



EUROBANK ERGASIAS S.A.

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2012

According to Article 4 of the Law 3556/2007

Table of Contents

- I. Statement of the members of the Board of Directors
(according to the article 4, par. 2 of the Law 3556/2007)***
- II. Directors' Report and Corporate Governance Statement***
- III. Consolidated Financial Statements for the 2012 Financial Year
(Auditor's Report included)***
- IV. Summary Financial (Solo and Consolidated) Data and
Information for the Year from 1 January to 31 December 2012***
- V. Reference Table to the Information released during the Financial
Year 2012***
- VI. Website Address for Information on Subsidiaries of the Bank***

***I. Statement of the members of the Board of Directors
(according to the article 4, par. 2 of the Law 3556/2007)***

**Statement of the members of the Board of Directors
(according to the article 4, par.2 of the Law 3556/2007)**

To the best of our knowledge, the financial statements of Eurobank Ergasias S.A. (the Bank) and the consolidated financial statements of the Bank and its subsidiaries (the Group) for the year ended 31 December 2012 comply with applicable accounting standards, and present fairly the financial position and the results of the Bank and the Group.

Furthermore, to the best of our knowledge, the Report of the Directors for the year includes a fair review of the development, the performance and the position of the Bank and the Group, together with a description of the principal risks and uncertainties they face.

Athens, 27 March 2013

Efthymios N. Christodoulou

I.D. No AB - 049358

CHAIRMAN OF THE BOARD OF DIRECTORS

Nicholas C. Nanopoulos

I.D. No AE - 586794

CHIEF EXECUTIVE OFFICER

Michael H. Colakides

I.D. No 486588

DEPUTY CHIEF EXECUTIVE OFFICER

II. Directors' Report and Corporate Governance Statement

The directors present their report together with the audited accounts for the year ended 31 December 2012.

Profit or Loss Attributable

The loss after tax attributable to shareholders of the Eurobank Ergasias S.A Group (Eurobank or the Group) for 2012 after taking into account the €599m exceptional items (€290m additional valuation losses on Greek sovereign exposure and other non recurring valuation losses of €309m) amounted to €1,453m (2011: €5,508m loss of which €5,480m exceptional items, €4,810m due to impairments of Greek sovereign exposure and €670m other non recurring valuation losses) as set out in the consolidated income statement on page 3.

Acquisition by National Bank of Greece S.A.

On 15 February 2013, the National Bank of Greece SA (NBG) acquired 84.35% of Eurobank's voting shares following the successful completion of a Voluntary Tender Offer (VTO). NBG is the largest bank in Greece and has significant operations in the South Eastern European region. Its ordinary shares are listed on the Athens Stock Exchange while ADRs and USD preference shares trade on the New York Stock Exchange (for more details, see www.nbg.gr).

NBG's intention to launch a voluntary exchange offer to acquire all Eurobank shares offering 58 new ordinary voting shares of NBG for every 100 ordinary voting shares of Eurobank tendered was announced on 5 October 2012. NBG also stated that Eurobank shareholders holding 43.6% of Eurobank's ordinary share capital had committed to tender their shares in the tender offer.

The General Meeting of the shareholders of NBG approved, on 23 November 2012, the increase of NBG's share capital and the issuance of new ordinary shares to be offered to Eurobank's ordinary shareholders who would accept NBG's VTO at the offered exchange ratio. Following the approval of relevant offering documentation by the Greek Capital Market Commission, the VTO was launched on 11 January 2013. The Bank's Board of Directors, assisted by its financial advisers, considered the merits of the business combination in the interest of all stakeholders, including employees, customers, shareholders and the Greek economy, and the terms and conditions of the exchange offer and issued its reasoned opinion thereon as required by Law 3461/2006 on 11 January 2013.

All required approvals and/or clearances by the Bank of Greece, the Greek Competition Commission, the Hellenic Financial Stability Fund and the European Commission – DG Competition (State Aid) were obtained by 14 February 2013. The VTO acceptance period ended on 15 February 2013 at which date 466,397,790 shares were tendered.

As stated in the VTO documentation, the VTO will be followed by the merger of the two banks. In line with this, on 19 March 2013, the boards of Eurobank and NBG resolved to initiate the merger process, with NBG absorbing Eurobank, and set 31 December 2012 as the merger reference date. The merger is expected to be completed in a few months.

Greek Sovereign Debt Exchange Programme

On 21 February 2012 the Euro-area finance ministers agreed on a bail out programme for Greece, including financial assistance from the Official Sector and a voluntary debt exchange agreed with the Private Sector forgiving 53.5% of the face value of Greek debt. The new programme aimed for debt sustainability and restoring competitiveness, and provided a comprehensive blueprint for putting the public finances and the economy of Greece back on a sustainable basis. Following the Bank's participation in the programme, the Group exchanged Greek Government Bonds and other eligible securities of face value €7,336m. Under this exchange, in March/ April 2012, the Group received a) new Greek government bonds (nGGBs) with face value equal to 31.5% of the face amount of the old bonds, b) European Financial Stability Fund (EFSF) notes with a face amount of 15% of the face value of the old bonds and c) GDP-linked securities. All exchanged bonds were derecognized and the new GGBs recognized at fair value, based on market quotes at the date of recognition, with a total valuation loss before tax of €6.2bn as at 30 June 2012.

Following the Eurogroup's decisions on 27 November 2012 and as part of debt reduction measures, the Greek State announced on 3 December 2012 an invitation to eligible holders of nGGBs to submit offers to exchange such securities for six months zero coupon notes to be issued by the EFSF. The Group submitted for exchange the 100% of its nGGBs portfolio of total face value €2.3bn and received EFSF notes of total face value €0.8bn on 18 December 2012. The transaction resulted to a pre tax gain of €192m recorded in the fourth quarter of 2012 (note 5 to the consolidated accounts).

Recapitalisation Framework and Process

Given the severity of the impact of the Greek Government Bond Exchange Programme (PSI+), (a) the Bank of Greece assessed the viability of each Greek bank and estimated its capital needs and (b) the Hellenic Financial Stability Fund, whose mandate was extended and enhanced accordingly, has been allocated €50bn to support the recapitalisation of the Greek banking system (note 6 of the consolidated accounts).

Eurobank Capital Requirements

The Bank of Greece, after assessing the business plan and the capital needs of Eurobank (the Bank) concluded on 19 April 2012 that Eurobank is a viable bank and, on 8 November 2012, notified the Bank that its Tier I capital should increase by €5,839m by April 2013, i.e., by an amount which is lower than the losses deriving from Greek Sovereign exposure. The

Bank, the HFSF and the EFSF signed on 28 May 2012 and on 21 December 2012 a trilateral presubscription agreement for the advance to the Bank of EFSF notes of face value of €3,970m and €1,341m respectively (total €5.3bn) as advance payment of its participation in the future share capital increase of the Bank. In addition, HFSF provided to the Bank a commitment letter for additional capital support of €528m up to the total level of recapitalisation needs of €5,839m. Proforma with the full recapitalisation amount of € 5,839m, on 31 December 2012, the Group's regulatory capital stands at €4.4bn, the EBA Core Tier I Capital at €4.1bn, its Capital Adequacy ratio at 11.6% and the EBA Core Tier I ratio at 10.8%.

Throughout 2012, the Group continued the implementation of its medium term internal capital generating plan, which includes initiatives generating or releasing EBA equity capital and/or reducing Risk Weighted Assets. A total of €1.9bn of capital has been created/released since the onset of the crisis. In addition the Group is preparing for a capital raising whose timing and structure will be finalised with NBG.

Presubscription Agreement (PSA) with HFSF and EFSF

The PSA signed as above entitles the HFSF to certain rights during the period until the capital increase has been completed (Corporate Governance Code, section B.6, available at www.eurobank.gr).

Restructuring Plan

The advances by HFSF to the Bank under the 28 May 2012 PSA (see above) were assessed as State Aid by the European Commission. Therefore, along with the other viable banks, on 31 October 2012, Eurobank submitted a draft five year restructuring plan to the HFSF acting for the Ministry of Finance and the European Commission (DG Competition). Following the announcement of the NBG VTO, the European Commission asked that a revised plan be submitted for approval in the second quarter of 2013 (note 6 to the consolidated accounts).

Monitoring Trustee

On 22 February 2013, the Bank appointed Grant Thornton as its Monitoring Trustee (MT). The MT will monitor compliance with commitments on corporate governance and commercial operations, and the implementation of the restructuring plan, and report to the European Commission (note 6 to the consolidated accounts).

Greek Economy Liquidity Support Program (law 3723/2008)

Eurobank participates in the Greek Government's program to support liquidity in the Greek economy under Law 3723/2008, as amended (note 4 to the consolidated accounts).

Dividends

Based on the 2012 results and article 44a of Company Law 2190/1920, the Directors do not recommend the distribution of dividends to either ordinary or preference shareholders.

Activities and Regional Presence

Eurobank is a financial services provider engaged in retail, corporate and private banking, asset management, insurance, and treasury and capital markets services in Greece and the region of Central, Eastern and South-eastern Europe. Its regional presence is concentrated in Euro-zone members (Greece, Cyprus, Luxembourg), European Union members (Romania and Bulgaria) and candidate member nations (Serbia).

Disposal of Polish operations

Based on the terms of the Investment Agreement signed with Raiffeisen Bank International AG (RBI) in February 2011, on 30 April 2012, the Group transferred 70% of its Polish banking subsidiary (Polbank EFG) to RBI, after obtaining the relevant approvals from the Polish Financial Supervision Authority (KNF). As of 30 April 2012, Polbank EFG and RBI Poland (RBI's Polish banking subsidiary) were combined and Eurobank also exercised on 30 April 2012 its put option on its remaining 13% stake in Raiffeisen Polbank. In October 2012, the relevant transfer of shares was completed (note 17 to the consolidated accounts).

Disposal of Turkish Operations

On 9 April 2012 the Group entered into a sale agreement for the transfer of Eurobank Tekfen A.S and its subsidiaries to Burgan Bank of Kuwait. All regulatory approvals by the competent authorities were obtained in December and the transfer of the shares was completed on 21 December 2012. The transaction increased Eurobank's Core Tier I capital ratio by 60 bps (or capital equivalent of almost €200m) and improved its liquidity position by more than €400m (notes 17 and 27 to the consolidated accounts).

Financial Results Review

The Greek sovereign debt crisis, which has severely impacted the Greek economy, and the negative consequences from the European debt crisis have adversely affected the Group's operations. The mounting uncertainty in markets, mainly in Greece but also in the Eurozone, and the negative sentiment among the Group's clients and counterparties, especially since the second half of 2011, have created a very difficult market environment, despite some stabilisation signals that appeared towards the end of the year. In this particularly challenging context and isolating the impact of the Greek Government's two bond exchange programmes and additional valuation losses on Greek sovereign exposure, the Group's operations have shown relative resilience adjusting to the prevailing conditions. As at 31 December 2012 total assets amounted to €67.7bn (Dec. 2011: €76.8bn) mainly as a result of the continuing selective de-leveraging of loans and investment securities, the disposal of Turkish operations

and the reduction of funding to the Polish operations.

During the year the loan book continued moving towards lower risk categories, with loans excluding consumer lending decreasing by 3.6%¹ to €41.4bn, whereas consumer lending was down by 9.2%¹ to €6.4bn. Gross loans reached €47.8bn, down 4.3%¹. Deposits, which reduced in Greece especially in the second quarter of 2012 as a result of the prolonged election period and the consequent political uncertainty, rebounded strongly in the second half of the year. Therefore, despite the persistent recessionary conditions and the Public Sector's cash needs, deposits decreased only 2.6%¹ year-on-year to €30.8bn. The loan-to-deposit (L/D) ratio for the Group at the end of December improved to 140% from 148%¹ one year ago, whereas International Operations improved their L/D ratio from 103%¹ to 93%.

Due to the Greek sovereign debt crisis, Greek banks obtain a significant part of their funding through the European Central Bank (ECB) and the Bank of Greece (together, the Eurosystem). As at 31 December 2012, Eurobank reduced its net Eurosystem funding from €31bn at the end of 2011 and €34bn at its peak to €29bn, while deposit inflows and some limited access to the markets have enabled the relevant balance to stand at €21.7bn by the end of February 2013.

Within a distressed macroeconomic environment, the Pre-Provision Income (PPI) totalled €703m from €1,103m¹ in 2011. Net interest income stood at €1,461m, down 26%¹ year-on-year, mainly affected by the increased cost of funding (due to the ECB – euribor rates imbalance, the limited access to ECB funding and the higher cost of deposits), the ongoing balance sheet deleveraging and the delay in the recapitalisation of the Bank. Management expects the normalization of exogenous imbalances in 2013 will redress a major part of this impact. Net interest margin stood at a 2.05% (2011: 2.52%¹). Fees and commissions, affected by weakened economic and credit activity in Greece, decreased to €262m, whereas non core revenues declined from €58m¹ in 2011 to €33m in 2012. To counter the pressure on revenues, intensive cost containment efforts continued for a fourth consecutive year. Operating expenses were 6.3%¹ lower year-on-year, and 22.5%¹ lower than 2008, with the cost to income ratio at 59.9% (2011: 47.7%¹).

The deteriorating market conditions, especially in Greece, resulted in higher loan provisions of €1,655m or 3.69% of average net loans (2011: €1,328m¹, 2.75%¹). Non performing loans now stand at 18.3% of gross loans (2011: 12.4%¹). In International operations, the worsening macroeconomic conditions and the prudent assessment of some individual wholesale cases

¹ Comparative figures have been adjusted to exclude Turkish operations

in Romania and Bulgaria, resulted in higher bad debt provisions totaling €298m or 3.40% of average net loans.

The Group recognized in 2012 impairment/ valuation losses amounting to €497m after tax, of which €290m related to PSI and other Greek Sovereign risk exposure, €80m to subordinated debt securities issued by Agricultural Bank of Greece, and €127m to other securities repossessed properties and others. In addition, the Group recycled losses of €92m, previously recorded in other comprehensive income, from the disposal of its Turkish operations and the impairment mainly of equity instruments. Furthermore, goodwill of €42m for Intertrust Mutual Funds S.A., Greece, was fully written off, as a result of reassessing the projections used to determine the recoverable amount under the current economic environment. Finally, the gain on disposal of Polish operations was adjusted by €65m after tax following the exchange of shares and the exercise of the put option in April 2012.

Overall, despite the deep economic recession and unprecedented business conditions, the Group continues to generate Pre-Provision Income, swiftly adjusting to the new requirements and supported by proven cost containment competencies. Net loss attributable to shareholders for operations totalled €853m (2011: €28m loss). After accounting for the €290m after tax impact of additional valuation losses on Greek sovereign exposure and of other non recurring valuation losses of €309m after tax, net loss attributable to shareholders amounted to €1,453m (2011: €5,508m loss), while International operations' losses amounted to €66m (2011: €62m¹ profits).

Merger with Alpha Bank S.A.

On 22 May 2012, the Second Repeat Extraordinary Shareholders' Meeting of Alpha Bank aborted the merger procedure with Eurobank EFG and recalled Alpha Bank's General Meeting decisions on 15 November 2011.

Ordinary Share Capital

As at 31 December 2012 the ordinary share capital amounts to €1,227,545,508, divided into 552,948,427 ordinary voting shares of a nominal value of €2.22 each. All ordinary shares are registered, listed on the Athens Stocks Exchange and incorporate all the rights and obligations set by Greek company law (note 37 to the consolidated accounts).

Preference Share Capital

As at 31 December 2012, the preference share capital amounts to €950,125,000 divided into 345,500,000 non-voting, non-listed, non-transferable, 10% preference shares, with nominal value €2.75 each, issued under Law 3723/2008 on 'Greek Economy Liquidity Support Program', and subscribed to by the Hellenic Republic. This entitles the Government to appoint its representative to the Board of Directors, veto strategic decisions and decisions

which alter substantially the legal or financial position of the Bank and require the General Meeting's approval, veto dividend distributions and restrict management remuneration (note 38 to the consolidated accounts).

Business Outlook and Risks

In May 2010 the Greek Government entered into an agreement with the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF) for a three-year €110bn refinancing and restructuring programme designed to cover Greece's funding needs until mid-2012.

Due to unfavourable developments and implementation issues, Greece entered into a new funding and restructuring programme with the European Commission, the ECB and the eurozone member-states in the Eurogroup meeting of 21 February 2012. The programme aimed at bringing the country's public debt-to-GDP ratio below 120% by 2020.

However, the implementation of the new programme stalled by April 2012 and developments on the public debt front were not encouraging.

On the back of these developments, and after the implementation/legislation of a long list of structural reforms and fiscal austerity measures for 2013-16 by the Greek Government, the Eurogroup reached on 26 November 2012 an agreement on a set of new actions for the reduction of Greek public debt to 124% of GDP by 2020 and below 110% of GDP in 2022. The debt path was consistent with debt sustainability levels required by the IMF.

The approval of the above measures by the Parliaments of the eurozone member states and the successful debt-buyback operation, paved the way for the disbursement of €46.3 bn from the tranche of EFSF loan approved in the 26 November 2012 Eurogroup meeting.

Looking ahead, the onset of 2013 finds the region confronted with challenges. Those include but are not limited to the lingering eurozone sovereign debt crisis, which clouds the growth prospects of next year. The crisis is affecting the region through a number of important channels. High exposure to euro area economies via the channels of trade and capital flows as well as via financial market linkages cast the region vulnerable to downside shifts. Last but not least, the ongoing deleveraging process of the EU banking sector translates into measurable domestic macro prudential risks. Despite increasing risks and high uncertainties, not excluding the political instability, the majority of economies in the region are expected to avoid a new round of painful and prolonged output contraction in 2013, provided that main trading-partner economies in the euro area avoid a pronounced downturn and that there are no new unforeseen negative external shocks. That translates into a sluggish, if not modest, GDP growth trajectory next year for the economies of continental South-Eastern Europe-

Bulgaria, Romania and Serbia. The Ukrainian economy grew slightly in 2012. Risks remain elevated in an uncertain global environment and the economy is expected to struggle in 2013, as new growth drivers are difficult to find and IMF programme is still frozen.

Finally, in Cyprus, after two dramatic rounds of negotiations, the incoming government reached a last minute agreement with the Troika (ECB, European Commission and IMF) on a new financial assistance program that was endorsed by the Eurogroup on March 25th. The program contains a bail-out up to €10bn assistance package aimed to address the future fiscal requirements. For the first time since the beginning of the EuroArea sovereign debt crisis, the program also contains a bail-in scheme from unsecured depositors aimed at funding the resolution of the second largest bank (LAIKI) plus the restructuring and recapitalization of the largest bank (Bank of Cyprus). The preliminary projections point to a prolonged and deep recession in 2013-2014 against a macro backdrop characterized by extremely weak domestic demand, rising unemployment, severe deleveraging and fiscal austerity.

Regarding the outlook for the next 12 months, main risks in Greece stem from the macroeconomic environment, the developments on the eurozone sovereign debt crisis, the impact of the significant fiscal adjustment efforts on the real economy and the implementation of the structural reforms agenda. To date, satisfactory results have been registered, but progress could be compromised by significant delays in official financing, external shocks from the global economy as well as implementation risks and reform fatigue in Greece. The restoration of confidence, the attraction of new investments and the revival of economic growth remain key challenges.

Continuation of the recession could adversely affect the region and could lead to lower profitability and deterioration of asset quality. In addition, increased funding cost remains a significant risk, as it depends on both the level of sovereign spreads as well as on foreign exchange rate risk, due to the unstable nature of some currencies. Finally, the Group holds positions in the bond, stock and foreign exchange markets and consequently is exposed to the risk of losses if market valuations decrease.

Authority to issue new shares

The only authorities that the Board of Directors has to issue ordinary shares, without further prior approval by the Shareholders' General Meeting, are as follows:

A) In relation to stock options (note 40 to the consolidated accounts):

- The Board of Directors had been authorised by the General Meeting to issue stock options to management and staff of the Bank and its subsidiaries, within the framework of an approved stock option program. This authority expired in June 2011.

In 2012 no stock options were granted.

- In addition the Board of Directors has been authorised to issue shares to those stock option holders who exercise their rights within the rules set by the stock option program. In 2011 and 2012 no stock options were exercised.

B) In relation to convertible bonds (note 37 to the consolidated accounts):

- As authorised by the General Meeting, the Board of Directors issued and allocated in 2009 €350m of callable bonds convertible to ordinary shares of the Bank after 5 years.
- As authorised by the General Meeting, the Board of Directors may issue either in lump sum or in tranches by July 2014 callable bonds of €150 million or, under certain circumstances, €250 million, convertible to ordinary shares of the Bank.
- In addition the Board of Directors is authorised to issue ordinary shares to bond holders if either they or the Bank exercise their rights in accordance with the terms of the convertible bonds.

Major Shareholders

Until 23 July 2012, the Bank was a member of the EFG Group, which held 44.70% of the Bank's ordinary shares and voting rights, through wholly owned subsidiaries of its ultimate parent company "Private Financial Holdings Limited".

On 23 July 2012, 43.55% of the ordinary shares and voting rights held by the EFG Group were transferred to ten legal entities, each of which acquired approximately 4.4%, while the EFG Group retained the remaining 1.15%. As a result, from 23 July 2012, onwards, Eurobank ceased to be under EFG Group's control. In addition, the Bank's corporate and trade name have been amended in order to no longer include the "EFG" suffix.

In the context of the separation of the Eurobank Group from the EFG Group, the five EFG Group-nominated Board members of Eurobank resigned from the Board. The Board elected three new directors on 21 September 2012 and two new directors on 19 March 2013, with a term equal to the remaining term of the resigned members.

As at 31 December 2012, all Eurobank's ordinary shares and voting rights were held by institutional and retail investors, none of which, to the knowledge of the Bank, held 5% or more.

On 15 February 2013, the National Bank of Greece S.A. acquired through a Voluntary Tender Offer 84.35% of the ordinary shares and increased its stake in the bank to 84.75%.

The Hellenic Republic holds 100% of the non-voting preference shares of Eurobank, issued according to Law 3723/2008.

Board Membership

The Board of Directors of Eurobank is set out in note 50 to the consolidated accounts. The term of all Directors expires at the 2013 Annual General Meeting. Personal details of the Directors are available on the website (www.eurobank.gr).

Employee Engagement

The Bank has established a competitive compensation framework in order to attract, engage and retain its employees, while safeguarding at the same time, the alignment of individual employees' objectives with the Bank's long-term business objectives and strategy, as well as the long-term value creation for shareholders.

The basic principles of the compensation framework are to:

- Safeguard that the compensation is sufficient to retain and attract executives with appropriate skills and experience
- Monitor that internal equity between Business Units is applied
- Avoid excessive risk behaviour
- Link compensation with long-term performance

Employees are systematically kept informed on corporate issues in a variety of print, interpersonal and online ways, including employee newsletters, announcements, briefings, intranet and corporate videos, achieving a common awareness of the financial and economic factors affecting the performance of the Group as well as the enhancement of the corporate culture. In addition to the annual performance evaluation of all employees, the professional growth at all levels is fostered via targeted training on technical knowledge and skills as well as leadership and management development. Moreover, an integrated professional development framework has been implemented in order to support continuous and systematic performance improvement and career development.

The diversity agenda at Eurobank seeks to include customers, colleagues and suppliers. Our objective is to recruit and retain the best people regardless of race, religion, age, gender, sexual orientation or disability. We strive to ensure that our workforce reflects the communities in which we operate and the international nature of the organisation. We recognise that diversity is a key part of responsible business strategy in support of our regional business.

Corporate Social Responsibility

Since its foundation in 1990, Eurobank has combined its business activity with initiatives in social responsibility vis-à-vis its stakeholders, including its employees, clients, shareholders, society as a whole and the environment. Aiming for a more effective implementation of its activities and initiatives, the corporate social responsibility programme of Eurobank is

characterised by three pillars: a) consistency in the strategy of its activities, b) long-term planning and c) development of relationships with renowned institutions and organizations.

In 2012 and early 2013, Eurobank continued to support entrepreneurship and extroversion as being the primary factors for exiting the crisis and contributing to the growth of the economy. In this context and in addition to the existing programmes in Education, Culture and the protection of the Environment, the Bank implemented a new programme, entitled “egg” - enter•grow•go, aimed at creating a favourable environment to stimulate innovative youth entrepreneurship.

Financial Instruments

The Group’s financial risk management objectives and policies, including the policy for hedging each major type of transaction for which hedge accounting is used, and the exposure to market risk, credit risk and liquidity risk are set out in notes 2, 7 and 23 to the consolidated accounts.

Sundry information required under L. 3556/2007 (article 4, par.7)

According to the Bank’s Articles of Association, other than the preference shares issued to the Greek Government which carry special rights and restrictions (see notes 4 and 38 to the consolidated accounts):

- there are no restrictions on the transfer of the Bank’s shares
- there are no shares with special controlling or voting rights
- there are no restrictions on voting rights
- the rules related to the appointment and replacement of directors are in accordance with the provisions of company law.

The Bank is not aware of any shareholders’ agreements resulting in restrictions in the transfer of its shares or in the exercise of the shares’ voting rights.

There are no significant agreements that enter into force, are amended or expire if there is change in the control of the Bank following a public offer.

There are no agreements between the Bank and the Directors or the staff for compensation in the event of resignation, dismissal without good reason or termination of their term of office or employment as a result of a public offer other than one case of an executive who is not a member of the Bank’s Executive Committee and who is entitled to receive €200K upon termination of contract.

The Auditors

During 2012, the Board's Audit Committee reviewed the independence and effectiveness of the external auditors including their relationship with the Group, and monitored the Group's use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors, and assessed them as satisfactory.

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware. Each of the Directors has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. For these purposes, 'relevant audit information' means information needed by the Company's auditors in connection with issuing their report.

Related party transactions

All transactions with related parties are entered into the normal course of business and are conducted on an arm's length basis. See also note 49 to the consolidated accounts.

Corporate Governance Statement

Eurobank's Corporate Governance Code and Practices are on the website (www.eurobank.gr). The Corporate Governance Statement attached herewith, is an integral part of the Directors' Report.

Efthymios Christodoulou
Chairman

Nicholas Nanopoulos
Chief Executive Officer

27 March 2013

CORPORATE GOVERNANCE STATEMENT**1. Corporate Governance Code and Practices**

In compliance with the local legislation and based on the international best practices on corporate governance, Eurobank Ergasias S.A. ("the Bank") and its subsidiaries (collectively "Eurobank" or the "Group") have adopted and implement a Corporate Governance Code ("Code"), which is based on the UK Corporate Governance Code.

The Code and relevant corporate governance practices are available on the Bank's website (www.eurobank.gr).

2. Board of Directors¹

The Bank is headed by a Board which is collectively responsible for the long-term success of the Bank. The Board exercises its responsibilities effectively and in accordance with international best practices.

