liabilities is determined by (a) accounting for financial assets and liabilities at their fair value at the acquisition date as measured in accordance with IAS 39 "Financial Instruments: Recognition and Measurement"; and (b) allocating the remaining balance of the cost of purchasing the assets and liabilities to the individual assets and liabilities, other than financial instruments, based on their relative fair values at the acquisition date.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated equity as non-controlling interest. Profits or losses attributable to non-controlling interests are reported in the consolidated comprehensive income as profit or loss attributable to non-controlling interests.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation (continued)

(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.

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 28.

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 measured at historical cost denominated in a foreign currency 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

(b) Transactions and balances (continued)

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale and discontinued operations (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fee and commission income and expense (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

(a) Retirement benefits (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation (continued)

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".

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 the loss event or events has an impact on the estimated future cash flows.

The criteria that the Group uses to determine that 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advances to customers (continued)

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. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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 impaired 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(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/(loss) 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. 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/(loss) 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 and borrowing 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 indicator 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 18.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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);
- 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).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

(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 revenue 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/(loss) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property (continued)

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 investment property will flow to the Group and the cost can be measured reliably. This is usually the day when all risks are transferred.

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 has 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. These valuations are performed annually by external appraisers.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

(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 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 29 and 52).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2009 (2008: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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 53.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:

- (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);

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting (continued)

- (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 IAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year.

The consolidated balance sheet at 31 December, 2008 has been restated to reflect the adjustments to the initial accounting in relation to the initial results of the purchase price allocation regarding the acquisition of Lombard Bank Malta Plc and Rossiysky Promyishlenny Bank Company Ltd (Rosprombank) as explained in Note 52. No comparative balance sheet is presented as at 31 December, 2007 as it has not been affected by the aforementioned adjustments.

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 € 3,9 m lower or € 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 46.

(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 29.

For the banking operations in Greece, if the estimated return on equity was more than 5% 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 4% 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 2,5% 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 leasing operations in Greece, if the estimated return on equity was more than 5% lower than management's estimates, or the discount rate applied to the discounting of cash flows was more than 2% higher than the management's estimates, the Group would have to start recognising impairment of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Impairment of goodwill (continued)

For the factoring operations in Greece, if the discount rate applied to the discounting of cash flows was more than 23% 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 17% lower than management's estimates, or the discount rate applied to the discounting of cash flows was more than 14% 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 5% 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 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 6% lower than management's estimates, or the discount rate applied to the discounting of cash flows was more than 4% 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 27% lower than management's estimates, or the discount rate applied to the discounting of cash flows was more than 23% 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 6% lower than management's estimates, or the discount rate applied to the discounting of cash flows was more than 4% 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 33% lower than management's estimates, or the discount rate applied to the discounting of cash flows was more than 8% 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.

(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 € 34.272.000 (2008: decrease by € 57.857.000) with a corresponding debit in the fair value reserves within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(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. For information purposes, it is noted that if all the declines in fair value below cost had been considered significant or prolonged, the Group would have recognised an additional € 79.219.000 loss in its 2009 consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. NET INTEREST INCOME

	2009 € '000	2008 € '000
Interest income		
Interest from advances to customers	1.258.915	1.482.056
Interest from other banks	123.860	295.779
Interest from bonds and other interest	190.659	250.316
	<u>1.573.434</u>	<u>2.028.151</u>
Interest expense		
Interest on customer deposits	701.846	886.472
Interest to other banks	165.933	299.065
Interest on loan capital, senior debt and other interest	69.867	98.210
	<u>937.646</u>	<u>1.283.747</u>

5. NET FEE AND COMMISSION INCOME

	2009 € '000	2008 € '000
Fee and commission income		
Banking related fees and commissions	160.773	183.426
Portfolio and other management fees	21.335	119.778
Other fees and commissions	87.481	36.344
	<u>269.589</u>	<u>339.548</u>
Fee and commission expense		
Fees	11.962	15.944
Commissions	29.714	36.865
	<u>41.676</u>	<u>52.809</u>

6. PROFIT/(LOSS) ON DISPOSAL AND REVALUATION OF SECURITIES

	2009 € '000	2008 € '000
Profit/(loss) on disposal of financial assets at fair value through profit or loss – held-for-trading	17.954	(4.488)
Profit on disposal of available-for-sale financial assets	103.783	7.209
Profit/(loss) on revaluation of financial assets at fair value through profit or loss:		
Held-for-trading	14.518	(48.799)
Designated at fair value through profit or loss at inception	1.358	-
Loss on disposal of debt securities lending	(585)	-
Impairment of available-for-sale financial assets	(4.373)	(21.618)
	<u>132.655</u>	<u>(67.696)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. OTHER INCOME

	2009 € '000	2008 € '000
Dividend from available-for-sale financial assets	7.116	14.129
Dividend from financial assets at fair value through profit or loss	717	3.189
Fair value gain on investment property (Note 30)	121	5.509
Loss on disposal of investment property	(129)	(56)
Profit on disposal of property and equipment (Note 31)	1.048	4.411
Other income	32.297	29.693
	41.170	56.875

8. STAFF COSTS

	2009 € '000	2008 € '000
Salaries and employer's contributions	321.513	291.972
Retirement benefit costs:		
Defined benefit plans	28.561	26.978
Defined contribution plans	529	551
Share-based payment compensation	2.985	3.841
Other staff costs	15.161	26.407
	368.749	349.749

Defined benefit plans

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

	2009 € '000	2008 € '000
Current service cost	15.959	21.828
Interest cost on plan liabilities	15.466	18.687
Expected return on plan assets	(3.440)	(13.489)
Actuarial loss/(gain) recognised in the year	95	(43)
Loss on curtailments and settlements	481	2.297
	28.561	29.280
Less: Discontinued operations	-	(2.302)
	28.561	26.978

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

	2009 € '000	2008 € '000
Present value of funded obligations	90.756	80.944
Fair value of plan assets	(56.459)	(43.635)
	34.297	37.309
Present value of unfunded obligations	219.873	186.400
Unrecognised actuarial gain	849	5.008
Retirement benefit obligations in the consolidated balance sheet	255.019	228.717

Included in the amount of plan assets is an amount of € 22.056.000 (2008: € 17.118.000) which relates to the fair value of the Bank's assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. STAFF COSTS (continued)

Defined benefit plans (continued)

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

	2009 € '000	2008 € '000
Balance 1 January	228.717	219.827
Total expense charged in the consolidated income statement:		
Continuing operations	28.561	26.978
Discontinued operations	-	2.302
Benefits paid	(1.626)	(8.700)
Contributions	(716)	(526)
Decrease due to subsidiary companies disposed	-	(10.858)
Exchange differences	83	(306)
	<hr/>	<hr/>
Balance 31 December	255.019	228.717

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

	2009 € '000	2008 € '000
Balance 1 January	267.344	356.013
Current service cost	15.959	21.828
Interest cost	15.466	18.687
Contributions	126	134
Benefits paid	(2.642)	(12.406)
Actuarial loss/(gain) on obligation	13.001	(103.556)
Loss on curtailments and settlements	481	2.297
Decrease due to subsidiary companies disposed	-	(11.328)
Exchange differences	894	(4.325)
	<hr/>	<hr/>
Balance 31 December	310.629	267.344

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

	2009 € '000	2008 € '000
Balance 1 January	43.635	170.679
Expected return on plan assets	3.440	13.489
Contributions	842	660
Benefits paid	(1.016)	(3.706)
Actuarial gain/(loss) on plan assets	8.986	(134.590)
Decrease due to subsidiary companies disposed	-	(470)
Exchange differences	572	(2.427)
	<hr/>	<hr/>
Balance 31 December	56.459	43.635

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. STAFF COSTS (continued)

Defined benefit plans (continued)

Plan assets comprise the following:

	2009		2008	
	€ '000	%	€ '000	%
Equities	47.150	83,5	38.242	87,6
Bonds	1.244	2,2	1.122	2,6
Cash	8.065	14,3	4.271	9,8
	56.459	100,0	43.635	100,0

Actual return on plan assets is € 12.426.000 profit (2008: € 121.101.000 loss).

Equities include shares of Marfin Popular Bank Public Co Ltd of a value of € 38,9 m (2008: € 32,3 m).

The principal assumptions used in the actuarial valuations were:

	2009			2008		
	Cyprus	United Kingdom	Greece	Cyprus	United Kingdom	Greece
Discount rate	5,25%	5,7%	5,5%	5,75%	6,2%	5,5%
Average annual expected return on plan assets	6,55%	8,5%	-	7,8%	7,5%	-
Average annual increase in basic insurable earnings	3,5%	-	-	4,0%	-	-
Average annual increase in salaries	6,5%	3,0%	4,0%	6,75%	3,2%	4,0%
Average annual increase in inflation	2,0%	2,5%	2,2%	2,0%	2,5%	2,5%
Rate of increase of retirement benefit payments	-	2,3%	-	-	2,3%	-

	2009 € '000	2008 € '000	2007 € '000	2006 € '000
At 31 December				
Present value of obligations	310.629	267.344	356.013	322.003
Fair value of plan assets	(56.459)	(43.635)	(170.679)	(143.206)
Unrecognised actuarial gain	849	5.008	34.493	17.624
Retirement benefit obligations in the consolidated balance sheet	255.019	228.717	219.827	196.421
Experience adjustments on obligations	3.185	48.118	(30.662)	(10.957)
Experience adjustments on plan assets	8.986	(134.590)	29.128	68.328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. DEPRECIATION, AMORTISATION AND IMPAIRMENT

	2009 € '000	2008 € '000
Depreciation of property and equipment (Note 31)	25.271	21.390
Revaluation adjustment on property	371	184
Amortisation of computer software (Note 29)	9.064	7.601
Amortisation of other intangible assets (Note 29)	22.417	20.944
Impairment of goodwill (Note 29)	99	400
	<u>57.222</u>	<u>50.519</u>

10. ADMINISTRATIVE EXPENSES

	2009 € '000	2008 € '000
Occupancy costs	28.932	24.579
Computer maintenance costs	13.263	11.788
Marketing and sales expenses	26.703	26.224
Operating lease rentals	35.581	33.144
Printing and stationery expenses	5.932	5.882
Telephone expenses	7.849	8.474
Auditors' remuneration	1.825	1.503
Other administrative expenses	78.447	79.363
	<u>198.532</u>	<u>190.957</u>

11. PROVISION FOR IMPAIRMENT OF ADVANCES

	2009 € '000	2008 € '000
Provision for impairment of advances for the year (Note 22)	327.466	194.688
Release of provision and recoveries (Note 22)	(76.899)	(65.274)
	<u>250.567</u>	<u>129.414</u>

12. TAX

	2009 € '000	2008 € '000
Current year tax		
Cyprus corporation tax	17.669	27.611
Cyprus defence tax	32	32
Overseas corporation tax	42.517	49.005
Deferred tax (Note 38)	(20.077)	(20.745)
Total current year tax	<u>40.141</u>	<u>55.903</u>
Prior years' tax		
Corporation tax	<u>7.277</u>	<u>121</u>
Total tax charge	<u>47.418</u>	<u>56.024</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. TAX (continued)

The profit of the Bank and its subsidiaries in Cyprus is subject to corporation tax at the rate of 10% (2008: 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 and the Ukraine, the tax rate applicable is 25% (2008: 25%), in Australia 30% (2008: 30%), in Guernsey and Serbia 10% (2008: 10%), in Romania 16% (2008: 16%), in Malta 35% (2008: 35%) and in the United Kingdom 28% (2008: 28%). In Russia the tax rate has decreased from 24% in 2008 to 20% in 2009. In Estonia the income tax rate is 21% (2008: 22%) and it is applied on the gross amount of actual and deemed profit distributions and not on profit earned.

For tax purposes in Cyprus, up to 31 December, 2008, under certain conditions interest may be subject to defence tax at the rate of 10%. In such cases 50% of the same interest will be exempt from corporation tax thus having an effective tax rate burden of approximately 15%.

From 1 January, 2009 onwards, 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%.

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

	2009	2008
	€ '000	€ '000
Profit before tax	217.797	367.175
Tax calculated at the applicable tax rates in Cyprus	21.780	36.718
Tax effect of expenses not deductible for tax purposes	2.521	4.885
Tax effect of income not subject to tax	(27.870)	(26.816)
Tax effect of different tax rates between overseas countries and Cyprus	43.710	41.116
Total current year tax	40.141	55.903

13. DISCONTINUED OPERATIONS

On 18 December, 2008 the long-term cooperation agreement between the French CNP Assurances S.A. (CNP) and the Group for the development of insurance activities in Greece and Cyprus via the Group's networks was finalised. This agreement includes the transfer of 50,1% of the share capital of Marfin Insurance Holdings Ltd from the Bank to CNP and the reaching of a ten year renewable, exclusive distribution agreement with the option to expand to other countries that the Group is active. Marfin Insurance Holdings Ltd holds 100% of Laiki Cyprialife Ltd (life insurance in Cyprus), Laiki Insurance Ltd (general insurance in Cyprus and Greece), Marfin Life S.A. (life insurance in Greece) and Marfin Insurance Brokers S.A. (agency insurance activities in Greece).

As a result of the aforementioned and in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", the assets and liabilities of the insurance companies are no longer consolidated as from the date which CNP assumed management control of these companies. The Bank's 49,9% participation in these companies is now classified as investment in associate (Note 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. DISCONTINUED OPERATIONS (continued)

The results of the insurance companies for 2008 when the Bank owned 100% of the companies, are included in the consolidated income statement for 2008 as profit after tax from discontinued operations. This profit is analysed as follows:

	2008 € '000
Net interest income	5.672
Net fee and commission income	2.395
Loss on disposal and revaluation of securities	(708)
Net premiums and other income from insurance contracts	138.009
Net benefits, claims and other expenses from insurance contracts	(52.068)
Net expenses from assets backing policyholders' liabilities	(50.627)
Other income	19.972
Operating income	62.645
Staff costs	(15.577)
Depreciation and amortisation	(648)
Administrative expenses	(6.708)
Profit before provision for impairment of advances	39.712
Release of provision for impairment of advances	216
Profit before tax	39.928
Tax	(6.108)
Profit after tax	33.820
Profit on disposal of insurance companies (Note 51)	58.374
Profit after tax from discontinued operations	92.194

During 2009 the Group had no discontinued operations.

14. 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.

	2009 € '000	2008 € '000
Profit attributable to the owners of the Bank	173.872	394.563
	2009 '000	2008 '000
Weighted average number of ordinary shares in issue during the year	836.903	816.111
Earnings per share (basic and diluted) - cent	20,8	48,3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. EARNINGS PER SHARE (continued)

	2009 € '000	2008 € '000
Profit after tax from continuing operations	170.379	311.151
Non-controlling interests	3.493	(8.666)
Profit after tax from continuing operations attributable to the owners of the Bank	<u>173.872</u>	<u>302.485</u>
	2009 '000	2008 '000
Weighted average number of ordinary shares in issue during the year	<u>836.903</u>	816.111
Earnings per share (basic and diluted) - cent	<u>20,8</u>	<u>37,1</u>

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, 2009 and 31 December, 2008.

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

	2009			2008		
	Before tax amount € '000	Tax (expense)/ benefit € '000	Net-of-tax amount € '000	Before tax amount € '000	Tax benefit € '000	Net-of-tax amount € '000
Exchange differences arising in the year	(12.997)	-	(12.997)	(68.388)	-	(68.388)
Gains/(losses) on available-for-sale financial assets	124.610	(18.514)	106.096	(200.413)	26.920	(173.493)
Revaluation of property	314	479	793	(92)	58	(34)
Cash flow hedges	349	(104)	245	-	-	-
Share of other comprehensive income of associates	596	-	596	-	-	-
Other comprehensive income/(loss) for the year	<u>112.872</u>	<u>(18.139)</u>	<u>94.733</u>	<u>(268.893)</u>	<u>26.978</u>	<u>(241.915)</u>

16. 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.

	2009 € '000	2008 € '000
Cash in hand	175.047	178.860
Balances with Central Banks other than obligatory reserves for liquidity purposes	1.364.561	1.146.505
Obligatory reserves for liquidity purposes	425.226	514.305
	<u>1.964.834</u>	<u>1.839.670</u>
Current	1.539.608	1.325.365
Non-current	425.226	514.305
	<u>1.964.834</u>	<u>1.839.670</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. DUE FROM OTHER BANKS

	2009 € '000	2008 € '000
Advances to other banks	7.768	9.273
Items in course of collection from other banks	458.094	503.501
Placements with other banks	2.961.917	3.841.407
Reverse repurchase agreements	19.349	-
	3.447.128	4.354.181
Current	3.287.594	4.170.811
Non-current	159.534	183.370
	3.447.128	4.354.181

18. 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 and from held-for-trading to available-for-sale. 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, 2009 was € 31,3 m (2008: € 34,6 m) and € 31 m (2008: € 31,6 m) respectively. During 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, 2009 was € 684,1 m (2008: € 718,5 m) and € 683,3 m (2008: € 618,1 m) respectively. Out of the reclassified available-for-sale financial assets € 177,8 m (2008: € 224,3 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. During 2009, bonds with a book value at 1 July, 2008 of € 6,2 m matured and bonds with a book value at 1 July, 2008 of € 30,1 m were sold at a profit of € 0,5 m, included in the 2009 results.

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, 2009 after redemptions was € 40,7 m (2008: € 42,4 m) and € 40,7 m (2008: € 42,3 m) respectively. During 2009, bonds with a book value at 1 July, 2008 of € 9,3 m (2008: € 41,5 m) matured.

The book and fair value of the held-for-trading financial assets reclassified to available-for-sale financial assets at 1 July, 2008 was € 11,4 m and their book and fair value at 31 December, 2009 was € 5,9 m (2008: € 9,8 m). During 2009, bonds with a book value at 1 July, 2008 of € 5 m were sold at a profit of € 149.000, included in the 2009 results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. RECLASSIFICATION OF FINANCIAL ASSETS (continued)

Had the Group not reclassified the bonds on 1 July, 2008 the consolidated income statement for 2009 would have included additional unrealised fair value gains on the reclassified held-for-trading financial assets of € 3 m (2008: unrealised fair value losses of € 4,4 m). In addition, the fair value reserves would have included € 16 m of additional unrealised fair value gains for 2009 (2008: unrealised fair value losses of € 99,3 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, 2009 was € 0,5 m (2008: € 0,7 m). Had the Group not reclassified these equity securities, unrealised fair value losses of € 0,2 m (2008: unrealised fair value losses of € 0,5 m) would have been included in the consolidated income statement for 2009 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, 2009 was € 1.423,1 m and € 1.339,7 m, respectively. Out of the reclassified available-for-sale financial assets € 552,6 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.

Had the Group not reclassified these bonds in the last quarter of 2009, the fair value reserves would have included € 83,4 m of additional unrealised fair value losses, 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

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Held-for-trading		Designated at fair value through profit or loss at inception		Total	
	2009	2008	2009	2008	2009	2008
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Debt securities	36.970	84.250	-	-	36.970	84.250
Government bonds and treasury bills	4.024	14.884	-	-	4.024	14.884
Equity securities and funds	40.739	108.416	82.162	-	122.901	108.416
Derivative financial instruments with positive fair value (Note 41)	74.540	149.369	-	-	74.540	149.369
	156.273	356.919	82.162	-	238.435	356.919
Current	156.273	356.919	82.162	-	238.435	356.919
Debt securities						
Listed on the Cyprus Stock Exchange	440	438	-	-	440	438
Listed on other Stock Exchanges	24.533	68.766	-	-	24.533	68.766
Not listed	11.997	15.046	-	-	11.997	15.046
	36.970	84.250	-	-	36.970	84.250
Government bonds and treasury bills						
Listed on the Cyprus Stock Exchange	1.281	2.990	-	-	1.281	2.990
Listed on other Stock Exchanges	2.743	11.894	-	-	2.743	11.894
	4.024	14.884	-	-	4.024	14.884
Government bonds and treasury bills eligible for rediscounting with the Central Bank of Cyprus	1.281	2.990	-	-	1.281	2.990
Other government bonds and treasury bills	2.743	11.894	-	-	2.743	11.894
	4.024	14.884	-	-	4.024	14.884
Equity securities and funds						
Listed on the Cyprus Stock Exchange	2.335	3.691	-	-	2.335	3.691
Listed on other Stock Exchanges	37.048	19.853	-	-	37.048	19.853
Not listed	1.356	84.872	82.162	-	83.518	84.872
	40.739	108.416	82.162	-	122.901	108.416

Financial assets at fair value through profit or loss amounting to € 6.940.000 (2008: € 43.973.000) 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)/generated from operations" in the consolidated statement of cash flows (Note 42).

Changes in fair values of financial assets at fair value through profit or loss are recorded in "Profit/(loss) 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

20. ADVANCES TO CUSTOMERS

	2009 € '000	2008 € '000
Advances to individuals	8.350.786	7.614.266
Advances to corporate entities:		
Large corporate customers	9.498.822	8.282.737
Small and medium size enterprises (SMEs)	8.044.184	8.160.559
Advances to customers – gross	25.893.792	24.057.562
Provision for impairment of advances (Note 22)	(811.629)	(630.336)
Advances to customers – net	25.082.163	23.427.226
Current	7.804.061	7.740.226
Non-current	17.278.102	15.687.000
	25.082.163	23.427.226

The gross amount of advances to customers, includes gross receivables from instalment finance and leasing, amounting to € 1.111.323.000 (2008: € 1.032.238.000) (Note 21).

21. INSTALMENT FINANCE AND LEASING

	2009 € '000	2008 € '000
Gross investment in hire purchase and finance leases	1.297.345	1.176.884
Unearned finance income	(186.022)	(144.646)
Present value of minimum hire purchase and finance lease payments (Note 20)	1.111.323	1.032.238
Provision for impairment of hire purchase and finance leases	(142.948)	(111.464)
	968.375	920.774
Gross investment in hire purchase and finance leases		
Less than one year	395.171	382.630
Over one but less than five years	515.308	536.156
Over five years	386.866	258.098
	1.297.345	1.176.884
Present value of minimum hire purchase and finance lease payments		
Less than one year	357.820	352.050
Over one but less than five years	432.127	453.327
Over five years	321.376	226.861
	1.111.323	1.032.238

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. 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.

22. 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
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)
	561.984	249.645	811.629
2008			
Balance 1 January	477.104	93.282	570.386
Provision for impairment of advances from:			
Business acquisitions	8.487	5.834	14.321
Business disposals	(73)	-	(73)
Provision for impairment of advances for the year:			
Continuing operations (Note 11)	122.179	72.509	194.688
Discontinued operations	73	-	73
Release of provision and recoveries:			
Continuing operations (Note 11)	(64.171)	(1.103)	(65.274)
Discontinued operations	(289)	-	(289)
Advances written-off	(52.114)	(22.936)	(75.050)
Exchange differences	(5.043)	(3.403)	(8.446)
	486.153	144.183	630.336

The total amount of non-performing loans amounts to € 1.579.975.000 (2008: € 1.047.133.000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. PROVISION FOR IMPAIRMENT OF ADVANCES (continued)

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	
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
2008				
Balance 1 January	161.444	163.888	151.772	477.104
Provision for impairment of advances from:				
Business acquisitions	1.995	3.360	3.132	8.487
Business disposals	(73)	-	-	(73)
Provision for impairment of advances for the year:				
Continuing operations	30.321	28.427	63.431	122.179
Discontinued operations	73	-	-	73
Release of provision and recoveries:				
Continuing operations	(19.225)	(21.181)	(23.765)	(64.171)
Discontinued operations	(289)	-	-	(289)
Advances written-off	(19.159)	(19.760)	(13.195)	(52.114)
Exchange differences	(1.776)	(2.834)	(433)	(5.043)
Balance 31 December	153.311	151.900	180.942	486.153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. PROVISION FOR IMPAIRMENT OF ADVANCES (continued)

Collective impairment

	Corporate entities			Total € '000
	Individuals € '000	Large corporate customers € '000	Small and medium size enterprises € '000	
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)
	203.369	30.143	16.133	249.645
2008				
Balance 1 January	75.124	11.241	6.917	93.282
Provision for impairment of advances from business acquisitions	-	4.091	1.743	5.834
Provision for impairment of advances for the year	57.760	9.624	5.125	72.509
Release of provision and recoveries	(7)	(601)	(495)	(1.103)
Advances written-off	(14.359)	(5.985)	(2.592)	(22.936)
Exchange differences	(816)	(2.552)	(35)	(3.403)
	117.702	15.818	10.663	144.183

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. 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 the Group made additional reclassifications of available-for-sale bonds to debt securities lending (Note 18).

	2009 € '000	2008 € '000
Debt securities	1.156.373	850.520
Government bonds and treasury bills	<u>2.238.695</u>	<u>87.775</u>
	3.395.068	938.295
Current	2.255	22.703
Non-current	<u>3.392.813</u>	<u>915.592</u>
	3.395.068	938.295
Movement for the year		
Balance 1 January	938.295	-
Debt securities lending from business acquisitions (Note 52(b))	-	18.853
Transfer from financial assets at fair value through profit or loss	-	33.335
Transfer from available-for-sale financial assets (Note 24)	1.428.349	684.013
Revaluation of hedged debt securities lending in relation to hedged risk	(25.087)	28.597
Additions	1.218.748	208.050
Redemptions and disposals	(190.126)	(45.129)
Accrued interest and amortisation of premium/discount	29.328	5.902
Exchange differences	<u>(4.439)</u>	<u>4.674</u>
Balance 31 December	3.395.068	938.295

Debt securities lending amounting to € 1.753.197.000 (2008: € 657.429.000) have been pledged in relation to funding from Central Banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009 € '000	2008 € '000
Debt securities	2.055.279	2.545.514
Government bonds and treasury bills eligible for rediscounting with the Central Bank of Cyprus	196.582	12.500
Other government bonds and treasury bills	1.019.900	762.200
Equity securities and funds	293.132	285.959
	3.564.893	3.606.173
Listed on the Cyprus Stock Exchange	14.220	12.149
Listed on other Stock Exchanges	3.358.152	3.424.822
Not listed	192.521	169.202
	3.564.893	3.606.173
Current	469.363	424.992
Non-current	3.095.530	3.181.181
	3.564.893	3.606.173
Movement for the year		
Balance 1 January	3.606.173	2.737.456
Available-for-sale financial assets from:		
Business acquisitions (Note 52(a), (b), (c))	961	13.426
Business disposals (Note 51)	-	(13.040)
Transfer from financial assets at fair value through profit or loss	-	12.714
Transfer to held-to-maturity financial assets (Note 25)	-	(114.608)
Transfer to debt securities lending (Note 23)	(1.428.349)	(684.013)
Additions	4.201.894	3.213.315
Redemptions and disposals	(2.960.600)	(1.307.037)
Revaluation for the year	120.625	(186.360)
Amortisation of premium/discount	39.185	(18.669)
Exchange differences	(14.996)	(47.011)
Balance 31 December	3.564.893	3.606.173

Included in available-for-sale financial assets as at 31 December, 2009 is a 2,74% (2008: 2,79%) shareholding in Marfin Investment Group Holdings S.A.

Available-for-sale financial assets include debt securities amounting to € 1.454.548.000 (2008: € 2.062.043.000) which have been pledged in relation to funding from Central Banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. HELD-TO-MATURITY FINANCIAL ASSETS

	2009 € '000	2008 € '000
Debt securities	847.741	801.204
Government bonds and treasury bills eligible for rediscounting with the Central Bank of Cyprus	246.710	214.377
Other government bonds and treasury bills	286.879	148.455
	1.381.330	1.164.036
Listed on the Cyprus Stock Exchange	246.710	214.377
Listed on other Stock Exchanges	1.134.620	949.659
	1.381.330	1.164.036
Current	375.840	170.289
Non-current	1.005.490	993.747
	1.381.330	1.164.036
Movement for the year		
Balance 1 January	1.164.036	375.789
Held-to-maturity financial assets from:		
Business acquisitions (Note 52(b),(c))	-	65.959
Business disposals (Note 51)	-	(3.412)
Transfer from available-for-sale financial assets (Note 24)	-	114.608
Additions	1.140.813	1.050.578
Redemptions	(926.122)	(424.598)
Accrued interest and amortisation of premium/discount	(7.457)	(14.846)
Exchange differences	10.060	(42)
Balance 31 December	1.381.330	1.164.036

Held-to-maturity financial assets amounting to € 930.602.000 (2008: € 952.635.000) have been pledged in relation to funding from Central Banks.

26. OTHER ASSETS

	2009 € '000	2008 € '000
Interest receivable	209.962	265.099
Non-current assets held for sale	47.720	12.055
Hedging derivative financial instruments with positive fair value (Note 41)	7.984	2.658
Other assets	246.232	216.326
	511.898	496.138
Current	301.612	366.169
Non-current	210.286	129.969
	511.898	496.138

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. CURRENT INCOME TAX ASSETS

	2009 € '000	2008 € '000
Current income tax assets	37.313	39.006
Adjustment recognised in 2009 for current tax of prior periods	1.349	-
	<u>38.662</u>	<u>39.006</u>
Current income tax assets		
Current tax asset to be recovered after more than 12 months	14.697	374
Current tax asset to be recovered within 12 months	23.965	38.632
	<u>38.662</u>	<u>39.006</u>

28. INVESTMENTS IN ASSOCIATES

	2009 € '000	2008 € '000
Balance 1 January	99.473	14.798
Share of profit after tax	18.014	2.528
Dividend from associates	(4.739)	(1.853)
Transfer due to disposal of insurance companies	-	84.056
Share in fair value reserves	596	-
Exchange differences	(273)	(56)
	<u>113.071</u>	<u>99.473</u>
Balance 31 December		

The investments in associates relate to a 30% interest (2008: 30%) in the share capital of JCC Payment Systems Ltd, a 30% interest (2008: 29,1% effective interest) in the share capital of Aris Capital Management LLC and a 49,9% interest (2008: 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. (Note 13). On 18 December, 2008 50,1% of the share capital of Marfin Insurance Holdings Ltd was transferred to the French CNP Assurances S.A. (CNP) according to a long-term cooperation agreement between Marfin Popular Bank Public Co Ltd Group and CNP. As a result the Group's 49,9% participation in Marfin Insurance Holdings Ltd is now classified as investment in associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. INVESTMENTS IN ASSOCIATES (continued)

The summary financial information of the associates is as follows:

	2009				Issued share capital € '000
	Assets € '000	Liabilities € '000	Revenues € '000	Profit € '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
	2008				Issued share capital € '000
	Assets € '000	Liabilities € '000	Revenues € '000	Profit € '000	
JCC Payment Systems Ltd	61.349	17.202	22.533	7.504	1.800
Aris Capital Management LLC	1.542	394	1.550	864	7
Marfin Insurance Holdings Ltd	745.987	577.539	-	-	90

No information is presented regarding the revenues and profit of Marfin Insurance Holdings Ltd for the year ended 31 December, 2008, as the company was set up at the end of 2008 and started consolidating its subsidiaries' results from 1 January, 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. INTANGIBLE ASSETS

	Goodwill € '000	Computer software € '000	Value of policies in force € '000	Other ⁽¹⁾ € '000	Total € '000
At 1 January 2008					
Cost or valuation	1.238.864	77.984	45.895	387.127	1.749.870
Accumulated amortisation and impairment	(15.060)	(59.407)	-	(26.382)	(100.849)
Net book value	<u>1.223.804</u>	<u>18.577</u>	<u>45.895</u>	<u>360.745</u>	<u>1.649.021</u>
Year ended 31 December 2008					
Net book value at the beginning of the year	1.223.804	18.577	45.895	360.745	1.649.021
Goodwill from:					
Business acquisitions (Note 52(e))	78.093	-	-	-	78.093
Business disposals (Note 51)	(25.273)	-	-	-	(25.273)
Intangible assets from:					
Business acquisitions (Note 52(b),(c))	-	602	-	21.514	22.116
Business disposals (Note 51)	-	(350)	(47.576)	-	(47.926)
Additions ⁽²⁾	16.500	11.902	-	-	28.402
Amortisation charge:					
Continuing operations (Note 9)	-	(7.601)	-	(20.944)	(28.545)
Discontinued operations	-	(141)	-	-	(141)
Change in the value of life policies in force	-	-	1.681	-	1.681
Impairment (Note 9)	(400)	-	-	-	(400)
Exchange differences	(28.221)	(137)	-	(5.687)	(34.045)
Net book value at the end of the year	<u>1.264.503</u>	<u>22.852</u>	<u>-</u>	<u>355.628</u>	<u>1.642.983</u>
At 31 December 2008					
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	<u>1.264.503</u>	<u>22.852</u>	<u>-</u>	<u>355.628</u>	<u>1.642.983</u>
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 (Note 52(e))	19.508	-	-	-	19.508
Intangible assets from business acquisitions (Note 52(a))	-	35	-	7.900	7.935
Transfer from the category "Property and equipment" (Note 31)	-	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	<u>1.278.842</u>	<u>28.876</u>	<u>-</u>	<u>339.124</u>	<u>1.646.842</u>
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	<u>1.278.842</u>	<u>28.876</u>	<u>-</u>	<u>339.124</u>	<u>1.646.842</u>

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. INTANGIBLE ASSETS (continued)

Intangible assets with indefinite useful lives amount to € 51.202.000 (2008: € 50.790.000). 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.

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	12.879	-	-	12.879
Estonia	21	-	-	21
Ukraine	48.735	-	-	48.735
Malta	26.186	-	-	26.186
Russia	44.556	-	-	44.556
Total	1.194.439	60.191	24.212	1.278.842

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 budgets approved by management covering a three to five year period. Cash flows beyond the period covered by financial budgets 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	10,23%	49,28%	42,25%	46,44%	8,23%	38,10%
Average gross advances growth rate	13,88%	35,88%	35,54%	48,50%	10,49%	58,50%
Return on equity	16,00%	20,00%	20,00%	23,66%	19,00%	21,62%
Cash flow growth rate	3,00%	3,00%	4,00%	3,00%	3,00%	8,00%
Discount rate	10,50%	14,50%	15,36%	19,32%	8,89%	15,11%

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 relating to the corporate and investment banking operations of the Group during 2009 (2008: Nil).

An impairment loss of € 99.000 (2008: € 400.000) was recognised in relation to the Cyprus Wealth Management CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. INVESTMENT PROPERTY

	2009 € '000	2008 € '000
Balance 1 January	42.819	57.868
Investment property from:		
Business acquisitions (Note 52 (a), (c))	3.246	745
Business disposals (Note 51)	-	(7.221)
Additions	8.219	4.391
Disposals	(709)	(33.823)
Transfer from the category "Non-current assets held for sale"	1.147	-
Transfer from the category "Property and equipment" (Note 31)	2.764	-
Fair value gains:		
Continuing operations (Note 7)	121	5.509
Discontinued operations	-	15.345
Exchange differences	19	5
	57.626	42.819
Balance 31 December	57.626	42.819

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 € 751.000 (2008: € 152.000) that relates to income from operating lease rentals from investment properties held by the Group. Included within "Administrative expenses" is an amount of € 32.000 (2008: € 375.000) which represents direct operating expenses arising from investment properties that did not generate rental income during the year.

