Eurobank EFG Cyprus Ltd

Report and financial statements for the year ended 31 December 2010

Contents

Eurobank EFG Cyprus Ltd

Board of Directors and other officers

Board of Directors

N. Karamouzis	Chairman
M. Zampelas	Vice Chairman, Non Executive
M. Louis	Executive
D. Shacallis	Executive
M. Colakides	Non Executive
P. Hadjisotiriou	Non Executive
K. Morianos	Non Executive
K. Vasiliou	Non Executive
D. Hadjiargyrou	Non Executive
V. Nicolaides	Non Executive
C. Papaellinas	Non Executive
C. Zachariou	Non Executive

Executive Committee

M. Louis
D. Shacallis
C. Hambakis
A. Malliotis
A. Petsas
A. Antoniou
S. Kassianides

Company Secretary

D. Shacallis

Registered office

41 Arch. Makariou III Avenue
5th floor
CY-1065 Nicosia
Cyprus

Eurobank EFG Cyprus Ltd

Report of the Board of Directors

The Board of Directors presents its report together with the audited financial statements of Eurobank EFG Cyprus Ltd (the "Bank") for the year ended 31 December 2010.

Principal activity

The principal activity of the Bank, which is unchanged from last year, is the provision of banking and financial services.

Review of developments, position and performance of the Bank's business

The main financial highlights for the year are as follows:

	2010	2009
	€'000	€'000
Operating income	**120.015**	160.057
Operating expenses including provision for impairment of loans and advances	**45.142**	31.100
Profit before tax	**74.873**	128.957
Profit for the year	**66.800**	120.003
Customer deposits	**2.508.203**	1.586.343
Loans and advances to customers	**3.067.234**	3.766.493
Total assets	**14.115.622**	21.233.398

The financial position, development and performance of the Bank as presented in these financial statements are considered satisfactory.

Business outlook and risks

The Bank considers risk management to be a major process and a major factor contributing to the stability of the Bank's performance. The financial risks which are managed and monitored are credit risk, operational risk, market risk and liquidity risk. Detailed information relating to risk management is set out in Note 4 of the financial statements.

The Bank's directors acknowledge the difficulties of the Greek economy which actually have an impact in the operation of the parent bank. The Greek sovereign debt crisis, coming after an equally challenging global crisis in 2009, has adversely affected the parent company's operations, which have been adjusted in order to be aligned to the prevailing conditions. The uncertainties created by the sovereign debt issues in most European Union countries raised significant concerns regarding the stability of the European banking system. EFG Eurobank Ergasias S.A., registered comfortable capital levels during the stress tests carried by the Committee of European Banking Supervisors (CEBS) in cooperation with European Central Bank and European Union authorities.

Overall, despite the global adverse market environment and unprecedented conditions, the Bank remained profitable throughout the year.

Report of the Board of Directors (continued)

Future developments of the Bank

The Bank currently operates through a network of 6 Banking centres in Nicosia, Limassol, Larnaca and Paphos. It is expected that the Bank will expand its network with three more Banking centres, 2 in Nicosia and 1 in Limassol. In addition, the Bank will continue to strengthen its back office support operations investing in human capital and procedures in various areas.

Results

The Bank's results for the year are set out on page 7. The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

Share capital

On 25 February 2010 the Bank proceeded with a new share capital increase. The increase comprised the issue of 100 new shares in the capital of the Bank to EFG New Europe Holding B.V. with nominal value of €10 thousand and issuance price of €600 thousand per share, amounting to a total share capital increase of €60 million.

Capital adequacy

The capital adequacy of the Bank as at 31 December 2010, as disclosed in Note 4.4 of the financial statements, stands at 15,7% (2009: 11,3%).

Board of Directors

The members of the Board of Directors of the Bank as at 31 December 2010 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2010 and up to the date of this report.

Bank Management

The Bank's Executive Committee as at 31 December 2010 and at the date of this report is shown on page 1.

Events after the balance sheet date

In the context of a group reorganisation, the Bank will undertake the assets and liabilities of the company Eurocredit Retail Services Limited, a group related company, incorporated in Cyprus. The reorganisation is subject to approval by the shareholders and creditors of Eurocredit Retail Services Limited and to court approval under the provisions of Cap.113, Articles 198-200. The financial effect of this proposed reorganisation cannot be currently assessed. The total assets and net liabilities of Eurocredit Retail Services Limited as of 31 December 2010 based on its management accounts amount to €1.373 thousand and €8.774 thousand respectively.

Report of the Board of Directors (continued)

Events after the balance sheet date (continued)

On 14 April 2011 the House of Representatives enacted legislation introducing a special levy on credit institutions. As from the year 2011, credit institutions operating in Cyprus are required to pay a levy of 0,095% on their customer deposits. The special levy will be applied on customer deposits held in Cyprus - in any currency - as at 31 December of the previous year.

Auditors

The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Michalis Louis
Executive Director

Nicosia, 21 April 2011

Independent auditor's report

To the Members of Eurobank EFG Cyprus Ltd

Report on the financial statements

We have audited the accompanying financial statements of Eurobank EFG Cyprus Ltd (the “Company”), which comprise the balance sheet as at 31 December 2010, 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 information.

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 and the requirements of the Cyprus Companies Law, Cap 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 Eurobank EFG Cyprus Ltd as at 31 December 2010, 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 European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal and regulatory requirements

Pursuant to the requirements of the Law of 2009 on Statutory Audits of Annual and Consolidated Accounts, 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 Company.
- The Company'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 is consistent with the financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Law of 2009 on Statutory Audits of Annual and Consolidated Accounts 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.

Androulla S Pittas
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 21 April 2011

Eurobank EFG Cyprus Ltd

Income Statement
for the year ended 31 December 2010

	Note	2010 €'000	2009 €'000
Interest income	5	**842.727**	735.625
Interest expense	5	**(640.841)**	(597.753)
Net interest income		**201.886**	137.872
Banking fee and commission income	6	**14.519**	5.485
Banking fee and commission expense	6	**(95.611)**	(27.990)
Net banking fee and commission expense		**(81.092)**	(22.505)
Dividend income		**573**	553
Net trading loss	7	**(6.625)**	(1.337)
Gains less losses from investment securities	8	**5.273**	45.474
		(779)	44.690
Operating income		**120.015**	160.057
Staff costs	9	**(10.105)**	(6.204)
Other operating expenses	10	**(5.411)**	(5.272)
Profit from operations before impairment losses on loans and advances		**104.499**	148.581
Impairment losses on loans and advances	15	**(29.626)**	(19.624)
Profit before tax		**74.873**	128.957
Income tax expense	11	**(8.073)**	(8.954)
Profit for the year		**66.800**	120.003

The notes on pages 12 to 58 form an integral part of these financial statements.

Eurobank EFG Cyprus Ltd

Statement of Comprehensive Income for the year ended 31 December 2010

	2010 €'000		2009 €'000	
Profit for the year		**66.800**		120.003
Other comprehensive income:				
Available-for-sale financial assets (Note 16)				
- net changes in fair value, net of tax	**(135.963)**		9.371	
- transfer to net profit, net of tax	**69.000**	**(66.963)**	(79.609)	(70.238)
Other comprehensive loss for the year, net of tax		**(66.963)**		(70.238)
Total comprehensive (loss)/income for the year		**(163)**		49.765

The notes on pages 12 to 58 form an integral part of these financial statements.

Eurobank EFG Cyprus Ltd

Balance Sheet
at 31 December 2010

	Note	2010 €'000	2009 €'000
Assets			
Cash and balances with central banks	12	**42.969**	25.161
Loans and advances to banks	13	**4.351.509**	12.920.562
Financial instruments at fair value through profit or loss		**47**	-
Derivative financial instruments	14	**1.702**	8.466
Loans and advances to customers	15	**3.067.234**	3.766.493
Available-for-sale financial assets	16	**485.260**	2.901.683
Debt securities lending	17	**5.459.395**	935.781
Held-to-maturity investments	18	**699.651**	669.378
Intangible assets	19	**2.143**	1.549
Property, plant and equipment	20	**5.084**	4.068
Other assets	21	**628**	257
Total assets		**14.115.622**	21.233.398
Liabilities			
Due to other banks	22	**11.161.113**	15.241.152
Repurchase agreements with banks	22	**-**	4.060.320
Derivative financial instruments	14	**136.111**	103.955
Due to customers	23	**2.508.203**	1.586.343
Other liabilities	24	**17.490**	8.760
Total liabilities		**13.822.917**	21.000.530
Equity			
Ordinary share capital	25	**12.000**	11.000
Share premium	25	**245.384**	186.384
Other reserves		**(172.039)**	(105.076)
Retained earnings		**207.360**	140.560
Total equity		**292.705**	232.868
Total equity and liabilities		**14.115.622**	21.233.398

On 21 April 2011 the Board of Directors of Eurobank EFG Cyprus Ltd authorised the issuance of these financial statements.

Michalis Louis, Chief Executive Officer

Demetris Shacallis, Chief Financial Officer

The notes on pages 12 to 58 form an integral part of these financial statements.

