



**Annual Financial Statements  
for the period  
1 January - 31 December 2010**

**In accordance with International Financial Reporting Standards**

These financial statements have been translated from the original statutory financial statements that have been prepared in the Greek language. In the event that differences exist between this translation and the original Greek language financial statements, the Greek language financial statements will prevail over this document.

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**MANAGEMENT REPORT FOR THE YEAR ENDED DECEMBER 31<sup>ST</sup>, 2010**

The Board of Directors would like to present the financial statements of INVESTMENT BANK OF GREECE S.A. for the year ended December 31<sup>st</sup>, 2010.

Services provided cover the whole spectrum of financial needs for modern businesses and investors: brokerage services, foreign stock markets access, financial analysis, consulting (both deposits and loans), while emphasis is made on the investment banking sector (Participations, Bonds, Project Finance, Bridge Financing, etc).

The Bank is a registered member of the Stock Market in the Athens Stock Exchange and Cyprus Stock Exchange where in 2010 it was awarded the first position among the companies in this sector as far as market share and volume of transactions are concerned, regarding both Stock Exchanges. The Bank is also a member of the Derivative Market in the Athens Stock Exchange, and holds Special Trader's Type B status, and maintained the first position for 2010 in relevant classifications, for several of its products, as far as the volume of transactions is concerned. It also conducts substantial operations in foreign markets regarding all the Stock Exchange Market products.

**RESULTS FOR THE PERIOD ENDED IN 2010**

Despite the particularly unfavorable financial environment which prevailed in our country and the international stock markets during the year 2010, that deteriorated especially as far as Greece is concerned, in the second six months of 2010, after the advent of the troika (IMF, EU & ECB) and signing of the MoU to curb the fiscal deficit and public indebtedness, the Bank achieved a satisfactory profitability increase in 2010 with net profit amounting to € 6,23 million as against € 19,77 million in 2009. From the net profit, an amount of € 2,6 million was paid in the beginning of 2011 as social responsibility contribution to the Greek state, therefore the net profit decreased to € 3,6 million in 2010.

Net interest income, despite the unfavorable financial environment, marginally decreased by only 5%, standing at € 13,4 million in 2010, as compared to € 14,1 million in 2009, while net fee and commission income decreased by 39% from € 27 million to € 16,5 million in 2010, since investment banking presented a substantial decrease as well as the ASE turnover in shares and derivatives that were at lower level than that in 2009 due to absence of activity of foreign investors and inertia of the Greek market due to cost containment measures implemented by the government in 2010.

Satisfactory developments for yet another financial year given the unfavorable conditions of the international crisis, for one more year, are mainly due to the significant position that the Bank holds in the stock and derivative markets, as well as to its loan portfolio quality.

Loans to customers after allowance increased as at 31 December 2010 to the amount of € 409,39 million as against € 398,8 million on 31 December 2009. It should be noted that one more time special care was given to the preservation of the loan portfolio's quality, therefore the results for the year were burdened with the amount of € 3,9 million for provision costs for the non accommodated loans that are the lowest in the Greek bank market.

One of the most important profitability ratios in the financial sector is concerned with operating expense as a percentage of operating income. This ratio remained at the satisfactory level of 55,8 % in relation to 41,8% in 2009.

The output of the equity after taxes, average – weighted, was maintained at a satisfactory level of 2,4%, given the conditions that prevail in the Greek market in 2010.

To sum up, the main points, which explain the satisfactory profitability of the Bank concern:

- the quality of the financial services rendered by the bank that made it the first-rated company in the sector, notwithstanding the unfavorable financial environment
- keeping the decrease in net profit from interest at 5%
- keeping at the same level the operating expenses, from € 19,8 million in 2009 to € 19,1 million during the current year.

The Bank would not have achieved the aforementioned results without devotion and hard work demonstrated by its employees and executives, preference from clients, as well as confidence and support of its shareholders.

#### **DIVIDEND POLICY**

The Board of Directors of the Bank will recommend to the Ordinary General Assembly of the Shareholders that no dividend should be issued for the current financial period for the preservation of satisfactory liquidity and the powerful equity adequacy that it holds to facilitate it overcome the crisis without losses.

#### **SUPERVISORY RATIOS**

Capital adequacy ratio for the Bank, despite the increased requirements of Basel II, is retained high at 42,95 % as against 42,53% in 2009, while the minimum requirements are 8%.

Furthermore, the liquidity ratios, that have been established following Law 2560/1.4.2005 decision of the Governor of Bank of Greece and which refer to the supervision framework by the Bank of Greece on liquidity adequacy of the financial institutions, are considered satisfactory for our Bank. Cash available ratio reached 28,54% with reference to minimum required 20%, while Maturity Disagreement Ratio reached the percentage of –13,2% with reference to -20% of the minimum required percentage.

#### **RISK MANAGEMENT**

The Bank depends on the course of the stock markets, in particular of the Exchange Stock Market due to its high activity in that, and on contracts with significant clients.

The Bank is exposed mainly to credit risk, interest rate risk as well as liquidity risk. The possibility of aggravation of the financial climate in Greece would affect the Exchange Stock Market, and extensionally the activities of the Bank. The Bank, as a member of the Group of MARFIN POPULAR BANK, has developed policies and procedures for the risk management. The credit risk occurs mainly due to the loan portfolio. The Management has chosen to maintain the quality of the portfolio at high levels. As far as liquidity risk is

concerned, the Management steadily monitors the main liquidity rates, as they are mentioned above, which are sustained at satisfactory levels.

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of "INVESTMENT BANK OF GREECE S.A."

### **Report on the Financial Statements**

We have audited the accompanying financial statements of "INVESTMENT BANK OF GREECE S.A.", which comprise of the statement of financial position as at December 31, 2010, the statement of comprehensive income, changes in equity and cash flow 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 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 the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control procedures 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 procedures. 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 abovementioned financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2010, and the financial performance and the Cash Flows of the Bank for the year then ended in accordance with International Financial Reporting Standards that have been adopted by the European Union.

## **Report on Other Legal and Regulatory Requirements**

We verified the agreement and correspondence of the content of the Board of Directors' Report with the abovementioned Financial Statements, in the context of the requirements of Articles 43<sup>o</sup> and 37 of the Law 2190/1920.

Athens, 28 March 2011

The Certified Public Accountant

Ioannis G. Leos

SOEL Reg. Num. 24881



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Registry Number SOEL 127

**STATEMENT OF COMPREHENSIVE INCOME**

<i>Amounts in Euro '000</i>	<b>Note</b>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Interest and similar Income		19.329	23.004
Interest and similar expenses		(5.972)	(8.941)
<b>Net interest income</b>	7	<b>13.357</b>	<b>14.063</b>
Fee and commission income		27.789	44.714
Fee and commission expense		(11.332)	(17.726)
<b>Net fee and commission income</b>	8	<b>16.457</b>	<b>26.988</b>
Dividend income		686	400
Net trading income	9	3.331	5.333
Other operating income	10	429	586
<b>Total net income</b>		<b>4.446</b>	<b>6.319</b>
		<b>34.260</b>	<b>47.370</b>
Staff costs	11	(13.255)	(13.197)
Other operating expenses	12	(5.226)	(5.921)
Depreciation/Amortization		(658)	(689)
Provisions for impairment losses on loans and advances	19	(3.881)	0
<b>Total operating expenses</b>		<b>(23.019)</b>	<b>(19.807)</b>
<b>Profit before tax</b>		<b>11.241</b>	<b>27.563</b>
Less: Income tax	13	(7.641)	(13.996)
<b>Profit after tax (a)</b>		<b>3.600</b>	<b>13.567</b>
<b>Other comprehensive income after tax (b)</b>		<b>30</b>	<b>(12)</b>
<b>Total comprehensive income (a)+(b)</b>		<b>3.630</b>	<b>13.555</b>
<b>Earnings per share</b>			
- Basic	14	0,957	3,606

*The accompanying notes (pages 13-64) form an integral part of the financial statements*

**STATEMENT OF FINANCIAL POSITION**

<i>Amounts in Euro '000</i>	<b>Note</b>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
<b>ASSETS</b>			
Cash and balances with Central Bank	15	3.784	6.816
Loans and advances to financial institutions	16	72.449	313.443
Trading portfolio and other financial instruments at fair value through Profit & Loss	17	13.151	36.729
Derivative financial instruments - assets	18	11	72
Loans and advances to customers	19	409.391	398.837
Investment portfolio	20	212	184
Investment in associates	21	4.415	4.415
Property investment	22	5.308	5.308
Property, plant and equipment	22	16.060	16.604
Goodwill and other intangible assets	23	46	98
Deferred tax asset	24	5.502	516
Other assets	25	45.345	43.499
<b>Total assets</b>		<b>575.676</b>	<b>826.522</b>
<b>EQUITY AND LIABILITIES</b>			
Due to financial institutions	26	174.069	265.027
Due to customers	27	105.731	270.532
Derivative financial instruments - liabilities	18	49	0
Retirement benefit obligations	28	964	898
Deferred tax liability	24	1.288	1.216
Other liabilities	29	29.780	28.910
<b>Total liabilities</b>		<b>311.881</b>	<b>566.583</b>
<b>Shareholders equity</b>			
Share capital	30	110.427	110.427
Revaluation reserve		(51)	(81)
Other reserves	31	20.217	19.307
Retained earnings		133.202	130.286
<b>Total equity</b>		<b>263.795</b>	<b>259.939</b>
<b>Total liabilities and equity</b>		<b>575.676</b>	<b>826.522</b>

*The accompanying notes (pages 13-64) form an integral part of the financial statements*

**STATEMENT OF CHANGES IN EQUITY**
*Amounts in Euro '000*

	Share capital	Revaluation reserve	Other reserves	Retained earnings	Total
<b>Opening balance as at 1<sup>st</sup> January 2009</b>	<b>110.427</b>	<b>(69)</b>	<b>16.560</b>	<b>119.127</b>	<b>246.045</b>
<i>Changes in equity for the year 01/01 - 31/12/2009</i>					
Profits/Losses from revaluation of fair value of financial assets a.f.s.		(9)			(9)
Tax related to profits/losses recognized in equity		(3)			(3)
Legal reserve 2008			2.408	(2.408)	0
Stock option granted to employees			339		339
Profit for the year 01/01-31/12/2009				13.567	13.567
<b>Equity balance as at 31<sup>st</sup> December 2009</b>	<b>110.427</b>	<b>(81)</b>	<b>19.307</b>	<b>130.286</b>	<b>259.939</b>

*Amounts in Euro '000*

	Share capital	Revaluation reserve	Other reserves	Retained earnings	Total
<b>Opening balance as at 1<sup>st</sup> January 2010</b>	<b>110.427</b>	<b>(81)</b>	<b>19.307</b>	<b>130.286</b>	<b>259.939</b>
<i>Changes in equity for the year 01/01 - 31/12/2010</i>					
Profits/Losses from revaluation of fair value of financial assets a.f.s.		37			37
Tax related to profits/losses recognized in equity		(7)			(7)
Legal reserve 2009			684	(684)	0
Stock option granted to employees			226		226
Profit for the year 01/01-31/12/2010				3.600	3.600
<b>Equity balance as at 31<sup>st</sup> December 2010</b>	<b>110.427</b>	<b>(51)</b>	<b>20.217</b>	<b>133.202</b>	<b>263.795</b>

*The accompanying notes (pages 13-64) form an integral part of the financial statements*

**STATEMENT OF CASH FLOWS**
*Amounts in Euro '000*

	Note	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
<b><u>Cash flows from operating activities</u></b>			
Profits before tax		<b>11.241</b>	<b>27.563</b>
<i>Adjustments for:</i>			
Depreciation		658	689
value through Profit & Loss		973	63
Interest and no cash expenses		0	150
Profits / loss from revaluation of derivative financial instruments		110	776
Provision for employee benefit plan		65	88
Employee benefits in the form of stock options & other provisions for employee benefits		726	1.289
Provisions for impairment losses on loans and advances		3.881	0
Loss from disposal of non current assets		3	0
<i>Cash flows from operating activities before changes in working capital</i>		<i>17.657</i>	<i>30.618</i>
<b>Changes in working capital</b>			
Trading portfolio		22.605	(16.481)
Loans and advances to customers		(14.435)	(20.530)
Other assets		(1.729)	29.066
Due to financial institutions		(90.958)	133.487
Due to customers		(164.800)	(12.609)
Other liabilities		1.309	(33.442)
<i>Cash flows from operating activities before payment of income tax</i>		<i>(230.351)</i>	<i>110.109</i>
Income tax paid		(13.613)	(8.111)
<b>Net cash flows from operating activities</b>		<b>(243.964)</b>	<b>101.998</b>
<b><u>Investing activities</u></b>			
Purchase of fixed assets		(62)	(110)
Acquisition of subsidiaries and associates		0	(1.177)
Purchase of intangible assets		0	(5)
<b>Net cash flow from investing activities</b>		<b>(62)</b>	<b>(1.292)</b>
<b><u>Financing activities</u></b>			
Dividends and other payments to shareholders		0	(499)
<b>Net cash flow from financing activities</b>		<b>0</b>	<b>(499)</b>
<b>Net increase / decrease in cash and cash equivalents</b>		<b>(244.026)</b>	<b>100.207</b>
Cash and cash equivalents at the beginning of the financial year		320.259	220.052
<b>Cash and cash equivalents at the end of the financial year</b>	32	<b>76.233</b>	<b>320.259</b>

*The accompanying notes (pages 13-64) form an integral part of the financial statements*

## **1. General Information on the Bank**

“INVESTMENT BANK OF GREECE (IBG)” (hereinafter referred to as “the Bank”) was formulated following N. 55401/18.1.2000 decision of the Public Notary in Athens Anna Panaiotou Tsafara, and in accordance with K2-881/24.1.2000 decision of the Ministry of Development that was published following N. 533/26.1.2000 of the Official Greek Government Gazette (SA & LTD Issue). It operates as a societe anonyme in accordance with Greek legislation and in particular Law 2190/1920 in force.