The Board consists of sixteen Directors, five Executive, five Non-Executive and six Independent Non-Executive, of which two will be ratified as independent at the next General Meeting. In addition, one government representative and one representative of the Hellenic Financial Stability Fund (HFSF) have been appointed (on 23.6.2010 and 6.6.2012 respectively) as additional Non-Executive Directors in accordance with relevant legal requirements. The membership and term of the Board are approved by the General Meeting. The Board was elected by the Annual General Meeting of 25 June 2010², and its term expires at the 2013 Annual General Meeting.

		Years of service
Efthymios N. Christodoulou	Non-Executive Chairman	2
George C. Gondicas	Honorary Chairman, Vice Chairman since 21.9.12	22
Nicholas C. Nanopoulos	Chief Executive Officer	16
Byron N. Ballis	Deputy Chief Executive Officer	13
Michael H. Colakides	Deputy Chief Executive Officer	5
Nikolaos V. Karamouzis	Deputy Chief Executive Officer	13
Nicholas K. Pavlidis	Executive	12
Dimitrios G. Dimopoulos	Non-Executive	since 19.3.13
Paul K. Mylonas	Non-Executive	since 19.3.13
Nikolaos M. Stassinopoulos	Non-Executive	since 21.9.12
George A. David	Non-Executive Independent	since 21.9.12
Angeliki N. Frangou	Non-Executive Independent	since 21.9.12
Spyros L. Lorentziadis	Non-Executive Independent	5
Athanasios J. Martinos	Non-Executive Independent	2
Dimitri T. Papalexopoulos	Non-Executive Independent	2
Panagiotis V. Tridimas	Non-Executive Independent	7
Dimitrios A. Georgoutsos	Non-Executive Greek state representative	2
Christos M. Glavanis	Non-Executive HFSF representative	since 6.6.12

There are no restrictions in the re-election and cessation of Directors. In case of resignation, death or loss of capacity as Director in any other way, the Board, provided there are at least 3 Directors, may elect new members in replacement, or if there remain at least 8 Directors, the Board may continue as is.

The Executive Directors have responsibility for the day-to-day management and control of the Group and the implementation of strategy. The non-Executive Directors are responsible for the overall promotion and safeguarding of the Bank's interests and constructively challenge and help develop proposals on strategy. Each Independent Non-Executive Director has the duty, if he considers it necessary, to submit to the General Meeting his own report on a specific subject.

In the context of the recapitalization of the Bank under Law 3864/2010 the Hellenic Financial Stability Fund (HFSF) has appointed one representative to the Board (Representative) as a non-executive member whose rights derive from Law 3864/2010 and the trilateral presubscription agreement for the Advance signed between the Bank, the HFSF and the European Financial Stability Fund (EFSF). The Representative has the right to: a) request the convocation of the Board, b) the postponement of a Board meeting for 3 working days so as to receive HFSF's directions, c) veto any resolution of the Board related to dividend distributions, remuneration policy of Board members, general and deputy general managers, d) veto issues which may jeopardise depositors' interests or seriously impact liquidity, solvability and prudent and concise operation of Eurobank, e) include items on the agenda, f) forward to HFSF information regarding decisions on transactions

¹ Information regarding the Board's composition is included in note 50 to the accounts and short biographical details of its members may be found at www.eurobank.gr.

² 5 members of the Board, Mrs. Anna Maria Louisa J. Latsis (Vice Chairperson), and Messrs Spiro J. Latsis, Photios S. Antonatos, Emmanuel L. Bussetil and Pericles P. Petalas, were also elected on 25 June 2010 but resigned on 23 July 2012. See press release at: http://www.eurobank.gr/Uploads/pdf/23.07.2012_ANNOUCEMENT%20BoD_ENG.pdf

having a material impact and, g) recommend to the Board all necessary measures for the safeguarding of HFSF's rights and to oversee the measures' adoption.

The Board has nominated the Chairman and the Chief Executive Officer (CEO) as the two persons responsible towards the Bank of Greece according to L. 3601/2007. The Chairman of the Board is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. The CEO is accountable for and manages strategy development and implementation in line with the vision of the Bank. He is responsible for leading the organisation to the achievement of its objectives.

The Board meets regularly twice every quarter and on an ad hoc basis given at least two days' notice, otherwise a decision is taken only when all members of the Board are present or represented and nobody objects to the taking of decisions. The Board is considered to be in quorum and meets validly when at least ten (half plus one) of its members are present (either physically or through telephone conference) or represented. Decisions of the Board are taken by majority of the Directors present or represented. In case of parity of votes, the vote of the Chairman of the Board does not prevail. During 2012 the Board held 21 meetings and the average ratio of participation by the Directors was 82% (2011: 75%).

Submissions to the Board are normally circulated together with the agenda. Decisions are taken following discussions which exhaust the issues to the satisfaction of all Directors present. Board meetings minutes are kept by the Secretary of the Board, are approved at subsequent board meetings and signed by all Directors present.

It is forbidden to Directors and members of staff to pursue personal interests if these are in conflict with the Group's interests. All Directors and members of staff have a duty to inform the Board of any personal interests they may derive or any conflict of interest that may occur, in carrying out their duties as Directors.

The Group's remuneration policy aims to align the Executive Directors and employees' objectives with the long-term business objectives and strategy of Eurobank and the long-term value creation for shareholders. The 2012 Board and key management remuneration disclosure is included in note 49 to the accounts.

In discharging its responsibilities for 2012 the main issues the Board dealt with related to:

- a) Governance: appointment of three new Directors in replacement of resigned ones, appointment of HFSF's representative, acknowledgment of two non-Executive Directors as Independent for ratification at the next General Meeting, review of independence criteria and assessment of the independence of the Independent Directors, approval of Board Committees' memberships, revision of Remuneration and Nomination Committees' terms of reference, establishment of Supervisory Remuneration Committee and approval of the Audit, Nomination and Remuneration Committees' self-assessments, regular briefing on Board committees' meetings, preparation of the AGM.
- b) Corporate actions: assessment of National Bank of Greece's voluntary tender offer, update on possible offer for ATE Bank, approval of Hellenic Postbank and Emporiki Bank acquisition bids, sale of the 99.26% of the Bank's Turkish operations to Burgan Bank, participation in the Hellenic Republic's voluntary debt restructuring programme (PSI+), participation in the Hellenic Republic's new Greek Government Bonds (nGGBs) Buy Back Offer, unwinding of proposed merger with Alpha Bank and filing for arbitration.
- c) Capital adequacy: Pre-Subscription Agreements with the Hellenic and European Financial Stability Funds, approval of liability management actions, assessment of medium term capital needs, approval of 2011 Internal Capital Adequacy Assessment Process (ICAAP) – Pillar 2 Report, approval of 5 year Restructuring Plan (RP), and acceptance of commitments regarding RP, governance and commercial practices, and appointment of Monitoring Trustee.
- d) Business monitoring: approval of 2011 annual financial statements and 2012 interim financial statements, review of business developments and liquidity.
- e) Risk Management and Internal Control: approval of the annual reports on Internal Control System and Compliance Policies, approval of the Pillar 3 report, approval of annual Risk Management report, regular review of asset quality, assessment of Greek Sovereign exposures, briefing on Ernst & Young due diligence report, regular briefing on Risk and Audit Committee meetings.

3. Board Committees

The Board is assisted in carrying out its duties by Board sub-Committees, to whom it delegates some of its responsibilities, approves their mandate and composition, from which it receives regular and ad-hoc reports and whose performance it assesses.

3.1 Audit Committee³

The primary function of the Audit Committee is to assist the Board in discharging its oversight responsibilities primarily relating to:

- The review of the adequacy of the Internal Control and Risk Management systems and the compliance with rules and regulations monitoring process
- The review of the financial reporting process and satisfaction as to the integrity of the Bank's Financial Statements
- The External Auditors' selection, performance and independence
- The effectiveness and performance of the Internal Audit function and of the Compliance function.

The Audit Committee's members are elected by the General Meeting for a term of 3 years following proposal by the Board. The current Audit Committee consists of four non-executive Directors, two of whom are independent. The Chairman of the Audit Committee (an independent Non-Executive Director) and one other member (a Non-Executive Director) have extensive knowledge and experience in accounting and auditing issues. The Audit Committee as a whole is IT, financially and legally literate and possesses the necessary skills and experience to carry out its duties.

The Audit Committee meets at least eight times per year or more frequently, as circumstances require, reports to the Board on a quarterly basis on its activities, and submits the minutes of its meetings to the Board. The Audit Committee resolutions require a majority vote. In case of a tie of votes, the Chairman has the casting vote. The Board is informed whenever a decision of the Audit Committee is not reached unanimously.

During 2012 the Audit Committee held 10 (2011: 11) meetings and the average ratio of participation was 80% (2011: 83%). In 2011 and 2012 all decisions were unanimous.

The Audit Committee's Terms of Reference (ToR) are reviewed every three years (last done Mar. 2011 and Feb. 2013) and revised if necessary, unless significant changes necessitate earlier revision. The ToR are approved by the Board. At least annually the Committee reviews its own performance and the results are discussed with the Board (last done May 2012).

In discharging its responsibilities for 2012 the Audit Committee has, amongst others:

- Reviewed and discussed reports with information relating to the System of Internal Controls, including quarterly reports from Internal Audit Group, Compliance, Operational Risk Sector, Clients Relations Office, etc.
- Reviewed and, where necessary, discussed issues arising at Eurobank's Risk Committee meetings
- Reviewed and cleared the financial statements and other financial reports prior to their release
- Discussed with Management issues relating to the financial statements as well as the implementation of corrective actions to recommendations made by Internal and External Auditors as well as Regulatory Authorities
- Assessed in a private meeting the effectiveness of the External Auditors, their objectivity and independence
- Approved the remuneration of External Auditors and updated the process regarding approval of non-audit services
- Performed a self-assessment exercise and reported the results to the Board
- Approved the annual plans of Internal Audit and of Compliance and monitored their progress
- Approved the Bank's Internal Control Manual.

3.2 Eurobank Risk Committee³

The Eurobank Risk Committee's (ERC) role is to approve strategic risk management decisions (e.g. risk appetite, balance sheet profile and risk management structure), monitor the quantitative and qualitative aspects of all market, credit, liquidity and operational risks and assign credit approval authorities to Management.

The ERC members are appointed and approved annually by the Board. The current Risk Committee consists of eight Directors, four executive, two non-executive and two independent non-executive Directors (one of whose independence to be ratified at the next General Meeting). The ERC meets at least four times a year and minutes of its meetings are submitted to the Board. Other executives of Eurobank may be invited to attend. Decisions are taken by majority of those present. There is a quorum when a majority of members are in attendance. During 2012 the ERC held 4 (2011: 4) meetings and the average ratio of participation was 90% (2011: 94%).

³ Information regarding the Committee's main duties and responsibilities are included in the Bank's Code. Additionally, information regarding current composition and short biographical details of its members may be found at the Bank's website (www.eurobank.gr).

At least once every two years the Committee reviews its own performance and Terms of Reference (ToR) (last done June 2012). Its self-assessment (last done June 2012) and any changes to ToR considered necessary are submitted to the Board for approval.

In 2012, on a quarterly basis, the ERC monitored qualitative and quantitative aspects of credit, market, liquidity and operational risks and approved relevant policies, or their update, as well as strategic risk management decisions. ERC updated the Board on the adequacy of the risk management structure and reported key risks. It also approved the Bank's annual risk appetite and the final 2011 ICAAP, Pillar 3 and Risk Management reports, and performed its self-assessment.

3.3 Supervisory Remuneration Committee⁴

The Board has delegated to the Supervisory Remuneration Committee, which was established in May 15, 2012, the responsibility to approve, maintain and oversee the implementation of the remuneration policy both at Bank and Group level.

The Committee's members are appointed biennially by the Board. The current Committee consists of one non-executive Director and one independent non-executive Director (whose independence to be ratified at the next General Meeting), appointed by the Board. In addition, the representative of the HFSF, has been appointed as member of the Committee, in accordance with relevant contractual requirements. The Committee meets at least twice a year, minutes are kept and the Chairman of the Committee presents all relevant decisions to the Board. During 2012 the Supervisory Remuneration Committee held 3 meetings and the ratio of participation was 100%.

At least once every two years the Committee reviews its own performance and Terms of Reference (ToR). Its self-assessment and any changes to ToR considered necessary are submitted to the Board for approval.

In discharging its responsibilities for 2012 the Supervisory Remuneration Committee has, amongst others:

- Proposed to the Board the Committee's Terms of Reference
- Approved Board members' Remuneration for 2012 for further submission and final approval by the Annual General Assembly
- Approved the Remuneration Policies
- Approved Disclosures included in Basel II–Pillar III report (as per Bank of Greece Management Act 2650/19.01.2012)

3.4 Remuneration Committee⁴

The Board has delegated to the Remuneration Committee the responsibility to provide specialized and independent advice for matters relating to remuneration policy and its implementation at Bank and Group level.

The Committee is appointed and approved biennially by the Board. The current Remuneration Committee consists of three non-executive directors, two of whom are independent. The Committee's Chairman is one of the two independent directors. The Committee meets at least twice a year, minutes are kept and the Chairman of the Committee presents all relevant decisions to the Supervisory Remuneration Committee. During 2012 the Remuneration Committee held 4 (2011: 3) meetings and the ratio of participation was 100% (2011: 100%).

At least once every two years the Committee reviews its own performance and Terms of Reference (ToR) (last done June 2012). Its self-assessment (last done May 2012) and any changes to ToR considered necessary are submitted to the Board for approval.

In discharging its responsibilities for 2012 the Remuneration Committee has, amongst others:

- Performed its Self-Assessment and reported to the Board
- Proposed to the Board the Committee's Terms of Reference
- Approved total compensation targeted reductions
- Proposed to the Supervisory Remuneration Committee the Board members Remuneration for 2012
- Proposed to the Supervisory Remuneration Committee the Remuneration Policies
- Proposed to the Supervisory Remuneration Committee the Disclosures included in Basel II – Pillar III report (as per Bank of Greece Management Act 2650/19.01.2012)

⁴ Information regarding the Committee's main duties and responsibilities are included in the Bank's Code. Additionally, information regarding current composition and short biographical details of its members may be found at the Bank's website (www.eurobank.gr).

3.5 Nomination Committee⁵

The Board has delegated to the Nomination Committee the responsibility to consider matters related to the Board's adequacy, efficiency and effectiveness, and to the appointment of key management personnel.

The Committee is appointed and approved annually by the Board. The current Nomination Committee consists of three non-executive Board members, two of which are independent. In addition, the representative of the HFSF has been appointed as member of the Nomination Committee in accordance with relevant contractual requirements. The Committee meets at least twice a year, minutes are kept and the Chairman presents all relevant decisions to the Board.

At least once every two years the Committee reviews its own performance and Terms of Reference (ToR) (last done May 2012). Its self-assessment (last done May 2012) and any changes to ToR considered necessary are submitted to the Board for approval.

As of 23 July 2012, following the resignation of 5 Directors, two of whom were members of the Nomination Committee (the Chairman and one member), the Committee could not convene according to its terms of reference. Until then, the Nomination Committee held 1 meeting and the ratio of participation was 100% (2011: 100%), during which it conducted its Self-Assessment and revised its Terms of Reference.

On 30.7.2012 the Board outlined the objective criteria and characteristics that new members of the Board should have in order to increase the Board's effectiveness and enhance its stature in Greece, and delegated to an ad hoc Nomination Committee, consisting of the Chairman of the Board and two independent non-executive directors, the task to review candidates to fill Board vacancies and Board Committee memberships after the resignation of the 5 Directors. This task was concluded on 21.9.2012 and 31.10.2012 with the submission of relevant proposals to the Board.

Following that, the Board at its meeting of 31 October 2012 approved the appointment of the Nomination Committee's current membership.

4. Management Committees

The CEO establishes committees to assist him as required, the most important of which are the Executive Committee, the Strategic Planning Group and the Central Credit Committee.

Executive Committee⁶

The Executive Committee ("ExCo") has the responsibility for the day-to-day management of the Bank and the implementation of strategy.

It meets weekly and all meetings are minuted.

Its main duties and responsibilities include:

- implement the Bank's strategy
- plan, direct and control the Bank's activities to ensure high level of performance and customer satisfaction
- take decisions on all material business issues which relate to the Bank as a whole
- establish adequate systems of internal control and ensure they are properly maintained
- scrutinise risk management policies and their application
- ensure that all activities of the Bank are executed in accordance with local, state and EU laws and regulations
- review and approve annual budget and business plan for each business unit and country.

Strategic Planning Group⁶

The Strategic Planning Group (SPG) meets twice per week and its main duties and responsibilities include:

- Planning the Bank's strategy
- Approving the Bank's annual budget and long term plans before submission to the Board
- Approving and/or executing strategic partnerships, acquisitions and disposals
- Maintaining and taking actions on regulatory and internal capital required to cover all types of risks (incl. strategic and reputational risks, as well as other non-quantifiable risks) and ensuring that capital requirements are met at all times
- Monitoring the strategic and the key performance indicators of the Bank, including the segmental view.

Decisions other than the submission of issues to the ExCo or other appropriate committees are minuted.

⁵ Information regarding the Committee's main duties and responsibilities are included in the Bank's Code. Additionally, information regarding current composition and short biographical details of its members may be found at the Bank's website (www.eurobank.gr).

⁶ Information regarding the Committee's current composition and short biographical details of its members may be found at the Bank's website (www.eurobank.gr).

Central Credit Committee⁷

The Eurobank Risk Committee has delegated to the Central Credit Committee (CCC) the authority to approve all credit requests above €7.5m of unsecured exposure. The CCC meets 3 times a week and all meetings are minuted.

The CCC members are the following:

- the Chairman of the Committee, who is independent and reports directly to the Bank's CEO
- the General Manager of Corporate Banking and
- the Head of Credit Sector

Decisions are unanimous. In case a decision is not unanimous, the credit is approved only after a unanimous decision, by the Chairman, the Deputy CEO Wholesale Banking and the Deputy CEO Risk, is reached.

All decisions for credits over €40m require further ratification by the Deputy CEO Wholesale Banking and the Deputy CEO Risk.

5. Key Control Functions

As part of its overall system of internal controls the Bank has established a number of dedicated control functions whose main responsibility is to act as independent control mechanisms thus reinforcing the control structure of the Bank. The most important functions and their key responsibilities are described below.

5.1 Internal Audit

Internal Audit Group ("IAG") comprises the "Internal Audit Division", the "Forensic Audit Division" and the "International Audit Division". All IAG's officers are full time employees exclusively dedicated to the Internal Audit function. IAG is a group function responsible for the Bank and all of its subsidiaries.

In order to safeguard its independence, IAG reports directly to the Audit Committee, is independent of the Bank units with operational responsibilities and for administrative purposes reports to the CEO. The Board has delegated the responsibility for monitoring the activity of the IAG to the Audit Committee of the Bank. The head of IAG is appointed by the Audit Committee who also assesses her performance.

IAG follows a risk-based methodology which examines the existence and adequacy of controls that address specific control objectives. Its main duties and responsibilities indicatively include:

- Provide reasonable assurance, in the form of an independent opinion, as to the adequacy and effectiveness of the internal control framework of the Bank and its subsidiaries. In order to form an opinion, IAG carries out audits based on an annual plan of audits. The required frequency of audits depends on the level of risk in each business unit
- Assist and advise management on the prevention of fraud and defalcation, unethical practices (code of conduct, insider dealing) and undertake such special projects as required
- Assist management in enhancing the system of internal control by making recommendations to address weaknesses and improve existing policies and procedures
- Follow-up to ascertain that appropriate action is taken on reported audit findings within agreed deadlines.

5.2 Compliance

The Board has delegated the responsibility for monitoring the activity of the Group Compliance Division to the Audit Committee of the Bank which appoints the Group Compliance Division Head and assesses his performance. The Division Head reports directly to the Audit Committee and for administrative purposes to the CEO. The Group Compliance Division is responsible for the Bank and all of its subsidiaries.

Its duties and responsibilities indicatively include:

- handling issues related to Anti-Money Laundering (AML) and Combat Financing of Terrorism (CFT), in accordance with applicable laws and regulations. The Division is responsible for the development of the necessary policies and procedures as well as for monitoring adherence to them. Moreover, it is responsible for the provision of AML/CFT training and guidance to the staff, as well as, for the cooperation with the relevant Authorities
- providing timely and accurate responses to requests arising from Regulatory and other Authorities as well as, co-operating with them in order to facilitate their work
- setting up internal codes of conduct and monitoring staff adherence to such internal rules
- developing policies and procedures in accordance to the MiFID related (Markets in Financial Instruments Directives) applicable laws and regulations and monitoring staff adherence to such policies and procedures.

⁷ Information regarding the Committee's current composition may be found at the Bank's website (www.eurobank.gr).

6. Principles of Internal Controls

The Group has established a System of Internal Controls that is based on international good practices and is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- efficient and effective operations
- reliability and completeness of financial and management information
- compliance with applicable laws and regulations.

The key principles underlying the Group's system of internal controls are described below:

- **Control Environment:** The control environment is the foundation for all components of Internal Control System, providing discipline and structure and influencing the control consciousness of employees. Integrity and high ethical values stem from management's philosophy and operating style and appropriate recruitment and training policies ensure the competence of the Group's people. The Group's organisation structure is suitable for its size and complexity with clearly defined responsibilities and reporting lines and clearly specified delegation of authority.
- **Risk Management:** the Group acknowledges that taking risks is an integral part of its business. It therefore sets mechanisms to identify those risks and assess their potential impact on the achievement of the Group's objectives. Because economic, industry, regulatory and operating conditions will continue to change, risk management mechanisms in place shall be set (and evolve) in a manner that enables to identify and deal with the special and new risks associated with changes.
- **Control Activities:** Internal control activities are documented in the policies and detailed procedures that are designed to ensure that operations are carried out safely and all transactions are recorded accurately in compliance with Management's directives and regulations. They occur throughout the organisation and business processes, at all levels and in all functions. One of the prime organisational measures to ensure control effectiveness in the Group is segregation of duties. Functions that shall be separated include those of approval (limits, limit excesses, specific transactions), dealing, administration (administrative input, settlement, confirmation checks, transaction approval check, documentation check, file keeping, custody) and controlling (reconciliation, limit monitoring, excess approval check, risk management, compliance checks, physical counts).
- **Information and Communication:** Information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities. The Group has set effective communication channels to ensure that information is communicated down, across and up within the organisation. Mechanisms are also in place to obtain appropriate external information as well as to communicate effectively with outside parties including regulators, shareholders and customers.
- **Monitoring:** the Group has established mechanisms for the ongoing monitoring of activities as part of the normal course of operations. These include regular management and supervisory activities and other actions personnel take in performing their duties that assess the performance of internal control systems. There are also independent evaluations of the internal control system by the Internal Audit function, the scope and frequency of which depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies are reported upstream, with serious matters reported to top management, the Audit Committee and the Board.

7. Ordinary Shareholders' General Meeting

The Ordinary Shareholders' General Meeting ("General Meeting") is the supreme body of the Bank, convened by the Board of Directors and entitled to resolve upon any matter concerning the Bank. All ordinary shareholders ("shareholders") have the right to participate either in person or by their legal representatives.

The General Meeting is the only corporate body entitled to approve significant decisions such as amendments to the Articles of Association (L.2190, art.34) and most decisions related to share capital.

The General Meeting is in quorum and meets validly when the shareholders, present or represented, represent at least 20% of the ordinary share capital ("share capital"). Resolutions are reached by absolute majority. Exceptionally, with regard to certain significant decisions such as most decisions related to share capital, mergers etc., the General Meeting is in quorum and meets validly when the shareholders, present or represented, represent at least 66.67% of the share capital. Resolutions are reached by two-thirds majority. In all cases lower quorums are required in repeat General Meetings if initial quorum is not reached.

In the context of the Bank's recapitalization under L. 3864/2010 and following the advance payments by HFSF in 2012 the HFSF's representative has the right to request the convocation of the Shareholder's General Meeting within shortened deadlines. The HFSF also has the right to veto the appointment of the statutory auditors by the Bank. These rights were not exercised during 2012.

In accordance with L.3723/2008, the Hellenic State, holders of preference shares issued under law 3723/2008, has the right to attend the Ordinary Shareholders' General Meeting and veto dividend distributions and management remuneration. The Hellenic State did not exercise any vetos.

The Annual General Meeting is held every year before the end of June. An Extraordinary General Meeting may be convened by the Board when they consider it necessary or when required by law.

The minutes of the General Meeting are signed by the Chairman and the Secretary of the General Meeting.

All persons appearing as shareholders of ordinary shares of the Bank in the registry of the Dematerialized Securities System managed by Hellenic Exchanges S.A. on the Record Date have the right to participate and vote in the General Meeting. For each General Meeting, the Board arranges for the detailed notice, including date, place, record date, issues on the agenda and related papers to be available to shareholders at least 20 days before the meeting, including the proposed resolution on each issue. The detailed notice also defines the procedure to be followed for voting by proxy, the minority shareholders rights and any available documentation relating to the General Meeting.

Standard minority rights, as described in c.l. 2190/1920, apply.

8. Preference Shareholders' General Meeting

Shareholders of non-voting preference shares ("preference shareholders") hold their own separate Preference Shareholders General Meeting to resolve on any issue affecting their rights. Other than as noted above, they do not participate in the Ordinary Shareholders' General Meeting.

9. Other information required by Directive 2004/25/EU

- ***Holders of securities with special control rights***

Greek Government's participation in the share capital of the Bank via the preference shares it holds provides it with special control rights which are referred to in notes 4 and 38 to the accounts.

- ***Treasury Shares***

Shareholders' General Meeting can authorize the Board of Directors, under article 16 of c.l. 2190/1920, to implement a program of acquisition of treasury shares. However, l. 3756/2009 prohibits banks, including Eurobank, participating in the Greek Government Liquidity Program from acquiring treasury shares (notes 4 and 37 to the accounts).

For other information required by Directive 2004/25/EU regarding the: a) Major shareholdings, b) Authority to issue new shares, and c) Restrictions of voting rights please refer to the relevant sections of the Directors' Report.