At 31 December, 2009 there were contractual obligations to purchase, construct or develop investment property amounting to € 81.000 (2008: € 486.000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. PROPERTY AND EQUIPMENT

	Property € '000	Equipment € '000	Total € '000
At 1 January 2008			
Cost or valuation	281.147	175.049	456.196
Accumulated depreciation	(39.062)	(130.374)	(169.436)
Net book value	242.085	44.675	286.760
Year ended 31 December 2008			
Net book value at the beginning of the year	242.085	44.675	286.760
Property and equipment from:			
Business acquisitions (Note 52 (b), (c))	11.167	3.101	14.268
Business disposals (Note 51)	(15.643)	(975)	(16.618)
Additions	25.849	22.048	47.897
Disposals	(25.065)	(771)	(25.836)
Revaluation of property	(230)	-	(230)
Depreciation charge:			
Continuing operations (Note 9)	(6.978)	(14.412)	(21.390)
Discontinued operations	(242)	(265)	(507)
Exchange differences	(8.152)	(1.334)	(9.486)
Net book value at the end of the year	222.791	52.067	274.858
At 31 December 2008			
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 52 (a))	13.275	397	13.672
Transfer to the category "Investment property" (Note 30)	(2.764)	-	(2.764)
Transfer to the category "Intangible assets" (Note 29)	-	(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

As at 31 December, 2009 the Group held no buildings under construction within property (2008: € 8.878.000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. PROPERTY AND EQUIPMENT (continued)

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

	2009	2008
	€ '000	€ '000
Net book value	5.447	25.836
Profit on disposal of property and equipment:		
Continuing operations (Note 7)	1.048	4.411
Discontinued operations	-	3.058
	6.495	33.305
Proceeds from disposal of property and equipment	6.495	33.305

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 € 42.636.000 (2008: € 7.026.000) which represents 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 € 110.675.000 (2008: € 129.020.000).

32. DUE TO OTHER BANKS

	2009	2008
	€ '000	€ '000
Normal interbank borrowing	2.178.671	3.723.199
Obligations to Central Banks	5.990.000	2.670.527
Repurchase agreements with third counterparties	2.302.205	469.479
	10.470.876	6.863.205
Current	10.363.818	6.812.805
Non-current	107.058	50.400
	10.470.876	6.863.205
Analysis by geographical area		
Cyprus	3.006.243	1.433.850
Greece	7.145.093	5.006.971
Other countries	319.540	422.384
	10.470.876	6.863.205

On 17 November, 2008 Marfin Egnatia Bank S.A. issued the first series of (common) covered bonds amounting to € 1 bln, with maturity of up to two years from the date of issuance with the option of one year extension. 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. DUE TO OTHER BANKS (continued)

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 and is, therefore, acceptable for refinance by the European Central Bank.

In December 2009, the Group received financing of € 515 m from the Central Bank of Cyprus using as collateral special government titles of a three-year duration which were issued by the Cyprus Government for this purpose. The aforementioned finance was solely used for providing housing loans and loans to small and medium size enterprises.

33. CUSTOMER DEPOSITS

	2009 € '000	2008 € '000
Current	23.476.131	24.529.518
Non-current	409.645	298.751
	23.885.776	24.828.269
Analysis by geographical area		
Cyprus	10.901.217	11.368.292
Greece	10.732.692	11.587.849
Other countries	2.251.867	1.872.128
	23.885.776	24.828.269

34. SENIOR DEBT

	2009 € '000	2008 € '000
Debentures Marfin Popular Bank Public Co Ltd (2007/2010)	612.711	683.897
Debentures Marfin Popular Bank Public Co Ltd (2009/2012)	377.280	-
Debentures Marfin Popular Bank Public Co Ltd (2009/2014)	23.185	-
Debentures Egnatia Finance Plc (2009/2010)	7.552	-
Debentures Egnatia Finance Plc (2009/2013)	15.390	-
Bond loan (Schuldschein) Marfin Egnatia Bank S.A. (2007/2010)	50.000	50.000
Bond loan (Schuldschein) Marfin Egnatia Bank S.A. (2008/2011)	50.000	50.000
Syndicated loan Marfin Egnatia Bank S.A. (2008/2010)	250.000	250.000
Promissory Notes Rossiysky Promyishlenny Bank Company Ltd	12.384	45.145
	1.398.502	1.079.042
Current	932.647	18.493
Non-current	465.855	1.060.549
	1.398.502	1.079.042

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. 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)

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. The debentures are repayable within three years from their issue and pay interest every three months. The interest rate is set at the three-month rate of Euro (Euribor) plus 0,29%. In May 2009, the Bank repurchased and cancelled debentures of € 100 m. Part of the debentures is 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.

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, subsidiary of Marfin Egnatia Bank S.A., issued € 10 m of senior debt due in 2010. The debentures are repayable within one year from their issue and pay interest every six months. The interest rate is set at 12%. Part of the debentures is 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. 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, 2009 of Debentures Marfin Popular Bank Public Co Ltd (2007/2010) was € 487,9 m (2008: € 636,4 m), Debentures Marfin Popular Bank Public Co Ltd (2009/2012) was € 367,1 m, Debentures Egnatia Finance Plc (2009/2010) was € 7,6 m and Debentures Egnatia Finance Plc (2009/2013) was € 15,1 m.

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. Interest is 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%. The debentures or part of them can be repurchased earlier after a decision of Marfin Egnatia Bank S.A.

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. Interest is paid every three months, with the three-month rate of Euro (Euribor) plus 0,60%. The loan or part of it can be repurchased earlier after a decision of Marfin Egnatia Bank S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. SENIOR DEBT (continued)

Promissory Notes Rossiysky Promyishlenny Bank Company Ltd

Rossiysky Promyishlenny Bank Company Ltd issues promissory notes to customers. As at 31 December, 2009 the issued promissory notes bore interest rates for Russian Roubles up to 11,5% and for Euro and United States Dollar up to 8% and maturity up to October 2010. These promissory notes were issued at a discount and will be repaid at face value on their maturity.

35. LOAN CAPITAL

	2009 € '000	2008 € '000
Convertible debentures Marfin Egnatia Bank S.A. (2003/2013)	-	231
Debentures Egnatia Finance Plc (2005/2015)	80.000	80.000
Eurobonds Marfin Popular Bank Public Co Ltd due 2016	424.724	437.162
Debentures Egnatia Finance Plc (2009/2019)	95.138	-
Capital securities Marfin Popular Bank Public Co Ltd	442.229	199.974
Subordinated debt Rossiysky Promyishlenny Bank Company Ltd (2004/2014)	8.410	8.540
	1.050.501	725.907
Current	-	-
Non-current	1.050.501	725.907
	1.050.501	725.907

Convertible debentures Marfin Egnatia Bank S.A. (2003/2013)

In January 2003, Marfin Egnatia Bank S.A. issued € 30 m convertible debentures due in 2013. Interest rate was equal to the three-month rate of Euro (Euribor) plus 1,75% until their call in date and 3,25% until maturity. The interest was paid every three months on 31 March, 30 June, 30 September and 31 December. The issuing bank had the right to call in the debentures after the end of the fifth year. The debentures were not secured and they ranked for payment after the claims of depositors and other creditors. The convertible debentures formed a series of nominal debentures convertible into new ordinary shares of the issuing bank of a nominal value of € 1,27 at the conversion rate of ten to ten. On 31 March, 2009 Marfin Egnatia Bank S.A. called in all remaining debentures, after allowing the debenture holders to exercise their right to convert their debentures prior to the call in date.

Debentures Egnatia Finance Plc (2005/2015)

In May 2005, Egnatia Finance Plc issued € 80 m debentures due in 2015. The debentures are repayable within ten years from their issue and pay interest every three months. The interest rate is 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 has the right to call in the debentures after the end of the fifth year.

The debentures constitute direct, unsecured, subordinated obligations (Tier II Capital) but are guaranteed by Marfin Egnatia Bank S.A. and they rank for payment after the claims of depositors and other creditors. The debentures are listed on the Luxembourg Stock Exchange and their market value at 31 December, 2009 was € 76 m (2008: € 60 m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. LOAN CAPITAL (continued)

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

During 2004 the Bank set up an 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. The issue was in the form of subordinated bonds, maturing in ten years. 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. Part of the bonds is held by Group companies.

In May 2009, Egnatia Finance Plc, subsidiary of Marfin Egnatia Bank S.A. 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. The market value at 31 December, 2009 of Eurobonds Marfin Popular Bank Public Co Ltd due 2016 was € 338,2 m (2008: € 349,7 m) and Debentures Egnatia Finance Plc (2009/2019) was € 95,1 m.

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 offered to a limited group of individuals, professional investors and individuals who each invested at least € 50.000, 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 offered 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 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 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 capital securities bear a fixed interest rate of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. LOAN CAPITAL (continued)

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.

36. OTHER LIABILITIES

	2009 € '000	2008 € '000
Interest payable	212.357	251.709
Derivative financial instruments with negative fair value (Note 41)	249.920	327.017
Other liabilities	378.581	321.363
	840.858	900.089
Current	571.975	669.781
Non-current	268.883	230.308
	840.858	900.089

37. CURRENT INCOME TAX LIABILITIES

	2009 € '000	2008 € '000
Current income tax liabilities	27.489	45.626
Adjustment recognised in 2009 for current tax of prior periods	6.218	-
	33.707	45.626

	2009 € '000	2008 € '000
Current income tax liabilities		
Current tax liability to be settled after more than 12 months	382	92
Current tax liability to be settled within 12 months	33.325	45.534
	33.707	45.626

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. 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:

	2009 € '000	2008 € '000
Balance 1 January	41.346	92.546
Deferred tax liabilities/(assets) from:		
Business acquisitions (Note 52 (a), (b), (c))	2.719	5.726
Business disposals (Note 51)	-	(5.802)
Credit in consolidated income statement:		
Continuing operations (Note 12)	(20.077)	(20.745)
Discontinued operations	-	(32)
Credit in property fair value reserves	(479)	(58)
Debit/(credit) in available-for-sale financial assets fair value reserves	18.514	(26.920)
Exchange differences	(100)	(3.369)
	<hr/>	<hr/>
Balance 31 December	41.923	41.346

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

	2009 € '000	2008 € '000
Deferred tax liabilities		
Differences between depreciation and wear and tear allowances	2.212	2.207
Revaluation of property	12.818	11.663
Intangible assets	87.243	93.834
Financial assets	188	106
Provision for impairment of advances	14.977	-
Other temporary differences	16.443	18.911
	<hr/>	<hr/>
	133.881	126.721
Deferred tax assets		
Available-for-sale financial assets	27.571	45.858
Financial instruments	1.476	7.752
Tax losses	11.939	6.659
Provision for impairment of advances	40.748	12.886
Retirement benefit obligations	2.572	2.333
Other temporary differences	7.652	9.887
	<hr/>	<hr/>
	91.958	85.375
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	120.945	116.505
Deferred tax liability to be recovered within 12 months	12.936	10.216
	<hr/>	<hr/>
	133.881	126.721
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	87.752	83.788
Deferred tax asset to be recovered within 12 months	4.206	1.587
	<hr/>	<hr/>
	91.958	85.375

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

	2009 € '000	2008 € '000
Differences between depreciation and wear and tear allowances	124	282
Intangible assets	(5.803)	(2.278)
Tax losses	(2.502)	(6.168)
Financial instruments	5.350	(9.155)
Provision for impairment of advances	(20.671)	(11.330)
Other temporary differences	3.425	7.904
	<u>(20.077)</u>	<u>(20.745)</u>

39. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares '000	Share capital € '000	Share premium € '000	Total € '000
1 January 2008	796.691	680.613	2.017.708	2.698.321
Difference from conversion of share capital into Euro (a)	-	(3.426)	-	(3.426)
Dividend re-investment (b)	33.435	28.420	126.717	155.137
Share issue costs	-	-	(284)	(284)
31 December 2008 / 1 January 2009	830.126	705.607	2.144.141	2.849.748
Dividend re-investment (c)	12.246	10.409	17.144	27.553
Share issue costs	-	-	(834)	(834)
Shares in the process of being issued (d)	5.781	4.914	18.695	23.609
31 December 2009	848.153	720.930	2.179.146	2.900.076

- (a) On 15 May, 2008 the Extraordinary General Meeting approved the conversion and reduction of the nominal value of the Bank's share, after rounding, from C£ 0,50 to € 0,85. Furthermore, the Extraordinary General Meeting approved that the Bank's authorised nominal share capital be converted and reduced to € 807.500.000 and the issued share capital to € 677.187.000, and that the reduction on the issued share capital resulting from the above conversion of Cyprus Pounds to Euro totalling € 3.426.000 is recorded into a special reserve account which is called "Difference from conversion of share capital into Euro reserve" (Note 40) for future capitalisation or other lawful use.
- (b) In June 2008, the Bank issued 33.435.000 new ordinary shares, of nominal value € 0,85, which resulted from the re-investment of the dividend for the year 2007 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 2007 dividend that was paid, into shares of the Bank. The re-investment price of the 2007 dividend into shares was set at € 4,64 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 23 to 29 May, 2008. The trading of the newly issued shares commenced on 18 June, 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. SHARE CAPITAL AND SHARE PREMIUM (continued)

- (c) 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.
- (d) 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 of € 0,85 nominal value 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 merger as above mentioned, will have the same rights as the existing, fully paid shares of the Bank.

As at 31 December, 2008 the Bank's authorised share capital comprised 950 m shares of € 0,85 each. At the Extraordinary General Meeting of the shareholders of the Bank which was held on 19 May, 2009 approval was granted for the increase of the authorised nominal share capital of the Bank from € 807.500.000 to € 935.000.000 by the creation of 150.000.000 additional shares of € 0,85 nominal value each.

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 a maturity date 15 December, 2011. The Options could be exercised by the holders 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 during the year 2007 using the Black and Scholes model. The significant inputs into the model were: share price of € 8,48 at the grant date, risk-free Euro interest rate curve for the duration of the Scheme 4,15% (average), share price volatility determined on the basis of historic volatility 12% and dividend yield 3,82%. The weighted average fair value of Options granted during the year was € 0,19 per Option. The total expense recognised in the consolidated income statement for the year ended 31 December, 2009 for Options granted amounts to € 2.985.000 (2008: € 3.885.000). During the years 2007, 2008 and 2009 no Options were exercised and as at 31 December, 2009 and 31 December, 2008 the number of Options outstanding were 70.305.000.

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 will be recognised over the period from the modification date until the date when the modified options vest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. RESERVES

	2009 € '000	2008 € '000
Revenue reserves		
Balance 1 January	858.726	736.348
Profit for the year attributable to the owners of the Bank	173.872	394.563
Transfer from property fair value reserves	2.029	190
Cost of share-based payments to employees	2.933	3.780
Effect of change in non-controlling interest from changes in shareholdings in subsidiaries and other movements	2.657	(275)
Transfer from fair value and currency translation reserves due to business disposals	-	3.207
Dividend (Note 53)	(124.519)	(278.842)
Defence tax on deemed distribution	(284)	(245)
Effect from the merger of Marfin Egnatia Bank S.A. with Marfin Popular Bank Public Co Ltd	32.592	-
	948.006	858.726
Balance 31 December	948.006	858.726
Property fair value reserves		
Balance 1 January	50.219	55.644
Revaluation for the year	418	(470)
Deferred tax on revaluation	459	151
Transfer to revenue reserves	(2.029)	(190)
Transfer to revenue reserves due to business disposals	-	(4.916)
Share of fair value reserves of associated companies	692	-
	49.759	50.219
Balance 31 December	49.759	50.219
Available-for-sale financial assets fair value reserves		
Balance 1 January	(285.338)	(116.261)
Revaluation for the year	92.895	(246.053)
Transfer to results on disposal of available-for-sale financial assets	20.554	27.060
Transfer to results due to impairment	2.975	20.955
Deferred tax on revaluation	(18.051)	25.890
Amortisation of loss on available-for-sale financial assets reclassified	4.585	3.228
Transfer to revenue reserves due to business disposals	-	(157)
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	(96)	-
	(189.460)	(285.338)
Balance 31 December	(189.460)	(285.338)
Currency translation reserves		
Balance 1 January	(46.960)	15.543
Exchange differences arising in the year	(11.030)	(64.369)
Transfer to revenue reserves due to business disposals	-	1.866
Effect from the merger of Marfin Egnatia Bank S.A. with Marfin Popular Bank Public Co Ltd	(18.140)	-
	(76.130)	(46.960)
Balance 31 December	(76.130)	(46.960)
Cash flow hedges reserve		
Balance 1 January	-	-
Gains from changes in fair value recognised directly in equity	349	-
Deferred tax	(104)	-
	245	-
Balance 31 December	245	-
Difference from conversion of share capital into Euro reserve		
Balance 1 January	3.426	-
Difference arising on conversion of share capital into Euro	-	3.426
	3.426	3.426
Balance 31 December	3.426	3.426
	735.846	580.073

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. 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.

41. 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

41. FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The notional and fair value of derivatives were:

	2009			2008		
	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	171.750	7.030	6.692	145.141	5.461	8.104
Currency swaps	2.246.588	25.370	23.142	3.520.631	105.593	119.124
		32.400	29.834		111.054	127.228
Interest rate derivatives						
Interest rate swaps	1.772.207	17.168	16.155	2.525.010	22.849	18.700
Forward rate agreements	-	-	-	100.000	-	279
		17.168	16.155		22.849	18.979
Index/equity derivatives						
Futures	31.930	257	271	-	-	-
Options	228.995	23.499	22.366	3.712	15.432	14.030
Credit default swaps	394.788	1.214	2.841	214.185	30	14.233
Other (Index swaps, asset swaps, etc)	2.292	2	-	2.968	4	29
		24.972	25.478		15.466	28.292
Total trading derivatives (Note 19)		74.540	71.467		149.369	174.499
Hedging derivatives:						
Derivatives designated as fair value hedges						
Options	49.713	1.853	2.165	109.334	2.657	2.788
Interest rate swaps	2.860.840	2.721	75.639	2.176.055	1	77.513
Asset swaps	2.056.174	3.410	100.373	1.062.927	-	72.217
		7.984	178.177		2.658	152.518
Derivatives designated as cash flow hedges						
Interest rate swaps	35.803	-	276	-	-	-
		-	276		-	-
Total hedging derivatives (Note 26)		7.984	178.453		2.658	152.518
Total derivatives (Note 36)		82.524	249.920		152.027	327.017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. CASH (USED IN)/GENERATED FROM OPERATIONS

	2009 € '000	2008 € '000
Profit before tax from continuing operations	217.797	367.175
Profit before tax from discontinued operations (Note 13)	-	98.302
Adjustments for:		
Share of results of associates after tax (Note 28)	(18.014)	(2.528)
Depreciation of property and equipment (Note 31)	25.271	21.897
Amortisation of intangible assets (Note 29)	31.481	28.686
Impairment of goodwill (Note 9)	99	400
Fair value gain on investment property (Note 30)	(121)	(20.854)
Revaluation adjustment on property (Note 9)	371	184
Cost of share-based payment to employees:		
Continuing operations (Note 8)	2.985	3.841
Discontinued operations	-	44
Impairment of available-for-sale financial assets (Note 6)	4.373	21.618
Increase in the value of life policies in force (Note 29)	-	(1.681)
Exchange differences	(1.578)	39.665
Income received from financial assets	(189.376)	(258.070)
Interest paid on senior debt and loan capital	65.493	93.895
Profit on disposal of property and equipment (Note 31)	(1.048)	(7.469)
(Profit)/loss on disposal of available-for-sale financial assets:		
Continuing operations (Note 6)	(103.783)	(7.209)
Discontinued operations	-	41
Profit on disposal of insurance companies (Notes 13, 51)	-	(58.374)
Loss on disposal of investment property	129	77
Excess of the acquirer's interest in the fair value of acquiree's identifiable net assets over cost	(226)	-
	33.853	319.640
Change in:		
Due to other banks	3.588.285	4.150.397
Customer deposits	(942.493)	3.578.583
Insurance contract liabilities	-	(52.350)
Other liabilities	(68.530)	76.035
Retirement benefit obligations	26.302	19.749
Restricted balances with Central Banks	92.914	331.660
Due from other banks	(324.486)	(142.074)
Financial assets at fair value through profit or loss	(8.172)	147.876
Advances to customers	(1.654.937)	(5.389.485)
Debt securities lending	(1.028.424)	(202.094)
Reinsurance assets	-	(6.531)
Other assets	(43.069)	(188.257)
	(328.757)	2.643.149

Non-cash transactions

The shareholding in Marfin Insurance Holdings Ltd was partly acquired through cash and partly acquired through the exchange of shares. The exchange of shares had no effect on the consolidated statement of cash flows.

43. CASH AND CASH EQUIVALENTS

	2009 € '000	2008 € '000
Cash and non-restricted balances with Central Banks	1.516.497	1.298.418
Due from other banks – due within three months	2.753.816	3.985.354
	4.270.313	5.283.772
Exchange differences	-	1.578
	4.270.313	5.285.350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. SEGMENTAL ANALYSIS

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

Segment information for 2008 that is reported as comparative information for 2009 has been restated to conform to the requirements of IFRS 8.

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.

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 results of discontinued operations are not included in the measure of profit.

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

44. 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 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
For the year ended 31 December 2008							
Net interest income from external customers	251.624	316.582	22.338	116.665	18.651	18.610	744.470
Net fee and commission income	118.437	93.194	49.465	39.708	(142)	2.338	303.000
Financial and other income	11.274	10.305	52.048	33.500	(9.187)	31.463	129.403
Operating expenses	(89.420)	(326.880)	(67.894)	(26.978)	(25.113)	(59.116)	(595.401)
Provision for impairment of advances	(34.566)	(95.942)	(1.142)	(694)	(3.301)	2.929	(132.716)
Segment result	257.349	(2.741)	54.815	162.201	(19.092)	(3.776)	448.756
As at 31 December 2008							
Advances to customers	10.160.045	10.799.952	1.377.441	1.089.788	-	-	23.427.226
Customer deposits	5.282.778	13.122.460	1.785.349	4.637.682	-	-	24.828.269

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. SEGMENTAL ANALYSIS (continued)

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 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
For the year ended 31 December 2008			
Net interest income	744.470	(66)	744.404
Net fee and commission income	303.000	(16.261)	286.739
Financial and other income	129.403	(75.260)	54.143
Operating expenses	(595.401)	25.520	(569.881)
Provision for impairment of advances	(132.716)	3.302	(129.414)
Segment result	448.756	(62.765)	385.991
Amortisation and impairment of intangible assets			(21.344)
Share of profit from associates			2.528
Tax			(56.024)
Profit for the year from continuing operations			311.151
As at 31 December 2008			
Advances to customers	23.427.226	-	23.427.226
Customer deposits	24.828.269	-	24.828.269

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. SEGMENTAL ANALYSIS (continued)

Geographical information

	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	10.732.691
Other countries	176.140	4.729.165	2.766.785	2.251.868
Total	1.074.853	41.828.363	25.082.163	23.885.776

	2008			
	Operating income € '000	Total assets € '000	Advances to customers € '000	Customer deposits € '000
Cyprus	500.579	15.605.874	8.224.776	11.368.291
Greece	404.721	18.486.255	12.501.087	11.587.185
Other countries	179.986	4.275.023	2.701.363	1.872.793
Total	1.085.286	38.367.152	23.427.226	24.828.269

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

45. 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.

	2009 € '000	2008 € '000
Acceptances	96.249	120.746
Guarantees	1.395.483	1.186.218
	1.491.732	1.306.964

Unutilised credit facilities

The amount of approved unutilised credit facilities was € 186.106.000 (2008: € 214.352.000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. CONTINGENCIES AND COMMITMENTS (continued)

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, 2009 amounted to € 7,2 m (2008: € 10,0 m).

Legal proceedings

As at 31 December, 2009 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.

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:

	2009	2008
	€ '000	€ '000
Less than one year	27.733	27.465
Over one but less than five years	81.413	85.397
Over five years	56.220	57.763
	165.366	170.625

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT

As is the case for all other financial institutions, the Group is exposed to risks. These risks are being continuously monitored using various methods, so as to avoid the excessive concentration of risk. The nature of the risks undertaken and the ways in which they are managed by the Group are outlined below.

The year 2009 was a particularly challenging year for the global economy and the international financial system. For Greece in particular, 2010 continues to be a challenging year due to the rapid deterioration of the country's public finances. The Greek Government's recent plan for fiscal consolidation and structural changes was dictated by the recent critical conditions and contains austere but necessary measures. The strict implementation of the program, along with measures to revive economic growth, is expected to lead to the rationalisation of the country's public finances and the de-escalation of its cost of borrowing, the restoration of the country's international credibility and to provide better prospects for the future. Now, it is critical to support this important effort and take additional stimulative measures that will help Greece come out of the recession and move towards more sustainable and competitive economic growth.

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. During 2009 the Group took a series of measures that enabled it to successfully withstand the impact of the ongoing crisis. The sustained improving operating performance of the Group over the last three quarters of 2009 reflects the successful implementation of the Group's strategy built upon prudent balance sheet and robust risk management combined with strong focus on efficiency and profitability. The Group's improving balance sheet structure during 2009 has been crystallised on a combination of strong liquidity and robust capital base. Its formulated strategy for 2010 ensures that it should remain a strong financial group.

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, ending up at the 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 lending. 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 whilst customers often borrow in both capacities utilising a number of different lending products and facilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Credit risk undertaken (continued)

Credit policy (continued)

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.

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 generally be implemented using one or a combination of the two following 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 subsidiaries.
- (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Credit risk undertaken (continued)

Rating models (continued)

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.

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.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Management of credit risk (continued)

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.

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 Risk Management Committee, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

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.

	2009		2008	
	Advances %	Impairment provision %	Advances %	Impairment provision %
Credit rating category:				
Low risk	43	0,36	46	0,07
Medium risk	46	0,25	47	0,11
High risk	11	26,76	7	34,40
	100	3,13	100	2,62

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

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	
	2009 € '000	2008 € '000
Credit risk exposures relating to on-balance sheet assets:		
Balances with Central Banks (Note 16)	1.789.787	1.660.810
Due from other banks (Note 17)	3.447.128	4.354.181
Financial assets at fair value through profit or loss:		
Debt securities (Note 19)	40.994	99.134
Derivative financial instruments with positive fair value (Note 19)	74.540	149.369
Advances to customers:		
Advances to individuals	7.965.853	7.343.253
Advances to corporate entities:		
Large corporate customers	9.349.392	8.115.019
Small and medium size enterprises (SMEs)	7.766.918	7.968.954
Debt securities lending (Note 23)	3.395.068	938.295
Available-for-sale financial assets – debt securities (Note 24)	3.271.761	3.320.214
Held-to-maturity financial assets (Note 25)	1.381.330	1.164.036
Other assets	431.692	381.351
	38.914.463	35.494.616
Credit risk exposures relating to off-balance sheet items:		
Acceptances (Note 45)	96.249	120.746
Guarantees (Note 45)	1.395.483	1.186.218
Amount of unutilised credit facilities (Note 45)	186.106	214.352
	1.677.838	1.521.316
	40.592.301	37.015.932

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

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

As shown above, 70% of the total maximum exposure is derived from due from other banks and advances to customers (2008: 75%), 8% represents available-for-sale financial assets – debt securities (2008: 9%) and 12% represents debt securities measured at amortised cost (2008: 6%).

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:

- 89% of advances portfolio is categorised in the top two rating categories of the internal rating system (2008: 93%).
- 83% of the advances portfolio are assessed to be neither past due nor impaired (2008: 83%).
- € 1.580 m or 6% of advances are assessed to be individually impaired (2008: € 1.047 m or 4%).
- 89% of investment in debt securities have at least A- credit rating or a better credit rating (2008: 89%).

Advances

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

	2009			2008		
	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	21.415.285	3.447.128	1.789.787	20.001.440	4.354.181	1.660.810
Past due but not impaired	2.898.532	-	-	3.008.989	-	-
Impaired	1.579.975	-	-	1.047.133	-	-
Gross	25.893.792	3.447.128	1.789.787	24.057.562	4.354.181	1.660.810
Provision for impairment of advances	(811.629)	-	-	(630.336)	-	-
Net	25.082.163	3.447.128	1.789.787	23.427.226	4.354.181	1.660.810
Analysis of provision for impairment of advances						
Individual impairment	561.984	-	-	486.153	-	-
Collective impairment	249.645	-	-	144.183	-	-
Total provision for impairment of advances	811.629	-	-	630.336	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. 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	Corporate entities	Small and medium size enterprises € '000			
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
2008						
Credit rating category:						
Low risk	4.089.776	2.457.466	3.001.293	9.548.535	4.352.050	1.660.810
Medium risk	1.852.439	4.731.641	3.508.886	10.092.966	2.065	-
High risk	61.878	95.093	202.968	359.939	66	-
	6.004.093	7.284.200	6.713.147	20.001.440	4.354.181	1.660.810

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Advances (continued)

(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	
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
2008				
Past due up to 30 days	602.563	648.754	503.689	1.755.006
Past due 31 to 60 days	278.268	103.047	150.123	531.438
Past due 61 to 90 days	177.236	40.462	173.947	391.645
Past due over 90 days	91.476	54.750	184.674	330.900
Advances past due but not impaired	1.149.543	847.013	1.012.433	3.008.989
Fair value of collateral	537.926	718.218	681.589	1.937.733

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

46. 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	
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
2008				
Individually impaired advances	460.630	151.524	434.979	1.047.133
Fair value of collateral	137.079	56.489	194.122	387.690

(d) Advances renegotiated

The carrying amount of advances which would have been categorised as past due or impaired and have been renegotiated during 2009 is € 800.521.000 (2008: € 96.746.000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. 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 rating agency ratings. The Group's securities are neither past due nor impaired.

	Treasury bills and other bills € '000	Trading securities € '000	Investment securities € '000	Total € '000
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
2008				
AAA	93.003	1.809	870.705	965.517
AA- to AA+	229.765	22.129	1.690.173	1.942.067
A- to A+	803.597	58.666	1.149.404	2.011.667
Lower than A-	113.826	1.646	446.260	561.732
Unrated	-	-	40.696	40.696
	1.240.191	84.250	4.197.238	5.521.679

The Group's exposure in Greek sovereign titles as at 31 December, 2009 amounted to € 2.567.219.000 (2008: € 632.278.000).

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.

	2009 € '000	2008 € '000
Land	22.199	17.201
Buildings	37.970	10.977
Other	9.284	3.198
	69.453	31.376

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. 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	Other countries € '000	Total € '000
On-balance sheet assets:				
Balances with Central Banks (Note 16)	559.732	1.011.822	218.233	1.789.787
Due from other banks (Note 17)	148.660	1.238.909	2.059.559	3.447.128
Financial assets at fair value through profit or loss:				
Debt securities (Note 19)	4.761	6.785	29.448	40.994
Derivative financial instruments with positive fair value (Note 19)	-	-	74.540	74.540
Advances to customers:				
Advances to individuals	2.606.307	4.247.068	1.112.478	7.965.853
Advances to corporate entities:				
Large corporate customers	2.606.981	3.283.897	3.458.514	9.349.392
Small and medium size enterprises	3.712.292	2.930.256	1.124.370	7.766.918
Debt securities lending (Note 23)	307	2.531.692	863.069	3.395.068
Available-for-sale financial assets - debt securities (Note 24)	372.811	353.836	2.545.114	3.271.761
Held-to-maturity financial assets (Note 25)	242.482	307.475	831.373	1.381.330
Other assets	15.704	346.330	69.658	431.692
Total on-balance sheet	10.270.037	16.258.070	12.386.356	38.914.463
Off-balance sheet items:				
Acceptances (Note 45)	67.166	22.552	6.531	96.249
Guarantees (Note 45)	662.651	558.688	174.144	1.395.483
Amount of unutilised credit facilities (Note 45)	2.496	-	183.610	186.106
Total off-balance sheet	732.313	581.240	364.285	1.677.838
31 December 2009	11.002.350	16.839.310	12.750.641	40.592.301
31 December 2008	8.976.920	14.310.100	13.728.912	37.015.932

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. 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 16)	-	-	-	-	-	1.789.787	-	1.789.787
Due from other banks (Note 17)	-	-	-	-	-	3.447.128	-	3.447.128
Financial assets at fair value through profit or loss:								
Debt securities (Note 19)	-	440	-	-	-	26.790	13.764	40.994
Derivative financial instruments with positive fair value (Note 19)	-	-	-	-	-	18.323	56.217	74.540
Advances to customers:								
Advances to individuals	35.043	54.913	130.896	213.366	7.451.953	423	79.259	7.965.853
Advances to corporate entities:								
Large corporate customers	451.812	351.756	1.073.393	1.648.983	1.113.966	94.468	4.615.014	9.349.392
Small and medium size enterprises	675.962	644.699	1.949.235	2.542.536	992.259	32.069	930.158	7.766.918
Debt securities lending (Note 23)	-	-	-	-	-	1.786.575	1.608.493	3.395.068
Available-for-sale financial assets – debt securities (Note 24)	-	1.215	1.032	580	676	1.419.540	1.848.718	3.271.761
Held-to-maturity financial assets (Note 25)	-	151	816	-	447.297	748.738	184.328	1.381.330
Other assets	9.347	102	2.629	955	1.108	16.975	400.576	431.692
Total on-balance sheet	1.172.164	1.053.276	3.158.001	4.406.420	10.007.259	9.380.816	9.736.527	38.914.463
Off-balance sheet items:								
Acceptances (Note 45)	7.671	41	42.938	6.013	8.296	-	31.290	96.249
Guarantees (Note 45)	32.144	42.395	94.094	352.159	144.066	7.073	723.552	1.395.483
Amount of unutilised credit facilities (Note 45)	11.176	1.204	20.648	9.652	20.015	1.731	121.680	186.106
Total off-balance sheet	50.991	43.640	157.680	367.824	172.377	8.804	876.522	1.677.838
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
31 December 2008	1.213.327	966.536	3.052.247	4.031.178	8.847.027	12.167.811	6.737.806	37.015.932

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. 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 prevailing world financial crisis and the problems faced by many financial institutions, 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.

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 Executive Committee 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. Responsibility for monitoring this risk is performed by local Risk Management Units.

Policies and procedures

The Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

COUNTERPARTY BANKS' RISK (continued)

Measurement assessment and control

The Bankscope 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.

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 involves various risks that may be generated at country level as a result of political or economic events. These include political risk, risk of government default, inability of converting local currency to any major currency (convertibility risk) and transferring it out of the country (transferability risk).

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 and Group Executive 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

COUNTRY RISK (continued)

Measurement and control

In light of the economic developments stemming from the world financial crisis, 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 world financial crisis,
- the actions taken and the strengths of each country to face the crisis,
- the support that the country receives from other countries and whether the country belongs to any organisations which will support it if necessary,
- the present and future fiscal position of the country, and
- the rating given by international credit rating 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 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.

Roles and responsibilities

The Risk Management Committee and/or the Group Executive 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 Assets and Liabilities Committee and Risk Management Committee 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

INTEREST RATE RISK (continued)

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:

- (a) interest rate risk exposure in each currency per predefined time period,
- (b) interest rate risk total exposure in each main currency,
- (c) interest rate risk exposure in all currencies per predefined time period, and
- (d) interest rate risk total exposure in all periods and all currencies.

