



EUROBANK ERGASIAS S.A.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

31 MARCH 2013

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	Note	Three months ended 31 March	
		2013	2012
		€ million	€ million
Net interest income		151	264
Net banking fee and commission income		19	32
Income from non banking services		1	0
Dividend income		0	14
Net trading income		(20)	46
Gains less losses from investment securities		9	8
Other operating income		(0)	1
Operating income		160	365
Operating expenses		(153)	(166)
Profit from operations before impairment on loans and advances and non recurring losses		7	199
Impairment losses on loans and advances	10	(361)	(303)
Impairment and other losses on Greek sovereign exposure	6	75	(439)
Other non recurring losses	11	(25)	-
Profit/(loss) before tax		(304)	(543)
Income tax	8	79	109
Non recurring tax adjustments	8	591	-
Net profit/(loss) for the period attributable to shareholders		366	(434)

Notes on pages 8 to 16 form an integral part of these condensed interim financial statements

	Note	31 March 2013 € million	31 December 2012 € million
ASSETS			
Cash and balances with central banks		649	844
Loans and advances to banks		10,143	13,307
Financial instruments at fair value through profit or loss		48	92
Derivative financial instruments		1,706	1,913
Loans and advances to customers		32,934	33,434
Investment securities	12	4,194	4,445
Shares in subsidiary undertakings	13	3,025	3,025
Investments in associated undertakings and joint ventures		6	6
Property, plant and equipment		278	285
Intangible assets		66	69
Deferred tax asset		2,715	2,037
Other assets		1,404	1,351
Total assets		57,168	60,808
LIABILITIES			
Due to central banks		22,375	29,016
Due to other banks		7,179	4,703
Derivative financial instruments		2,462	2,688
Due to customers		23,902	23,366
Debt issued and other borrowed funds	14	1,581	1,763
Other liabilities		584	569
Total liabilities		58,083	62,105
EQUITY			
Ordinary share capital	15	1,228	1,228
Share premium	15	1,448	1,448
Other reserves		(5,229)	(5,611)
Preference shares	16	950	950
Hybrid capital	17	688	688
Total		(915)	(1,297)
Total equity and liabilities		57,168	60,808

Notes on pages 8 to 16 form an integral part of these condensed interim financial statements

	Three months ended	
	31 March	
	2013 € million	2012 € million
Profit/(loss) for the period	366	(434)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges		
-net changes in fair value, net of tax	6	(16)
-transfer to net profit, net of tax	<u>18</u>	<u>(6)</u>
	24	(22)
Available for sale securities		
-net changes in fair value, net of tax	(3)	57
-impairment losses on investment securities transfer to net profit, net of tax	2	-
-transfer to net profit, net of tax	<u>4</u>	<u>3</u>
	3	60
Other comprehensive income for the period	27	38
Total comprehensive income for the period attributable to shareholders	393	(396)