**III. Consolidated Financial Statements for the 2012 Financial Year
(Auditor's Report included)**



EUROBANK ERGASIAS S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2012

8 Othonos Street, Athens 105 57, Greece
www.eurobank.gr, Tel.: (+30) 210 333 7000
Company Registration No: 000223001000

Index to the Consolidated Financial Statements

Note	Page	Note	Page
Consolidated Income Statement	3	24 Loans and advances to customers	36
Consolidated Balance Sheet	4	25 Provision for impairment losses on loans and advances to customers	36
Consolidated Statement of Comprehensive Income	5	26 Investment securities	37
Consolidated Statement of Changes in Equity	6	27 Shares in subsidiary undertakings	39
Consolidated Cash Flow Statement	7	28 Property, plant and equipment	41
Independent Auditor's Report	8	29 Intangible assets	42
Notes to the Consolidated Financial Statements		30 Other assets	43
1 General information	9	31 Due to central banks	43
2 Principal accounting policies	9	32 Due to other banks	43
3 Critical accounting estimates and judgements in applying accounting policies	17	33 Due to customers	44
4 Greek Economy Liquidity Support Program	18	34 Debt issued and other borrowed funds	44
5 Credit exposure to Greek sovereign debt	19	35 Other liabilities	45
6 Greek Banks' recapitalisation	19	36 Standard legal staff retirement indemnity obligations	45
7 Financial risk management	20	37 Ordinary share capital, share premium and treasury shares	45
8 Net interest income	30	38 Preference shares	46
9 Net banking fee and commission income	30	39 Preferred securities	46
10 Income from non banking services	30	40 Share options	47
11 Net trading income and gains less losses from investment securities	30	41 Special reserves	48
12 Operating expenses	30	42 Transfers of financial assets	48
13 Staff costs	31	43 Advance contribution of Hellenic Financial Stability Fund	49
14 Other non recurring valuation losses	31	44 Operating leases	49
15 Income tax	31	45 Contingent liabilities and other commitments	49
16 Deferred income taxes	32	46 Segment information	50
17 Discontinued operations	32	47 National Bank of Greece S.A. Voluntary Tender Offer (VTO)	51
18 Earnings per share	33	48 Other significant and post balance sheet events	52
19 Cash and balances with central banks	34	49 Related party transactions	52
20 Cash and cash equivalents	34	50 Board of Directors	53
21 Loans and advances to banks	34	51 Dividends	54
22 Financial instruments at fair value through profit or loss (including trading)	34		
23 Derivative financial instruments and hedge accounting	34		

	Note	Year ended 31 December	
		2012 € million	2011 € million
Interest income	8	4,075	5,063
Interest expense	8	(2,614)	(3,098)
Net interest income		1,461	1,965
Banking fee and commission income		363	426
Banking fee and commission expense		(163)	(152)
Net banking fee and commission income	9	200	274
Net insurance income		30	30
Income from non banking services	10	32	28
Dividend income		4	6
Net trading income	11	51	(56)
Gains less losses from investment securities	11	(22)	(20)
Other operating income		(1)	(1)
Operating income		1,755	2,226
Operating expenses	12	(1,052)	(1,123)
Profit from operations before impairment on loans and advances and non recurring valuation losses		703	1,103
Impairment losses on loans and advances	25	(1,655)	(1,328)
Impairment and valuation losses on Greek sovereign exposure	5	(363)	(6,012)
Other non recurring valuation losses	14	(331)	(501)
Impairment losses on goodwill asset	29	(42)	(236)
Share of results of joint ventures	30	(0)	(1)
Profit/(loss) before tax		(1,688)	(6,975)
Income tax	15	334	1,319
Profit/(loss) for the year from continuing operations		(1,354)	(5,656)
Profit/(loss) for the year from discontinued operations	17	(86)	160
Net profit/(loss) for the year		(1,440)	(5,496)
Net profit for the year attributable to non controlling interest		13	12
Net profit/(loss) for the year attributable to shareholders		(1,453)	(5,508)
		€	€
Earnings/(losses) per share			
-Basic and diluted earnings/(losses) per share	18	(2.30)	(10.13)
Earnings/(losses) per share from continuing operations			
-Basic and diluted earnings/(losses) per share	18	(2.14)	(10.42)

Notes on pages 9 to 54 form an integral part of these consolidated financial statements

	Note	At 31 December	
		2012 € million	2011 € million
ASSETS			
Cash and balances with central banks	19	2,065	3,286
Loans and advances to banks	21	4,693	6,988
Financial instruments at fair value through profit or loss	22	710	503
Derivative financial instruments	23	1,888	1,818
Loans and advances to customers	24	43,171	48,094
Investment securities	26	9,469	11,383
Property, plant and equipment	28	1,306	1,304
Intangible assets	29	406	465
Deferred tax asset	16	2,106	1,726
Other assets	30	1,839	1,255
Total assets		67,653	76,822
LIABILITIES			
Due to central banks	31	29,047	32,525
Due to other banks	32	2,772	3,406
Derivative financial instruments	23	2,677	3,013
Due to customers	33	30,752	32,459
Debt issued and other borrowed funds	34	1,365	2,671
Other liabilities	35	1,695	1,873
Total liabilities		68,308	75,947
EQUITY			
Ordinary share capital	37	1,222	1,226
Share premium	37	1,451	1,439
Other reserves		(4,922)	(3,763)
Preference shares	38	950	950
Preferred securities	39	367	745
Non controlling interest		277	278
Total		(655)	875
Total equity and liabilities		67,653	76,822

Notes on pages 9 to 54 form an integral part of these consolidated financial statements

	Year ended 31 December			
	2012 € million		2011 € million	
Profit/(loss) for the year		(1,440)		(5,496)
Other comprehensive income:				
Cash flow hedges				
- net changes in fair value, net of tax	(110)		(2)	
- transfer to net profit, net of tax	<u>46</u>	<u>(64)</u>	<u>(15)</u>	<u>(17)</u>
Available for sale securities				
- net changes in fair value, net of tax	129		(167)	
- impairment losses on Greek sovereign debt transfer to net profit, net of tax	-		250	
- impairment losses on other investment securities transfer to net profit, net of tax	61		354	
- transfer to net profit, net of tax	<u>(5)</u>	<u>185</u>	<u>(13)</u>	<u>424</u>
Foreign currency translation				
- net changes in fair value, net of tax	(34)		(41)	
- transfer to net profit, net of tax	<u>36</u>	<u>2</u>	<u>79</u>	<u>38</u>
Other comprehensive income for the year		123		445
Total comprehensive income for the year attributable to:				
Shareholders				
- from continuing operations	(1,285)		(5,267)	
- from discontinued operations	<u>(44)</u>	<u>(1,329)</u>	<u>204</u>	<u>(5,063)</u>
Non controlling interest				
- from continuing operations	12		12	
- from discontinued operations	<u>0</u>	<u>12</u>	<u>(0)</u>	<u>12</u>
		(1,317)		(5,051)

Notes on pages 9 to 54 form an integral part of these consolidated financial statements

	Ordinary share capital € million	Share premium € million	Special reserves € million	Retained earnings € million	Preference shares € million	Preferred securities € million	Non controlling interest € million	Total € million
Balance at 1 January 2011	1,478	1,440	644	469	950	791	322	6,094
Other comprehensive income for the year	-	-	445	-	-	-	0	445
Profit/(loss) for the year	-	-	-	(5,508)	-	-	12	(5,496)
Total comprehensive income for the year ended 31 December 2011	-	-	445	(5,508)	-	-	12	(5,051)
Acquisitions/changes in participating interests in subsidiary and associated undertakings	73	(2)	-	(28)	-	-	(46)	(3)
Share capital decrease by reducing the ordinary shares' par value	(326)	-	79	247	-	-	-	-
Purchase/sale of preferred securities, net of tax	-	-	-	21	-	(46)	-	(25)
Preference shares' and preferred securities' dividend paid, net of tax	-	-	-	(124)	-	-	-	(124)
Dividends distributed by subsidiaries attributable to non controlling interest	-	-	-	-	-	-	(10)	(10)
Share-based payment:								
- Value of employee services	-	-	(1)	-	-	-	-	(1)
Purchase of treasury shares	(4)	1	-	-	-	-	-	(3)
Sale of treasury shares, net of tax and related expenses	5	0	-	(7)	-	-	-	(2)
Transfers between reserves	-	-	109	(109)	-	-	-	-
	(252)	(1)	187	0	-	(46)	(56)	(168)
Balance at 31 December 2011	1,226	1,439	1,276	(5,039)	950	745	278	875
Balance at 1 January 2012	1,226	1,439	1,276	(5,039)	950	745	278	875
Other comprehensive income for the year	-	-	124	-	-	-	(1)	123
Profit/(loss) for the year	-	-	-	(1,453)	-	-	13	(1,440)
Total comprehensive income for the year ended 31 December 2012	-	-	124	(1,453)	-	-	12	(1,317)
Acquisitions/changes in participating interests in subsidiary undertakings	-	-	-	(0)	-	-	(2)	(2)
Purchase/sale of preferred securities, net of tax	-	-	-	210	-	(378)	-	(168)
Preferred securities' dividend paid, net of tax	-	-	-	(28)	-	-	-	(28)
Dividends distributed by subsidiaries attributable to non controlling interest	-	-	-	-	-	-	(11)	(11)
Share-based payment:								
- Value of employee services	-	-	(2)	-	-	-	-	(2)
Purchase of treasury shares	(6)	3	-	-	-	-	-	(3)
Sale of treasury shares, net of tax and related expenses	2	9	-	(10)	-	-	-	1
Transfers between reserves	-	-	(207)	207	-	-	-	-
	(4)	12	(209)	379	-	(378)	(13)	(213)
Balance at 31 December 2012	1,222	1,451	1,191	(6,113)	950	367	277	(655)
	Note 37	Note 37	Note 41		Note 38	Note 39		

Notes on pages 9 to 54 form an integral part of these consolidated financial statements

Note	Year ended 31 December	
	2012 € million	2011 € million
Cash flows from operating activities		
Interest received and net trading receipts	3,088	3,773
Interest paid	(2,170)	(2,292)
Fees and commissions received	438	551
Fees and commissions paid	(158)	(149)
Other income received	2	0
Cash payments to employees and suppliers	(942)	(992)
Income taxes paid	(31)	(60)
Cash flows from continuing operating profits before changes in operating assets and liabilities	227	831
Changes in operating assets and liabilities		
Net (increase)/decrease in cash and balances with central banks	1,238	(1,016)
Net (increase)/decrease in financial instruments at fair value through profit or loss	(234)	147
Net (increase)/decrease in loans and advances to banks	1,144	1,121
Net (increase)/decrease in loans and advances to customers	2,115	1,875
Net (increase)/decrease in derivative financial instruments	(261)	(284)
Net (increase)/decrease in other assets	(592)	(234)
Net increase/(decrease) in due to banks	(3,390)	8,549
Net increase/(decrease) in due to customers	(1,010)	(8,915)
Net increase/(decrease) in other liabilities	(178)	(210)
Net cash from/(used in) continuing operating activities	(941)	1,864
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(170)	(210)
Proceeds from sale of property, plant and equipment and intangible assets	6	13
(Purchases)/sales and redemptions of investment securities	1,785	27
Acquisition of subsidiary undertakings net of cash acquired and joint ventures	(0)	(1)
Disposal of foreign operations, net of cash and cash equivalents disposed	(31)	388
Dividends from investment securities and joint ventures	4	5
Net cash from/(used in) continuing investing activities	1,594	222
Cash flows from financing activities		
(Repayments)/proceeds from debt issued and other borrowed funds	(1,295)	(2,849)
Purchase of preferred securities	(160)	(26)
Proceeds from sale of preferred securities	-	2
Preference shares' and preferred securities' dividend paid	(38)	(145)
Purchase of treasury shares	(3)	(3)
Proceeds from sale of treasury shares	1	5
Net contributions by non controlling interest	(11)	(10)
Net cash from/(used in) continuing financing activities	(1,506)	(3,026)
Effect of exchange rate changes on cash and cash equivalents	(16)	(13)
Net increase/(decrease) in cash and cash equivalents from continuing operations	(869)	(953)
Net cash flows from discontinued operating activities	(281)	(93)
Net cash flows from discontinued investing activities	240	126
Net increase/(decrease) in cash and cash equivalents from discontinued operations	(41)	33
Cash and cash equivalents at beginning of year	20	3,124
Cash and cash equivalents at end of year	20	2,214

Notes on pages 9 to 54 form an integral part of these consolidated financial statements

Independent Auditor's Report

To the Shareholders of Eurobank Ergasias S.A.

Report on the Financial Statements

We have audited the accompanying financial statements of Eurobank Ergasias (the "Bank") and its subsidiaries (the "Group") set out on pages 3 to 7 and 9 to 54 which comprise the consolidated balance sheet as of 31 December 2012 and the consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Emphasis of matter

Without qualifying our opinion, we draw attention to the disclosures made in notes 2a, 5 and 6 to the financial statements, which refer to the impact of the impairment losses resulting from the Greek sovereign debt restructuring on the Group's regulatory capital, the current and planned actions to restore the capital adequacy of the Group and the existing uncertainties that could adversely affect the going concern assumption until the completion of the recapitalisation process.

Reference on Other Legal Matters

- (a) Included in the Board of Directors' Report is the corporate governance statement that contains the information that is required by paragraph 3d of article 43a of Codified Law 2190/1920.
- (b) We verified the conformity and consistency of the information given in the Board of Directors' report with the accompanying financial statements in accordance with the requirements of articles 43a, 108 and 37 of Codified Law 2190/1920.

Athens, 29 March 2013

The Certified Auditor-Accountant

Kyriakos Riris
SOEL Reg. No. 12111



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

1. General information

Eurobank Ergasias S.A. (the "Bank") and its subsidiaries (the "Group") are active in retail, corporate and private banking, asset management, insurance, treasury, capital markets and other services. The Bank is incorporated in Greece and its shares are listed on the Athens Stock Exchange. The Group operates mainly in Greece and in Central, Eastern and Southeastern Europe. The Bank's corporate name was amended on 2 August 2012 from "EFG Eurobank Ergasias S.A." to "Eurobank Ergasias S.A.", following the Annual General Meeting's resolution on 29 June 2012.

These consolidated financial statements were approved by the Board of Directors on 27 March 2013.

2. Principal accounting policies

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

(a) Basis of preparation

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

Going concern considerations

The financial statements have been prepared on a going concern basis. In making its assessment of the Group's ability to continue as a going concern, the Board of Directors has taken into consideration the impact of the following factors:

Solvency risk

The Group has incurred substantial impairment losses as a result of the Hellenic Republic's debt restructuring (PSI+). Such losses had a respective impact on the accounting and regulatory capital of the Group as of 31 December 2011, which fell below the minimum capital requirements as determined by the Bank of Greece (BoG).

Capital needs of the Group were assessed by BoG at the level of € 5,839 million, in order to be able to achieve the level of Core Tier I capital of 9% throughout the period to end of 2014. This assessment takes into account, inter alia, the PSI impairment losses, the results of Blackrock's diagnostic review and the Group's business plan which also includes certain capital strengthening actions.

The Hellenic Financial Stability Fund (HFSF) has already advanced to the Bank EFSF notes of total € 5,311 million as advance payment of its participation in the future share capital increase of the Bank. The said advance qualifies as Tier I capital and brings the Core Tier I capital above the current minimum requirement. In addition, HFSF provided to the Bank a commitment letter for additional capital support of € 528 million up to the total level of recapitalisation needs of € 5,839 million.

Regarding the stated recapitalization process the Bank expects that the formal process for both the merger of Eurobank and NBG, and the capital increase, will have started within the set deadlines.

Liquidity risk

The inability of the Greek banks to gain access to the international capital and money markets and the reduction of deposits due to heightened sovereign risk and deterioration of the Greek economy led to an increased reliance of the Group to Eurosystem financing facilities. These conditions pose a significant ongoing liquidity challenge for the Group and the Greek Banking system in general. The Group expects that the European Central Bank (ECB) and BoG facilities will continue to be available, until the normalization of market conditions.

Other economic uncertainties

The continued deterioration of the Greek economy has adversely affected the Group's operations and presents significant risks and challenges for the years ahead. Currently, there are a number of material economic and market risks and uncertainties that impact the Greek Banking system. The main risks stem from the adverse macroeconomic environment, the developments on the eurozone sovereign debt crisis and the success, or otherwise, of the significant fiscal adjustment efforts and their impact on the Greek economy. The significant progress made to date could be compromised by external shocks from the global economy as well as implementation risks and reform fatigue in Greece. The restoration of confidence, after the approval of the EFSF disbursement amounting to € 49.1 bn by the Eurogroup on 13 December 2012, the attraction of new investments and the revival of economic growth remain key challenges of the Greek economy.

Continuation of the recession could adversely affect the region and could lead to lower profitability, deterioration of asset quality and a further reduction of deposits. In addition, increased funding cost remains a significant risk, as it is dependent on both the level of sovereign spreads as well as on foreign exchange rate risk, due to the unstable nature of some currencies.

Notwithstanding the conditions and uncertainties mentioned above, the Directors, having considered the mitigating factors set out below, have a reasonable expectation that the recapitalisation of the Group will be promptly and successfully completed and hence are satisfied that the financial statements of the Group can be prepared on a going concern basis:

- (a) the BoG's recommendation of 18 April 2012 and 23 May 2012 for the Group's accession to the provisions of article 6 par. 8 and 10 respectively of Law 3864/2010 as amended (Establishment of the Hellenic Financial Stability Fund-HFSF and Recapitalisation of Greek financial institutions),
- (b) the HFSF's advance contribution of € 5,311 million and the HFSF's commitment letter for € 528 million, following the relevant applications submitted by the Group and the confirmation received by the BoG about the viability and credibility of the Group's business plan, in order to ensure that the Group is sufficiently capitalized to a minimum level of 9% (Core Tier I),
- (c) the availability of additional recapitalisation funds from the official sector that can support any capital needs on top of the amounts already committed by HFSF,
- (d) the existence of the comprehensive financial support program of the EC/ECB/IMF (including the € 50 bn recapitalisation facility), aiming to correct Greece competitiveness gap and restore growth, employment and public debt sustainability and secure the banking system's stability,
- (e) the Greek authorities' commitment to support the banking system and create a viable and well capitalised private banking sector, and
- (f) the Group's continued access to Eurosystem funding (ECB and ELA liquidity facilities) over the foreseeable future.

2. Principal accounting policies (continued)

(a) Basis of preparation (continued)

The policies set out below have been consistently applied to the years 2012 and 2011. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(a) Amended and new standards and interpretations effective in 2012 for EU

- IFRS 7, Amendment - Disclosures, Transfers of Financial Assets

(b) Standards and interpretations issued but not yet effective for EU

- IAS 1, Amendment - Presentation of Items of Other Comprehensive Income (effective 1 January 2013)

- IAS 12, Amendment - Deferred tax: Recovery of Underlying Assets (effective 1 January 2013)

- IAS 19, Amendment - Employee Benefits (effective 1 January 2013)

- IAS 27, Amendment - Separate Financial Statements (effective 1 January 2014)

- IAS 28, Amendment - Investments in Associates and Joint Ventures (effective 1 January 2014)

- IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)

- IFRS 7, Amendment - Disclosures, Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013)

- IFRS 9, Financial Instruments (effective 1 January 2015, not yet endorsed by EU)

- IFRS 9 and IFRS 7, Amendment - Mandatory Effective Date and Transition Disclosures (effective 1 January 2015, not yet endorsed by EU)

- IFRS 10, Consolidated Financial Statements (effective 1 January 2014)

- IFRS 11, Joint Arrangements (effective 1 January 2014)

- IFRS 12, Disclosure of Interests in Other Entities (effective 1 January 2014)

- IFRS 13, Fair Value Measurement (effective 1 January 2013)

- IFRS 10, 11 and 12 Amendments - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective 1 January 2013, not yet endorsed by EU)

- IFRS 10, 12 and IAS 27 Amendments - Investment Entities (effective 1 January 2014, not yet endorsed by EU)

- Annual Improvements to IFRSs 2009-2011 Cycle (effective 1 January 2013, not yet endorsed by EU)

IFRS 9 is part of IASB's project to replace IAS 39 Financial Instruments which has not been finalised yet and as a result, it is not practicable to quantify its impact. The application of the other above mentioned standards and interpretations is not expected to have a material impact on the Group's financial statements in the period of the initial application.

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

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

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

(b) Consolidation

(i) Subsidiaries

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

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

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

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

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

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

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

A listing of the Bank's subsidiaries is set out in note 27.

2. Principal accounting policies (continued)

(b) Consolidation (continued)

(ii) Transactions with non-controlling interests

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

(iii) Associates

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

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

(iv) Joint ventures

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

A listing of the Group's joint ventures is set out in note 30.

(c) Foreign currencies

(i) Translation of foreign subsidiaries

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

Exchange differences arising from the retranslation of the net investment in foreign subsidiaries including exchange differences of monetary items receivable or payable to a foreign operation for which settlement is neither planned nor likely to occur, that form part of the net investment in foreign subsidiaries, are taken to "Other comprehensive income". Such exchange differences are released to the income statement on disposal of the foreign operation or for monetary items that form part of the net investment in the foreign operation, on repayment or when settlement is expected to occur.

(ii) Transactions in foreign currency

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

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

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

(d) Derivative financial instruments and hedging

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

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

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

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

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

2. Principal accounting policies (continued)

(d) Derivative financial instruments and hedging (continued)

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

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

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

(iii) Net investment hedge

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

(iv) Derivatives that do not qualify for hedge accounting

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

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 23.

(e) Offsetting financial instruments

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

(f) Income statement

(i) Interest income and expenses

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

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

(ii) Fees and commissions

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

(g) Property, plant and equipment

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

- Land: No depreciation
- Freehold buildings: 40-50 years
- Leasehold improvements: over the lease term or the useful life of the asset if shorter
- Computer hardware and software: 4-10 years
- Other furniture and equipment: 4-20 years
- Motor vehicles: 5-7 years

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

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

2. Principal accounting policies (continued)

(h) Intangible assets

(i) Goodwill

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

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

(ii) Computer software

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

(iii) Other intangible assets

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

(i) Financial assets

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

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

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

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity

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

(iv) Available-for-sale

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

Accounting treatment and calculation

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

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

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

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

2. Principal accounting policies (continued)

(j) Impairment of financial assets

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

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

(i) Assets carried at amortised cost

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

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

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

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

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

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

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

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

(ii) Available-for-sale assets

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

(k) Sale and repurchase agreements and securities lending

(i) Sale and repurchase agreements

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

(ii) Securities lending

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

2. Principal accounting policies (continued)

(l) Financial liabilities

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

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

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

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

(m) Leases

(i) Accounting for leases as lessee

Finance leases:

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

Operating leases:

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

(ii) Accounting for leases as lessor

Finance leases:

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

Operating leases:

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

(n) Income tax

(i) Current income tax

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

(ii) Deferred income tax

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

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

(o) Employee benefits

(i) Pension obligations

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

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

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

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

2. Principal accounting policies (continued)

(o) Employee benefits (continued)

(iii) Performance-based cash payments

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

(iv) Performance-based share-based payments

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

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

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

(p) Insurance activities

(i) Revenue recognition

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

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

(ii) Insurance liabilities

Insurance reserves are classified as follows:

Mathematical reserves

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

Unearned premium and unexpired risk reserves

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

Outstanding claims' reserves

Outstanding claims' reserves are set for liabilities on claims incurred and reported but not fully settled by the end of the reporting period. The specified liabilities are examined on a case-by-case basis by professional valuers, based on existing information (loss adjustors' reports, medical reports, court decisions etc). The Group recognises additional provisions regarding claims incurred but not reported (IBNR) by the end of the reporting period. The calculation of these provisions is based on statistical methodologies.

(iii) Liability adequacy

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

(iv) Reinsurance

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

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

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

(q) Repossessed properties

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

(r) Related party transactions

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

(s) Provisions

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

2. Principal accounting policies (continued)

(t) Segment reporting

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

(u) Share capital

Ordinary shares and preference shares are classified as equity.

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

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

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

(v) Preferred securities

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

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

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

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

(w) Financial guarantees

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

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

(x) Securitisations

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

(y) Cash and cash equivalents

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

3. Critical accounting estimates and judgments in applying accounting policies

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

(a) Impairment losses on loans and advances

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

(b) Estimated impairment of goodwill

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

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

(c) Fair value of financial instruments

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

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

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

(e) Securitisations and consolidation of special purpose entities

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

(f) Income taxes

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

(g) Retirement benefit obligations

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

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

(h) Share-based payments

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

4. Greek Economy Liquidity Support Program

The Bank participates in the Greek Government's plan to support liquidity in the Greek economy under Law 3723/2008, as amended by Laws 3844/2010, 3845/2010, 3872/2010, 3965/2011 and 4093/2012 and extended by Ministerial decision 57126/B.2421/28.12.2012, as follows:

- (a) First stream - preference shares
345,500,000 non-voting preference shares with nominal value of € 950 million were subscribed to by the Hellenic Republic on 21 May 2009 (note 38).
- (b) Second stream - bonds guaranteed by the Hellenic Republic
As at 31 December 2012, the government guaranteed bonds, totalling to € 16,276 million, were fully retained by the Bank and its subsidiaries (note 34). In February 2013, government guaranteed bonds amounting to € 2,344 million, matured.
- (c) Third stream - lending of Greek Government bonds
Liquidity obtained under this stream must be used to fund mortgages and loans to small and medium-size enterprises. As of 29 December 2011, there were no special Greek Government bonds borrowed by the Bank.

Under Law 3723/2008, as amended by Law 3965/2011, for the period the Bank participates in the program through the preference shares or the guaranteed bonds (streams (a) and (b) above), the Government is entitled to appoint its representative to the Board of Directors, veto strategic decisions, decisions which alter substantially the legal or financial position of the Bank and require the General Assembly's approval and dividend distributions as well as restrict management remuneration.

In addition, under Law 3756/2009, as amended by Law 3844/2010 and supplemented by Laws 3965/2011 and 4063/2012, banks participating in the Greek Economy Liquidity Support Program are not allowed to declare a cash dividend to their ordinary shareholders for 2008 to 2011, and are not allowed to acquire treasury shares under article 16 of the Company Law. The restriction regarding the declaration of a cash dividend is extended to 2012 via a legislative provision, which is expected to be enacted by the Parliament shortly.

5. Credit exposure to Greek sovereign debt

Greek Government bonds exchanged under PSI+ in 2012

On 21 February 2012, Euro Area finance ministers agreed on a bail out program for Greece, including financial assistance from the official sector and a voluntary debt exchange agreed with the Private Sector.

The key terms and conditions of the final voluntary debt exchange package (PSI+) were as follows:

- For every bond selected to participate in PSI+, 53.5% of the face amount was forgiven, 31.5% of the face amount was exchanged with new bonds of equal face amount issued by Greece and the remaining 15% was exchanged with short-term securities issued by the European Financial Stability Facility (EFSF),
- The coupon on the new Greek Government Bonds (nGGBs) was 2% from 2012 to 2015, rising to 3% from 2015 to 2020, 3.65% for 2021 and 4.3% until 2042,
- Accrued interest on the exchanged bonds was settled through the issue of short-term EFSF securities,
- The nGGBs were issued in 20 separate tranches with staggered bullet maturities commencing in 2023 and ending in 2042 to replicate an amortisation of 5% per annum on the aggregate amount of the nGGBs,
- The nGGBs ranked pari passu with the EFSF € 30 bn loan to Greece contributing to the PSI+ exercise,
- nGGBs were subject to English Law,
- Each new bond was accompanied by a detachable GDP-linked security of the same notional amount as the face amount of the new bond.