In addition to the monitoring of interest rate gaps, the 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, the Group uses the variance – covariance methodology at a confidence level of 99% and a holding period of one day.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. 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
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)
2008					
Impact on net interest income					
+200 b.p. in all currencies	46.100	(20.200)	(600)	(9.200)	16.100
-200 b.p. in all currencies	(11.300)	1.000	200	4.200	(5.900)
Impact on fair value of financial instruments					
+200 b.p. in all currencies	(71.100)	(35.200)	1.900	(3.600)	(108.000)
-200 b.p. in all currencies	36.800	17.500	(900)	4.600	58.000

A parallel 200 basis points (2008: 200 basis points) increase in market interest rates across all currencies, applied to the Group's balance sheet banking book as at 31 December, 2009, would result in an increase in yearly net interest income by € 134,5 m (2008: € 16,1 m) and an increase in the fair value of financial instruments by € 63,2 m (2008: € 108 m decrease in the fair value). 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 € 30,4 m (2008: € 5,9 m) and a decrease in the fair value of financial instruments by € 18,3 m (2008: € 58 m increase in the fair value). For the above sensitivity analysis for those currencies where the base interest rate was above 2%, a parallel 200 basis points (2008: 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

46. FINANCIAL RISK MANAGEMENT (continued)

INTEREST RATE RISK (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		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

INTEREST RATE RISK (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
2008							
Assets							
Cash and balances with							
Central Banks	1.645.234	15.422	154	-	-	178.860	1.839.670
Due from other banks	2.991.670	1.034.332	277.335	-	-	50.844	4.354.181
Financial assets at fair value through profit or loss	97.896	57.765	6.224	8.498	3.687	182.849	356.919
Advances to customers	15.625.661	2.832.464	2.074.257	2.023.309	865.873	5.662	23.427.226
Debt securities lending	120.936	372.354	14.546	74.154	356.305	-	938.295
Available-for-sale financial assets	676.898	1.322.626	175.688	256.087	888.616	286.258	3.606.173
Held-to-maturity financial assets	452.191	363.408	112.505	153.094	82.838	-	1.164.036
Other assets	86.280	20.471	426	620	55	512.667	620.519
Investments in associates	-	-	-	-	-	99.473	99.473
Intangible assets	-	-	-	-	-	1.642.983	1.642.983
Investment property	-	-	-	-	-	42.819	42.819
Property and equipment	-	-	-	-	-	274.858	274.858
Total assets	21.696.766	6.018.842	2.661.135	2.515.762	2.197.374	3.277.273	38.367.152
Liabilities							
Due to other banks	5.430.151	1.024.907	352.031	50.000	-	6.116	6.863.205
Customer deposits	13.980.604	4.786.087	5.533.968	255.865	53.148	218.597	24.828.269
Senior debt	50.806	996.086	5.499	26.651	-	-	1.079.042
Loan capital	231	717.136	-	-	8.540	-	725.907
Other liabilities	2.526	437	116	185	336	1.068.836	1.072.436
Retirement benefit obligations	-	-	-	-	-	228.717	228.717
Total liabilities	19.464.318	7.524.653	5.891.614	332.701	62.024	1.522.266	34.797.576
Net on-balance sheet position	2.232.448	(1.505.811)	(3.230.479)	2.183.061	2.135.350		
Net notional position of derivative financial instruments	1.044.354	638.853	1.455.001	(2.041.373)	(1.096.835)		
Net interest sensitivity gap	3.276.802	(866.958)	(1.775.478)	141.688	1.038.515		

A significant part of the interest rate exposure is hedged through interest rate swaps instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CURRENCY RISK

Currency risk relates to the risk of fluctuations in the value 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 Assets and Liabilities Committee and Risk Management Committee review the foreign exchange risk profile.

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 Banks of Cyprus and Greece and any other local regulator.

Measurement and control

The Group enters into foreign exchange transactions in order to accommodate customer needs and for hedging its own exposure. The 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:

- (a) open position by currency – net long/short position of each currency,
- (b) total net short position, and
- (c) 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.

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

46. FINANCIAL RISK MANAGEMENT (continued)

CURRENCY RISK (continued)

Monitoring and reporting (continued)

The table below represents the Group's currency risk which derives 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
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

46. 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
2009						
Assets						
Cash and balances with Central Banks	1.803.372	18.988	16.248	7.554	118.672	1.964.834
Due from other banks	988.392	1.977.720	302.123	35.856	143.037	3.447.128
Financial assets at fair value through profit or loss	125.692	108.772	3.808	145	18	238.435
Advances to customers	19.997.241	2.516.024	897.531	473.341	1.198.026	25.082.163
Debt securities lending	3.288.066	107.002	-	-	-	3.395.068
Available-for-sale financial assets	2.977.450	436.841	131.118	-	19.484	3.564.893
Held-to-maturity financial assets	1.200.061	21.578	-	93.377	66.314	1.381.330
Other assets	566.904	20.535	2.852	3.360	48.867	642.518
Investments in associates	111.066	2.005	-	-	-	113.071
Intangible assets	1.628.131	-	425	423	17.863	1.646.842
Investment property	56.956	-	-	-	670	57.626
Property and equipment	257.934	-	9.305	2.368	24.848	294.455
Total assets	33.001.265	5.209.465	1.363.410	616.424	1.637.799	41.828.363
Liabilities						
Due to other banks	9.804.905	438.511	174.941	32.845	19.674	10.470.876
Customer deposits	16.945.329	4.709.019	1.026.454	687.802	517.172	23.885.776
Senior debt	1.377.832	20.403	-	-	267	1.398.502
Loan capital	1.006.953	43.548	-	-	-	1.050.501
Other liabilities	886.980	54.274	15.097	10.024	42.071	1.008.446
Retirement benefit obligations	253.673	-	1.346	-	-	255.019
	30.275.672	5.265.755	1.217.838	730.671	579.184	38.069.120
Non-controlling interests	102.601	-	-	-	20.720	123.321
Equity	3.352.547	19	13.121	60.536	209.699	3.635.922
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
2008						
Total assets	29.161.743	5.515.455	1.412.232	462.238	1.815.484	38.367.152
Total liabilities and equity	29.076.691	6.519.477	1.218.195	624.034	928.755	38.367.152
Net on-balance sheet position	85.052	(1.004.022)	194.037	(161.796)	886.729	
Net notional position of derivative financial instruments	(153.404)	1.075.742	(246.471)	161.893	(837.760)	
Net currency position	(68.352)	71.720	(52.434)	97	48.969	
Off-balance sheet items:						
Acceptances	111.014	4.247	701	-	4.784	120.746
Guarantees	999.856	97.530	14.535	14.630	59.667	1.186.218
Amount of unutilised credit facilities	83.025	103	37.262	20.098	73.864	214.352
Total off-balance sheet	1.193.895	101.880	52.498	34.728	138.315	1.521.316

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

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

The risk in relation to the changes of the prices of equity securities that are owned by the Group is stemming from adverse changes of the current prices of equity securities and other financial assets. The Group is mostly investing in equity shares listed on the Athens Exchange and the Cyprus Stock Exchange and depending on the purpose of acquisition the investments are classified in the appropriate portfolio. The Risk Management Committee, the Group Executive Committee and the Assets and Liabilities Committee receive information for monitoring this risk. The Group uses VaR methodology and position limits to monitor this 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 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 under- lying variables for unlisted	Impact on equity before tax € '000	Position € '000	Change in index or under- lying variables for unlisted	Impact on profit before tax € '000	Position € '000	Change in index or under- lying variables for unlisted	Impact on profit before tax € '000
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
2008									
Equity securities and funds									
Listed on the Cyprus Stock Exchange	12.149	25%	3.037	3.691	25%	923	-	-	-
Listed on Athens Exchange	131.287	25%	32.822	19.846	25%	4.961	-	-	-
Listed on other Stock Exchanges	10.104	15%	1.516	7	15%	1	-	-	-
Not listed	132.419	30%	39.726	84.872	30%	25.462	-	-	-
Total	285.959		77.101	108.416		31.347	-		-

The Group is not exposed to commodities price risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. 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.

A substantial portion of the Group's assets is funded by customer deposits and senior debt, while in addition within 2009 the Group issued 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 adequate levels as they consist the main funding source. As a result of this, the Group aims to achieve good long-term relationships of trust with its customers through competitive and transparent pricing strategies while emphasis is given on deposit products. 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 unexpected fluctuations and constitutes a stable deposit base.

The Group has in place a wholesale funding program to diversify its financing sources and prolong the maturity profile of its liabilities. Based on the prevailing market conditions the Group is assessing the possibility to issue senior debt, loan capital, covered bonds and securitised assets.

Roles and responsibilities

The Board of Directors and the Risk Management 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 Assets and Liabilities Committee 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 Treasuries. Medium term and long term liquidity management strategies of the Group are determined by the Group Treasury and the respective actions are approved by the Board of Directors 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

Measurement and control (continued)

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.

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

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

46. 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 year but less than 5 years € '000	Over 5 years € '000	Total € '000
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
2008						
Financial liabilities						
Due to other banks	5.322.311	1.149.711	364.058	50.388	-	6.886.468
Customer deposits	13.234.980	5.673.096	5.846.263	217.848	112.010	25.084.197
Senior debt	1.946	23.607	38.757	1.091.874	-	1.156.184
Loan capital	1.517	9.588	25.675	132.692	822.394	991.866
	18.560.754	6.856.002	6.274.753	1.492.802	934.404	34.118.715
Off-balance sheet items:						
Acceptances	120.746	-	-	-	-	120.746
Guarantees	1.186.218	-	-	-	-	1.186.218
Amount of unutilised credit facilities	214.352	-	-	-	-	214.352
	1.521.316	-	-	-	-	1.521.316

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. 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
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)
	<u>(148)</u>	<u>(4.531)</u>	<u>(4.634)</u>	<u>(8.614)</u>	<u>(901)</u>	<u>(18.828)</u>
Derivatives held for hedging:						
Interest rate derivatives	(96)	(208)	(675)	(1.447)	(376)	(2.802)
	<u>(244)</u>	<u>(4.739)</u>	<u>(5.309)</u>	<u>(10.061)</u>	<u>(1.277)</u>	<u>(21.630)</u>
2008						
Derivatives held for trading:						
Foreign exchange derivatives	(16.251)	-	-	-	-	(16.251)
Interest rate derivatives	464	97	6.067	(5.665)	(89)	874
	<u>(15.787)</u>	<u>97</u>	<u>6.067</u>	<u>(5.665)</u>	<u>(89)</u>	<u>(15.377)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. 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
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	<u>(395.655)</u>	<u>(278.925)</u>	<u>(298.154)</u>	<u>(853.420)</u>	<u>(574.332)</u>	<u>(2.400.486)</u>
Total inflow	<u>390.117</u>	<u>252.476</u>	<u>218.809</u>	<u>771.617</u>	<u>609.779</u>	<u>2.242.798</u>
2008						
Derivatives held for trading:						
Foreign exchange derivatives						
Outflow	(2.561.803)	(650.987)	(155.106)	(17.541)	-	(3.385.437)
Inflow	2.513.485	641.750	151.735	16.923	-	3.323.893
Interest rate derivatives						
Outflow	(1.339)	(2.714)	(17.857)	(51.897)	(28.199)	(102.006)
Inflow	1.413	2.622	17.917	53.111	30.357	105.420
Derivatives held for hedging:						
Foreign exchange derivatives						
Outflow	(113.305)	-	(366)	-	-	(113.671)
Inflow	111.150	-	366	-	-	111.516
Interest rate derivatives						
Outflow	(9.267)	(43.346)	(146.334)	(370.989)	(164.923)	(734.859)
Inflow	20.542	38.222	117.408	269.640	141.763	587.575
Total outflow	<u>(2.685.714)</u>	<u>(697.047)</u>	<u>(319.663)</u>	<u>(440.427)</u>	<u>(193.122)</u>	<u>(4.335.973)</u>
Total inflow	<u>2.646.590</u>	<u>682.594</u>	<u>287.426</u>	<u>339.674</u>	<u>172.120</u>	<u>4.128.404</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. 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 € 1.347.058.000 (2008: € 1.106.179.000). 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 € 3.075.638.000 (2008: € 807.144.000). 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 34.

(g) Loan capital

The fair value of loan capital is disclosed in Note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. 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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

FAIR VALUE OF ASSETS AND LIABILITIES (continued)

Fair value of financial instruments in levels (continued)

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
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

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
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CAPITAL MANAGEMENT

The Group's capital management is driven by its strategy which takes into account the regulatory and business environment in which it operates. The Group's objectives when managing capital, which is a broader concept than the "equity" on the face of the consolidated balance sheet, are:

- to comply with the capital requirements set by the regulators of the banking markets where 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 for other stakeholders, and
- to maintain a strong capital base 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 in December 2006. With this Directive, the Central Bank of Cyprus adopted the provisions of the European Union's Capital Requirements Directive. The Capital Requirements Directive brought into force the requirements of Basel II, issued by the Basel Committee on Banking Supervision, in the European Union. The Group adopted the provisions of the Directive as of 1 January, 2008. Basel II is structured around three Pillars:

- Pillar I : Computation of minimum capital requirements,
- Pillar II : Supervisory review and evaluation process (SREP) and
- Pillar III : Market Discipline.

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, 2009 and 2008 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

46. FINANCIAL RISK MANAGEMENT (continued)

CAPITAL MANAGEMENT (continued)

	2009 € '000	2008 € '000
Tier I capital		
Share capital	720.930	705.607
Share premium	2.179.146	2.144.141
Retained earnings (net of foreseeable dividends)	784.171	679.336
Non-controlling interests	123.321	131.631
Capital securities	350.757	199.974
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	(1.819.944)	(1.909.252)
	<u>2.318.932</u>	<u>1.936.709</u>
Tier II capital		
Qualifying subordinated loan capital	699.744	525.933
Revaluation reserves and prudential filters	53.765	53.387
Less: 50% of investments in non-banking subsidiaries and investments in companies in the financial sector that exceed 10% of their capital	(19.449)	(14.728)
	<u>734.060</u>	<u>564.592</u>
Total qualifying Tier II capital	<u>734.060</u>	<u>564.592</u>
Less: Investments in insurance undertakings	(97.024)	(84.056)
	<u>2.955.968</u>	<u>2.417.245</u>
Total regulatory capital	<u>2.955.968</u>	<u>2.417.245</u>
Total risk-weighted assets	<u>25.621.603</u>	<u>23.915.955</u>
Capital adequacy ratio	<u>11,5%</u>	<u>10,1%</u>

The Group's total regulatory capital is divided into two tiers:

- 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; and
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. 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
2009						
Financial assets as 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

47. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	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
2008						
Financial assets as per consolidated balance sheet						
Cash and balances with						
Central Banks	1.839.670	-	-	-	-	1.839.670
Due from other banks	4.354.181	-	-	-	-	4.354.181
Financial assets at fair value						
through profit or loss	-	356.919	-	-	-	356.919
Advances to customers	23.427.226	-	-	-	-	23.427.226
Debt securities lending	938.295	-	-	-	-	938.295
Available-for-sale						
financial assets	-	-	-	3.606.173	-	3.606.173
Held-to-maturity financial						
assets	-	-	-	-	1.164.036	1.164.036
Other assets	378.693	-	2.658	-	-	381.351
	30.938.065	356.919	2.658	3.606.173	1.164.036	36.067.851

	Derivative liabilities at fair value through profit or loss € '000	Derivatives used for hedging € '000	Other financial liabilities at amortised cost € '000	Total € '000
2008				
Financial liabilities as per consolidated balance sheet				
Due to other banks	-	-	6.863.205	6.863.205
Customer deposits	-	-	24.828.269	24.828.269
Senior debt	-	-	1.079.042	1.079.042
Loan capital	-	-	725.907	725.907
Other liabilities	174.499	152.518	-	327.017
	174.499	152.518	33.496.423	33.823.440

48. 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, was as follows:

	Beneficial interest at 31 December, 2009	Beneficial interest 24 March, 2010
Platon E. Lanitis	4,35%	4,35%
Vassilis Theocharakis	2,41%	2,41%
Andreas Vgenopoulos	0,49%	0,49%
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. SHAREHOLDERS WITH MORE THAN 5% OF SHARE CAPITAL

	Shareholding at 31 December, 2009	Shareholding at 24 March, 2010
Dubai Financial Limited Liability Company	18,81%	18,81%
Marfin Investment Group Holdings S.A.	9,55%	9,55%

The percentages are based on the total issued share capital.

50. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

	2009 Number of Directors	2008 Number of Directors	2009 € '000	2008 € '000
Advances to Directors and their connected persons:				
More than 1% of the net assets of the Group	2	2	307.732	271.744
Less than 1% of the net assets of the Group	11	12	9.073	8.339
	13	14	316.805	280.083
Advances to other key management personnel and their connected persons			12.926	7.153
Total advances			329.731	287.236
Commitments for guarantees and letters of credit:				
Guarantees to Directors and their connected persons:				
More than 1% of the net assets of the Group			38.418	14.239
Total guarantees			38.418	14.239
Letters of credit to Directors and their connected persons:				
More than 1% of the net assets of the Group			9	14.603
Total letters of credit			9	14.603
Total advances and commitments			368.158	316.078
Tangible securities			406.041	382.521
Interest income			10.210	13.598
Deposits			119.118	122.939
Interest expense			3.238	7.217

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50. 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, 2009 amounts to € 60.540.000 (2008: € 58.558.000).

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 2009, the Group received commissions on stock exchange transactions from key management personnel and their connected persons amounting to € 46.000 (2008: € 164.000) and purchased goods and received services amounting to € 148.000 (2008: € 214.000) from companies connected to Lanitis group. Additionally, in 2008 the Group sold land to a company connected to Lanitis group at a consideration of € 29.600.000, realising a profit of € 14.200.000.

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
Year ended						
31 December 2009						
Executive Directors						
Efthimios Bouloutas	-	762	13	-	150	925
Christos Stylianides	-	241	24	59	75	399
Panayiotis Kounnis	-	241	24	59	75	399
Eleftherios Hiliadakis	-	152	10	-	54	216
	-	1.396	71	118	354	1.939
Non Executive Directors						
Andreas Vgenopoulos	-	-	-	-	257	257
Neoclis Lysandrou ¹	20	-	-	-	13	33
Vassilis Theocharakis	-	-	-	-	13	13
Platon E. Lanitis	20	-	-	-	13	33
Constantinos Mylonas	30	-	-	-	13	43
Stelios Stylianou	20	65	9	16	9	119
Marcos Foros	20	-	-	-	21	41
Joseph Kamal Eskander ²	-	-	-	-	-	-
Soud Ba'alawy ³	-	-	-	-	-	-
Mustafa Farid Mustafa ⁴	-	-	-	-	-	-
Sayanta Basu ⁵	-	-	-	-	-	-
Nicholas Wrigley ⁵	-	-	-	-	-	-
	110	65	9	16	339	539
Other key management personnel⁶	-	1.214	53	31	333	1.631
	110	2.675	133	165	1.026	4.109

¹ Received additional fees for consultancy services of € 200.000.

² Appointed on 19 May, 2009.

³ Resigned on 9 February, 2010.

⁴ Appointed on 19 May, 2009 and resigned on 15 December, 2009.

⁵ Resigned on 19 May, 2009.

⁶ Includes the remaining 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

50. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel (continued)

In addition, during 2009, key management personnel received a total bonus of € 2,2 m based and charged on the results of 2008 (2008: € 3,6 m).

The number of Share Options for each Director, none of which was exercised up to 31 December, 2009 were 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, Marcos 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, 2009 was 7.750.000. Further information regarding the Options is presented in Note 39 of the consolidated financial statements.

	2008 € '000
Fees paid to Directors as members of the Board	<u>190</u>
Remuneration of Directors under executive role:	
Salaries and other short-term benefits	1.704
Employer's social insurance contributions	72
Retirement benefits scheme expense	<u>95</u>
	<u>1.871</u>
Fees for consultancy services of Directors under non executive role	<u>320</u>
Compensation of other key management personnel:	
Salaries and other short-term benefits	1.129
Employer's social insurance contributions	57
Retirement benefits scheme expense	<u>26</u>
	<u>1.212</u>
Share-based payment compensation	<u>1.381</u>
	<u><u>4.974</u></u>

In addition to the above, the members of the Board of Directors who retired received in 2008 € 10.000 for fees as members of the Board.

Key management personnel as at 31 December, 2009 include the 13 members of the Board of Directors, 5 of which had executive duties, and the members of the Group Executive Committee and the Group Chief Financial Officer. Key management personnel for 2008 included the 14 members of the Board of Directors, 5 of which had executive duties, and the members of the Group Executive Committee and the Group Chief Financial Officer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50. RELATED PARTY TRANSACTIONS (continued)

Transactions with other related parties

On 31 December, 2009 the balances with other related parties were as follows:

	2009		2008	
	Receivables € '000	Payables € '000	Receivables € '000	Payables € '000
Consolidated balance sheet				
Marfin Insurance Holdings Ltd group (associate)	6.656	205.077	1.168	273.991
JCC Payment Systems Ltd (associate)	-	23.294	1.695	20.621
Provident Funds of the employees of the Group in Cyprus	-	17.429	-	12.446
	6.656	245.800	2.863	307.058

Additionally, the group of Marfin Insurance Holdings Ltd held at 31 December, 2009 senior debt and loan capital of the Group of nominal value of € 15,1 m (2008: € 12,6 m).

During the year ended 31 December, 2009 the following transactions were realised with other related parties:

	2009		2008	
	Income € '000	Expense € '000	Income € '000	Expense € '000
Consolidated income statement				
Marfin Insurance Holdings Ltd group (associate)	3.733	12.955	-	-
JCC Payment Systems Ltd (associate)	3	1.140	10	1.532
Provident Funds of the employees of the Group in Cyprus	20	700	-	610
Dubai Financial Limited Liability Company (major shareholder)	560	-	1.230	-
	4.316	14.795	1.240	2.142

Additionally, during 2009 the Group received dividend on € 1.871.000 (2008: € 1.853.000) from JCC Payment Systems Ltd and € 2.867.000 from Marfin Insurance Holdings Ltd group.

51. BUSINESS DISPOSAL

On 18 December, 2008 the long-term cooperation agreement between the French CNP Assurances S.A. (CNP) and the Group for the development of insurance activities in Greece and Cyprus via the Group's networks was finalised. This agreement includes the transfer of 50,1% of the share capital of Marfin Insurance Holdings Ltd from the Bank to CNP and the reaching of a ten year renewable, exclusive distribution agreement with the option to expand to other countries that the Group is active. Marfin Insurance Holdings Ltd holds 100% of Laiki Cyprialife Ltd (life insurance in Cyprus), Laiki Insurance Ltd (general insurance in Cyprus and Greece), Marfin Life S.A. (life insurance in Greece) and Marfin Insurance Brokers S.A. (agency insurance activities in Greece).

As a result of the aforementioned and in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", the assets and liabilities of the insurance companies are no longer consolidated as from the date CNP assumed management control of these companies. The Bank's 49,9% participation in these companies is now classified as investment in associates (Note 28).

The results of the insurance companies for 2008, when they were still subsidiaries of the Bank, are included in the consolidated income statement for the year ended on 31 December, 2008 as profit after tax from discontinued operations. For 2008 the effect on the income and profit for the year of the Group from the insurance companies was € 62,6 m and € 33,8 m respectively. The profit from the disposal of the insurance companies amounted to € 58,4 m (Note 13).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

51. BUSINESS DISPOSAL (continued)

As at the disposal date, the assets and liabilities of the insurance companies that were disposed were as follows:

	€ '000
Cash and cash equivalents	74.950
Due from other banks	261.027
Financial assets at fair value through profit or loss	162.156
Advances to customers	25.158
Reinsurance assets	34.414
Available-for-sale financial assets (Note 24)	13.040
Held-to-maturity financial assets (Note 25)	3.412
Other assets	74.041
Current income tax assets	751
Goodwill (Note 29)	25.273
Intangible assets (Note 29)	47.926
Investment property (Note 30)	7.221
Property and equipment (Note 31)	16.618
Insurance contract liabilities	(505.541)
Other liabilities	(52.480)
Current income tax liabilities	(2.857)
Deferred tax liabilities (Note 38)	(5.802)
Retirement benefit obligations	(10.859)
	<hr/>
Net assets	168.448
	<hr/>
Net assets disposed of	84.453
Profit from disposal (Note 13)	58.374
	<hr/>
Net proceeds from disposal	142.827
	<hr/>
Proceeds from disposal	144.290
Disposal expenses	(1.463)
	<hr/>
Net proceeds from disposal	142.827
Cash and cash equivalents in subsidiary companies disposed of	(74.950)
	<hr/>
Net cash inflow on disposal	67.877
	<hr/>

52. BUSINESS ACQUISITIONS

(a) 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%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

52. BUSINESS ACQUISITIONS (continued)

(a) Acquisition of CLR Capital Public Ltd and change in shareholding in Marfin CLR Public Co Ltd (continued)

Details regarding the net assets of CLR Capital Public Ltd that were acquired are as follows:

	€ '000
Consideration for acquisition:	
Fair value of shares issued	29.142
Acquisition expenses	320
	<hr/>
Total consideration for acquisition	29.462
Fair value of net assets acquired	<u>(10.558)</u>
Goodwill	<u>18.904</u>

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 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	<u>(2.719)</u>	<u>(1.929)</u>
Net assets acquired	<u>10.558</u>	839
Acquisition expenses		(320)
Cash and cash equivalents acquired		<u>5.362</u>
Cash inflow from acquisition		<u>5.042</u>

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 brings the Bank's holding to 54,45%. Goodwill arising on the additional shares acquired was € 224.000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

52. BUSINESS ACQUISITIONS (continued)

(b) Acquisition of Rossiysky Promyishlenny Bank Company Ltd (Rosprombank)

On 4 September, 2008 the Bank finalised the acquisition of Rosprombank, after securing all necessary approvals by the supervisory authorities of Russia and Cyprus. The acquisition was finalised with the transfer of 50,04% of the share capital of the Russian Closed Joint-Stock Company RPB Holding, parent company of Rosprombank against the sum of € 85,7 m.

Rosprombank was established in 1997 and has a dynamic presence in Russia. Details regarding the net assets acquired are as follows:

	€ '000
Consideration for acquisition	83.992
Acquisition expenses paid in 2008	1.224
Acquisition expenses paid in 2009	495
	<hr/>
Total consideration for acquisition	85.711
Fair value of net assets acquired	(32.655)
	<hr/>
Goodwill	53.056
	<hr/>

Goodwill is attributable to the acquisition of a base of operations in an emerging, large market with attractive spreads and revenue growth, that favours the expansion of international business banking, which is one of the Group's strategic objectives.

The assets and liabilities acquired at the acquisition date were as follows:

	Fair value € '000	Book value € '000
Cash and cash equivalents	50.095	50.095
Restricted balances with Central Bank	4.938	4.938
Due from other banks (due in more than 3 months)	2.759	2.759
Advances to customers	184.719	187.636
Debt securities lending	18.853	18.853
Available-for-sale financial assets	5.251	5.251
Held-to-maturity financial assets	2.242	2.242
Other assets	13.061	13.061
Current income tax assets	1.011	1.011
Intangible assets	11.140	516
Property and equipment	3.939	3.939
Due to other banks	(3.091)	(3.091)
Customer deposits	(152.986)	(152.986)
Senior debt	(61.722)	(61.722)
Loan capital	(8.128)	(8.128)
Other liabilities	(2.462)	(2.462)
Current income tax liabilities	(43)	(43)
Deferred tax liabilities	(4.278)	(2.153)
	<hr/>	<hr/>
Net assets	65.298	59.716
Non-controlling interest	(32.643)	(29.852)
	<hr/>	<hr/>
Net assets acquired	32.655	29.864
	<hr/>	<hr/>
Consideration for acquisition		(83.992)
Acquisition expenses paid in 2008		(1.224)
Cash and cash equivalents in subsidiary acquired		50.095
		<hr/>
Cash outflow from acquisition		(35.121)
		<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

52. BUSINESS ACQUISITIONS (continued)

(b) Acquisition of Rossiysky Promyishlenny Bank Company Ltd (Rosprombank) (continued)

In September 2009, the Bank completed the fair valuation and purchase price allocation for the acquisition of Rosprombank. Based on adjustments to the preliminary accounting adopted in the consolidated financial statements for the year ended 31 December, 2008, the Group recognised in 2009, with a restatement of comparative figures, € 10,6 m intangible assets, which relate to the estimated fair value for core deposits and customer relationships. The results were charged with amortisation of the intangible assets recognised amounting to € 764.000. A deferred tax liability of € 2,1 m in relation to the aforementioned intangible assets has also been recognised.

(c) Acquisition of Lombard Bank Malta Plc

On 28 February, 2008 the Bank acquired 42,86% of the share capital of Lombard Bank Malta Plc for € 50,2 m. During 2008 Lombard Bank Malta Plc paid a dividend of € 2.243.000. The amount attributable to the Bank, which was re-invested, was € 962.000. This re-investment brings the Bank's holding to 43,08% and the goodwill arising was € 98.000.

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.

Lombard Bank Malta Plc is Malta's third largest bank listed on the local stock exchange and operates under the supervision of the Central Bank of Malta. It was established in 1969 in Valletta and it offers complete banking services via a network of seven branches. Lombard Bank Malta Plc also offers services via MaltaPost Plc, in which it is a major shareholder.

Details regarding the net assets acquired are as follows:

	€ '000
Consideration for acquisition	49.663
Acquisition expenses paid in 2008	424
Acquisition expenses paid in 2009	<u>95</u>
Total consideration for acquisition	50.182
Fair value of net assets acquired	<u>(25.397)</u>
Goodwill	<u>24.785</u>

Goodwill is attributable to the acquisition of a base of operations in a European Union and Euro zone country, which favours the expansion of international business banking, which is one of the Group's strategic objectives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

52. BUSINESS ACQUISITIONS (continued)

(c) Acquisition of Lombard Bank Malta Plc (continued)

The assets and liabilities acquired at the acquisition date were as follows:

	Fair value € '000	Book value € '000
Cash and cash equivalents	132.251	132.251
Restricted balances with Central Bank	8.810	8.810
Due from other banks (due in more than 3 months)	3.020	3.020
Advances to customers	263.072	263.072
Available-for-sale financial assets	8.175	8.175
Held-to-maturity financial assets	63.717	63.717
Other assets	11.611	11.611
Deferred tax assets	3.060	3.060
Goodwill	856	856
Intangible assets	10.976	504
Investment property	745	745
Property and equipment	10.329	10.329
Due to other banks	(344)	(344)
Customer deposits	(401.782)	(401.782)
Other liabilities	(44.591)	(44.591)
Current income tax liabilities	(2.483)	(2.483)
Deferred tax liabilities	(4.508)	(843)
	<hr/>	<hr/>
Net assets	62.914	56.107
Non-controlling interest	(37.517)	(33.628)
	<hr/>	<hr/>
Net assets acquired	25.397	22.479
	<hr/>	<hr/>
Consideration for acquisition		(49.663)
Acquisition expenses paid in 2008		(424)
Cash and cash equivalents in subsidiary acquired		132.251
		<hr/>
Cash inflow from acquisition		82.164
		<hr/>

In March 2009, the Bank completed the fair valuation and purchase price allocation for the acquisition of Lombard Bank Malta Plc. Based on adjustments to the preliminary accounting adopted in the consolidated financial statements for the year ended 31 December, 2008, the Group recognised in 2009, with a restatement of comparative figures, € 10,5 m intangible assets, which relate to the estimated fair value for core deposits and customer relationships. The results were charged with amortisation of the intangible assets recognised amounting to € 745.000. A deferred tax liability of € 3,7 m in relation to the aforementioned intangible assets has also been recognised.

In April 2009, Lombard Bank Malta Plc paid a dividend of € 2.278.000. The amount attributable to the Bank, which was re-invested, was € 981.000. Additionally, in April 2009, the Bank acquired 500.000 shares of Lombard Bank Malta Plc for € 1,3 m. The aforementioned bring the Bank's holding to 44,9% and the goodwill arising was € 462.000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

52. BUSINESS ACQUISITIONS (continued)

(d) Cash inflow from business acquisitions

	2009	2008
	€ '000	€ '000
Cash inflow from the acquisition of CLR Capital Public Ltd (a)	5.042	-
Cash outflow from acquisition of Rosprombank (b)	(495)	(35.121)
Cash (outflow)/inflow from the acquisition of Lombard Bank Malta Plc (c)	(95)	82.164
	<hr/>	<hr/>
Business acquisition net of cash and cash equivalents acquired per consolidated statement of cash flows	4.452	47.043
	<hr/>	<hr/>

(e) Goodwill from business acquisitions

	2009	2008
	€ '000	€ '000
Goodwill arising on the acquisition of CLR Capital Public Ltd (a)	18.904	-
Goodwill arising on the acquisition of Rosprombank (b)	495	52.561
Goodwill arising on the acquisition of Lombard Bank Malta Plc (c)	109	24.676
Goodwill acquired from the acquisition of Lombard Bank Malta Plc (c)	-	856
	<hr/>	<hr/>
Total (Note 29)	19.508	78.093
	<hr/>	<hr/>

53. DIVIDEND

On 12 June, 2009 a dividend payment of € 124.519.000 was made, € 0,15 per share of nominal value € 0,85 (2008: € 278.842.000, € 0,35 per share). The dividend has been accounted for in equity as an appropriation of retained earnings (Note 40). Part of the dividend amounting to € 27.553.000 (2008: € 155.137.000) has been re-invested into shares of the Bank.

The Board of Directors decided on 30 March, 2010 to propose to the Annual General Meeting a dividend of € 0,08 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

54. INVESTMENTS IN SUBSIDIARY COMPANIES

The main subsidiary companies of the Group, as at 31 December, 2009 were as follows:

Company name	Effective shareholding ⁽¹⁾		Country of incorporation	Issued share capital € '000	Activity sector
	2009	2008			
Investment Bank of Greece S.A. (a)	93%	89%	Greece	110.427	Investment banking
Marfin CLR Public Co Ltd (Note 52(a))	54%	71%	Cyprus	97.142	Portfolio management, investment and brokerage services
Marfin Leasing S.A. (b)	100%	97%	Greece	69.440	Leasing
Laiki Bank (Australia) Ltd	100%	100%	Australia	49.975	Banking
Marfin Bank JSC Belgrade (c)	99%	98%	Serbia	44.801	Banking
Marfin Bank (Romania) S.A. (d)	99%	96%	Romania	40.306	Banking
Open Joint-Stock Company Marine Transport Bank	100%	100%	Ukraine	30.985	Banking
Rossiysky Promyishlenny Bank Company Ltd (Note 52(b))	50%	50%	Russia	25.243	Banking
Closed Joint-Stock Company RPB Holding (Note 52(b))	50%	50%	Russia	23.173	Investment company
Pan-European Insurance Co Ltd	100%	100%	Cyprus	14.025	Investment company
Marfin Pank Eesti AS	53%	53%	Estonia	12.814	Banking
Marfin Factors & Forfaiters S.A.	100%	97%	Greece	10.870	Factoring, invoice discounting
Philiki Insurance Co Ltd	100%	100%	Cyprus	9.800	Investment company
Lombard Bank Malta Plc (Note 52(c))	44,9%	43%	Malta	8.903	Banking
Cyprialife Ltd	100%	100%	Cyprus	8.550	Investment company
Marfin Global Asset Management Mutual Funds Management S.A.	99%	96%	Greece	4.572	Mutual funds and private portfolio management
Laiki Bank (Guernsey) Ltd	100%	100%	Guernsey	2.252	Banking
Laiki Factors Ltd	100%	100%	Cyprus	855	Factoring, invoice discounting
IBG Investments S.A. (e)	93%	89%	British Virgin Islands	2.239	Investment services
Marfin Capital Partners Ltd	70%	68%	United Kingdom	810	Investment management
Synergatis Plc (f)	-	-	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.

During the Extraordinary General Meeting approval was also granted for the authorisation of the Board of Directors to issue 5.781.000 new ordinary shares of the Bank of € 0,85 nominal value 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 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 merger as above mentioned, will have the same rights as the existing fully paid shares of the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

54. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

In accordance with the terms of the Cross-Border Merger Plan, as of the date following the preparation of Marfin Egnatia Bank S.A. Transformation Balance Sheet, based on which the ratio of exchange of Marfin Egnatia Bank S.A. shares with the new shares in the Bank, and the other terms of merger, were specified, i.e. as of 1 July, 2009 and until the date of effect of the merging companies' merger, the deeds of Marfin Egnatia Bank S.A. will be 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 will be considered as results of the Bank, and the relevant amounts will be transferred to its books in one or more consolidating entries. This transaction has been accounted for as a common control transaction with the effective date of the transaction being 1 July, 2009, as specified above. The transaction did not have an impact on the consolidated assets and consolidated liabilities of the Group, since Marfin Egnatia Bank S.A. is an existing consolidated subsidiary. The impact of this transaction on the Group's equity is disclosed in (a) Note 39, in relation to the recording of the shares which are in the process to be issued in the context of the completion of the merger and (b) statement of changes in equity and Note 40, in relation to the movement between reserves and minority interest to reflect that under the Cross-Border Merger Plan the operations of Marfin Egnatia Bank S.A. are accounted for as branches.

The full consolidation method is applied to all the subsidiary companies of the Group.

(a) Increase in shareholding in Investment Bank of Greece S.A.