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	Ordinary share capital € million	Share premium € million	Special reserves € million	Retained earnings € million	Preference shares € million	Hybrid capital € million	Total € million
Balance at 1 January 2012, as previously reported	1,228	1,448	971	(5,351)	950	744	(10)
Adjustments due to retrospective application of IAS 19 Amendment (note 3)	-	-	16	(16)	-	-	-
Balance at 1 January 2012, as restated	1,228	1,448	987	(5,367)	950	744	(10)
Other comprehensive income for the period	-	-	38	-	-	-	38
Profit/(loss) for the period	-	-	-	(434)	-	-	(434)
Total comprehensive income for the three months ended 31 March 2012	-	-	38	(434)	-	-	(396)
Purchase/sale of hybrid capital, net of tax	-	-	-	3	-	(5)	(2)
Hybrid capital's dividend paid, net of tax	-	-	-	(14)	-	-	(14)
Share-based payment:							
- Value of employee services	-	-	(0)	-	-	-	(0)
	-	-	(0)	(11)	-	(5)	(16)
Balance at 31 March 2012	<u>1,228</u>	<u>1,448</u>	<u>1,025</u>	<u>(5,812)</u>	<u>950</u>	<u>739</u>	<u>(422)</u>
Balance at 1 January 2013, as previously reported	1,228	1,448	970	(6,581)	950	688	(1,297)
Adjustments due to retrospective application of IAS 19 Amendment (note 3)	-	-	20	(20)	-	-	-
Balance at 1 January 2013, as restated	1,228	1,448	990	(6,601)	950	688	(1,297)
Other comprehensive income for the period	-	-	27	-	-	-	27
Profit/(loss) for the period	-	-	-	366	-	-	366
Total comprehensive income for the three months ended 31 March 2013	-	-	27	366	-	-	393
Purchase/sale of hybrid capital, net of tax	-	-	-	(3)	-	-	(3)
Hybrid capital's dividend paid, net of tax	-	-	-	(8)	-	-	(8)
Share-based payment:							
- Value of employee services	-	-	(0)	-	-	-	(0)
	-	-	(0)	(11)	-	-	(11)
Balance at 31 March 2013	<u>1,228</u>	<u>1,448</u>	<u>1,017</u>	<u>(6,246)</u>	<u>950</u>	<u>688</u>	<u>(915)</u>
	Note 15	Note 15			Note 16	Note 17	

Notes on pages 8 to 16 form an integral part of these condensed interim financial statements

	Three months ended 31 March	
	2013 € million	2012 € million
Cash flows from operating activities		
Interest received and net trading receipts	206	685
Interest paid	(123)	(425)
Fees and commissions received	57	62
Fees and commissions paid	(31)	(30)
Cash payments to employees and suppliers	(140)	(131)
Cash flows from operating profits before changes in operating assets and liabilities	(31)	161
Changes in operating assets and liabilities		
Net (increase)/decrease in cash and balances with central banks	(64)	1,191
Net (increase)/decrease in financial instruments at fair value through profit or loss	41	(11)
Net (increase)/decrease in loans and advances to banks	3,211	5,838
Net (increase)/decrease in loans and advances to customers	296	395
Net (increase)/decrease in derivative financial instruments	(11)	(179)
Net (increase)/decrease in other assets	(45)	(228)
Net increase/(decrease) in due to banks	(4,182)	(1,085)
Net increase/(decrease) in due to customers	439	(2,665)
Net increase/(decrease) in other liabilities	(16)	(3,147)
Net cash from/(used in) operating activities	(362)	270
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(2)	(4)
(Purchases)/sales and redemptions of investment securities	326	(190)
Acquisition of subsidiaries, associated undertakings, joint ventures and participations in capital increases	(0)	(19)
Disposal of subsidiaries, associated undertaking and joint ventures	-	1
Dividends from investment securities, subsidiaries, associated undertakings and joint ventures	0	14
Net cash from/(used in) investing activities	324	(198)
Cash flows from financing activities		
(Repayments)/proceeds from debt issued and other borrowed funds	(183)	304
Purchase of hybrid capital	-	(2)
Hybrid capital's dividend paid	(11)	(14)
Net cash from/(used in) financing activities	(194)	288
Net increase/(decrease) in cash and cash equivalents	(232)	360
Cash and cash equivalents at beginning of period	1,398	2,172
Cash and cash equivalents at end of period	1,166	2,532

1. General information

Eurobank Ergasias S.A. (the "Bank") is active in retail, corporate and private banking, asset management, treasury, capital markets and other services. The Bank is incorporated in Greece and its shares are listed on the Athens Stock Exchange. The Bank operates mainly in Greece and through its subsidiaries in Central, Eastern and Southeastern Europe.

These condensed interim financial statements were approved by the Board of Directors on 31 May 2013.