The support program aimed at ensuring debt sustainability and restoring competitiveness, allowing Greece to achieve strict fiscal consolidation targets and the implementation of privatization plans and structural reforms.

The invitation for tender was launched on 24 February 2012 and the bonds invited to participate in PSI+ had an aggregate outstanding face amount of approximately € 206 bn. Greek and foreign law bonds of approximately € 199 bn were eventually exchanged.

Under Law 4046/2012, the tax losses arising from the bond exchange under the PSI+ program will be tax deductible in equal instalments over the life of the new bonds received, irrespective of the holding period of the bonds.

The exchange program of Greek Government bonds and other eligible securities (PSI+) provided evidence of a concession granted to the borrower (the Greek State) by the lender relating to the borrower's financial difficulty that the lender would not otherwise consider. Therefore, following the Bank's participation in the program, the Group recognised an impairment loss of € 5,779 million before tax, as of 31 December 2011, for GGBs and other securities of face value € 7,336 million exchanged in 2012 under PSI+.

Under this exchange, in March/April 2012, the Group received a) new Greek government bonds (nGGBs) with face value equal to 31.5% of the face amount of the old bonds, b) EFSF notes having a face amount of 15% of the face value of the old bonds and c) GDP-linked securities. All exchanged bonds were derecognised and the new GGBs, classified in the Held to Maturity portfolio, recognised at fair value. In 2012 and, following the international financial community's view that the market for nGGBs is active, the Group recognised an additional valuation loss of € 428 million based on market quotes at the date of recognition. GDP-linked securities were classified as derivatives. Furthermore, the Group incurred additional costs (extra funding cost, cost relating to old GGBs hedging instruments) amounting to € 12 million due to its participation in the PSI+ exchange program. As at 31 December 2012, and considering 2011 impact, total loss from PSI+ has amounted to € 6.2 bn.

Following the Eurogroup's decisions on 27 November 2012 as part of debt reduction measures, the Greek State announced on 3 December 2012 an invitation to eligible holders of nGGBs to submit offers to exchange such securities for six months zero coupon notes to be issued by the European Financial Stability Fund (EFSF). On 18 December 2012, pursuant to the above invitation, nGGBs of aggregate face amount of € 31.9 bn were eventually exchanged for EFSF notes of face amount of € 11.3 bn.

Under its participation to the Greek state's debt buyback program, the Group submitted for exchange the 100% of its nGGBs portfolio of total face value € 2.3 bn (carrying amount € 0.6 bn) and received EFSF notes of total face value € 0.8 bn. The transaction resulted in a pre tax gain of € 192 million recorded in the fourth quarter of 2012.

Greek sovereign exposure

As at 31 December 2012, the total carrying value of Greek sovereign exposure amounted to € 6,041 million. This includes a) Treasury Bills of € 3,053 million, b) GGBs of € 904 million maturing in 2014 and issued for the Greek State's subscription to the Preference Shares issued under Law 3723/2008 "Greek Economy Liquidity Support Program". These GGBs are expected to be repaid in full, c) other non PSI+ eligible GGBs of € 832 million, d) derivatives with the Greek State of € 724 million, e) exposure of € 187 million relating with Greek Sovereign risk financial guarantee, f) loans guaranteed by the Greek State of € 182 million, g) loans to Greek public sector of € 154 million and h) nGGBs of € 5 million included in trading portfolio.

As at 31 December 2012, the Group recognised a loss of € 115 million before tax relating with valuation losses for derivatives with the Greek State and for a Greek sovereign risk financial guarantee. As at 31 December 2011, the Group recognised an impairment loss of € 233 million before tax relating with exposure to Greek government and quasi-governmental bodies, such as loans to Local and Regional authorities and loans guaranteed by the Greek state.

6. Greek Banks' recapitalisation

Recapitalisation framework and process

Given the severity of the impact of the Greek Government Bond exchange program (PSI+), on 21 February 2012 the Euro Area finance ministers allocated a total of € 50 bn of the second support program for Greece specifically for the recapitalisation of the Greek banking system. These funds are directed to the Hellenic Financial Stability Fund (HFSF) whose mandate has been extended and enhanced accordingly. € 23 bn of these funds were remitted to Greece in the second quarter of 2012, € 16 bn in December 2012 while the final € 11 bn are expected within next months.

The Bank of Greece (BoG) has assessed the viability of each Greek bank and estimated its capital needs based on the more demanding of (a) a minimum Core Tier I ratio of 9% under the baseline scenario and (b) 7% under the adverse stress scenario, throughout the period to end of 2014. Capital needs of each bank were assessed based on, inter alia, the impact of its participation in the PSI+ program, the results from the BlackRock loan diagnostic exercise, the viability of its business plan, and a detailed timetable of mitigating actions to restore solvency. BoG and the European Central Bank (ECB) assessed that the € 50 bn is adequate to cover the capital needs, as above, of the viable Greek Banks and the resolution of the non viable ones.

In the meantime, the impact of Greek banks participation in the Greek Government Bonds exchange program (PSI+) is such that they require a temporary financial support from the HFSF, subject to the requirements provided by law and the presubscription agreement signed by each bank, the HFSF and the EFSF (see below).

The HFSF was established in 2010, in order to maintain the stability of the Greek banking system through ensuring that adequate resources are available to support viable banks' recapitalisation needs and participating in the capital increases for any non-subscribed part.

6. Greek Banks' recapitalisation (continued)

Recapitalisation framework and process (continued)

Banks considered viable have been given the opportunity to apply for and receive Core Tier I-eligible capital from the HFSF under a certain process. Capital may take the form of ordinary shares, contingent convertible financial instruments or ordinary shares with restricted voting rights. Ordinary shares with restricted voting rights will only be available if private investors contribute 10% of the capital raising at the rights issue. The voting rights of the HFSF for the ordinary shares it holds, if the 10% threshold mentioned above is met, will be strictly limited to specific strategic decisions on the condition that the bank adheres to its restructuring plan and as long as contingent convertible financial instruments (CoCos) are not mandatorily converted to ordinary shares (see below under (b)). The HFSF is obliged to dispose, fully or partly, of all the shares it acquires within five years from the initial rights issue covered by HFSF, if the required 10% private participation is met and within two years if not. In both cases the disposal period may be extended by the Minister of Finance.

A Cabinet Act on 9 November 2012, agreed in consultation with the Troika (European Commission, ECB and IMF), provided the technical details of the banks' recapitalisation framework, as follows:

- (a) Issue of ordinary shares in order to reach, as a minimum, Core Tier I capital 6%, without including, for the purpose of this calculation the preference shares issued under Law 3723/2008 and the contingent convertible financial instruments issued under the current Act (see (b) below). The new shares, the uncovered part of which will be covered by HFSF, will be priced at the lower of i) the average price of the last 50 trading days prior to the date the offering price of the shares is determined, discounted by 50% and ii) the market price at the last date prior to the date the offering price of the shares is determined.
- (b) Issue of contingent convertible financial instruments (CoCos) in order to cover the gap between the rights' issue amount and the total capital needs of the Bank as set by BoG. The CoCos will be fully paid by the HFSF and will give banks the right to call the issue at par plus interest subject to the relevant approval by BoG, following capital action or capital surplus. The CoCos will carry an annual interest rate of 7%, which will increase by 0.5% per annum. If consolidated profits for the previous year do not suffice and BoG assesses that payment may jeopardize CAD ratios, coupon will be payable in kind through issuance of ordinary shares at average market price of the last 50 trading days prior to the payment date.

The CoCos will convert immediately to ordinary shares if the required 10% private participation in rights issue is not met, at 50% of the average market price of the last 50 trading days prior to the issue of the CoCos, provided that their issue will take place prior to the issue of ordinary shares. On the assumption that 10% private participation is met, the CoCos will convert to ordinary shares under the following conditions: i) if the Bank decides not to pay coupon, at 65% of average market price of the last 50 trading days prior to the interest cut off date, ii) if Core Tier I or Basel III Common Equity Tier I falls below 7% or 5.125% respectively, at 50% of the price of the initial rights issue covered by HFSF and iii) after five years, at 50% of the price of the initial rights issue covered by HFSF.

- (c) Issue of warrants on all ordinary shares acquired by HFSF provided that the requirement for 10% private participation in rights issue is achieved. The warrants are issued to the private participants in the rights' issue and are listed and tradable instruments which provide the shareholders/ warrant holders i) the right to purchase the shares from HFSF within 4.5 years, twice a year at a strike price equal to the principal amount plus 4%, which steps up by 1% per annum (warrant strike price), ii) the pre-emption right to purchase from HFSF the shares at the lower of warrant strike price and market value of last 50 days from HFSF's notice, in case HFSF intends to sell them, following a 3 year minimum holding period.

Non viable Banks will be resolved by the HFSF, in an orderly manner and at the lowest cost to the State, in a way that ensures financial stability.

To ensure that the system remains well-capitalized, the Bank of Greece has initiated, in March 2013, as previously committed, a follow-up stress-test exercise, based on macro assumptions and performance through June 2013, and using a methodology determined in consultation with the Troika (European Commission, ECB, IMF), to be concluded by end-December 2013.

Eurobank's capital requirements

The Bank of Greece, after assessing the business plan and the capital needs of Eurobank (the "Bank") has concluded on 19 April 2012 that Eurobank is a viable bank and, on 8 November 2012, notified the Bank that its Tier I capital should increase by € 5,839 million. The Bank, the HFSF and the European Financial Stability Facility ("EFSF") signed on 28 May 2012 and on 21 December 2012 a trilateral presubscription agreement (PSA) for the advance to the Bank of EFSF notes of face value of € 3,970 million and € 1,341 million (total € 5,311 million) as advance payment of its participation in the future share capital increase of the Bank. In addition, HFSF provided to the Bank a commitment letter for additional capital support of € 528 million up to the total level of recapitalisation needs of € 5,839 million. Proforma with the full recapitalisation amount of € 5,839 million, on 31 December 2012 the Group's regulatory capital stands at € 4.4 bn, the Core Tier I capital at € 4.1 bn, its Capital Adequacy ratio at 11.6% and the Core Tier I ratio at 10.8%.

Throughout 2012, the Group continued the implementation of its medium term internal capital generating plan, which includes initiatives generating or releasing Core Tier I capital and/or reducing Risk Weighted Assets. A total of € 1.9 bn of capital has been created/released since the onset of the crisis. In addition, the Group is preparing for a capital raising, whose timing and structure will be finalised with National Bank of Greece (note 47).

Restructuring plan

The 28 May 2012 PSA (see above) was assessed as State Aid by the European Commission. Therefore, along with the other viable banks, on 31 October 2012, Eurobank submitted a draft five year restructuring plan to the HFSF, the Ministry of Finance and the European Commission. Following the announcement of the NBG VTO, the European Commission asked that the Greek banks' plans are revisited and resubmitted for approval in the second quarter of 2013.

Monitoring Trustee

On 22 February 2013, the Bank appointed Grant Thornton as its Monitoring Trustee (MT). The MT will monitor compliance with commitments on corporate governance and commercial operational practices, and the implementation of the restructuring plan and report to the European Commission.

7. Financial risk management

7.1 Use of financial instruments

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

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

7. Financial risk management (continued)

7.1 Use of financial instruments (continued)

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

7.2 Financial risk factors

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

7.2.1 Credit risk

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

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

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

(a) Derivatives

The Group maintains control limits on net open derivative positions i.e., the difference between purchase and sale contracts, by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e., derivatives with a positive fair value) which in relation to derivatives is only a small proportion of the contract notional amount used to express the volume of instruments outstanding. The credit risk exposure is managed as part of the overall lending limits with customers together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties. Further details of the Group's derivative instruments are provided in note 23.

(b) Master netting arrangements

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

(c) Credit related commitments

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

7.2.1.1 Maximum exposure to credit risk before collateral held

	2012 € million	2011 € million
Credit risk exposures relating to on-balance sheet assets are as follows:		
Loans and advances to banks	4,693	6,988
Financial instruments at fair value through profit or loss:		
- Debt securities	403	260
Derivative financial instruments	1,888	1,818
Loans and advances to customers:		
- Wholesale lending	19,742	22,485
- Mortgage lending	14,221	14,029
- Consumer lending	6,378	7,048
- Small business lending	7,500	7,929
Less: Provision for impairment losses	(4,670)	(3,397)
Investment securities:		
- Debt securities	9,160	11,058
Other assets	1,308	878
Credit risk exposures relating to off-balance sheet items (note 45)	1,705	2,400
	62,328	71,496

The above table represents the maximum credit risk exposure to the Group at 31 December 2012 and 2011, without taking account of any collateral held or other credit enhancements that do not qualify for offset in the Group's financial statements.

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

7. Financial risk management (continued)

7.2 Financial risk factors (continued)

7.2.1 Credit risk (continued)

7.2.1.2 Loans and advances to customers

Loans and advances are summarised as follows:

	2012 € million	2011 € million
Neither past due nor impaired	28,129	34,742
Past due but not impaired	8,725	8,896
Impaired:		
- collectively assessed	5,498	4,113
- individually assessed	5,489	3,740
Gross	47,841	51,491
Less: allowance for impairment	(4,670)	(3,397)
Net	43,171	48,094
Included in gross loans and advances are:		
Past due more than 90 days	10,919	7,898
Of which non-performing loans	8,729	6,224

The wholesale and small business loans as at 31 December 2012 are covered by collaterals at 49% and 70%, respectively (2011: 48% and 70%, respectively). Consumer loans are not collateralised, except for car loans where the Group retains ownership until full loan repayment. Mortgage loans are fully collateralised.

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired at 31 December 2012 and 2011 can be assessed by reference to the Group's standard grading system. The following information is based on that system:

	2012 € million	2011 € million
Grades:		
Satisfactory risk	27,436	33,749
Watch list and special mention	693	993
Total	28,129	34,742

(b) Loans and advances past due but not impaired

	31 December 2012				
	Wholesale € million	Mortgage € million	Consumer € million	Small business € million	Total € million
Past due up to 29 days	1,117	1,770	897	1,062	4,846
Past due 30 - 89 days	1,581	641	359	575	3,156
Past due 90 - 180 days	469	254	-	-	723
Total	3,167	2,665	1,256	1,637	8,725
Fair value of collateral	1,916	5,851	-	1,077	8,844
	31 December 2011				
	Wholesale € million	Mortgage € million	Consumer € million	Small business € million	Total € million
Past due up to 29 days	1,219	1,733	1,104	1,077	5,133
Past due 30 - 89 days	1,274	628	386	812	3,100
Past due 90 - 180 days	427	236	-	-	663
Total	2,920	2,597	1,490	1,889	8,896
Fair value of collateral	1,889	5,287	-	1,250	8,426

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

(c) Impaired loans and advances collectively assessed

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

The collectively assessed loans and advances to customers before taking into consideration the cash flows from collateral held are € 5,498 million (2011: € 4,113 million). The breakdown of the gross amount of collectively assessed loans and advances by class, along with the fair value of related collateral held by the Group as security, are as follows:

	31 December 2012				31 December 2011			
	Mortgage € million	Consumer € million	Small business € million	Total € million	Mortgage € million	Consumer € million	Small business € million	Total € million
Collectively assessed loans	1,788	2,545	1,165	5,498	1,193	1,999	921	4,113
Fair value of collateral	2,867	-	651	3,518	1,898	-	436	2,334

7. Financial risk management (continued)

7.2 Financial risk factors (continued)

7.2.1 Credit risk (continued)

7.2.1.2 Loans and advances to customers (continued)

(d) Impaired loans and advances individually assessed

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

The individually assessed loans and advances to customers before taking into consideration the cash flows from collateral held are € 5,489 million (2011: € 3,740 million). The breakdown of the gross amount of individually assessed loans and advances by class, along with the fair value of related collateral held by the Group as security, are as follows:

	31 December 2012			31 December 2011		
	Wholesale € million	Small business € million	Total € million	Wholesale € million	Small business € million	Total € million
Individually assessed loans	3,404	2,085	5,489	2,264	1,476	3,740
Fair value of collateral	1,834	1,319	3,153	1,119	914	2,033

(e) Non-performing loans

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

	2012 € million	2011 € million
- Wholesale lending	1,740	1,261
- Mortgage lending	1,755	1,127
- Consumer lending	2,516	1,975
- Small business lending	2,718	1,861
Total	8,729	6,224

(f) Forbearance practices on lending activities

Modifications of loans' contractual terms may arise due to various factors, such as changes in market conditions, customer retention and potential deterioration of the borrower's financial condition. Forbearance occurs in the cases where the contractual payment terms of a loan have been modified due to financial difficulty of the borrower. Other renegotiations, more of a business nature are not considered as forbearance measures.

As a consequence of the current financial and economic crisis, the Group has developed and applied a number of forbearance options under its restructuring programs in order to enhance effectiveness of collection efforts, improve the recoverability and minimize losses for both retail and wholesale portfolios.

Forbearance options provide borrowers with more favourable terms than the initial contracts, like extended payment periods or payment holiday, reduction in interest rates, postponement of principal payment, conversions to interest only payments and debt consolidations. These are granted following an assessment of the customer's ability and willingness to repay and can be of a temporary or longer term nature. The goal is to assist financially stressed borrowers by decreasing their monthly instalment and at the same time, protect the Group from suffering credit losses.

Restructuring agreements enter a probation period of six to twelve months, depending on the portfolio and the level of risk, where the payment performance is monitored. During this period, loans are classified as past due but not impaired or impaired based on their delinquency status. At the end of the probation period the performance of the restructured borrower is re-examined and the loans that comply with the terms of the program cease to be considered restructured and are characterized as cured loans.

Restructured loans are separately monitored through Debt Remedial Management Committees which evaluate the effectiveness of forbearance programs continuously. A basic factor of the remedial management is the increase of collaterals, mainly with real estate properties which improve the recoverability prospects. Furthermore, borrowers subject to forbearance measures, are required to repay at least one instalment of the new arrangement.

Restructured programs are assessed for impairment under the Group's impairment policies described in accounting policies note 2(j) and credit risk note 7.2.1. Specifically for retail loans, the collective impairment assessment reflects the risk of higher losses. The impairment assessment of the wholesale exposures is performed on an individual basis taking into consideration various risk aspects (such as borrower's rating, adherence to the program and level of collaterals).

The table below summarizes exposures, subject to forbearance programs, excluding balances that have reverted to cured status:

	2012 € million	2011 € million
Past due but not impaired	1,647	1,480
- out of which loans with no days past due under new terms	919	850
Impaired	2,210	1,513
Gross	3,857	2,993
Less: allowance for impairment	(891)	(590)
Net	2,966	2,403

7. Financial risk management (continued)

7.2 Financial risk factors (continued)

7.2.1 Credit risk (continued)

7.2.1.3 Debt Securities

The following table presents an analysis of debt securities by rating agency designation at 31 December 2012 and 2011, based on Moody's ratings or their equivalent:

	31 December 2012				
	Trading securities € million	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Aaa	-	342	-	261	603
Aa1 to Aa3	223	327	-	182	732
A1 to A3	0	264	217	106	587
Lower than A3	179	1,680	4,669	840	7,368
Unrated	1	261	11	-	273
Total	403	2,874	4,897	1,389	9,563

	31 December 2011				
	Trading securities € million	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Aaa	-	599	-	453	1,052
Aa1 to Aa3	-	19	83	192	294
A1 to A3	0	259	281	71	611
Lower than A3	259	1,914	5,617	1,490	9,280
Unrated	1	69	11	-	81
Total	260	2,860	5,992	2,206	11,318

€ 4,784 million included in securities rated Lower than A3, relates to Greek sovereign debt (2011: € 5,871 million), € 128 million relates to Irish and Portuguese sovereign debt (2011: € 85 million), € 165 million relates to Cypriot sovereign debt (2011: € 163 million), while € 1,683 million relates to sovereign debt issued mainly by other Eurozone members, European Union members and candidate members (2011: € 2,488 million).

7.2.1.4 Concentration of credit risk

(a) Geographical sectors

The following table breaks down the Group's main credit exposure at their gross carrying amounts, as categorised by geographical region as at 31 December 2012 and 2011. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties:

	31 December 2012				
	Greece € million	Other Western European countries € million	Eastern and Southeastern European countries € million	Other countries € million	Total € million
Loans and advances to banks	39	3,452	988	214	4,693
Derivative financial instruments	925	595	4	364	1,888
Loans and advances to customers:					
- Wholesale lending	14,007	825	4,478	432	19,742
- Mortgage lending	12,051	62	2,089	19	14,221
- Consumer lending	5,020	3	1,355	0	6,378
- Small business lending	6,470	0	1,030	0	7,500
Debt securities	5,154	2,191	2,015	203	9,563
Other assets	1,196	41	68	3	1,308
Total	44,862	7,169	12,027	1,235	65,293

	31 December 2011				
	Greece € million	Other Western European countries € million	Eastern and Southeastern European countries € million	Other countries € million	Total € million
Loans and advances to banks	93	4,588	2,099	208	6,988
Derivative financial instruments	740	678	32	368	1,818
Loans and advances to customers:					
- Wholesale lending	15,347	913	5,880	345	22,485
- Mortgage lending	11,793	67	2,150	19	14,029
- Consumer lending	5,568	0	1,470	10	7,048
- Small business lending	6,683	0	1,246	0	7,929
Debt securities	6,208	1,947	2,976	187	11,318
Other assets	740	35	102	1	878
Total	47,172	8,228	15,955	1,138	72,493

7. Financial risk management (continued)**7.2 Financial risk factors (continued)****7.2.1 Credit risk (continued)****7.2.1.4 Concentration of credit risk (continued)***(b) Industry sectors*

The following table breaks down the Group's main credit exposure at their gross carrying amounts, as categorised by the industry sectors of its counterparties as of 31 December 2012 and 2011:

	31 December 2012						Total € million
	Commerce and services € million	Private individuals € million	Manufacturing € million	Shipping € million	Construction € million	Other € million	
Loans and advances to banks	4,693	-	-	-	-	-	4,693
Derivative financial instruments	926	0	35	52	70	805	1,888
Loans and advances to customers:							
- Wholesale lending	11,285	473	4,254	970	2,005	755	19,742
- Mortgage lending	-	14,221	-	-	-	-	14,221
- Consumer lending	-	6,378	-	-	-	-	6,378
- Small business lending	6,276	152	617	-	416	39	7,500
Debt securities	1,425	-	66	-	51	8,021	9,563
Other assets	334	8	1	-	1	964	1,308
Total	24,939	21,232	4,973	1,022	2,543	10,584	65,293

	31 December 2011						Total € million
	Commerce and services € million	Private individuals € million	Manufacturing € million	Shipping € million	Construction € million	Other € million	
Loans and advances to banks	6,988	-	-	-	-	-	6,988
Derivative financial instruments	1,014	1	50	77	60	616	1,818
Loans and advances to customers:							
- Wholesale lending	12,918	548	4,922	1,033	2,294	770	22,485
- Mortgage lending	-	14,029	-	-	-	-	14,029
- Consumer lending	-	7,048	-	-	-	-	7,048
- Small business lending	6,563	257	631	-	414	64	7,929
Debt securities	1,502	-	11	0	54	9,751	11,318
Other assets	435	3	0	-	0	440	878
Total	29,420	21,886	5,614	1,110	2,822	11,641	72,493

Credit exposure to other industry sectors includes mainly sovereign assets.

7.2.2 Market risk

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

(a) Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Eurobank's Risk Committee sets limits on the level of interest rate risk that may be undertaken and exposures are monitored daily.

(b) Currency risk

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

(c) Equity risk

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

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

(i) VaR summary for 2012 and 2011

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

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

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

7. Financial risk management (continued)

7.2 Financial risk factors (continued)

7.2.2 Market risk (continued)

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

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

	2012 € million	2011 € million
Interest Rate Risk	42	32
Foreign Exchange Risk	2	3
Equities Risk	5	9
Total VaR	42	36

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

The aggregate VaR of the interest rate, foreign exchange and equities VaR benefits from diversification effects.

(ii) Sensitivity analysis for 2012 and 2011

Sensitivity analyses used for monitoring market risk stemming from International operations, excluding Cyprus, do not represent worst case scenarios.

	31 December 2012			31 December 2011		
	Sensitivity of income statement € million	Sensitivity of equity € million	Total sensitivity € million	Sensitivity of income statement € million	Sensitivity of equity € million	Total sensitivity € million
Interest Rate: +100 bps parallel shift	(3)	(8)	(11)	(3)	(8)	(11)
Equities / Equity Indices / Mutual Funds: -10% decrease on prices	(0)	(0)	(0)	(0)	(0)	(0)
Foreign exchange: -10% depreciation of functional currency over foreign currencies	10	(66)	(56)	5	(92)	(87)

7.2.3 Liquidity risk

The Group is exposed to daily calls on its available cash resources due to deposits withdrawals, maturity of medium or long term notes, loan draw-downs and guarantees. Furthermore, margin calls on secured funding transactions (with ECB and the market) and on risk mitigation contracts (CSAs, GMRA) result in liquidity exposure. The Group maintains cash resources to meet all of these needs. The Eurobank's Risk Committee sets liquidity limits to ensure that sufficient funds are available to meet such contingencies.

Past experience shows that liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment. This is also the case with credit commitments where the outstanding contractual amount to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

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

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

Liquidity Risk Management Framework

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

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

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

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

Assets held for managing liquidity risk

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

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

The unutilised assets, containing highly liquid and central banks eligible assets, provide a contingent liquidity reserve of € 7.3 bn as at 31 December 2012 (2011: € 4.9 bn). In addition the Group holds other types of highly liquid assets, as defined by the regulator, amounting to € 2.2 bn (cash value) (2011: € 1.9 bn).

7. Financial risk management (continued)

7.2 Financial risk factors (continued)

7.2.3 Liquidity risk (continued)

Maturity analysis of liabilities

The amounts disclosed in the table below are the contractual undiscounted cash flows for the years 2012 and 2011. Liabilities without contractual maturities (sight and saving deposits) are presented in the "less than 1 month" time bucket. The Group has established credit risk mitigation contracts with its interbank counterparties (ISDA/CSA). Due to these contracts the Group has already posted collateral equal with the valuation of its net liabilities from interbank derivatives. For derivative liabilities not covered by ISDA/CSA agreements the negative valuation is presented at fair value in the "less than 1 month" time bucket.