The corporate registered office of the Bank was initially situated in the Municipality of Athens and was transferred to the Municipality of Amarousion (24B Kifissias Street) following Ordinary General Assembly’s of the Shareholders decision of 27 November 2001. It operates mainly in Greece and occupies 243 employees. It is supervised by the Credit and Related Financial Institutions Department (CRFID) of the Bank of Greece, in accordance with Law 2076/1992 on financial institutions, having their head office in Greece, where the Bank submits regulatory records as applicable by Bank of Greece Governor’s Act 2563/2005.

On December 29<sup>th</sup>, 2003 the Ordinary General Assembly of the Shareholders approved of the merger of the Bank with absorption of “Marfin-Hellenic S.A.”, in accordance with Laws 2190/1920, 2515/1997 and 2166/1993, and the transformation Balance Sheet of 31<sup>st</sup> June 2003. The above mentioned merger was approved by the Athens Prefecture following its N. K 2/2369/27.2.2004 decision.

On June 29, 2006 the Boards of Directors of “INVESTMENT BANK OF GREECE S.A” and “EGNATIA FINANCE S.A” approved of the initiation of the merger procedures through absorption of the latter by the former and transformation date June 30, 2006.

The Boards of Directors of the Bank and “EGNATIA FINANCE S.A.”, with its corporate registered office in Athens (8 Dragatsaniou Street) and S.A. Records N. 23105/06/B/90/34 (hereinafter referred to as “the absorbed Bank”), have announced that in accordance with articles 68 paragraph 2 and articles 69 – 77 of Law 2190/1920, article 16 of Law 2515/1997, articles 1 to 5 of Law 2166/1993 and commercial legislation in general, they have signed the Schedule of Contract Merger with which the above mentioned companies would merge though absorption of the latter by the former. The schedule was subjected to publication provisions described in Law 2190/1920 and was submitted to S.A Register of the Ministry of Development, S.A. and Credit Department, on April 20, 2007. The above mentioned merger was also approved, following its K2/9485/22.6.2007 decision, by the Athens Prefecture.

The Credit and Related Financial Institutions Department (CRFID) of Bank of Greece has approved of the merger though absorption of “EGNATIA FINANCE S.A.” by the Bank following its N. 245/1/08.06.2007 decision.

On June 6, 2008 The Boards of Directors of "INVESTMENT BANK OF GREECE S.A." and "LAIKI ATTALOS S.A", a subsidiary of "MARFIN EGNATIA BANK S.A", have approved of the merger through absorption of "LAIKI ATTALOS S.A" by "INVESTMENT BANK OF GREECE S.A.". The transformation date was scheduled for 31/12/2007. The above merger was approved by the K2/14014/28.11.2008 decision of the Prefecture of Athens. As a result of the merger and the exchange relation, the percentage of "MARFIN EGNATIA BANK S.A." in the equity of "INVESTMENT BANK OF GREECE S.A." increased from 92,04% to 92,19%.

The Credit and Related Financial Institutions Department (CRFID) Bank of Greece at its meeting numbered 270/21.10.2008 approved the Merger of the Bank with absorption of the company "LAIKI ATTALOS S.A".

The company's duration is determined at ninety nine (99) years and its purpose, according to its Articles of Incorporation, is the provision of all banking services targeted both for itself, as well as for third parties, and in terms of banking services that can be provided in accordance with applicable legislation on banking services. These services cover the whole spectrum of investment needs for modern businesses and individuals and include:

- Stock exchange Services in Athens Stock Exchange (ASE)
- Access to Foreign Markets
- Financial Analysis services
- Corporate Finance Advisory services
- Corporate Banking services

It should be noted that due to rounding efforts, some totals presented in the condensed financial statements might not appear exactly equal to totals presented in the financial statements, and this might also be the case for percentages.

Branches operating in Greece:

1. Central: 24B Kifissias Avenue, Maroussi, Attiki
2. Thessaloniki: 20 Mitropoleos St., Thessaloniki
3. Chios: 1 Varvaki and Argenti St., Chios
4. Agrinio: 10 Ilia Iliou St. Agrinio
5. Heraklion: 25<sup>th</sup> August Heraklion

## **2. Basis of preparation**

### **2.1. Compliance**

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (I.F.R.S), as they have been adopted by the European Union, including the amendments issued by the International Accounting Standards Board (I.A.S.B.).

The financial statements as of 31.12.2010 were approved by the Board of Directors on 28/03/2011 and are subject to final approval by the General Assembly of the Shareholders, and are available to investors at the Bank's offices (24B Kifissias Street, Maroussi), as well as via the internet at the Bank's website ([www.ibg.gr](http://www.ibg.gr)), and will be available for at least two years in accordance with article 2, paragraph 1 of Presidential Enactment N. 360/1985, and as this is in effect following the amendment of Law 3301/2004.

### **2.2. Basis of Presentation**

The financial statements are prepared in thousand Euro which is the reporting currency and are rounded to the nearest thousand, unless noticed otherwise in the Explanatory Notes. The financial statements are prepared on historic cost basis except for:

- Revaluations of available-for-sale securities,
- Revaluations of assets and liabilities that constitute part of trading securities,
- Revaluations of derivative financial instruments and
- Revaluations of investment property

### **2.3. Changes in accounting policies**

#### **(i) Changes in accounting policies within the year 2010**

The Bank has fully adopted all the IFRSs and Interpretations adopted by the European Union that shall be mandatory applied under the preparation of financial statements covering the year ended as at 31/12/2010. The following IFRS, amendments and new interpretations were implemented for the first time within the year 2010:

- **Annual improvements 2009**

During 2009, IASB issued the annual improvements to IFRS for 2009, a series of adjustments to 12 Standards, as a part of the annual improvement program. The annual improvement program of IASB aims to make necessary but not urgent adjustments to IFRSs and will not be a part of bigger revision program. The adjustments have effective date for annual periods beginning on or after January 1, 2010, and had no significant effect on the Bank.

**Furthermore, the following standards, amendments and interpretations are effective from January 1st 2010 but are not applicable to the Bank:**

- **Amendment to IFRS 1 “First-time Adoption of International Financial Reporting Standards” - Additional Exceptions for first time adopters**

The amendment provides guidance on the retrospective application of the IFRSs with reference to the measurement of financial assets in oil, natural gas and leasing sectors. The amendment is effective for annual periods starting on or after January 1, 2010. The amendment does not apply to the Bank’s operations.

- **Amendments to IFRS 2 “Share based Payments”**

The IASB has proceeded with the issue of an amendment to IFRS 2 concerned with the investment conditions of the fund and its cancellation. None of the current share-based payment schemes are affected by these amendments. The application of the amendments to IFRS 2 has no impact on the Bank’s accounting principles. The amendments to the IFRS are applicable to companies for annual period on or after 01/01/2010.

- **Adoption of revised IFRS 3: “Business Combinations” and revised IAS 27: “Consolidated financial Statements and Accounting for Investment in subsidiaries”**

The revised IFRS 3 introduces significant amendments for the application of the acquisition method for business combinations. Among other changes the standard introduces the possibility of non-controlling interests being measured at fair value. Furthermore, the revised standard requires that the acquirer of a subsidiary recognizes the assets acquired and liabilities assumed as a transaction with owners of the business and any difference should be recognized in equity. The amended IAS 27 requires that transactions leading to changes in participations in subsidiaries to be recognized in equity. Moreover, the amended standard changes the accounting treatment of losses incurred by a subsidiary in respect of the loss of control over Notes to the Consolidated Financial Statements of the subsidiary.

- **Amendment to IAS 39, “Financial instruments : Recognition and Measurement” : Instruments which qualify as hedging instruments**

IAS 39 amendment clarifies hedge accounting issues and specifically those related with inflation and on-sided risk of a hedging instrument. The application of the amendment has no impact on the Bank’s financial statements.

- **IFRIC 17 “Distributions of Non-cash Assets to Owners”**

When an entity announces distribution and has the obligation to distribute assets to its owners, it must recognize a liability for these payable dividends.

IFRIC 17 specifies the following issues: a dividend payable should be recognized when the dividend is appropriately approved and is no longer at the discretion of the entity; the company should measure the

dividend payable at the fair value of the net assets to be distributed; the company should recognize the difference between the dividend paid and the net assets book value distributed in profit or loss. This interpretation is not applicable to the Bank's operations.

- **IFRIC 18: «Transfers of assets from customers»**

This interpretation is particularly relevant for entities or organizations in the utility sector. IFRIC 18 clarifies the requirements of IFRS for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both). The Interpretation provides guidance on cases where the definition of an asset is met, as well as on the recognition and measurement of initial costs. It also provides guidance on how to identify the entity's obligation to provide one or more separately identifiable services in exchange for the transferred asset as well as how to recognise revenue and accounting for cash received by clients. This interpretation is not applicable to the Bank's operations.

**(ii) Standards, amendments and interpretations to already existing standards that are not yet effective or have not been adopted by the EU.**

Furthermore, the IASB has proceeded with the issue of the following new IFRSs, amendments and interpretations which are not mandatory for these financial statements.

- **IFRS 9: «Financial Instruments»**

The IASB is planning to fully replace IAS 39 «Financial Instruments: Recognition and Measurement» by the end of 2010, that will be put in force for annual financial periods starting at 01/01/2013. IFRS 9 constitutes the first stage of the ongoing project for the replacement of IAS 39. The main stages of the project are as follows:

1st stage: Recognition and and Measurement, 2nd stage: Impairment method, 3rd stage: Hedge accounting  
Furthermore, an additional stage concerns issues related with derecognition. IFRS 9 aims to reduce complexity in the accounting treatment of financial instruments by offering fewer categories of financial assets and a principle based on the approach for their classification. According to the new Standard, the entity classifies financial assets either at amortised cost or at fair value based on:

a) the entity's business model for managing financial assets, b) the characteristics of the contractual terms of the financial asset give rise on specified dates to cash flows (if it has decided not to appoint the financial asset at fair value through profit and loss).

The division of all financial assets into two categories - amortised cost and fair value - means that only one impairment model will be required in the context of the new standard, thus reducing complexity.

The effect of IFRS 9 implementation is evaluated by the company, since it is expected to affect the Equity and the results of the business model that the entity will select in order to manage its financial instruments. The standard has not been approved by the European Union yet.

- **Amendment to IFRS 1 “First-time Adoption of International Financial Reporting Standards” - limited exemption from Comparative IFRS 7 Disclosures for First-time adopters**

The current amendment provides limited exemptions to IFRS first time adopters from provision of comparative information pertaining to disclosures required by IFRS 7 «Financial Instruments: Disclosures». This amendment does not apply to the Bank. The amendment applies to annual accounting periods starting on or after July 1, 2010 and has been adopted by the European Union.

- **Amendment to IAS 24: “Related Party Disclosures”**

The aforementioned amendment clarifies the definition of related parties and reduces disclosures regarding related parties of the State. In particular, it rescinds the obligation of State entities to disclose details of all transactions with other State parties, it clarifies and simplifies the definition of a related party and endorses the disclosure not only of transactions and balances between related parties, but also undertakings, both in separate and consolidated statements. The aforementioned amendment has been endorsed by the European Union and has obligatory adoption from 01/01/2011. This amendment is not expected to have significant impact on the financial statements.