Eurobank EFG Cyprus Ltd

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

	Note	Ordinary share capital €'000	Share premium €'000	Available-for-sale revaluation reserve €'000	Retained earnings €'000	**Total €'000**
Balance at 1 January 2009		11.000	186.384	(34.838)	20.557	**183.103**
Other comprehensive loss for the year	16	-	-	(70.238)	-	**(70.238)**
Profit for the year		-	-	-	120.003	**120.003**
Total comprehensive income for the year ended 31 December 2009		-	-	(70.238)	120.003	**49.765**
Balance at 31 December 2009		**11.000**	**186.384**	**(105.076)**	**140.560**	**232.868**
Balance at 1 January 2010		11.000	186.384	(105.076)	140.560	**232.868**
Other comprehensive loss for the year	16	-	-	(66.963)	-	**(66.963)**
Profit for the year		-	-	-	66.800	**66.800**
Total comprehensive loss for the year ended 31 December 2010		-	-	(66.963)	66.800	**(163)**
Share capital increase	25	1.000	59.000	-	-	**60.000**
		1.000	59.000	-	-	**60.000**
Balance at 31 December 2010		**12.000**	**245.384**	**(172.039)**	**207.360**	**292.705**

The notes on pages 12 to 58 form an integral part of these financial statements.

Eurobank EFG Cyprus Ltd

Cash Flow Statement
for the year ended 31 December 2010

	Note	2010 €'000	2009 €'000
Net cash flows (used in)/from operating activities	29	**(1.829.345)**	5.410.591
Cash flows from investing activities			
Purchases of intangible assets	19	**(800)**	(589)
Purchases of property, plant and equipment	20	**(1.637)**	(1.492)
Purchases of available-for-sale financial assets	16	**(1.054.419)**	(3.817.535)
Proceeds from sale/redemption of available-for-sale financial assets		**471.600**	2.401.468
Interest received on available-for-sale financial assets		**84.349**	114.335
Purchase of debt securities lending		**(13.508.422)**	(995.017)
Proceeds from sale/redemption of debt securities lending		**12.034.950**	286.240
Interest received on debt security lending		**171.533**	16.834
Purchase of held-to-maturity investments	18	**(45.061)**	(729.155)
Proceeds from redemption of held-to-maturity investments		**10.149**	85.258
Interest received on held-to-maturity investments		**35.854**	3.636
Dividend income received from investment securities		**573**	553
Net cash used in investing activities		**(1.801.331)**	(2.635.464)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	25	**60.000**	-
Proceeds from issue of subordinated debt	30	**40.000**	-
Net cash from financing activities		**100.000**	-
Net (decrease)/ increase in cash and cash equivalents		**(3.530.676)**	2.775.127
Cash and cash equivalents at beginning of year		**5.347.872**	2.572.745
Cash and cash equivalents at end of year	29	**1.817.196**	5.347.872

The notes on pages 12 to 58 form an integral part of these financial statements.

Eurobank EFG Cyprus Ltd

Notes to the financial statements

1 General information

Country of incorporation

Eurobank EFG Cyprus Limited ("the Bank") is incorporated in Cyprus as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its registered office and business address is at 41 Arch. Makariou III Avenue, 5th floor, 1065 Nicosia, Cyprus.

Principal activity

The principal activity of the Bank, which is unchanged from last year, is the provision of banking and financial services.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The 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's presentation currency is the Euro (€) being its functional currency. Except as indicated, financial information presented in Euro has been rounded to the nearest thousand.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2010 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised IFRS

2.2.1 Standards, amendments and interpretations effective on or after 1 January 2010

During the current year the Bank adopted all the new and revised IFRS that are relevant to its operations and are effective for accounting periods beginning on 1 January 2010. This adoption did not have a material effect on the accounting policies of the Bank.

Amended and new standards and interpretations effective in 2010:

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

2.2.2 Standards and interpretations issued but not yet effective

At the date of approval of these financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

(i) Adopted by the European Union

New standards

- IAS 24 (Revised) “Related Party Disclosures” (effective for annual periods beginning on or after 1 January 2011).

Amendments

- Amendments to IAS 32 “Financial Instruments: Presentation: Classifications of Rights Issues” (effective for annual periods beginning on or after 1 February 2010).
- 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).
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011).
- Annual Improvements 2010 (effective for annual periods beginning on or after 1 July 2010 and 1 January 2011).

New IFRICs

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

2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised IFRS (continued)

2.2.2 Standards and interpretations issued but not yet effective (continued)

(ii) Not adopted by the European Union

New standards

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2013).

Amendments

- Amendments to IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 July 2011).
- Amendment to IAS 12 "Income Taxes" (effective for annual periods beginning on or after 1 January 2012).
- Amendment to IFRS 1 "First-time adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after 1 July 2011).

The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Bank, with the exception of IFRS 9 "Financial Instruments". This standard is the first step in the process to replace IAS 39 "Financial instruments: recognition and measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Bank's accounting for its financial assets. The standard is not applicable until 1 January 2013 and has not yet been endorsed by the European Union. The Bank is yet to assess the full impact of IFRS 9.

2.3 Foreign currency translation

(i) Functional and presentation currency

Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Euro thousands, which is the Bank's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions that are transactions denominated, or that require settlement, in a foreign currency 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 foreign currency 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.

2 Summary of significant accounting policies (continued)

2.3 Foreign currency translation (continued)

(ii) Transactions and balances (continued)

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

Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in equity. Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

2.4 Derivative financial instruments and hedge accounting

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

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

Certain derivatives, embedded in other financial instruments, are treated as separate derivatives when their 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 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 hedges of the exposure to changes in the fair value of recognised assets or liabilities or unrecognised firm commitments (fair value hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

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

2 Summary of significant accounting policies (continued)

2.4 Derivative financial instruments and hedge accounting (continued)

(i) Fair value hedge

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

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

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement under “Net Trading Income/Loss”.

The fair values of derivative instruments held for trading and used for hedging purposes are disclosed in Note 14.

2.5 Interest income and expense

Interest income and expenses for all interest-bearing financial instruments are recognised within “interest income” and “interest expense” in the income statement on an accruals basis, using the effective interest rate method.

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

Once a financial asset or 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.

2.6 Fees and commissions

Fees and commissions are generally recognised in the income statement on an accruals basis. Commissions and fees relating to foreign exchange transactions, private banking activities, trade services, remittances and bank charges are recognised on the completion of the underlying transaction.

2 Summary of significant accounting policies (continued)

2.7 Operating leases

Accounting for leases as lessee

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

2.8 Income taxation

(i) Current income tax

Income tax payable (receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense (income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credit to other comprehensive income or to equity (for example, current tax on of available-for-sale investment).

Where the Bank has tax losses that can be relieved against a tax liability for a previous year, it recognises those losses as an asset, because the tax relief is recoverable by refund of tax previously paid. This asset is offset against an existing current tax balance.

Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the consolidated statement of financial position.

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

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially 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, plant and equipment and amortisation of computer software.

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

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 items recognised in other comprehensive income, is also recognised in the other comprehensive income and subsequently in the income statement together with the deferred gain or loss.

2 Summary of significant accounting policies (continued)

2.9 Employee benefits

The Bank and the employees contribute to the Government Social Insurance Fund based on employees' salaries.

In addition, the Bank operates a defined benefit scheme the assets of which are held in a separate trustee-administered fund. The scheme is funded by payments from employees and by the Bank. The Bank's contributions are expensed as incurred and are included in staff costs. The Bank has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

In 2009, the Bank operated a defined benefit scheme the assets of which were held by the Bank, and hence, did not qualify as plan assets. The scheme provided for a lump sum payment upon retirement taking into account the years of service and salary of each employee.

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

Actuarial gains or losses that arise in calculating the Bank's obligation are charged directly in the income statement for the period in full.

The cost of providing benefits is part of staff costs and is estimated annually using the projected unit credit actuarial valuation method. According to this method, the cost of providing benefits is debited to the income statement over the working lives of the employees participating in the scheme according to the guidance and provisions of independent professional actuaries that carry out actuarial valuations at least every three years. The calculation of the cost of providing benefits for this scheme is based on the present value of the expected future outflow using as discount rate the yield from high quality corporate bond indices in Europe, given Cyprus' accession to the Eurozone as of 1 January 2008.

2.10 Property, plant and equipment

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

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values, over their estimated useful lives. The estimated useful economic lives are as follows:

	Useful economic life
Motor vehicles	5 years
Furniture, fixtures and office equipment	3 to 12 years
Leasehold property improvements	12 years
Computer hardware	3 to 12,5 years

2 Summary of significant accounting policies (continued)

2.10 Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in "other operating expenses" in the income statement.

2.11 Computer software

Acquired computer software licenses/programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight line method to allocate the cost of computer software, over their estimated useful lives. The annual amortisation rates used range between 8% to 24%.

Gains and losses on disposal of computer software are determined by comparing proceeds with carrying amount and are included in "other operating expenses" in the income statement.

2.12 Impairment of non-financial assets

Assets that are subject to depreciation or 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.

2.13 Financial assets and liabilities

2.13.1 Financial assets

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

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

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

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if on initial recognition 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 or it is a derivative (except for derivatives that are financial guarantee contracts or designated and effective hedging instruments).