2. Basis of preparation of condensed interim financial statements

These condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" and they should be read in conjunction with the Bank's published annual financial statements for the year ended 31 December 2012. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period. Except as indicated, financial information presented in euro has been rounded to the nearest million.

These condensed interim financial statements are the separate statements of the Bank prepared in accordance with the requirements of the Capital Market Commission. The Bank also prepares consolidated financial statements which include the financial statements of the Bank and its subsidiaries (the "Group").

Going concern considerations

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

Solvency risk

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

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

The Hellenic Financial Stability Fund (HFSF) has already advanced to the Bank EFSF notes of total € 5,839 million as advance payment of its participation in the share capital increase of the Bank, which qualifies as Tier I capital.

On 28 March 2013, the BoG issued an Executive Committee Act (13/28.03.2013) bringing the limit for the Core Tier I capital to 9% of Risk Weighted Assets and for Equity Core Tier I to 6%, effective from 31 March 2013. According to the new definition of Core Tier I capital, AFS reserve is fully recognised, while the deferred tax asset's recognition is limited to 20% of Core Tier I capital. According to the Bank's capital adequacy figures at 31 March 2013, and taking into consideration the total level of the share capital increase in the context of recapitalization, the minimum ratio of 9%, pursuant to the new definition, is not met. The Bank has examined and is implementing alternative ways of complying with the new regulation, such as the redemption of hybrid capital and subordinated debt securities at par (note 17), with an equivalent increase in the Bank's share capital.

Liquidity risk

The inability of the Greek banks to gain access to the international capital and money markets and the reduction of deposits due to heightened sovereign risk and deterioration of the Greek economy led to an increased reliance of the Bank to Eurosystem financing facilities. Although the dependence on Eurosystem funding has significantly decreased in the first quarter of 2013, as a result of some limited access to the markets and deposit inflows, these conditions pose a significant ongoing liquidity challenge for the Bank and the Greek Banking system in general. The Bank expects that the European Central Bank (ECB) and BoG facilities will continue to be available, until the normalization of market conditions.

Other economic uncertainties

The continued deterioration of the Greek economy has adversely affected the Bank's operations and presents significant risks and challenges for the years ahead. Currently, there are a number of material economic and market risks and uncertainties that impact the Greek Banking system. The main risks stem from the adverse macroeconomic environment, the developments on the eurozone sovereign debt crisis and the success, or otherwise, of the significant fiscal adjustment efforts and their impact on the Greek economy. The significant progress made to date could be compromised by external shocks from the global economy as well as implementation risks, political instability and reform fatigue in Greece. The attraction of new investments and the revival of economic growth remain key challenges of the Greek economy. On the other hand, as Greece has taken effective action towards fiscal consolidation, has made progress in the budgetary area and with reforms in other key sectors of the economy (as also noted in the latest Troika's progress report on the second macroeconomic adjustment program for Greece), upside risks also exist. Particularly if, first privatisation efforts, associated with the rapid improvement of the investment climate and the restoration of confidence show resilience and are accompanied by sustained strong policy implementation.

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

Notwithstanding the conditions and uncertainties mentioned above, the Directors, having considered the mitigating factors set out below, as well as the successful completion of the Bank's recapitalisation, have a reasonable expectation that the Bank will complete within a specific timeframe all actions and initiatives scheduled to bring regulatory capital above minimum required. Hence, they are satisfied that the financial statements of the Bank can be prepared on a going concern basis:

- (a) that the Bank continues the implementation of its medium term internal capital generating plan, which includes initiatives generating or releasing Core Tier I capital and/or reducing Risk Weighted Assets, such as the liability management exercise, which is expected to have a positive impact on the Core Tier I ratio,
- (b) should they become necessary, the availability of additional recapitalisation funds from the official sector that can support any capital needs on top of the amounts already committed by HFSF,
- (c) the existence of the comprehensive financial support program of the EC/ECB/IMF (including the € 50 bn recapitalisation facility), aiming to correct Greece competitiveness gap and restore growth, employment and public debt sustainability and secure the banking system's stability,
- (d) the Greek authorities' commitment to support the banking system and create a viable and well capitalised private banking sector, and
- (e) the Bank's continued access to Eurosystem funding (ECB and ELA liquidity facilities) over the foreseeable future.