- **IFRIC 14 (Amendment)- «Prepayments of a Minimum Funding Requirement»**

The amendment has been issued to raise the limitations that an entity had on the recognition of an asset deriving from voluntary prepaid contributions for minimum funding requirements. The amendment is applicable for annual accounting period starting on or after 01/07/2011 and has been approved by the European Union. The amendment is not applicable to the Bank.

- **IFRIC 19: «Extinguishing Financial Liabilities with Equity Instruments»**

In compliance with Interpretation 19, if a debtor issues equity instruments to a creditor to extinguish all or part of a financial liability, those equity instruments are 'consideration paid' in accordance with IAS 39. Accordingly, the debtor should derecognize the financial liability fully or partly. The debtor should measure the equity instruments issued to the creditor at fair value, unless fair value is not reliably determinable, in which case the equity instruments issued are measured at the fair value of the liability extinguished. If only part of a liability is extinguished, the debtor must determine whether any part of the consideration paid relates to modification of the terms of the remaining liability. If it does, the debtor must allocate the fair value of the consideration paid between the liability extinguished and the liability retained. The debtor recognizes in profit or loss the difference between the carrying amount of the financial liability (or part) extinguished and the measurement of the equity instruments issued. When only part of the liability is extinguished, the debtor must determine whether the terms of the remaining debt have been substantially modified (taking into

account any portion of the consideration paid that was allocated to the remaining debt). If there has been a substantial modification, the debtor should account for an extinguishment of the old remaining liability and the recognition of a new liability.

The above Interpretation is applied to annual accounting periods starting on or after 1 July, 2010 and was approved by the EU.

- **IAS 32 - (Amendment) «Financial Instruments: «Presentation» - Classification of rights issues.**

The amendment revises the definition of financial liability of IAS 32 in order to classify options or rights on stocks as debt instruments. The amendment has been approved by the EU and is effective for periods beginning on or after February 1st 2010.

- **IAS 12 - (Amendment) «Income Tax»».**

The amendment introduces a practical guidance on the recovery of the carrying amount of assets held at fair value or adjusted in accordance with the requirements of IAS 40 "Investment Property". Under this amendment the future recovery of the carrying amount of such assets is presumed to be carried out through the future sale of the asset. The amendment is effective for annual periods beginning on or after 01/01/2012 and it will be examined whether its implementation will have an impact on the Bank's financial statements. This amendment has not been approved by the European Union.

- **Amendment to IFRS 1 «First-time Adoption of International Financial Reporting Standards» - Removal of Fixed Dates for First-time Adopters.**

The Amendment removes the use of fixed transition date (01 January 2004) and replaces it with the actual date of transition to IFRS. At the same time, it removes the requirements for derecognition of transactions that had taken place before the scheduled transition date. The amendment is effective for annual periods beginning on or after 01/07/2011, and the earlier application is permitted. The implementation of the amendment will have no effect on the Bank's financial statements. This amendment has not been approved by the European Union.

- **Amendment to IFRS 1 «First-time Adoption of International Financial Reporting Standards» - Severe Hyperinflation.**

The amendment proposes guidance on how an entity should resume presenting financial statements in accordance with International Financial Reporting Standards (IFRSs) after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The amendment is effective for annual periods beginning on or after 01/07/2011, and the earlier application permitted. The implementation of the amendment will not apply to the Bank. This amendment has not been approved by the European Union.

- **IFRS 7 «Financial Instruments: Disclosures — Amendments regarding enhanced derecognition disclosure requirements for transfer transactions of financial assets»**

The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendment is effective for annual periods beginning on or after 01/07/2011, and the earlier application permitted. This amendment has not been approved by the European Union.

- **Annual improvements to International Accounting Standards 2010**

In 2010, the IASB issued annual improvements to IFRSs 2010 - a series of adjustments to 7 standards - which is part of the program for annual improvements to the Standards. This is the series of amendments issued under the annual improvements process, which is designed to make necessary, but non-urgent, amendments to IFRSs and will not be part of a larger revision project. Most improvements are effective for annual periods beginning on or after 01/01/2011, and earlier application is permitted. Annual improvements have not been adopted by the European Union.

Based on the existing Bank structure and accounting policies followed, the Management does not expect material effects on the financial statements of the Bank arising from the implementation of the aforementioned Standards and Interpretations as they become effective.

#### **2.4. Estimates**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Bank's accounting policies. Such policies might affect the balances of Assets and Liabilities, as well as Income and Expense. Actual results might differ from assessments.

Judgments and similar affairs are based on past experience and other factors that are considered reasonable in present circumstance. The outcome of all the above mentioned factors constitutes the basis for decision making on accounting values in assets and liabilities which cannot be traceable otherwise.

Such judgments and assessments are revised constantly. Divergence from accounting estimates affects only the revision period and future periods, if the revision is aimed at present and future accounting periods..

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

### **3. Basic Accounting Policies**

The basic accounting principles adopted for the preparation of the financial statements are as follows:

#### **3.1. Subsidiaries**

The Bank is not listed in the Athens Stock Exchange and constitutes a subsidiary of "MARFIN EGNATIA BANK with a shareholding of 95,80% of the voting rights". In accordance with IAS 27 "Consolidated and Separate Financial Statements", it is exempted from the preparation of consolidated financial statements since both the Bank's financial statements and those of its subsidiaries are consolidated under full consolidation method in the financial statements of "MARFIN EGNATIA BANK, that prepares its financial statements in accordance with the IFRS framework, and which are available to the general public.

Subsidiaries are accounted for at acquisition cost less any impairment losses where these have been deemed necessary.

#### **3.2. Foreign currency transactions**

Transactions in foreign currencies are translated to Euro, the Bank's reporting currency, at the foreign exchange rate outstanding on the dates of these transactions.

Monetary assets and liabilities denominated in foreign currencies, at the reporting date are translated to euro at the foreign exchange rate outstanding at that date. Foreign exchange differences arising on translation are recognized in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to Euro using the exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at foreign exchange rates outstanding at the dates the fair value was determined.

#### **3.3. Investments in financial instruments**

##### **(a) Classification**

*Financial Instruments 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 at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by Management. These include derivative contracts that are not designated and effective hedging instruments.

*Loans and receivables* are loans and receivables created by the Bank providing money to a debtor other than those created with the intention of short-term profit taking.

*Held-to-maturity assets* are financial assets with fixed or determinable payments and fixed maturity that the Group has the intent and ability to hold to maturity.

*Available-for-sale assets* are financial assets that are not held for trading purposes, loans and receivables, or held to maturity. Available-for-sale include certain debt and equity investments.

**(b) Recognition**

The Bank recognizes financial assets held for trading, available-for-sale and held-to maturity, on the date it is committed to purchase the assets. From this date any gains and losses arising from changes in fair value of the assets are recognized. Loans and receivables are recognized when cash is advanced to the borrowers.

**(c) Measurement**

Financial instruments are measured initially at fair value, plus transaction costs, for all financial assets not carried at fair value through profit or loss.

After initial recognition, all trading instruments and available-for-sale assets are measured at fair value, apart from instruments that lack a quoted market price in an active market, and whose fair value cannot be reliably measured, which are stated at cost, including transaction costs, and less impairment losses incurred.

All non-trading financial liabilities, loans and receivables, as well as held-to-maturity assets, are measured at amortized cost less impairment losses. Amortized cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and are amortized based on the effective interest rate of the instrument.

**(d) Fair Value Measurement**

The fair value of financial instruments is based on their quoted market price, at the reporting date, without deductions on transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using valuation models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on Management's best estimate, while the discount rate is a market related rate, at the reporting date, for an instrument with similar terms and conditions. When valuation models are used, inputs are based on market related prices at the reporting date.

The fair value of derivatives that are not exchange-traded is estimated as the amount that the Bank would receive or pay to dissolve the contract at the reporting date, taking into account current market conditions, and current creditworthiness (credit capability) of the counter-parties.

**(e) Gains and losses on subsequent measurement**

TGains and losses arising from a change in the fair value of available-for-sale assets are recognized directly in other comprehensive income. When the financial assets are sold, collected, or otherwise disposed of, the cumulative gain or loss recognized in other comprehensive income is transferred to the income statement.

Gains and losses arising from a change in the fair value of instruments at fair value through profit or loss, are also recognized in the income statement.

**(f) Derecognition**

A financial instrument is derecognized when the Bank loses control on contractual rights that comprise the financial instrument. This occurs when the rights are realized, have expired, or surrendered. A financial liability is derecognized when it is extinguished.

**3.4. Hedge accounting**

When there is a hedging relationship between a derivative instrument and a related item being hedged, the hedging instrument is measured at fair value. The treatment of any resultant gains and losses is set out below:

A hedging relationship exists when:

- at the inception of the hedge there is formal documentation of the hedge.
- the hedge is expected to be highly effective.
- the effectiveness of the hedge can be reliably measured.
- the hedge is quite affective during the referring period, and
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately effect net profit or loss

The fair value of derivative hedging instruments is calculated in the same way as the fair value of trading instruments (see accounting principle 3.3d).

When a derivative financial instrument hedges the exposures to changes in the fair value of a recognized asset or liability, the hedged item is at fair value in respect of the risk being hedged. These amounts are included in gains less losses from non-trading instrument "income from financial instruments designated at fair value through profit or loss".

When a derivative financial instrument hedges the exposure to variability in the cash flow of recognized assets or liabilities, or anticipated transactions, or firm commitments, the effective part of any gain or loss on revaluation of the hedging instrument is recognized directly in other comprehensive income. The ineffective part of any gain or loss is recognized in the income statement.

**3.5. Sale and repurchase agreements**

The Bank enters into agreements to purchase (sales) of investments and resell (repurchases) substantially the identical investments at a certain date in the future, and at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognized. The amounts paid are recognized in loans and advances to either banks, or customers. The receivables are shown as collateralized by the underlying security. Investments sold under repurchase agreements continue to be recognized in the statement of financial position and are measured in accordance with the accounting policy for either assets held for trading, or available-for-sale as appropriate. The proceeds from the sale of these investments are reported as liabilities to either banks or customers.

The difference between the sale and repurchase consideration is recognized on an accrual basis over the period of the transaction and is included in interest.

**3.6. Property, plant and equipment**

Property, plant and equipment are stated at cost or deemed cost less accumulated depreciation, and accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of property, plant and equipment. Land is not depreciated. The estimated useful live for property, plant and equipment is calculated as follows:

- Buildings 30 – 50 years
- Equipment 4 – 7 years
- Motor cars 9 – 10 years

Leasehold improvements are depreciated over the useful life of the improvement, or the duration of the lease whichever is the lower.

The asset's useful life is reviewed and adjusted, if appropriate, at each reporting date.

Property, plant and equipment are reviewed for impairment whenever events, or changes in circumstance, indicate that the carrying amount at cost might not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell, and "value in use".

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

**3.7. Investment property**

Investment property is property held by the Bank either to earn rental income, or for capital appreciation. The Bank records investment property at fair value as determined by an independent valuation company with an appropriate recognised professional qualification. Some of these assets are leased, but the lease contract would be signed prior to its acquisition by the Bank. Initially, investment property is recorded at cost including acquisition expenses. Any gain or loss arising from a change in fair value is recognised in profit or loss.

**3.8. Intangible Assets**

Intangible assets consist of software that has been acquired by the Bank and stated at cost, less any accumulated amortization and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of software, which is between 1 and 5 years.

**3.9. Cash and Cash equivalents**

Cash and cash equivalents consist of monetary assets with an original maturity of three months or less, such as cash balances, unrestricted balances held at Central Bank, and amounts due from financial institutions. Cash and cash equivalents are recognised at amortized cost.

**3.10. Impairment of Financial Assets****(a) Assets carried at amortised cost**

The Bank assesses at each reporting date whether there is substantial evidence that a financial asset, or group of financial assets, is impaired. A financial asset, or group of financial assets, is impaired, and impairment losses are incurred, only when there is substantial evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event'), and such a loss event (or events) does have 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 include observable data that come to the attention of the Bank about the following loss events:

- i. Significant financial difficulty of the issuer or obligator.
- ii. A breach of contract, such as a default, or delinquency in interest or in principal payments.
- iii. The Bank granting the borrower, due to economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would otherwise not consider.
- iv. The strong probability that the borrower will enter into bankruptcy or another financial reorganization.
- v. Lack of existence of an active market for that financial asset due to financial difficulty, or.
- vi. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets, after initial recognition of these assets, although this decrease cannot yet be identified within the individual financial assets of a 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.

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

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

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that might 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 Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group of 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 Bank to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectable, 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.

#### **(b) Assets carried at fair value**

The Bank assesses at each reporting date whether there is substantial evidence that a financial asset or group of financial assets is impaired. 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 other comprehensive income 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.

### **3.11. Financial Liabilities**

Financial liabilities are stated at amortised cost which occurs using the effective interest method. Deposits from banks and deposits from customers are classified in this category.