2 Summary of significant accounting policies (continued)

2.13 Financial assets and liabilities (continued)

2.13.1 Financial assets (continued)

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

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 entity 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

Loans and receivables are reported in the balance sheet as loans and advances to banks or customers and as debt securities lending.

(iii) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity, 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.

(iv) Available-for-sale financial assets

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.

2 Summary of significant accounting policies (continued)

2.13 Financial assets and liabilities (continued)

2.13.1 Financial assets (continued)

(v) Accounting treatment

Purchases and sales of financial assets are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset. Loans originated by the Bank are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value; transaction costs are taken directly to the income statement.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

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

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

Interest income and expense on financial assets is recognised in the income statement and is included in "Net interest income".

2.13.2 Financial liabilities

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

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

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

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

Eurobank EFG Cyprus Ltd

Notes to the financial statements

2 Summary of significant accounting policies (continued)

2.13 Financial assets and liabilities (continued)

2.13.3 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes from Bloomberg and Reuters.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the dates of the balance sheet.

The Bank uses widely recognised valuation models for determining fair values of nonstandardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market observable. For more complex instruments, the Bank uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value derivatives transacted in the over-the-counter market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The impact on net profit of financial instrument valuations reflecting non-market observable inputs (level 3 valuations) is disclosed in Note 4.5, if applicable.

2.13.4 Derecognition

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). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral (shares and bonds) furnished 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. This also applies to certain securitisation transactions in which the Bank retains a portion of the risks.

2 Summary of significant accounting policies (continued)

2.13 Financial assets and liabilities (continued)

2.13.5 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. Any reclassifications of bonds from available-for-sale category to loans and receivables are included in the balance sheet as “debt securities lending” (Note 17).

Reclassifications are made at fair value 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. Any previous gain or loss on assets reclassified that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest method.

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.

2.14 Impairment of financial assets

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

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

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

2 Summary of significant accounting policies (continued)

2.14 Impairment of financial assets (continued)

(i) Assets carried at amortised cost

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

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

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

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

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the 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.

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

2 Summary of significant accounting policies (continued)

2.14 Impairment of financial assets (continued)

(i) Assets carried at amortised cost (continued)

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to banks and customers are classified in "impairment losses on loans and advances" whilst impairment charges relating to investment securities (held-to-maturity and loans and receivables categories) are classified in "Gains less losses from investment securities".

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

(ii) Available-for-sale assets

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

2.15 Sale and repurchase agreements and securities lending

(i) Sale and repurchase agreements

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

(ii) Securities lending

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

2 Summary of significant accounting policies (continued)

2.16 Related party transactions

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

2.17 Provisions

Provisions 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 the amount can be reliably estimated.

2.18 Share capital

Ordinary shares including share premium are classified as equity and they are recorded at the amount received from the issue.

2.19 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount 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.

2.20 Financial guarantees

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

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank’s liabilities under such guarantees are measured at the higher of the initial amount, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the 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 reported in the income statement within other operating expenses.

2.21 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current accounts and placements with banks, including Central Banks, that mature within three months of the balance sheet date, other than mandatory reserves.

2.22 Comparatives

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

3 Critical accounting estimates and judgments in applying accounting policies

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

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment continuously. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating there is measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the 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.

(b) Fair value of financial instruments

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

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

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

(d) Income taxes

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretations and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

(e) Retirement benefit obligations

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

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

4 Financial risk management

4.1 Use of financial instruments

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

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

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

4.2 Financial risk factors

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

4.2.1 Credit risk

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

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

The Bank minimises the risk by spreading its loan portfolio over all economic sectors (Note 4.2.1.4) and by adopting appropriate procedures and controls to evaluate the quality of the credit facilities granted.

In addition, the Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted. Facilities higher than these limits are authorised and monitored by EFG Eurobank Ergasias S.A.

(a) Credit risk measurement and management - investment securities and derivatives

The Bank holds lien agreements issued by EFG Eurobank Ergasias S.A. for all investment securities held, whereby the latter guarantees to the Bank, that in case of any default by the issuer of the investment securities, the Bank can set off the receivable amounts with the equivalent funds placed by EFG Eurobank Ergasias S.A. As a result, the Bank considers that it is not exposed to any credit risk exposure in relation to the investment in securities as these are guaranteed by EFG Eurobank Ergasias S.A. with cash balances in place to cover the entire carrying amount of these investment securities. As a result, the Bank is dependent on EFG Eurobank Ergasias S.A. Reference on the impact of the Greek economy is disclosed in the Board of Directors report under section "Business outlook and Risks"

All derivative financial instruments held by the Bank are with EFG Eurobank Ergasias S.A., and as such the Bank considers that these carry the credit risk of EFG Eurobank Ergasias S.A.
Therefore, as this is the parent entity of the Bank, the Bank does not have any specific policies in place to monitor this credit risk.

(b) Credit risk measurement – Loans and advances

The Bank applies various credit rating systems for the assessment and measurement of credit risk. These systems assign a specific rating to every borrower/counterparty which reflects the creditworthiness of the particular borrower and consequently the ability to repay funds on a timely manner. Credit rating takes under consideration various quantitative and qualitative factors. The Bank periodically reviews rating systems and adapts them to particular market conditions, products or borrowers.

Risk limit control and mitigation policies – Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types for loans and advances to customers are:
- Cash deposits and other cash equivalents
- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities;
- Lien agreement from parent company.

Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.1 Maximum exposure to credit risk before collateral held

The table below represents the maximum credit risk exposure to the Bank at 31 December 2010 and 2009, without taking account of any collateral held:

	2010	2009
	€'000	€'000
Credit risk exposures relating to on-balance sheet assets:		
Loans and advances to banks	**4.351.509**	12.920.562
Financial instruments at fair value through profit or loss		
- debt securities	**47**	-
Derivative financial instruments	**1.702**	8.466
Loans and advances to customers:		
- Wholesale lending	**3.055.100**	3.757.674
- Consumer lending	**2.600**	1.133
- Mortgage lending	**9.534**	7.686
Available-for-sale financial assets - debt securities	**453.296**	2.862.375
Debt securities lending	**5.459.395**	935.781
Held-to-maturity investments	**699.651**	669.378
Other assets	**450**	133
Total	**14.033.284**	**21.163.188**
Credit risk exposures relating to off-balance sheet items (Note 27):		
Guarantees and letters of credit	**62.853**	33.330
Approved unutilised credit facilities	**67.849**	55.429
Total	**130.702**	**88.759**

For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

4.2.1.2 Loans and advances to customers

As at 31 December 2010 loans and advances to customers of the Bank amounting to €17.719 thousand (2009: €18.674 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. These receivables are up to 3 months. The fair value of the collaterals for these receivables is €16.222 thousand (2009: €17.425 thousand).

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired as at year end can be assessed by reference to the Bank's standard grading system. Based on the Bank's credit assessment methodology, the credit quality of the total portfolio of loans and advances to customers is graded as satisfactory as at 31 December 2010 and 2009.

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Debt securities

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

31 December 2010

	Loans and advances to banks	Available-for-sale debt securities	Held-to-maturity investments	Debt securities lending	Debt securities at fair value through profit or loss	**Total**
	€'000	€'000	€'000	€'000	€'000	**€'000**
Aaa	-	135.397	-	-	-	**135.397**
Aa1 to Aa3	-	25.396	122.128	-	-	**147.524**
A1 to A3	1.221.983	31.776	-	-	-	**1.253.759**
Lower than A3	-	260.225	577.523	5.459.395	47	**6.297.190**
Unrated (1)	881.452	502	-	-	-	**881.954**
Total	**2.103.435**	**453.296**	**699.651**	**5.459.395**	**47**	**8.715.824**

31 December 2009

	Loans and advances to banks	Available-for-sale debt securities	Held-to-maturity investments	Debt securities lending	Debt securities at fair value through profit or loss	**Total**
	€'000	€'000	€'000	€'000	€'000	**€'000**
Aaa	-	170.715	-	-	-	**170.715**
Aa1 to Aa3	3.163.063	20.887	96.797	-	-	**3.280.747**
A1 to A3	1.651.232	1.962.202	572.581	732.525	-	**4.918.540**
Lower than A3	-	708.358	-	185.208	-	**893.566**
Unrated (1)	2.356.382	213	-	18.048	-	**2.374.643**
Total	**7.170.677**	**2.862.375**	**669.378**	**935.781**	**-**	**11.638.211**

(1) The credit quality of unrated debt securities classified as loans and advances to banks is considered to be equivalent to the credit rating of EFG Eurobank Ergasias S.A. (Long-term Deposits rating: Ba1 (Moody's) in 2010 (A2 (Moody's) in 2009)) since there are lien agreements with EFG Eurobank Ergasias S.A. for these debt securities (Note 30(ii)). As at date of finalisation of the financial statements the Long-term Deposits rating was Ba2.

During 2010 and 2009, the Greek Government debt credit spreads have deteriorated significantly. The macroeconomic risks affecting the Bank are under close review by the Bank.