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

	31 December 2012				Gross nominal (inflow)/ outflow € million
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	
Non-derivative liabilities:					
- Due to banks	30,457	302	559	586	31,904
- Due to customers	15,975	5,309	8,450	1,452	31,186
- EMTNs	0	395	103	530	1,028
- Securitizations (redemptions and coupons) ⁽¹⁾	6	13	58	299	376
- Other liabilities	119	90	528	1,005	1,742
	<u>46,557</u>	<u>6,109</u>	<u>9,698</u>	<u>3,872</u>	<u>66,236</u>
Derivative financial instruments:	132	-	-	-	132

Off-balance sheet items

	Less than 1 year € million	Over 1 year € million
Credit related commitments	920	785
Capital expenditure	8	-
Operating lease commitments	25	23
	<u>953</u>	<u>808</u>

	31 December 2011				Gross nominal (inflow)/ outflow € million
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	
Non-derivative liabilities:					
- Due to banks	24,962	4,641	575	5,989	36,167
- Due to customers	18,536	5,450	6,739	2,052	32,777
- EMTNs	6	529	181	1,618	2,334
- Securitizations (redemptions and coupons) ⁽¹⁾	12	24	108	657	801
- Other liabilities	137	268	467	1,001	1,873
	<u>43,653</u>	<u>10,912</u>	<u>8,070</u>	<u>11,317</u>	<u>73,952</u>
Derivative financial instruments:	137	-	-	-	137

⁽¹⁾Outflow from securitisations is fully covered by respective inflows from mortgage loans with matched maturity repayments.

Off-balance sheet items

	Less than 1 year € million	Over 1 year € million
Credit related commitments	1,420	980
Capital expenditure	7	-
Operating lease commitments	32	36
	<u>1,459</u>	<u>1,016</u>

Due to the Greek sovereign debt crisis, Greek banks obtained part of their funding through the European Central Bank (ECB) and the Bank of Greece (BoG). As at 31 December 2012, the Bank's net funding from these sources totalled € 29 bn (2011: € 31 bn).

The update of the Memorandum of Economic and Financial Policies (MEFP), dated 21 December 2012, includes the commitment that banks, as part of their new restructuring plans, will set out their intentions to broaden their funding base and reduce over time their reliance on emergency liquidity provided by the Eurosystem. The BoG, following the procedures and rules of the Eurosystem, will stand ready to continue disbursing adequate and appropriate emergency liquidity support in a timely manner if needed.

Funds from recapitalisation, gradual recovery of private sector deposits, as a result of return to a sustainable path, and restoration of market access over the next two or three years (IMF notes that banks are expected to be able to re-access markets before the sovereign, mainly due to their high capitalisation and low sovereign exposures post-recapitalisation), enhanced by the Bank's undertaken initiatives to strengthen its liquidity position, establish the conditions for a substantial reduction of Eurosystem exposure in the medium term.

7. Financial risk management (continued)

7.3 Capital management

Capital position pro-forma with recapitalisation amount of € 5.8 bn

	Pro-forma 2012 € million	2011 € million
Ordinary and Preferred shareholders' equity	4,941	5,406
Add: Regulatory non-controlling interest	209	210
Less: Goodwill	(258)	(299)
Less: Other regulatory adjustments	(471)	(310)
Total Tier I capital	4,421	5,007
Tier II capital-subordinated debt	290	468
Less: Other regulatory adjustments	(290)	(259)
Total Regulatory Capital	4,421	5,216
Risk Weighted Assets	37,999	43,647
Ratios:	%	%
EBA Core Tier I	10.8	9.8
Tier I	11.6	11.5
Capital Adequacy Ratio	11.6	12.0

Other than the risks related to Greek sovereign exposure and capital erosion resulting from their impairment (PSI+), the Group has sought to maintain an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the European Union and the Bank of Greece in supervising the Bank.

The Group, excluding the impact of PSI+, has complied with all externally imposed capital requirements throughout the year.

During the last three years the Group focused on the organic strengthening of its capital position and, excluding the impact of PSI+, managed to maintain capital ratios at levels comfortably above minimum required. This was achieved by active derisking of lending portfolios through tighter credit policies and change in the portfolio mix in favour of more secured loans. In addition, it proceeded to several strategic initiatives, namely the disposal of Polish and Turkish operations (note 17), the liability management exercise of buying back preferred securities and Lower Tier II unsecured subordinated notes and the merger with Dias S.A.

Regulatory disclosures regarding capital adequacy and risk management, based on Bank of Greece Act 2655/2012 (Basel II, Pillar 3), are available at the Bank's website.

7.4 Fair values of financial assets and liabilities

Fair value is the amount for which an asset or 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. These inputs are mainly related to interest rate curves, fx rates, equity prices, credit spreads and implied volatilities obtained from internationally recognised market data providers. The values derived using these techniques are significantly affected by underlying assumptions concerning both the amounts and timing of future cash flows and the discount rates used. In addition, the fair values reported, may be materially different from the values actually realised upon sale or settlement.

The assumptions and methodologies underlying the calculation of fair value of financial instruments at the balance sheet date are as follows:

- Trading assets, derivatives and other transaction undertaken for trading purposes as well as treasury bills, available for sale securities and assets and liabilities designated at fair-value-through-profit-or-loss are measured at fair value (notes 22, 23, 26, 33, 34 and 35) by reference to quoted market prices when available. If quoted prices are not available, then the fair values are estimated using valuation techniques.
- Investment securities carried at amortised cost: the fair value of financial investments is determined using prices quoted in an active market when these are available. In other cases, fair value is determined using a valuation technique (note 26).
- Loans and advances to customers: for loans and advances to customers quoted market prices are not available as there are no active markets where these instruments are traded. The fair value is determined using generally accepted valuation techniques with current market parameters. The fair value is estimated by discounting future expected cash flows over the time period they are expected to be recovered, using appropriate risk-adjusted rates (note 24).
- Debt issued and other borrowed funds: the fair value of the debt issued and other borrowed funds is determined using quoted market prices, if available. If quoted prices are not available, the fair value is determined by discounting the remaining contractual cash flows at a discount rate adjusted for own credit spread, where appropriate (note 34).
- Other financial instruments, which are short term or re-price at frequent intervals, their carrying value represents a reasonable estimate of fair value.

All financial instruments that are measured at fair value are categorised in one of the three fair value hierarchy levels at year-end; based on whether the inputs to the fair values are observable or non-observable:

- Level 1 – Quoted prices in active markets for identical assets and 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.
- Level 2 – Financial instruments measured using valuation techniques where all significant inputs are market observable.
- Level 3 – Financial instruments measured using valuation technique with significant non observable inputs.

7. Financial risk management (continued)

7.4 Fair values of financial assets and liabilities (continued)

7.4.1 Financial assets and liabilities measured at fair value

The classification of the Group's financial assets and liabilities using the fair value hierarchy is presented in the following table:

	31 December 2012			Total € million
	Quoted prices in active market (Level 1) € million	Valuation technique observable parameters (Level 2) € million	Valuation technique non observable parameters (Level 3) € million	
Financial assets measured at fair value:				
Financial instruments held for trading	428	4	-	432
Financial instruments designated at fair value through profit or loss	278	-	-	278
Derivative financial instruments	0	1,888	-	1,888
Available-for-sale investment securities	2,870	313	-	3,183
Total financial assets	3,576	2,205	-	5,781
Financial liabilities measured at fair value:				
Derivative financial instruments	1	2,676	-	2,677
Due to customers:				
- Structured deposits	-	22	-	22
- Unit linked products	290	293	-	583
Debt issued and other borrowed funds:				
- Structured notes	-	29	-	29
Trading liabilities	3	-	-	3
Total financial liabilities	294	3,020	-	3,314
	31 December 2011			
	Quoted prices in active market (Level 1) € million	Valuation technique observable parameters (Level 2) € million	Valuation technique non observable parameters (Level 3) € million	Total € million
Financial assets measured at fair value:				
Loans and advances to banks	-	212	-	212
Financial instruments held for trading	259	15	-	274
Financial instruments designated at fair value through profit or loss	229	-	-	229
Derivative financial instruments	7	1,811	-	1,818
Available-for-sale investment securities	3,043	142	-	3,185
Total financial assets	3,538	2,180	-	5,718
Financial liabilities measured at fair value:				
Derivative financial instruments	6	3,007	-	3,013
Due to customers:				
- Structured deposits	-	67	-	67
- Unit linked products	236	335	-	571
Debt issued and other borrowed funds:				
- Structured notes	-	15	-	15
Acquisition obligations	-	154	-	154
Trading liabilities	4	14	-	18
Total financial liabilities	246	3,592	-	3,838

7.5 Fiduciary activities

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

8. Net interest income

	2012 € million	2011 € million
Interest income		
Customers	2,644	3,004
Banks	77	99
Trading securities	60	42
Other securities	667	766
Derivatives	627	1,152
	<u>4,075</u>	<u>5,063</u>
Interest expense		
Customers	(935)	(1,060)
Banks	(877)	(634)
Debt issued and other borrowed funds	(64)	(106)
Derivatives	(738)	(1,298)
	<u>(2,614)</u>	<u>(3,098)</u>
Total from continuing operations	<u>1,461</u>	<u>1,965</u>
Total from discontinued operations	84	112
Total	<u>1,545</u>	<u>2,077</u>

9. Net banking fee and commission income

	2012 € million	2011 € million
Lending related fees and commissions	115	131
Mutual funds and assets under management related fees	36	39
Capital markets related fees	21	29
Other fees	28	75
Total from continuing operations	<u>200</u>	<u>274</u>
Total from discontinued operations	12	27
Total	<u>212</u>	<u>301</u>

10. Income from non banking services

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

11. Net trading income and gains less losses from investment securities

	2012 € million	2011 € million
Debt securities and other financial instruments	107	121
Equity securities and mutual funds	(32)	(0)
Gains/(losses) on derivative financial instruments	(61)	(109)
Impairment allowance for investment securities	-	(91)
Revaluation on foreign exchange positions	15	3
Total from continuing operations	<u>29</u>	<u>(76)</u>
Total from discontinued operations	6	6
Total	<u>35</u>	<u>(70)</u>

12. Operating expenses

	2012 € million	2011 € million
Staff costs (note 13)	582	626
Administrative expenses	294	305
Depreciation and impairment of property, plant and equipment	75	80
Amortisation and impairment of intangible assets	30	29
Operating lease rentals	71	83
Total from continuing operations	<u>1,052</u>	<u>1,123</u>
Total from discontinued operations	72	114
Total	<u>1,124</u>	<u>1,237</u>

13. Staff costs

	2012 € million	2011 € million
Wages, salaries and performance remuneration	429	461
Social security costs	92	96
Additional pension and other post employment costs	15	25
Other	46	44
Total from continuing operations	582	626
Total from discontinued operations	46	64
Total	628	690

The average number of employees of the Group (excluding Turkey) during the year was 17,662 (2011: 18,643).

14. Other non recurring valuation losses

	2012 € million	2011 € million
Impairment losses on corporate bonds	186	13
Impairment losses on available for sale equities	79	410
Impairment and valuation losses on investment property and repossessed properties	54	-
Credit valuation losses on derivative financial instruments	12	-
Release of exchange differences to net profit	-	71
Losses from disposal of associated undertakings	-	7
Total	331	501

As at 31 December 2012, the Group has recognized an impairment loss amounting to € 100 million on subordinated debt issued by Agricultural Bank of Greece (ABG) whose license was revoked in July 2012 and has since been put in liquidation.

As at 31 December 2012, the Group has recognized impairment losses amounting to € 79 million on equity securities (including mutual funds and non listed shares), for which the decline in fair value below cost is considered to be significant and/or prolonged, as a result of the continuing deterioration in the equity markets. As at 31 December 2011, the Group recognised impairment losses amounting € 410 million on equity securities, the main part of which was listed in the Athens Stock Exchange, for which the decline in their fair value below cost is considered to be significant or prolonged.

As at 31 December 2011, the release of exchange differences to net profit related to permanent funding to Eurobank Tekfen A.S., which was repaid on completion of its disposal (note 27).

15. Income tax

	2012 € million	2011 € million
Current tax	43	6
Deferred tax (note 16)	(390)	(1,343)
Overseas taxes	13	18
Total tax charge/(income) from continuing operations	(334)	(1,319)
Total tax charge/(income) from discontinued operations	(14)	33
Total	(348)	(1,286)

The tax loss arising from the participation in the PSI+ program and the buyback program of nGGBs (note 5), amounting to € 3,654 million and € 1,523 million, respectively, will be deducted over a period of 30 years, according to the current legislative framework.

The nominal Greek corporate tax rate is 20%. According to Law 4110/2013, the nominal Greek corporate tax rate increases to 26% for income generated in accounting years 2013 and onwards. In addition, dividends distributed based on General Meetings held within 2013 are subject to 25% withholding tax, while dividends distributed based on General Meetings held as of 1 January 2014 onwards are subject to 10% withholding tax.

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

	2012 € million	2011 € million
Profit/(loss) before tax from continuing operations	(1,688)	(6,975)
Tax at the applicable tax rates	(338)	(1,395)
Tax effect of:		
- income and expenses not subject to tax	29	57
- effect of different tax rates in different countries	(3)	(1)
- change in applicable tax rate	-	4
- other ⁽¹⁾	(22)	16
Total tax charge/(income) from continuing operations	(334)	(1,319)
Total tax charge/(income) from discontinued operations	(14)	33
Total	(348)	(1,286)

⁽¹⁾ Includes tax benefit of € 22 million from change in tax base following the transition of Bancpost S.A. from local standards to IFRSs

16. Deferred income taxes

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

The movement on the deferred income tax account is as follows:

	2012 € million	2011 € million
Balance at 1 January	1,708	487
Impairment on Greek sovereign exposure	73	1,202
Other income statement credit/(charge)	317	141
Available for sale investment securities:		
- fair value measurement (note 26.3)	(23)	18
- transfer to net profit	(14)	(108)
Cash flow hedges	17	(4)
Disposal of foreign operations	8	(45)
Other	12	17
Balance at 31 December	2,098	1,708
of which relating with tax losses for PSI+ and nGGBs buyback program	1,001	-

Deferred income tax asset/(liability) is attributable to the following items:

	2012 € million	2011 € million
Changes in fair value accounted directly to available-for-sale revaluation reserve	3	20
Changes in fair value accounted through the income statement	188	17
PSI+ related losses	1,001	1,156
Cash flow hedges	40	23
Sale of treasury and other shares	34	34
Fixed assets	(21)	(38)
Pensions and other post retirement benefits	7	11
Loan impairment	754	407
Unused tax losses	47	25
Other	45	53
Net deferred income tax	2,098	1,708

The net deferred income tax is analysed as follows:

	2012 € million	2011 € million
Deferred income tax asset	2,106	1,726
Deferred income tax liability (note 35)	(8)	(18)
Net deferred income tax	2,098	1,708

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

	2012 € million	2011 € million
Changes in fair value	(6)	(1,248)
Fixed assets	(15)	17
Pensions and other post retirement benefits	4	8
Loan impairment	(350)	(105)
Unused tax losses	(22)	7
Other	(1)	(22)
Deferred income tax (credit)/charge	(390)	(1,343)

17. Discontinued operations**Disposal of Polish operations**

Based on the terms of the Investment Agreement signed with Raiffeisen Bank International AG (RBI) in February 2011, the Group recorded the disposal of its Polish operations as of 31 March 2011 for a total consideration of € 718 million.

On 30 April 2012, the Group transferred 70% of its Polish banking subsidiary (Polbank) to RBI after obtaining the relevant approvals from the Polish Financial Supervision Authority (KNF). As of 30 April 2012, Polbank and RBI Poland (RBI's Polish banking subsidiary) are combined. The Group received € 460 million in cash, while the remaining consideration receivable is subject to adjustments based on the Net Asset value of Polbank at the closing of the transaction.

Moreover, on 30 April 2012 the Group exercised its put option on its remaining 13% stake in Raiffeisen Polbank. In October 2012, following the completion of the relevant transfer of shares, the Group received € 126 million in cash. As at 31 December 2012, the gain on the disposal of Polish operations was adjusted with € 81 million losses, before tax (€ 65 million, after tax).

Disposal of Turkish operations

On 21 December 2012, the Group disposed Eurobank Tekfen A.S. and its subsidiaries to Burgan Bank of Kuwait, following the approvals from all competent authorities (note 27). The Group recognized a loss of € 31 million, before tax, arising from the recycling of losses previously recognized in other comprehensive income (currency translation and available for sale reserve) to the income statement. Turkish operations are presented in the International segment.

17. Discontinued operations (continued)

The results of the Group's Turkish operations and Polish operations are set out below. The income statement distinguishes discontinued operations from continuing operations. Comparative figures have been restated.

	Year ended 31 December	
	2012 € million	2011 € million
Net interest income	84	112
Net banking fee and commission income	12	27
Other income from discontinued operations	6	8
Operating expenses	(72)	(114)
Impairment losses on loans and advances	(18)	(23)
Profit/(loss) before tax from discontinued operations	12	10
Income tax	(2)	(1)
Profit/(loss) before gain on disposal	10	9
Gain/(loss) on disposal before tax	(112)	183
Income tax	16	(32)
Net profit/(loss) from discontinued operations	(86)	160
Net profit from discontinued operations attributable to non controlling interest	0	(0)
Profit/(loss) for the year from discontinued operations attributable to shareholders	(86)	160

Effect of disposal on the Group's balance sheet

The major classes of assets and liabilities of the disposed Turkish operations as at 30 November 2012 are as follows:

	€ million
Cash and balances with central banks	155
Loans and advances to banks	79
Trading and investment securities	194
Loans and advances to customers	1,588
Other assets	51
Total assets disposed	2,067
Due to banks	180
Due to customers	1,354
Other liabilities	54
Total liabilities disposed	1,588
Net Group funding associated with assets disposed	187
Net assets disposed	292

18. Earnings per share

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

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

		Year ended 31 December	
		2012	2011
Net profit/(loss) for the year attributable to ordinary shareholders (after deducting dividend attributable to preferred securities holders and after including gains/(losses) on preferred securities)	€ million	(1,268)	(5,531)
Net profit/(loss) for the year attributable from continuing operations (after deducting dividend attributable to preferred securities holders and after including gains/(losses) on preferred securities)	€ million	(1,182)	(5,691)
Weighted average number of ordinary shares in issue	Number of shares	551,891,708	546,113,385
Weighted average number of ordinary shares for diluted earnings per share	Number of shares	551,891,708	546,113,385
Earnings/(losses) per share			
- Basic and diluted earnings/(losses) per share	€	(2.30)	(10.13)
Earnings/(losses) per share from continuing operations			
- Basic and diluted earnings/(losses) per share	€	(2.14)	(10.42)

Basic and diluted losses per share from discontinued operations for 2012 amount to € 0.16 (2011: earnings per share € 0.29).

Share options did not have an effect on the diluted earnings per share, as their exercise price exceeded the average market price of the Bank's shares for the year. The Series D and Series E of preferred securities (note 39), were not included in the calculation of diluted earnings per share, as their effect would have been anti-dilutive.

19. Cash and balances with central banks

	2012 € million	2011 € million
Cash in hand	590	499
Balances with central banks	<u>1,475</u>	<u>2,787</u>
	<u>2,065</u>	<u>3,286</u>
of which:		
Mandatory and collateral deposits with central banks	<u>989</u>	<u>2,262</u>

Mandatory deposits with central banks include (a) deposits of € 895 million (2011: € 1,262 million) with the Bank of Greece and other central banks which represent the minimum level of average monthly deposits which the banks are required to maintain; the majority can be withdrawn at any time provided the average monthly minimum deposits are maintained and (b) deposits of € 94 million with the Bank of England in accordance with UK regulatory requirements.

20. 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:

	2012 € million	2011 € million
Cash and balances with central banks (excluding mandatory and collateral deposits with central banks)	1,076	1,024
Loans and advances to banks	997	1,868
Financial instruments at fair value through profit or loss	<u>141</u>	<u>232</u>
	<u>2,214</u>	<u>3,124</u>

21. Loans and advances to banks

	2012 € million	2011 € million
Pledged deposits with banks	3,216	4,697
Placements with banks	885	1,782
Current accounts and settlement balances with banks	460	249
Reverse repos with banks	<u>132</u>	<u>260</u>
	<u>4,693</u>	<u>6,988</u>

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

	2012 € million	2011 € million
Trading portfolio		
Issued by public bodies:		
- government	398	254
- other public sector	<u>1</u>	<u>1</u>
	<u>399</u>	<u>255</u>
Issued by other issuers:		
- banks	4	4
- other	<u>29</u>	<u>15</u>
	<u>33</u>	<u>19</u>
	<u>432</u>	<u>274</u>
Other financial assets designated at fair value through profit or loss		
- unit linked products	<u>278</u>	<u>229</u>
	<u>278</u>	<u>229</u>
Total	<u>710</u>	<u>503</u>
Equity securities	29	14
Debt securities	403	260
Other financial assets at fair value through profit or loss	<u>278</u>	<u>229</u>
Total	<u>710</u>	<u>503</u>

23. Derivative financial instruments and hedge accounting**23.1 Derivative financial instruments**

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

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

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

23. Derivative financial instruments and hedge accounting (continued)**23.1 Derivative financial instruments (continued)**

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

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

	31 December 2012			31 December 2011		
	Contract/ notional amount € million	Fair values		Contract/ notional amount € million	Fair values	
		Assets € million	Liabilities € million		Assets € million	Liabilities € million
Derivatives held for trading						
<i>OTC currency derivatives</i>						
- Currency forwards	832	11	8	1,264	42	26
- Currency swaps	2,147	11	6	10,330	15	69
- OTC currency options bought and sold	780	29	27	2,112	65	55
		51	41		122	150
<i>OTC interest rate derivatives</i>						
- Interest rate swaps	19,929	1,559	1,411	26,765	1,369	1,189
- Cross-currency interest rate swaps	4,342	130	118	4,045	104	122
- Forward rate agreements	-	-	-	418	0	-
- OTC interest rate options	10,384	108	156	14,375	141	173
		1,797	1,685		1,614	1,484
Exchange traded interest rate futures	577	0	1	61	7	6
Exchange traded interest rate options	-	-	-	95	0	0
		1,797	1,686		1,621	1,490
<i>Other derivatives</i>						
Other derivative contracts (see below)	2,828	21	7	740	8	10
		21	7		8	10
Total derivative assets/liabilities held for trading		1,869	1,734		1,751	1,650
Derivatives designated as fair value hedges						
Interest rate swaps	2,582	16	490	4,742	33	1,180
Cross-currency interest rate swaps	24	0	16	59	0	31
		16	506		33	1,211
Derivatives designated as cash flow hedges						
Interest rate swaps	4,975	0	393	7,479	20	113
Cross-currency interest rate swaps	5,351	3	44	4,142	13	32
		3	437		33	145
Derivatives designated as net investment hedges						
Currency forwards/currency swaps	11	(0)	0	494	1	7
Total derivative assets/liabilities held for hedging purposes		19	943		67	1,363
Total derivatives assets/liabilities		1,888	2,677		1,818	3,013

Other derivative contracts include over-the-counter equity options, exchange traded index futures, exchange traded index options bought and sold, commodity swaps and credit default swaps.

23.2 Hedge accounting

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

(a) Fair value hedges

The Group hedges a proportion of its existing interest rate risk resulting from any potential decrease in the fair value of fixed rate financial assets denominated both in local and foreign currencies using interest rate and cross currency interest rate swaps. The net fair value of these swaps at 31 December 2012 was € 490 million liability (2011: € 1,178 million liability). The Group recognized a gain of € 2 million (2011: € 4 million loss) from changes in the fair value of the hedged items attributable to the hedged risk, net of the changes in the fair value of the hedging instruments.

(b) Cash flow hedges

The Group hedges a proportion of its existing interest rate risk resulting from any cash flow variability associated with future interest rate changes on variable rate assets or liabilities or unrecognised highly probable forecast transactions using interest rate swaps. At 31 December 2012, interest rate swaps had a net fair value of € 434 million liability (2011: € 112 million liability). In 2012, the ineffectiveness recognised in income statement that arose from cash flow hedges was € nil (2011: € nil).

23. Derivative financial instruments and hedge accounting (continued)**23.2 Hedge accounting (continued)****(c) Net investment hedges**

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

Borrowings and derivative financial instruments amounting to € 286 million (2011: € 785 million), analysed in RON 1.4 bn (2011: RON 1.3 bn and TRY 995 million), gave rise to currency gains for the year of € 8 million (2011: € 13 million gains), which affected positively the currency translation reserve.

24. Loans and advances to customers

	2012 € million	2011 € million
Wholesale lending	19,742	22,485
Mortgage lending	14,221	14,029
Consumer lending	6,378	7,048
Small business lending	7,500	7,929
Gross loans and advances to customers	47,841	51,491
Less: Provision for impairment losses (note 25)	(4,670)	(3,397)
	43,171	48,094
Loans and advances to customers maturing after 1 year	31,493	32,594

As at 31 December 2012, the fair value of "loans and advances to customers" was € 43,700 million.

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

	2012 € million	2011 € million
Gross investment in finance leases receivable:		
Not later than 1 year	326	397
Later than 1 year and not later than 5 years	836	1,024
Later than 5 years	900	1,136
	2,062	2,557
Unearned future finance income on finance leases	(334)	(499)
Net investment in finance leases	1,728	2,058
Less: provision for impairment losses	(159)	(116)
	1,569	1,942
The net investment in finance leases is analysed as follows:		
Not later than 1 year	281	325
Later than 1 year and not later than 5 years	705	829
Later than 5 years	742	904
	1,728	2,058
Less: provision for impairment losses	(159)	(116)
	1,569	1,942

25. Provision for impairment losses on loans and advances to customers

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

	31 December 2012				
	Wholesale € million	Mortgage € million	Consumer € million	Small business € million	Total € million
Balance at 1 January	903	268	1,356	870	3,397
Impairment losses on loans and advances charged in the year	430	192	584	449	1,655
Amounts recovered during the year	6	0	17	2	25
Loans written off during the year as uncollectible	(72)	(6)	(9)	(23)	(110)
Foreign exchange differences and other movements	(52)	(29)	(102)	(78)	(261)
Disposal of foreign operations	(33)	-	(0)	(3)	(36)
Balance at 31 December	1,182	425	1,846	1,217	4,670
	31 December 2011				
	Wholesale € million	Mortgage € million	Consumer € million	Small business € million	Total € million
Balance at 1 January	560	161	988	620	2,329
Impairment losses on loans and advances charged in the year from continuing operations	229	131	636	332	1,328
Impairment losses on loans and advances charged in the year from discontinued operations	4	-	0	1	5
Additional collective provision for Greek sovereign risk	157	-	-	1	158
Amounts recovered during the year	33	0	27	4	64
Loans written off during the year as uncollectible	(44)	(6)	(125)	(25)	(200)
Foreign exchange differences and other movements	(35)	(14)	(109)	(43)	(201)
Disposal of foreign operations	(1)	(4)	(61)	(20)	(86)
Balance at 31 December	903	268	1,356	870	3,397

26. Investment securities

	2012 € million	2011 € million
Available-for-sale investment securities	3,183	3,185
Debt securities lending portfolio	4,897	5,992
Held-to-maturity investment securities	1,389	2,206
	<u>9,469</u>	<u>11,383</u>
Debt securities maturing after 1 year	<u>5,474</u>	<u>7,222</u>

As at 31 December 2012, the fair value of "Debt securities lending portfolio" and "Held-to-maturity investment securities" was € 4,193 million and € 1,225 million, respectively (2011: € 5,593 million and € 1,839 million, respectively).