### **3.12. Financial guarantee contracts**

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Commission from financial guarantee contracts is initially recognized as liability (at fair value) and they are taken to the income statement gradually during the contract's duration.

Subsequent to initial recognition, the Bank'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 reporting date.

Financial guarantee contracts are included in the entry "Other liabilities".

### **3.13. Employee benefits**

**Short-term benefits:** Short-term benefits to personnel (except for termination of employment benefits) in cash and other form are recognised as expense when considered accrued. Any unpaid amount is recognised as a liability, whereas in case the amount already paid exceeds the benefits' amount, where the Bank identifies the excessive amount as an asset (prepaid expense) only to the extent that the prepayment shall lead to a future payments' reduction or refund.

**Retirement Benefits:** Benefits following termination of employment include lump-sum severance grants, pensions and other benefits paid to employees after termination of employment in exchange for their service. The Bank's liabilities for retirement benefits cover both defined contribution schemes, and defined benefit plans.

#### *i) Defined contribution plan*

For defined contribution plans, the Bank pays contributions to publicly administered pension insurance funds (i.e. Social Security Foundation) and, therefore, has no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to pension obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such they are included in line 'staff costs' in the Income Statement.

*ii) Defined benefit plan*

The Bank's defined benefit plan refers to the legal commitment to pay lump-sum severance grant, pursuant to L.2112/1920. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service, and compensation. The liability recognized in the statement of financial position for defined benefit plans is the present value of the liability for the defined benefit less the plan assets' fair value (reserve from payments to an insurance company), the changes deriving from any actuarial profit or loss and the service cost. The defined benefit commitment is calculated on an annual basis by an independent actuary with the use of the projected unit credit method. The present value of the liability which incurs from the defined benefit plan is calculated by discounting the future cash outflows with the long-term Greek bonds' rate.

Actuarial profits and losses form part of the Bank's commitment to grant the benefit and of the expense which shall be recognized in the income statement. The adjustments' outcome based on historical data, if below or above a 10% accumulated liability margin, is recognized in the income statement within the expected insurance period of the plan's participants. The service cost is directly recognized in the income statement except for the case where plan's changes depend on employees' remaining years of service. In such a case, the service cost is recognized in the income statement using the fixed method during the maturity period.

**Employment Termination Benefits:** Benefits due to employment termination are paid when employees step down prior to the retirement date. The Bank recognizes these benefits upon committing itself that it terminate employees' employment according to a detailed plan for which there is no withdrawal possibility.

**Remuneration based on Equity Instruments:** The Bank, through its Parent Company, Marfin Popular Bank, grants the personnel with stock options for the acquisition of Parent Company shares. These benefits are settled by issuing new shares from the Parent Company, on the condition that the employee fulfils certain vesting conditions linked to his/her performance and exercises his/her options.

Services rendered by employees are measured according to the fair value of the options granted on the grant date. Option fair value is calculated by using a widely accepted option-pricing model and taking into account the share's closing price on grant date. Options' fair value, following their issue, is readjusted in case there is a modification in the plan favorable for employees. Employees' services residual value is recognized as an expense in the income statement by equal credit amount in equity, in the share premium account. The relative amount is divided throughout the vesting period and is calculated on the basis of the number of options set to vest in each year.

During the exercise of stock options, the net collected amount (after subtracting direct costs) is recognized in share capital (new shares nominal value) and in share premium (difference between the stock option exercise price and the share's nominal value).

### **3.14. Provisions**

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when reliable estimates of the amount of the obligation can be drawn. If the effect is significant, provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the obligation.

### **3.15. Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts, and when there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Offsetting income and expense is allowed only if they are part of the same entry.

### **3.16. Leased Agreements**

**Bank undertaking as the Lessee:** Leases of fixed assets where all the risks and rewards related to the ownership of an asset are transferred to the Bank, irrespective of whether the title of the asset is finally transferred or not, are classified as finance leases. Such leases are capitalized at inception of the lease at the lowest between the fair value of the fixed 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 fixed rate on the remaining financial liability. The corresponding rental obligations, net of finance charges, are included in liabilities. The part of the finance charge related to financial leases is recognized in the income statement over the lease term. The fixed assets acquired under finance leases are depreciated over the shortest between the useful life of the fixed assets or the lease term thereof

Leases where the lessor transfers the right to use an asset for an agreed period of time, without transferring the risks and rewards of ownership thereof, are classified as operating leases. Payments made under operating leases (net of any incentives offered by the lessor) are recognized in the income statement proportionally over the lease term.

**Bank undertaking as the Lessor:** When assets are leased out under a capital lease, the present value of the lease payments is recognized as a claim. The difference between the gross amount of the claim and the present value of the claim is recognized as unearned financial income. Lease income is recognized in the income statement, over the lease term, using net investment method, which reflects a constant periodic rate of return.

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their anticipated useful lives on a basis consistent with similar owned property. Rental income (net of any incentives offered to lessees) is recognized using the straight-line method over the lease term.

**3.17. Interest income and expense**

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

Once a financial asset or 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.

**3.18. Fees and commissions**

Fee and commission income is recognized on an accrual basis when the relevant service has been provided unless they influence the effective interest rate.

**3.19. Net trading income**

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes of trading financial assets and liabilities.

**3.20. Dividend income**

Dividend income is recognised in the income statement, when the right to receive income is established.

**3.21. Income Tax and Deferred Tax**

The income tax charge involves current taxes, deferred ones, and the differences of preceding financial years' tax audit.

Income tax is recognized in the financial year's income statement, except for tax on transactions recognized in other comprehensive income, in which case it is recognized accordingly in other comprehensive income. To assess the annual tax charge, all the required adjustments on the accounting result are taken into account in order to establish the final taxable income.

The current income taxes include short-term liabilities, or claims vis-à-vis fiscal authorities pertaining to payable taxes on the year's taxable income, and all additional income taxes regarding previous financial years. Current taxes are measured on the basis of tax rates and fiscal regulations in force during the corresponding financial years, based on the yearly taxable profit.

Deferred taxes are taxes or tax relieves from the financial encumbrances or benefits of the financial year in question, which have been allocated, or shall be allocated to different financial years by tax authorities. Deferred income tax is established by using the liability method which is determined by the temporary

differences arising between the tax bases of assets and liabilities, and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be in force during the period when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted up to the reporting date. In case it is not possible to clearly determine the time needed to invert the temporary differences, the tax rate to be applied is the one in force on the financial year after the reporting date.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Most of the changes in deferred tax assets or liabilities are identified as part of tax charges in the income statement.

Tax audit differences regard additional income taxes and additional charges on behalf of the fiscal authorities due to the Bank's taxable income redenomination in the framework of the ordinary or extraordinary tax audit.

### **3.22. Share Capital**

#### **(a) Incremental costs of share capital increase**

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

#### **(b) Dividend**

Dividend distribution on ordinary shares is recognised as a deduction in the Bank's equity and is approved by its shareholders.

### **3.23. Segment reporting**

A segment is a distinguishable component of the Bank that is engaged in providing products or services within a particular economic environment and is vulnerable to risks and attributions dissimilar to other segments. The definition of business and geographical segments is based on the risks and returns which relate to the services and products provided by each segment of the Bank. The Bank operates mainly in Greece. Its network comprises of 5 branches. Its income is attributable to its operations in Greece.

#### **4. Critical accounting estimates and judgements**

The preparation of financial statements in accordance with the I.F.R.S. requires estimates and assumptions to be drawn by Management during the implementation of the Bank's accounting policies.

The following areas are affected by Management's estimates and assumptions:

##### *(1) Classification of Financial Instruments*

The Bank's accounting policies require classification upon initial recognition of financial assets and liabilities in the following categories:

- *Financial instruments held to maturity.* Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's Management has the positive intention and ability to hold to maturity.
- *Financial instruments held for trading.* This category consists of investments and derivatives which are held for achieving profits in the near term.
- *Financial assets and liabilities at fair value through profit or loss.* The classification of an investment in this category depends on the way Management estimates its profitability and risk. This category also comprises of certain investments, such as equity investments, that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and which are reported to key management personnel.

##### *(2) Hedge Accounting*

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

##### *(3) Impairment of available for sale financial assets*

The Bank follows the IAS 39 guidance to determine whether the value of an investment is impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is substantial evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

In the following part the segments in which estimates and assumptions by Management have a significant effect are assessed:

*(1) Credit risk provisions*

The financial assets measured at amortised cost are subject to impairment testing on each reporting date, according to section 3.10. For claims examined on a case by case basis impairment test is based on Management's assessment for the present value of cash flows set to inflow from the loan servicing by the debtor and from any cover liquidation. Calculating these cash flows, Management makes assessments on the counter-party's financial position, on the possibility of a settlement and on the net value of any guarantees. With regard to loans monitored on a collective basis, the necessary provision depends on assessments regarding each loan group credit risk, the market's economic factors, and the inherent portfolio risks. The parameters required are defined based on historical data and present economic conditions. Provisions' accuracy is determined by how well future cash flows of specific counterparties have been estimated and how well all hypotheses and parameters have been used to define all provisions.

*(2) Estimates on fair value of Financial Instruments*

Financial assets and liabilities fair value calculation for which there are no published market prices requires the use of particular measurement techniques. Fair value calculation calls for various kinds of assessments. The most important ones involve assessment of various risks an instrument is subject to, such as business risk, liquidity risk etc., and businesses profitability future perspectives assessment in case of equity instrument measurement.

*(3) Income tax*

The Bank is subject to income tax in various jurisdictions due to its operations. In order to establish the current and deferred tax, as presented in the statement of financial position, significant assumptions are required. For specific transactions and calculations the ultimate tax determination is uncertain. The Bank recognises liabilities for anticipated tax 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.

*(4) Defined Benefit Plans*

The present value of liabilities for defined benefit plans is determined based on actuarial valuation using certain assumptions. The principal assumptions used to determine net cost for retirement benefits are disclosed in Note 28. Under the Bank's accounting policy, any changes in assumptions affect the amount of unrecognized actuarial gain or loss.

## **5. Financial risk management**

As all the other credit institutions, the Bank is exposed to risks. Those risks are constantly monitored in various ways in order to avoid excessive risk concentrations. The nature of the aforementioned risks as well as the way of managing risks is explained below. Also, further information is presented on the description of the extent and the nature of financial risks the Bank is faced with and corresponding comparative data concerning the prior period.

Responsibilities for risk management are assigned to the Risk Management Division of the parent company "MARFIN EGNATIA BANK", which has the necessary expertise and staffing for effective monitoring.

### **5.1. Credit Risk**

Credit risk is the risk of loss resulting from counter party default. The Bank considers credit risk for loans as a loss that the Bank would suffer if a client or counter party failed to meet their contractual obligations. Credit risk management is focused on maintaining a certain disciplined mentality, transparency, and conscious risk undertaking based on internationally recognized practices.

#### **Credit Risk Management**

Credit risk methodology is defined in order to reflect the economic environment. Various methods that are used, are annually, or whenever considered necessary, revised and adjusted in compliance with the Bank's strategy as well as with its short term and longer term objectives.

Various segment and domicile analyses of economies, in conjunction with economic provisions provide guidance for the determination of the credit policy, which is revised at least every six months.

The Bank has established credit limits based on the creditworthiness of the counter party in order to minimize the credit risk that it undertakes. Creditworthiness analysis for each client is based on the country of domicile, the business sector, as well as, certain qualitative and quantitative characteristics of the client, the nature of the transaction, and the collateral supplied.

Simultaneously, during the credit process, limits for credit facilitation have been defined, and duties have been segregated in order to ensure objectivity, independence and control over new and existing credits.

During the credit approval procedure, the total credit risk of every counterparty, or group of counterparties is examined, and all risks are then related to one another, so that the establishment of credit limits approved by various subsidiaries of the Bank can be established.

The monitoring of credibility of counterparts as well as credit openings in combination with the corresponding limits that have been approved is carried out on a systematic basis.

Simultaneously, any concentration is analyzed and monitored on a constant basis, with main objective, the limitation of the contingent bid openings and dangerous concentrations, so that they comply with the approved limitations of the credit policy in force. Credit risk concentration can be established on the basis of the economy sector, counterparty or group of counterparties, country, currency, the nature of the transaction, and supplied collateral. In particular, as far as retail clients are concerned, the systematic monitoring of the

credit performance is carried out with the assistance of specific analyses, such as, vintage analysis and flow rate analysis.

Balancing the relation between profit and risk is a matter of vital importance to the Bank's profitability. The aforementioned relation is analyzed at customer and product levels through a system of profitability measurement, and pricing definition, that has been developed with main aim the interrelation of the incurred risk with expected returns.