In May 2009, Marfin Egnatia Bank S.A. acquired 3.000 shares in its subsidiary Investment Bank of Greece S.A. for € 233.000. Goodwill from this increase was € 36.000. In October 2009, Marfin Egnatia Bank S.A. acquired 20.000 additional shares for € 1.597.000. These acquisitions increased the holding of Marfin Egnatia Bank S.A. to 92,80%. An amount of € 104.000 representing the excess of the acquirer's interest in the fair value of the acquiree's identifiable net assets over the acquisition cost was recognised in the consolidated income statement.

(b) Increase of share capital of Marfin Leasing S.A.

In December 2009, Marfin Leasing S.A. increased its share capital by € 16 m with payment of the amount by the company's sole shareholder, Marfin Egnatia Bank S.A.

(c) Increase of share capital of Marfin Bank JSC Belgrade

In September 2009, 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 98,21% to 98,71% and an additional goodwill of € 29.000 arose.

(d) Increase of share capital of Marfin Bank (Romania) S.A.

On 27 July, 2009 Marfin Bank (Romania) S.A. increased its share capital by € 10 m. This increase, which was approved by the Central Banks of Greece and Romania, was fully covered by Marfin Egnatia Bank S.A. as the remaining shareholders waived their rights. As a result, the shareholding of Marfin Egnatia Bank S.A. increased to 99,23%.

(e) Increase of share capital of IBG Investments S.A.

During 2009, an increase of the share capital of IBG Investments S.A. was made, for the amount of € 1.553.000, which was covered by Investment Bank of Greece S.A. (90%) and IBG Capital S.A. (10%) pro rata, based on the respective shareholdings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

54. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

(f) Synergatis Plc

On 23 April, 2009 Synergatis Plc was incorporated in the United Kingdom with principal activities the issue of debentures with tangible securities. Synergatis Plc is a special purpose entity and is accounted for as a subsidiary, as its activities are wholly to serve specific needs of the Group.

In 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. All the debentures are held by Group companies.

55. TRANSACTIONS WITH THE GROUP OF MARFIN INVESTMENT GROUP HOLDINGS S.A.

As at 31 December, 2009 the Group had receivables from Marfin Investment Group Holdings S.A. group of € 699 m (2008: € 598 m) and payables to the group of € 587 m (2008: € 1.013 m). Additionally, the income and expenses recognised by the Group amounted to € 40 m and € 31 m respectively (2008: € 80 m and € 51 m respectively).

56. POST BALANCE SHEET EVENTS

On 1 February, 2010 the Bank announced that, according to the articles 201IZ of the Cyprus Companies Law and 9 of the Greek Law 3777/2009, both merging Banks received certificate conclusively attesting to the proper completion of the pre-merger acts and formalities. In particular, there were issued in the one hand a relevant Decree of the District Court of Nicosia dated 29 January, 2010 and on the other a certificate of the Ministry of Economy, Competitiveness and Shipping of Greece under protocol number K2-755/29.01.2010. Further, the Bank will apply towards the District Court of Nicosia for the approval of the Cross-Border Merger and the determination of the date of effect.

The Bank announced that the Board of Directors at its meeting of 9 February, 2010 was re-constituted in accordance with new regulatory framework of the Central Bank of Cyprus by appointing Andreas Vgenopoulos as Non Executive Chairman and Neoclis Lysandrou and Vassilis Theocharakis as Non Executive Vice Chairmen.

Further, the Board of Directors was informed on the resignation of Soud Ba'alawy, Non Executive Member. Dubai Group is represented on the Board by Joseph Kamal Eskander, having at the same time nominated two additional candidate members, the nomination of which is being evaluated according to the internal procedures of the Bank. The Board of Directors is formed as follows: Andreas Vgenopoulos – Chairman, Non Executive Member, Neoclis Lysandrou – Vice Chairman, Non Executive Member, Vassilis Theocharakis – Vice Chairman, Non Executive Member, Efthimios Bouloutas – Group Chief Executive Officer, Christos Stylianides – Deputy Chief Executive Officer, Panayiotis Kounnis – Deputy Chief Executive Officer, Eleftherios Hiliadakis – Executive Member, Platon E. Lanitis – Non Executive Member, Stelios Stylianou – Non Executive Member, Joseph Kamal Eskander – Non Executive Member, Constantinos Mylonas – Independent Non Executive Member and Marcos Foros – Independent Non Executive Member.

On 25 February, 2010 the Board of Directors approved the increase of the share capital of Marfin Bank JSC Belgrade for the amount of € 15 m.

On 12 March, 2010 the Bank announced that Marfin Egnatia Bank S.A., following the approval of the Bank of Greece, issued the second series of ordinary covered bonds for the amount of € 500 m, within the framework of the existing programme for the issue of ordinary covered bonds of up to € 3 bln. The agreement of the Bank for granting credit facilities to Marfin Egnatia Bank S.A. to secure possible demands of the bondholders and of the secured creditors, in line with the programme, continues to apply. The first series of the ordinary covered bonds amounted to € 1 bln.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

56. POST BALANCE SHEET EVENTS (continued)

On 30 March, 2010 the Board of Directors approved the issue of Capital Securities up to the amount of € 300 m, of € 1.000 nominal value, in one or more series.

On 30 March, 2010 the Bank announced that the submission of the petition to the District Court of Nicosia for the approval of the cross-border merger and the setting of the starting date of its results is expected to take place during the first eight months of the current year. Therefore, the cross-border merger, initially expected to be completed during the first quarter of 2010, is now expected to be completed by the end of 2010.

57. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 30 March, 2010.

Independent Auditors' Report on pages 15 and 16.

.....
Neoclis Lysandrou
Vice Chairman

.....
Efthimios Bouloutas
Group Chief Executive Officer

.....
Annita Philippidou
Group Chief Financial Officer



**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

**MARFIN POPULAR BANK PUBLIC CO LTD
FINANCIAL STATEMENTS**

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

Independent Auditors' Report

Income Statement

Statement of Comprehensive Income

Balance Sheet

Statement of Changes in Equity

Statement of Cash Flows

Notes to the 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 financial statements of the Bank for the financial year ended 31 December, 2009 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.
- (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 it faces.

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
Marcos Foros	-	Non Executive Director
Joseph Kamal Eskander	-	Non Executive Director
Annita Philippidou	-	Group Chief Financial Officer

30 March, 2010

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

Report on the Financial Statements

We have audited the accompanying financial statements of the parent company Marfin Popular Bank Public Co Ltd (the "Bank") on pages 153 to 272, which comprise the balance sheet as at 31 December, 2009 and the 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.

We have reported separately on the consolidated financial statements of the Bank and its subsidiaries for the year ended 31 December, 2009.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation of 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 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 financial statements give a true and fair view of the financial position of the parent company Marfin Popular Bank Public Co Ltd as at 31 December, 2009 and of its financial performance and its 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MARFIN POPULAR BANK PUBLIC CO LTD (continued)**

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 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 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 2 to 4 is consistent with the 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
Chartered Accountants

Nicosia, 30 March, 2010

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 € '000	2008 € '000
Interest income	4	1.043.873	976.898
Interest expense	4	(612.834)	(599.460)
Net interest income		431.039	377.438
Fee and commission income	5	141.295	123.722
Fee and commission expense	5	(11.800)	(11.922)
Net fee and commission income		129.495	111.800
Profit on disposal and revaluation of securities	6	72.335	71.116
Foreign exchange income		24.381	37.313
Other income	7	19.599	46.207
Operating income		676.849	643.874
Staff costs	8	(222.890)	(148.047)
Depreciation and amortisation	9	(25.777)	(10.381)
Administrative expenses	10	(109.333)	(51.142)
Profit before provision for impairment of advances		318.849	434.304
Provision for impairment of advances	11	(118.139)	(19.540)
Profit before tax		200.710	414.764
Tax	12	(30.158)	(33.382)
Profit for the year		170.552	381.382
Earnings per share – cent	13	20,4	46,7

The notes on pages 160 to 272 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009		2008	
		€ '000	€ '000	€ '000	€ '000
Profit for the year			<u>170.552</u>		<u>381.382</u>
Exchange differences arising in the year			(8.729)		4.564
Revaluation and transfer to results on disposal and impairment of available-for sale financial assets, investments in subsidiary companies and associates			111.402	(235.755)	
Amortisation of loss on available-for-sale financial assets reclassified			<u>3.831</u>	<u>728</u>	
Net gains/(losses) on available-for-sale financial assets			115.233	(235.027)	
Income tax relating to components of other comprehensive income	14		<u>(4.919)</u>		<u>120</u>
Other comprehensive income/(loss) for the year, net of tax			<u>101.585</u>	(230.343)	
Total comprehensive income for the year			<u>272.137</u>		<u>151.039</u>

The notes on pages 160 to 272 are an integral part of these financial statements.

BALANCE SHEET
31 DECEMBER 2009

	Note	2009 € '000	2008 € '000
Assets			
Cash and balances with Central Banks	15	1.715.230	191.301
Due from other banks	16	3.315.082	3.438.808
Financial assets at fair value through profit or loss	18	196.510	122.581
Advances to customers	19	22.020.184	9.031.470
Debt securities lending	22	3.395.068	303.306
Balances with subsidiary companies	50	1.867.650	1.151.507
Available-for-sale financial assets	23	3.530.915	1.942.238
Held-to-maturity financial assets	24	1.078.264	502.302
Other assets	25	394.462	105.354
Current income tax assets	26	17.300	-
Deferred tax assets	38	67.388	-
Investments in subsidiary companies	27	1.123.344	2.441.385
Investments in associates	28	113.071	97.272
Intangible assets	29	1.145.648	5.927
Investment property	30	42.873	8.105
Property and equipment	31	201.315	151.345
Total assets		40.224.304	19.492.901
Liabilities			
Due to other banks	32	10.379.792	1.779.912
Customer deposits	33	22.217.277	11.902.439
Senior debt	34	1.363.176	712.050
Loan capital	35	866.953	638.805
Balances with subsidiary companies	50	700.682	576.784
Other liabilities	36	722.945	264.644
Current income tax liabilities	37	15.563	4.308
Deferred tax liabilities	38	77.089	11.123
Retirement benefit obligations	8	247.776	211.576
Total liabilities		36.591.253	16.101.641
Share capital and reserves			
Share capital	39	720.930	705.607
Share premium	39	2.089.009	2.054.004
Reserves	40	823.112	631.649
Total equity		3.633.051	3.391.260
Total equity and liabilities		40.224.304	19.492.901

N. Lysandrou, Vice Chairman
E. Bouloutas, Group Chief Executive Officer
A. Philippidou, Group Chief Financial Officer

The notes on pages 160 to 272 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Share capital € '000	Share premium € '000	Fair value, currency translation and other reserves € '000	Revenue reserves € '000	Total € '000
Balance 1 January 2008		680.613	1.927.571	249.172	504.929	3.362.285
Dividend payment and re-investment	39,40,51	28.420	126.717	-	(278.842)	(123.705)
Shares issue costs	39	-	(284)	-	-	(284)
Difference from conversion of share capital into Euro	39,40	(3.426)	-	3.426	-	-
Transfer from fair value reserves to revenue reserves	40	-	-	(189)	189	-
Cost of share-based payments to employees	40	-	-	-	1.925	1.925
Effect of merger of Cyprus Popular Bank (Finance) Ltd with the Bank	40	-	-	(44.178)	44.178	-
		705.607	2.054.004	208.231	272.379	3.240.221
Profit for the year		-	-	-	381.382	381.382
Other comprehensive loss for the year, net of tax		-	-	(230.343)	-	(230.343)
Total comprehensive income for the year		-	-	(230.343)	381.382	151.039
Balance 31 December 2008 / 1 January 2009		705.607	2.054.004	(22.112)	653.761	3.391.260
Dividend payment and re-investment	39,40,51	10.409	17.144	-	(124.519)	(96.966)
Share issue costs	39	-	(834)	-	-	(834)
Transfer from fair value reserves to revenue reserves	40	-	-	(362)	362	-
Cost of share-based payments to employees	40	-	-	-	1.994	1.994
Effect of merger of Marfin Egnatia Bank S.A. with the Bank	39,40	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		720.930	2.089.009	9.042	814.070	3.633.051

The notes on pages 160 to 272 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 € '000	2008 € '000
Cash (used in)/generated from operations	42	(1.535.307)	808.681
Tax paid		(32.886)	(35.068)
Net cash (used in)/from operating activities		(1.568.193)	773.613
Cash flows from investing activities			
Purchase of property and equipment	31	(15.393)	(14.827)
Purchase of computer software	29	(9.915)	(4.284)
Purchase of investment property	30	(4.739)	-
Proceeds from disposal of property and equipment	31	6.015	435
Proceeds from disposal of investment property		142	-
Additions less proceeds from redemption and sale of available-for-sale financial assets and redemptions of held-to-maturity financial assets		(36.269)	(410.253)
Income received from financial assets		164.723	128.126
Dividend received		7.892	22.569
Payment for acquisition of associate		-	(9.038)
Proceeds from disposal of subsidiary companies		-	150.215
Payments less proceeds from changes in shareholdings and capital of subsidiary companies		(45.960)	(217.795)
Net cash from/(used in) investing activities		66.496	(354.852)
Cash flows from financing activities			
Dividend paid		(96.966)	(123.705)
Interest paid on senior debt and loan capital		(50.937)	(72.051)
Share issue costs	39	(834)	(284)
Proceeds from the issue of senior debt and loan capital		723.566	199.974
Repayment of senior debt and loan capital		(231)	(85.430)
Net cash from/(used in) financing activities		574.598	(81.496)
Effects of exchange rate changes		-	3.436
Net (decrease)/increase in cash and cash equivalents		(927.099)	340.701
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		3.335.444	2.994.743
Cash and cash equivalents at end of year	43	4.012.378	3.335.444

The notes on pages 160 to 272 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

INDEX

	Page
1. General information	160
2. Summary of significant accounting policies	161
3. Critical accounting estimates and judgements	188
4. Net interest income	190
5. Net fee and commission income	190
6. Profit on disposal and revaluation of securities	190
7. Other income	191
8. Staff costs	191
9. Depreciation and amortisation	193
10. Administrative expenses	194
11. Provision for impairment of advances	194
12. Tax	194
13. Earnings per share	195
14. Income tax effects relating to components of other comprehensive income	195
15. Cash and balances with Central Banks	196
16. Due from other banks	196
17. Reclassification of financial assets	196
18. Financial assets at fair value through profit or loss	198
19. Advances to customers	199
20. Instalment finance and leasing	199
21. Provision for impairment of advances	200
22. Debt securities lending	203
23. Available-for-sale financial assets	204
24. Held-to-maturity financial assets	205
25. Other assets	206
26. Current income tax assets	206
27. Investments in subsidiary companies	206

NOTES TO THE FINANCIAL STATEMENTS

INDEX (continued)

	Page
28. Investments in associates	209
29. Intangible assets	211
30. Investment property	212
31. Property and equipment	213
32. Due to other banks	214
33. Customer deposits	215
34. Senior debt	215
35. Loan capital	216
36. Other liabilities	218
37. Current income tax liabilities	218
38. Deferred tax assets and liabilities	218
39. Share capital and share premium	220
40. Reserves	222
41. Fair value of derivative financial instruments	223
42. Cash (used in)/generated from operations	225
43. Cash and cash equivalents	226
44. Segmental analysis	226
45. Contingencies and commitments	230
46. Financial risk management	232
47. Financial instruments by category	264
48. Directors' interest in the share capital of the Bank	266
49. Shareholders with more than 5% of share capital	266
50. Related party transactions	267
51. Dividend	271
52. Transactions with the group of Marfin Investment Group Holdings S.A.	271
53. Post balance sheet events	271
54. Approval of financial statements	272

NOTES TO THE 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 activity of the Bank, which was unchanged from last year, is the provision of banking services.

Cross-border merger between Marfin Egnatia Bank S.A. and the Bank

On 23 December, 2009 an Extraordinary General Meeting of the shareholders of the Bank was held during which approval was granted for 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.

During the Extraordinary General Meeting approval was also granted for the authorisation of the Board of Directors to issue 5.781.000 new ordinary shares of the Bank of € 0,85 nominal value 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 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 merger, as above mentioned, will have the same rights as the existing fully paid shares of the Bank.

The main terms of the Merger Plan are as follows:

- On the date of effect of this merger Marfin Egnatia Bank S.A. will be wound up and will no longer exist, but without being subjected to liquidation. Its shares will be cancelled and its assets and liabilities will be transferred to the Bank, which will substitute Marfin Egnatia Bank S.A., according to the legislation in force, in all its rights, obligations, administrative permits or approvals and equitable relations, such transfer being equal to global succession.
- The shares to which the shareholders of Marfin Egnatia Bank S.A. are entitled (except from the Bank) will be exchanged with ordinary (common) shares of the Bank.
- As of the date of effect of the merger, the shareholders of Marfin Egnatia Bank S.A. will be entitled to participate in the Bank's profits of each fiscal year, including the fiscal year which began on 1 January, 2009.
- As of the date following the preparation of Marfin Egnatia Bank S.A. Transformation Balance Sheet, based on which the ratio of exchange of Marfin Egnatia Bank S.A. shares with the new shares in the Bank, and the other terms of merger, were specified, i.e. as of 1 July, 2009 and until the date of effect of the merging companies' merger, the deeds of Marfin Egnatia Bank S.A. will be 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 will be considered as results of the Bank, and the relevant amounts will be transferred to its books in one or more consolidating entries. As a result these financial statements include the results of Marfin Egnatia Bank S.A. from 1 July, 2009 and balance sheet items as at 31 December, 2009, according to the accounting policy of the Bank for transactions involving entities under common control (Note 2).

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The 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 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 financial statements, all IFRSs issued by the International Accounting Standards Board (IASB) that are effective as of 1 January, 2009 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;
- Improvements to IFRSs 2009.

In addition, the following interpretations have been endorsed by the EU, however their effective date is not the same, although an entity may choose to early adopt them:

- International Financial Reporting Interpretation Committee (IFRIC) 12 “Service Concession Arrangements” (effective for annual periods beginning on or after 1 January, 2008, EU: 30 March, 2009), and
- IFRIC 15 “Agreements for the Construction of Real Estate” (effective for annual periods beginning on or after 1 January, 2009, EU: 31 December, 2009), and
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation” (effective for annual periods beginning on or after 1 October, 2008, EU: 30 June, 2009).

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

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

The Bank presents its balance sheet broadly in order of liquidity. An analysis regarding recovery or settlement 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 financial statements.

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

The disclosures on risks from financial instruments are presented in the financial risk management note (Note 46).

The 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 43 shows in which item of the balance sheet cash and cash equivalents are included.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

The cash flows from operating activities are determined by using the indirect method. 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.

The presentation 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 Bank'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 Bank's 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 financial statements are disclosed in Note 3.

The Bank has prepared consolidated financial statements in accordance with IFRSs as adopted by the EU for the Bank and its subsidiary companies (the "Group"). These consolidated financial statements are available at the Bank's registered office and at the internet site www.laiki.com. The users of these separate financial statements of the parent company, should read them in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December, 2009, so as to better understand the financial position, the financial performance and the cash flows of the Bank and the Group.

Adoption of new and revised IFRSs

(i) Standards, amendments and interpretations effective in 2009

The following standards, amendments and interpretations which became effective in 2009 are relevant to the Bank:

(a) IFRS 8, Operating Segments

IFRS 8 replaces IAS 14 "Segment Reporting", with its requirement to determine primary and secondary segments. Under the requirements of the revised standard, the Bank's external segment reporting is based on the internal reporting to the Group Executive Committee (in its function as the chief operating decision-maker), which makes decisions on the allocation of resources and assesses the performance of the reportable segments. The Bank has applied IFRS 8 as shown in Note 44 of the financial statements and the comparative information has been revised accordingly.

(b) IFRIC 13, Customer Loyalty Programmes

IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement by using fair values. The application of IFRIC 13 did not have a material impact on the financial statements.

(c) IAS 1 (Revised 2007), Presentation of Financial Statements

The revision to IAS 1 affects the presentation of owner changes in equity and of comprehensive income. IAS 1 (Revised 2007) requires an entity to present in a statement of changes in equity all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). The Bank has applied the revised IAS 1 and presents two separate statements (an income statement and a statement of comprehensive income) in the financial statements. Comparative information has been re-presented so that it also conforms with the revised standard. According to the amendment of IAS 1, each component of equity, including each item of other comprehensive income, should be reconciled between carrying amount at the beginning and the end of the period. Since the change in accounting policy only impacts presentation aspects, there is no impact on retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards, amendments and interpretations effective in 2009 (continued)

(d) IFRS 2, Share-based Payment (Amendment 2008: Vesting Conditions and Cancellations)

This amendment clarifies that only service conditions and performance conditions are vesting conditions. All other features are not vesting conditions. As a result of the amended definition of vesting conditions, non-vesting conditions should now be considered when estimating the fair value of the equity instrument granted. In addition, the standard describes the posting type if the vesting conditions and non-vesting conditions are not fulfilled. There is no material impact on the financial statements by applying the amendment of IFRS 2 at the date of the balance sheet. These amendments are applied retrospectively.

(e) Amendment to IFRS 7, Financial Instruments: Disclosures

This amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosures of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Bank. Comparative information has not been restated as this is not required by the transitional provisions of the amendment.

(f) Amendments resulting from the IASB's Annual Improvements Project published in May 2008

The Bank has assessed the implications of the following amendments and has applied them as follows:

▪ IAS 27 (Amendment), Consolidated and Separate Financial Statements

Where an investment in a subsidiary that is accounted for under IAS 39 "Financial Instruments: Recognition and Measurement" is classified as held-for-sale under IFRS 5 "Non-Current Assets Held-for-sale and Discontinued Operations", IAS 39 would continue to be applied.

▪ IAS 28 (Amendment), Investments in Associates

An investment in associate is treated as a single asset for the purposes of impairment testing and allocation of any impairment loss. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases.

▪ IAS 36 (Amendment), Impairment of Assets

Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

▪ IAS 38 (Amendment), Intangible Assets

A prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.

▪ IAS 19 (Amendment), Employee Benefits

IAS 19 (Amendment) introduces some minor amendments including the clarification of curtailments and negative past service costs and amendment to the definition of return on plan assets.

▪ IAS 39 (Amendment), Financial Instruments: Recognition and Measurement

This amendment clarifies that it is possible that there are movements into and out of the fair value through profit or loss category when a derivative commences or ceases to qualify as a hedging instrument and requires the use of a revised effective interest rate on cessation of fair value hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards, amendments and interpretations effective in 2009 (continued)

The following amendments and interpretations became effective in 2009 but were not relevant to the Bank's operations:

(a) IAS 23 (Amendment), Borrowing Costs

The amendment eliminates the option of immediate recognition of borrowing costs as an expense for assets that require a substantial period of time to get ready for their intended use. The application of this amendment had no impact on the financial statements of the Bank, as there were no qualifying assets.

(b) IAS 32, Financial Instruments: Presentation and IAS 1, Presentation of Financial Statements (Amendment 2008: Puttable Financial Instruments and Obligations Arising on Liquidation)

The amended IAS 32 now requires some financial instruments that meet the definition of a financial liability to be classified as equity. Puttable financial instruments that represent a residual interest in the net assets of the entity are now classified as equity provided that specified conditions are met. Similar to those requirements is the exception to the definition of a financial liability for instruments that entitle the holder to a pro rata share of the net assets of an entity only on liquidation. The application of these amendments had no impact on the financial statements of the Bank.

(c) IFRS 1 (Amendment), First Time Adoption of IFRS and IAS 27, Consolidated and Separate Financial Statements

The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The application of these amendments had no impact on the financial statements of the Bank.

(d) Amendments resulting from the IASB's Annual Improvements Project published in May 2008

The Bank has assessed the implications of the following amendments and has applied them as follows:

▪ IAS 23 (Amendment), Borrowing Costs

The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest rate method defined in IAS 39 "Financial Instruments: Recognition and Measurement". The application of this amendment had no impact on the financial statements of the Bank, as there were no qualifying assets.

▪ IAS 40 (Amendment), Investment Property

The amendment deals with classification and measurement of property that is under construction or development for future use as investment property. The application of this amendment had no impact on the financial statements of the Bank, as there were no investment properties under construction.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards, amendments and interpretations effective in 2009 (continued)

(d) Amendments resulting from the IASB's Annual Improvements Project published in May 2008 (continued)

The following amendments under the 2008 Annual Improvements Project have not been analysed in detail as they have no impact on the Bank's financial statements either because they are minor or not applicable to the Bank's operations:

- IFRS 7, Financial Instruments: Disclosures
- IAS 1 (Amendment), Presentation of Financial Statements
- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10, Events after the Reporting Period
- IAS 16 (Amendment), Property, Plant and Equipment
- IAS 18, Revenue
- IAS 20 (Amendment), Accounting for Government Grants and Disclosure of Government Assistance
- IAS 29 (Amendment), Financial Reporting in Hyperinflationary Economies
- IAS 31 (Amendment), Interests in Joint Ventures
- IAS 34, Interim Financial Reporting
- IAS 41 (Amendment), Agriculture

(e) IFRIC 18, Transfers of Assets from Customers

IFRIC 18 clarifies the accounting treatment for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment, and the entity must then use that item to provide the customer with ongoing access to the supply of goods and/or services. The application of this interpretation had no impact on the financial statements of the Bank.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Bank's accounting periods beginning on or after 1 January, 2010 or later periods, but the Bank has not early adopted them:

(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. The Bank will apply IFRS 3 (Revised 2008) prospectively to all business combinations from 1 January, 2010.

NOTES TO THE 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 not yet effective and have not been early adopted by the Bank (continued)

(b) IAS 27 (Revised 2008), Consolidated and Separate Financial Statements (effective for annual periods beginning from 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 when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Bank will apply IAS 27 (Revised 2008) prospectively to transactions with non-controlling interests from 1 January, 2010.

(c) Amendment resulting from the IASB's Annual Improvements Project published in May 2008

The Bank will assess the implications of the following amendment and will apply it from its effective date:

▪ 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 of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. The Bank will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January, 2010.

(d) 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 was authorised by the appropriate entity 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. The Bank will apply this interpretation prospectively from 1 January, 2010.

(e) 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. The Bank will apply this amendment retrospectively from 1 January, 2010, but does not expect this amendment to impact its financial statements.

NOTES TO THE 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 not yet effective and have not been early adopted by the Bank (continued)

(f) IFRS 9, Financial Instruments: Classification and Measurement

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

(g) Improvements to IFRSs

Additional "Improvements to IFRSs" were issued in April 2009. They contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. "Improvements to IFRSs" comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRSs. The Bank is in the process of assessing the impact of these amendments on its next annual financial statements. Effective dates range from 1 January, 2009 to 1 January, 2010.

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

The interpretation is subject to endorsement by the EU and 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.

NOTES TO THE 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 not yet effective and have not been early adopted by the Bank (continued)

(i) **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.

(j) **Amendments to IFRS 1, Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January, 2010)**

The amendments are subject to endorsement by the EU and include several additional exemptions for first-time adopters.

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

The amendments are subject to endorsement by the EU. 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.

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

The amendment is subject to endorsement by the EU and 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.

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

The revised standard is subject to endorsement by the EU. It 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.

(n) **Amendment to IFRS 1, Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July, 2010)**

The amendment is subject to endorsement by the EU and relieves first-time adopters of IFRSs from providing the additional disclosures introduced in March 2009 by "Improving Disclosures about Financial Instruments" (Amendments to IFRS 7).

(o) **Amendment to IFRIC 9, Reassessment of Embedded Derivatives and IAS 39, Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 July, 2009)**

The amendment to IFRIC 9 specifies that an entity can reassess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when there is a reclassification of a financial asset out of the fair value through profit or loss category, in which case an assessment is required. The amendment to IAS 39 specifies that if an entity is unable to measure separately the embedded derivative that would have to be separated on reclassification of a hybrid contract out of the fair value through profit or loss category, that reclassification is prohibited. In such circumstances the hybrid contract remains classified as at fair value through profit or loss in its entirety. The Bank will apply this amendment from 1 January, 2010.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(p) IFRIC 15, Agreements for Construction of Real Estate (effective for annual periods beginning on or after 1 January, 2010)

The interpretation clarifies whether IAS 18 "Revenue" or IAS 11 "Construction Contracts", should be applied to particular transactions. IFRIC 15 is not relevant to the Bank's operations.

(q) IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 July, 2009)

IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency and not presentation currency, and hedging instruments may be held anywhere in the Bank. The Bank will apply this interpretation from 1 January, 2010.

Foreign currency translation

(a) Functional and presentation currency

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

The 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 measured at historical cost denominated in a foreign currency 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 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 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 FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Bank's operations and cash flows. If an entity or a component of an entity is classified as a discontinued operation, the Bank restates prior periods in the income statement.

Interest income and expense

Interest income and expense are recognised in the 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.

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 Bank 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fee and commission income and expense (continued)

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 Bank 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 income statement when the Bank'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 Bank'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 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 Bank does not offset current income tax liabilities and current income tax assets.

NOTES TO THE 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 financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the date of the 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 Bank 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 the comprehensive income.

Common control transactions

For transactions involving entities under common control, the Bank applies the predecessor basis of accounting. Under this method the predecessor values used to account for the common control transaction are the values that were included in the Bank's financial statements prior to the common control transaction. No goodwill arises under predecessor accounting and any difference arising is recognised in equity. Under predecessor accounting the Bank follows a policy whereby the financial statements incorporate the merged entity's results from the date on which the transaction occurred and the comparatives are not restated.

Employee benefits

(a) Retirement benefits

The Bank operates defined benefit retirement plans in Cyprus, in the United Kingdom and in Greece. In the United Kingdom a defined contribution plan is also in operation. A defined contribution plan is a retirement benefit plan under which the Bank pays fixed contributions into a separate entity. For a defined contribution plan the Bank 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 pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service and compensation.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

(a) Retirement benefits (continued)

The liability recognised in the balance sheet in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the date of the 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 Bank 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.

The Bank 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 Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank 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 balance sheet are discounted to present value.

Share-based compensation

The Bank'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 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation (continued)

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 Bank 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 Bank 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 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 Bank 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 Bank recognises the impact of the revision to original estimates, if any, in the 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".

Advances to customers

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

The Bank 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 the loss event or events has an impact on the estimated future cash flows.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advances to customers (continued)

The criteria that the Bank uses to determine that 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 Bank will not collect the full amount due.

The Bank first assesses whether objective evidence of impairment exists individually for advances. If the Bank 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. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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 Bank'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 Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. 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 impaired 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 Bank's right to collect in the future any amounts that have been written off.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

The Bank 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.

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 Bank intends to sell immediately or in the short-term, which are classified as held-for-trading, and those that the Bank upon initial recognition designates as at fair value through profit or loss; (b) those that the Bank 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 Bank's management has the positive intention and ability to hold to maturity, other than: (a) those that the Bank upon initial recognition designates as at fair value through profit or loss, (b) those that the Bank 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 Bank 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 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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 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 income statement as part of other income when the Bank'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.

In particular circumstances the Bank 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 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 Bank 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. 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 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 Bank 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 Bank under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Bank 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 income statement within "Interest income". Dividends on available-for-sale equity instruments are recognised in the income statement within "Other income" when the Bank'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 Bank 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

The Bank 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 indicator 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 income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Financial liabilities

The Bank'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 Bank may choose to reclassify a non-derivative financial asset held-for-trading out of the held-for-trading 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 Bank 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 Bank 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 Bank 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.

Repurchase agreements

The Bank 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Repurchase agreements (continued)

The Bank 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 Bank 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 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 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 income statement.

The Bank uses derivative financial instruments for hedging risks that arise from changes in interest rates and exchange rates. The Bank 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 income statement.

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

- At the inception of the hedge, the Bank 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 Bank designates certain derivatives as either:

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

- hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges);
- 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).

The Bank 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 Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(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 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 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 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 income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. They are recorded in the revenue 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 income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(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 income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of as part of the gain or loss on the disposal.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

(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 income statement, under "Profit on disposal and revaluation of securities".

Investments in subsidiary companies and associates

In these separate financial statements of the Bank, investments in subsidiary companies and in associates are accounted for according to IAS 39 as available-for-sale financial assets according to the provisions of IAS 27, paragraph 37(b). Therefore, investments in subsidiary companies and associates are accounted for according to the accounting policy for "Financial assets" as stated above.

Investment property

Investment property includes land and buildings, owned by the Bank with the intention of earning rentals or for capital appreciation or both, and are not used by the Bank. 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 income statement.

Some properties may be partially occupied by the Bank, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Bank can be sold separately, the Bank 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 investment property will flow to the Bank and the cost can be measured reliably. This is usually the day when all risks are transferred.

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 has 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 balance sheet. Gains or losses arising from changes in the fair value of investment properties are included in the 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 Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the 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. These valuations are performed annually by external appraisers.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Bank 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 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 combinations 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 Bank 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 five years. Amortisation commences when the computer software is available for use and is included within "Depreciation and amortisation" in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

(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 (Note 29).

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 10 to 23 years). Amortisation is included within "Depreciation and amortisation" in the 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) The Bank 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

(b) The Bank 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 balance sheet under "Advances to customers". Lease income and hire purchase fees are recognised in the 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 balance sheet as investment property and are accounted under the accounting policy for investment property. Payments received under operating leases are recorded in the income statement on a straight-line basis.

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 income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the 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, 2009 (2008: nil).

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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 Bank 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 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 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-generated 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 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital (continued)

(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 51.

(c) Treasury shares

When the Bank purchases its 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 Bank 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 Bank expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The Bank recognises no provisions for future operating losses.

The Bank 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 Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers. The Bank 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 Bank is awaiting reimbursement from the customer are shown on the balance sheet, less any necessary provisions.

Fiduciary activities

Where the Bank 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 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Bank has determined the Group Executive Committee as its chief operating decision-maker.

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 Bank has the following six main business segments:

- (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 segment, which includes the various participations and investments of the Bank 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 IAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year.

NOTES TO THE FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Bank'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 financial statements.

The Bank 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 Bank's results and financial situation due to their materiality.

(a) Impairment losses on advances to customers

The Bank 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 income statement, the Bank 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 Bank. 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 € 3,9 m lower or € 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 Bank 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 rate is disclosed in Note 46.

(c) Impairment of goodwill

The Bank 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 29.

For the banking operations in Greece, if the estimated return on equity was more than 5% lower than management's estimates, the Bank would have to start recognising impairment of goodwill. If the discount rate applied to the discounting of cash flows was more than 4% higher than the management's estimates, the Bank would have to start recognising impairment of goodwill.

NOTES TO THE FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(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 Bank'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.

(e) Held-to-maturity financial assets

The Bank 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 Bank's intention and ability to hold investments to maturity. If the Bank 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 € 38.483.000 (2008: decrease by € 12.753.000) with a corresponding debit in the fair value reserves within equity.