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.4 Concentration of credit risk

(a) Geographical sectors

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

	Greece €'000	Cyprus €'000	Other Western European countries €'000	New Europe countries €'000	Other countries €'000	**Total €'000**
Loans and advances to banks	4.350.672	837	-	-	-	**4.351.509**
Debt securities at fair value through profit or loss	-	-	-	-	47	**47**
Derivative financial instruments	1.237	438	-	-	27	**1.702**
Loans and advances to customers:						
- Wholesale lending	1.356.963	643.144	812.961	132.316	109.716	**3.055.100**
- Consumer lending	-	2.600	-	-	-	**2.600**
- Mortgage lending	-	9.534	-	-	-	**9.534**
Available-for-sale financial assets - debt securities	9.614	-	134.267	23.492	285.923	**453.296**
Debt securities lending	4.868.678	-	467.200	123.517	-	**5.459.395**
Held-to-maturity investments	577.523	122.128	-	-	-	**699.651**
Other assets	-	450	-	-	-	**450**
As at 31 December 2010	**11.164.687**	**779.131**	**1.414.428**	**279.325**	**395.713**	**14.033.284**

	Greece €'000	Cyprus €'000	Other Western European countries €'000	New Europe countries €'000	Other countries €'000	**Total €'000**
Loans and advances to banks	12.920.286	269	7	-	-	**12.920.562**
Debt securities at fair value through profit or loss	-	-	-	-	-	**-**
Derivative financial instruments	8.466	-	-	-	-	**8.466**
Loans and advances to customers:						
- Wholesale lending	2.228.317	498.945	855.380	114.714	60.318	**3.757.674**
- Consumer lending	-	1.133	-	-	-	**1.133**
- Mortgage lending	-	7.686	-	-	-	**7.686**
Available-for-sale financial assets - debt securities	1.990.027	-	523.124	37.114	312.110	**2.862.375**
Debt securities lending	743.587	-	54.417	123.605	14.172	**935.781**
Held-to-maturity investments	572.581	96.797	-	-	-	**669.378**
Other assets	-	133	-	-	-	**133**
As at 31 December 2009	**18.463.264**	**604.963**	**1.432.928**	**275.433**	**386.600**	**21.163.188**

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.4 Concentration of credit risk (continued)

(b) Industry sectors

The following table breaks down the Bank's main credit risk exposure of balance sheet assets at their carrying amounts, as categorised by the industry sectors of the Bank's counterparties as at 31 December 2010 and 2009:

	Sovereigns €'000	Commerce & services €'000	Banks & financial institutions €'000	Private individuals €'000	Constru-ction €'000	Manufa-cturing €'000	Other €'000	**Total €'000**
Loans and advances to banks	-	-	4.351.509	-	-	-	-	**4.351.509**
Debt securities at fair value through profit or loss	-	-	47	-	-	-	-	**47**
Derivative financial instruments	-	191	1.231	6	-	254	20	**1.702**
Loans and advances to customers:								
- Wholesale lending	-	822.488	1.813.457	213.421	24.964	174.390	6.380	**3.055.100**
- Consumer lending	-	576	-	2.024	-	-	-	**2.600**
- Mortgage lending	-	-	-	9.534	-	-	-	**9.534**
Available-for-sale financial assets								
- debt securities	393.614	6.029	33.272	-	-	20.296	85	**453.296**
Debt securities lending	4.992.195	-	461.807	-	-	5.393	-	**5.459.395**
Held-to-maturity investments	699.651	-	-	-	-	-	-	**699.651**
Other assets	-	-	-	-	-	-	450	**450**
As at 31 December 2010	**6.085.460**	**829.284**	**6.661.323**	**224.985**	**24.964**	**200.333**	**6.935**	**14.033.284**

	Sovereigns €'000	Commerce & services €'000	Banks & financial institutions €'000	Private individuals €'000	Constru-ction €'000	Manufa-cturing €'000	Other €'000	**Total €'000**
Loans and advances to banks	-	-	12.920.562	-	-	-	-	**12.920.562**
Debt securities at fair value through profit or loss	-	-	-	-	-	-	-	**-**
Derivative financial instruments	-	-	8.466	-	-	-	-	**8.466**
Loans and advances to customers:								
- Wholesale lending	-	1.202.737	2.069.154	135.428	149.551	169.237	31.567	**3.757.674**
- Consumer lending	-	-	-	1.133	-	-	-	**1.133**
- Mortgage lending	-	-	-	7.686	-	-	-	**7.686**
Available-for-sale financial assets								
- debt securities	2.445.858	21.996	353.678	-	-	40.843	-	**2.862.375**
Debt securities lending	867.192	-	68.589	-	-	-	-	**935.781**
Held-to-maturity investments	669.378	-	-	-	-	-	-	**669.378**
Other assets	-	-	-	-	-	-	133	**133**
As at 31 December 2009	**3.982.428**	**1.224.733**	**15.420.449**	**144.247**	**149.551**	**210.080**	**31.700**	**21.163.188**

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Market risk

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

(a) Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected adverse movements arise. The Bank's Risk Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken and exposures are monitored daily.

(b) Currency risk

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

(c) Equity risk

Equity price risk is the risk of the decrease of fair values as a result of changes in the levels of equity indices and the value of individual stocks. The equity risk that the Bank undertakes arises mainly from available-for-sale financial assets. The Risk Committee sets limits on the level of the exposures which are monitored daily.

The Bank's monitoring of market risk is performed by EFG Eurobank Ergasias S.A. with the use of 'value at risk' (VaR) methodology to estimate the market risk of positions held and the potential economic loss based upon a number of assumptions and variables.

VaR summary for 2010 and 2009

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

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

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

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Market risk (continued)

(c) Equity risk (continued)

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

Average VaR by risk type (trading and investment portfolios):

	2010	2009
	€'000	€'000
Interest Rate Risk	**12.483**	13.782
Foreign Exchange Risk	**-**	-
Equities Risk	**1.304**	1.446
Total VaR	**13.403**	**14.115**

The VaR calculation is applied to Trading and Available-for-sale positions.

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

4.2.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match, and as a result there may be inability to meet cash calls.

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

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

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

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

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk (continued)

The table below analyses the cash flows payable by the Bank under derivative and non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows. Liabilities without contractual maturities (sight and saving deposits) are presented in the "less than 1 month" time bucket.

31 December 2010

	Less than 1 month	1 – 3 months	3 months to 1 year	Over 1 year	**Gross nominal (inflow) / outflow**
	€'000	€'000	€'000	€'000	**€'000**
Non-derivative liabilities:					
- Due to other banks and repurchase agreements with banks	3.098.638	2.954.069	2.725.925	3.168.552	**11.947.184**
- Due to customers	1.384.143	623.051	430.275	39.594	**2.477.063**
- Other liabilities	15.189	-	-	1.425	**16.614**
	4.497.970	**3.577.120**	**3.156.200**	**3.209.571**	**14.440.861**
Derivative financial instruments:	**9.833**	**9.890**	**29.712**	**86.676**	**136.111**

Off-balance sheet items

	Less than 1 year	Over 1 year	**Total**
	€'000	€'000	**€'000**
Guarantees and letters of credit	37.436	25.417	**62.853**
Approved unutilised credit facilities	38.969	28.880	**67.849**
Capital expenditure	708	-	**708**
Operating lease commitments	827	1.221	**2.048**
	77.940	**55.518**	**133.458**

31 December 2009

	Less than 1 month	1 – 3 months	3 months to 1 year	Over 1 year	**Gross nominal (inflow) / outflow**
	€'000	€'000	€'000	€'000	**€'000**
Non-derivative liabilities:					
- Due to other banks and repurchase agreements with banks	7.015.674	4.392.661	754.448	10.627.145	**22.789.928**
- Due to customers	723.914	511.738	315.177	42.298	**1.593.127**
- Other liabilities	3.856	-	-	4.904	**8.760**
	7.743.444	**4.904.399**	**1.069.625**	**10.674.347**	**24.391.815**
Derivative financial instruments:	**4.770**	**6.490**	**22.277**	**70.418**	**103.955**

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk (continued)

Off-balance sheet items

	Less than 1 year	Over 1 year	**Total**
	€'000	€'000	**€'000**
Guarantees and letters of credit	33.330	-	**33.330**
Approved unutilised credit facilities	55.429	-	**55.429**
Capital expenditure	182	-	**182**
Operating lease commitments	615	1.091	**1.706**
	89.556	**1.091**	**90.647**

The liabilities from derivatives are reported in the liquidity analysis using the current market values of them. Trading derivatives are presented in the first time bucket. Derivatives for hedging purposes are presented according to their expected holding period.
The amounts reported per time bucket (markets values) are very close to the corresponding net future cash flows since the current rates of EUR and USD are low

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

4.3 Off balance sheet instruments

In common with other banks, the Bank conducts business involving guarantees, documentary letters of credit and acceptances (Note 27).

Guarantees are generally written by a bank to support the performance of a customer to third parties. As the Bank will only be required to meet obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Documentary credits commit the Bank to make payments to third parties on production of documents and provided that the terms of the documentary credits are satisfied. The repayment by the customer is usually immediate.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer in the event that the customer does not honour payment.