Simultaneously, within the framework of credit risk management policy, the effect from extreme but feasible scenarios on the quality of credit and available funds is evaluated, through the conduct of stress testing.

### **Credit rating system**

The methods for evaluating credibility are modified depending on the nature of the counterparty in the following categories: central governments (for purchase and holding of debt instruments), financial institutions, corporate customers, small and medium sized entities (SMEs) and retail customers.

As far as evaluation of central governments and financial institutions is concerned, it is analyzed below under «Counter party banks risk» and «Country risk».

Retail customers are evaluated based on two different systems of credit rating. The first system (behavioral credit scoring) is concerned with the evaluation of payment performance and the Bank's relationship with current customers, while the second system (application credit scoring) is concerned with qualitative and financial information of customers (income, assets).

As far as the assessment of large, small and medium sized entities is concerned, an extended system of risk classification is applied. The first part concerns the classification of the creditworthiness of the business with reference to a ten-scaled rating system based on quantitative and qualitative analysis, thus defining the possibility of the business not meeting its contractual obligations. The significance of the relative criteria varies in conjunction with the nature and size of the operations conducted by the business. In order to assess large sized entities Moody's Risk Advisor credit rating system is used in addition.

The second part of assessment of large, small and medium sized entities is concerned with transaction risks assessment with the use of a ten-scaled independent system for assessing the quality and the sufficiency of collaterals, thus defining the expected loss in case the counterparty fails to meet its contractual obligations.

The degree of creditworthiness for a client is used in conjunction with the degree of sufficiency of collaterals (i.e. unsecured risk) during the credit approval stage, as well as, for defining the corresponding limitations. In particular, the allocation of the degree of creditworthiness of the business portfolio is systematically monitored for the purposes of the internal calculation of possible failure to meet contractual obligations, as well as, of timely diagnosis of unfavorable displacements in the various degrees of quality/risk of the portfolio, aimed at the development of the proper strategy for hedging incurred risks.

**Loans and advances to customers credit rating**

The table below presents the amounts of loans and advances to customers, as well as, provisions for loans impairment in every category of the Bank's credit rating.

	31 <sup>st</sup> December 2010		31 <sup>st</sup> December 2009	
	Loans and advances to customers %	Allowance doubtful debts %	Loans and advances to customers %	Allowance doubtful debts %
Credit rating category:				
Low risk	15,00%		24,31%	
Medium risk	67,47%	0,00%	66,20%	0,06%
High risk	17,53%	24,36%	9,49%	36,24%
<b>Total</b>	<b>100,00%</b>	<b>4,27%</b>	<b>100,00%</b>	<b>3,48%</b>

**Maximum exposure to credit risk prior to calculation of collaterals and other credit risk protection measures**

The table below presents the maximum exposure of the Bank to credit risk arising from financial instruments as presented in the statement of financial position without taking into consideration collaterals or other credit risk revisions produced. As far as financial instruments presented in the statement of financial position are concerned, exposure to credit risk equals to their carrying amount.

<i>Amounts in Euro '000</i>	Maximum exposure	
	2010	2009
<b>Credit risk exposures relating to on-statement of financial position items:</b>		
Loans and advances to banks	72.449	313.443
Derivative financial instruments		
Derivative financial instruments - assets	11	72
<b>Loans and advances to customers:</b>		
Loans to individuals	29.028	39.911
<b>Loans to corporate entities:</b>		
Large corporate customers	300.448	275.118
Small and medium size enterprises (SMEs)	79.914	83.808
Other assets	17.567	10.391
<b>Total on-balance sheet assets</b>	<b>499.417</b>	<b>722.743</b>
<b>Credit risk exposures relating to off-statement of financial position items:</b>		
Financial guarantees	2.608	2.210
<b>Total</b>	<b>502.025</b>	<b>724.953</b>

**Loans and advances**

The table below presents the nature of the loans and advances of the Bank.

<i>Ποσα σε Ευρώ '000</i>	<b>31<sup>st</sup> December 2010</b>		<b>31<sup>st</sup> December 2009</b>	
	<b>Loans and advances to customers</b>	<b>Loans and advances to banks</b>	<b>Loans and advances to customers</b>	<b>Loans and advances to banks</b>
Loans and advances neither past due nor impaired (a)	336.487	72.449	348.175	313.443
Loans and advances past due but not impaired (b)	63.699		49.761	
Loans and advances individually impaired (c)	27.474		15.290	
<b>Loans before allowance</b>	<b>427.660</b>	<b>72.449</b>	<b>413.226</b>	<b>313.443</b>
Allowance for doubtful debts	-18.270		-14.389	
<b>Loans after allowance</b>	<b>409.390</b>	<b>72.449</b>	<b>398.837</b>	<b>313.443</b>

**(a) Loans and advances neither past due nor impaired**

The table below presents the loans of the Bank neither past due nor impaired for every category of the internal credit rating system.

	<b>Individuals</b>	<b>Loans and advances to customers</b>		<b>Total</b>	<b>Loans and advances to banks</b>
		<b>Corporate entities</b>	<b>Small and medium size enterprises (SMEs)</b>		
		<b>Large corporate customers</b>			
<i>Amounts in Euro '000</i>					
<b>2010</b>					
Credit rating category:					
Low risk	212	56.781	7.142	<b>64.136</b>	72.449
Medium risk	22.200	180.545	68.918	<b>271.664</b>	
High risk	220	468		<b>688</b>	
<b>Total</b>	<b>22.632</b>	<b>237.795</b>	<b>76.060</b>	<b>336.487</b>	<b>72.449</b>
<b>2009</b>					
Credit rating category:					
Low risk	249	92.775	7.450	<b>100.474</b>	313.443
Medium risk	38.717	135.839	72.429	<b>246.985</b>	
High risk	195	521		<b>716</b>	
<b>Total</b>	<b>39.161</b>	<b>229.135</b>	<b>79.879</b>	<b>348.175</b>	<b>313.443</b>

**(b) Loans and advances past due but not impaired**

The table below presents the analysis of time delay for loans that were past due but not impaired as at the reporting date, per category, as well as the estimated fair value of collaterals received.

<b>Loans and advances to customers</b>				
<b>Corporate entities</b>				
	<b>Individuals</b>	<b>Large corporate customers</b>	<b>Small and medium size enterprises (SMEs)</b>	<b>Total</b>
<i>Amounts in Euro '000</i>				
<b>2010</b>				
Past due up to 30 days	6.396	51.895		<b>58.291</b>
Past due 31- 60 days		71	206	<b>277</b>
Past due 61 - 90 days		1.483	3.648	<b>5.131</b>
<b>Total</b>	<b>6.396</b>	<b>53.449</b>	<b>3.854</b>	<b>63.699</b>
<b>Fair value of collateral</b>	<b>6.112</b>	<b>10.726</b>	<b>33</b>	<b>16.871</b>
<b>2009</b>				
Past due up to 30 days	750	38.035	3.929	<b>42.714</b>
Past due 31- 60 days		6.795		<b>6.795</b>
Past due 61 - 90 days		252		<b>252</b>
<b>Total</b>	<b>750</b>	<b>45.082</b>	<b>3.929</b>	<b>49.761</b>
<b>Fair value of collateral</b>	<b>672</b>	<b>22.739</b>	<b>3.143</b>	<b>26.554</b>

**(c) Impaired loans and advances**

The table below presents impaired loans and advances where estimation of impairment was made on individual basis, as well as the estimated fair value of collaterals per category. The loans included in this table present a delay of over 90 days and are classified as unsettled.

<b>Loans and advances to customers</b>				
<b>Corporate entities</b>				
	<b>Individuals</b>	<b>Large corporate customers</b>	<b>Small and medium size enterprises (SMEs)</b>	<b>Total</b>
<i>Amounts in Euro '000</i>				
<b>2010</b>				
Individually impaired loans	7.691	19.783		<b>27.474</b>
Fair value of collateral		5.654		<b>5.654</b>
<b>2009</b>				
Individually impaired loans	7.727	7.563		<b>15.290</b>
Fair value of collateral		901		<b>901</b>

**Counter party banks risk**

The Bank is exposed to the risk of capital losses due to contingent delayed payments of outstanding and contingent obligations of counterparty banks.

On a day-to-day basis of its operations, the Bank conducts transactions with other banks and credit institutions. While conducting such transactions, the Bank is exposed to the risk of capital loss in case counterparty banks delay the payment of their outstanding or contingent obligations.

The limits of counterparty banks reflect the accepted risk level and are further divided into Foreign Exchange Services, Foreign Exchange Available, or other services that are faced with the aforementioned risk, and with reference to the needs and the size of operations of each service. Generally, the highest possible limits are defined following evaluation models of the banks and the directions demonstrated by supervising authorities.

Counter risk assessment is conducted using a special banks' and other credit institutions' assessment model (Scoring Model). The model assesses each counterparty with reference to economic quantitative, as well as, qualitative criteria. As far as quantitative criteria are concerned (capital adequacy, profitability, liquidity, etc), the banks and credit institutions are assessed based on various ratios which are automatically provided from the Bankscope software system. The qualitative criteria (previous positive transactions record, management's assessment, etc) are provided with reference to the judgment of risk management.

The credit limit for each counter party is split into sub limits, thus covering placements, investments, foreign currency acquisitions, as well as, defined trade limits. The actual data are examined against the limits in an everyday basis and in real time.

**Country risk**

The Bank is exposed to country risk of capital loss due to international and political developments, as well as, other developments in a particular country where the funds or cash and cash available of the Bank have been placed or invested in various local banks and credit institutions.

All countries are assessed with reference to size, economic data, and the country's prospects, as well as, the credibility degree by international appraisal organizations (Moody's, Standard & Poor's). Actual data per country are examined against limits on a day-by-day basis. The limits are revised at least once in a year while the countries with the smaller size and lower solvency ratio are assessed and analysed more frequently and whenever this is deemed necessary.

**5.2. Market risk**

Market risk is the risk of the occurrence of possible losses caused by the fluctuation and volatility of market prices, such as share prices, interest rate and foreign exchange rate fluctuations, etc.

The Bank operates mainly in the trading sector and holds open positions in various financial products and, therefore, is exposed to market risks, foreign currency risks (FX trading book), as well as fluctuation risks on the value of shares and other securities (Equities/Equity and Index Derivatives book), listed, mainly, on ASE.

The Risk Management Committee (RMC), which is a body responsible for the definition of the market risk management policy, has approved of the procedures of market risk management and has defined the

corresponding limits of incurrence of the aforementioned risk per product and portfolio. The limits in question are monitored systematically, examined and revised annually, and modified in compliance with the Bank's strategy and current market conditions.

RMC is also responsible for approving the corresponding limits for counterparty risks, Issuer, and country following the relevant suggestion made by the Market Risk Management unit (MRM) and based on internal or/and external economic analyses.

Measurement, control and monitoring of market risk is conducted by MRM unit on a daily basis for all parts in the portfolio and for the Bank as a whole. Measurements are conducted using IT systems applying modern methodologies and market risk measurement techniques such as Value At Risk – VAR or Sensitivity Factors. The assessment of VAR defines the biggest possible portfolio loss with a confidence level of 99% and a one day of hold period, without taking into consideration variations in prices that are due to unusual economic reasons and violent events. The VAR module of calculation of the biggest possible loss incurred is based on variance-covariance methodology, and covers both the trading and available-for-sale portfolio of the companies of the Bank. Market risk, in terms of VaR, for the aforementioned positions as at 31 December 2010, amounted to 0,0103 million Euro as analyzed in the table below.

	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Currency risk	€ 0,0068 mil.	€ 0,02 mil.
Interest rate risk of bond portfolio	N/A	N/A
Market risk of Stock Exchange Products portfolio	€ 0,0093 mil.	€ 0,30 mil.
<b>Net Market Risk</b>	<b>€ 0,0103 mil.</b>	<b>€ 0,32 mil.</b>

Apart from the aforementioned measurements, the market risk of portfolios is monitored by a range of additional limits such as the highest opening position limit for every product, and stop-loss limits for every portfolio.

Finally, at regular intervals and definitely at the end of every year, measurements of various scenarios similar to those of critical situations affecting market risk are conducted, in order to achieve, primarily, more effective management of the aforementioned risk, as well as, to keep Management and the other supervisory bodies informed. Results from measurements conducted are then presented separately for every risk involved.

### **5.3. Interest Rate Risk**

Interest rate risk is the investment risk faced by the Bank that arises from changes in market interest rates. Interest rate risk arises from interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in different amounts.

The Bank mainly applies the method of Static Repricing Gap in order to estimate exposure to interest rate risk of transactions' portfolio and the bank's portfolio. The Static Repricing Gap method is used in order to estimate the sensitivity level of all current assets and liabilities of the bank and the companies of the Group (on Statement of Financial Position and off Statement of Financial Position items).