3. Principal accounting policies

The accounting policies and methods of computation in these condensed interim financial statements are consistent with those in the published annual financial statements for the year ended 31 December 2012, except as described below.

The below amendments to standards and interpretations are effective from 1 January 2013 for European Union (EU):

- IAS 1, Amendment - Presentation of Items of Other Comprehensive Income
- IAS 12, Amendment - Deferred tax: Recovery of Underlying Assets
- IAS 19, Amendment - Employee Benefits
- IFRS 7, Amendment - Disclosures, Offsetting Financial Assets and Financial Liabilities
- IFRS 13, Fair Value Measurement
- Annual Improvements to IFRSs 2009–2011 Cycle

As a result of the Bank's adoption of IAS 19 Amendment, which has been applied retrospectively from 1 January 2012, actuarial gains/losses are now recognized in other comprehensive income and are excluded from profit or loss. This change in accounting policy decreased the retained earnings and increased special reserves by € 16 million, net of tax, as at 1 January 2012 and by a further € 4 million, net of tax, as at 1 January 2013, having no impact on total Bank net assets. The adoption of the amendment had no impact on neither Interim Income Statement, Balance Sheet, Statement of Comprehensive Income and Cash Flow Statement as at 31 March 2013 nor on their comparatives.

Except from IAS 19 Amendment, the adoption of the rest of the amendments, currently has no significant effect to the Bank's financial statements.

4. Critical accounting estimates and judgments in applying accounting policies

In preparing these condensed interim financial statements, the significant judgments made by Management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those applied to the published annual financial statements for the year ended 31 December 2012.

5. Greek Economy Liquidity Support Program

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

- (a) First stream - preference shares
345,500,000 non-voting preference shares with nominal value of € 950 million were subscribed to by the Hellenic Republic on 21 May 2009 (note 16).
- (b) Second stream - bonds guaranteed by the Hellenic Republic
As at 31 March 2013, the government guaranteed bonds, totalling to € 13,932 million, were fully retained by the Bank and its subsidiaries. In February 2013, government guaranteed bonds amounting to € 2,344 million, matured (note 14).

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

In addition, under Law 3756/2009, as amended by Law 3844/2010 and supplemented by Laws 3965/2011, 4063/2012 and 4144/2013, banks participating in the Greek Economy Liquidity Support Program are not allowed to declare a cash dividend to their ordinary shareholders for 2008 to 2012, and are not allowed to acquire treasury shares under article 16 of the Company Law.

6. Credit exposure to Greek sovereign debt

Greek Government bonds exchanged under PSI+ in 2012

Under the Bank's participation in the Greek Government Bond exchange program (PSI+), in March/April 2012, the Bank received a) new Greek government bonds (nGGBs) with face value equal to 31.5% of the face amount of the old bonds, b) EFSF notes having a face amount of 15% of the face value of the old bonds and c) GDP-linked securities. All exchanged bonds were derecognised and the new GGBs, classified in the Held to Maturity portfolio, recognised at fair value. In 2012 and, following the international financial community's view that the market for nGGBs is active, the Bank recognised an additional valuation loss of € 427 million based on market quotes at the date of recognition. The full amount was recognized in the first quarter of 2012 (see below). GDP-linked securities were classified as derivatives. Furthermore, the Bank incurred additional costs (extra funding cost, cost relating to old GGBs hedging instruments) amounting to € 12 million due to its participation in the PSI+ exchange program.

