EUROBANK ERGASIAS S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2012

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Company Registration No: 000223001000

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	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)

	Note	€	€
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		2011	
	€ million		€ 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	**46**	**(64)**	(15)	(17)
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	**(5)**	**185**	(13)	424
Foreign currency translation				
- net changes in fair value, net of tax	**(34)**		(41)	
- transfer to net profit, net of tax	**36**	**2**	79	38
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	**(44)**	**(1,329)**	204	(5,063)
Non controlling interest				
- from continuing operations	**12**		12	
- from discontinued operations	**0**	**12**	(0)	12
		(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

Consolidated Cash Flow Statement
for the year ended 31 December 2012

	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**	4,044
Cash and cash equivalents at end of year	20	**2,214**	3,124

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
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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:

(a) 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),

(b) 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,

(c) Accrued interest on the exchanged bonds was settled through the issue of short-term EFSF securities,

(d) 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,

(e) The nGGBs ranked pari passu with the EFSF € 30 bn loan to Greece contributing to the PSI+ exercise,

(f) nGGBs were subject to English Law,

(g) 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 GBBs 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 Euro-zone 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						
	Commerce and services € million	**Private individuals € million**	**Manufacturing € million**	**Shipping € million**	**Construction € million**	**Other € million**	**Total € 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						
	Commerce and services € million	Private individuals € million	Manufacturing € million	Shipping € million	Construction € million	Other € million	Total € 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 repricing).

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

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

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, GMRAs) 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				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Gross nominal (inflow)/ outflow € million
Non-derivative liabilities:					
- Due to 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
	46,557	6,109	9,698	3,872	66,236
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
	953	808

	31 December 2011				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Gross nominal (inflow)/ outflow € million
Non-derivative liabilities:					
- Due to 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
	43,653	10,912	8,070	11,317	73,952
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
	1,459	1,016

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:

a) 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.

b) 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).

c) 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).

d) 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).

e) 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:

i) 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.

ii) Level 2 – Financial instruments measured using valuation techniques where all significant inputs are market observable.

iii) 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			
	Quoted prices in active market (Level 1) € million	Valuation technique observable parameters (Level 2) € million	Valuation technique non observable parameters (Level 3) € million	Total € million
Financial assets measured at fair value:				
Financial 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
	4,075	5,063
Interest expense		
Customers	**(935)**	(1,060)
Banks	**(877)**	(634)
Debt issued and other borrowed funds	**(64)**	(106)
Derivatives	**(738)**	(1,298)
	(2,614)	(3,098)
Total from continuing operations	**1,461**	1,965
Total from discontinued operations	**84**	112
Total	**1,545**	2,077

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	**200**	274
Total from discontinued operations	**12**	27
Total	**212**	301

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	**29**	(76)
Total from discontinued operations	**6**	6
Total	**35**	(70)

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	**1,052**	1,123
Total from discontinued operations	**72**	114
Total	**1,124**	1,237

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 recyclement 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	2011
	€ million	€ 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	**1,475**	2,787
	2,065	3,286
of which:		
Mandatory and collateral deposits with central banks	**989**	2,262

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	**141**	232
	2,214	3,124

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	**132**	260
	4,693	6,988

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	**1**	1
	399	255
Issued by other issuers:		
- banks	**4**	4
- other	**29**	15
	33	19
	432	274
Other financial assets designated at fair value through profit or loss		
- unit linked products	**278**	229
	278	229
Total	**710**	503
Equity securities	**29**	14
Debt securities	**403**	260
Other financial assets at fair value through profit or loss	**278**	229
Total	**710**	503

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 Assets € million	Fair values Liabilities € million	Contract/ notional amount € million	Fair values Assets € million	Fair values Liabilities € million
Derivatives held for trading						
OTC currency derivatives						
- 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
OTC interest rate derivatives						
- 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
Other derivatives						
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
	9,469	11,383
Debt securities maturing after 1 year	**5,474**	7,222

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**
	2,517	**4,616**	**473**	**7,606**
Issued by other issuers:				
- banks	**81**	**118**	**312**	**511**
- other	**585**	**163**	**604**	**1,352**
	666	**281**	**916**	**1,863**
Total	**3,183**	**4,897**	**1,389**	**9,469**
Listed	**2,593**	**4,778**	**1,240**	**8,611**
Unlisted	**590**	**119**	**149**	**858**
	3,183	**4,897**	**1,389**	**9,469**
Equity	**309**	**-**	**-**	**309**
Debt	**2,874**	**4,897**	**1,389**	**9,160**
	3,183	**4,897**	**1,389**	**9,469**

	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
	2,708	5,657	1,074	9,439
Issued by other issuers:				
- banks	68	148	431	647
- other	409	187	701	1,297
	477	335	1,132	1,944
Total	3,185	5,992	2,206	11,383
Listed	2,839	5,570	2,084	10,493
Unlisted	346	422	122	890
	3,185	5,992	2,206	11,383
Equity	325	-	-	325
Debt	2,860	5,992	2,206	11,058
	3,185	5,992	2,206	11,383

26. Investment securities (continued)

26.2 Movement of investment securities

	31 December 2012			
	Available-for-sale securities € million	**Debt securities lending portfolio € million**	**Held-to-maturity securities € million**	**Total € 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			
	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € 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:

Name	Note	Percentage holding	Country of incorporation	Line of business
Be-Business Exchanges S.A.		98.01	Greece	Business-to-business e-commerce
Best Direct S.A. (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	552,948,427	(809,010)	552,139,417
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	**552,948,427**	**(2,587,872)**	**550,360,555**

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
	345,500,000	**950**	950
Balance at 31 December	**345,500,000**	**950**	950

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 no 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	
Expiry date - 31 December	Exercise price in € per share	Number of share options	Exercise price in € per share	Number of share options
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							
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	Other € million	International € million	Elimination center € million	Total € 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							
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	Other € million	International € million	Elimination center € million	Total € 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 no recommend the distribution of dividends to either ordinary or preference shareholders (note 38).

Athens, 27 March 2013

Efthymios N. Christodoulou	**Nicholas C. Nanopoulos**	**Paula N. Hadjisotiriou**	**Harris V. Kokologiannis**
I.D. No AB - 049358	I.D. No AE - 586794	I.D. No AK - 221300	I.D. No AK - 021124
CHAIRMAN OF THE BOARD OF DIRECTORS	CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	HEAD OF GROUP FINANCE & CONTROL