The method in question separates products by maturity (fixed) or next repricing (floating) and calculates the gap each period as well as measures sensitivity, thus calculating the interest rate opening, the balance between the assets and liabilities for each period.

Various financial derivative products are used for hedging of interest rate risk that is contingent to arise from the statement of financial position management. In particular, the use of interest rate swaps in order to hedge cash flows of future interests arising from long term loans and/or deposits is utilized.

It is to be noted that the particular limits that pertain to interest rate risk are systematically monitored and revised at least annually, while these are readjusted according to the Bank's strategy, as well as, existing market conditions and after approval by the relevant authorities.

The Tables below present the Bank's exposure to interest rate risk. The Tables present assets and liabilities of the Bank at their carrying amounts classified according to interest rate revaluation date, for fluctuating interest rates, or maturity date, for fixed interest rates.

### Interest Rate Risk

	Up to 1 month	1-3 months	3-12 months	1-2 years	2-5 years	Over 5 years	Non- interest bearing	Total
<i>Amounts in Euro '000</i>								
<b>At 31<sup>st</sup> December 2010</b>								
<b>Assets</b>								
Cash and balances with Central Bank	3.447						337	3.784
Loans and advances to credit institutions	72.153	296						72.449
Trading portfolio and other financial instruments at fair value through P&L							13.151	13.151
Loans and advances to customers	256.710	127.691	24.990					409.391
Investment portfolio							212	212
Other assets							76.687	76.687
<b>Total assets</b>	<b>332.310</b>	<b>127.987</b>	<b>24.990</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>90.388</b>	<b>575.676</b>
<b>Liabilities</b>								
Due to credit institutions	174.069							174.069
Due to customers	92.254	9.735	3.742					105.731
Other liabilities							32.080	32.080
<b>Total liabilities</b>	<b>266.323</b>	<b>9.735</b>	<b>3.742</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32.080</b>	<b>311.881</b>
<b>Total interest sensitivity gap</b>	<b>65.987</b>	<b>118.252</b>	<b>21.248</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>58.308</b>	<b>263.795</b>
<b>At 31<sup>st</sup> December 2009</b>								
Total assets	523.075	162.368	31.171				109.908	826.522
Total liabilities	429.932	98.287	7.340				31.024	566.583
<b>Total interest sensitivity gap</b>	<b>93.143</b>	<b>64.081</b>	<b>23.831</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>78.884</b>	<b>259.939</b>

Furthermore, the Bank, in the process of measuring interest rate risk assessment, estimates the negative effect on the annual interest rate results from a parallel change in the interest rate fluctuation of all currencies. The aforementioned measurements, conducted on the balances of December 2010, showed that in the event of an interest rate increase by 100 units, the Bank will incur losses amounting to € 1,5 million.

#### 5.4. Currency Risk

Currency risk is the risk of a fluctuating value of financial instruments, as well as, assets and liabilities caused by changes in currency rates. Foreign currency transactions risk arises from an open position, positive or negative, which exposes the Bank to currency exchange risk. Such a risk could arise in the event of assets being carried in one currency while financed by liabilities in another, or from forwards and swaps, as well as derivatives, including options.

The Tables below present the Bank's exposure to currency risk. These Tables present assets and liabilities of the bank at their carrying amounts and classified per currency.

#### Currency Risk

<i>Amounts in Euro '000</i>	EUR	USD	GBP	CHF	JPY	Other currencies	Total
<b>As at 31<sup>st</sup> December 2010</b>							
<b>Foreign exchange risk for assets</b>							
Cash and balances with Central Bank	3.756	17	7	4			<b>3.784</b>
Loans and advances to credit institutions	63.229	8.471	328	21	124	276	<b>72.449</b>
Derivative financial instruments - assets	11						<b>11</b>
Profit & Loss	13.151						<b>13.151</b>
Loans and advances to customers	382.334	27.057					<b>409.391</b>
Investment portfolio	212						<b>212</b>
Participations in associates	4.415						<b>4.415</b>
Goodwill and other intangible assets	46						<b>46</b>
Property, plant and equipment	21.368						<b>21.368</b>
Other assets	49.367	1.338	64	18	52	8	<b>50.847</b>
<b>Total assets</b>	<b>537.889</b>	<b>36.883</b>	<b>399</b>	<b>43</b>	<b>176</b>	<b>284</b>	<b>575.676</b>
<b>Foreign exchange risk of liabilities</b>							
Due to credit institutions	174.053					16	<b>174.069</b>
Due to customers	75.258	30.365	21	14	74		<b>105.731</b>
Derivative financial instruments - liabilities	49						<b>49</b>
Other liabilities	24.825	5.616	365	33	101	128	<b>31.068</b>
Retirement benefit obligations	964						<b>964</b>
<b>Total liabilities</b>	<b>275.148</b>	<b>35.981</b>	<b>386</b>	<b>47</b>	<b>175</b>	<b>144</b>	<b>311.881</b>
<b>Net on-SFP position</b>	<b>262.741</b>	<b>903</b>	<b>13</b>	<b>(4)</b>	<b>1</b>	<b>140</b>	<b>263.795</b>
<b>As at 31<sup>st</sup> December 2009</b>							
Total assets	714.115	111.246	650	35	43	433	826.522
Total liabilities	454.432	111.400	618	26	29	78	566.583
<b>Net on-SFP position</b>	<b>259.683</b>	<b>(154)</b>	<b>32</b>	<b>9</b>	<b>14</b>	<b>355</b>	<b>259.939</b>

Moreover, the Bank, in the process of measuring the highest possible currency risk, estimates the negative effect on the annual results from changes in currency variations. The aforementioned measurements, conducted on the balances of December 2010, showed that in the event of changes in the currency market by +/- 10%, as far as the main currency is concerned, and by + / - 20%, as far as secondary currency is concerned, the Bank would incur losses amounting to € 0,07 million.

**5.5. Risk arising from share price changes**

The risk pertaining to shares and other securities held by the Bank arises from possible negative changes on share and other securities prices. The Bank invests, mainly, on shares in the Athens Stock Exchange (ASE) and in the Cyprus Stock Exchange (CSE), and depending on the investment objective, they are allocated to the relevant portfolio (fair value measurement through profit and loss or available for sale). Investments are also made with the aim of exploitation of short-term changes in share/ratio prices or for covering open positions with the use of derivative products on shares or ratios.

The Bank, however, is not exposed to risks as far as commodities prices are concerned.

The Bank, in the process of measuring the highest possible prices risk, estimates the negative effect on the annual results of changes in share prices. The aforementioned measurements, conducted on the balances of December 2010 showed that in the event of a decrease in share prices by 20% the Bank would be faced with losses amounting to € 0,3 million.

**5.6. Liquidity Risk**

Liquidity risk is the risk of the Bank not being able to fully meet payment obligations and potential payment obligations as and when they fall due, and caused by lack of liquidity. This risk includes the possibility that the Bank may have to raise funding at cost or sell assets on a discount.

The aforementioned risk is controlled with the use of a developed liquidity management structure comprising of various types of controls, procedures and limits. In such a manner, compliance with regulations on liquidity ratios, set by relevant authorities, as well as, internal limits are assured.

Control and management of liquidity risk are achieved with the use and control of the following ratios:

(a) *Cash Available Ratio*, defined as estimation of «cash available» of the period of up to 30 days direct maturity, as defined by the corresponding Act of the Governor of the Bank of Greece, as far as «borrowed funds» are concerned, as defined by the corresponding Act of the Governor of the Bank of Greece.

(β) *Maturity Disagreement Ratio* defined as estimation of the balance between «assets and liabilities» of the period up to 30 days, as defined by the corresponding Act of the Governor of the Bank of Greece, as far as «borrowed funds» are concerned, as defined by the corresponding Act of the Governor of the Bank of Greece.

A significant part of assets is financed by customers deposits and bonds. Direct cash needs are financed mainly through time and current deposits. Financing of long-term investments is mainly covered by bonds and time deposits.

Although the aforementioned deposits can be withdrawn on demand, without further notice, the division of deposits in number and kind assure the absence of significant fluctuations and, therefore, in their majority, constitute a fixed deposit basis.

The Bank conducts similar measurements in liquidity.

The Tables below analyze liabilities to other banks, customers' deposits, issued bonds and other borrowed funds, as well as, other liabilities to the Bank's customers in the corresponding periods with reference to the remaining period from the reporting date to the maturity date.

The presented amounts are contractual non-discounted cash flows.

**Liquidity Risk**

<i>Amounts in Euro '000</i>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>As at 31<sup>st</sup> December 2010</b>							
<b>Liabilities</b>							
Due to banks	174.151						<b>174.151</b>
Due to customers	92.340	10.767	2.749				<b>105.856</b>
Other liabilities	14.544	6.900	2.101	8.536			<b>32.081</b>
<b>Total liabilities</b>	<b>281.035</b>	<b>17.667</b>	<b>4.850</b>	<b>8.536</b>	<b>0</b>	<b>0</b>	<b>312.088</b>
<b>Total assets</b>	<b>203.350</b>	<b>3.382</b>	<b>27.528</b>	<b>177.664</b>	<b>20.492</b>	<b>143.260</b>	<b>575.676</b>
<b>As at 31<sup>st</sup> December 2009</b>							
<b>Liabilities</b>							
Due to banks	265.036						<b>265.036</b>
Due to customers	164.962	98.297	7.347				<b>270.606</b>
Other liabilities	14.841	3.313	10.756	2.114			<b>31.024</b>
<b>Total liabilities</b>	<b>444.839</b>	<b>101.610</b>	<b>18.103</b>	<b>2.114</b>	<b>0</b>	<b>0</b>	<b>566.666</b>
<b>Total assets</b>	<b>544.210</b>	<b>2.671</b>	<b>29.596</b>	<b>56.507</b>	<b>61.199</b>	<b>132.339</b>	<b>826.522</b>

**Cash flows from derivative financial instruments**

The tables on liquidity risk, below, analyze cash flows from derivative financial instruments of the Bank within the periods with reference to the remaining period from the reporting date to the maturity date.

The derivative products of the Bank are settled via offsetting and include the contracts of future payment on ratios and interest rate.

<i>Amounts in Euro '000</i>	<b>On first demand</b>	<b>Up to 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>2010</b>						
Trading derivatives:						
Index/ equity derivatives	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2009</b>						
Trading derivatives:						
Index/ equity derivatives	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**5.7. Capital adequacy**

The Bank is under the supervision of the Bank of Greece that sets and monitors demands on capital adequacy as far as banks are concerned. As a subsidiary of the Marfin Popular Bank Group, the Bank is also subject to, indirect, supervision by the Central Bank of Cyprus.

Bank of Greece requires that every Credit Institution should have a minimum ratio arising from the proportion between supervisory equity and assets, as well as, off statement of financial position items weighed against the risk involved. The price of this ratio was internationally defined at 8% and is designed to cover the foreseeable risks (counter parties, market, currency).

For the calculation of capital adequacy as starting from 01/01/2008 there has been applied a new supervisory framework (Basel II) that was incorporated into Greek Legislation based on Law 3601/2007 base, which substantially modifies the calculation of credit risk and introduces capital requirements for operational risk. The calculation of market risk has not been subject to significant changes. In particular, the credit risk of the investment portfolio and operational risk are calculated using the standard method. The capital adequacy of the Bank is monitored at regular intervals by the Financial Department of the Bank and the results are submitted on a quarterly basis to the Bank of Greece. The supervisory equity of the Bank is exclusively derived from the Core Equity (Tier I). It comprises equity capital, reserves and results carried forward, which are further adjusted in accordance with the provisions of PD / TC 2587/20.08.07.

Tier II supervisory equity is not applicable to the Bank. Its basic objective, as far as supervisory capital management is concerned, is, primarily, compliance with capital requirements of the Bank of Greece, as well as, maintenance of a strong and stable capital basis that can support the business plans produced by the Management.

The Capital Adequacy ratio of the Bank as at 31/12/2010 is as follows

Amounts in Euro '000	31 <sup>st</sup> December 2010	31 <sup>st</sup> December 2009
Share Capital	110.427	110.427
Other Reserves	20.166	19.226
Retained Earnings	133.202	130.286
Goodwill and other intangible assets	(46)	(98)
Other adjustments	(3.213)	(5.289)
<b>Total Tier I</b>	<b>260.536</b>	<b>254.552</b>
<b>Total supervisory capitals</b>	<b>260.536</b>	<b>254.552</b>
<b>Weighted assets</b>		
- on-SFP items	452.700	379.429
- off-SFP items	0	0
- transaction portfolio items	39.947	44.936
- operational risk	113.888	174.224
<b>Total</b>	<b>606.535</b>	<b>598.589</b>
<b>Capital Adequacy Ratio</b>	<b>42,95%</b>	<b>42,53%</b>

**6. Fair value of financial assets and liabilities****6.1. Financial assets and liabilities not carried at fair value**

Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Differences might arise between the carrying amount and the fair value of financial assets and liabilities.