Endorsements are residual liabilities in respect of bills of exchange, which have been discounted by a bank and subsequently rediscounted.

Commitments to lend are agreements to lend to a customer in the future subject to certain conditions. Such commitments are made for fixed periods and are cancellable by the Bank subject to notice requirements.

4 Financial risk management (continued)

4.4 Capital management

	2010 €'000	2009 €'000
Ordinary shareholders' equity	**292.705**	232.868
Less: other regulatory adjustments	**(2.143)**	(1.549)
Total Tier 1 capital	**290.562**	231.319
Tier 2 capital – subordinated debt	**40.000**	-
Less: other regulatory adjustments	**-**	-
Total regulatory capital	**330.562**	**231.319**
Risk Weighted Assets	**2.112.353**	**2.056.688**

	2010 %	2009 %
Ratios:		
Core Tier 1	**13,8**	11,3
Tier 1	**13,8**	11,3
Tier 2	**1,9**	-
Capital Adequacy Ratio	**15,7**	11,3

Tier 1 capital represents ordinary share capital, share premium and reserves less intangible assets as at 31 December.

Tier 2 capital represents subordinated debt as at 31 December.

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

The Bank has complied with all externally imposed capital requirements throughout the period.

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

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

4 Financial risk management (continued)

4.5 Financial assets and liabilities measured at fair value

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

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

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

b) substantially all of the Bank's other financial assets and liabilities are at floating rates of interest, which re-price at frequent intervals. Therefore the Bank has no significant exposure to fair value fluctuations and the carrying value of the financial assets and liabilities is substantially equivalent to their fair values, other than financial assets which are referred to in Note 16.

c) All financial instruments that are measured at fair value are categorised into one of the three fair value hierarchy levels at year-end; based on whether the inputs to their fair values are observable or non observable.
   i) Level 1 - Quoted prices in active markets for identical assets or liabilities. Quoted prices must be readily and regularly available from an exchange or active index/market location and prices must represent actual and regularly occurring market transactions on an arm's length basis. Any form of valuation technique results in the instrument not falling into this level.
   ii) Level 2 - Financial instruments measured using valuation techniques where all significant inputs are market observable. This level includes OTC derivative contracts, structured assets and liabilities and available-for-sale financial assets.
   iii) Level 3 - Financial instruments measured using valuation techniques with significant non observable inputs.

4 Financial risk management (continued)

4.5 Financial assets and liabilities measured at fair value (continued)

The classification of the Bank's financial assets and liabilities using the fair value hierarchy as at 31 December 2010 and 2009 is presented in the following table:

	At 31 December 2010			
	Quoted prices in active market (Level 1) €'000	Valuation technique observable parameters (Level 2) €'000	Valuation technique non observable parameters (Level 3) €000	**Total €'000**
Financial assets measured at fair value:				
Debt securities at fair value through profit or loss	-	47	-	**47**
Derivative financial instruments	-	1.702	-	**1.702**
Available-for-sale financial assets	484.673	587	-	**485.260**
Total financial assets	**484.673**	**2.336**	**-**	**487.009**
Financial liabilities measured at fair value:				
Derivative financial instruments	-	136.111	-	**136.111**
Total financial liabilities	**-**	**136.111**	**-**	**136.111**

	At 31 December 2009			
	Quoted prices in active market (Level 1) €'000	Valuation technique observable parameters (Level 2) €'000	Valuation technique non observable parameters (Level 3) €000	**Total €'000**
Financial assets measured at fair value:				
Debt securities at fair value through profit or loss	-	-	-	**-**
Derivative financial instruments	-	8.466	**-**	**8.466**
Available-for-sale financial assets	2.660.581	241.102	**-**	**2.901.683**
Total financial assets	**2.660.581**	**249.568**	**-**	**2.910.149**
Financial liabilities measured at fair value:				
Derivative financial instruments	-	103.955	**-**	**103.955**
Total financial liabilities	**-**	**103.955**	**-**	**103.955**

4.6 Fiduciary activities

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

5 Net interest income

	2010 €'000	2009 €'000
Interest income		
Interest on bonds at fair value through profit or loss-held for trading	**3**	93
Interest from loans and advances to banks	**287.159**	340.623
Interest from derivatives	**56.620**	60.165
Interest from loans and advances to customers	**138.836**	151.688
Interest from available-for-sale financial assets	**53.336**	125.019
Interest from debt securities lending	**275.735**	31.370
Interest from held-to-maturity investments	**31.038**	26.667
Total interest income	**842.727**	735.625
Interest expense		
Interest on due to other banks	**(349.833)**	(289.554)
Interest on repurchase agreements	**(140.519)**	(175.449)
Interest on derivatives	**(100.239)**	(90.042)
Interest on customer deposits	**(50.240)**	(42.708)
Other interest expense	**(10)**	-
Total interest expense	**(640.841)**	(597.753)
Net interest income	**201.886**	137.872

6 Net banking fee and commission expense

	2010 €'000	2009 €'000
Banking fee and commission income		
Bank transfer commissions	**5.798**	2.176
Other fees and commissions	**8.721**	3.309
Total banking fee and commission income	**14.519**	5.485
Banking fee and commission expense		
Fees on lien agreements (Note 30)	**(93.680)**	(27.120)
Other fees and commissions	**(1.931)**	(870)
Total banking fee and commission expense	**(95.611)**	(27.990)
Net banking fee and commission expense	**(81.092)**	(22.505)

7 Net trading loss

	2010 €'000	2009 €'000
Gains/(losses) on hedging instruments	**30.938**	(30.607)
(Losses)/gains on hedged items attributable to the hedged risk	**(37.701)**	28.698
Net losses representing ineffective portions of fair value hedges	**(6.763)**	(1.909)
Foreign exchange income	**30**	18
Gains less losses on financial instruments at fair value through profit or loss - held for trading	**108**	554
	(6.625)	(1.337)

The Bank hedges a proportion of its existing interest rate risk resulting from any potential decrease in the fair value of fixed rate financial assets denominated both in local and foreign currencies using interest rate and cross currency interest rate swaps. The net fair value of these swaps at 31 December 2010 was €134 million liability (2009: €98 million liability). The Bank recognised a loss € 6,8 million (2009: €1,9 million losses) from changes in fair value of the hedged items attributable to the hedged risk, net of changes in fair value of the hedging instruments.

8 Gains less losses from investment securities

	2010	2009
	€'000	€'000
Gains less losses on disposal of available-for-sale financial assets	**6.997**	50.909
Gains less losses on debt securities lending	**4.795**	-
Gains less losses on disposal of held-to-maturity investments	**177**	2.450
Losses on unwinding of hedging instruments following disposal of hedged available-for-sale financial assets	**(6.696)**	(7.885)
	5.273	45.474

9 Staff costs

	2010	2009
	€'000	€'000
Salaries and staff bonuses	**7.284**	5.160
Social insurance and other costs	**981**	795
Directors' fees and remuneration	**889**	833
Retirement benefit costs – defined benefits scheme	**951**	(584)
	10.105	6.204

The average number of employees of the Bank during the year was 143 (2009: 103).

According to the actuarial valuation conducted for the year ended 31 December 2010, the amounts appearing in the balance sheet of the Bank are as follows:

	2010	2009
	€'000	€'000
Present value of the obligation (2010: funded, 2009: unfunded)	**1.425**	4.904
Retirement benefit obligations recognised in balance sheet	**1.425**	4.904

Retirement benefit obligations are included in "Other liabilities" (Note 24).

The principal actuarial assumptions used for the actuarial valuation were:

	2010	2009
	%	%
Discount rate of obligations	**5,25**	5,50
Future salary increases	**3,75**	4,00
Future price inflation	**2,00**	2,00
Expected return on assets	**5,25**	n/a
Average future working life	**24,99**	26,11

The amounts recognised in the income statement for the year in respect of the defined benefit scheme are as follows:

	2010	2009
	€'000	€'000
Service cost	**491**	544
Interest cost	**270**	287
Net actuarial loss/(gain) recognised in the year	**38**	(1.464)
Past service cost	**152**	49
Total income statement charge / (credit)	**951**	(584)

9 Staff costs (continued)

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

	2010	2009
	€'000	€'000
Liability for staff retirement obligations at 1 January	4.904	5.464
Actual contributions paid by the Bank	(4.601)	-
Current service cost	491	544
Interest cost	270	287
Actuarial loss/(gain)	38	(1.464)
Net benefits paid out	-	(93)
Past service cost	152	49
Other (1)	171	117
Liability for staff retirement obligations at 31 December	1.425	4.904

(1) The amount of €171 thousand (2009: €117 thousand) represents past service obligations for the members of staff following their transfer from their previous employers and was placed by these members of staff on their commencement of employment with the Bank.