In 2008 and 2010, in accordance with the amendments to IAS 39, the Group reclassified eligible debt securities from the "Available-for-sale" portfolio to "Debt securities lending" portfolio carried at amortised cost. Interest on the reclassified securities continued to be recognised in interest income using the effective interest rate method. As at 31 December 2012, the carrying amount of the reclassified securities was € 1,375 million. If the financial assets had not been reclassified, changes in the fair value for the period from the reclassification date until 31 December 2012 would have resulted in € 411 million losses net of tax, which would have been recognised in the available-for-sale revaluation reserve.

Reclassified Greek Government bonds of € 1.4 bn as at 31 December 2011, exchanged with new bonds under the PSI plan in 2012, were derecognised (note 5).

Under its participation to the Greek state's debt buyback program, the Group submitted for exchange the 100% of its nGGBs portfolio of total face value € 2.3 bn (carrying amount € 0.6 bn) and received EFSF notes of total face value € 0.8 bn (note 5).

26.1 Classification of investment securities by type

	31 December 2012			
	Available- for-sale securities € million	Debt securities lending portfolio € million	Held-to- maturity securities € million	Total € million
Issued by public bodies:				
- government	2,486	4,616	473	7,575
- other public sector	31	-	-	31
	<u>2,517</u>	<u>4,616</u>	<u>473</u>	<u>7,606</u>
Issued by other issuers:				
- banks	81	118	312	511
- other	585	163	604	1,352
	<u>666</u>	<u>281</u>	<u>916</u>	<u>1,863</u>
Total	<u>3,183</u>	<u>4,897</u>	<u>1,389</u>	<u>9,469</u>
Listed	2,593	4,778	1,240	8,611
Unlisted	590	119	149	858
	<u>3,183</u>	<u>4,897</u>	<u>1,389</u>	<u>9,469</u>
Equity	309	-	-	309
Debt	2,874	4,897	1,389	9,160
	<u>3,183</u>	<u>4,897</u>	<u>1,389</u>	<u>9,469</u>
	31 December 2011			
	Available- for-sale securities € million	Debt securities lending portfolio € million	Held-to- maturity securities € million	Total € million
Issued by public bodies:				
- government	2,639	5,657	1,074	9,370
- other public sector	69	-	-	69
	<u>2,708</u>	<u>5,657</u>	<u>1,074</u>	<u>9,439</u>
Issued by other issuers:				
- banks	68	148	431	647
- other	409	187	701	1,297
	<u>477</u>	<u>335</u>	<u>1,132</u>	<u>1,944</u>
Total	<u>3,185</u>	<u>5,992</u>	<u>2,206</u>	<u>11,383</u>
Listed	2,839	5,570	2,084	10,493
Unlisted	346	422	122	890
	<u>3,185</u>	<u>5,992</u>	<u>2,206</u>	<u>11,383</u>
Equity	325	-	-	325
Debt	2,860	5,992	2,206	11,058
	<u>3,185</u>	<u>5,992</u>	<u>2,206</u>	<u>11,383</u>

26. Investment securities (continued)**26.2 Movement of investment securities**

	31 December 2012			Total € million
	Available- for-sale securities € million	Debt securities lending portfolio € million	Held-to- maturity securities € million	
Balance at 1 January	3,185	5,992	2,206	11,383
Additions, net of disposals and redemptions	214	(1,084)	(209)	(1,079)
Net gains/(losses) from changes in fair value for the year	152	-	-	152
Amortisation of premiums/discounts and interest	57	49	(9)	97
Amortisation of mark-to-market of reclassified securities	-	2	10	12
Changes in fair value due to hedging	-	(33)	-	(33)
Impairment losses	(68)	(20)	(528)	(616)
Exchange adjustments	(6)	(9)	(12)	(27)
Disposal of foreign operations	(351)	-	(69)	(420)
Balance at 31 December	3,183	4,897	1,389	9,469

	31 December 2011			Total € million
	Available- for-sale securities € million	Debt securities lending portfolio € million	Held-to- maturity securities € million	
Balance at 1 January	3,369	9,765	3,429	16,563
Additions, net of disposals and redemptions	85	375	(562)	(102)
Net gains/(losses) from changes in fair value for the year	(206)	-	-	(206)
Reclassification from trading portfolio (absorption of Dias S.A.)	50	-	-	50
Reclassification from loans and advances to customers	-	239	-	239
Amortisation of premiums/discounts and interest	108	118	(20)	206
Amortisation of mark-to-market of reclassified securities	-	59	13	72
Changes in fair value due to hedging	-	384	-	384
Impairment losses	(92)	(4,954)	(601)	(5,647)
Exchange adjustments	(10)	6	(53)	(57)
Disposal of foreign operations	(119)	-	-	(119)
Balance at 31 December	3,185	5,992	2,206	11,383

26.3 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:

	2012 € million	2011 € million
Balance at 1 January	(194)	(618)
Net gains/(losses) from changes in fair value	152	(185)
Deferred income taxes	(23)	18
Non controlling interest's share of changes in fair value	-	0
	129	(167)
Net (gains)/losses transferred to net profit on disposal	(21)	(87)
Impairment losses on Greek sovereign debt transfer to net profit, net of tax	-	250
Impairment losses on other investment securities transfer to net profit, net of tax	61	354
Deferred income taxes	3	14
	43	531
Net (gains)/losses transferred to net profit from fair value hedges/amortisation of mark-to-market	15	67
Deferred income taxes	(2)	(7)
	13	60
Balance at 31 December	(9)	(194)

27. Shares in subsidiary undertakings

The following is a listing of the Bank's subsidiaries at 31 December 2012:

<u>Name</u>	<u>Note</u>	<u>Percentage holding</u>	<u>Country of incorporation</u>	<u>Line of business</u>
Be-Business Exchanges S.A.		98.01	Greece	Business-to-business e-commerce
Best Direct S.A. ⁽¹⁾		100.00	Greece	Sundry services
Enalios Real Estate Developments S.A. ⁽²⁾		100.00	Greece	Real estate
ERB Insurance Services S.A.		100.00	Greece	Insurance brokerage
Eurobank Asset Management Mutual Fund Mngt Company S.A.		100.00	Greece	Mutual fund and asset management
Eurobank Business Services S.A.		100.00	Greece	Payroll and advisory services
Eurobank Equities S.A.		100.00	Greece	Capital markets and advisory services
Eurobank Ergasias Leasing S.A.		100.00	Greece	Leasing
Eurobank Factors S.A.		100.00	Greece	Factoring
Eurobank Financial Planning Services S.A.	a	100.00	Greece	Management of overdue loans
Eurobank Household Lending Services S.A.	a	100.00	Greece	Promotion/management of household products
Eurobank Properties R.E.I.C.		55.94	Greece	Real estate
Eurobank Property Services S.A.		100.00	Greece	Real estate services
Eurobank Remedial Services S.A.	a	100.00	Greece	Notification to overdue debtors
Eurolife ERB General Insurance S.A.		100.00	Greece	Insurance services
Eurolife ERB Life Insurance S.A.		100.00	Greece	Insurance services
Global Fund Management S.A. ⁽¹⁾		99.50	Greece	Investment advisors
Eurobank Bulgaria A.D.		99.99	Bulgaria	Banking
Bulgarian Retail Services A.D.		100.00	Bulgaria	Credit card management
EFG Auto Leasing E.O.O.D.		100.00	Bulgaria	Vehicle leasing and rental
ERB Property Services Sofia A.D.		80.00	Bulgaria	Real estate services
ERB Leasing E.A.D.		100.00	Bulgaria	Leasing
IMO 03 E.A.D.		100.00	Bulgaria	Real estate services
IMO Central Office E.A.D.		100.00	Bulgaria	Real estate services
IMO Property Investments Sofia E.A.D.		100.00	Bulgaria	Real estate services
IMO Rila E.A.D.		100.00	Bulgaria	Real estate services
ERB Hellas (Cayman Islands) Ltd		100.00	Cayman Islands	Special purpose financing vehicle
Berberis Investments Ltd		100.00	Channel Islands	Holding company
ERB Hellas Funding Ltd		100.00	Channel Islands	Special purpose financing vehicle
Eurobank Cyprus Ltd		100.00	Cyprus	Banking
CEH Balkan Holdings Ltd		100.00	Cyprus	Holding company
Chamia Enterprises Company Ltd		100.00	Cyprus	Special purpose investment vehicle
EFG New Europe Funding III Ltd		100.00	Cyprus	Finance company
NEU II Property Holdings Ltd		100.00	Cyprus	Holding company
NEU III Property Holdings Ltd		100.00	Cyprus	Holding company
NEU Property Holdings Ltd		100.00	Cyprus	Holding company
Eurobank Private Bank Luxembourg S.A.		100.00	Luxembourg	Banking
Eurobank Fund Management Company (Luxembourg) S.A.		100.00	Luxembourg	Fund management
Eurobank EFG Holding (Luxembourg) S.A.		100.00	Luxembourg	Holding company
ERB New Europe Funding B.V.		100.00	Netherlands	Finance company
ERB New Europe Funding II B.V.		100.00	Netherlands	Finance company
ERB New Europe Holding B.V.		100.00	Netherlands	Holding company
Bancpost S.A.		99.11	Romania	Banking
Eliade Tower S.A.		55.94	Romania	Real estate
ERB IT Shared Services S.A.		100.00	Romania	Informatics data processing
ERB Leasing IFN S.A.		100.00	Romania	Leasing
ERB Retail Services IFN S.A.		100.00	Romania	Credit card management
Eurobank Finance S.A.		100.00	Romania	Investment banking
Eurobank Property Services S.A.		80.00	Romania	Real estate services
Eurobank Securities S.A.		100.00	Romania	Capital markets services
Eurolife ERB Asigurari de Viata S.A.		100.00	Romania	Insurance services
Eurolife ERB Asigurari Generale S.A.		100.00	Romania	Insurance services
IMO Property Investments Bucuresti S.A.		100.00	Romania	Real estate services
IMO-II Property Investments S.A.		100.00	Romania	Real estate services
Retail Development S.A.		55.94	Romania	Real estate
Seferco Development S.A.		55.94	Romania	Real estate
Eurobank A.D. Beograd		99.98	Serbia	Banking
EFG Business Services d.o.o. Beograd		100.00	Serbia	Payroll and advisory services
ERB Asset Fin d.o.o. Beograd		100.00	Serbia	Asset management
ERB Leasing A.D. Beograd		99.99	Serbia	Leasing
ERB Property Services d.o.o. Beograd		80.00	Serbia	Real estate services
IMO Property Investments A.D. Beograd		100.00	Serbia	Real estate services
Reco Real Property A.D.		55.94	Serbia	Real estate
EFG Istanbul Holding A.S.		100.00	Turkey	Holding company
Public J.S.C. Universal Bank	b	99.97	Ukraine	Banking
ERB Property Services Ukraine LLC		100.00	Ukraine	Real estate services
Eurobank EFG Ukraine Distribution LLC		100.00	Ukraine	Sundry services

27. Shares in subsidiary undertakings (continued)

Name	Note	Percentage holding	Country of incorporation	Line of business
Anaptyxi 2006-1 Plc	f	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi APC Ltd	f	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi Holdings Ltd ⁽³⁾	f	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi II Holdings Ltd ⁽³⁾	-	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi II Plc	-	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi Options Ltd ⁽³⁾	f	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi SME I Holdings Ltd ⁽³⁾	-	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi SME I Plc	-	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Andromeda Leasing I Holdings Ltd ⁽³⁾	-	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Andromeda Leasing I Plc	-	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Daneion 2007-1 Plc	-	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Daneion APC Ltd	-	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Daneion Holdings Ltd ⁽³⁾	-	-	United Kingdom	Special purpose financing vehicle (SIC 12)
ERB Hellas Plc	-	100.00	United Kingdom	Special purpose financing vehicle
Karta II Holdings Ltd ⁽³⁾	-	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta II Plc	-	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion II Mortgage Finance Plc	-	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion III Holdings Ltd ⁽³⁾	-	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion III Mortgage Finance Plc	-	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion IV Holdings Ltd ⁽³⁾	-	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion IV Mortgage Finance Plc	-	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion Mortgage Finance Plc	-	-	United Kingdom	Special purpose financing vehicle (SIC 12)

⁽¹⁾ dormant/under liquidation entities not consolidated as of 31 December 2011 due to immateriality

⁽²⁾ In July 2012, the Bank obtained full ownership of Enalios Real Estate Developments S.A., a dormant entity not consolidated due to immateriality

⁽³⁾ not consolidated due to immateriality

(a) Eurobank Financial Planning Services S.A. (previously Open 24 S.A.), Eurobank Household Lending Services S.A. (previously Eurobank Cards S.A.) and Eurobank Remedial Services S.A. (previously Eurobank Financial Planning Services S.A.), Greece

In November 2012, "Eurobank Cards S.A." changed its name into "Eurobank Household Lending Services S.A." and it operates in promotion and management of loan/insurance products to households. "Eurobank Financial Planning Services S.A." was renamed to "Eurobank Remedial Services S.A." and operates in notification to overdue debtors.

In December 2012, the name and the activity of "Open 24 S.A." were changed. The new name of the entity is "Eurobank Financial Planning Services S.A." and it operates in the management of overdue consumer and mortgage loans.

(b) Public J.S.C. Universal Bank, Ukraine

In May 2012, the Group increased its participation in Public J.S.C. Universal Bank from 99.96% to 99.97%.

(c) Eurobank Tekfen A.S., Turkey

On 21 December 2012, the Group disposed Eurobank Tekfen A.S. and its subsidiaries to Burgan Bank of Kuwait, following the approvals from all competent authorities. Under the terms of the transaction, which was announced on 9 April 2012, Burgan Bank has acquired 99.3% of Eurobank Tekfen, from Eurobank and the Tekfen Group, for a consideration of approximately TRY 700 million (1x Book Value). The transaction increased Eurobank's Core Tier I capital ratio by 60 bps (or capital equivalent of almost € 200 million) and improved its liquidity position by more than € 400 million.

(d) EFG Hellas II (Cayman Islands) Ltd, Cayman Islands

In March 2012, the company was liquidated.

(e) Anaptyxi SME II 2009-1 Plc, Anaptyxi SME II APC Ltd, Anaptyxi SME II Holdings Ltd, Karta 2005-1 Plc, Karta APC Ltd, Karta Holdings Ltd, Karta LNI 1 Ltd and Karta Options Ltd, United Kingdom

In October 2012, the companies were liquidated.

Post Balance sheet event

(f) Anaptyxi 2006-1 Plc, Anaptyxi APC Ltd, Anaptyxi Holdings Ltd and Anaptyxi Options Ltd, United Kingdom

In January 2013, the companies were liquidated.

28. Property, plant and equipment

	31 December 2012				
	Land, buildings, leasehold improvements € million	Furniture, equipment, motor vehicles € million	Computer hardware, software € million	Investment property € million	Total fixed assets € million
Cost:					
Balance at 1 January	779	264	450	601	2,094
Transfers	23	(0)	(0)	(23)	-
Additions	12	4	12	117	145
Disposals and write-offs	(20)	(7)	(7)	(1)	(35)
Impairments	-	-	-	(33)	(33)
Exchange adjustments	(6)	(3)	(1)	(3)	(13)
Disposal of foreign operations	(17)	(5)	(7)	-	(29)
Balance at 31 December	771	253	447	658	2,129
Accumulated depreciation:					
Balance at 1 January	(189)	(193)	(375)	(33)	(790)
Transfers	0	0	0	(0)	-
Disposals and write-offs	14	6	7	(0)	27
Charge for the year	(25)	(18)	(22)	(9)	(74)
Exchange adjustments	1	2	1	0	4
Disposal of foreign operations	4	2	4	-	10
Balance at 31 December	(195)	(201)	(385)	(42)	(823)
Net book value at 31 December	576	52	62	616	1,306

	31 December 2011				
	Land, buildings, leasehold improvements € million	Furniture, equipment, motor vehicles € million	Computer hardware, software € million	Investment property € million	Total fixed assets € million
Cost:					
Balance at 1 January	828	297	485	434	2,044
Transfers	(3)	3	(4)	3	(1)
Additions	27	8	19	165	219
Disposals and write-offs	(29)	(17)	(33)	-	(79)
Exchange adjustments	(4)	(2)	(2)	(1)	(9)
Disposal of foreign operations	(40)	(25)	(15)	-	(80)
Balance at 31 December	779	264	450	601	2,094
Accumulated depreciation:					
Balance at 1 January	(194)	(194)	(393)	(26)	(807)
Transfers	0	(3)	2	(0)	(1)
Disposals and write-offs	20	15	28	(0)	63
Charge for the year	(27)	(21)	(23)	(7)	(78)
Exchange adjustments	2	1	1	0	4
Disposal of foreign operations	10	9	10	-	29
Balance at 31 December	(189)	(193)	(375)	(33)	(790)
Net book value at 31 December	590	71	75	568	1,304

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

Included in the above as at 31 December 2012 is € 0.01 million (2011: € 3 million) relating to assets under construction.

The net book value of finance leases included in property, plant and equipment as at 31 December 2012 was € 14 million (2011: € 16 million).

Investment property

Investment property is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight line method over a period of 40-50 years. The fair value of investment property as at 31 December 2012 was € 635 million (2011: € 607 million). The fair values are open-market values provided by professionally qualified valuers.

During the year ended 31 December 2012 an amount of € 22 million (2011: € 26 million) was recognised as rental income from investment property in income from non banking services. As at 31 December 2012 and 2011, there were no capital commitments in relation to investment property.

29. Intangible assets

	31 December 2012			31 December 2011		
	Goodwill € million	Other intangible assets € million	Total intangible assets € million	Goodwill € million	Other intangible assets € million	Total intangible assets € million
Cost:						
Balance at 1 January	536	300	836	534	324	858
Transfers	-	0	0	-	0	0
Additions	-	25	25	-	33	33
Disposals and write-offs	-	(2)	(2)	-	(20)	(20)
Exchange adjustments	-	(3)	(3)	-	(3)	(3)
Adjustment to goodwill (see below)	-	-	-	2	-	2
Disposal of foreign operations	-	(12)	(12)	-	(34)	(34)
Balance at 31 December	536	308	844	536	300	836
Accumulated impairment/amortisation:						
Balance at 1 January	(237)	(134)	(371)	(1)	(123)	(124)
Transfers	-	0	0	-	(1)	(1)
Amortisation charge for the year	-	(30)	(30)	-	(30)	(30)
Disposals and write-offs	-	1	1	-	6	6
Impairment (see below)	(42)	-	(42)	(236)	-	(236)
Exchange adjustments	-	1	1	-	1	1
Disposal of foreign operations	-	3	3	-	13	13
Balance at 31 December	(279)	(159)	(438)	(237)	(134)	(371)
Net book value at 31 December	257	149	406	299	166	465

Included in the above as at 31 December 2012 is € 0.2 million (2011: € nil) relating to assets under construction.

Goodwill for 2011 was adjusted for contingent purchase consideration and fair value adjustments in accordance with the provisions of the acquisition agreements for Eurobank Tekfen A.S. (€ 2.3 million increase). As at 31 December 2011, the Group proceeded with the write down of goodwill relating to its operations in Turkey (see below).

Impairment testing of goodwill

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

	2012 € million	2011 € million
Global and Capital Markets	2	2
Wealth Management	22	64
International	233	233
Total goodwill	257	299

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

(i) Wealth Management and Global and Capital Markets segments

The pre-tax discount rate applied to cash flow projections is 21% (2011: 15%). The growth rate used to extrapolate cash flows beyond the initial ten-year period is up to 3% and does not exceed the average long-term growth rate for the relevant markets.

A goodwill impairment charge amounting to € 42 million was recognised as at 31 December 2012 against the carrying amount of Eurobank Asset Management Mutual Fund Mngt Company S.A. which includes goodwill arising from acquisition of Intertrust Mutual Funds Co S.A. in 2004. Accordingly, as a result of reassessing the projections used to determine the recoverable amount under the current economic environment, goodwill was reduced to nil.

No other impairment losses of the CGUs of the Wealth Management and Global and Capital Markets segments to which goodwill has been allocated arose. No reasonably possible change in any of the above key assumptions would cause the carrying amount of these units to exceed their recoverable amount.

(ii) International segment

The pre-tax discount rate applied to cash flow projections for International entities is 12% for Bulgaria (2011: 11%), 13% for Romania (2011: 13%) and 13% for Serbia (2011: 13%). The growth rate used to extrapolate cash flows beyond the initial ten-year period is 4% (2011: 3%) and does not exceed the average long-term growth rate for the relevant markets.

During the year ended 31 December 2012, no impairment losses of the CGUs of the International segment to which goodwill has been allocated arose. During 2011, the Group recognised a goodwill impairment loss amounting to € 236 million mainly relating with its Turkish and Ukrainian subsidiaries.

For Romania, with € 10 million goodwill, the recoverable amount was 116% of the carrying amount. A reduction in cash flow projections by 13.7%, a switch from growth rate of 4% to contraction rate of 0.4% or a rise in pre tax discount rate to 15% could cause the recoverable amount to equal the carrying amount.

For Serbia, with € 35 million goodwill, the recoverable amount was 128% of the carrying amount. A reduction in cash flow projections by 21.8%, a switch from growth rate of 4% to contraction rate of 16% or a rise in pre tax discount rate to 16% could cause the recoverable amount to equal the carrying amount.

For Bulgaria, with € 188 million goodwill, the recoverable amount was 111% of the carrying amount. A reduction in cash flow projections by 9.8%, a fall in growth rate to 1.8% or a rise in pre tax discount rate to 13% could cause the recoverable amount to equal the carrying amount.

The total goodwill impairment loss has been recognised as a separate line item in the Consolidated Income Statement.

30. Other assets

	2012 € million	2011 € million
Prepaid expenses for Bank's recapitalisation	154	-
Repossessed properties	523	369
Receivable from Deposit Guarantee and Investment Fund	330	270
Income tax receivable	179	129
Prepaid expenses and accrued income	44	48
Settlement balances with customers	11	9
Investments in joint ventures (see below)	8	8
Other assets ⁽¹⁾	590	422
	1,839	1,255

⁽¹⁾ Includes a pledged amount of € 246 million relating with a Greek sovereign risk financial guarantee.

The movement in investments in joint ventures is as follows:

	2012 € million	2011 € million
Balance at 1 January	8	14
Additions/(disposals)	0	(5)
Share capital increase	0	-
Share of results for the year	(0)	(1)
Balance at 31 December	8	8

The financial information of the Group's joint ventures as at 31 December 2012 is presented below:

Name	Notes	Country of Incorporation	Line of business	Percentage Holding	Assets € million	Liabilities € million	Share of Net Assets € million	Share of Profit/(loss) € million
Rosequeens Properties SRL	a	Romania	Real estate company	33.33	63	62	0	0
Cardlink S.A.		Greece	POS administration	50.00	8	8	0	(0)
Tefin S.A.		Greece	Motor vehicle sales financing	50.00	6	1	3	0
Sinda Enterprises Company Ltd		Cyprus	Special purpose investment vehicle	48.00	5	0	2	(0)
Femion Ltd	b	Cyprus	Special purpose investment vehicle	66.45	4	3	1	0
Unitfinance S.A.		Greece	Financing company	40.00	4	0	2	(0)
Rosequeens Properties Ltd	a	Cyprus	Special purpose investment vehicle	33.33	0	0	0	(0)
					90	74	8	(0)

As at 31 December 2012 all of the Group's joint ventures are unlisted.

(a) Rosequeens Properties Ltd, Cyprus and Rosequeens Properties SRL, Romania

In August 2012, the Group acquired 33.33% of Rosequeens Properties Ltd, a special purpose investment vehicle incorporated in Cyprus, which controls 100% of Rosequeens Properties SRL, a real estate company incorporated in Romania.

(b) Femion Ltd, Cyprus

In December 2012, the Group decreased its participation in Femion Ltd from 66.67% to 66.45%.

31. Due to central banks

	2012 € million	2011 € million
Secured borrowing from ECB and BoG	28,938	32,224
Secured borrowing from other central banks	31	301
Other borrowing from central banks	78	-
	29,047	32,525

32. Due to other banks

	2012 € million	2011 € million
Secured borrowing from other banks	1,983	2,363
Secured borrowing from international financial institutions	336	470
Other borrowing from international financial institutions	252	254
Interbank takings	168	283
Current accounts and settlement balances with banks	33	36
	2,772	3,406

33. Due to customers

	2012 € million	2011 € million
Term deposits	20,947	21,603
Savings and current accounts	8,490	9,474
Repurchase agreements	378	276
Unit linked products	583	571
Other term products	354	535
	30,752	32,459

The carrying amount of structured deposits and liabilities of unit-linked products classified as at fair value through profit or loss at 31 December 2012 was € 605 million (2011: € 638 million). The fair value change as at 31 December 2012 was € 138 million loss (2011: € 25 million loss), which is attributable to changes in market conditions.

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

The difference between the carrying amount and the contractual undiscounted amount that will be required to be paid at the maturity of the structured deposits was € 10 million (2011: € 17 million).

34. Debt issued and other borrowed funds

	2012 € million	2011 € million
Medium-term notes (EMTN)	772	1,606
Subordinated	217	300
Securitised	376	765
	1,365	2,671

There is an unrecognised valuation gain of € 306 million (2011: € 446 million) related to long term debt of € 1,337 million (2011: € 2,656 million) carried at amortised cost, whereas its fair value was € 1,031 million (2011: € 2,210 million). The remaining long term debt consists of structured notes classified as at fair-value-through-profit-or-loss, the carrying amount of which amounted to € 29 million as at 31 December 2012 (2011: € 15 million). The fair value change as at 31 December 2012 amounted to € 19 million gain (2011: € 40 million gain). The fair value of the structured notes takes into account the credit risk of the Group. The cumulative change in fair value of these instruments attributable to changes in credit risk, as at 31 December 2012 was a gain of € 23 million (2011: € 36 million). The changes in the fair value of the structured notes due to market risks other than the Group's credit risk are offset in the income statement against changes in the fair value of structured derivatives.

The difference between the carrying amount and the contractual undiscounted amount that will be required to be paid at the maturity of the structured notes was € 24 million (2011: € 39 million).