The items of transaction portfolio, derivatives and securities available-for-sale are presented in the financial statements at their fair value. Loans and other advances, securities held to maturity and financial liabilities are presented at amortized cost. The carrying amount of the aforementioned items, as presented in the financial statements, does not materially differ from their fair value. In particular:

**(a) Loans and advances to banks**

Loans and advances to banks include mainly short term interbank placements and other collectibles. The vast majority of placements have a maturity date within one month and, therefore, the fair value is quite similar to the carrying amount.

**(b) Loans and advances to customers**

Loans and advances to customers are presented after deduction of the corresponding provision for impairment. The vast majority of loans refer to loans of fluctuating interest, thus, the carrying amount of the loans and advances to customers does not materially differ from their fair value.

**(c) Deposits**

The fair value of deposits without fixed maturity date (saving and current accounts) is the amount that the Bank should pay after customers' demands, equal to their carrying amount. Deposits from customers, as well as, placements from other banks have average maturity period lower than three months. Therefore, their estimated fair value does not materially differ from their carrying amount.

**6.2. Fair value hierarchy**

IFRS 7 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. The observable data is based on active markets and derives from independent sources, while non observable information refers to the Management estimates. Both information deriving methods create the following hierarchy:

**Level 1** – Unadjusted quoted prices in active markets for identical assets or liabilities,

The level includes listed shares and borrowing funds on stock exchanges (such as those in London, Frankfurt and New York) and derivatives such as Futures (Nasdaq, S & P 500).

**Level 2** – Inputs, other than quoted prices, are included in level 1 that are observable for the asset or liability directly or indirectly. The level includes the majority of OTC derivatives and various issued debts. The sources of such data are the curve of LIBOR, Bloomberg and Reuters.

**Level 3** – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). The level includes capital investments and borrowed funds that are not traded in an active market, as there are no similar traded products.

Transaction portfolio items, derivatives and securities available for sale carried at fair value are categorized at Level 1.

## 7. Net interest income

Net interest income is analysed as follows:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
<b>Interest income</b>		
Interest from fixed income securities	1.557	3.475
Interest received from loans	16.326	13.171
Interest received from interbank transactions	606	1.172
Other interest related income	840	5.186
<b>Total</b>	<b>19.329</b>	<b>23.004</b>
<b>Interest expense</b>		
Customer deposits	(2.049)	(5.144)
Interbank transactions	(1.454)	(1.208)
Other interest related expenses	(2.469)	(2.589)
<b>Total</b>	<b>(5.972)</b>	<b>(8.941)</b>
<b>Net interest income</b>	<b>13.357</b>	<b>14.063</b>

## 8. Net fee and commission income

Net fee and commission income is analysed as follows:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Net fees and commission income from		
Commercial Banking	1.622	30
Investment Banking	1.359	7.134
Net fees and commission income from Securities	13.425	19.800
Other	51	24
<b>Net fees and commission income</b>	<b>16.457</b>	<b>26.988</b>

## 9. Trading income

Trading income is analysed as follows:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Net result from shares, mutual funds, and share hedging	(93)	(669)
Net result from FX and FX hedging	168	227
Net result from derivatives held for trading	3.256	5.775
<b>Total</b>	<b>3.331</b>	<b>5.333</b>

## 10. Other income

Other income of the Bank is analysed as follows:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Rental income	429	586
<b>Total</b>	<b>429</b>	<b>586</b>

## 11. Staff Costs

Staff costs are analysed as follows:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Wages and salaries	10.503	10.280
Social insurance contribution	2.073	2.077
Pension plan costs	132	131
Other staff costs	321	370
Stock option plan expenses	226	339
<b>Total</b>	<b>13.255</b>	<b>13.197</b>

The number of staff as of 31/12/2010 was 232 (31/12/2009: 243).

## Stock Options Plan

In May, 2007 the Extraordinary General Meeting of the shareholders of the parent company Marfin Popular Bank (hereinafter the "parent Bank") approved of the introduction of a Share Options Scheme (the "Scheme") for the members of the Board of Directors of the parent Bank and the Group's employees. Following the aforementioned approval and the pursuant decision of the parent Bank's Board of Directors on May 8, 2007, 70.305.000 Options were granted, from which 5.115.000 were allocated to the Board of Directors and the employees of Investment Bank of Greece. The Options with an exercise price of € 10 on the parent company's shares and maturity date December 15, 2011 can be exercised by the holders during the years 2007 to 2011 according to the allocation determined by the parent company's Board of Directors. During the year, no options have been exercised or cancelled.

The fair value of the Options granted was measured using the Black & Scholes model. The significant inputs into the model were: a) share price of € 8,48 at the grant date, b) expected share price volatility 12%, c) exercise price € 10, d) risk-free euro interest rate curve for the duration of the Scheme 4,15% (average), e) dividend yield 3,58% and f) expected duration of options 1-2 years.

The weighted average fair value of options granted during the period was € 0,19. The total expense recognised in the income statement for Options granted to employees and directors for the year ended 2010 amounts to € 226 thousand.

## 12. Other operating expenses

Other operating expenses are analysed as follows:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Fees relating to lawyers, advisory, auditors etc.	352	505
IT expenses	369	389
Subscriptions	863	971
Building and set-up expenses	1.398	1.558
Advertising expenses, sponsorship etc.	100	131
Miscellaneous operating expenses	2.144	2.367
<b>Total</b>	<b>5.226</b>	<b>5.921</b>

## 13. Income tax

Income tax recognized in the income statement is analysed as follows:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Tax for the financial Year	2.513	4.185
Deferred tax	(4.920)	2.560
Government's extraordinary special tax	2.630	6.195
Tax differences from inspection of previous financial years	7.418	1.056
<b>Total</b>	<b>7.641</b>	<b>13.996</b>

The reconciliation between tax based on the tax rate and income tax recognized in the income statement for the financial year is indicated as follows:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Profits before tax	11.241	27.563
Tax rate applicable	24%	25%
<b>Income tax based on applicable tax rate</b>	<b>2.698</b>	<b>6.891</b>
Tax corresponding to non-taxable income		
Dividends	(142)	(99)
Non taxable reserves		
Tax corresponding to non-taxable expenses		
Other non-deductible expenses	32	23
Tax corresponding to profit/ loss from shares disposal reserve	(6.235)	
From reversal of temporary differences	7.418	1.056
Government's extraordinary special tax	2.630	6.195
Supplementary tax on land and building	19	21
Adjustment for change in tax rate	1.221	(91)
<b>Tax expense in Income Statement for the financial year</b>	<b>7.641</b>	<b>13.996</b>

Investment Bank of Greece has been tax inspected until the fiscal year 2009 inclusively by the tax authorities of Athens, and its financial sizes have been considered as exact, fairly presented and finalized.

#### 14. Earnings per share

	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
<b>Basic earnings per share</b>		
Profit attributable to shareholders of the Bank	3.600	13.567
Weighted average number of outstanding ordinary shares	3.762.420	3.762.420
Basic earnings per share	<u>0,9568</u>	<u>3,6059</u>

#### 15. Cash and Balances in Central Bank

Cash and Balances in Central Bank are analysed as follows:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Cash in hand	337	396
Balances with Central Bank	3.447	6.420
<b>Total</b>	<u><b>3.784</b></u>	<u><b>6.816</b></u>

The average amount of cash and balances with Central Bank under minimum requirement provisions for the Bank on December reached the amount of € 2.204 thousand.

#### 16. Loans and Advances to Banks

The Bank's loans and advances to other Banks are analysed as follows:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Loans to financial institutions	51.273	303.780
Nostro accounts in foreign banks	12.227	2.280
Nostro accounts in local banks	8.949	7.383
<b>Total</b>	<u><b>72.449</b></u>	<u><b>313.443</b></u>
<b>Current</b>	<u><b>72.449</b></u>	<u><b>313.443</b></u>
<b>Non current</b>	<u><b>0</b></u>	<u><b>0</b></u>

## 17. Trading portfolio

Trading portfolio is analysed as follows:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
<b>Shares &amp; other non-fixed income securities</b>		
Shares listed in Athens Exchange	11.928	35.372
Shares listed in foreign stock exchanges	0	3
Mutual funds	1.223	1.354
<b>Trading portfolio</b>	<b>13.151</b>	<b>36.729</b>

## 18. Derivative financial instruments

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>			<b>31<sup>st</sup> December 2009</b>		
	<b>Notional amount</b>	<b>Fair Value</b>		<b>Notional amount</b>	<b>Fair Value</b>	
		<b>Assets</b>	<b>Liabilities</b>		<b>Assets</b>	<b>Liabilities</b>
<b>Trading Derivatives</b>						
<b>Foreign currency derivatives:</b>						
Interest rate swaps		0	0		0	0
		<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>
<b>Index / equity derivatives:</b>						
Futures	27.331	0	0	40.995	0	0
Options	465	11	49	2.314	72	0
		<b>11</b>	<b>49</b>		<b>72</b>	<b>0</b>
<b>Total</b>		<b>11</b>	<b>49</b>		<b>72</b>	<b>0</b>

## 19. Loans and Advances to Customers

Loans and advances to customers are analysed as follows:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Consumer loans	7.309	4.469
Loans to individuals	29.411	34.879
Corporate loans	260.461	240.428
Loans to public entities & municipalities	130.480	133.450
	<b>427.661</b>	<b>413.226</b>
Less: allowance for losses (impairment) on loans and advances to customers	(18.270)	(14.389)
<b>Total</b>	<b>409.391</b>	<b>398.837</b>
<b>Current</b>	<b>244.954</b>	<b>186.653</b>
<b>Non current</b>	<b>164.437</b>	<b>212.184</b>

Loans included in the delayed category are those of over 3 months in delay and classified as unsettled. Interest from loans that are delayed is not accounted for and it is managed off the Statement of Financial Position.

<i>Amounts in Euro '000</i>	<u>31<sup>st</sup> December 2010</u>	<u>31<sup>st</sup> December 2009</u>
<b>Off-SFP past due interest account</b>	<b>7.281</b>	<b>5.990</b>

Provisions for impairment losses are analysed as follows:

<i>Amounts in Euro '000</i>	<u>31<sup>st</sup> December 2010</u>	<u>31<sup>st</sup> December 2009</u>
Balance at beginning of period	(14.389)	(14.389)
Expense for the period	(3.881)	0
Loans written-off	0	0
<b>Balance at end of period</b>	<b><u>(18.270)</u></b>	<b><u>(14.389)</u></b>

## 20. Investment portfolio

The investment portfolio of the Bank comprises available for sale financial instruments.

<i>Amounts in Euro '000</i>	<u>31<sup>st</sup> December 2010</u>	<u>31<sup>st</sup> December 2009</u>
Shares listed in Athens Exchange	173	145
Non-listed domestic shares	39	39
<b>Total available for sale securities</b>	<b><u>212</u></b>	<b><u>184</u></b>
<b>Current</b>	<b><u>212</u></b>	<b><u>184</u></b>
<b>Non current</b>	<b><u>0</u></b>	<b><u>0</u></b>

The movement of the investment portfolio during the period 1/1-31/12/2010 is analysed as follows:

<b>Balance as at 1<sup>st</sup> January 2010</b>	184
Additions	0
Disposals – write-offs	0
Changes in fair value	28
<b>Balance as at 31<sup>st</sup> December 2010</b>	<b><u>212</u></b>

**21. Investment in associates**

<b>Name</b>	<b>% participation 31/12/2010</b>	<b>Country of incorporation</b>	<b>Services Provided</b>
IBG CAPITAL S.A.	99,99%	Greece	Equity participation
IBG MANAGEMENT MUTUAL FUNDS	50,00%	Greece	Mutual Funds Management
IBG AEPEY SA	79,31%	Greece	Investment services
MARFIN SECURITIES CYPRUS	100,00%	Cyprus	Brokerage Services, Cyprus stock exchange
MARFIN GAM MUTUAL FUNDS S.A.	4,05%	Greece	Mutual Funds Management
IBG INVESTMENTS S.A.	90,00%	British Virgin Islands	Investment services

The financial statements of the above mentioned subsidiaries of the Bank, with the exemption of "IBG BROKERAGE S.A" which is in the state of liquidation, are consolidated with full consolidation method in the financial statements of "MARFIN EGNATIA BANK".