Restatement of first quarter 2012 new Greek Government Bonds (nGGBs) valuation losses

Following the position adopted by the international financial community that the price quotes for the nGGBs received under the execution of the Greek Government Bond exchange program (PSI+) represented actual and regularly occurring market transactions on an arm's length basis, the fair value at which the nGGBs received by the Bank were initially recognised, was retrospectively adjusted in order for the nGGBs to be reflected at such quoted prices as of the date of recognition. As a result, the interim financial information for the three month period ended 31 March 2012, was restated as follows: The carrying amount of the Held to Maturity investment portfolio decreased by € 240 million with a respective increase of the impairment losses on Greek sovereign risk and the deferred tax asset increased by € 48 million through a respective adjustment of the income tax expense.

Greek State's debt buyback program in 2012

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

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

6. Credit exposure to Greek sovereign debt (continued)

Greek sovereign exposure

As at 31 March 2013, the total carrying value of Greek sovereign exposure amounted to € 4,561 million (31 December 2012: € 5,324 million). This includes a) Treasury Bills of € 1,559 million (31 December 2012: € 2,347 million), b) GGBs of € 908 million maturing in 2014 and issued for the Greek State's subscription to the Preference Shares issued under Law 3723/2008 "Greek Economy Liquidity Support Program" (31 December 2012: € 904 million). These GGBs are expected to be repaid in full, c) other non PSI+ exchanged GGBs of € 900 million (31 December 2012: € 832 million), d) derivatives with the Greek State of € 670 million (31 December 2012: € 724 million), e) exposure of € 187 million relating with Greek Sovereign risk financial guarantee (31 December 2012: € 187 million), f) loans guaranteed by the Greek State of € 188 million (31 December 2012: € 182 million), g) loans to Greek public sector of € 145 million (31 December 2012: € 143 million) and h) nGGBs of € 4 million included in trading portfolio (31 December 2012: € 5 million).

In view of (i) the increasing prospects of stabilization and improvement of the Greek economy leading to Greece's recent credit rating upgrade, (ii) the continuous increase in the market value of Greek bonds signaling the significant improvement of the credit spread, and (iii) considering that no credit event has occurred since the PSI+ on Greek Government obligations, as at 31 March 2013 the Bank has proceeded in the reversal of an impairment loss of € 75 million, which was initially recognized in 2011, for a non-PSI exchanged Greek Government bond.

7. Greek Banks' recapitalisation

Recapitalisation framework and process

Given the severity of the impact of the PSI+, on 21 February 2012 the Euro Area finance ministers allocated a total of € 50 bn of the second support program for Greece specifically for the recapitalisation of the Greek banking system. These funds were directed to the Hellenic Financial Stability Fund (HFSF) whose mandate has been extended and enhanced accordingly. € 39 bn of these funds were remitted to Greece in 2012 and the final € 11 bn in 2013.

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

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

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

Banks considered viable have been given the opportunity to apply for and receive Core Tier I-eligible capital from the HFSF under a certain process. Capital may take the form of ordinary shares, contingent convertible financial instruments or ordinary shares with restricted voting rights. Ordinary shares with restricted voting rights will only be available if private investors contribute 10% of the capital raising at the rights issue. The voting rights of the HFSF for the ordinary shares it holds, if the 10% threshold mentioned above is met, will be strictly limited to specific strategic decisions on the condition that the bank adheres to its restructuring plan and as long as contingent convertible financial instruments (CoCos) are not mandatorily converted to ordinary shares. The HFSF is obliged to dispose, fully or partly, of all the shares it acquires within five years from the initial rights issue covered by HFSF, if the required 10% private participation is met and within two years if not. In both cases the disposal period may be extended by the Minister of Finance. A Cabinet Act on 9 November 2012, agreed in consultation with the Troika (European Commission, ECB and IMF), provided the technical details of the banks' recapitalisation framework.