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

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank 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. For information purposes, it is noted that if all the declines in fair value below cost had been considered significant or prolonged, the Bank would have recognised an additional € 78.796.000 loss in its 2009 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

4. NET INTEREST INCOME

	2009 € '000	2008 € '000
Interest income		
Interest from advances to customers	788.337	574.069
Interest from other banks	123.824	270.300
Interest from bonds and other interest	131.712	132.529
	1.043.873	976.898
Interest expense		
Interest on customer deposits	439.545	358.552
Interest to other banks	121.486	168.103
Interest on loan capital, senior debt and other interest	51.803	72.805
	612.834	599.460

5. NET FEE AND COMMISSION INCOME

	2009 € '000	2008 € '000
Fee and commission income		
Banking related fees and commissions	125.202	118.070
Portfolio and other management fees	3.093	4.572
Other fees and commissions	13.000	1.080
	141.295	123.722
Fee and commission expense		
Fees	9.038	11.922
Commissions	2.762	-
	11.800	11.922

6. PROFIT ON DISPOSAL AND REVALUATION OF SECURITIES

	2009 € '000	2008 € '000
Profit/(loss) on disposal of financial assets at fair value through profit or loss – held-for-trading	646	(2)
Profit on disposal of available-for-sale financial assets	78.118	66.103
Profit on disposal of subsidiary companies	-	29.120
Loss on disposal of debt securities lending	(585)	-
(Loss)/profit on revaluation of financial assets at fair value through profit or loss:		
Held-for-trading	(5.898)	(7.765)
Designated at fair value through profit or loss at inception	1.358	-
Impairment of available-for-sale financial assets (Note 40)	(1.304)	(16.340)
	72.335	71.116

NOTES TO THE FINANCIAL STATEMENTS

7. OTHER INCOME

	2009 € '000	2008 € '000
Dividend from subsidiary companies and associates	8.873	23.531
Dividend from available-for-sale financial assets	5.939	12.380
Fair value (loss)/gain on investment property (Note 30)	(612)	5.491
Profit/(loss) on disposal of property and equipment (Note 31)	1.051	(50)
Loss on disposal of investment property	(129)	-
Other income	4.477	4.855
	19.599	46.207

8. STAFF COSTS

	2009 € '000	2008 € '000
Salaries and employer's contributions	184.728	115.494
Retirement benefit costs:		
Defined benefit plans	26.227	22.356
Defined contribution plans	19	-
Share-based payment compensation (Note 40)	1.994	1.925
Other staff costs	9.922	8.272
	222.890	148.047

Defined benefit plans

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

	2009 € '000	2008 € '000
Current service cost	14.494	18.367
Interest cost on plan liabilities	14.839	16.814
Expected return on plan assets	(3.431)	(12.887)
Actuarial loss recognised in the year	161	62
Loss on curtailments and settlements	164	-
	26.227	22.356

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

	2009 € '000	2008 € '000
Present value of funded obligations	89.186	80.528
Fair value of plan assets	(56.285)	(43.517)
	32.901	37.011
Present value of unfunded obligations	215.212	173.113
Unrecognised actuarial (loss)/gain	(337)	1.452
	247.776	211.576

Included in the amount of plan assets is an amount of € 22.056.000 (2008: € 17.118.000) which relates to the fair value of the Bank's assets.

NOTES TO THE FINANCIAL STATEMENTS

8. STAFF COSTS (continued)

Defined benefit plans (continued)

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

	2009 € '000	2008 € '000
Balance 1 January	211.576	185.406
Retirement benefit obligations of subsidiary companies merged with the Bank	11.773	10.190
Total expense charged in the income statement	26.227	22.356
Benefits paid	(1.167)	(5.543)
Contributions	(716)	(526)
Exchange differences	83	(307)
Balance 31 December	<u>247.776</u>	<u>211.576</u>

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

	2009 € '000	2008 € '000
Balance 1 January	253.641	319.872
Retirement benefit obligations of subsidiary companies merged with the Bank	11.773	10.190
Current service cost	14.494	18.367
Interest cost	14.839	16.814
Contributions	126	134
Benefits paid	(2.183)	(8.284)
Actuarial loss/(gain) on obligation	10.650	(99.127)
Loss on curtailments and settlements	164	-
Exchange differences	894	(4.325)
Balance 31 December	<u>304.398</u>	<u>253.641</u>

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

	2009 € '000	2008 € '000
Balance 1 January	43.517	163.137
Expected return on plan assets	3.431	12.887
Contributions	842	660
Benefits paid	(1.016)	(2.741)
Actuarial gain/(loss) on plan assets	8.939	(127.998)
Exchange differences	572	(2.428)
Balance 31 December	<u>56.285</u>	<u>43.517</u>

NOTES TO THE FINANCIAL STATEMENTS

8. STAFF COSTS (continued)

Defined benefit plans (continued)

Plan assets comprise the following:

	2009		2008	
	€ '000	%	€ '000	%
Equities	47.002	83,5	38.136	87,6
Bonds	1.244	2,2	1.122	2,6
Cash	8.039	14,3	4.259	9,8
	56.285	100,0	43.517	100,0

Actual return on plan assets is € 12.370.000 profit (2008: € 115.111.000 loss).

Equities include shares of Marfin Popular Bank Public Co Ltd of a value of € 38,8 m (2008: € 32,2 m).

The principal assumptions used in the actuarial valuations were:

	2009			2008	
	Cyprus	United Kingdom	Greece	Cyprus	United Kingdom
Discount rate	5,25%	5,7%	5,5%	5,75%	6,2%
Average annual expected return on plan assets	6,55%	8,5%	-	7,8%	7,5%
Average annual increase in basic insurable earnings	3,5%	-	-	4,0%	-
Average annual increase in salaries	6,5%	3,0%	4,0%	6,75%	3,2%
Average annual increase in inflation	2,0%	2,5%	2,2%	2,0%	2,5%
Rate of increase of retirement benefit payments	-	2,3%	-	-	2,3%

	2009 € '000	2008 € '000	2007 € '000
At 31 December			
Present value of obligations	304.398	253.641	319.872
Fair value of plan assets	(56.285)	(43.517)	(163.137)
Unrecognised actuarial (loss)/gain	(337)	1.452	28.671
Retirement benefit obligations in the balance sheet	247.776	211.576	185.406
Experience adjustments on obligations	1.965	46.225	(41.855)
Experience adjustments on plan assets	8.939	(127.998)	31.002

9. DEPRECIATION AND AMORTISATION

	2009 € '000	2008 € '000
Depreciation of property and equipment (Note 31)	12.989	6.363
Amortisation of computer software (Note 29)	6.354	4.018
Amortisation of other intangible assets (Note 29)	6.434	-
	25.777	10.381

NOTES TO THE FINANCIAL STATEMENTS

10. ADMINISTRATIVE EXPENSES

	2009 € '000	2008 € '000
Occupancy costs	12.432	7.088
Computer maintenance costs	7.965	5.343
Marketing and sales expenses	20.267	8.125
Operating lease rentals	19.107	6.807
Printing and stationery expenses	4.298	3.422
Telephone expenses	3.905	1.929
Auditors' remuneration	427	400
Other administrative expenses	40.932	18.028
	109.333	51.142

11. PROVISION FOR IMPAIRMENT OF ADVANCES

	2009 € '000	2008 € '000
Provision for impairment of advances for the year (Note 21)	158.649	69.302
Release of provision and recoveries (Note 21)	(40.510)	(49.762)
	118.139	19.540

12. TAX

	2009 € '000	2008 € '000
Current year tax		
Cyprus corporation tax	12.351	28.275
Cyprus defence tax	14	20
Overseas corporation tax	15.712	5.013
Deferred tax (Note 38)	(9.265)	47
Total current year tax	18.812	33.355
Prior years' tax		
Corporation tax	11.346	27
Total tax charge	30.158	33.382

The profit of the Bank in Cyprus is subject to corporation tax at the rate of 10% (2008: 10%). In the United Kingdom the tax rate is 28% (2008: 28%) and in Greece 25% (2008: 25%).

For tax purposes in Cyprus, up to 31 December, 2008, under certain conditions, interest may be subject to defence tax at the rate of 10%. In such cases 50% of the same interest will be exempt from corporation tax thus having an effective tax rate burden of approximately 15%.

From 1 January, 2009 onwards, 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 FINANCIAL STATEMENTS

12. TAX (continued)

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

	2009 € '000	2008 € '000
Profit before tax	200.710	414.764
Tax calculated at the applicable tax rates in Cyprus	20.071	41.476
Tax effect of expenses not deductible for tax purposes	1.997	4.292
Tax effect of income not subject to tax	(16.344)	(15.719)
Tax effect of different tax rates between overseas countries and Cyprus	13.088	3.306
Total current year tax	18.812	33.355

13. EARNINGS PER SHARE

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

	2009 € '000	2008 € '000
Profit for the year	170.552	381.382
Weighted average number of ordinary shares in issue during the year	836.903	816.111
Earnings per share (basic and diluted) – cent	20,4	46,7

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, 2009 and 31 December, 2008.

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

	2009			2008		
	Before tax amount € '000	Tax (expense)/ benefit € '000	Net-of-tax amount € '000	Before tax amount € '000	Tax benefit € '000	Net-of-tax amount € '000
Exchange difference arising in the year	(8.729)	-	(8.729)	4.564	-	4.564
Gains/(losses) on available-for-sale financial assets	115.233	(5.305)	109.928	(235.027)	-	(235.027)
Revaluation of property	-	386	386	-	120	120
Other comprehensive income/(loss) for the year	106.504	(4.919)	101.585	(230.463)	120	(230.343)

NOTES TO THE FINANCIAL STATEMENTS

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 Bank's operational transactions.

	2009	2008
	€ '000	€ '000
Cash in hand	143.830	78.277
Balances with Central Banks other than obligatory reserves for liquidity purposes	1.245.525	-
Obligatory reserves for liquidity purposes	325.875	113.024
	1.715.230	191.301
Current	1.389.355	78.277
Non-current	325.875	113.024
	1.715.230	191.301

16. DUE FROM OTHER BANKS

	2009	2008
	€ '000	€ '000
Items in course of collection from other banks	446.308	66.961
Placements with other banks	2.849.425	3.371.847
Reverse repurchase agreements	19.349	-
	3.315.082	3.438.808
Current	3.155.548	3.436.988
Non-current	159.534	1.820
	3.315.082	3.438.808

17. RECLASSIFICATION OF FINANCIAL ASSETS

The Bank 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. In accordance with the provisions of the amended IAS 39, the Bank identified the financial assets for which, on the date of the 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 reclassified bonds is presented below:

	31 December 2009		31 December 2008		1 July 2008
	Book value	Fair value	Book value	Fair value	Book and fair value
	€ '000	€ '000	€ '000	€ '000	€ '000
Available-for-sale financial assets reclassified to debt securities lending	157.838	153.937	175.002	160.520	170.476
Held-for-trading financial assets reclassified to debt securities lending	31.306	30.985	34.611	31.631	33.335

During 2009, bonds with a book value at 1 July, 2008 of € 4,4 m matured and bonds with a book value at 1 July, 2008 of € 17,7 m were sold at a loss of € 0,2 m.

NOTES TO THE FINANCIAL STATEMENTS

17. RECLASSIFICATION OF FINANCIAL ASSETS (continued)

Had the Bank not reclassified the bonds on 1 July, 2008 the income statement for 2009 would have included additional unrealised fair value gains on the reclassified held-for-trading financial assets of € 2,7 m (2008: unrealised fair value losses of € 2,8 m).

If the reclassification had not been made, the fair value reserves would have included € 10,5 m of additional unrealised fair value gains for 2009 (2008: unrealised fair value losses of € 14,3 m), as a result of the change in the fair value of the reclassified available-for-sale financial assets.

In the last quarter of 2009, the Bank had additional reclassifications of bonds from available-for-sale to debt securities lending, with book and fair value on the date of reclassification and at 31 December, 2009 as presented below:

	31 December 2009		Q4 2009 Book and fair value € '000
	Book value € '000	Fair value € '000	
Available-for-sale financial assets reclassified to debt securities lending	1.423	1.340	1.428

Out of the reclassified available-for-sale financial assets € 552,6 m have been hedged for changes in their fair value, which arise because of the risk of change in interest rates. The Bank will continue to use hedge accounting for these financial assets.

Had the Bank not reclassified these bonds in the last quarter of 2009, the fair value reserves would have included € 83,4 m of additional unrealised fair value losses, 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 FINANCIAL STATEMENTS

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Held-for-trading		Designated at fair value through profit or loss at inception		Total	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Debt securities	36.530	47.658	-	-	36.530	47.658
Government bonds and treasury bills	2.743	-	-	-	2.743	-
Equity securities and funds	614	-	82.162	-	82.776	-
Derivative financial instruments with positive fair value (Note 41)	74.461	74.923	-	-	74.461	74.923
	114.348	122.581	82.162	-	196.510	122.581
Current	114.348	122.581	82.162	-	196.510	122.581
Debt securities						
Listed on Stock Exchanges (other than the Cyprus Stock Exchange)	24.533	44.858	-	-	24.533	44.858
Not listed	11.997	2.800	-	-	11.997	2.800
	36.530	47.658	-	-	36.530	47.658
Government bonds and treasury bills						
Listed on Stock Exchanges (other than the Cyprus Stock Exchange)	2.743	-	-	-	2.743	-
Government bonds and treasury bills not eligible for rediscounting with the Central Bank of Cyprus	2.743	-	-	-	2.743	-
Equity securities and funds						
Listed on Stock Exchanges (other than the Cyprus Stock Exchange)	614	-	-	-	614	-
Not listed	-	-	82.162	-	82.162	-
	614	-	82.162	-	82.776	-

Financial assets at fair value through profit or loss amounting to € 6.940.000 (2008: €19.582.000) 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)/generated from operations" in the statement of cash flows (Note 42).

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 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 FINANCIAL STATEMENTS

19. ADVANCES TO CUSTOMERS

	2009 € '000	2008 € '000
Advances to individuals	7.859.967	2.988.918
Advances to corporate entities:		
Large corporate customers	7.955.965	2.623.974
Small and medium size enterprises (SMEs)	6.841.858	3.710.277
Advances to customers - gross	22.657.790	9.323.169
Provision for impairment of advances (Note 21)	(637.606)	(291.699)
Advances to customers - net	22.020.184	9.031.470
Current	6.580.132	1.924.536
Non-current	15.440.052	7.106.934
	22.020.184	9.031.470

The gross amount of advances to customers includes gross receivables from instalment finance and leasing amounting to € 408.618.000 (2008: € 436.455.000) (Note 20).

20. INSTALMENT FINANCE AND LEASING

	2009 € '000	2008 € '000
Gross investment in hire purchase and finance leases	467.234	501.370
Unearned finance income	(58.616)	(64.915)
Present value of minimum hire purchase and finance lease payments (Note 19)	408.618	436.455
Provision for impairment of hire purchase and finance leases	(80.629)	(73.631)
	327.989	362.824
Gross investment in hire purchase and finance leases		
Less than one year	192.160	200.178
Over one but less than five years	264.865	287.896
Over five years	10.209	13.296
	467.234	501.370
Present value of minimum hire purchase and finance lease payments		
Less than one year	176.362	182.857
Over one but less than five years	224.199	243.206
Over five years	8.057	10.392
	408.618	436.455

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.

NOTES TO THE FINANCIAL STATEMENTS

20. INSTALMENT FINANCE AND LEASING (continued)

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. 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
2009			
Balance 1 January	268.890	22.809	291.699
Provision for impairment of advances from the merger of Marfin Egnatia Bank S.A. with the Bank	128.608	158.251	286.859
Provision for impairment of advances for the year (Note 11)	88.965	69.684	158.649
Release of provision and recoveries (Note 11)	(39.899)	(611)	(40.510)
Advances written-off	(38.689)	(20.569)	(59.258)
Exchange differences	161	6	167
Balance 31 December	408.036	229.570	637.606
2008			
Balance 1 January	217.889	12.146	230.035
Provision for impairment of advances from the merger of Cyprus Popular Bank (Finance) Ltd with the Bank	82.642	-	82.642
Provision for impairment of advances for the year (Note 11)	58.639	10.663	69.302
Release of provision and recoveries (Note 11)	(49.762)	-	(49.762)
Advances written-off	(39.843)	-	(39.843)
Exchange differences	(675)	-	(675)
Balance 31 December	268.890	22.809	291.699

The total amount of non-performing loans amounts to € 1.258.833.000 (2008: € 358.466.000).

NOTES TO THE FINANCIAL STATEMENTS

21. PROVISION FOR IMPAIRMENT OF ADVANCES (continued)

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	
2009				
Balance 1 January	138.052	66.433	64.405	268.890
Provision for impairment of advances from the merger of Marfin Egnatia Bank S.A. with the Bank	-	38.064	90.544	128.608
Provision for impairment of advances for the year	47.759	(21.053)	62.259	88.965
Release of provision and recoveries	(21.271)	(7.556)	(11.072)	(39.899)
Advances written-off	(13.365)	(13.847)	(11.477)	(38.689)
Exchange differences	64	45	52	161
Balance 31 December	151.239	62.086	194.711	408.036
2008				
Balance 1 January	77.255	78.641	61.993	217.889
Provision for impairment of advances from the merger of Cyprus Popular Bank (Finance) Ltd with the Bank	69.088	2.269	11.285	82.642
Provision for impairment of advances for the year	28.521	8.523	21.595	58.639
Release of provision and recoveries	(17.461)	(11.614)	(20.687)	(49.762)
Advances written-off	(19.063)	(11.172)	(9.608)	(39.843)
Exchange differences	(288)	(214)	(173)	(675)
Balance 31 December	138.052	66.433	64.405	268.890

NOTES TO THE FINANCIAL STATEMENTS

21. PROVISION FOR IMPAIRMENT OF ADVANCES (continued)

Collective impairment

	<u>Corporate entities</u>			Total € '000
	Individuals € '000	Large corporate customers € '000	Small and medium size enterprises € '000	
2009				
Balance 1 January	10.701	5.107	7.001	22.809
Provision for impairment of advances from the merger of Marfin Egnatia Bank S.A. with the Bank	155.410	-	2.841	158.251
Provision for impairment of advances for the year	52.937	13.332	3.415	69.684
Release of provision and recoveries	-	-	(611)	(611)
Advances written-off	(20.569)	-	-	(20.569)
Exchange differences	-	6	-	6
Balance 31 December	198.479	18.445	12.646	229.570
2008				
Balance 1 January	6.132	3.219	2.795	12.146
Provision for impairment of advances for the year	4.569	1.888	4.206	10.663
Balance 31 December	10.701	5.107	7.001	22.809

NOTES TO THE FINANCIAL STATEMENTS

22. DEBT SECURITIES LENDING

In 2008 the Bank 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 Bank 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 the Bank made additional reclassifications of available-for-sale bonds to debt securities lending (Note 17).

	2009 € '000	2008 € '000
Debt securities	1.156.373	303.306
Government bonds and treasury bills	2.238.695	-
	3.395.068	303.306
Current	2.255	4.014
Non-current	3.392.813	299.292
	3.395.068	303.306
Movement for the year		
Balance 1 January	303.306	-
Transfer from financial assets at fair value through profit or loss	-	33.335
Transfer from available-for-sale financial assets (Note 23)	1.428.349	170.476
Debt securities lending from the merger of Marfin Egnatia Bank S.A. with the Bank	626.215	-
Revaluations of hedged debt securities lending in relation to hedged risk	(27.697)	-
Additions	1.081.439	96.266
Redemptions and disposals	(40.980)	-
Accrued interest and amortisation of premium/discount	27.213	1.212
Exchange differences	(2.777)	2.017
Balance 31 December	3.395.068	303.306

Debt securities lending amounting to € 1.753.197.000 (2008: € 252.907.000) have been pledged in relation to funding from Central Banks.

NOTES TO THE FINANCIAL STATEMENTS

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009 € '000	2008 € '000
Debt securities	2.040.310	1.576.536
Government bonds and treasury bills eligible for rediscounting with the Central Bank of Cyprus	196.582	12.500
Other government bonds and treasury bills	1.013.550	98.248
Equity securities and funds	280.473	254.954
	3.530.915	1.942.238
Listed on the Cyprus Stock Exchange	12.717	10.602
Listed on other Stock Exchanges	3.327.682	1.804.803
Not listed	190.516	126.833
	3.530.915	1.942.238
Current	458.998	347.922
Non-current	3.071.917	1.594.316
	3.530.915	1.942.238
Movement for the year		
Balance 1 January	1.942.238	2.065.745
Available-for-sale financial assets from merger of subsidiary companies with the Bank	3.013.840	1.406
Transfer to debt securities lending (Note 22)	(1.428.349)	(170.476)
Additions	1.727.053	874.838
Redemptions and disposals	(1.776.682)	(659.098)
Revaluation for the year	43.423	(109.555)
Amortisation of premium/discount	21.995	(16.798)
Exchange differences	(12.603)	(43.824)
Balance 31 December	3.530.915	1.942.238

Included in available-for-sale financial assets as at 31 December, 2009 is a 2,74% (2008: 2,79%) shareholding in Marfin Investment Group Holdings S.A.

Available-for-sale financial assets include debt securities amounting to € 1.454.548.000 (2008: € 942.238.000) which have been pledged in relation to funding from Central Banks.

NOTES TO THE FINANCIAL STATEMENTS

24. HELD-TO-MATURITY FINANCIAL ASSETS

	2009 € '000	2008 € '000
Debt securities	753.397	287.925
Government bonds and treasury bills eligible for rediscounting with the Central Bank of Cyprus	246.710	214.377
Other government bonds and treasury bills	78.157	-
	1.078.264	502.302
Listed on the Cyprus Stock Exchange	246.710	214.377
Listed on other Stock Exchanges	831.554	287.925
	1.078.264	502.302
Current	183.648	47.048
Non-current	894.616	455.254
	1.078.264	502.302
Movement for the year		
Balance 1 January	502.302	283.973
Held-to-maturity financial assets from merger of Marfin Egnatia Bank S.A. with the Bank	543.242	-
Additions	144.962	294.294
Redemptions	(110.576)	(76.854)
Accrued interest and amortisation of premium/discount	(1.031)	306
Exchange differences	(635)	583
Balance 31 December	1.078.264	502.302

Held-to-maturity financial assets amounting to € 917.488.000 (2008: € 486.520.000) have been pledged in relation to funding from Central Banks.

NOTES TO THE FINANCIAL STATEMENTS

25. OTHER ASSETS

	2009 € '000	2008 € '000
Interest receivable	201.991	85.573
Non-current assets held for sale	32.964	7.693
Hedging derivative financial instruments with positive fair value (Note 41)	7.984	-
Other assets	151.523	12.088
	394.462	105.354
Current	228.451	105.354
Non-current	166.011	-
	394.462	105.354

26. CURRENT INCOME TAX ASSETS

	2009 € '000	2008 € '000
Current income tax assets		
Current tax asset to be recovered after more than 12 months	-	-
Current tax asset to be recovered within 12 months	17.300	-
	17.300	-

27. INVESTMENTS IN SUBSIDIARY COMPANIES

	2009 € '000	2008 € '000
Balance 1 January	2.441.385	2.550.443
Disposal of Laiki Cyprialife Ltd and Laiki Insurance Ltd (Note 28)	-	(190.163)
Acquisition of Closed Joint-Stock Company RPB Holding and Rossiysky Promyishlenny Bank Company Ltd	495	85.216
Effect of merger of subsidiary companies with the Bank	(1.401.662)	(53.251)
Acquisition and increase of shareholding in Lombard Bank Malta Plc	1.371	50.087
Acquisition and capital increase of Open Joint-Stock Company Marine Transport Bank, Investment Lease Company Renta, Premier Capital and Sintez Autoservice	-	40.133
Changes in shareholdings in subsidiary companies in Greece	27.701	28.160
Increase of share capital and shareholding in Marfin Bank JSC Belgrade	15.006	15.500
Disposal of Egnatia Financial Services (Cyprus) Ltd	-	(5.181)
Increase of investment in Marfin CLR Public Co Ltd	2.238	1.373
Re-investment of dividend from Lombard Bank Malta Plc	981	962
Acquisition and increase of shareholding in Marfin Pank Eesti AS	-	340
Other changes in subsidiary companies shareholdings	334	(289)
Revaluation for the year	35.495	(81.945)
Balance 31 December	1.123.344	2.441.385

NOTES TO THE FINANCIAL STATEMENTS

27. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

The main subsidiary companies of the Bank, as at 31 December, 2009 were as follows:

Company name	Effective shareholding ⁽¹⁾		Country of incorporation	Issued share capital € '000	Activity sector
	2009	2008			
Investment Bank of Greece S.A. (a)	93%	89%	Greece	110.427	Investment banking
Marfin CLR Public Co Ltd (b)	54%	71%	Cyprus	97.142	Portfolio management, investment and brokerage services
Marfin Leasing S.A. (c)	100%	97%	Greece	69.440	Leasing
Laiki Bank (Australia) Ltd	100%	100%	Australia	49.975	Banking
Marfin Bank JSC Belgrade (d)	99%	98%	Serbia	44.801	Banking
Marfin Bank (Romania) S.A. (e)	99%	96%	Romania	40.306	Banking
Open Joint-Stock Company Marine Transport Bank	100%	100%	Ukraine	30.985	Banking
Rossiysky Promyishlenny Bank Company Ltd (f)	50%	50%	Russia	25.243	Banking
Closed Joint-Stock Company RPB Holding (f)	50%	50%	Russia	23.173	Investment company
Pan-European Insurance Co Ltd	100%	100%	Cyprus	14.025	Investment company
Marfin Pank Eesti AS	53%	53%	Estonia	12.814	Banking
Marfin Factors & Forfaiters S.A.	100%	97%	Greece	10.870	Factoring, invoice discounting
Philiki Insurance Co Ltd	100%	100%	Cyprus	9.800	Investment company
Lombard Bank Malta Plc (g)	44.9%	43%	Malta	8.903	Banking
Cyprialife Ltd	100%	100%	Cyprus	8.550	Investment company
Marfin Global Asset Management Mutual Funds Management S.A.	99%	96%	Greece	4.572	Mutual funds and private portfolio management
Laiki Bank (Guernsey) Ltd	100%	100%	Guernsey	2.252	Banking
Laiki Factors Ltd	100%	100%	Cyprus	855	Factoring, invoice discounting
IBG Investments S.A. (h)	93%	89%	British Virgin Islands	2.239	Investment services
Marfin Capital Partners Ltd	70%	68%	United Kingdom	810	Investment management
Synergatis Plc (i)	-	-	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 the 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 (Note 1).

NOTES TO THE FINANCIAL STATEMENTS

27. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

(a) Increase in shareholding in Investment Bank of Greece S.A.

In May 2009, Marfin Egnatia Bank S.A. acquired 3.000 shares in its subsidiary Investment Bank of Greece S.A. for € 233.000 and in October 2009, 20.000 additional shares for € 1.597.000. These acquisitions increased Marfin Egnatia Bank S.A. holding in its subsidiary to 92,80%.

(b) Acquisition of CLR Capital Public Ltd and merger with Laiki Investments (Financial Services) Public Company 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%.

In March 2009, the Bank acquired an additional 4,2 m shares of Marfin CLR Public Co Ltd for € 1,4 m. This acquisition brings the Bank's holding to 54,45%.

(c) Increase of share capital of Marfin Leasing S.A.

In December 2009, Marfin Leasing S.A. increased its share capital by € 16 m with payment of the amount by the company's sole shareholder, Marfin Egnatia Bank S.A.

(d) Increase of share capital of Marfin Bank JSC Belgrade

In September 2009, 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 98,21% to 98,71%.

(e) Increase of share capital of Marfin Bank (Romania) S.A.

On 27 July, 2009 Marfin Bank (Romania) S.A. increased its share capital by € 10 m. This increase, which was approved by the Central Banks of Greece and Romania, was fully covered by Marfin Egnatia Bank S.A. as the remaining shareholders waived their rights. As a result, the shareholding of Marfin Egnatia Bank S.A. increased to 99,23%.

(f) Acquisition of Rossiysky Promyishlenny Bank Company Ltd (Rosprombank)

On 4 September, 2008 the Bank finalised the acquisition of Rosprombank, after securing all necessary approvals by the supervisory authorities of Russia and Cyprus. The acquisition was finalised with the transfer of 50,04% of the share capital of the Russian Closed Joint-Stock Company RPB Holding, parent company of Rosprombank against the sum of € 85,7 m.

(g) Acquisition of Lombard Bank Malta Plc

On 28 February, 2008 the Bank acquired 42,86% of the share capital of Lombard Bank Malta Plc for € 50,2 m. During 2008 Lombard Bank Malta Plc paid a dividend of € 2.243.000. The amount attributable to the Bank, which was re-invested, was € 962.000. This re-investment brings the Bank's holding to 43,08%.

NOTES TO THE FINANCIAL STATEMENTS

27. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

(g) Acquisition of Lombard Bank Malta Plc (continued)

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 Bank.

In April 2009, Lombard Bank Malta Plc paid a dividend of € 2.278.000. The amount attributable to the Bank, which was re-invested, was € 981.000. Additionally, in April 2009, the Bank acquired 500.000 shares of Lombard Bank Malta Plc for € 1,3 m. The aforementioned bring the Bank's holding to 44,9%.

(h) Increase of share capital of IBG Investments S.A.

During 2009 an increase of the share capital of IBG Investments S.A. was made, for the amount of € 1.553.000, which was covered by Investment Bank of Greece S.A. (90%) and IBG Capital S.A. (10%) pro rata, based on the respective shareholdings.

(i) Synergatis Plc

On 23 April, 2009 Synergatis Plc was incorporated in the United Kingdom with principal activities the issue of debentures with tangible securities. Synergatis Plc is a special purpose entity and is accounted for as a subsidiary, as its activities are wholly to serve specific needs of the Group.

In 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. All the debentures are held by Group companies.

28. INVESTMENTS IN ASSOCIATES

	2009	2008
	€ '000	€ '000
Balance 1 January	97.272	12.799
Investments in associates from the merger of Marfin Egnatia Bank S.A. with the Bank	2.105	-
Revaluation for the year	13.694	417
Investment in Marfin Insurance Holdings Ltd	-	84.056
	<hr/>	<hr/>
Balance 31 December	113.071	97.272

The investments in associates relate to a 30% interest (2008: 30%) in the share capital of JCC Payment Systems Ltd and a 49,9% interest (2008: 49,9%) in the share capital of Marfin Insurance Holdings Ltd. It also relates to a 30% interest in the share capital of Aris Capital Management LLC transferred to the Bank through the merger of Marfin Egnatia Bank S.A. with the Bank.

NOTES TO THE FINANCIAL STATEMENTS

28. INVESTMENTS IN ASSOCIATES (continued)

Marfin Insurance Holdings Ltd holds 100% of Laiki Cyprialife Ltd, Laiki Insurance Ltd, Marfin Life S.A. and Marfin Insurance Brokers S.A. On 18 December, 2008 50,1% of the share capital of Marfin Insurance Holdings Ltd was transferred to the French CNP Assurances S.A. (CNP) according to a long-term cooperation agreement between Marfin Popular Bank Public Co Ltd Group and CNP. As a result the Bank's 49,9% participation in Marfin Insurance Holdings Ltd is now classified as investment in associate.

The summary financial information of the associates is as follows:

	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
Marfin Insurance Holdings Ltd	792.436	667.519	60.143	29.605	90
Aris Capital Management LLC	861	159	503	161	7
	2008				
	Assets € '000	Liabilities € '000	Revenues € '000	Profit € '000	Issued share capital € '000
JCC Payment Systems Ltd	61.349	17.202	22.533	7.504	1.800
Marfin Insurance Holdings Ltd	745.987	577.539	-	-	90

No information is presented regarding Marfin Insurance Holdings Ltd revenues and profit for the year ended 31 December, 2008, as the company was set up at the end of 2008 and started consolidating its subsidiaries' results from 1 January, 2009.

NOTES TO THE FINANCIAL STATEMENTS

29. INTANGIBLE ASSETS

	Goodwill € '000	Computer software € '000	Other ⁽¹⁾ € '000	Total € '000
At 1 January 2008				
Cost or valuation	-	32.632	-	32.632
Accumulated amortisation	-	(27.318)	-	(27.318)
Net book value	-	5.314	-	5.314
Year ended 31 December 2008				
Net book value at the beginning of the year	-	5.314	-	5.314
Net book value of intangibles of Cyprus Popular Bank (Finance) Ltd from the merger with the Bank	-	425	-	425
Additions	-	4.284	-	4.284
Amortisation charge (Note 9)	-	(4.018)	-	(4.018)
Exchange differences	-	(78)	-	(78)
Net book value at the end of the year	-	5.927	-	5.927
At 31 December 2008				
Cost or valuation	-	37.963	-	37.963
Accumulated amortisation	-	(32.036)	-	(32.036)
Net book value	-	5.927	-	5.927
Year ended 31 December 2009				
Net book value at the beginning of the year	-	5.927	-	5.927
Net book value of intangibles from the merger of Marfin Egnatia Bank S.A. with the Bank	913.930	13.551	211.835	1.139.316
Transfer from the category "Property and Equipment" (Note 31)	-	3.247	-	3.247
Additions	-	9.915	-	9.915
Amortisation charge (Note 9)	-	(6.354)	(6.434)	(12.788)
Exchange differences	-	31	-	31
Net book value at the end of the year	913.930	26.317	205.401	1.145.648
At 31 December 2009				
Cost or valuation	921.813	90.509	243.998	1.256.320
Accumulated amortisation and impairment	(7.883)	(64.192)	(38.597)	(110.672)
Net book value	913.930	26.317	205.401	1.145.648

⁽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 Marfin Egnatia Bank S.A. and transferred to the Bank's balance sheet due to the merger of Marfin Egnatia Bank S.A. with the Bank.

Intangible assets with indefinite useful lives amount to € 44.230.000 and relate to trade names. 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 Bank.

NOTES TO THE FINANCIAL STATEMENTS

29. INTANGIBLE ASSETS (continued)

Impairment test for goodwill

Goodwill is allocated to the Bank's cash-generating units (CGUs) according to the country of operation – Greece – and the business segment – corporate banking – for impairment test purposes.

The recoverable amount for the above CGU has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three to five year period. Cash flows beyond the period covered by financial budgets 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 in Greece are:

Average deposit growth rate	10,23%
Average gross advances growth rate	13,88%
Return on equity	16,00%
Cash flow growth rate	3,00%
Discount rate	10,50%

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 of goodwill are disclosed in Note 3.

The impairment tests for goodwill show no impairment of goodwill during 2009.

30. INVESTMENT PROPERTY

	2009 € '000	2008 € '000
Balance 1 January	8.105	2.614
Investment property from the merger of Marfin Egnatia Bank S.A. with the Bank	30.782	-
Additions	4.739	-
Disposals	(141)	-
Fair value (loss)/gain (Note 7)	(612)	5.491
	<hr/>	
Balance 31 December	42.873	8.105

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 income statement.

Included within "Other income" in the income statement is an amount of € 63.000 (2008: € 6.000) that relates to income from operating lease rentals from investment properties held by the Bank. Included within "Administrative expenses" is an amount of € 13.000 (2008: € 1.000) which represents direct operating expenses arising from investment properties that did not generate rental income during the year.

At 31 December, 2009 there were contractual obligations to purchase, construct or develop investment property amounting to € 81.000 (2008: € 38.000).

NOTES TO THE FINANCIAL STATEMENTS

31. PROPERTY AND EQUIPMENT

	Property € '000	Equipment € '000	Total € '000
At 1 January 2008			
Cost or valuation	126.033	77.482	203.515
Accumulated depreciation	-	(58.839)	(58.839)
Net book value	126.033	18.643	144.676
Year ended 31 December 2008			
Net book value at the beginning of the year	126.033	18.643	144.676
Net book value of property and equipment of Cyprus Popular Bank (Finance) Ltd merged with the Bank	314	241	555
Additions	5.782	9.045	14.827
Disposals	-	(485)	(485)
Depreciation charge (Note 9)	(887)	(5.476)	(6.363)
Exchange differences	(1.762)	(103)	(1.865)
Net book value at the end of the year	129.480	21.865	151.345
At 31 December 2008			
Cost or valuation	130.318	84.159	214.477
Accumulated depreciation	(838)	(62.294)	(63.132)
Net book value	129.480	21.865	151.345
Year ended 31 December 2009			
Net book value at the beginning of the year	129.480	21.865	151.345
Net book value of property and equipment from the merger of Marfin Egnatia Bank S.A. with the Bank	38.580	16.569	55.149
Transfer to the category "Intangible assets" (Note 29)	-	(3.247)	(3.247)
Additions	2.104	13.289	15.393
Disposals	(4.849)	(115)	(4.964)
Depreciation charge (Note 9)	(3.725)	(9.264)	(12.989)
Exchange differences	(100)	728	628
Net book value at the end of the year	161.490	39.825	201.315
At 31 December 2009			
Cost or valuation	201.744	159.785	361.529
Accumulated depreciation	(40.254)	(119.960)	(160.214)
Net book value	161.490	39.825	201.315

As at 31 December, 2009 the Bank held no buildings under construction within property (2008: € 8.682.000).