Investment in associates is analysed as follows:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
<b>Balance at beginning of period</b>	4.415	3.238
Additions		
- Increase of shares in investments in associates	0	1.177
<b>Balance at end of period</b>	<b>4.415</b>	<b>4.415</b>

## 22. Investment Property and Property, Plant and Equipment

Property plant and equipment and investment property are analysed as follows:

	Property, plant and equipment			Total	Investment in property
	Land-buildings	Mechanical equipment & transport	Furniture & other equipment		
<i>Amounts in Euro '000</i>					
Acquisition cost on 1 <sup>st</sup> January 2010	20.034	25	6.583	26.642	5.308
Less: Accumulated depreciation	(3.938)	(7)	(6.092)	(10.037)	0
<b>Carrying amount on 1<sup>st</sup> January 2010</b>	<b>16.096</b>	<b>18</b>	<b>491</b>	<b>16.605</b>	<b>5.308</b>
Additions	0	0	62	62	0
Write-off – disposals	0	0	(19)	(19)	0
Depreciation for the period	(394)	(3)	(210)	(607)	0
Depreciation attributed to disposed-written-off	0	0	19	19	0
Acquisition cost on 31 <sup>st</sup> December 2010	20.034	25	6.626	26.685	5.308
Less accumulated depreciation	(4.332)	(10)	(6.283)	(10.625)	0
<b>Carrying amount on 31<sup>st</sup> December 2010</b>	<b>15.702</b>	<b>15</b>	<b>343</b>	<b>16.060</b>	<b>5.308</b>

Total rental income from investment property for the period ended 2010 amounted to € 358 thousand.

## 23. Intangible assets

Intangible assets are analysed as follows:

	Software
<i>Amounts in Euro '000</i>	
Acquisition on 1 <sup>st</sup> January 2010	3.393
Less: Accumulated depreciation	(3.295)
<b>Carrying amount on 1<sup>st</sup> January 2010</b>	<b>98</b>
Additions	0
Write-off – disposals	0
Depreciation for the period	(52)
Acquisition cost on 31 <sup>st</sup> December 2010	3.393
Less: Accumulated depreciation	(3.347)
<b>Carrying amount on 31<sup>st</sup> December 2010</b>	<b>46</b>

## 24. Deferred tax

Deferred tax asset and liability is analysed as follows:

	31 <sup>st</sup> December 2010		31 <sup>st</sup> December 2009	
	Def. tax asset	Def. tax liability	Def. tax asset	Def. tax liability
<i>Amounts in Euro '000</i>				
<b>Assets or liabilities</b>				
Investments in property and property, plant and equipment		1.288		1.216
Available for sale portfolio	13		20	
Profit/ loss from shares disposal reserve	5.169			
Retirement benefit obligations	157		144	
Other liabilities	163		352	
<b>Total</b>	<b>5.502</b>	<b>1.288</b>	<b>516</b>	<b>1.216</b>

Temporary differences during the period are analysed as follows:

	Balance as at 1st	Recognition in	Recognition in	Balance as at 31st
	January 2010	Profit & Loss	Equity	December 2010
<i>Amounts in Euro '000</i>				
Investments in property and property, plant and equipment	(1.216)	(72)		(1.288)
Available for sale portfolio	20		(7)	13
Profit/ loss from shares disposal reserve	0	5.169		5.169
Retirement benefit obligations	144	13		157
Other liabilities	352	(189)		163
<b>Σύνολο</b>	<b>(700)</b>	<b>4.921</b>	<b>(7)</b>	<b>4.214</b>

  

	Balance as at 1st	Recognition in	Recognition in	Balance as at 31st
	January 2009	Profit & Loss	Equity	December 2009
<i>Amounts in Euro '000</i>				
Investments in property and property, plant and equipment	(1.429)	213		(1.216)
Available for sale portfolio	23		(3)	20
Retirement benefit obligations	158	(14)		144
Other liabilities	3.111	(2.759)		352
<b>Σύνολο</b>	<b>1.863</b>	<b>(2.560)</b>	<b>(3)</b>	<b>(700)</b>

**25. Other assets**

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Other debtors	3.651	878
Guarantee deposit funds	3.213	5.289
Complementary A.S.E. members guarantee fund	9.820	9.634
Clearing accounts for securities transactions of ASE, ADEX and foreign stock exchanges	4.762	8.425
Claims from the Greek State	13.983	18.019
Margin derivative trading account	9.120	1.088
Interest and other receivable income	737	658
Guarantees	686	208
Advances	73	118
	<b>46.045</b>	<b>44.317</b>
Less: Provisions	(700)	(818)
<b>Total</b>	<b>45.345</b>	<b>43.499</b>
<b>Current</b>	<b>24.853</b>	<b>27.648</b>
<b>Non current</b>	<b>20.492</b>	<b>15.851</b>

**26. Due to other Banks**

Amounts due to other Banks are analysed as follows:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Interbank deposits	174.016	265.000
Due to banks	53	27
<b>Total</b>	<b>174.069</b>	<b>265.027</b>
<b>Current</b>	<b>174.069</b>	<b>265.027</b>
<b>Non current</b>	<b>0</b>	<b>0</b>

**27. Due to customers**

Amounts due to customers are analysed as follows:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Sight deposits	4.608	5.485
Savings account	1.915	2.166
Time deposits	81.737	186.982
Blocked deposits	17.471	75.899
<b>Total</b>	<b>105.731</b>	<b>270.532</b>
<b>Current</b>	<b>105.731</b>	<b>270.532</b>
<b>Non current</b>	<b>0</b>	<b>0</b>

## 28. Employee benefits

Employee benefits due to leave of service refer to lump sum retirement obligations and are analysed as follows:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
<b>Recognition in balance sheet:</b>		
Lump sum pension indemnity		
- Funded	0	0
- Non-funded	964	898
	<b>964</b>	<b>898</b>
<b>Recognition in profit &amp; loss</b>		
Lump sum pension indemnity		
- Funded		
- Non-funded	132	131
	<b>132</b>	<b>131</b>

### Lump sum indemnity on retirement

The amounts recognized in the Statement of Financial Position are as follows:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Present value of non-funded obligations	714	716
Unrecognised actuarial profits / ( losses)	250	182
<b>Liability recognized in the balance sheet</b>	<b>964</b>	<b>898</b>

The amounts recognized in the Income Statement are described below:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Current service cost	97	97
Cost	39	36
Recognised actuarial profits / ( losses) of the period	(4)	(2)
<b>Total included in staff costs</b>	<b>132</b>	<b>131</b>

Changes in liabilities in the Statement of Financial Position are as follows:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Opening book amount	898	811
Total amount debited in Income Statement	132	131
Contributions paid	(66)	(44)
<b>Closing year end account</b>	<b>964</b>	<b>898</b>

The major actuarial assumptions used are described below:

	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Discount rate	5,50%	5,50%
Expected return on plan assets	2,50%	2,20%
Future salary increases	3,50%	4,00%

## 29. Other liabilities

Other liabilities are analysed as follows:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Due to customers from securities transactions of ASE, ADEX and foreign stock exchanges	18.470	11.072
Liabilities arising from taxes	6.038	11.319
Interest and other related expenses	905	1.579
Other creditors	3.374	4.247
Checks Payable	417	54
Dividends payable	89	145
Insurance companies	487	494
<b>Total</b>	<b>29.780</b>	<b>28.910</b>
<b>Current</b>	<b>20.245</b>	<b>28.765</b>
<b>Non current</b>	<b>9.535</b>	<b>145</b>

## 30. Share Capital

Share Capital remained unchanged and is analysed as follows:

	<b>Number of Shares</b>	<b>Nominal Value</b>	<b>Total of Ordinary Shares</b>
<b>31st December 2009</b>	<b>3.762.420</b>	€ 29,35	<b>110.427.027,00</b>
<b>31st December 2010</b>	<b>3.762.420</b>	€ 29,35	<b>110.427.027,00</b>

## 31. Other reserves

Other reserves are analysed as follows:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Statutory reserve	11.719	11.035
Untaxed and other regulatory reserve	3.631	3.631
Extraordinary reserve	3.481	3.481
Stock option plan reserve	1.386	1.160
<b>Other reserves</b>	<b>20.217</b>	<b>19.307</b>

The Board of Directors of the bank will recommend to the General Assembly of the Shareholders no dividend to be distributed from the earnings of the year ended 31 December 2010.

### 32. Cash and Cash Equivalents

For the preparation of the cash flow statement of the Bank cash and cash equivalents include loans and advances to banks with an original maturity of 90 days or less.

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Cash and balances with Central Bank	3.784	6.816
Loans and advances to banks	72.449	313.443
<b>Total</b>	<b>76.233</b>	<b>320.259</b>

Cash flows from operating activities of the Bank include trading portfolio transactions, while investment portfolio transactions are included in cash flows from investing activities.

### 33. Commitments, contingent liabilities and assets

#### a) Contingent liabilities from guarantees

The contractual values of contingent liabilities are analysed as follows:

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
<b>Contingent Liabilities from guarantees</b>		
Letters of Guarantee (Bid and Performance book)	2.128	3.626
Letters of Guarantee (Advance Payment, Retention of Tenths, Prompt Payment)	2.608	2.210
<b>Total</b>	<b>4.736</b>	<b>5.836</b>

#### b) Contingent Tax Liabilities

The Bank has been tax inspected till the year 2009 inclusively.

#### c) Contingent Liabilities from litigation

There are no pending indisputable claims or liabilities which could have a material adverse effect on the financial position of the Bank as at December 31<sup>st</sup>, 2010.

**34. Transactions with MARFIN INVESTMENT GROUP**

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
<b>a) Assets</b>		
Loans and advances to customers	35.391	36.838
Other amounts due	1.343	441
<b>Total</b>	<b>36.734</b>	<b>37.279</b>
<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
<b>b) Liabilities</b>		
Deposits	1.092	3.188
Other liabilities	1.856	1.469
<b>Total</b>	<b>2.948</b>	<b>4.657</b>
<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
<b>c) Income</b>		
Interest and similar income	1.017	1.174
Fee and commission income	1.356	6.635
Other income	0	0
<b>Total</b>	<b>2.373</b>	<b>7.809</b>
<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
<b>d) Expenses</b>		
Interest and similar expenses	57	844
<b>Total</b>	<b>57</b>	<b>844</b>

**35. Related Parties Transactions**

All transactions are neutral and are performed under the same normal procedures as with any third party. The total amount of transactions with related parties per category is presented below.

**35.1. Transactions with companies in the MARFIN POPULAR BANK Group**

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
<b>a) Assets</b>		
Loans and advances to banks	55.646	306.728
Loans and advances to customers	678	563
Other amounts due		16
<b>Total</b>	<b>56.324</b>	<b>307.307</b>
<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
<b>b) Liabilities</b>		
Due to banks	174.069	265.004
Deposits	1.256	1.686
Other liabilities	65	241
<b>Total</b>	<b>175.390</b>	<b>266.931</b>
<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
<b>c) Income</b>		
Interest and similar income	582	1.100
Dividends	258	
Fee and commission income	396	365
Other income	143	280
<b>Total</b>	<b>1.379</b>	<b>1.745</b>
<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
<b>d) Expenses</b>		
Interest and similar expenses	1.517	1.228
Fee and commission expense	1.084	1.879
<b>Total</b>	<b>2.601</b>	<b>3.107</b>

**35.2. Transactions with Management and members of the Board of Directors**

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
<b>a) Assets</b>		
Loans	709	1.230
<b>Total</b>	<b>709</b>	<b>1.230</b>
<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
<b>b) Liabilities</b>		
Deposits	1.002	974
<b>Total</b>	<b>1.002</b>	<b>974</b>
<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
<b>c) Income</b>		
Interest and similar income	75	80
Fee and commission income	374	70
<b>Total</b>	<b>449</b>	<b>150</b>
<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
<b>d) Expenses</b>		
Interest and similar expenses	10	5
<b>Total</b>	<b>10</b>	<b>5</b>

**35.3. Remuneration of Management and members of the Board of Directors**

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Fees to members of the BoD	37	421
Salaries	594	519
<b>Total</b>	<b>631</b>	<b>940</b>

**36. Auditors' fees**

<i>Amounts in Euro '000</i>	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2009</b>
Fees for statutory audit	70	70
Fees for other audit related services	3	0
<b>Total</b>	<b>73</b>	<b>70</b>

**37. Events after the reporting period**

There are no subsequent material events worth reporting that took place after the Financial Statements date as at 31/12/2010 till the date of their approval by the Board of Directors as at 28/03/2011.

**Marousi, 28 March 2011**

**The Vice President of the  
Board of Directors**

**The Managing Director**

**The Managers of the Finance Department**

**Kyriakos  
Mageiras**

**Iraklis  
Kounadis**

**Aggelos  
Sapranidis**

**Spiros  
Aggelopoulos**