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

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

Eurobank's Group share capital increase

The Bank of Greece, after assessing the business plan and the capital needs of Eurobank (the "Bank") concluded on 19 April 2012 that Eurobank is a viable bank and, on 8 November 2012, notified the Bank that its Tier I capital should increase by € 5,839 million. The Bank, the HFSF and the European Financial Stability Facility (EFSF) signed on 28 May 2012, on 21 December 2012 and on 30 April 2013 a trilateral presubscription agreement (PSA) for the advance to the Bank of EFSF notes of face value of € 3,970 million, € 1,341 million and € 528 million, respectively (total € 5,839 million), as advance payment of its participation in the share capital increase of the Bank.

On 7 April 2013, the relevant regulatory authorities, with the consent of the management of both banks, decided that National Bank of Greece (NBG) and Eurobank will be independently recapitalized in full. As a consequence, the merger process of the two Banks was suspended (note 22). Following the above decision, the BoD evaluated the specificities of the exercise in relation with the attraction of capital from private investors and, in particular, the uncertainty regarding the completion or not of the merger with NBG, and the ensuing inability of properly assessing the investment proposal, as well as the absence of tens of thousands of Eurobank's traditional shareholders who were substituted, due to the recent Voluntary Tender Offer, by NBG's stake of approximately 85% in the Bank's capital. As a consequence, the BoD proposed to the Extraordinary General Meeting on 30 April 2013 that the share capital increase of € 5,839 million be fully subscribed by the HFSF.

On 30 April, the Extraordinary General Meeting approved the increase of the share capital of the Bank, in accordance with the provisions of Law 3864/2010 and Act of Cabinet 38/9.11.2012, in order to raise € 5,839 million by issuing 3,789,317,358 new ordinary shares, covered entirely by the HFSF with the contribution of bonds issued by the EFSF and owned by the HFSF (note 15). The capital increase was certified on 31 May and the listing of the new shares is expected to be completed shortly after obtaining the relevant approvals from Greek regulatory authorities.

Since the beginning of the crisis, the Group continued the implementation of its medium term internal capital generating plan, which includes initiatives generating or releasing Core Tier I capital and/or reducing Risk Weighted Assets, which have created/released a total capital of € 1.9 bn.

On 28 March 2013, the BoG issued an Executive Committee Act (13/28.03.2013) bringing the limit for the Core Tier I capital to 9% of Risk Weighted Assets and for Equity Core Tier I to 6%, effective from 31 March 2013. According to the new definition of Core Tier I capital, AFS reserve is fully recognised, while deferred tax asset's recognition is limited to 20% of Core Tier I capital. According to the Group's capital adequacy figures at 31 March 2013, and taking into consideration the share capital increase completed on 31 May, total Capital Adequacy ratio (CAD) stood at 8.9% and Core Tier I and Equity Core Tier I ratios at 7.8%. The Group has examined and is implementing alternative ways of complying with the new regulation such as the redemption of hybrid capital and subordinated debt securities at par (note 17), with an equivalent increase in the Bank's share capital, which bring total CAD at 9.8% and Core Tier I ratio at 9.5%.

7. Greek Banks' recapitalisation (continued)**Restructuring plan**

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

If the relevant authorities finally decide not to conclude the merger with NBG, Eurobank will submit, as it should, a comprehensive business plan that will enable the Bank to rapidly attract capital, private, institutional and/or strategic, from Greece and abroad, as provided for by the current legal framework. The plan, adapted to the needs of, and the new conditions prevailing in, the Greek and international banking markets, will enable the further enhancing of Eurobank's capital base, allowing it to retain and increase its corporate value, its access to international markets and prompt return to organic profitability; in so doing, it will safeguard the Bank's ability to play a leading role in the national effort to exit the crisis and return to positive growth.

Monitoring Trustee

The Memorandum of Economic and Financial Policies (MEFP) of the Second Adjustment Program for Greece between the Hellenic Republic, the European Commission, the International Monetary Fund (IMF) and the European Central Bank (ECB) provides for the appointment of a monitoring trustee in all banks under State Aid.