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

	2009 € '000	2008 € '000
Net book value	4.964	485
Profit/(loss) on disposal of property and equipment (Note 7)	1.051	(50)
Proceeds from disposal of property and equipment	6.015	435

NOTES TO THE FINANCIAL STATEMENTS

31. PROPERTY AND EQUIPMENT (continued)

At 31 December, 2007 a valuation of the Bank's property was performed by independent professional valuers. The fair value of the Bank'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 income statement.

Included within the property of the Bank is an amount of € 33.831.000 (2008: € 2.206.000) which represents 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 € 52.987.000 (2008: € 49.134.000).

32. DUE TO OTHER BANKS

	2009 € '000	2008 € '000
Normal interbank borrowing	2.087.587	1.779.912
Obligations to Central Banks	5.990.000	-
Repurchase agreements with bank counterparties	2.302.205	-
	<u>10.379.792</u>	<u>1.779.912</u>
Current	10.272.836	1.779.912
Non-current	106.956	-
	<u>10.379.792</u>	<u>1.779.912</u>
Analysis by geographical area		
Cyprus	3.006.243	1.433.850
United Kingdom	228.480	346.062
Greece	7.145.069	-
	<u>10.379.792</u>	<u>1.779.912</u>

On 17 November, 2008 Marfin Egnatia Bank S.A. issued the first series of (common) covered bonds amounting to € 1 bln, with maturity of up to two years from the date of issuance with the option of one year extension. 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. 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 and is, therefore, acceptable for refinancing by the European Central Bank.

In December 2009, the Bank received financing of € 515 m from the Central Bank of Cyprus using as collateral special government titles of a three-year duration which were issued by the Cyprus Government for this purpose. The aforementioned finance was solely used for providing housing loans and loans to small and medium size enterprises.

NOTES TO THE FINANCIAL STATEMENTS

33. CUSTOMER DEPOSITS

	2009 € '000	2008 € '000
Current	21.966.320	11.793.373
Non-current	250.957	109.066
	22.217.277	11.902.439
Analysis by geographical area		
Cyprus	10.901.217	11.367.247
United Kingdom	852.214	535.192
Greece	10.463.846	-
	22.217.277	11.902.439

34. SENIOR DEBT

	2009 € '000	2008 € '000
Debentures Marfin Popular Bank Public Co Ltd (2007/2010)	612.711	712.050
Debentures Marfin Popular Bank Public Co Ltd (2009/2012)	377.280	-
Debentures Marfin Popular Bank Public Co Ltd (2009/2014)	23.185	-
Bond loan (Schuldschein) Marfin Egnatia Bank S.A. (2007/2010)	50.000	-
Bond loan (Schuldschein) Marfin Egnatia Bank S.A. (2008/2011)	50.000	-
Syndicated loan Marfin Egnatia Bank S.A. (2008/2010)	250.000	-
	1.363.176	712.050
Current	912.711	-
Non-current	450.465	712.050
	1.363.176	712.050

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

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. The debentures are repayable within three years from their issue and pay interest every three months. The interest rate is set at the three-month rate of Euro (Euribor) plus 0,29%. In May 2009, the Bank repurchased and cancelled debentures of € 100 m. Part of the debentures is held by the Bank.

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 the Bank.

NOTES TO THE FINANCIAL STATEMENTS

34. SENIOR DEBT (continued)

Debentures Marfin Popular Bank Public Co Ltd (2007/2010), Debentures Marfin Popular Bank Public Co Ltd (2009/2012) and Debentures Marfin Popular Bank Public Co Ltd (2009/2014) (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, in 20 November. The interest is set at 4,35%. Part of the debentures is held by the Bank.

The debentures are issued based on the Programme and are listed on the Luxembourg Stock Exchange. The market value at 31 December, 2009 of Debentures Marfin Popular Bank Public Co Ltd (2007/2010) was € 487,9 m (2008: € 662,6 m) and Debentures Marfin Popular Bank Public Co Ltd (2009/2012) was € 367,1 m.

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. Interest is 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%. The debentures or part of them can be repurchased earlier after a decision of Marfin Egnatia Bank S.A.

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. Interest is paid every three months, with the three-month rate of Euro (Euribor) plus 0,60%. The loan or part of it can be repurchased earlier after a decision of Marfin Egnatia Bank S.A.

35. LOAN CAPITAL

	2009 € '000	2008 € '000
Eurobonds Marfin Popular Bank Public Co Ltd due 2016	424.724	438.831
Capital securities Marfin Popular Bank Public Co Ltd	442.229	199.974
	866.953	638.805
Current	-	-
Non-current	866.953	638.805
	866.953	638.805

NOTES TO THE FINANCIAL STATEMENTS

35. LOAN CAPITAL (continued)

Eurobonds Marfin Popular Bank Public Co Ltd due 2016

During 2004 the Bank set up an 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. The issue was in the form of subordinated bonds, maturing in ten years. 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. Part of the bonds is held by the Bank.

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, are listed on the Luxembourg Stock Exchange and their market value at 31 December, 2009 was € 338,2 m (2008: € 351,1 m).

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 offered to a limited group of individuals, professional investors and individuals who each invested at least € 50.000, 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 offered 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 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 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 capital securities bear a fixed interest rate of 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.

NOTES TO THE FINANCIAL STATEMENTS

36. OTHER LIABILITIES

	2009 € '000	2008 € '000
Interest payable	197.559	117.456
Derivative financial instruments with negative fair value (Note 41)	249.229	79.421
Other liabilities	276.157	67.767
	<u>722.945</u>	<u>264.644</u>
Current	462.043	254.619
Non-current	260.902	10.025
	<u>722.945</u>	<u>264.644</u>

37. CURRENT INCOME TAX LIABILITIES

	2009 € '000	2008 € '000
Current income tax liabilities	15.581	4.308
Adjustment recognised in 2009 for current tax of prior periods	(18)	-
	<u>15.563</u>	<u>4.308</u>
Current income tax liabilities		
Current tax liability to be settled after more than 12 months	-	-
Current tax liability to be settled within 12 months	15.563	4.308
	<u>15.563</u>	<u>4.308</u>

38. 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:

	2009 € '000	2008 € '000
Balance 1 January	11.123	11.196
Deferred tax assets and liabilities of Marfin Egnatia Bank S.A. merged with the Bank	2.924	-
(Credit)/debit in income statement (Note 12)	(9.265)	47
Credit in property fair value reserves (Note 40)	(386)	(120)
Debit in available-for-sale financial assets fair value reserves (Note 40)	5.305	-
	<u>9.701</u>	<u>11.123</u>
Balance 31 December	<u>9.701</u>	<u>11.123</u>

NOTES TO THE FINANCIAL STATEMENTS

38. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

	2009 € '000	2008 € '000
Deferred tax liabilities		
Differences between depreciation and wear and tear allowances	2.213	1.278
Revaluation of property	9.459	9.845
Intangible assets	51.350	-
Other temporary differences	14.067	-
	<u>77.089</u>	11.123
Deferred tax assets		
Available-for-sale financial assets	27.551	-
Financial instruments	1.670	-
Provision for impairment of advances	31.077	-
Retirement benefit obligations	2.285	-
Other temporary differences	4.805	-
	<u>67.388</u>	-
	2009 € '000	2008 € '000
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	73.872	11.123
Deferred tax liability to be recovered within 12 months	3.217	-
	<u>77.089</u>	11.123
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	66.494	-
Deferred tax asset to be recovered within 12 months	894	-
	<u>67.388</u>	-

The (credit)/debit relating to deferred tax in the income statement is analysed by temporary differences as follows:

	2009 € '000	2008 € '000
Differences between depreciation and wear and tear allowances	78	47
Intangible assets	(1.556)	-
Financial instruments	519	-
Provision for impairment of advances	(8.943)	-
Other temporary differences	637	-
	<u>(9.265)</u>	47

NOTES TO THE FINANCIAL STATEMENTS

39. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares '000	Share capital € '000	Share premium € '000	Total € '000
1 January 2008	796.691	680.613	1.927.571	2.608.184
Difference from conversion of share capital into Euro (a)	-	(3.426)	-	(3.426)
Dividend re-investment (b)	33.435	28.420	126.717	155.137
Share issue costs	-	-	(284)	(284)
31 December 2008 / 1 January 2009	830.126	705.607	2.054.004	2.759.611
Dividend re-investment (c)	12.246	10.409	17.144	27.553
Share issue costs	-	-	(834)	(834)
Shares in the process of being issued (d)	5.781	4.914	18.695	23.609
31 December 2009	848.153	720.930	2.089.009	2.809.939

- (a) On 15 May, 2008 the Extraordinary General Meeting approved the conversion and reduction of the nominal value of the Bank's share, after rounding, from C£ 0,50 to € 0,85. Furthermore, the Extraordinary General Meeting approved that the Bank's authorised nominal share capital be converted and reduced to € 807.500.000 and the issued share capital to € 677.187.000, and that the reduction on the issued share capital resulting from the above conversion of Cyprus Pounds to Euro totaling € 3.426.000 is recorded into a special reserve account which is called "Difference from conversion of share capital into Euro reserve" (Note 40) for future capitalisation or other lawful use.
- (b) In June 2008, the Bank issued 33.435.000 new ordinary shares, of nominal value € 0,85, which resulted from the re-investment of the dividend for the year 2007, 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 2007 dividend that was paid, into shares of the Bank. The re-investment price of the 2007 dividend into shares was set at € 4,64 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 23 to 29 May, 2008. The trading of the newly issued shares commenced on 18 June, 2008.
- (c) 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.
- (d) 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 of € 0,85 nominal value 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 merger as above mentioned, will have the same rights as the existing, fully paid shares of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

39. SHARE CAPITAL AND SHARE PREMIUM (continued)

As at 31 December, 2008 the Bank's authorised share capital comprised 950 m shares of € 0,85 each. At the Extraordinary General Meeting of the shareholders of the Bank which was held on 19 May, 2009 approval was granted for the increase of the authorised nominal share capital of the Bank from € 807.500.000 to € 935.000.000 by the creation of 150.000.000 additional shares of € 0,85 nominal value each.

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 a maturity date 15 December, 2011. The Options could be exercised by the holders 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 holder's performance being up to the Bank's expectations.

The fair value of the Options granted was measured during the year 2007 using the Black and Scholes model. The significant inputs into the model were: share price of € 8,48 at the grant date, risk-free Euro interest rate curve for the duration of the Scheme 4,15% (average), share price volatility determined on the basis of historic volatility 12% and dividend yield 3,82%. The weighted average fair value of Options granted during the year was € 0,19 per Option. The total expense recognised in the income statement for the year ended 31 December, 2009 for Options granted amounts to € 1.994.000 (2008: € 1.925.000) (Note 8). During the years 2007, 2008 and 2009 no Options were exercised and as at 31 December, 2009 and 31 December, 2008 the number of Options outstanding were 70.305.000.

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 will be recognised over the period from the modification date until the date when the modified options vest.

NOTES TO THE FINANCIAL STATEMENTS

40. RESERVES

	2009 € '000	2008 € '000
Revenue reserves		
Balance 1 January	653.761	504.929
Effect of merger of subsidiary companies with the Bank	111.920	44.178
Profit for the year	170.552	381.382
Transfer from property fair value reserves	362	189
Dividend (Note 51)	(124.519)	(278.842)
Cost of share-based payments to employees (Note 8)	1.994	1.925
	<hr/>	<hr/>
Balance 31 December	814.070	653.761
Property fair value reserves		
Balance 1 January	44.888	44.957
Deferred tax on revaluation (Note 38)	386	120
Transfer to revenue reserves	(362)	(189)
	<hr/>	<hr/>
Balance 31 December	44.912	44.888
Available-for-sale financial assets and investments in subsidiary companies and associates fair value reserves		
Balance 1 January	(75.282)	203.923
Effect of merger of subsidiary companies with the Bank	(70.069)	(44.178)
Revaluation for the year	87.027	(207.886)
Deferred tax on revaluation (Note 38)	(5.305)	-
Transfer to results on disposal of available-for-sale financial assets and investments in subsidiary companies	23.071	(44.209)
Transfer to results due to impairment (Note 6)	1.304	16.340
Amortisation of loss on available-for-sale financial assets reclassified	3.831	728
	<hr/>	<hr/>
Balance 31 December	(35.423)	(75.282)
Currency translation reserves		
Balance 1 January	4.856	292
Exchange differences arising in the year	(8.729)	4.564
	<hr/>	<hr/>
Balance 31 December	(3.873)	4.856
Difference from conversion of share capital into Euro reserve		
Balance 1 January	3.426	-
Difference arising on conversion of share capital into Euro	-	3.426
	<hr/>	<hr/>
Balance 31 December	3.426	3.426
	<hr/>	<hr/>
	823.112	631.649

NOTES TO THE FINANCIAL STATEMENTS

40. 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 dividends 70% of these profits. Special contribution for defence at 15% will be payable on such deemed dividends 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 dividends 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.

41. FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Bank primarily uses derivative financial instruments to hedge risks stemming from interest rate and foreign exchange fluctuations. In addition, the Bank uses derivative financial instruments for own trading with the purpose of increasing its earnings. The main derivative financial instruments, used by the Bank, 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 Bank 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 Bank'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 FINANCIAL STATEMENTS

41. FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The notional and fair value of derivatives were:

	2009			2008		
	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	171.750	7.030	6.692	123.391	5	3
Currency swaps	2.175.529	25.363	23.142	2.528.238	67.463	68.073
		32.393	29.834		67.468	68.076
Interest rate derivatives						
Interest rate swaps	1.759.873	17.168	15.983	1.630.772	7.455	4.868
Index/equity derivatives						
Futures	115	257	271	-	-	-
Options	212.704	23.429	22.366	-	-	-
Credit default swaps	384.788	1.214	2.675	-	-	-
		24.900	25.312		-	-
Total trading derivatives (Note 18)		74.461	71.129		74.923	72.944
Hedging derivatives:						
Derivatives designated as fair value hedges						
Options	49.713	1.853	2.165	-	-	-
Interest rate swaps	2.845.448	2.721	75.562	87.921	-	6.477
Asset swaps	2.056.174	3.410	100.373	-	-	-
Total hedging derivatives (Note 25)		7.984	178.100		-	6.477
Total derivatives (Note 36)		82.445	249.229		74.923	79.421

NOTES TO THE FINANCIAL STATEMENTS

42. CASH (USED IN)/GENERATED FROM OPERATIONS

	2009 € '000	2008 € '000
Profit before tax	200.710	414.764
Adjustments for:		
Depreciation of property and equipment (Note 31)	12.989	6.363
Amortisation of computer software (Note 29)	6.354	4.018
Amortisation of other intangibles (Note 29)	6.434	-
Fair value loss/(gain) on investment property (Note 30)	612	(5.491)
Cost of share-based payments to employees (Note 8)	1.994	1.925
Impairment of available-for-sale financial assets (Note 6)	1.304	16.340
Exchange differences	(3.436)	11.883
Income received from financial assets	(166.600)	(144.909)
Interest paid on senior debt and loan capital	50.937	72.051
Dividend from subsidiary companies and associates (Note 7)	(8.873)	(23.531)
(Profit)/loss on disposal of property and equipment (Note 31)	(1.051)	50
Profit on disposal of available-for-sale financial assets (Note 6)	(78.118)	(66.103)
Profit on disposal of subsidiary companies (Note 6)	-	(29.120)
	23.256	258.240
Change in:		
Due to other banks	2.039.517	1.141.285
Customer deposits	(708.764)	1.203.307
Balances with subsidiary companies	(445.528)	(267.773)
Other liabilities	(25.210)	42.286
Retirement benefit obligations	24.426	15.981
Restricted balances with Central Banks	14.092	462.631
Due from other banks	(166.488)	153.464
Financial assets at fair value through profit or loss	69.749	(48.343)
Advances to customers	(1.233.053)	(1.873.003)
Debt securities lending	(1.037.198)	(99.495)
Balances with subsidiary companies	675.648	(114.760)
Other assets	(765.754)	(65.139)
	(1.535.307)	808.681

Non-cash transactions

The shareholding in Marfin Insurance Holdings Ltd was partly acquired through cash and partly acquired through the exchange of shares. The exchange of shares had no effect on the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

43. CASH AND CASH EQUIVALENTS

	2009 € '000	2008 € '000
Cash and non-restricted balances with Central Banks	1.389.355	78.277
Due from other banks – due within three months	2.623.023	3.253.731
	4.012.378	3.332.008
Exchange differences	-	3.436
	4.012.378	3.335.444

44. SEGMENTAL ANALYSIS

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

Segment information for 2008 that is reported as comparative information for 2009 has been restated to conform to the requirements of IFRS 8.

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 Bank meet the definition of a reportable segment under IFRS 8.

The Bank 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 Bank and all other business not falling into any of the other segments, none of which constitutes a separately reportable segment.

As the Bank'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.

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 income statement.

NOTES TO THE FINANCIAL STATEMENTS

44. SEGMENTAL ANALYSIS (continued)

The Bank's management reporting is based on a measure of profit before tax 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 balance sheet items comprises advances to customers and customer deposits.

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 2009							
Net interest income from external customers	184.697	157.424	3.507	53.609	30.973	-	430.210
Net fee and commission income	31.635	47.166	3.697	35.122	11.952	(322)	129.250
Financial and other income	2.210	2.539	456	10.524	98.216	11	113.956
Operating expenses	(53.245)	(224.845)	(11.149)	(39.706)	(10.661)	(11.960)	(351.566)
Provision for impairment of advances	(24.677)	(88.578)	(276)	(4.608)	-	-	(118.139)
Segment result	140.620	(106.294)	(3.765)	54.941	130.480	(12.271)	203.711
As at 31 December 2009							
Advances to customers	9.420.688	9.866.300	1.398.714	1.334.482	-	-	22.020.184
Customer deposits	4.597.885	11.594.820	1.580.264	4.444.308	-	-	22.217.277

NOTES TO THE FINANCIAL STATEMENTS

44. SEGMENTAL ANALYSIS (continued)

Segment information (continued)

	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 2008							
Net interest income from external customers	143.862	100.278	3.460	116.664	(4.943)	18.117	377.438
Net fee and commission income	33.922	35.685	2.965	39.707	(822)	-	111.457
Financial and other income	24.301	25.971	1.710	110.593	(7.611)	15	154.979
Operating expenses	(34.311)	(123.422)	(6.240)	(30.968)	(3.817)	(10.812)	(209.570)
Provision for impairment of advances	(11.996)	(6.383)	(466)	(695)	-	-	(19.540)
Segment result	155.778	32.129	1.429	235.301	(17.193)	7.320	414.764
As at 31 December 2008							
Advances to customers	5.198.078	2.626.854	116.750	1.089.788	-	-	9.031.470
Customer deposits	1.889.386	5.005.972	369.399	4.637.682	-	-	11.902.439

NOTES TO THE FINANCIAL STATEMENTS

44. SEGMENTAL ANALYSIS (continued)

Reconciliation of segment results to profit for the year

	Total management reporting € '000	Adjustments € '000	Total € '000
For the year ended 31 December 2009			
Net interest income	430.210	829	431.039
Net fee and commission income	129.250	245	129.495
Financial and other income	113.956	2.359	116.315
Operating expenses	(351.566)	-	(351.566)
Provision for impairment of advances	(118.139)	-	(118.139)
Segment result	203.711	3.433	207.144
Amortisation of other intangible assets			(6.434)
Tax			(30.158)
Profit for the year			170.552
As at 31 December 2009			
Advances to customers	22.020.184	-	22.020.184
Customer deposits	22.217.277	-	22.217.277
For the year ended 31 December 2008			
Net interest income	377.438	-	377.438
Net fee and commission income	111.457	343	111.800
Financial and other income	154.979	(343)	154.636
Operating expenses	(209.570)	-	(209.570)
Provision for impairment of advances	(19.540)	-	(19.540)
Segment result	414.764	-	414.764
Tax			(33.382)
Profit for the year			381.382
As at 31 December 2008			
Advances to customers	9.031.470	-	9.031.470
Customer deposits	11.902.439	-	11.902.439

NOTES TO THE FINANCIAL STATEMENTS

44. SEGMENTAL ANALYSIS (continued)

Geographical information

	2009			
	Operating income € '000	Total assets € '000	Advances to customers € '000	Customer deposits € '000
Cyprus	443.745	18.859.104	8.915.440	10.901.216
Greece	203.083	19.195.672	12.086.920	10.463.847
UK	30.021	2.169.528	1.017.824	852.214
Total	676.849	40.224.304	22.020.184	22.217.277

	2008			
	Operating income € '000	Total assets € '000	Advances to customers € '000	Customer deposits € '000
Cyprus	612.628	17.355.343	8.083.368	11.367.247
UK	31.246	2.137.558	948.102	535.192
Total	643.874	19.492.901	9.031.470	11.902.439

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

45. 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 Bank'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.

	2009 € '000	2008 € '000
Acceptances	95.081	109.752
Guarantees	1.326.823	469.204
	1.421.904	578.956

NOTES TO THE FINANCIAL STATEMENTS

45. CONTINGENCIES AND COMMITMENTS (continued)

Unutilised credit facilities

The amount of approved unutilised credit facilities was € 27.433.000 (2008: € 37.262.000).

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, 2009 amounted to € 7,0 m (2008: € 10,0 m).

Legal proceedings

As at 31 December, 2009 there were pending litigations against the Bank 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 Bank will suffer any significant damage. Therefore, no provision has been made in the financial statements regarding these cases.

Operating lease commitments

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

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

	2009	2008
	€ '000	€ '000
Less than one year	24.875	3.271
Over one but less than five years	73.730	10.215
Over five years	53.430	2.554
	152.035	16.040

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT

As is the case for all other financial institutions, the Bank is exposed to risks. These risks are being continuously monitored using various methods, so as to avoid the excessive concentration of risk. The nature of the risks undertaken and the ways in which they are managed by the Bank are outlined below.

The year 2009 was a particularly challenging year for the global economy and the international financial system. For Greece in particular, 2010 continues to be a challenging year due to the rapid deterioration of the country's public finances. The Greek Government's recent plan for fiscal consolidation and structural changes was dictated by the recent critical conditions and contains austere but necessary measures. The strict implementation of the program, along with measures to revive economic growth, is expected to lead to the rationalisation of the country's public finances and the de-escalation of its cost of borrowing, the restoration of the country's international credibility and to provide better prospects for the future. Now, it is critical to support this important effort and take additional stimulative measures that will help Greece come out of the recession and move towards more sustainable and competitive economic growth.

In the current unstable and unpredictable economic environment, the Bank's key strategic objective is to sustain a strong capital and liquidity position that would in turn enable it to serve the interest of its shareholders and customers in the most effective way. During 2009 the Bank took a series of measures that enable it to successfully withstand the impact of the ongoing crisis. The sustained improving operating performance of the Bank over the last three quarters of 2009 reflects the successful implementation of the Bank's strategy built upon prudent balance sheet and robust risk management combined with strong focus on efficiency and profitability. The Bank's improving balance sheet structure during 2009 has been crystallised on a combination of strong liquidity and robust capital base. Its formulated strategy for 2010 ensures that it should remain a strong bank.

CREDIT RISK

Credit risk stems from the possibility of non-prompt repayment of existing and contingent obligations of the Bank'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, ending up at the 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 Bank's overall strategy and objectives.

Credit risk undertaken

Credit policy

The Bank's lending portfolio is split into retail, commercial and corporate lending. 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 Bank'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 Bank's customers are either private borrowers or small and medium businesses whilst customers often borrow in both capacities utilising a number of different lending products and facilities.

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Credit risk undertaken (continued)

Credit policy (continued)

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.

In order for the Bank 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 of risk, (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 generally be implemented using one or a combination of the two following concepts: scenario tests (multiple factors) and sensitivity analysis (single factor). The purpose of stress testing is to assist the Bank 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.

Limits of authority

Credit limits of authority indicate the hierarchy of approving credit facilities to the Bank'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.
- (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 Bank of Cyprus, with which the Bank 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.

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Credit risk undertaken (continued)

Rating models (continued)

For the assessment of small, medium and large businesses, the Bank 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.

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 Bank'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 Bank will comply with the credit risk policy, the procedures of the Bank and the directives issued by the Central Bank of Cyprus. In addition, based on a cost-benefit analysis, the Risk Management Division assesses the effect of the new product on the Bank's product portfolio and ensures that the credit risk of the portfolio does not exceed the desired levels.

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 Bank with recommendations for actions.

Reporting

The Risk Management Division is responsible for preparing extensive reporting to the Risk Management Committee, the Group Executive Committee and 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 for the Central Bank of Cyprus regarding the quality of the lending portfolio and the percentage of accomplishment of quantitative targets set.

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Management of credit risk (continued)

Collateral policy

The collateral policy followed, enables the Bank to better manage credit risk. The collateral policy principles determine: (a) the desired cover per collateral type, (b) the types of acceptable collaterals, 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 Bank 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.

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 Bank 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 Bank'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 to the Risk Management Committee, Assets and Liabilities Committee and the Central Bank of Cyprus.

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

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

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 Bank:

Credit rating category:	2009		2008	
	Advances %	Impairment provision %	Advances %	Impairment provision %
Low risk	43	0,26	68	-
Medium risk	47	0,23	24	-
High risk	10	27,08	8	41,5
	100	2,81	100	3,13

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

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

The following table presents the Bank'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	
	2009 € '000	2008 € '000
Credit risk exposures relating to on-balance sheet assets are as follows:		
Balances with Central Banks (Note 15)	1.571.400	113.024
Due from other banks (Note 16)	3.315.082	3.438.808
Financial assets at fair value through profit or loss:		
Debt securities (Note 18)	39.273	47.658
Derivative financial instruments with positive fair value (Note 18)	74.461	74.923
Advances to customers:		
Advances to individuals	7.510.249	2.840.165
Advances to corporate entities:		
Large corporate customers	7.875.434	2.552.434
Small and medium size enterprises (SMEs)	6.634.501	3.638.871
Debt securities lending (Note 22)	3.395.068	303.306
Available-for-sale financial assets – debt securities (Note 23)	3.250.442	1.687.284
Held-to-maturity financial assets (Note 24)	1.078.264	502.302
Other assets	366.091	85.573
	35.110.265	15.284.348
Credit risk exposures relating to off-balance sheet items are as follows:		
Acceptances (Note 45)	95.081	109.752
Guarantees (Note 45)	1.326.823	469.204
Amount of unutilised credit facilities (Note 45)	27.433	37.262
	1.449.337	616.218
	36.559.602	15.900.566

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

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

As shown above, 69% of the total maximum exposure is derived from due from other banks and advances to customers (2008: 78%), 9% represents available-for-sale financial assets – debt securities (2008: 11%), and 12% represents financial assets – debt securities measured at amortised cost (2008: 5%).

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

- 90% of advances portfolio is categorised in the top two grades of the internal rating system (2008: 92%).
- 85% of the advances portfolio are assessed to be neither past due nor impaired (2008: 86%).
- € 1.259 m or 6% of advances have are assessed to be individually impaired (2008: € 358 m or 4%).
- 90% of investment in debt securities have at least A- credit rating or a better credit rating (2008: 99%).

Advances

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

	2009			2008		
	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 the Central Bank € '000
Neither past due nor impaired	19.225.157	3.315.082	1.571.400	7.981.761	3.438.808	113.024
Past due but not impaired	2.173.800	-	-	982.942	-	-
Impaired	1.258.833	-	-	358.466	-	-
Gross	22.657.790	3.315.082	1.571.400	9.323.169	3.438.808	113.024
Provision for impairment of advances	(637.606)	-	-	(291.699)	-	-
Net	22.020.184	3.315.082	1.571.400	9.031.470	3.438.808	113.024
Analysis of provision for impairment of advances:						
Individual impairment	408.036	-	-	268.890	-	-
Collective impairment	229.570	-	-	22.809	-	-
Total provision for impairment of advances	637.606	-	-	291.699	-	-

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Advances (continued)

(a) Advances neither past due nor impaired

The following table analyses the Bank'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
	Corporate entities		Small and medium size			
	Individuals € '000	Large corporate customers € '000	enterprises € '000			
2009						
Credit rating category:						
Low risk	3.821.667	3.235.670	1.930.301	8.987.638	3.315.082	1.571.400
Medium risk	2.103.346	4.075.524	3.602.250	9.781.120	-	-
High risk	137.864	119.630	198.905	456.399	-	-
	6.062.877	7.430.824	5.731.456	19.225.157	3.315.082	1.571.400
2008						
Credit rating category:						
Low risk	2.260.131	1.686.591	1.898.993	5.845.715	3.438.808	113.024
Medium risk	223.444	453.550	1.245.244	1.922.238	-	-
High risk	33.231	46.461	134.116	213.808	-	-
	2.516.806	2.186.602	3.278.353	7.981.761	3.438.808	113.024

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Advances (continued)

(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	
2009				
Past due up to 30 days	513.634	173.020	170.028	856.682
Past due 31 to 60 days	277.411	28.258	67.967	373.636
Past due 61 to 90 days	171.483	97.551	170.151	439.185
Past due over 90 days	162.250	114.166	227.881	504.297
Advances past due but not impaired	1.124.778	412.995	636.027	2.173.800
Fair value of collateral	531.059	258.944	473.053	1.263.056
2008				
Past due up to 30 days	151.323	287.362	145.166	583.851
Past due 31 to 60 days	47.484	48.305	36.530	132.319
Past due 61 to 90 days	37.297	14.446	37.240	88.983
Past due over 90 days	36.070	42.749	98.970	177.789
Advances past due but not impaired	272.174	392.862	317.906	982.942
Fair value of collateral	194.301	336.595	366.067	896.963

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

(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	
2009				
Individually impaired advances	672.312	112.146	474.375	1.258.833
Fair value of collateral	180.231	53.054	238.752	472.037
2008				
Individually impaired advances	199.938	44.510	114.018	358.466
Fair value of collateral	64.550	24.709	72.462	161.721

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Advances (continued)

(d) Advances renegotiated

The carrying amount of advances which would have been categorised as past due or impaired and have been renegotiated during 2009 is € 526.576.000 (2008: € 76.555.000).

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 rating agency ratings. The Bank's securities are neither past due nor impaired.

	Treasury bills and other bills € '000	Trading securities € '000	Investment securities € '000	Total € '000
2009				
AAA	342.737	1.004	833.343	1.177.084
AA- to AA+	697.996	10.244	949.035	1.657.275
A- to A+	2.609.383	8.879	1.529.929	4.148.191
Lower than A-	126.321	6.509	602.339	735.169
Unrated	-	9.894	35.434	45.328
	3.776.437	36.530	3.950.080	7.763.047
2008				
AAA	-	-	363.737	363.737
AA- to AA+	226.775	8.676	1.394.715	1.630.166
A- to A+	98.350	38.982	376.813	514.145
Lower than A-	-	-	32.502	32.502
	325.125	47.658	2.167.767	2.540.550

The Bank's exposure in Greek sovereign titles as at 31 December, 2009 amounted to € 2.563.486.000 (2008: € 36.860.000).

Reposessed collateral

The table below presents the nature and book value of assets that have been obtained by the Bank 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.

	2009 € '000	2008 € '000
Land	22.099	5.010
Buildings	34.309	130
Others	3.152	-
	59.560	5.140

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Concentration of risks of financial assets with credit exposure

(a) Geographical sectors

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

	Cyprus € '000	Greece € '000	Other countries € '000	Total € '000
On-balance sheet assets:				
Balances with Central Banks (Note 15)	559.578	1.011.822	-	1.571.400
Due from other banks (Note 16)	147.693	1.233.295	1.934.094	3.315.082
Financial assets at fair value through profit or loss:				
Debt securities (Note 18)	3.039	6.785	29.449	39.273
Derivative financial instruments with positive fair value (Note 18)	-	-	74.461	74.461
Advances to customers:				
Advances to individuals	2.605.531	4.206.667	698.051	7.510.249
Advances to corporate entities:				
Large corporate customers	2.530.385	2.394.396	2.950.653	7.875.434
Small and medium size enterprises	3.614.763	2.775.051	244.687	6.634.501
Debt securities lending (Note 22)	307	2.531.692	863.069	3.395.068
Available-for-sale financial assets - debt securities (Note 23)	372.811	350.104	2.527.527	3.250.442
Held-to-maturity financial assets (Note 24)	242.482	307.475	528.307	1.078.264
Other assets	13.329	331.988	20.774	366.091
Total on-balance sheet	10.089.918	15.149.275	9.871.072	35.110.265
Off-balance sheet items:				
Acceptances (Note 45)	67.166	22.552	5.363	95.081
Guarantees (Note 45)	662.651	550.222	113.950	1.326.823
Amount of unutilised credit facilities (Note 45)	2.496	-	24.937	27.433
Total off-balance sheet	732.313	572.774	144.250	1.449.337
31 December 2009	10.822.231	15.722.049	10.015.322	36.559.602
31 December 2008	8.562.871	1.537.001	5.800.694	15.900.566

NOTES TO THE FINANCIAL STATEMENTS

46. 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 Bank's main credit exposures at carrying amount, as categorised by the industry sectors in which counterparties operate.

	Manufacturing € '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)	-	-	-	-	-	1.571.400	-	1.571.400
Due from other banks (Note 16)	-	-	-	-	-	3.315.082	-	3.315.082
Financial assets at fair value through profit or loss:								
Debt securities (Note 18)	-	-	-	-	-	25.509	13.764	39.273
Derivative financial instruments with positive fair value (Note 18)	-	-	-	-	-	18.251	56.210	74.461
Advances to customers:								
Advances to individuals	35.043	54.261	124.820	200.367	7.055.974	-	39.784	7.510.249
Advances to corporate entities:								
Large corporate customers	307.196	265.948	681.010	1.327.788	1.085.505	77.444	4.130.543	7.875.434
Small and medium size enterprises	587.040	604.825	1.733.343	2.161.282	892.936	21.964	633.111	6.634.501
Debt securities lending (Note 22)	-	-	-	-	-	1.786.575	1.608.493	3.395.068
Available-for-sale financial assets – debt securities (Note 23)	-	-	-	-	676	1.407.774	1.841.992	3.250.442
Held-to-maturity financial assets (Note 24)	-	-	-	-	447.297	583.968	46.999	1.078.264
Other assets	89	1.184	240	5.193	3.847	18.953	336.585	366.091
Total on-balance sheet	929.368	926.218	2.539.413	3.694.630	9.486.235	8.826.920	8.707.481	35.110.265
Off-balance sheet items:								
Acceptances (Note 45)	7.182	41	42.857	5.558	8.296	-	31.147	95.081
Guarantees (Note 45)	20.996	41.517	80.771	350.713	137.373	391	695.062	1.326.823
Amount of unutilised credit facilities (Note 45)	-	260	4	5.870	1.340	-	19.959	27.433
Total off-balance sheet	28.178	41.818	123.632	362.141	147.009	391	746.168	1.449.337
31 December 2009	957.546	968.036	2.663.045	4.056.771	9.633.244	8.827.311	9.453.649	36.559.602
31 December 2008	279.058	576.981	868.459	2.562.865	4.002.709	6.476.978	1.133.516	15.900.566

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

COUNTERPARTY BANKS' RISK

The Bank runs the risk of loss of funds due to the possibility that a counterparty (i.e. a bank) with which the Bank 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 prevailing world financial crisis and the problems faced by many financial institutions, the Bank 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 positions 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.

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 Bank's operations. The Risk Management Committee and/or the Group Executive Committee have the responsibility for approving the limit framework for counterparty bank risk, the Bank risk profile and the relative risk management strategies, policies and risk methodologies.

Upon approval of limits these are communicated to the Bank's Treasury. Responsibility for monitoring this risk is performed by the Risk Management Division of the Bank.

Policies and procedures

The Bank'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 bank risk. Also, a Market Risk Methodologies Manual describes the methodologies and formulae used to calculate credit risk exposure to counterparties.

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

COUNTERPARTY BANKS' RISK (continued)

Measurement assessment and control

The Bankscope model is the basis for the Bank's rating system, which sets the maximum allowable bank 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 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.