10 Other operating expenses

	2010	2009
	€'000	€'000
Amortisation of intangible assets (Note 19)	206	443
Depreciation of property, plant and equipment (Note 20)	620	490
Loss on disposal/write down of property, plant and equipment (Note 20)	1	-
Operating lease rentals	706	541
Repairs and maintenance	779	637
Auditors' remuneration	150	126
Professional fees	638	646
Advertising and promotion	972	854
Other administrative expenses	1.339	1.535
	5.411	5.272

11 Income tax expense

	2010	2009
	€'000	€'000
Current tax:		
- Corporation tax	7.640	8.582
- Withholding tax	342	370
Total current tax	7.982	8.952
Deferred tax charge	91	2
Total income tax expense	8.073	8.954

The Cyprus corporate rate of tax in 2010 is 10% (2009: 10%) on the taxable income. The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2010	2009
	€'000	€'000
Profit before tax	74.873	128.957
Tax calculated at the applicable corporation tax rate of 10%	7.487	12.896
Tax effect of expenses not deductible for tax purposes	1.197	683
Tax effect of allowances and income not subject to tax	(611)	(4.625)
Income tax expense	8.073	8.954

There is no income tax effect relating to components of other comprehensive income (2009: €NIL).

11 Income tax expense (expense)

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

The movement in deferred income tax assets and liabilities (non-current) during the year is as follows:

	Tax losses	Differences between wear & tear and depreciation	Total
	€'000	€'000	€'000
Balance at 1 January 2009	-	71	71
Charged to income statement	-	2	2
Balance at 1 January 2010	**-**	73	73
Charged to income statement	-	91	91
Balance at 31 December 2010 (Note 24)	**-**	**164**	**164**

12 Cash and balances with central banks

	2010	2009
	€'000	€'000
Cash in hand	**2.278**	1.806
Balances with central banks	**40.691**	23.355
	42.969	25.161
of which:		
Mandatory deposits with central banks	**40.691**	23.355

Cash and balances with central banks are classified as current.

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

13 Loans and advances to banks

	2010	2009
	€'000	€'000
Bonds held as part of assets securitisation transactions	**2.103.435**	7.170.677
Reverse repurchase receivables	**-**	132.696
Placements with banks	**2.069.928**	5.593.037
Settlement balances with banks	**178.146**	24.152
	4.351.509	12.920.562
Maturity analysis		
- on demand up to 7 days	**896.776**	4.489.290
- between 7 days and three months	**918.142**	856.776
- between three months and one year	**414.978**	383.399
- more than one year	**2.121.613**	7.191.097
	4.351.509	12.920.562

As of 31 December 2010, the Bank holds bonds issued by special purpose entities (SPEs) of EFG Eurobank Ergasias S.A. incorporated for the purpose of asset securitisation transactions, amounting to €2.103.435 thousand (2009: €7.170.677 thousand).

Bonds held as part of assets securitisation transactions are classified as loan and advances to banks as they are issued by special purpose entities of EFG Eurobank Ergasias S.A. and as a result they are considered as receivables from EFG Eurobank Ergasias S.A.

13 Loans and advances to banks (continued)

As of 31 December 2010, bonds amounting to €1.222.148 thousand (2009: €Nil) are pledged as collateral in connection with securities lending agreements with EFG Eurobank Ergasias S.A.

Placements and takings bear interest which is based on the interbank rate of the relevant term and currency.

Loans and advances to banks are categorised as “loans and receivables”.

14 Derivative financial instruments and hedge accounting

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

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

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

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

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

14 Derivative financial instruments and hedge accounting (continued)

	Fair Values			
	2010		2009	
	Assets	**Liabilities**	Assets	Liabilities
	€'000	**€'000**	€'000	€'000
Derivatives designated as fair value hedges				
Cross currency / interest rate swaps	**377**	**134.756**	4.962	103.300
Derivatives held for trading				
Foreign exchange derivatives	**992**	**971**	3.504	655
Cross currency / interest rate swaps	**333**	**384**	-	-
	1.325	**1.355**	3.504	655
	1.702	**136.111**	8.466	103.955

	Fair Values			
	2010		2009	
	Assets	**Liabilities**	Assets	Liabilities
	€'000	**€'000**	€'000	€'000
Analysed as follows:				
Current	**1.325**	**9.820**	3.637	6.286
Non-current	**377**	**126.291**	4.829	97.669
	1.702	**136.111**	8.466	103.955

Hedge accounting

(a) Cross currency/interest rate swaps

The notional principal amounts of the outstanding cross currency/interest rate swap contracts at 31 December 2010 were €2.029 million (2009: €2.256 million).

At 31 December 2010, the fixed interest rates vary from 2,1678% to 20,01% (2009: 1,5275% to 21,93%) and the main floating rates are EURIBOR and LIBOR.

(b) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2010 were €5,9 million (2009: €20,9 million).

Derivative financial instruments are categorised as derivatives used for hedging.

(c) Foreign exchange options

The notional principal amounts of foreign exchange options at 31 December 2010 were €140,3 million (2009: €87 million).

(d) Foreign exchange swaps

The notional principal amounts of foreign exchange options at 31 December 2010 were €NIL (2009: €39 million).

15 Loans and advances to customers

	2010 €'000	2009 €'000
Private individuals:		
- Overdrafts	**768**	498
- Term loans	**1.852**	650
- Mortgages	**9.534**	7.686
	12.154	8.834
Corporate entities:		
- Large corporate loans	**2.806.983**	3.619.093
- Private banking loans	**236.077**	147.170
- International business banking loans	**61.591**	11.341
	3.104.651	3.777.604
Total	**3.116.805**	3.786.438
Gross loans and advances to customers	**3.116.805**	3.786.438
Less: provision for impairment losses	**(49.571)**	(19.945)
Net amount of loans and advances to customers	**3.067.234**	3.766.493

	2010 €'000	2009 €'000
Analysed as follows:		
Current	**1.585.568**	2.095.720
Non current	**1.481.666**	1.670.773
	3.067.234	3.766.493

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

	31 December 2010			
	Wholesale €'000	**Consumer €'000**	**Mortgage €'000**	**Total €'000**
Balance at 1 January	19.930	15	-	**19.945**
Impairment losses on loans and advances charged in the year	29.621	5	-	**29.626**
Balance at 31 December	**49.551**	**20**	**-**	**49.571**

	31 December 2009			
	Wholesale €'000	**Consumer €'000**	**Mortgage €'000**	**Total €'000**
Balance at 1 January	321	-	-	**321**
Impairment losses on loans and advances charged in the year	19.609	15	-	**19.624**
Balance at 31 December	**19.930**	**15**	**-**	**19.945**

As at 31 December 2010, loan impairment provision amounted to €49.571 thousand (2009: €19.945 thousand), of which €42.821 thousand (2009: €19.445 thousand) relates to one loan receivable from a related company with a carrying amount before provisions amounting to €806.446 thousand as of 31 December 2010 (2009: €835.374 thousand). The impairment provision was estimated based on the credit quality of the assets held by the related company.

The fair value of the Bank's loans and advances to customers approximates their carrying amount at the balance sheet date as they bear interest at variable rates.

Loans and advances to customers are categorised as "loans and receivables".

16 Available-for-sale financial assets

	2010 €'000	2009 €'000
Issued by public organisations – government bonds:		
- Greece	**18.845**	1.980.586
- Germany	**56.545**	79.645
- Hungary	**-**	10.701
- USA	**39.776**	51.730
- Russia	**43.574**	39.914
- Lithuania	**12.987**	12.744
- Poland	**20.698**	34.247
- Romania	**2.794**	2.868
- France	**39.076**	39.289
- Serbia	**178.164**	194.133
	412.459	2.445.857
Issued by other issuers:		
- Banks	**27.318**	39.582
- Other	**45.483**	416.244
	72.801	455.826
Total	**485.260**	2.901.683
Listed	**484.758**	2.901.683
Unlisted	**502**	-
	485.260	2.901.683
Equity	**31.964**	39.308
Debt	**453.296**	2.862.375
	485.260	2.901.683
Pledged securities under repurchase agreements (Note 22)	**-**	2.449.882

	2010 €'000	2009 €'000
Current	**65.558**	196.913
Non current	**419.702**	2.704.770
	485.260	2.901.683

The movement in the account is as follows:

	2010 €'000	2009 €'000
Net book value at 1 January	**2.901.683**	1.469.693
Additions	**1.054.419**	3.817.535
Disposals and redemptions	**(464.603)**	(2.350.559)
Reclassification to debt securities lending portfolio (Note 17)	**(3.038.982)**	-
Amortisation of discounts/premiums and interest	**(31.013)**	10.684
Net gains/(losses) from changes in fair values	**55.124**	(41.540)
Foreign exchange adjustments	**8.632**	(4.130)
Net book value at 31 December	**485.260**	2.901.683

In April 2010 and in accordance with IAS 39, the Bank reclassified debt securities of €3.039 million, listed on non-active markets, which the Bank has the intention and ability to hold for the foreseeable future, from the "Available-for-sale" portfolio to "Debt securities lending" portfolio carried at amortised cost. From the reclassified amount, €1.767 million are hedged for changes in the fair value attributable to interest rate risk, for which the Bank will continue to apply hedging accounting. Interest on the reclassified securities will continue to be recognised in interest income using the effective interest rate method.