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

8. Income tax

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

The increase of the corporate tax rate mentioned above resulted in the adjustment of the Bank's cumulative deferred tax as of 31 March 2013 by € 602 million, compared to that recorded as of 1 January 2013, out of which € 591 million have been recorded in 31 March 2013 income statement and € 11 million in other comprehensive income.

9. Discontinued operations

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

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

Moreover, on 30 April 2012 the Bank exercised its put option on its remaining 13% stake in Raiffeisen Polbank. In October 2012, following the completion of the relevant transfer of shares, the Bank received € 126 million in cash.

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

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

	€ million
Balance at 1 January 2013	3,823
Impairment losses on loans and advances charged in the period	361
Amounts recovered during the period	2
Loans written off during the period as uncollectible	(6)
Foreign exchange differences and other movements	(67)
Balance at 31 March 2013	4,113

11. Other non recurring losses

	31 March 2013 € million
Expenses relating with NBG Voluntary Tender Offer	17
Impairment losses on available for sale corporate bonds	8
	25

12. Investment securities

	31 March 2013 € million	31 December 2012 € million
Available-for-sale investment securities	778	895
Debt securities lending portfolio	2,575	2,543
Held-to-maturity investment securities	841	1,007
	4,194	4,445

In 2008 and 2010, in accordance with the amendments to IAS 39, the Bank reclassified eligible debt securities from the "Available-for-sale" portfolio to "Debt securities lending" portfolio carried at amortised cost. Interest on the reclassified securities continued to be recognised in interest income using the effective interest rate method. As at 31 March 2013, the carrying amount of the reclassified securities was € 1,140 million. If the financial assets had not been reclassified, changes in the fair value for the period from the reclassification date until 31 March 2013 would have resulted in € 375 million losses net of tax, which would have been recognised in the available-for-sale revaluation reserve.

13. Shares in subsidiary undertakings**(a) Anaptyxi 2006-1 Plc, Anaptyxi APC Ltd, Anaptyxi Holdings Ltd and Anaptyxi Options Ltd, United Kingdom**

In January 2013, the companies were liquidated.

14. Debt issued and other borrowed funds

	31 March 2013 € million	31 December 2012 € million
Securitised	1,236	1,418
Medium-term notes (EMTN)	344	344
Covered bonds	0	0
Government guaranteed bonds	1	1
	1,581	1,763

During the period, the Bank proceeded with the repurchase of € 166 million of residential mortgage backed securities issued through its special purpose entity Themelion IV Mortgage Finance PLC. The above amount was prior held by the Bank's subsidiaries.

As at 31 March 2013, the covered bonds and government guaranteed bonds under the second stream of the Greek Economy Liquidity Support Program (note 5), totalling € 3,800 million and € 13,932 million respectively, were fully retained by the Bank and its subsidiaries. In February 2013, government guaranteed bonds amounting to € 2,344 million, matured.

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

15. Ordinary share capital, share premium and treasury shares

The par value of the Bank's shares is € 2.22 per share (31 December 2012: € 2.22). All shares are fully paid. The ordinary share capital, share premium and treasury shares are as follows:

	Ordinary share capital € million	Treasury shares € million	Net € million	Share premium € million	Treasury shares € million	Net € million
Balance at 31 March 2013	1,228	-	1,228	1,448	-	1,448
	Number of shares					
				Issued ordinary shares	Treasury shares	Net
Balance at 31 March 2013				552,948,427	-	552,948,427

In June 2009, the Annual General Meeting approved the issue, within certain parameters, the terms and timing of which are at the Board of Directors discretion, either in total or gradually in tranches, of a callable bond of up to € 500 million, convertible to ordinary shares of the Bank (note 17, Series D and E). In July 2011, the repeat Annual General Meeting decided the amendment of the terms of the callable bonds approved by the Annual General Meeting in June 2009 for the amount of € 150 million not yet issued/allotted and the increase of the bonds total amount by up to € 100 million under certain conditions.