The Group's funding consists of the securitisations of various classes of loans, notes under Euro Medium Term Note (EMTN) program, covered bonds and government guaranteed bonds:

Medium-term notes (EMTN)

During the year, notes amounting to € 544 million, issued under the EMTN Program through the Group's special purpose entities, matured.

During the year, the Group proceeded with the repurchase of € 323 million of notes issued under the EMTN Program through the Group's special purpose entities.

The EMTNs held by Group's customers which, as at 31 December 2012 amounted to € 281 million (2011: € 367 million) were included in "Due to customers".

Lower Tier-II

In June 2007, the Group issued unsecured subordinated floating rate notes, through its subsidiary ERB Hellas Plc. The notes have a ten year maturity with a call provision after five years. The notes pay floating rate interest quarterly based on a coupon of three month Euribor plus 160 basis points. The notes qualify as Lower Tier II capital for the Group and are listed on the Luxembourg Stock Exchange. As at 31 December 2012 the liability amounted to € 217 million (2011: € 300 million).

The notes held by Group's customers, which as at 31 December 2012 amounted to € 73 million (2011: € 168 million) were included in "Due to customers".

In February 2012, the Group invited the holders of Lower Tier II unsecured subordinated notes to tender existing bonds. The Group repurchased notes of € 106 million (principal amount), generating a gain for the Group and increasing Core Tier I capital by € 53 million. Moreover, during the year the Group proceeded with the repurchase of an additional amount of Lower Tier II unsecured subordinated notes of € 71 million.

Asset Backed Securities

In June 2004, the Group proceeded with the issuance of residential mortgage backed securities at an average funding cost of three month Euribor plus 47 basis points. As of December 2011, the Issuer has the option to call the issue at par at each interest payment date (clean-up call option). As at 31 December 2012, the liability amounted to € 22 million (2011: € 39 million).

In June 2005, the Group proceeded with the issuance of residential mortgage backed securities at an average funding cost of three month Euribor plus 44 basis points. As of July 2012, the Issuer has the option to call the issue at par at each interest payment date (step up call option). As at 31 December 2012, the liability amounted to € 51 million (2011: € 88 million).

In June 2006, the Group proceeded with the issuance of residential mortgage backed securities at an average funding cost of three month Euribor plus 21 basis points. The securities' initially expected average life was seven years. As at 31 December 2012, the liability amounted to € 84 million (2011: € 162 million).

In June 2007, the Group proceeded with the issuance of residential mortgage backed securities at an average funding cost of three month Euribor plus 37 basis points. As of August 2012, the Issuer has the option to call the issue at par at each interest payment date (step up call option). As at 31 December 2012, the liability amounted to € 219 million (2011: € 476 million).

During the year, the Group proceeded with the repurchase of € 254 million of residential mortgage backed securities issued through the Group's special purpose entities.

34. Debt issued and other borrowed funds (continued)**Covered bonds and Government guaranteed bonds**

As at 31 December 2012, the covered bonds and government guaranteed bonds under the second stream of the Greek Economy Liquidity Support Program (note 4), totalling to € 3,800 million and € 16,276 million respectively, were fully retained by the Bank and its subsidiaries. In May 2012, covered bonds amounting to € 650 million, matured. In November 2012, government guaranteed bonds amounting to € 1,500 million, matured.

Post Balance sheet event

In February 2013, government guaranteed bonds amounting to € 2,344 million, matured.

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

35. Other liabilities

	2012 € million	2011 € million
Insurance liabilities	1,159	1,069
Provision for sovereign risk financial guarantee	59	-
Deferred income and accrued expenses	56	75
Standard legal staff retirement indemnity obligations (note 36)	33	56
Settlement balances with customers	15	14
Deferred tax liability (note 16)	8	18
Trading liabilities	3	18
Acquisition obligations	-	154
Other liabilities	362	469
	1,695	1,873

36. Standard legal staff retirement indemnity obligations**Movement in the liability for standard legal staff retirement indemnity obligations**

	2012 € million	2011 € million
Balance at 1 January	56	75
Cost for the year (see below)	1	9
Benefits paid	(22)	(28)
Exchange adjustments	(0)	(0)
Disposal of foreign operations	(2)	(0)
Balance at 31 December	33	56

Expense recognised in profit or loss

	2012 € million	2011 € million
Current service cost	4	5
Interest cost	3	4
Termination losses/(gains)	10	8
Past service cost	(10)	1
Actuarial losses/(gains)	(6)	(9)
Total included in staff costs (note 13)	1	9

Actuarial assumptions

Principal actuarial assumptions (expressed as weighted averages)

	%	%
Discount rate	4.9	5.7
Future salary increases	1.6	2.4

37. Ordinary share capital, share premium and treasury shares

The par value of the Bank's shares is € 2.22 per share (2011: € 2.22). All shares are fully paid. The movement of ordinary share capital, share premium and treasury shares is as follows:

	Ordinary share capital € million	Treasury shares € million	Net € million	Share premium € million	Treasury shares € million	Net € million
Balance at 1 January 2011	1,481	(3)	1,478	1,450	(10)	1,440
Share capital increase due to merger with Dias S.A.	73	-	73	(2)	-	(2)
Share capital decrease by reducing the ordinary shares' par value	(326)	-	(326)	-	-	-
Purchase of treasury shares	-	(4)	(4)	-	1	1
Sale of treasury shares	-	5	5	-	0	0
Balance at 31 December 2011	1,228	(2)	1,226	1,448	(9)	1,439
Balance at 1 January 2012	1,228	(2)	1,226	1,448	(9)	1,439
Purchase of treasury shares	-	(6)	(6)	-	3	3
Sale of treasury shares	-	2	2	-	9	9
Balance at 31 December 2012	1,228	(6)	1,222	1,448	3	1,451

37. Ordinary share capital, share premium and treasury shares (continued)

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

	Number of shares		
	Issued ordinary shares	Treasury shares	Net
Balance at 1 January 2011	538,594,955	(1,020,569)	537,574,386
Share capital increase due to merger with Dias S.A.	14,353,472	-	14,353,472
Purchase of treasury shares	-	(1,563,656)	(1,563,656)
Sale of treasury shares	-	1,775,215	1,775,215
Balance at 31 December 2011	<u>552,948,427</u>	<u>(809,010)</u>	<u>552,139,417</u>
Balance at 1 January 2012	552,948,427	(809,010)	552,139,417
Purchase of treasury shares	-	(2,716,066)	(2,716,066)
Sale of treasury shares	-	937,204	937,204
Balance at 31 December 2012	<u>552,948,427</u>	<u>(2,587,872)</u>	<u>550,360,555</u>

In May 2011, following the registration of the merger between the Bank and Dias S.A. by the Ministry for Development, Competitiveness, Infrastructure, Transport and Networks in the Companies' Registry, the Bank proceeded with the issuance of 14,353,472 ordinary shares and the simultaneous modification of the ordinary shares' nominal value from € 2.75 to € 2.81.

In September 2011, following the decision of the Repeat Annual General Meeting in July 2011 and the relevant approval by the Ministry for Development, Competitiveness, Infrastructure, Transport and Networks, the Bank decreased its share capital by the amount of € 326 million by reducing the ordinary shares' par value from € 2.81 to € 2.22, in order to offset transformation losses from previous years' mergers and losses carried forward.

In June 2009, the Annual General Meeting approved the issue, within certain parameters, the terms and timing of which are at the Board of Directors discretion, either in total or gradually in tranches, of a callable bond of up to € 500 million, convertible to ordinary shares of the Bank (note 39, Series D and E). In July 2011, the repeat Annual General Meeting decided the amendment of the terms of the callable bonds approved by the Annual General Meeting in June 2009 for the amount of € 150 million not yet issued/allotted and the increase of the bonds total amount by up to € 100 million under certain conditions.

Treasury shares

Under Law 3756/2009, banks participating in the Government's Greek Economy Liquidity Support Program are not allowed to acquire treasury shares under article 16 of the Company Law.

In the ordinary course of business, subsidiaries of the Group may acquire and dispose of treasury shares.

38. Preference shares

	Preference Shares		
	Number of shares	2012 € million	2011 € million
Balance at 31 December	345,500,000	950	950
	<u>345,500,000</u>	<u>950</u>	<u>950</u>

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

The preference shares pay a non-cumulative coupon of 10%, subject to meeting minimum capital adequacy requirements, set by Bank of Greece, availability of distributable reserves in accordance with article 44a of Company Law 2190/1920 and the approval of the Annual General Meeting. According to Law 3723/2008, as in force, five years after the issue of the preference shares or earlier subject to the approval of the Bank of Greece, the Bank may redeem the preference shares at their nominal value. In case of non redemption at the expiration of the five year period, the coupon is increased by 2% each year.

Based on the 2012 results and article 44a of Company Law 2190/1920, the Directors do not recommend the distribution of dividends to either ordinary or preference shareholders.

39. Preferred securities

On 18 March 2005, the Group, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 200 million preferred securities which represent Lower Tier I capital for the Group (Tier I Series A). The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 18 March 2010 and annually thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative annual dividend of 6.75% for the first two years and non-cumulative annual dividends that are determined based on the ten year Euro swap rate plus a spread of 0.125% capped at 8% thereafter. The rate of preferred dividends for the Tier I Issue series A has been determined to 2.50% for the period 18 March 2012 to 17 March 2013. The preferred dividend must be declared and paid if the Bank declares a dividend. The preferred securities are listed on the Luxembourg and Frankfurt Stock Exchanges.

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

39. Preferred securities (continued)

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

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

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

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

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

	Series A € million	Series B € million	Series C € million	Series D € million	Series E € million	Total € million
Balance at 1 January 2012	90	155	166	275	59	745
Purchase of preferred securities	(73)	(148)	(107)	(50)	-	(378)
Sale of preferred securities	-	-	-	-	-	-
Balance at 31 December 2012	17	7	59	225	59	367

In February 2012, the Group invited the holders of preferred securities, series A, B and C to tender existing securities. The Group has repurchased an aggregate principal amount of € 325 million (Series A: € 71 million, Series B: € 147 million, Series C: € 107 million). The repurchase of preferred securities has generated a gain for the Group, increasing its Core Tier I capital by € 188 million.

As at 31 December 2012, the dividend attributable to preferred securities holders amounted to € 32 million (2011: € 50 million).

As at 31 December 2012, gain from the redemption of preferred securities amounted to € 210 million (2011: € 21 million).

40. Share options

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

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

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

	31 December 2012		31 December 2011	
	Exercise price in € per share	Number of share options	Exercise price in € per share	Number of share options
Balance at 1 January	11.54	4,493,749	11.57	5,169,129
Expired and/or cancelled	11.87	(1,478,683)	11.75	(675,380)
Balance at 31 December and average exercise price per share	11.38	3,015,066	11.54	4,493,749

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

	31 December 2012		31 December 2011	
	Exercise price in € per share	Number of share options	Exercise price in € per share	Number of share options
Expiry date - 31 December				
2012	-	-	12.00	1,289,565
2013	13.58	1,215,121	13.58	1,268,987
2014	9.90	1,799,945	9.90	1,935,197
	11.38	3,015,066	11.54	4,493,749

41. Special reserves

	31 December 2011				
	Statutory reserves € million	Non-taxed reserves € million	IAS 39 reserves € million	Other reserves € million	Total € million
Balance at 1 January	393	1,242	(703)	(288)	644
Transfers between reserves	36	28	-	45	109
Share capital decrease (note 37)	-	-	-	79	79
Available-for-sale securities					
- net changes in fair value, net of tax	-	-	(167)	-	(167)
- impairment losses on Greek sovereign debt transfer to net profit, net of tax	-	-	250	-	250
- impairment losses on other investment securities transfer to net profit, net of tax	-	-	354	-	354
- transfer to net profit, net of tax	-	-	(13)	-	(13)
Cash flow hedges					
- net changes in fair value, net of tax	-	-	(2)	-	(2)
- transfer to net profit, net of tax	-	-	(15)	-	(15)
Currency translation differences, net of hedging	-	-	-	38	38
Value of employee services	-	-	-	(1)	(1)
Balance at 31 December	429	1,270	(296)	(127)	1,276

	31 December 2012				
	Statutory reserves € million	Non-taxed reserves € million	IAS 39 reserves € million	Other reserves € million	Total € million
Balance at 1 January	429	1,270	(296)	(127)	1,276
Transfers between reserves	4	(1)	-	(210)	(207)
Available-for-sale securities					
- net changes in fair value, net of tax	-	-	129	-	129
- impairment losses on other investment securities transfer to net profit, net of tax	-	-	61	-	61
- transfer to net profit, net of tax	-	-	(5)	-	(5)
Cash flow hedges					
- net changes in fair value, net of tax	-	-	(110)	-	(110)
- transfer to net profit, net of tax	-	-	46	-	46
Currency translation differences, net of hedging	-	-	-	3	3
Value of employee services	-	-	-	(2)	(2)
Balance at 31 December	433	1,269	(175)	(336)	1,191

Statutory reserves and IAS 39 reserves are not distributable. Included in IAS 39 reserves as at 31 December 2012 is € 166 million loss (2011: € 102 million loss) relating to cash flow hedging reserve.

Non-taxed reserves are taxed when distributed. As at 31 December 2012, non-taxed reserves include an amount of € 246 million which consists of € 289 million which following Law 3513/2006 were subject to one-off taxation amounting to € 43.3 million. The Bank has contested the above taxation in the courts.

Included in other reserves as at 31 December 2012 is € 214 million loss (2011: € 217 million loss) relating to currency translation reserve, net of hedging.

42. Transfers of financial assets

The Group enters into transactions by which it transfers recognised financial assets directly to third parties or to SPEs.

- (a) The Group sells, in exchange for cash, securities under an agreement to repurchase them ('repos') and assumes a liability to repay to the counterparty the cash received. In addition, the Group pledges, in exchange for cash, securities and loans and receivables and assumes a liability to repay to the counterparty the cash received. The Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore has not derecognised them. The related liability is recognised in Due to banks (notes 31 and 32) and Due to customers (note 33), as appropriate.
- (b) The Group enters into securitizations of various classes of loans (mortgage, credit card and small business loans), under which it assumes an obligation to pass on the cash flows from the loans to the holders of the notes. The Group has determined that it retains substantially all risks and rewards of these loans and therefore has not derecognised them. Moreover, the note holders' recourse is limited to the transferred loans. The related liability is recognised in Debt issued and other borrowed funds (note 34).

The table below sets out the details of Group's financial assets that have been sold or otherwise transferred, but which do not qualify for derecognition:

	Carrying amount	
	2012 € million	2011 € million
Loans and advances to banks	852	1,977
Financial instruments at fair value through profit or loss	76	113
Loans and advances to customers	25,868	29,209
- securitized loans	4,269	5,691
- pledged loans under covered bond program	4,445	6,867
- pledged loans with central and other banks	17,154	16,651
Investment securities	6,388	8,771
	33,184	40,070

42. Transfers of financial assets (continued)

- (b) As at 31 December 2012, the Government guaranteed bonds issued by the Group of total face value € 16,276 million (cash value € 11,794 million) under the second stream of Greek Economy Liquidity Support Program (note 4), which were fully retained by the Group, were pledged to central banks and international financial institutions.
- (c) In addition, the Group may sell or re-pledge any securities borrowed or obtained through reverse repos and has an obligation to return the securities. The counterparty retains substantially all the risks and rewards of ownership and therefore the securities are not recognised by the Group. As at 31 December 2012, the Group had borrowed or obtained through reverse repos, securities with fair value of € 193 million, the majority of which had been pledged under agreements to repurchase.
- (d) Moreover, the HFSF had advanced to the Group securities with fair value € 5,343 million (face value € 5,311 million) on account for the impending recapitalisation of the Bank (note 43), out of which securities with fair value of € 4,550 million had been pledged under agreements to repurchase.

As at 31 December 2012, the cash value of the assets transferred or borrowed by the Group through securities lending, reverse repo and other agreements (points a, b, c and d) amounted to € 38,086 million while the associated liability from the above transactions amounted to € 32,042 million (notes 31, 32, 33 and 34).

43. Advance contribution of Hellenic Financial Stability Fund

On 28 May 2012 and 21 December 2012, the HFSF advanced to the Group EFSF notes of face value of € 3,970 million and € 1,341 million, on account for the impending recapitalisation of the Bank (note 6). Under the terms of the relevant presubscription agreements (PSAs), the entire transaction was recorded as a securities lending agreement (off balance sheet).

44. Operating leases

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

	31 December 2012		31 December 2011	
	Land and buildings € million	Furniture, equipment, vehicles € million	Land and buildings € million	Furniture, equipment, vehicles € million
Not later than one year	24	1	31	1
Later than one year and no later than five years	18	1	31	1
Later than five years	4	-	4	-
	46	2	66	2

There are no material future minimum sublease payments to be received under non cancellable subleases.

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

	31 December 2012		31 December 2011	
	Land and buildings € million	Furniture, equipment, vehicles € million	Land and buildings € million	Furniture, equipment, vehicles € million
Not later than one year	13	1	16	1
Later than one year and no later than five years	31	0	45	2
Later than five years	0	-	5	-
	44	1	66	3

Included in 2011 figures are operating lease payables related to discontinued operations amounting to € 3.3 million.

45. Contingent liabilities and other commitments

	2012 € million	2011 € million
Guarantees and standby letters of credit	581	902
Other guarantees and commitments to extend credit	1,046	1,337
Documentary credits	78	161
Capital expenditure	8	7
	1,713	2,407

Included in 2011 figures are contingent liabilities related to discontinued operations amounting to € 367 million.

Legal Proceedings

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

46. Segment information

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

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

- Retail: incorporating customer current accounts, savings, deposits and investment savings products, credit and debit cards, consumer loans, small business banking and mortgages.
- Corporate: incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products to corporate entities.
- Wealth Management: incorporating private banking services, including total wealth management, to medium and high net worth individuals, insurance, mutual fund and investment savings products, and institutional asset management.
- Global and Capital Markets: incorporating investment banking services including corporate finance, merger and acquisitions advice, custody, equity brokerage, financial instruments trading and institutional finance to corporate and institutional entities, as well as, specialised financial advice and intermediation to private and large retail individuals as well as small and large corporate entities.
- International: incorporating operations in Romania, Bulgaria, Serbia, Cyprus, Ukraine and Luxembourg. During the year, the Strategic Planning Group (SPG) decided the monitoring of the Group's operations in all European countries in one business segment "International". The new segment includes the Group's foreign operations in eastern and southeastern Europe (New Europe) and in Luxembourg, previously monitored as part of Greece segment. For the year ended 31 December 2012, the profit before tax of the Group's operations in Luxembourg was € 21 million (2011: € 31 million). Comparative figures have been adjusted accordingly.

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

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

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

46.1 Operating segments

	31 December 2012							Total € million
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	Other € million	International € million	Elimination center € million	
Net interest income	661	410	61	11	(82)	400	-	1,461
Net commission income	30	59	31	(19)	0	99	-	200
Other net revenue	(0)	(2)	42	9	13	32	-	94
Total external revenue	691	467	134	1	(69)	531	-	1,755
Inter-segment revenue	83	24	(60)	(40)	32	2	(41)	-
Total revenue	774	491	74	(39)	(37)	533	(41)	1,755
Operating expenses	(457)	(103)	(55)	(66)	(50)	(362)	41	(1,052)
Impairment losses on loans and advances	(1,059)	(294)	(4)	(0)	(0)	(298)	-	(1,655)
Profit before tax from continuing operations before one-offs (see note)	(742)	94	15	(105)	(87)	(127)	-	(952)
One-offs	-	(52)	(51)	(458)	(175)	-	-	(736)
Profit before tax from discontinued operations	-	-	-	-	(112)	12	-	(100)
Non controlling interest	-	-	0	-	(13)	(1)	-	(14)
Profit before tax attributable to shareholders, after one- offs	(742)	42	(36)	(563)	(387)	(116)	-	(1,802)
Profit before tax attributable to shareholders, before one- offs	(742)	94	15	(105)	(212)	(116)	-	(1,066)
Segment assets	21,270	14,269	2,078	11,710	4,171	14,155	-	67,653

46. Segment information (continued)

46.1 Operating segments (continued)

	31 December 2011							Total € million
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	Other € million	International € million	Elimination center € million	
Net interest income	1,066	547	4	(96)	(65)	509	-	1,965
Net commission income	36	62	36	27	0	113	-	274
Other net revenue	10	(12)	37	13	(78)	17	-	(13)
Total external revenue	1,112	597	77	(56)	(143)	639	-	2,226
Inter-segment revenue	96	(5)	(33)	(45)	23	7	(43)	-
Total revenue	1,208	592	44	(101)	(120)	646	(43)	2,226
Operating expenses	(458)	(109)	(58)	(60)	(92)	(389)	43	(1,123)
Impairment losses on loans and advances	(943)	(146)	(2)	(0)	(0)	(237)	-	(1,328)
Profit before tax from continuing operations before one-offs (see note)	(193)	337	(16)	(161)	(212)	20	-	(225)
One-offs	(1)	(162)	(228)	(5,364)	(994)	-	-	(6,749)
Profit before tax from discontinued operations	-	-	-	-	173	20	-	193
Non controlling interest	-	-	0	-	(13)	(0)	-	(13)
Profit before tax attributable to shareholders, after one- offs	(194)	175	(244)	(5,525)	(1,046)	40	-	(6,794)
Profit before tax attributable to shareholders, before one- offs	(193)	337	(16)	(161)	(52)	40	-	(45)
Segment assets	22,598	15,562	1,855	15,821	3,695	17,291	-	76,822

Note: One-off items include impairment losses on Greek sovereign debt and other non recurring valuation losses

46.2 Entity wide disclosures

(a) Analysis of revenue by category

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

	2012 € million	2011 € million
Lending related activities	2,531	2,531
Deposits, network and asset management activities	(562)	(348)
Capital markets	(275)	(15)
Insurance related activities	30	30
Non banking and other services	31	28
	1,755	2,226

(b) Geographical information

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

	31 December 2012		31 December 2011	
	Revenues € million	Total assets € million	Revenues € million	Total assets € million
Greece	1,223	53,498	1,580	59,531
Romania	183	4,094	243	4,541
Bulgaria	142	3,216	172	3,445
Other countries	207	6,845	231	7,083
Total from continuing operations	1,755	67,653	2,226	74,600
Total from discontinued operations	102	-	147	2,222
Total	1,857	67,653	2,373	76,822

47. National Bank of Greece S.A. Voluntary Tender Offer (VTO)

On 15 February 2013, the National Bank of Greece S.A. (NBG) acquired 84.35% of Eurobank's voting shares following the successful completion of a Voluntary Tender Offer (VTO). NBG is the largest bank in Greece and has significant operations in the South Eastern European region. Its ordinary shares are listed on the Athens Stock Exchange while ADRs and USD preference shares trade on the New York Stock Exchange (for more details, see www.nbg.gr).

47. National Bank of Greece S.A. Voluntary Tender Offer (VTO) (continued)

NBG's intention to launch a voluntary exchange offer to acquire all Eurobank shares offering 58 new ordinary voting shares of NBG for every 100 ordinary voting shares of Eurobank tendered was announced on 5 October 2012. NBG also stated that Eurobank shareholders holding 43.6% of Eurobank's ordinary share capital had committed to tender their shares in the tender offer.

The General Meeting of the shareholders of NBG approved, on 23 November 2012, the increase of NBG's share capital, and the issuance of new ordinary shares to be offered to Eurobank's ordinary shareholders who would accept NBG's VTO at the offered exchange ratio. Following the approval of relevant offering documentation by the Greek Capital Market Commission, the VTO was launched on 11 January 2013. The Bank's Board of Directors, assisted by its financial advisers, considered the merits of the business combination in the interest of all stakeholders, including employees, customers, shareholders and the Greek economy, and the terms and conditions of the exchange offer and issued its reasoned opinion thereon as required by Law 3461/2006 on 11 January 2013.

All required approvals and/or clearances by the Bank of Greece, the Greek Competition Commission, the Hellenic Financial Stability Fund and the European Commission – DG Competition (State Aid) were obtained by 14 February 2013. The VTO acceptance period ended on 15 February 2013 at which date 466,397,790 shares were tendered.

As stated in the VTO documentation, the VTO will be followed by the merger of the two banks. In line with this, on 19 March 2013, the boards of Eurobank and NBG resolved to initiate the merger process, with NBG absorbing Eurobank, and set 31 December 2012 as the merger reference date. The merger is expected to be completed in a few months.

48. Other significant and post balance sheet events

On 22 May 2012, the Second Repeat Extraordinary Shareholders' Meeting of Alpha Bank aborted the merger procedure with Eurobank and recalled Alpha Bank's General Meeting decisions on 15 November 2011.

Under Law 3864/2012 as amended by Law 4093/2012, that was enacted in November 2012, the banks receiving financial support from HFSF are required to make a lump sum payment to HFSF totalling to € 556 million. According to the relevant presubscription agreement signed with HFSF on 21 December 2012, Eurobank's portion was determined at € 154 million, which was paid on 21 December 2012. The lump sum payment to HFSF has been presented within other assets and will be deducted from the Group's equity upon the completion of the recapitalisation process (note 30).

Group's operations in Cyprus

The Group operates in Cyprus through its subsidiary, Eurobank Cyprus Ltd (subsidiary). The subsidiary's operations are currently carried out through a network of seven banking centres, focusing in Wholesale Banking and International Business Banking exclusively.

The total assets of the subsidiary stand at € 4.2 bn, out of which, €1.7 bn, only, relate to assets in Cyprus. The capital base of the subsidiary amounts to € 570 million, while the capital adequacy ratio as at 31 December 2012, stood at the very strong levels of 32.48%, which, combined with the very good quality of the loan portfolio, strengthen the shield toward the risks of the current economic conditions.

On 15 March 2013, the deposits of the subsidiary amounted to € 2.9 bn, while the amount of loans to € 1.5 bn, out of which, € 0.7 bn is fully cash collateralised. The subsidiary maintains strong liquidity, with cash invested in low risk short-term investments, outside Cyprus, amounting to € 1.7 bn. According to the recent decisions of the Eurogroup and the Authorities of the Republic of Cyprus, none of the deposits of the customers of the subsidiary suffer any impairment or levy. The subsidiary maintains high liquidity rates and buffers, significantly above the minimum regulatory limits, which enables it to withstand, even in extreme scenarios of deposits' decrease.

The Group's operating income ratio from its activities in Cyprus, corresponds to 5.7% of its total operating income.

Both the Group as a whole, as well as its subsidiary bank in Cyprus do not hold deposits at the Bank of Cyprus or the CPB in Cyprus. The Group's exposure to securities of these banks is less than € 4 million.

Information on macroeconomic developments in Cyprus is available in the Directors' report.