16 Available-for-sale financial assets (continued)

The carrying amount of the reclassified securities as at 31 December 2010 is €3.019 million. In 2010, until the reclassification date, losses of €198 million net of tax, arising from changes in the fair value of the securities, are recorded in the available-for-sale revaluation reserve. If the financial assets had not been reclassified, changes in the fair value for the period from the reclassification date until 31 December 2010 would have resulted in €498 million losses net of tax, which would have been recognised in the available-for-sale revaluation reserve.

Equity reserve: Revaluation of the available-for-sale investments

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

	2010	2009
	€'000	€'000
Balance at 1 January	**(105.076)**	(34.838)
Net (losses)/gains from changes in fair value	**(135.963)**	9.371
Net losses transferred to net profit on disposal	**(301)**	(43.025)
Net gains/(losses) transferred to net profit from fair value hedges / amortisation of mark to market	**69.301**	(36.584)
Balance at 31 December	**(172.039)**	(105.076)

17 Debt securities lending

Debt securities lending are classified and treated as "loans and receivables".

	2010	2009
	€'000	€'000
Current	**1.201.311**	17.909
Non-current	**4.258.084**	917.872
	5.459.395	935.781

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities. None of these financial assets are either past due or impaired.

Debt securities lending pledged under repurchase agreements are disclosed in Note 22.

The movement in the account is as follows:

	2010	2009
	€'000	€'000
Net book value at 1 January	**935.781**	212.468
Additions	**13.386.930**	995.017
Redemptions	**(12.030.155)**	(286.240)
Reclassification from available-for-sale investment securities (Note 16)	**3.038.982**	-
Amortisation of mark-to-market of reclassified securities	**(38.296)**	-
Amortisation of discounts/premiums and interest	**104.202**	11.588
Changes in fair value due to hedging	**53.729**	4.858
Foreign exchange adjustments	**8.222**	(1.910)
Net book value at 31 December	**5.459.395**	935.781

18 Held-to-maturity investments

Held-to-maturity investments comprise Greek governments and Cyprus government bonds with a carrying amount as of 31 December 2010 of €577.523 thousand (2009: €572.581 thousand) and €122.128 thousand (2009: €96.797 thousand) respectively.

	2010 €'000	2009 €'000
Current	353	23.052
Non-current	699.298	646.326
	699.651	669.378

The movement in the account is as follows:

	2010 €'000	2009 €'000
Net book value at 1 January	669.378	-
Additions	45.061	729.155
Disposals and redemptions	(9.972)	(83.800)
Amortisation of premium discount and interest	(4.816)	24.023
Net book value at 31 December	699.651	669.378

19 Intangible assets

	Computer licences & software €'000	Total €'000
Year ended 31 December 2009		
At 1 January 2009	1.403	1.403
Additions	589	589
Amortisation charge (Note 10)	(443)	(443)
Net book value	1.549	1.549
At 31 December 2009		
Cost	2.315	2.315
Accumulated amortisation	(766)	(766)
	1.549	1.549
Year ended 31 December 2010		
At 1 January 2010	1.549	1.549
Additions	800	800
Amortisation charge (Note 10)	(206)	(206)
Net book value	2.143	2.143
At 31 December 2010		
Cost	3.115	3.115
Accumulated amortisation	(972)	(972)
	2.143	2.143

20 Property, plant and equipment

	Leasehold improvements	Motor vehicles and motor cycles	Equipment	**Total**
	€'000	€'000	€'000	**€'000**
Year ended 31 December 2009				
At 1 January 2009	2.021	256	789	**3.066**
Additions	999	63	430	**1.492**
Disposals and write offs	-	-	-	**-**
Depreciation charge (Note 10)	(203)	(68)	(219)	**(490)**
Net book value	**2.817**	**251**	**1.000**	**4.068**
At 31 December 2009				
Cost	3.117	390	1.412	**4.919**
Accumulated depreciation	(300)	(139)	(412)	**(851)**
	2.817	**251**	**1.000**	**4.068**
Year ended 31 December 2010				
At 1 January 2010	2.817	251	1.000	**4.068**
Additions	1.142	32	463	**1.637**
Disposals and write offs	-	-	(1)	**(1)**
Depreciation charge (Note 10)	(279)	(85)	(256)	**(620)**
Net book value	**3.680**	**198**	**1.206**	**5.084**
At 31 December 2010				
Cost	4.259	422	1.874	**6.555**
Accumulated depreciation	(579)	(224)	(668)	**(1.471)**
	3.680	**198**	**1.206**	**5.084**

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

21 Other assets

	2010	2009
	€'000	€'000
Prepaid expenses	**178**	124
Other assets	**450**	133
	628	257

22 Due to other banks

	2010	2009
	€'000	€'000
Deposits from other banks	**11.121.074**	15.234.672
Settlement balances with other banks	**39**	6.480
Subordinated debt (Note 30(i))	**40.000**	-
	11.161.113	15.241.152
Maturity analysis		
- on demand up to 7 days	**989.183**	3.594.868
- 7 days up to 3 months	**4.790.066**	3.363.203
- 3 months to 1 year	**2.278.115**	121.509
- 1 to 5 years	**3.063.749**	8.161.572
- after 5 years	**40.000**	
	11.161.113	15.241.152

22 Due to other banks (continued)

The fair value of amounts due to other banks approximates their carrying amount at the balance sheet date as the amounts fall due within one year.

Amounts related to repurchase agreements with banks are presented in a separate line on the face of the balance sheet. The repurchase agreements are classified as current.

The carrying amount of repurchase agreements approximates the fair value as they are all due within twelve months from the balance sheet date. The interest rates on repurchase agreements are 0,12% - 3,10% (2009: 1,99% - 5,90%).

The carrying amount of pledged assets relating to repurchase agreements is as follows:

	2010	2009
	€'000	€'000
Available-for-sale financial assets (Note 16)	**-**	2.449.882
Loans to banks	**-**	4.814.274
Loans to customers	**-**	505.732
Debt securities lending	**-**	284.699
	-	8.054.587

All repurchase agreements were terminated in December 2010.

Amounts due to other banks are categorised as other financial liabilities at amortised cost.

23 Due to customers

	2010	2009
	€'000	€'000
Current accounts	**360.700**	177.986
Notice accounts	**5.485**	3.532
Term deposits	**2.142.018**	1.404.825
	2.508.203	1.586.343
Maturity analysis		
- up to 1 month	**1.402.624**	727.789
- between 1 month and three months	**558.555**	423.274
- between three months and one year	**511.032**	399.048
- between one year and five years	**35.992**	36.232
	2.508.203	1.586.343

The fair value of amounts due to customers approximates their carrying amount at the balance sheet date.

Total client deposits pledged as collateral for credit facilities granted to clients as at 31 December 2010 amounted to €238 million (2009: €252 million).

Amounts due to customers are categorised as other financial liabilities at amortised cost.

24 Other liabilities

	2010	2009
	€'000	€'000
Current income tax liability	**712**	228
Deferred tax liability (Note 11)	**164**	73
Retirement benefit obligations (Note 9)	**1.425**	4.904
Other liabilities and accruals	**15.189**	3.555
	17.490	8.760

Other liabilities and accruals include commissions of €10.500 thousand (2009: nil) payable to EFG Eurobank Ergasias S.A. (Note 29(i)).

25 Ordinary share capital

The par value of the Bank's shares is €10 thousand per share. All shares are fully paid.

The movement of share capital and share premium is as follows:

	No. of shares	Ordinary shares €'000	Share premium €'000	**Total €'000**
Authorised				
At 31 December 2010 & 2009	**1.500**	**15.000**	**-**	**15.000**
Issued				
At 1 January 2010	1.100	11.000	186.384	**197.384**
New share issues:				
at 25 February 2010	100	1.000	59.000	**60.000**
At 31 December 2010 & 2009	**1.200**	**12.000**	**245.384**	**257.384**

On 25 February 2010 the Bank proceeded with a new share capital increase. The increase comprised the issue of 100 new shares in the capital of the Bank to EFG New Europe Holding B.V. with nominal value of €10 thousand and issuance price of €600 thousand per share, amounting to a total share capital increase of €60 million. The issue of shares was for cash consideration.

All the shares have the same rights.

26 Operating lease commitments – where the Bank is the lessee

The Bank leases various offices under non-cancellable operating lease agreements with varying terms and renewal rights. The future aggregate minimum lease payments under non-cancellable building operating leases are as follows:

	2010	2009
	€'000	€'000
Not later than one year	**827**	615
Later than one year and not later than five years	**1.221**	1.091
	2.048	1.706

27 Contingencies and commitments

The following analysis indicates the contractual amounts of the Bank's off-balance sheet financial instruments that commit the Bank to make payments in relation to acceptances, guarantees, indemnities and letters of credit drawn on customers:

	2010	2009
	€'000	€'000
Contingent liabilities:		
Guarantees	**43.624**	20.614
Other	**19.229**	12.716
	62.853	33.330
Commitments:		
Approved unutilised credit facilities	**67.849**	55.429

Capital commitments
As at 31 December 2010, commitments for contracted capital expenditures for the Bank amount to €708 thousand (2009: €182 thousand).

Legal proceedings
As at 31 December 2010 and 2009 there were no legal proceedings outstanding against the Bank.