Monitoring and reporting

The Bank 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 Bank's strategy and prevailing market conditions, following their approval by the relevant authorities.

COUNTRY RISK

Country risk involves various risks that may be generated at country level as a result of political or economic events. These include political risk, risk of government default, inability of converting local currency to any major currency (convertibility risk) and transferring it out of the country (transferability risk).

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

Roles and responsibilities

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

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

COUNTRY RISK (continued)

Policies and procedures

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

Measurement and control

In light of the economic developments stemming from the world financial crisis, the Bank 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 world financial crisis,
- the actions taken and the strengths of each country to face the crisis,
- the support that the country receives from other countries and whether the country belongs to any organisations which will support it if necessary,
- the presence and future fiscal position of the country, and
- the rating given by international credit rating organisations.

INTEREST RATE RISK

Interest rate risk is defined as the exposure of the Bank's financial condition to adverse movements in interest rates since the financial position and the cashflows of the Bank 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 Bank is considered to be the repricing risk, which arises from 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.

Roles and responsibilities

The Risk Management Committee and/or the Group Executive Committee approve the interest rate risk strategy, policy and limits. The Assets and Liabilities Committee and Risk Management Committee review the Bank's interest rate risk profile.

Policies and procedures

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

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

INTEREST RATE RISK (continued)

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:

- (a) interest rate risk exposure in each currency per predefined time period,
- (b) interest rate risk total exposure in each main currency,
- (c) interest rate risk exposure in all currencies per predefined time period, and
- (d) interest rate risk total exposure in all periods and all currencies.

In addition to the monitoring of interest rate gaps, the 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 Bank 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.

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

NOTES TO THE FINANCIAL STATEMENTS

46. 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 Bank from significant movements on interest rates of all currencies that the Bank is exposed to.

	Euro € '000	United States Dollar € '000	Sterling Pound € '000	Other currencies € '000	Total € '000
2009					
Impact on net interest income					
+200 b.p. in all currencies	161.000	(9.000)	3.600	(10.000)	145.600
-200 b.p. in all currencies	(40.300)	500	(900)	5.300	(35.400)
Impact on fair value of financial instruments					
+200 b.p. in all currencies	110.000	(20.800)	2.100	(2.200)	89.100
-200 b.p. in all currencies	(27.700)	1.000	(500)	2.700	(24.500)
2008					
Impact on net interest income					
+200 b.p. in all currencies	43.400	(22.100)	2.800	(10.300)	13.800
-200 b.p. in all currencies	(10.800)	1.100	(700)	6.400	(4.000)
Impact on fair value of financial instruments					
+200 b.p. in all currencies	(69.600)	(19.400)	1.800	1.200	(86.000)
-200 b.p. in all currencies	36.000	9.400	(900)	(500)	44.000

A parallel 200 basis points (2008: 200 basis points) increase in market interest rates across all currencies, applied to the Bank's balance sheet banking book as at 31 December, 2009, would result in an increase in yearly net interest income by € 145,6 m (2008: € 13,8 m) and an increase in the fair value of financial instruments by € 89,1 m (2008: € 86,0 m decrease in the fair value). 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 € 35,4 m (2008: € 4,0 m) and a decrease in the fair value of financial instruments by € 24,5 m (2008: € 44,0 m increase of fair value). For the above sensitivity analysis for those currencies where the base interest rate was above 2%, a parallel 200 basis points (2008: 200 basis points) decrease was used.

The following tables summarise the Bank's exposure to interest rate risk. Included in the tables are the Bank'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 Bank's exposure to interest rate movements.

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

INTEREST RATE RISK (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	1.571.400	-	-	-	-	143.830	1.715.230
Due from other banks	2.329.109	565.375	390.853	10.000	-	19.745	3.315.082
Financial assets at fair value through profit or loss	21.670	17.852	654	15.352	1.996	138.986	196.510
Advances to customers	14.710.638	3.269.403	1.750.591	1.407.944	881.608	-	22.020.184
Debt securities lending	155.128	1.800.148	97.783	330.010	1.011.999	-	3.395.068
Balances with subsidiary companies	1.550.936	164.800	144.932	-	6.511	471	1.867.650
Available-for-sale financial assets	332.585	709.101	225.567	835.356	1.147.833	280.473	3.530.915
Held-to-maturity financial assets	478.414	345.558	108.473	83.401	62.418	-	1.078.264
Other assets	38.913	54.344	172	12.651	-	373.070	479.150
Investments in subsidiary companies	-	-	-	-	-	1.123.344	1.123.344
Investments in associates	-	-	-	-	-	113.071	113.071
Intangible assets	-	-	-	-	-	1.145.648	1.145.648
Investment property	-	-	-	-	-	42.873	42.873
Property and equipment	-	-	-	-	-	201.315	201.315
Total assets	21.188.793	6.926.581	2.719.025	2.694.714	3.112.365	3.582.826	40.224.304
Liabilities							
Due to other banks	4.109.065	1.671.418	4.581.542	-	-	17.767	10.379.792
Customer deposits	12.367.869	4.283.891	5.019.541	252.376	14.718	278.882	22.217.277
Senior debt	50.000	912.711	-	400.465	-	-	1.363.176
Loan capital	-	866.953	-	-	-	-	866.953
Balances with subsidiary companies	461.592	118.527	6.218	7.955	101.649	4.741	700.682
Other liabilities	13.451	-	-	-	-	802.146	815.597
Retirement benefit obligations	-	-	-	-	-	247.776	247.776
Total liabilities	17.001.977	7.853.500	9.607.301	660.796	116.367	1.351.312	36.591.253
Net on balance sheet position	4.186.816	(926.919)	(6.888.276)	2.033.918	2.995.998		
Net notional position of derivative financial instruments	1.114.456	2.323.178	1.408.569	(2.811.269)	(2.034.934)		
Net interest sensitivity gap	5.301.272	1.396.259	5.479.707	(777.351)	961.064		

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

INTEREST RATE RISK (continued)

2008	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
Assets							
Cash and balances with the Central Bank	113.024	-	-	-	-	78.277	191.301
Due from other banks	2.133.915	1.033.993	270.900	-	-	-	3.438.808
Financial assets at fair value through profit or loss	89.893	32.688	-	-	-	-	122.581
Advances to customers	6.766.162	810.872	924.992	527.764	1.680	-	9.031.470
Debt securities lending	77.855	221.058	4.393	-	-	-	303.306
Balances with subsidiary companies	207.120	801.401	142.986	-	-	-	1.151.507
Available-for-sale financial assets	521.207	951.059	58.347	57.858	98.813	254.954	1.942.238
Held-to-maturity financial assets	154.210	144.013	29.134	109.789	65.156	-	502.302
Other assets	85.230	20.124	-	-	-	-	105.354
Investments in subsidiary companies	-	-	-	-	-	2.441.385	2.441.385
Investments in associates	-	-	-	-	-	97.272	97.272
Intangible assets	-	-	-	-	-	5.927	5.927
Investment property	-	-	-	-	-	8.105	8.105
Property and equipment	-	-	-	-	-	151.345	151.345
Total assets	10.148.616	4.015.208	1.430.752	695.411	165.649	3.037.265	19.492.901
Liabilities							
Due to other banks	1.589.380	188.514	2.018	-	-	-	1.779.912
Customer deposits	7.338.374	1.508.612	2.949.382	104.589	1.482	-	11.902.439
Senior debt	-	712.050	-	-	-	-	712.050
Loan capital	-	638.805	-	-	-	-	638.805
Balances with subsidiary companies	288.411	272.409	8.316	7.648	-	-	576.784
Other liabilities	-	-	-	-	-	280.075	280.075
Retirement benefit obligations	-	-	-	-	-	211.576	211.576
Total liabilities	9.216.165	3.320.390	2.959.716	112.237	1.482	491.651	16.101.641
Net on balance sheet position	932.451	694.818	(1.528.964)	583.174	164.167		
Net notional position of derivative financial instruments	(27.872)	(534.030)	755.662	(52.911)	(140.849)		
Net interest sensitivity gap	904.579	160.788	(773.302)	530.263	23.318		

A significant part of the interest rate exposure is hedged through interest rate swaps instruments.

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CURRENCY RISK

Currency risk relates to the risk of fluctuations in the value 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 the Bank's 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 Assets and Liabilities Committee and Risk Management Committee review the foreign exchange risk profile.

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 Banks of Cyprus and Greece and any other local regulator.

Measurement and control

The Bank enters into foreign exchange transactions in order to accommodate customer needs and for hedging its own exposure. The Bank's Treasury also enters 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:

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

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

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CURRENCY RISK (continued)

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 Bank'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 Bank and the prevailing market conditions.

The table below represents the Bank'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 income statement € '000	Impact on equity € '000
2009			
Currency			
United States Dollar	5	668	243
Sterling Pound	5	(21)	53
Australian Dollar	5	(11)	(106)
Romanian Lei	10	486	168
Russian Roubles	10	15	(55)
Serbian Dinar	10	1.297	1.302
Other	10	(480)	71
Currency			
United States Dollar	(5)	(668)	(243)
Sterling Pound	(5)	21	(53)
Australian Dollar	(5)	11	106
Romanian Lei	(10)	(486)	(168)
Russian Roubles	(10)	(15)	55
Serbian Dinar	(10)	(1.297)	(1.302)
Other	(10)	480	(71)

The following table summarises the Bank's exposure to currency risk. Included in the table are the Bank'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 Bank's exposure to currency movements, categorised by currency.

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CURRENCY RISK (continued)

2009	Euro € '000	United States Dollar € '000	Sterling Pound € '000	Australian Dollar € '000	Other currencies € '000	Total € '000
Assets						
Cash and balances with Central Banks	1.698.244	6.952	4.658	1.167	4.209	1.715.230
Due from other banks	932.250	1.928.263	299.614	29.870	125.085	3.315.082
Financial assets at fair value through profit or loss	83.785	108.772	3.808	145	-	196.510
Advances to customers	17.881.304	2.300.933	897.379	1.426	939.142	22.020.184
Debt securities lending	3.288.067	107.001	-	-	-	3.395.068
Balances with subsidiary companies	1.711.138	29.612	13	148	126.739	1.867.650
Available-for-sale financial assets	2.957.068	426.579	131.118	-	16.150	3.530.915
Held-to-maturity financial assets	1.056.686	21.578	-	-	-	1.078.264
Other assets	456.203	18.010	1.891	693	2.353	479.150
Investments in subsidiary companies	1.074.647	-	2.899	45.798	-	1.123.344
Investments in associates	111.066	2.005	-	-	-	113.071
Intangible assets	1.145.223	-	425	-	-	1.145.648
Investment property	42.873	-	-	-	-	42.873
Property and equipment	192.260	-	9.055	-	-	201.315
Total assets	32.630.814	4.949.705	1.350.860	79.247	1.213.678	40.224.304
Liabilities						
Due to other banks	9.903.433	299.839	174.937	754	829	10.379.792
Customer deposits	16.253.805	4.484.816	995.378	233.838	249.440	22.217.277
Senior debt	1.363.176	-	-	-	-	1.363.176
Loan capital	866.953	-	-	-	-	866.953
Balances with subsidiary companies	508.042	169.370	22.375	754	141	700.682
Other liabilities	746.719	53.121	13.453	2.042	262	815.597
Retirement benefit obligations	246.430	-	1.346	-	-	247.776
	29.888.558	5.007.146	1.207.489	237.388	250.672	36.591.253
Equity	3.622.246	-	10.805	-	-	3.633.051
Total liabilities and equity	33.510.804	5.007.146	1.218.294	237.388	250.672	40.224.304
Net on-balance sheet position	(879.990)	(57.441)	132.566	(158.141)	963.006	
Net notional position of derivative financial instruments	861.324	62.309	(131.518)	156.028	(948.143)	
Net currency position	(18.666)	4.868	1.048	(2.113)	14.863	
Off-balance sheet items:						
Acceptances	86.895	2.504	1.181	-	4.501	95.081
Guarantees	1.231.544	39.413	12.105	3.863	39.898	1.326.823
Amount of unutilised credit facilities	-	-	27.433	-	-	27.433
Total off-balance sheet	1.318.439	41.917	40.719	3.863	44.399	1.449.337
2008						
Total assets	13.746.665	3.107.906	1.376.201	47.930	1.214.199	19.492.901
Total liabilities and equity	14.655.609	3.463.566	1.135.439	87.283	151.004	19.492.901
Net on-balance sheet position	(908.944)	(355.660)	240.762	(39.353)	1.063.195	
Net notional position of derivative financial instruments	881.848	365.724	(246.471)	49.981	(1.051.082)	
Net currency position	(27.096)	10.064	(5.709)	10.628	12.113	
Off-balance sheet items:						
Acceptances	109.052	-	700	-	-	109.752
Guarantees	425.002	25.351	6.242	3.007	9.602	469.204
Amount of unutilised credit facilities	-	-	37.262	-	-	37.262
Total off-balance sheet	534.054	25.351	44.204	3.007	9.602	616.218

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

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

The risk in relation to the changes of the prices of equity securities that are owned by the Bank is stemming from adverse changes of the current prices of equity securities and other financial assets. The Bank is mostly investing in equity shares listed on the Athens Exchange and the Cyprus Stock Exchange and depending on the purpose of acquisition the investments are classified in the appropriate portfolio. The Risk Management Committee, the Group Executive Committee and the Assets and Liabilities Committee receive information for monitoring this risk. The Bank uses VaR methodology and position limits to monitor this 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 Bank, whereas for the equity securities classified as available-for-sale a change in the price affects the equity of the Bank. The table below indicates how the profit before and the equity before tax of the Bank 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 under- lying variables for unlisted	Impact on equity before tax € '000	Position € '000	Change in index or under- lying variables for unlisted	Impact on profit before tax € '000	Position € '000	Change in index or under- lying variables for unlisted	Impact on profit before tax € '000
2009									
Equity securities and funds									
Listed on the Cyprus Stock Exchange	12.717	25%	3.179	-	-	-	-	-	-
Listed on Athens Exchange	95.517	25%	23.879	-	-	-	-	-	-
Listed on other Stock Exchanges	2.476	15%	371	614	15%	92	-	-	-
Not listed	169.763	30%	50.929	-	-	-	82.162	30%	24.649
Total	280.473		78.358	614		92	82.162		24.649
2008									
Equity securities and funds									
Listed on the Cyprus Stock Exchange	10.602	25%	2.651	-	-	-	-	-	-
Listed on Athens Exchange	115.983	25%	28.996	-	-	-	-	-	-
Listed on other Stock Exchanges	1.536	15%	230	-	-	-	-	-	-
Not listed	126.833	30%	38.050	-	-	-	-	-	-
Total	254.954		69.927	-		-	-		-

The Bank is not exposed to commodities price risk.

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK

Liquidity risk is the risk that the Bank either does not have sufficient financial resources available to meet its obligations, as they fall due, or can secure them only at excessive cost.

A substantial portion of the Bank's assets is funded by customer deposits and senior debt, while in addition within 2009 the Bank issued 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 Bank monitors on a regular basis the levels of short and long term deposits so that these are maintained at adequate levels as they consist the main funding source. As a result of this the Bank aims to achieve good long term relationships of trust with its customers through competitive and transparent pricing strategies while emphasis is given on deposit products. 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 Bank has in place a wholesale funding program to diversify its funding sources and prolong the maturity profile of its liabilities. Based on the prevailing market conditions the Bank is assessing the possibility to issue senior debt, loan capital, covered bonds and securitised assets.

Roles and responsibilities

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

- allocate to the appropriate senior managers the authority and responsibility to manage liquidity risk,
- monitor the liquidity profile of the Bank as well as any material changes in current or future liquidity profile, and
- review the contingency plans of the Bank.

The members of the Assets and Liabilities Committee 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 Bank's Treasury. Medium term and long term liquidity management strategies of the Bank are determined by the Bank's Treasury and the respective actions are approved by the Board of Directors and/or the Group Executive Committee.

Policies and procedures

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

Measurement and control

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

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

Measurement and control (continued)

The main liquidity ratios calculated by the Bank 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.

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, and
- the level of off-balance sheet liabilities.

In addition to the above, the liquidity status of the Bank 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 Risk Management Committee and the Assets and Liabilities Committee receive regular reporting as to the liquidity position of the Bank by the Risk Management Division.

The Bank 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 Bank 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 amount disclosed on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

46. 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 year but less than 5 years € '000	Over 5 years € '000	Total € '000
2009						
Financial assets						
Cash and balances with Central Banks	1.719.378	-	-	-	-	1.719.378
Due from other banks	2.020.216	587.291	552.670	160.265	47	3.320.489
Financial assets at fair value through profit or loss	38.032	85.864	31.631	38.013	8.144	201.684
Advances to customers	5.163.416	464.951	1.627.891	6.847.857	13.465.357	27.569.472
Debt securities lending	369.946	39.588	1.868.887	759.652	981.334	4.019.407
Balances with subsidiary companies	1.015.433	75.807	294.913	400.179	145.272	1.931.604
Available-for-sale financial assets	683.830	438.967	1.028.174	958.005	1.003.852	4.112.828
Held-to-maturity financial assets	65.149	358.920	599.207	51.727	101.553	1.176.556
	11.075.400	2.051.388	6.003.373	9.215.698	15.705.559	44.051.418
Financial liabilities						
Due to other banks	3.229.420	1.348.203	5.757.437	2.236	102.649	10.439.945
Customer deposits	12.021.935	4.894.052	5.153.792	197.198	76.262	22.343.239
Senior debt	1.857	6.558	929.932	483.308	-	1.421.655
Loan capital	1.814	6.951	21.091	970.592	-	1.000.448
Balances with subsidiary companies	467.638	19.177	13.515	66.924	211.448	778.702
	15.722.664	6.274.941	11.875.767	1.720.258	390.359	35.983.989
Off-balance sheet items:						
Acceptances	95.081	-	-	-	-	95.081
Guarantees	1.326.823	-	-	-	-	1.326.823
Amount of unutilised credit facilities	27.433	-	-	-	-	27.433
	1.449.337	-	-	-	-	1.449.337
2008						
Financial liabilities						
Due to other banks	1.471.218	308.079	9.031	-	-	1.788.328
Customer deposits	6.331.254	2.362.606	3.193.915	66.110	56.451	12.010.336
Senior debt	-	7.870	23.868	727.789	-	759.527
Loan capital	1.104	8.633	21.494	110.269	728.499	869.999
Balances with subsidiary companies	263.272	279.364	31.056	7.648	-	581.340
	8.066.848	2.966.552	3.279.364	911.816	784.950	16.009.530
Off-balance sheet items:						
Acceptances	109.752	-	-	-	-	109.752
Guarantees	469.204	-	-	-	-	469.204
Amount of unutilised credit facilities	37.262	-	-	-	-	37.262
	616.218	-	-	-	-	616.218

NOTES TO THE FINANCIAL STATEMENTS

46. 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 the Central Bank, treasury and other eligible bills, due from other banks and advances to customers. The Bank 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 Bank'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 amount included in the 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
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)
2008						
Derivatives held for trading						
Foreign exchange derivatives	(16.251)	-	-	-	-	(16.251)
Interest rate derivatives	458	169	7.759	(4.300)	49	4.135
	(15.793)	169	7.759	(4.300)	49	(12.116)

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (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
2009						
Trading derivatives						
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
Hedging derivatives						
Foreign exchange derivatives						
Outflow	(203)	-	-	-	-	(203)
Inflow	202	-	-	-	-	202
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	(392.753)	(278.925)	(298.154)	(853.420)	(574.332)	(2.397.584)
Total inflow	387.221	252.476	218.809	771.617	609.779	2.239.902
2008						
Trading derivatives						
Foreign exchange derivatives						
Outflow	(975.210)	(219.956)	(37.925)	(4)	-	(1.233.095)
Inflow	942.956	212.679	31.969	-	-	1.187.604
Total outflow	(975.210)	(219.956)	(37.925)	(4)	-	(1.233.095)
Total inflow	942.956	212.679	31.969	-	-	1.187.604

NOTES TO THE FINANCIAL STATEMENTS

46. 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 Bank 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 Bank'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 € 1.039.781.000 (2008: € 489.549.000). 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 € 3.075.638.000 (2008: € 278.663.000). 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 34.

(g) Loan capital

The fair value of loan capital is disclosed in Note 35.

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

FAIR VALUE OF ASSETS AND LIABILITIES (continued)

Fair value of financial instruments in levels

The Bank 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 is done 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
2009				
Financial assets				
Financial assets at fair value through profit or loss:				
Held-for-trading				
Debt	24.559	14.714	-	39.273
Equity	614	-	-	614
Derivative financial instruments	28.088	46.373	-	74.461
Designated at fair value through profit or loss at inception:				
Equity	-	82.162	-	82.162
Available-for-sale financial assets				
Debt	2.797.214	453.228	-	3.250.442
Equity	50.102	129.334	101.037	280.473
Other assets				
Hedging derivative financial instruments with positive fair value	-	7.984	-	7.984
	2.900.577	733.795	101.037	3.735.409
Financial liabilities				
Other liabilities				
Trading derivative financial instruments with negative fair value	25.041	46.088	-	71.129
Hedging derivative financial instruments with negative fair value	-	178.100	-	178.100
	25.041	224.188	-	249.229

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

FAIR VALUE OF ASSETS AND LIABILITIES (continued)

Fair value of financial instruments in levels (continued)

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
Balance 1 January	-	122.075
Total gains or losses:		
Income statement	-	(1.304)
Other comprehensive income	-	(20.304)
Purchases	-	570
Balance 31 December	-	101.037

Sensitivity analysis of Level 3 items

	Reflected in income statement		Reflected in equity	
	Favourable changes € '000	Unfavourable changes € '000	Favourable changes € '000	Unfavourable changes € '000
Available-for-sale financial assets	-	1.412	25.310	23.898

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.

NOTES TO THE FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CAPITAL MANAGEMENT

The Bank's and the Group's capital management is driven by its strategy which takes into account the regulatory and business environment in which it operates. The Bank's and the Group's objectives when managing capital, which is a broader concept than the "equity" on the face of the consolidated balance sheet, are:

- to comply with the capital requirements set by the regulators of the banking markets where 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 for other stakeholders and
- to maintain a strong capital base to support the development of its business.

The capital adequacy of the Bank and 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 in December 2006. With this Directive, the Central Bank of Cyprus adopted the provisions of the European Union's Capital Requirements Directive. The Capital Requirements Directive brought into force the requirements of Basel II, issued by the Basel Committee on Banking Supervision, in the European Union. The Bank and the Group adopted the provisions of the Directive as of 1 January, 2008. Basel II is structured around three Pillars:

- Pillar I : Computation of minimum capital requirements,
- Pillar II : Supervisory review and evaluation process (SREP) and
- Pillar III : Market Discipline.

The Central Bank of Cyprus supervises the Group on a stand-alone and 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, 2009 and 2008 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 FINANCIAL STATEMENTS

46. FINANCIAL RISK MANAGEMENT (continued)

CAPITAL MANAGEMENT (continued)

	2009 € '000	2008 € '000
Tier I capital		
Share capital	720.930	705.607
Share premium	2.179.146	2.144.141
Retained earnings (net of foreseeable dividends)	784.171	679.336
Non-controlling interests	123.321	131.631
Capital securities	350.757	199.974
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	(1.819.944)	(1.909.252)
	<u>2.318.932</u>	<u>1.936.709</u>
Total qualifying Tier I capital		
Tier II capital		
Qualifying subordinated loan capital	699.744	525.933
Revaluation reserves and prudential filters	53.765	53.387
Less: 50% of investments in non-banking subsidiaries and investments in companies in the financial sector that exceed 10% of their capital	(19.449)	(14.728)
	<u>734.060</u>	<u>564.592</u>
Total qualifying Tier II capital		
Less: Investments in insurance undertaking	(97.024)	(84.056)
	<u>2.955.968</u>	<u>2.417.245</u>
Total regulatory capital		
	<u>25.621.603</u>	<u>23.915.955</u>
Total risk-weighted assets		
	<u>11,5%</u>	<u>10,1%</u>
Capital adequacy ratio		

The Group's total regulatory capital is divided into two tiers:

- 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; and
- 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 are calculated for credit risk using the standardised approach same as the capital requirements for market risk. For operational risk the capital requirements are calculated in accordance with the Basic Indicator approach.

NOTES TO THE FINANCIAL STATEMENTS

47. 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
2009						
Financial assets as per balance sheet						
Cash and balances with Central Banks	1.715.230	-	-	-	-	1.715.230
Due from other banks	3.315.082	-	-	-	-	3.315.082
Financial assets at fair value through profit or loss	-	196.510	-	-	-	196.510
Advances to customers	22.020.184	-	-	-	-	22.020.184
Debt securities lending	3.395.068	-	-	-	-	3.395.068
Balances with subsidiary companies	1.867.650	-	-	-	-	1.867.650
Available-for-sale financial assets	-	-	-	3.530.915	-	3.530.915
Held-to-maturity financial assets	-	-	-	-	1.078.264	1.078.264
Investments in subsidiary companies	-	-	-	1.123.344	-	1.123.344
Investments in associates	-	-	-	113.071	-	113.071
Other assets	358.107	-	7.984	-	-	366.091
	32.671.321	196.510	7.984	4.767.330	1.078.264	38.721.409

	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 balance sheet				
Due to other banks	-	-	10.379.792	10.379.792
Customer deposits	-	-	22.217.277	22.217.277
Senior debt	-	-	1.363.176	1.363.176
Loan capital	-	-	866.953	866.953
Balances with subsidiary companies	-	-	700.682	700.682
Other liabilities	71.129	178.100	-	249.229
	71.129	178.100	35.527.880	35.777.109

NOTES TO THE FINANCIAL STATEMENTS

47. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2008	Loans and receivables € '000	Assets at fair value through profit or loss € '000	Available-for-sale assets € '000	Held-to-maturity assets € '000	Total € '000
Financial assets as per balance sheet					
Cash and balances with the Central Bank	191.301	-	-	-	191.301
Due from other banks	3.438.808	-	-	-	3.438.808
Financial assets at fair value through profit or loss	-	122.581	-	-	122.581
Advances to customers	9.031.470	-	-	-	9.031.470
Debt securities lending	303.306	-	-	-	303.306
Balances with subsidiary companies	1.151.507	-	-	-	1.151.507
Available-for-sale financial assets	-	-	1.942.238	-	1.942.238
Held-to-maturity financial assets	-	-	-	502.302	502.302
Investments in subsidiary companies	-	-	2.441.385	-	2.441.385
Investments in associates	-	-	97.272	-	97.272
Other assets	85.573	-	-	-	85.573
	14.201.965	122.581	4.480.895	502.302	19.307.743

2008	Derivative liabilities at fair value through profit or loss € '000	Derivatives used for hedging € '000	Other financial liabilities at amortised cost € '000	Total € '000
Financial liabilities as per balance sheet				
Due to other banks	-	-	1.779.912	1.779.912
Customer deposits	-	-	11.902.439	11.902.439
Senior debt	-	-	712.050	712.050
Loan capital	-	-	638.805	638.805
Balances with subsidiary companies	-	-	576.784	576.784
Other liabilities	72.944	6.477	-	79.421
	72.944	6.477	15.609.990	15.689.411

NOTES TO THE FINANCIAL STATEMENTS

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

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

	Beneficial interest at 31 December, 2009	Beneficial interest at 24 March, 2010
Platon E. Lanitis	4,35%	4,35%
Vassilis Theocharakis	2,41%	2,41%
Andreas Vgenopoulos	0,49%	0,49%
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.

49. SHAREHOLDERS WITH MORE THAN 5% OF SHARE CAPITAL

	Shareholding at 31 December, 2009	Shareholding at 24 March, 2010
Dubai Financial Limited Liability Company	18,81%	18,81%
Marfin Investment Group Holdings S.A.	9,55%	9,55%

The percentages are based on the total issued share capital.

NOTES TO THE FINANCIAL STATEMENTS

50. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

	2009	2008	2009	2008
	Number of	Number of	€ '000	€ '000
	Directors	Directors		
Advances to Directors and their connected persons:				
More than 1% of the net assets of the Bank	2	1	306.428	187.266
Less than 1% of the net assets of the Bank	11	13	9.073	4.758
	13	14	315.501	192.024
Advances to other key management personnel and their connected persons			12.926	351
Total advances			328.427	192.375
Commitments for guarantees and letters of credit:				
Guarantees to Directors and their connected persons:				
More than 1% of the net assets of the Bank			38.418	13.415
Total guarantees			38.418	13.415
Letters of credit to Directors and their connected persons:				
More than 1% of the net assets of the Bank			9	14.603
Total letters of credit			9	14.603
Total advances and commitments			366.854	220.393
Tangible securities			406.041	332.567
Interest income			8.320	8.707
Deposits			119.118	18.387
Interest expense			1.852	755

NOTES TO THE FINANCIAL STATEMENTS

50. RELATED PARTY TRANSACTIONS (continued)

Transactions with key management personnel (continued)

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

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, 2009 amounts to € 60.540.000 (2008: € 5.261.000).

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 2009, the Bank purchased goods and received services amounting to € 148.000 (2008: € 214.000) from companies connected to Lanitis group.

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

Compensation of key management personnel

Year ended	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
31 December 2009						
Executive Directors						
Efthimios Bouloutas	-	344	7	-	150	501
Christos Stylianides	-	241	24	59	75	399
Panayiotis Kounnis	-	241	24	59	75	399
Eleftherios Hiliadakis	-	71	4	-	54	129
	-	897	59	118	354	1.428
Non Executive Directors						
Andreas Vgenopoulos	-	-	-	-	257	257
Neoclis Lysandrou ¹	20	-	-	-	13	33
Vassilis Theocharakis	-	-	-	-	13	13
Platon E. Lanitis	20	-	-	-	13	33
Constantinos Mylonas	30	-	-	-	13	43
Stelios Stylianou	20	65	9	16	9	119
Marcos Foros	20	-	-	-	21	41
Joseph Kamal Eskander ²	-	-	-	-	-	-
Soud Ba'alawy ³	-	-	-	-	-	-
Mustafa Farid Mustafa ⁴	-	-	-	-	-	-
Sayanta Basu ⁵	-	-	-	-	-	-
Nicholas Wrigley ⁵	-	-	-	-	-	-
	110	65	9	16	339	539
Other key management personnel⁶	-	524	27	31	177	759
	110	1.486	95	165	870	2.726

¹ Received additional fees for consultancy services of € 200.000.

² Appointed on 19 May, 2009.

³ Resigned on 9 February, 2010.

⁴ Appointed on 19 May, 2009 and resigned on 15 December, 2009.

⁵ Resigned on 19 May, 2009.

⁶ Includes the remaining 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 FINANCIAL STATEMENTS

50. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel (continued)

In addition, during the first half of 2009 key management personnel received a total bonus of € 485.000 based and charged on the results of 2008 (2008: € 485.000).

The number of Share Options for each Director, none of which was exercised up to 31 December, 2009 were 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, Marcos 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, 2009 was 7.750.000. Further information regarding the Options is presented in Note 39 of the financial statements.

	2008 € '000
Fees paid to Directors as members of the Board	<u>190</u>
Remuneration of Directors under executive role:	
Salaries and other short-term benefits	418
Employer's social insurance contributions	41
Retirement benefits scheme expense	<u>95</u>
	<u>554</u>
Fees for consultancy services of Directors under non executive role	<u>320</u>
Compensation of other key management personnel:	
Salaries and other short-term benefits	114
Employer's social insurance contributions	10
Retirement benefits scheme expense	<u>26</u>
	<u>150</u>
Share-based payment compensation	<u>1.105</u>
	<u><u>2.319</u></u>

In addition to the above, the members of the Board of Directors who retired received in 2008 € 10.000.

Key management personnel as at 31 December, 2009 include the 13 members of the Board of Directors, 5 of which had executive duties, and the members of the Group Executive Committee and the Group Chief Financial Officer. Key management personnel for 2008 included the 14 members of the Board of Directors, 5 of which had executive duties, and the members of the Group Executive Committee and the Group Chief Financial Officer.

NOTES TO THE FINANCIAL STATEMENTS

50. RELATED PARTY TRANSACTIONS (continued)

Transactions with other related parties

On 31 December, 2009 the balances with other related parties were as follows:

	2009		2008	
	Receivables € '000	Payables € '000	Receivables € '000	Payables € '000
Balance sheet				
Marfin Insurance Holdings Ltd group (associate)	6.629	200.596	962	217.784
JCC Payment Systems Ltd (associate)	-	23.294	1.695	20.621
Provident Funds of the employees of the Bank in Cyprus	-	17.429	-	12.446
	6.629	241.319	2.657	250.851

Additionally, the group of Marfin Insurance Holdings Ltd held at 31 December, 2009 senior debt and loan capital of the Bank of nominal value of € 15,1 m (2008: € 12,6 m).

During the year ended 31 December, 2009 the following transactions were realised with other related parties:

	2009		2008	
	Income € '000	Expense € '000	Income € '000	Expense € '000
Income statement				
Marfin Insurance Holdings Ltd group (associate)	2.024	10.304	-	-
JCC Payment Systems Ltd (associate)	3	1.140	10	1.532
Provident Funds of the employees of the Bank in Cyprus	-	700	-	610
	2.027	12.144	10	2.142

Additionally, during 2009 the Bank received dividend of € 1.871.000 (2008: € 1.853.000) from JCC Payment Systems Ltd and € 2.867.000 from Marfin Insurance Holdings Ltd group.

NOTES TO THE FINANCIAL STATEMENTS

50. RELATED PARTY TRANSACTIONS (continued)

Transactions with subsidiary companies

(a) Income and expenses from transactions with subsidiary companies

	2009	2008
	€ '000	€ '000
Interest income	29.845	48.596
Interest expense	7.481	26.062
Dividends received	4.135	21.678
Other income	2.173	1.603
Other expenses	3.356	2.604

(b) Year-end balances with subsidiary companies

	2009	2008
	€ '000	€ '000
Placements	1.867.650	1.151.507
Deposits	700.682	576.784

51. DIVIDEND

On 12 June, 2009 a dividend payment of € 124.519.000 was made, € 0,15 per share of nominal value € 0,85 (2008: € 278.842.000, € 0,35 per share). The dividend has been accounted for in equity as an appropriation of retained earnings (Note 40). Part of the dividend amounting to € 27.553.000 (2008: € 155.137.000) has been re-invested into shares of the Bank.

The Board of Directors decided on 30 March, 2010 to propose to the Annual General Meeting a dividend of € 0,08 per share.

52. TRANSACTIONS WITH THE GROUP OF MARFIN INVESTMENT GROUP HOLDINGS S.A.

As at 31 December, 2009 the Bank had receivables from Marfin Investment Group Holdings S.A. group of € 651 m (2008: € 344 m) and payables to the group of € 581 m (2008: € 4 m). Additionally, the income and expenses recognised by the Bank amounted to € 22 m and € 10 m respectively (2008: € 21 m and € 608.000 respectively).

53. POST BALANCE SHEET EVENTS

On 1 February, 2010 the Bank announced that, according to articles 201IZ of the Cyprus Companies Law and 9 of the Greek Law 3777/2009, both merging Banks received a certificate conclusively attesting to the proper completion of the pre-merger acts and formalities. In particular, there were issued in the one hand a relevant Decree of the District Court of Nicosia dated 29 January, 2010 and on the other a certificate of the Ministry of Economy, Competitiveness and Shipping of Greece under protocol number K2-755/29.01.2010. Further, the Bank will apply towards the District Court of Nicosia for the approval of the Cross-Border Merger and the determination of the date of effect.

The Bank announced that the Board of Directors at its meeting of 9 February, 2010 was re-constituted in accordance with new regulatory framework of the Central Bank of Cyprus by appointing Andreas Vgenopoulos as Non Executive Chairman and Neoclis Lysandrou and Vassilis Theocharakis as Non Executive Vice Chairmen.