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

Note 4-Greek Economy Liquidity Support Program
 Note 15-Income tax
 Note 27-Shares in subsidiary undertakings
 Note 34-Debt issued and other borrowed funds
 Note 47-National Bank of Greece S.A. Voluntary Tender Offer (VTO)
 Note 50-Board of Directors

49. Related party transactions

Until 23 July 2012, the Bank was a member of the EFG Group, having as operating parent company the "European Financial Group EFG (Luxembourg) S.A." and ultimate parent company the "Private Financial Holdings Limited", the latter owned and controlled indirectly by members of the Latsis family. In particular, the EFG Group held 44.70% of the Bank's ordinary shares and voting rights, through wholly owned subsidiaries of the ultimate parent company and the remaining ordinary shares and voting rights were held by institutional and retail investors, none of which, to the knowledge of the Bank, held 5% or more.

On 23 July 2012, 43.55% of the ordinary shares and voting rights held by EFG Group were transferred to ten legal entities, each of which acquired approximately 4.4%, while the EFG Group retained the remaining 1.15%. These entities have formally stated they are independent from each other. As a result, from 23 July 2012, onwards, Eurobank ceased to be under EFG Group's control and will no longer be consolidated in the financial statements of the EFG Group. In addition, the Bank's corporate and trade name have already been amended in order to no longer include the "EFG" suffix.

In the context of the separation of the Eurobank Group from the EFG Group, the five EFG Group nominated Board members of Eurobank resigned from the Board. On 21 September 2012 the Board elected Mrs. Angeliki Frangou and Messrs. George David and Nicholas Stassinopoulos as new BoD members, with a term equal to the remaining term of the resigned members.

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

49. Related party transactions (continued)

	31 December 2012			31 December 2011		
	EFG Group € million	Key management personnel (KMP) ⁽²⁾ € million	Entities controlled by KMP and associates € million	EFG Group € million	Key management personnel (KMP) ⁽²⁾ € million	Entities controlled by KMP and associates € million
Derivative financial instruments assets	-	-	-	-	-	1
Investment securities	-	-	-	82	-	7
Loans and advances to customers ⁽¹⁾	-	11	26	1	15	335
Due to banks	-	-	-	54	-	-
Due to customers ⁽¹⁾	-	12	20	4	42	345
Other liabilities	-	1	-	0	1	0
Net interest income	1	(0)	0	5	(1)	(2)
Net banking fee and commission income	(0)	0	0	0	-	0
Other operating income/(expense)	(0)	(1)	(0)	(5)	(0)	(0)
Guarantees issued	-	-	1	272	-	2
Guarantees received	-	0	-	271	0	50

⁽¹⁾As at 31 December 2012, loans and advances to customers are covered by cash collateral amounting to € nil (2011: € 211 million).

⁽²⁾Key management personnel includes directors and key management personnel of the Group and its parent and their close family members.

No provisions have been recognised in respect of loans given to related parties.

Key management compensation (directors and other key management personnel of the Group)

Key management personnel are entitled to compensation in the form of short-term employee benefits of € 6.9 million (2011: € 7.3 million) and long-term employee benefits of € 0.5 million out of which € 0.1 million are share-based payments (2011: € 1.8 million and € 1.3 million respectively).

50. Board of Directors

Following the resignation of 5 members of the Board of Directors, on 23 July 2012, and the election of 5 new members in replacement of resigned ones (note 49), on 19 March 2013, the Board was reconstituted as a body, as follows:

E. N. Christodoulou	Chairman (non executive)
G. C. Gondicas	Vice & Honorary Chairman (non executive)
A. M. L. J. Latsis	Vice Chairman (non executive-until 23 July 2012)
N. C. Nanopoulos	Chief Executive Officer
B. N. Ballis	Deputy Chief Executive Officer
M. H. Colakides	Deputy Chief Executive Officer
N. V. Karamouzis	Deputy Chief Executive Officer
N. K. Pavlidis	Executive
G. A. David ⁽¹⁾	Non Executive (appointed as of 21 September 2012)
D. G. Dimopoulos	Non Executive (appointed as of 19 March 2013)
A. N. Frangou ⁽¹⁾	Non Executive (appointed as of 21 September 2012)
P. K. Mylonas	Non Executive (appointed as of 19 March 2013)
N. M. Stassinopoulos	Non Executive (appointed as of 21 September 2012)
F. S. Antonatos	Non Executive (until 23 July 2012)
E. L. Bussetil	Non Executive (until 23 July 2012)
S. J. Latsis	Non Executive (until 23 July 2012)
P. P. Petalas	Non Executive (until 23 July 2012)
S. L. Lorentziadis	Independent Non Executive
A. J. Martinos	Independent Non Executive
D. T. Papalexopoulos	Independent Non Executive
P. V. Tridimas	Independent Non Executive
D. A. Georgoutsos	Non Executive (appointed under Law 3723/2008)
C. M. Glavanis	Non Executive (appointed as of 6 June 2012 under Law 3864/2010)

The term of all members of the Board of Directors expires at the Annual General Meeting which will take place in 2013.

⁽¹⁾The Board at its meeting of 31 October 2012, assessed that Mrs A. Frangou and Mr G. David meet the independence criteria set by Law for their designation as Non-Executive Independent Directors. The next General Meeting of the shareholders of the Bank will be called to ratify their designation accordingly.

51. Dividends

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

Under Law 3756/2009, as amended by Law 3844/2010 and supplemented by Laws 3965/2011 and 4063/2012, banks participating in the Greek Economy Liquidity Support Program are not allowed to declare a cash dividend to their ordinary shareholders for 2008 to 2011. The restriction regarding the declaration of a cash dividend is extended to 2012 via a legislative provision, which is expected to be enacted by the Parliament shortly. Based on the 2012 results and article 44a of Company Law 2190/1920, the Directors do not recommend the distribution of dividends to either ordinary or preference shareholders (note 38).

Athens, 27 March 2013

Efthymios N. Christodoulou
I.D. No AB - 049358
CHAIRMAN OF THE BOARD OF DIRECTORS

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

Paula N. Hadjisotiriou
I.D. No AK - 221300
CHIEF FINANCIAL OFFICER

Harris V. Kokologiannis
I.D. No AK - 021124
HEAD OF GROUP FINANCE & CONTROL

IV. Summary Financial (Solo and Consolidated) Data and Information for the Year from 1 January to 31 December 2012

The information listed below aims to provide a general overview about the financial position and the financial results of Eurobank Ergasias S.A. and its Group. Consequently, readers are strongly advised to visit the website of the Bank, where the Annual Financial Statements prepared under International Financial Reporting Standards (IFRS), as well as the certified auditors' opinion are available, before any investment decision or transaction with the Bank is entered into.

COMPANY'S DATA

Registered office: 8 Othonos Street, Athens 105 57
Company Registration No: 000223001000
Appropriate Authority: Ministry for Development, Competitiveness Infrastructure, Transport & Networks
Date of approval of the annual financial statements (from which data were compiled): 27 March 2013
Certified Public Accountant-Auditor: Kyriakos Riris
Audit Firm: PricewaterhouseCoopers S.A.
Auditors' opinion: Unqualified - emphasis of matter
Company's website: www.eurobank.gr

Board of directors:

Effthymios N. Christodoulou
George C. Gondicas
Nicholas C. Nanopoulos
Byron N. Ballis
Michael H. Colakides
Nikolaos V. Karamouzis
Nikolaos K. Pavlidis
George A. David
Dimitrios G. Dimopoulos
Angeliki N. Frangou
Paul K. Mylonas
Nikolaos M. Stassinopoulos
Spyros L. Lorentziadis
Athanasios J. Martinos
Dimitri T. Papalexopoulos
Panayiotis V. Tridimas
Dimitrios A. Georgoutsos
Christos M. Glavanis

Chairman (non executive)
Vice & Honorary Chairman (non executive)
Chief Executive Officer
Deputy Chief Executive Officer
Deputy Chief Executive Officer
Deputy Chief Executive Officer
Executive
Non Executive (appointed as of 21 September 2012)
Non Executive (appointed as of 19 March 2013)
Non Executive (appointed as of 21 September 2012)
Non Executive (appointed as of 19 March 2013)
Non Executive (appointed as of 21 September 2012)
Independent Non Executive
Independent Non Executive
Independent Non Executive
Independent Non Executive
Non Executive (appointed under L. 3723/2008)
Non Executive (appointed as of 6 June 2012 under L. 3864/2010)

INCOME STATEMENT
Amounts in euro million

Bank		Group	
1 Jan - 31 Dec 2012	1 Jan - 31 Dec 2011	1 Jan - 31 Dec 2012	1 Jan - 31 Dec 2011
843	1,235	1,461	1,965
100	162	200	274
-	-	30	30
4	7	32	28
19	20	4	6
62	(55)	51	(56)
71	(56)	(22)	(20)
(3)	17	(1)	(1)
1,096	1,330	1,755	2,226
(631)	(674)	(1,052)	(1,123)
465	656	703	1,103
(1,355)	(1,086)	(1,655)	(1,328)
(363)	(5,874)	(363)	(6,012)
(320)	(332)	(331)	(501)
(42)	-	(42)	(236)
-	-	(0)	(1)
(1,615)	(6,636)	(1,688)	(6,975)
313	1,330	334	1,319
(1,302)	(5,306)	(1,354)	(5,656)
(62)	151	(86)	160
(1,364)	(5,155)	(1,440)	(5,496)
-	-	13	12
(1,364)	(5,155)	(1,453)	(5,508)
(2,4904)	(9,4659)	(2,2975)	(10,1274)
(2,4904)	(9,7421)	(2,1408)	(10,4202)

BALANCE SHEET
Amounts in euro million

Bank		Group	
31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
844	1,821	2,065	3,286
13,307	23,965	4,693	6,988
92	94	710	503
1,913	1,950	1,888	1,818
33,434	36,087	43,171	48,094
895	1,052	3,183	3,185
1,007	1,492	1,389	2,206
2,543	3,402	4,897	5,992
3,025	2,946	-	-
6	6	8	8
217	232	690	736
68	96	616	568
69	73	406	465
2,037	1,718	2,106	1,726
1,351	848	1,831	1,247
60,808	75,782	67,653	76,822
29,016	32,225	29,047	32,525
4,703	5,696	2,772	3,406
2,688	3,044	2,677	3,013
23,366	26,864	30,752	32,459
1,763	4,337	1,365	2,671
569	3,626	1,695	1,873
62,105	75,792	68,308	75,947
1,228	1,228	1,228	1,228
950	950	950	950
1,448	1,448	1,448	1,448
(5,611)	(4,380)	(4,922)	(3,763)
-	-	(3)	(11)
688	744	367	745
-	-	277	278
(1,297)	(10)	(655)	875
60,808	75,782	67,653	76,822

STATEMENT OF COMPREHENSIVE INCOME
Amounts in euro million

Bank		Group	
1 Jan - 31 Dec 2012	1 Jan - 31 Dec 2011	1 Jan - 31 Dec 2012	1 Jan - 31 Dec 2011
(1,364)	(5,155)	(1,440)	(5,496)
149	122	121	407
-	(2)	2	38
(1,215)	(5,035)	(1,317)	(5,051)
(1,153)	(5,185)	(1,285)	(5,267)
(62)	150	(44)	204
-	-	12	12

STATEMENT OF CHANGES IN EQUITY
Amounts in euro million

Bank		Group	
1 Jan - 31 Dec 2012	1 Jan - 31 Dec 2011	1 Jan - 31 Dec 2012	1 Jan - 31 Dec 2011
(10)	5,115	875	6,094
(1,364)	(5,155)	(1,440)	(5,496)
149	120	123	445
-	-	(11)	(10)
(70)	(149)	(196)	(149)
-	67	(2)	(3)
-	(7)	(2)	(5)
(2)	(1)	(2)	(1)
(1,297)	(10)	(655)	875

CASH FLOW STATEMENT
Amounts in euro million

Bank		Group	
1 Jan - 31 Dec 2012	1 Jan - 31 Dec 2011	1 Jan - 31 Dec 2012	1 Jan - 31 Dec 2011
145	1,650	(941)	1,864
1,729	1,141	1,594	222
(2,648)	(3,861)	(1,506)	(3,026)
-	-	(16)	(13)
(774)	(1,070)	(869)	(953)
-	37	(281)	(93)
-	(30)	240	126
-	7	(41)	33
2,172	3,235	3,124	4,044
1,398	2,172	2,214	3,124

Notes:

- Until 23 July 2012, the Bank was a member of the EFG Group, which controlled 44.7% of the Bank's ordinary shares and voting rights. On 23 July 2012, 43.55% of the ordinary shares and voting rights held by EFG Group were transferred to ten legal entities, each of which acquired approximately 4.4%, therefore since then Eurobank ceased to be a member of the EFG Group.
- The fixed assets of the Bank and the Group are free of material charges or encumbrances.
- The outcome of pending lawsuits is not expected to have a significant impact on the Bank's and the Group's financial statements.
- A list of the companies consolidated on 31 December 2012 is mentioned in notes 27 and 30 of the consolidated financial statements where information on the percentage of Group's holding, the country of incorporation, as well as, the consolidation method applied is reported. (a) The companies that were consolidated under the equity method on 31 December 2012 but not included in the 31 December 2011 consolidation were Rosequeens Properties Limited and Rosequeens Properties SRL. (b) On 31 December 2012, the following companies were not included in the consolidated financial statements: (i) EFG Hellas II (Cayman Islands) Ltd which was liquidated in the first quarter of 2012, (ii) Karta APC Limited (UK), Karta Holdings Limited (UK), Karta 2005 - 1 plc (UK), Karta LNI 1 Limited (UK), Karta Options Limited (UK), Anaptyxi SME II Holdings Ltd, Anaptyxi SME II APC Limited and Anaptyxi SME II 2009-1 Plc which were liquidated in the fourth quarter of 2012. (c) The companies that are not included in the consolidated financial statements of 31 December 2012 due to immateriality are mentioned in note 27 of the Group's financial statements.
- a) The Bank has been audited by tax authorities up to 2009 and obtained a tax certificate for 2011 by external auditors, b) Greek subsidiaries have obtained tax certificates for 2011 by external auditors, c) Of the Group's bank subsidiaries: i) Bancpost S.A. (Romania) has been audited by tax authorities up to 2010, (ii) Eurobank Cyprus Ltd has been audited by tax authorities up to 2009, (iii) Eurobank Bulgaria A.D. and Eurobank Private Bank Luxembourg S.A. have been audited by tax authorities up to 2007 and (iv) Eurobank A.D. Beograd (Serbia) has been audited by tax authorities up to 2006. The remaining of the Group's subsidiaries and joint ventures (notes 27 and 30 of the consolidated financial statements), which operate in countries where a statutory tax audit is explicitly stipulated by law, have 1 to 9 open tax years.
- The total number of employees as at 31 December 2012 was 7,185 (2011: 7,209) for the Bank and 17,427 (2011: 19,156, including the employees of Turkish subsidiaries) for the Group.
- The number of treasury shares held by subsidiaries of the Bank as at 31 December 2012 was 2,587,872 at a cost of € 3m.
- The related party transactions of the Group are as follows: receivables € 26m., liabilities € 20m., guarantees issued € 1m., expenses € 5m. and revenues € 6m. The related party transactions of the Bank are as follows: receivables € 11,202m., liabilities € 7,950m., guarantees issued € 4,695m., expenses € 409m. and revenues € 457m. The transactions of the Group with the key management personnel are as follows: compensation € 7.4m., receivables € 11m., liabilities € 13m., guarantees received € 0.2m., expenses € 1.5m. and revenues € 0.4m. The transactions of the Bank with the key management personnel are as follows: compensation € 6.8m., receivables € 11m., liabilities € 7m., guarantees received € 0.2m., expenses € 0.4m. and revenues € 0.2m.
- On 21 December 2012, the Group disposed Eurobank Tekfen A.S. and its subsidiaries to Borgan Bank of Kuwait. The Group recognized a loss of € 31 million, before tax, arising from the recylement of losses previously recognized in other comprehensive income to the income statement. Further information is provided in notes 17 and 27 of the Group's financial statements.
- a. Under the exchange of Greek Government bonds in March/April 2012, all exchanged bonds were derecognized and the new GGBs recognised at fair value with a resulting additional valuation loss before tax of € 428 million. As at 31 December 2012, and considering 2011 impact, total loss from PSI+ has amounted to € 6.2 bn.
b. On 18 December 2012, under the Greek state's debt buyback program, the Group exchanged 100% of its nGGBs portfolio (face value € 2.3 bn) for EFSF notes of face value € 0.8 bn resulting pre tax gain of € 192 million. Further information on credit exposure to Greek sovereign debt is provided in note 5 of the Bank's and the Group's financial statements.
- The Bank of Greece after assessing the business plan and the capital needs of the Bank has concluded that Eurobank is a viable bank and, on 8 November 2012, notified the Bank that its Tier 1 capital should increase by € 5,839 million. The Bank, the Hellenic Financial Stability Fund ("HFSF") and the European Financial Stability Facility ("EFSF") signed on 28 May 2012 and on 21 December 2012 a trilateral subscription agreement for the advance to the Bank of EFSF notes of face value of € 3.97 bn and € 1.34 bn (total € 5.31 bn) as advance payment of HFSF's participation in the future share capital increase of the Bank. In addition, HFSF provided to the Bank a commitment letter for additional capital support of € 0.53 bn up to the total level of recapitalisation needs of € 5,839 million. Further information is provided in notes 2 and 6 of the Bank's and the Group's financial statements.
- On 15 February 2013, National Bank of Greece (NBG) acquired 84.35% of Eurobank's voting shares following the successful completion of NBG's voluntary tender offer (VTO) under which 100 ordinary voting shares of Eurobank were exchanged for 58 new ordinary voting shares of NBG. As stated in the VTO documentation, the VTO will be followed by the merger of the two banks which is expected to be completed in a few months. Further information is provided in notes 44 and 47 of the Bank's and the Group's financial statements.

V. Reference Table to the Information released during the financial year 2012

27/11/2012	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
7/12/2012	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
19/12/2012	Announcement date of Nine Month 2012 Results	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
21/12/2012	Completion of Eurobank Tekfen Sale	http://www.eurobank.gr/Uploads/pdf/prq%2021%2012%2012%20enTekfen%20Sale.pdf
Press Releases		
11/1/2012	Eurobank EFG Equities No 1 in 2011	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
16/1/2012	A triple award for Eurobank's e-services	http://www.eurobank.gr/Uploads/pdf/EN%20%2016%2001%202012%20(3).pdf
24/1/2012	"Export Oriented" Action by Eurobank EFG and E.T.E.AN.	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
25/1/2012	First Place in 2011 for the Mutual Funds managed by EUROBANK EFG Asset Management M.F.M.C.	http://www.eurobank.gr/Uploads/pdf/25%2001%2012%20Mutual%20Funds.pdf
1/2/2012	Leading Position in Green Lending	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
6/2/2012	Clarifications on PSI+ impact, 2/3/12	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
5/3/2012	Inauguration of Eurobank EFG Branch at Panorama Voula	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
12/3/2012	New branch opening in London	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
14/3/2012	On the merger with Alpha Bank	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
21/3/2012	"Epistrofi App": "Epistrofi" now available on mobile phones	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
27/3/2012	Eurobank EFG launches "Epistrofi Hotels" reward programme	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
3/4/2012	Announcement on the merger with Alpha Bank	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
9/4/2012	Sale of Eurobank Tekfen	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
11/4/2012	Donation to the Thessaloniki Hippocrateion Hospital	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
18/4/2012	Eurobank EFG selected to manage JESSICA funds	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
20/4/2012	FY11 Results	http://www.eurobank.gr/Uploads/pdf/AFY2011%20Results%20Press%20Release.pdf
25/4/2012	"Greece Innovates"x2: the 2nd Applied Research &	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS

	Innovation Competition is launched by Eurobank EFG and SEV	
30/4/2012	Polbank s sale transaction completed	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
22/5/2012	EUROBANK EFG Representative D. Politis' Statement at ALPHA BANK EGM	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
31/5/2012	First Quarter 2012 Results	http://www.eurobank.gr/Uploads/pdf/1Q2012%20Results%20Press%20Release.pdf
5/6/2012	Posidonia	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
8/6/2012	AGM Invitation & Agenda	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
19/6/2012	Eurobank EFG Equities Extel Awards	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
20/6/2012	Programme "Epistrofi Hotels"	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
26/6/2012	Eurobank management visits Cyprus	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
27/6/2012	Eurobank EFG Factors retained its dominant position in the factoring services market in 2011	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
27/6/2012	Compensation adjustments	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
29/6/2012	Annual General Shareholders' Meeting	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
9/7/2012	Adjustment of interest rates	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
10/7/2012	Eurobank-JESSICA Initiative: the submission of proposals for the financing of projects in Mainland Greece and the Peloponnese is underway	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
11/7/2012	EESA energy efficiency championship: Top -3 Greek winners receive their awards	http://www.eurobank.gr/Uploads/pdf/championship.pdf
13/7/2012	New strategic partnership between Olympic Air and Eurobank	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
23/7/2012	New Shareholder Structure	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
8/8/2012	Eurobank submits offer for the acquisition of Emporiki Bank	http://www.eurobank.gr/Uploads/pdf/08_08_12%20Eurobank%20submits%20offer%20for%20the%20acquisition%20of%20Emporiki%20Bank.pdf

3/9/2012	New strategic partnership between Eurobank and JUMBO stores	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
12/9/2012	Agreement with ETEAN to enhance liquidity to SMEs	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
14/9/2012	Eurobank submits revised offer for the acquisition of Emporiki Bank	http://www.eurobank.gr/Uploads/pdf/14%2007%2012%20-%20Revised%20offer%20for%20Emporiki.pdf
21/9/2012	Renewal of the Bank's Board of Directors	http://www.eurobank.gr/Uploads/pdf/ANNOUNCEMENT_NEW_BOD_MEMBERS_ENG_FINAL_.pdf
2/10/2012	London institutional roadshow	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
5/10/2012	Announcement on the Voluntary Exchange Offer by NBG	http://www.eurobank.gr/Uploads/pdf/05%2010%2012%20Announcement%20on%20NGB.pdf
24/10/2012	Partnering with Businesses for Growth: A Comprehensive Action Plan from Eurobank	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
29/10/2012	Wealth Management Event	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
29/10/2012	Heating oil in 6 interest free installments by EKO via all Eurobank credit cards	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
30/10/2012	Initiative on World Savings Day	http://www.eurobank.gr/Uploads/pdf/30%2010%2012%20Initiative%20on%20World%20Savings%20Day.pdf
15/11/2012	First Round of the 2nd Greece Innovates! Competition Completed Successfully	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
26/11/2012	Eurobank-Corallia team up to boost young entrepreneurship "the EGG - Enter*Grow*Go" young entrepreneurship acceleration programme	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
27/11/2012	Lease of King George Hotel	http://www.eurobank.gr/Uploads/pdf/27%2011%2012%20Lease%20of%20King%20George%20Hotel.pdf
20/12/2012	2Q & 3Q 2012 Results	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
21/12/2012	Completion of Eurobank Tekfen Sale	http://www.eurobank.gr/Uploads/pdf/pr%2021%2012%2012%20enTekfen%20Sale.pdf
Financial Results		
20/4/2012	FY 2011 Results –	http://www.eurobank.gr/Uploads/pdf/AFY2011%20Results%20Press%20Release.pdf

	Press Release	
20/4/2012	Presentation FY 2011 Results	http://www.eurobank.gr/Uploads/pdf/4Q%202011%20results%20presentation%20-%20Final.pdf
22/4/2012	Consolidated Financial Statements 2011	http://www.eurobank.gr/Uploads/pdf/Annual%20Report%20AQ2011.pdf
22/4/2012	Summary Financial Data and Information for the year ended 31 December 2011	http://www.eurobank.gr/Uploads/pdf/S.A.%20Fin.%20Stat.%20and%20Information2012.pdf
22/4/2012	Annual Financial Report for the year ended 31 December 2011	http://www.eurobank.gr/Uploads/pdf/REPORT2011tT4%20SITE.PDF
15/6/2012	Consolidated Basel II Pillar 3 Report	http://www.eurobank.gr/Uploads/pdf/Pillar_3_Report%202011.pdf
31/5/2012	1Q 2012 Results – Press Release	http://www.eurobank.gr/Uploads/pdf/1Q2012%20Results%20Press%20Release.pdf
31/5/2012	Presentation - 1Q 2012 Results	http://www.eurobank.gr/Uploads/pdf/1Q%202012%20NEW%20LOGO.pdf
31/5/2012	1Q 2012 Consolidated Interim Financial Statement	http://www.eurobank.gr/Uploads/pdf/Fin.%20Stat.%20%20Full%20Notes%20Consolidated.pdf
31/5/2012	Summary Financial Data and Information for the period ended 31 March 2012	http://www.eurobank.gr/Uploads/pdf/Fin.Stat.%20and%20Information.pdf
20/12/2012	1H & 3Q 2012 Results – Press Release	http://www.eurobank.gr/Uploads/pdf/Eurobank%20Q3Q%202012%20Results%20Press%20Release.pdf
21/12/2012	1H 2012 Consolidated Interim Financial Statement	http://www.eurobank.gr/Uploads/pdf/Interim%20report%2030%20June%202012.pdf
21/12/2012	Summary Financial Data and Information for the period ended 30 June 2012	http://www.eurobank.gr/Uploads/pdf/PRESS_ENG_30%2006%2012.pdf
21/12/2012	Financial Report for the six months ended 30 June 2012	http://www.eurobank.gr/Uploads/pdf/REPORT2012T2%20SITE.pdf
21/12/2012	9M 2012 Consolidated Interim Financial Statement	http://www.eurobank.gr/Uploads/pdf/Interim%20report%2030%20September%202012.pdf
21/12/2012	Summary Financial Data and Information for the period ended 30 September 2012	http://www.eurobank.gr/Uploads/pdf/PRESS_ENG_30.09.12.pdf.pdf
Annual Report – Annual Financial Report for the year ended 31 December 2010		
22/4/2012	Annual Financial Report for the year ended 31	http://www.eurobank.gr/Uploads/pdf/REPORT2011tT4%20SITE.PDF

	December 2011	
29/6/2012	Annual Report 2011	http://www.eurobank.gr/Uploads/pdf/29612Eurobank%20annual%20en%20net.pdf
<i>Announcements of Transactions</i>		
2012	Transactions' announcements according to article 13 of I.3340/2005 and article 6 of Capital Market Commission's Regulation 3/347/2005.	http://www.eurobank.gr/Uploads/pdf/AKNOWLEDGMENTS%202012%20FINAL.pdf

VI. Website Address for Information on Subsidiaries of the Bank

The Financial Statements of the companies which are required by law to publish financial statements in their local language prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which are included in the Consolidated Financial Statements of Eurobank Ergasias S.A., accompanied by their Auditor's Report and the Directors' Report, are posted to at the website address: <http://www.eurobank.gr>