28 Fiduciary activities

The Bank provides custody, investment management and advisory services to third and related parties which involve the Bank making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the balance sheet date the Bank had investment custody accounts amounting to approximately €338.142 thousand (2009: €238.646 thousand).

29 Net cash flow from operating activities

	Note	2010 €'000	2009 €'000
Profit before tax		**74.873**	128.957
Adjustments for:			
Amortisation of intangible assets	19	**206**	443
Depreciation of property, plant and equipment	20	**620**	490
Loss on disposal/write down of property, plant and equipment	20	**1**	-
Provision for defined benefit retirement obligation	9	**951**	(584)
Impairment losses on loans and advances	15	**29.626**	19.624
Dividend income		**(573)**	(553)
Interest income on available-for-sale financial assets	5	**(53.336)**	(125.019)
Interest income on debt securities lending	5	**(275.735)**	(31.370)
Interest income on held-to-maturity instruments	5	**(31.038)**	(26.667)
Foreign exchange differences on investing activities		**(16.854)**	4.130
Hedging adjustment on debt securities lending portfolio		**(53.729)**	-
Profit on disposal of available-for-sale financial assets	8	**(6.997)**	(50.909)
Profit on disposal of debt securities lending portfolio	8	**(4.795)**	-
Profit on disposal of held-to-maturity investments	8	**(177)**	(2.450)
Net fair value loss/(gain) on available-for-sale financial assets transferred to income statement		**37.701**	(28.698)
		(299.256)	(112.606)
Decrease/(increase) in operating assets			
Cash and balances with central banks		**(17.336)**	(13.582)
Loans and advances to banks		**5.037.905**	600.250
Financial instruments at fair value through profit or loss		**(47)**	-
Derivative financial instruments		**6.764**	(4.147)
Loans and advances to customers		**669.633**	(2.534.381)
Other assets		**(371)**	2.709
Increase/(decrease) in operating liabilities			
Due to other banks		**(4.120.039)**	7.321.908
Repurchase agreements with banks		**(4.060.320)**	(591.942)
Derivative financial instruments		**32.156**	85.875
Due to customers		**921.860**	664.288
Retirement benefit obligations		**(4.430)**	-
Other liabilities		**11.634**	1.527
Cash generated from operations		**(1.821.847)**	5.419.899
Tax paid		**(7.498)**	(9.308)
Net cash flow (used in)/from operating activities		**(1.829.345)**	5.410.591

Cash and cash equivalents

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

	2010 €'000	2009 €'000
Cash and balances with central banks (Note 12)	**2.278**	1.806
Placements with banks (Note 13)	**1.814.918**	5.346.066
	1.817.196	5.347.872

30 Related party transactions and balances

The Bank is a member of the worldwide EFG Bank, which consists of credit institutions, financial services and financial holding companies. The Bank is a wholly owned subsidiary of EFG New Europe Holding B.V. registered in the Netherlands who is in turn a wholly subsidiary of EFG Eurobank Ergasias S.A., a listed entity in Greece. The ultimate parent company of EFG Eurobank Ergasias S.A. is Private Financial Holdings Limited, which is owned and controlled indirectly by members of the Latsis family. As at 31 December 2010, the EFG Group held 44,8% of the ordinary shares and voting rights of EFG Eurobank Ergasias S.A. through wholly owned subsidiaries of the ultimate parent company, the remaining ordinary shares and voting rights being held by institutional and retail investors, none of which, to the knowledge of the Eurobank Ergasias S.A. holds 5% or more.

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

(i) Related party transactions and outstanding balances

	With EFG Eurobank Ergasias S.A.		With EFG Eurobank Ergasias S.A. Group (other than EFG Eurobank Ergasias S.A.)		With key management personnel	
	2010 €'000	2009 €'000	**2010 €'000**	2009 €'000	**2010 €'000**	2009 €'000
Loans and advances to banks	**2.247.156**	5.749.681	**2.103.231**	7.170.677	**-**	-
Loans and advances to customers	**124**	-	**1.835.802**	2.092.306	**8.312**	6.475
Derivative financial instruments – assets	**677**	8.466	**-**	-	**-**	-
Derivative financial instruments – liabilities	**135.066**	103.955	**-**	-	**-**	-
Available-for-sale financial assets	**35**	-	**-**	322.310	**-**	-
Debt securities lending	**720**	-	**337.330**	-	**-**	-
Held-to-maturity investments	**89**	-	**-**	-	**-**	-
Due to other banks	**11.044.840**	15.238.554	**95.594**	-	**-**	-
Repurchase agreements with banks	**-**	4.060.320	**-**	-	**-**	-
Due to customers	**-**	-	**10.567**	54.305	**2.795**	2.178
Other liabilities – lien charges	**10.500**	-	**-**	-	**-**	-
Interest income	**269.447**	221.774	**285.488**	290.405	**115**	84
Interest expense	**590.325**	554.252	**11**	193	**56**	37
Banking fee and commission expense – fees on lien agreement	**93.680**	27.120	**-**	-	**-**	-
Impairment losses on loans and advances	**-**	-	**27.626**	19.124	**-**	-
Staff costs excluding retirement benefit costs	**-**	-	**-**	-	**1.354**	890
Retirement benefit cost	**-**	-	**-**	-	**212**	201
Directors' remuneration	**-**	-	**-**	-	**889**	833

Key management personnel includes directors and key management personnel of the Bank, and their close family members.

30 Related party transactions and balances (continued)

Loans and advances to customers with EFG Eurobank Ergasias S.A. Group includes the securitisation bond of Andromeda Plc with a balance of €843.451 thousand as of 31 December 2010 (2009: €843.003 thousand).

On 31 March 2010, EFG Eurobank Ergasias S.A. advanced the sum of €40 million to the Bank. The interest rate of the loan was set at an annual rate equal to 3 month LIBOR plus 65 basis points. The loan shall be repaid on 31 March 2020. After 31 March 2015 EFG Eurobank Ergasias S.A. has the option to call in any part of the loan. The loan is not secured and the rights and claims of EFG Eurobank Ergasias S.A. are subordinated to the claims of all other creditors of the Bank except the holders of other subordinated indebtness of the same type (lower tier II) of the Bank.

(ii) Lien agreements

As of 31 December 2010, the Bank has in place lien agreements from EFG Eurobank Ergasias S.A., which act as guarantees for the purposes of securing the following assets as of the reporting date:

	2010	2009
	€'000	€'000
Loans and advances to banks	**2.103.231**	7.303.373
Loans and advances to customers	**1.589.034**	2.451.439
Available-for-sale financial assets	**453.261**	2.862.375
Debt securities lending	**5.458.675**	935.781
Held-to-maturity investments	**520.126**	524.469
	10.124.327	14.077.437

Based on the Lien agreements, in case of any default, the Bank can set off the receivable amounts with the equivalent funds placed by EFG Eurobank Ergasias S.A.

The increase in lien expense is mainly related with the change in the lien fee structure during 2010.

(iii) Offsetting

As of 31 December 2009, the Bank offset loans and advances to banks against amounts payable under repurchase agreements with EFG Eurobank Ergasias S.A. amounting to €4.558.987 thousand pursuant to a legally binding offsetting agreement entered into between the two parties during the year and based on management's intention to settle these balances net or to revalue the asset and settle the liability simultaneously.

No financial assets and liabilities were offset as of 31 December 2010.

30 Related party transactions and balances (continued)

(iv) Securities lending

In November 2010 the Bank entered into an agreement with EFG Eurobank Ergasias S.A. under which the two parties may enter into transactions in which one party will transfer to the other securities and financial instruments against the transfer of collateral with a simultaneous agreement by the borrower to transfer to the lender, securities equivalent to such securities on a fixed date or on demand against the transfer to borrower by the lender of assets equivalent to such collateral. As at 31 December 2010, the amount which corresponded to securities lent by the Bank to EFG Eurobank Ergasias S.A. was €8.186.283 thousand and is analysed as follows:

	2010	2009
	€'000	€'000
Loans and advances to banks	**1.220.743**	-
Loans and advances to customers	**469.282**	-
Available-for-sale financial assets	**264.730**	-
Debt securities lending	**5.553.418**	-
Held-to-maturity investments	**678.110**	-
	8.186.283	-

31 Post balance sheet events

In the context of a group reorganisation, the Bank will undertake the assets and liabilities of the company Eurocredit Retail Services Limited, a group related company, incorporated in Cyprus. The reorganisation is subject to approval by the shareholders and creditors of Eurocredit Retail Services Limited and to court approval under the provisions of Cap.113, Articles 198-200. The financial effect of this proposed reorganisation cannot be currently assessed. The total assets and net liabilities of Eurocredit Retail Services Limited as of 31 December 2010 based on its management accounts amount to €1.373 thousand and €8.774 thousand respectively.

On 14 April 2011 the House of Representatives enacted legislation introducing a special levy on credit institutions. As from the year 2011, credit institutions operating in Cyprus are required to pay a levy of 0,095% on their customer deposits. The special levy will be applied on customer deposits held in Cyprus - in any currency - as at 31 December of the previous year.