NOTES TO THE FINANCIAL STATEMENTS

53. POST BALANCE SHEET EVENTS (continued)

Further, the Board of Directors was informed on the resignation of Soud Ba'alawy, Non Executive Member. Dubai group is represented on the Board by Joseph Kamal Eskander, having at the same time nominated two additional candidate members, the nomination of which is being evaluated according to the internal procedures of the Bank. The Board of Directors is formed as follows: Andreas Vgenopoulos – Chairman, Non Executive Member, Neoclis Lysandrou – Vice Chairman, Non Executive Member, Vassilis Theocharakis – Vice Chairman, Non Executive Member, Efthimios Bouloutas – Group Chief Executive Officer, Christos Stylianides – Deputy Chief Executive Officer, Panayiotis Kounnis – Deputy Chief Executive Officer, Eleftherios Hiliadakis – Executive Member, Platon E. Lanitis – Non Executive Member, Stelios Stylianou – Non Executive Member, Joseph Kamal Eskander – Non Executive Member, Constantinos Mylonas – Independent Non Executive Member and Marcos Foros – Independent Non Executive Member.

On 25 February, 2010 the Board of Directors approved the increase of the share capital of Marfin Bank JSC Belgrade for the amount of € 15 m.

On 12 March, 2010 the Bank announced that Marfin Egnatia Bank S.A., following the approval of the Bank of Greece, issued the second series of ordinary covered bonds for the amount of € 500 m, within the framework of the existing programme for the issue of ordinary covered bonds of up to € 3 bln. The agreement of the Bank for granting credit facilities to Marfin Egnatia Bank S.A. to secure possible demands of the bondholders and of the secured creditors, in line with the programme, continues to apply. The first series of the ordinary covered bonds amounted to € 1 bln.

On 30 March, 2010 the Board of Directors approved the issue of Capital Securities up to the amount of € 300 m, of € 1.000 nominal value, in one or more series.

On 30 March, 2010 the Bank announced that the submission of the petition to the District Court of Nicosia for the approval of the cross-border merger and the setting of the starting date of its results is expected to take place during the first eight months of the current year. Therefore, the cross-border merger, initially expected to be completed during the first quarter of 2010, is now expected to be completed by the end of 2010.

54. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 30 March, 2010.

Independent Auditors' Report on pages 151 and 152.

.....
Neoclis Lysandrou
Vice Chairman

.....
Efthimios Bouloutas
Group Chief Executive Officer

.....
Annita Philippidou
Group Chief Financial Officer



DATA AND INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2009

MARFIN POPULAR BANK PUBLIC CO LTD

H.E. 1 - ADDRESS: 154, LIMASSOL AVENUE, 2025 NICOSIA, CYPRUS

DATA AND INFORMATION FOR THE PERIOD FROM 1 JANUARY 2009 TO 31 DECEMBER 2009

In accordance with Codified Law 2190/20 Article 135, concerning businesses preparing annual financial statements, consolidated or not, in accordance with IFRS

The data and information below aim to provide a general update on the financial standing and results of the Marfin Popular Bank Public Co Ltd Group (the "Group") and the holding company Marfin Popular Bank Public Co Ltd (the "Company"). We therefore recommend to the reader, before making any kind of investment decision or entering into any transaction with the Group, to visit the Group's website (www.laiki.com - Investor Relations / Group Consolidated Financial Results) where the periodic financial statements are posted, in accordance with International Financial Reporting Standards, the Auditors' Review/Audit Report whenever required, and the detailed Explanatory Note, which are also available at the Registered Office of Marfin Popular Bank Public Co Ltd, at 154 Limassol Avenue, 2025 Nicosia, Cyprus, tel. +357 22 552000. Independent Auditors: PricewaterhouseCoopers Ltd, Grant Thornton. Audit Report: WITHOUT qualification, 30 March, 2010.

Composition of 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 Member, Platon E. Lanitis – Non Executive Member, Constantinos Mylonas – Non Executive Member, Stelios Stylianou – Non Executive Member, Marcos Foros – Non Executive Member, Joseph Kamal Eskander – Non Executive Member.

MARFIN POPULAR BANK PUBLIC CO LTD GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2009

	2009 € '000	Continuing operations 2008 € '000	Discontinued operations 2008 € '000	Total 2008 € '000
Net interest income	635.788	744.404	5.672	750.076
Net fee and commission income	227.913	286.739	2.395	289.134
Profit/(loss) on disposal and revaluation of securities	132.655	(67.696)	57.666	(10.030)
Foreign exchange income	37.327	64.964	1.336	66.300
Other income (Note 2)	41.170	56.875	53.950	110.825
Operating income	1.074.853	1.085.286	121.019	1.206.305
Staff costs	(368.749)	(349.749)	(15.577)	(365.326)
Depreciation, amortisation and impairment	(57.222)	(50.519)	(648)	(51.167)
Administrative expenses	(198.532)	(190.957)	(6.708)	(197.665)
Profit before provision for impairment of advances	450.350	494.061	98.086	592.147
Provision for impairment of advances	(250.567)	(129.414)	216	(129.198)
Profit before share of profit from associates	199.783	364.647	98.302	462.949
Share of profit from associates	18.014	2.528	-	2.528
Profit before tax	217.797	367.175	98.302	465.477
Tax	(47.418)	(56.024)	(6.108)	(62.132)
Profit for the year (A)	170.379	311.151	92.194	403.345
Attributable to:				
Owners of the Bank	173.872	302.485	92.078	394.563
Non-controlling interests	(3.493)	8.666	116	8.782
	170.379	311.151	92.194	403.345
Other comprehensive income/(loss) for the year, net of tax (B)	94.733	(240.797)	(1.118)	(241.915)
Total comprehensive income for the year (A) + (B)	265.112	70.354	91.076	161.430
Total comprehensive income attributable to:				
Owners of the Bank	267.518	69.994	90.961	160.955
Non-controlling interests	(2.406)	360	115	475
	265.112	70.354	91.076	161.430
Earnings per share – for profit attributable to the owners of the Bank				
Earnings per share – cent	20,8	37,1	11,2	48,3

MARFIN POPULAR BANK PUBLIC CO LTD STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2009

	2009 € '000	2008 € '000
Net interest income	431.039	377.438
Net fee and commission income	129.495	111.800
Profit on disposal and revaluation of securities	72.335	71.116
Foreign exchange income	24.381	37.313
Other income (Note 2)	19.599	46.207
Operating income	676.849	643.874
Staff costs	(222.890)	(148.047)
Depreciation and amortisation	(25.777)	(10.381)
Administrative expenses	(109.333)	(51.142)
Profit before provision for impairment of advances	318.849	434.304
Provision for impairment of advances	(118.139)	(19.540)
Profit before tax	200.710	414.764
Tax	(30.158)	(33.382)
Profit for the year (A)	170.552	381.382
Other comprehensive income/(loss) for the year, net of tax (B)	101.585	(230.343)
Total comprehensive income for the year (A) + (B)	272.137	151.039
Earnings per share – cent	20,4	46,7

MARFIN POPULAR BANK PUBLIC CO LTD GROUP
CONSOLIDATED BALANCE SHEET
31 December 2009

MARFIN POPULAR BANK PUBLIC CO LTD
BALANCE SHEET
31 December 2009

	2009 € '000	2008 € '000
Assets		
Cash and balances with Central Banks	1.964.834	1.839.670
Due from other banks	3.447.128	4.354.181
Financial assets at fair value through profit or loss (Note 4)	238.435	356.919
Advances to customers	25.082.163	23.427.226
Debt securities lending (Note 5)	3.395.068	938.295
Available-for-sale financial assets	3.564.893	3.606.173
Held-to-maturity financial assets	1.381.330	1.164.036
Other assets (Note 4)	511.898	496.138
Current income tax assets	38.662	39.006
Deferred tax assets	91.958	85.375
Investments in associates	113.071	99.473
Intangible assets	1.646.842	1.642.983
Investment property	57.626	42.819
Property and equipment	294.455	274.858
Total assets	41.828.363	38.367.152
Liabilities		
Due to other banks	10.470.876	6.863.205
Customer deposits	23.885.776	24.828.269
Senior debt	1.398.502	1.079.042
Loan capital	1.050.501	725.907
Other liabilities (Note 6)	840.858	900.089
Current income tax liabilities	33.707	45.626
Deferred tax liabilities	133.881	126.721
Retirement benefit obligations	255.019	228.717
Total liabilities	38.069.120	34.797.576
Share capital and reserves attributable to the owners of the Bank		
Share capital (Note 15)	720.930	705.607
Share premium	2.179.146	2.144.141
Reserves	735.846	580.073
	3.635.922	3.429.821
Non-controlling interests	123.321	139.755
Total equity	3.759.243	3.569.576
Total equity and liabilities	41.828.363	38.367.152

	2009 € '000	2008 € '000
Assets		
Cash and balances with Central Banks	1.715.230	191.301
Due from other banks	3.315.082	3.438.808
Financial assets at fair value through profit or loss (Note 4)	196.510	122.581
Advances to customers	22.020.184	9.031.470
Debt securities lending (Note 5)	3.395.068	303.306
Balances with subsidiary companies (Note 3)	1.867.650	1.151.507
Available-for-sale financial assets	3.530.915	1.942.238
Held-to-maturity financial assets	1.078.264	502.302
Other assets	394.462	105.354
Current income tax assets	17.300	-
Deferred tax assets	67.388	-
Investments in subsidiary companies	1.123.344	2.441.385
Investments in associates	113.071	97.272
Intangible assets	1.145.648	5.927
Investment property	42.873	8.105
Property and equipment	201.315	151.345
Total assets	40.224.304	19.492.901
Liabilities		
Due to other banks	10.379.792	1.779.912
Customer deposits	22.217.277	11.902.439
Senior debt	1.363.176	712.050
Loan capital	866.953	638.805
Balances with subsidiary companies (Note 3)	700.682	576.784
Other liabilities (Note 6)	722.945	264.644
Current income tax liabilities	15.563	4.308
Deferred tax liabilities	77.089	11.123
Retirement benefit obligations	247.776	211.576
Total liabilities	36.591.253	16.101.641
Share capital and reserves		
Share capital (Note 15)	720.930	705.607
Share premium	2.089.009	2.054.004
Reserves	823.112	631.649
	3.633.051	3.391.260
Total equity	3.633.051	3.391.260
Total equity and liabilities	40.224.304	19.492.901

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009

	2009 € '000	2008 € '000
Total equity, 1 January	3.569.576	3.482.218
Profit for the year	170.379	403.345
Increase of share capital	50.328	151.427
Dividend	(124.519)	(278.842)
Other comprehensive income/(loss) for the year, net of tax	94.733	(241.915)
Other changes in non-controlling interests	(14.028)	46.657
Other changes	12.774	6.686
Total equity, 31 December	3.759.243	3.569.576

	2009 € '000	2008 € '000
Total equity, 1 January	3.391.260	3.362.285
Profit for the year	170.552	381.382
Increase of share capital	50.328	151.427
Dividend	(124.519)	(278.842)
Other comprehensive income/(loss) for the year, net of tax	101.585	(230.343)
Other changes	43.845	5.351
Total equity, 31 December	3.633.051	3.391.260

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2009

STATEMENT OF CASH FLOWS
for the year ended 31 December 2009

	2009 € '000	2008 € '000
Net cash (used in)/from operating activities from continuing operations	(408.533)	2.472.515
Net cash from operating activities from discontinued operations	-	60.384
Total net cash (used in)/from operating activities	(408.533)	2.532.899
Net cash used in investing activities from continuing operations	(1.251.073)	(2.313.677)
Net cash from investing activities from discontinued operations	-	99.703
Total net cash used in investing activities	(1.251.073)	(2.213.974)
Net cash from/(used in) financing activities from continuing operations	644.569	(13.554)
Net cash from financing activities from discontinued operations	-	-
Total net cash from/(used in) financing activities	644.569	(13.554)
Net (decrease)/increase in cash and cash equivalents	(1.015.037)	305.371
Effects of exchange rate changes	-	1.578
Total cash for the year	(1.015.037)	306.949
Cash and cash equivalents at beginning of year	5.285.350	4.978.401
Cash and cash equivalents at end of year	4.270.313	5.285.350

	2009 € '000	2008 € '000
Net cash (used in)/from operating activities	(1.568.193)	773.613
Net cash from/(used in) investing activities	66.496	(354.852)
Net cash from/(used in) financing activities	574.598	(81.496)
Net (decrease)/increase in cash and cash equivalents	(927.099)	337.265
Effects of exchange rate changes	-	3.436
Total cash for the year	(927.099)	340.701
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	3.335.444	2.994.743
Cash and cash equivalents at end of year	4.012.378	3.335.444

NOTES

1.	The Financial Statements for the year ended 31 December, 2009 were approved for publication by decision of the Board of Directors of the Bank on 30 March, 2010. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The 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.
2.	Other income for the year ended 31 December, 2009 include dividend income of € 7.833 thousands for the Group (corresponding period in 2008: € 17.318 thousands) and for the Bank € 14.812 thousands (corresponding period in 2008: € 35.911 thousands).
3.	Balances as at 31 December, 2009 arising from transactions with subsidiary companies are presented on the Bank's Balance Sheet as "Balances with subsidiary companies".
4.	Financial assets at fair value through profit or loss for the Group at 31 December, 2009 include the positive fair value of derivative financial instruments of € 74.540 thousands (31 December, 2008: € 149.369 thousands) and for the Bank € 74.461 thousands (31 December, 2008: € 74.923 thousands). Other assets for the Group at 31 December, 2009 include the positive fair value of derivative financial instruments, for which hedge accounting is applied of € 7.984 thousands (31 December, 2008: € 2.658 thousands) and for the Bank € 7.984 thousands for 2009.
5.	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 and from held-for-trading to available-for-sale. In accordance with the provisions of 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. In the last quarter of 2009, the Group had additional reclassifications of bonds from available-for-sale to debt securities lending. Details on the reclassification of financial assets are presented in note 18 of the consolidated financial statements.
6.	Other liabilities for the Group at 31 December, 2009 include the negative fair value of derivative financial instruments of € 249.920 thousands (31 December, 2008: € 327.017 thousands) and for the Bank € 249.229 thousands (31 December, 2008: € 79.421 thousands).
7.	The number of staff employed by the Group at 31 December, 2009 was 8.775 (31 December, 2008: 8.936) and by the Bank 5.753 (31 December, 2008: 2.693).
8.	Information for the subsidiary companies that is included in consolidation at 31 December, 2009 are presented in note 54 of the consolidated financial statements.
9.	On 18 December, 2008 the long-term cooperation agreement between the French CNP Assurances S.A. (CNP) and the Group for the development of insurance activities in Greece and Cyprus via the Group's networks was finalised. This agreement includes the transfer of 50,1% of the share capital of Marfin Insurance Holdings Ltd from the Bank to CNP and the reaching of a ten year renewable, exclusive distribution agreement with the option to expand to other countries that the Group is active. Marfin Insurance Holdings Ltd holds 100% of Laiki Cyprialife Ltd (life insurance in Cyprus), Laiki Insurance Ltd (general insurance in Cyprus and Greece), Marfin Life S.A. (life insurance in Greece) and Marfin Insurance Brokers S.A. (agency insurance activities in Greece). As a result of the aforementioned and in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", the assets and liabilities of the insurance companies are no longer consolidated as from the date CNP assumed management control of these companies. The Bank's 49,9% participation in these companies is now classified as investment in associates. The results of the insurance companies for 2008, when they were still subsidiaries of the Bank, are included in the consolidated income statement for the year ended on 31 December, 2008 as profit after tax from discontinued operations.
10.	<u>Prior year adjustments:</u> (a) <u>Acquisition of Rossiyskiy Promyishlenny Bank Company Ltd (Rosprombank)</u> In September 2009, the Bank completed the fair valuation and purchase price allocation for the acquisition of Rosprombank. Based on adjustments to the preliminary accounting adopted in the consolidated financial statements for the year ended 31 December, 2008, the Group recognised in 2009 with a restatement of comparative figures € 10,6 m intangible assets, which relate to the estimated fair value for core deposits and customer relationships. The results were charged with amortisation of the intangible assets recognised amounting to € 764 thousands. A deferred tax liability of € 2,1 m in relation to the aforementioned intangible assets has also been recognised. (b) <u>Acquisition of Lombard Bank Malta Plc</u> In March 2009, the Bank completed the fair valuation and purchase price allocation for the acquisition of Lombard Bank Malta Plc. Based on adjustments to the preliminary accounting adopted in the consolidated financial statements for the year ended 31 December, 2008, the Group recognised in 2009 with a restatement of comparative figures € 10,5 m intangible assets, which relate to the estimated fair value for core deposits and customer relationships. The results were charged with amortisation of the intangible assets recognised amounting to € 745 thousands. A deferred tax liability of € 3,7 m in relation to the aforementioned intangible assets has also been recognised.
11.	<u>Investments in subsidiary companies:</u> (a) <u>Cross-border merger between Marfin Egnatia Bank S.A. and the Bank</u> 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. During the Extraordinary General Meeting approval was also granted for the authorisation of the Board of Directors to issue 5.781.000 new ordinary shares of the Bank of € 0,85 nominal value 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 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 merger as above mentioned, will have the same rights as the existing fully paid shares of the Bank. (b) <u>Increase in shareholding in Investment Bank of Greece S.A.</u> In May 2009, Marfin Egnatia Bank S.A. acquired 3.000 shares in its subsidiary Investment Bank of Greece S.A. for € 233.000. Goodwill from this increase was € 36.000. In October 2009, Marfin Egnatia Bank S.A. acquired 20.000 additional shares for € 1.597.000. These acquisitions increased the holding of Marfin Egnatia Bank S.A. to 92,80%. An amount of € 104.000 representing the excess of the acquirer's interest in the fair value of the acquiree's identifiable net assets over the acquisition cost was recognised in the consolidated income statement. (c) <u>Increase of share capital of Marfin Leasing S.A.</u> In December 2009, Marfin Leasing S.A. increased its share capital by € 16 m with payment of the amount by the company's sole shareholder, Marfin Egnatia Bank S.A. (d) <u>Increase of share capital of Marfin Bank JSC Belgrade</u> In September 2009, 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 98,21% to 98,71% and an additional goodwill of € 29.000 arose. (e) <u>Increase of share capital of Marfin Bank (Romania) S.A.</u> On 27 July, 2009 Marfin Bank (Romania) S.A. increased its share capital by € 10 m. This increase, which was approved by the Central Banks of Greece and Romania, was fully covered by Marfin Egnatia Bank S.A. as the remaining shareholders waived their rights. As a result, the shareholding of Marfin Egnatia Bank S.A. increased to 99,23%. (f) <u>Increase of share capital of IBG Investments S.A.</u> During 2009, an increase of the share capital of IBG Investments S.A. was made, for the amount of € 1.553.000, which was covered by Investment Bank of Greece S.A. (90%) and IBG Capital S.A. (10%) pro rata, based on the respective shareholdings. (g) <u>Synergatis Plc</u> On 23 April, 2009, Synergatis Plc was incorporated in the United Kingdom with principal activities the issue of debentures with tangible securities. Synergatis Plc is a special purpose entity and is accounted for as a subsidiary, as its activities are wholly to serve specific needs of the Group. In 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. All the debentures are held by Group companies. (h) <u>Acquisition of CLR Capital Public Ltd and change in shareholding in Marfin CLR Public Co Ltd.</u> 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%. 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 brings the Bank's holding to 54,45%. Goodwill arising on the additional shares acquired was € 224.000. (i) <u>Acquisition of Lombard Bank Malta Plc</u> In April 2009, Lombard Bank Malta Plc paid a dividend of € 2.278.000. The amount attributable to the Bank, which was re-invested, was € 981.000. Additionally, in April 2009, the Bank acquired 500.000 shares of Lombard Bank Malta Plc for € 1,3 m. The aforementioned bring the Bank's holding to 44,9% and the goodwill arising was € 462.000. 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.
12.	On 12 June, 2009 a dividend payment of € 124.519.000 was made, € 0,15 per share of nominal value € 0,85 (2008: € 278.842.000, € 0,35 per share). The dividend has been accounted for in equity as an appropriation of retained earnings. Part of the dividend amounting to € 27.553.000 (2008: 155.137.000) has been re-invested into shares of the Bank. The Board of Directors decided on 30 March, 2010 to propose to the Annual General Meeting a dividend of € 0,08 per share.

13.	There are no charges in favour of third parties against Group fixed assets at 31 December, 2009.	
14.	As at 31 December, 2009 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.	
15.	During the year ended 31 December, 2009, the share capital of the Bank increased by € 10.409 thousands, due to the dividend re-investment and by € 4.914 thousands due to shares in the process of being issued in the context of completion of the cross-border merger. Details regarding the movement in share capital are presented in note 39 of the consolidated financial statements.	
16.	<u>Related party transactions for the year ended 31 December, 2009:</u>	
	Group	Bank
	€ '000	€ '000
	Income	51.238
	Expenses	24.981
	Placements	1.874.279
	Deposits	957.101
	Transactions and compensation of directors and key management personnel	3.411
	Advances and commitments of directors and key management personnel	366.854
	Deposits by directors and key management personnel	119.118
17.	<p><u>Post Balance Sheet Events:</u></p> <p>On 1 February 2010, the Bank announced that, according to articles 2011Z of the Cyprus Companies Law and 9 of the Greek Law 3777/2009, both merging Banks received certificate conclusively attesting to the proper completion of the pre-merger acts and formalities. In particular, there were issued in the one hand a relevant Decree of the District Court of Nicosia dated 29 January, 2010 and on the other a certificate of the Ministry of Economy, Competitiveness and Shipping of Greece under protocol number K2-755/29.1.2010. Further, the Bank will apply towards the District Court of Nicosia for the approval of the Cross-Border Merger and the determination of the date of effect.</p> <p>The Bank announced that the Board of Directors at its meeting of 9 February, 2010 was re-constituted in accordance with new regulatory framework of the Central Bank of Cyprus by appointing Andreas Vgenopoulos as Non Executive Chairman and Neoclis Lysandrou and Vassilis Theocharakis as Non Executive Vice Chairmen.</p> <p>Further the Board of Directors was informed on the resignation of Soud Ba'alawy, Non Executive Member. Dubai Group is represented on the Board by Joseph Kamal Eskander, having at the same time nominated two additional candidate Members, the nomination of which is being evaluated according to the internal procedures of the Bank. The Board of Directors is formed as follows: Andreas Vgenopoulos – Chairman, Non Executive Member, Neoclis Lysandrou – Vice Chairman, Non Executive Member, Vassilis Theocharakis – Vice Chairman, Non Executive Member, Efthimios Bouloutas – Group Chief Executive Officer, Christos Stylianides – Deputy Chief Executive Officer, Panayiotis Kounnis – Deputy Chief Executive Officer, Eleftherios Hiliadakis – Executive Member, Platon E. Lanitis – Non Executive Member, Stelios Stylianou – Non Executive Member, Joseph Kamal Eskander – Non Executive Member, Constantinos Mylonas – Independent Non Executive Member and Marcos Foros – Independent Non Executive Member.</p> <p>On 25 February, 2010 the Board of Directors approved the increase of the share capital of Marfin Bank JSC Belgrade for the amount of € 15 m.</p> <p>On 12 March, 2010 the Bank announced that Marfin Egnatia Bank S.A., following the approval of the Bank of Greece, issued the second series of ordinary covered bonds for the amount of € 500 m, within the framework of the existing programme for the issue of ordinary covered bonds of up to € 3 bln. The agreement of the Bank for granting credit facilities to Marfin Egnatia Bank S.A. to secure possible demands of the bondholders and of the secured creditors, in line with the programme, continues to apply. The first series of the ordinary covered bonds amounted to € 1 bln.</p> <p>On 30 March, 2010 the Board of Directors approved the issue of Capital Securities up to the amount of € 300 m, of € 1.000 nominal value, in one or more series.</p> <p>On 30 March, 2010 the Bank announced that the submission of the petition to the District Court of Nicosia for the approval of the cross-border merger and the setting of the starting date of its results is expected to take place during the first eight months of the current year. Therefore, the cross-border merger, initially expected to be completed during the first quarter of 2010, is now expected to be completed by the end of 2010.</p>	
Nicosia, 30 March, 2010		
VICE CHAIRMAN NEOCLIS LYSANDROU Identity Card No. 156006	GROUP CHIEF EXECUTIVE OFFICER EFTHIMIOS BOULOUTAS Identity Card No. X501092/02	GROUP CHIEF FINANCIAL OFFICER ANNITA PHILIPPIDOU Identity Card No. 704873



**TABLE OF ANNOUNCEMENTS THAT
MARFIN POPULAR BANK PUBLIC CO LTD
HAS ISSUED TO THE PUBLIC DURING THE PERIOD
1 JANUARY 2009 UNTIL 30 MARCH 2010**

Date	Subject	Website
16/02/2009	Meeting of the Board of Directors on 26/02/2009 to examine the Preliminary Results for the year 2008	www.laiki.com
24/02/2009	Press Release by Marfin Investment Group Holdings S.A. (MIG)	www.laiki.com
26/02/2009	Preliminary Results of the Group for the year 2008	www.laiki.com
27/02/2009	Decision for the payment of dividend will be taken on 26/03/2009	www.laiki.com
04/03/2009	Announcement of Regulated Information – Purchase of Marfin Popular Bank Public Co Ltd (MPB) shares by MIG	www.laiki.com
04/03/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. Platon Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
04/03/2009	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Joanna Laniti, daughter of Mr. Platon Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
04/03/2009	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Tereza Laniti, daughter of Mr. Platon Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
04/03/2009	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Antigoni Laniti, daughter of Mr. Platon Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
05/03/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. Platon Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
05/03/2009	Capital Securities (CPBCS) – Payment of interest on 31/03/2009	www.laiki.com
06/03/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. Platon Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
06/03/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. Marios Lanitis, brother of Mr. Platon Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
17/03/2009	Announcement of Regulated Information – Reduction of the percentage of MPB shares held by Tosca Fund	www.laiki.com
20/03/2009	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Inka Laniti, wife of Mr. Platon Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
20/03/2009	Announcement for the issue of Capital Securities	www.laiki.com
23/03/2009	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Inka Laniti, wife of Mr. Platon Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
24/03/2009	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Inka Laniti, wife of Mr. Platon Lanitis, Non Executive Member of the Board of Directors	www.laiki.com

Date	Subject	Website
26/03/2009	Final Audited Financial Statements of the Group and the Bank for the year 2008 – Payment of dividend	www.laiki.com
26/03/2009	Financial Calendar for the year 2009	www.laiki.com
02/04/2009	2008 Capital Securities – Interest rate for the period 31/03/2009 – 29/06/2009	www.laiki.com
03/04/2009	Announcement of Regulated Information – Free transfer of MPB shares by Mrs. Avgi Christou Mylona, daughter of Mr. C. Mylonas, Non Executive Member of the Board of Directors	www.laiki.com
07/04/2009	Annual Bulletin 2008 (Announcements from 29/02/2008 – 26/03/2009)	www.laiki.com
16/04/2009	Informative Report of raised funds	www.laiki.com
23/04/2009	Extraordinary General Meeting on 19/05/2009	www.laiki.com
27/04/2009	The Annual Report for the year 2008 and the Notices to the Annual and Extraordinary General Meeting have been mailed to the Shareholders	www.laiki.com
07/05/2009	Reminder of the 2008 Dividend Re-investment Scheme	www.laiki.com
07/05/2009	Explanatory note for the Extraordinary General Meeting	www.laiki.com
08/05/2009	The Annual Report for the year 2008 has been sent to Cyprus Stock Exchange (CSE)	www.laiki.com
08/05/2009	Meeting of the Board of Directors on 28/05/2009 for the Financial Results for the period January – March 2009	www.laiki.com
13/05/2009	Completion of the issue of the Capital Securities 2009	www.laiki.com
15/05/2009	Group Restructuring: Merger of MPB and Marfin Egnatia Bank S.A. (MEB)	www.laiki.com
19/05/2009	Briefing of the investors – Announcement of MEB	www.laiki.com
20/05/2009	Decisions of the Annual and the Extraordinary General Meeting and the Board of Directors of 19/05/2009	www.laiki.com
20/05/2009	Announcement of Regulated Information – Proxies for General Meetings	www.laiki.com
21/05/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. Marios Lanitis, brother of Mr. Platon Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
22/05/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. Marios Lanitis, brother of Mr. Platon Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
22/05/2009	Method of payment for the dividend for the year 2008	www.laiki.com
25/05/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. Marios Lanitis, brother of Mr. Platon Lanitis, Non Executive Member of the Board of Directors	www.laiki.com

Date	Subject	Website
25/05/2009	Announcement of Regulated Information – Purchase of MPB shares by MIG (total return equity swap)	www.laiki.com
27/05/2009	Announcement of Regulated Information – Reduction of the percentage of shares of The Royal Bank of Scotland Group Plc	www.laiki.com
27/05/2009	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.laiki.com
27/05/2009	Form for the Dividend Reinvestment Plan 2008	www.laiki.com
28/05/2009	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.laiki.com
28/05/2009	Financial Statements of the Group for the period January – March 2009	www.laiki.com
29/05/2009	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.laiki.com
01/06/2009	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.laiki.com
02/06/2009	Re-investment price of the 2008 dividend	www.laiki.com
03/06/2009	Capital Securities 2008 – Payment of interest on 30/06/2009	www.laiki.com
15/06/2009	Document for the Dividend Reinvestment Plan – Listing of new shares on CSE and Athens Stock Exchange (ASE)	www.laiki.com
22/06/2009	Listing of shares from share capital increase resulting from re-investment of dividend	www.laiki.com
30/06/2009	Announcement of Regulated Information in accordance to the article 18 of L190(I)/2007	www.laiki.com
02/07/2009	Capital Securities 2008 – Interest rate for the period 30/06/2009 – 29/09/2009	www.laiki.com
06/07/2009	Approval of Prospectus by the Cyprus Securities and Exchange Commission for the issue of Capital Securities	www.laiki.com
10/07/2009	Meeting of the Board of Directors on 28/08/2009 to examine and approved the Financial Results for the period January – June 2009	www.laiki.com
20/08/2009	Securitisation of claims of MEB	www.laiki.com
24/08/2009	Change of date of the meeting of the Board of Directors and the announcement of Financial Results for the period January – June 2009	www.laiki.com
27/08/2009	Financial Results of the Group for the period January – June 2009	www.laiki.com
31/08/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. A. Vgenopoulos, Executive Vice Chairman of the Board of Directors	www.laiki.com

Date	Subject	Website
31/08/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. D. Spanodemos, Director – Group Strategic Development	www.laiki.com
31/08/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. E. Bouloutas, Group Chief Executive Officer	www.laiki.com
02/09/2009	Payment of interest of 2008 Capital Securities on 30/09/2009	www.laiki.com
02/09/2009	Payment of interest of 2009 Capital Securities on 30/09/2009	www.laiki.com
02/09/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. D. Spanodemos, Director – Group Strategic Development	www.laiki.com
03/09/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. A. Vgenopoulos, Executive Vice Chairman of the Board of Directors	www.laiki.com
15/09/2009	Completion of a € 500 m 3-year Senior Debt Issue	www.laiki.com
15/09/2009	Merger of MPB with MEB – Legal Seat remains in Cyprus	www.laiki.com
15/09/2009	Procedure of the merger of MPB with MEB	www.laiki.com
17/09/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. E. Bouloutas, Group Chief Executive Officer	www.laiki.com
17/09/2009	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.laiki.com
21/09/2009	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.laiki.com
22/09/2009	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.laiki.com
22/09/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. D. Spanodemos, Director – Group Strategic Development	www.laiki.com
22/09/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. S. David, Manager Treasury	www.laiki.com
23/09/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. A. Vgenopoulos, Executive Vice Chairman of the Board of Directors	www.laiki.com
23/09/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. D. Spanodemos, Director – Group Strategic Development	www.laiki.com
23/09/2009	Announcement of Regulated Information – Purchase of MPB shares by Mrs. Inka Laniti, wife of Mr. Platon Lanitis, Non Executive Member of the Board of Directors	www.laiki.com
23/09/2009	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.laiki.com
28/09/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. E. Bouloutas, Group Chief Executive Officer	www.laiki.com

Date	Subject	Website
29/09/2009	Announcement of Regulated Information – Purchase of MPB shares by Mr. A. Vgenopoulos, Executive Vice Chairman of the Board of Directors	www.laiki.com
30/09/2009	Appointment of Mr. Iraklis Kounadis as a Member of the Board of Directors of MEB	www.laiki.com
02/10/2009	Interest rate of 2008 Capital Securities	www.laiki.com
09/10/2009	Announcement of Regulated Information – Sale of MPB shares by Laiki Cyprialife Limited	www.laiki.com
12/10/2009	Announcement of Regulated Information – Sale of MPB shares by Laiki Cyprialife Limited	www.laiki.com
13/10/2009	Announcement of Regulated Information – Sale of MPB shares by Laiki Cyprialife Limited	www.laiki.com
14/10/2009	Announcement of Regulated Information – Sale of MPB shares by Laiki Cyprialife Limited	www.laiki.com
15/10/2009	Announcement of Regulated Information – Sale of MPB shares by Laiki Cyprialife Limited	www.laiki.com
19/10/2009	Announcement of Regulated Information – Sale of MPB shares by Marfin Life S.A. Insurance Company	www.laiki.com
03/11/2009	Meeting of the Board of Directors on 26/11/2009 to examine and approve the Financial Results for the period January – September 2009	www.laiki.com
06/11/2009	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.laiki.com
09/11/2009	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.laiki.com
10/11/2009	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.laiki.com
11/11/2009	Announcement of Regulated Information – Sale of MPB shares by The Provident Fund of Employees of the C.P.B. and its Subsidiaries	www.laiki.com
16/11/2009	Merger through absorption of MEB by MPB	www.laiki.com
20/11/2009	Common Terms of Cross-Border Merger through absorption of MEB by MPB	www.laiki.com
20/11/2009	Summary of Common Terms of Cross-Border Merger through absorption of MEB by MPB	www.laiki.com
26/11/2009	Financial Statements of the Group for the period January – September 2009	www.laiki.com
27/11/2009	The recent developments in Dubai do not affect the operating performance of the Bank	www.laiki.com
27/11/2009	Notice to Extraordinary General Meeting on 23/12/2009 – Directors' Report and Report of the Consultants regarding the Cross-Border Merger through absorption of MEB by MPB	www.laiki.com

Date	Subject	Website
01/12/2009	Clarifications for the Notice for Extraordinary General Meeting on 23/12/2009	www.laiki.com
03/12/2009	Capital Securities 2008 – Payment of interest on 31/12/2009	www.laiki.com
03/12/2009	Capital Securities 2009 – Payment of interest on 31/12/2009	www.laiki.com
16/12/2009	Resignation of Mr. Moustafa Farid Moustafa of his position as Member of the Board of Directors	www.laiki.com
24/12/2009	Decision of Extraordinary General Meeting of 23/12/2009	www.laiki.com
24/12/2009	Announcement of Regulated Information – Proxies for the Extraordinary General Meeting of 23/12/2009	www.laiki.com
04/01/2010	Interest rate of 2008 Capital Securities for the period 31/12/2009 – 30/03/2010	www.laiki.com
01/02/2010	Process of completion of the Cross-Border Merger through absorption of MEB by MPB	www.laiki.com
05/02/2010	Meeting of the Board of Directors on 25/02/2010 to examine the preliminary results for the year 2009	www.laiki.com
09/02/2010	Changes in the constitution of the Board of Directors of the Bank	www.laiki.com
25/02/2010	Preliminary Results of the Group for the year 2009	www.laiki.com
02/03/2010	Capital Securities 2008 – Payment of interest on 31/03/2010	www.laiki.com
02/03/2010	Capital Securities 2009 – Payment of interest on 31/03/2010	www.laiki.com
12/03/2010	Issue of second series of covered bonds by MEB	www.laiki.com
18/03/2010	Meeting of the Board of Directors on 30/03/2010 – Final Financial Statements for the year 2009 – Dividend policy	www.laiki.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.laiki.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.laiki.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.laiki.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.laiki.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.laiki.com
30/03/2010	Final results 2009 – Dividend 2009 – Capital Securities 2010 – Merger MPB with MEB	www.laiki.com