Post Balance sheet event

On 30 April 2013, the Extraordinary General Meeting approved:

- the decrease of the share capital of the Bank by means of the parallel (i) increase of the nominal value of each ordinary share with voting rights and decrease of the total number of the existing ordinary shares thereof through reverse split, at a ratio of 10 old shares for each 1 new share, and (ii) decrease of the nominal value of the ordinary share of the Bank (as it will result after the reverse split) to € 0.30, for the purpose of forming a special reserve of an equal amount of € 1,211 million, pursuant to article 4 par. 4a of Law 2190/1920. In addition, it authorized the Board of Directors to liquidate, as soon as possible, the shares formed from the aggregation of the fractional balances that may result from the reverse split and distribute to the beneficiaries the proceeds of such sale.
- the recapitalisation of the Bank, in accordance with the provisions of Law 3864/2010 and the Act of the Cabinet 38/9.11.2012, of € 5,839 million. The share capital increase is covered entirely by the HFSF with the contribution of bonds, issued by the EFSF and owned by the HFSF, as follows:
 - the share capital of the Bank is increased by € 1,137 million by issuing 3,789,317,358 new ordinary shares with a nominal value of € 0.30 each, and
 - the share premium is increased by € 4,702 million.

Treasury shares

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

16. Preference shares

Preference Shares		
	31 March 2013	31 December 2012
Number of shares	€ million	€ million
345,500,000	950	950

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

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

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

17. Hybrid capital

	Series A € million	Series B € million	Series C € million	Series D € million	Series E € million	Total € million
Balance at 31 March 2013	87	153	164	225	59	688

The rate of preferred dividends for the Tier I Issue series A has been determined at 1.89% for the period 18 March 2013 to 17 March 2014.

As at 31 March 2013, the dividend attributable to hybrid capital's holders amounted to € 11 million (31 March 2012: € 12 million).

Post Balance sheet event

On 29 April 2013, the Board of Directors of the Bank decided to proceed with a liability management exercise ("LME") in respect of the five series of hybrid capital (Lower Tier I-Series A,B,C,D,E) and the single subordinated medium term note (Lower Tier II) (the "Securities") issued by the Bank through its special purpose entities. In particular, the Board of Directors decided to execute the LME on a voluntary basis as follows:

- repurchase by the Bank of the tendered Securities at their nominal value; and
- undertaking by holders tendering Securities to participate in the new share capital increase, for cash, with the proceeds of the repurchase, at a share issue price equal to the issue price of the share capital increase of € 5,839 million which was fully subscribed by the HFSF, within the framework of Law 3864/2010. i.e. 1.54091078902977 per share.

The participation of the Securities holders in the LME is at their discretion and the total nominal value of the tendered Securities that the Bank will accept will not exceed € 580 million, out of the total nominal amount outstanding of approximately € 663 million.

The decision on the Bank's share capital increase related to the LME program for cash up to € 580 million will be taken by the Annual General Meeting of the Bank's shareholders, which is expected to take place on 27 June 2013. The new capital increase is expected to be completed following the required approvals.

18. Fair value of financial assets and liabilities

Fair value is the amount for which an asset or liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. Where market prices are not available, the fair value of financial assets and liabilities is estimated using present value or other estimation and valuation techniques where all significant inputs are observable. These inputs are mainly related to interest rate curves, fx rates, equity prices, credit spreads and implied volatilities obtained from internationally recognised market data providers. The values derived using these techniques are significantly affected by underlying assumptions concerning both the amounts and timing of future cash flows and the discount rates used. In addition, the fair values reported, may be materially different from the values actually realised upon sale or settlement.

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

- Trading assets, derivatives and other transaction undertaken for trading purposes as well as treasury bills, available for sale securities and assets and liabilities designated at fair-value-through-profit-or-loss are measured at fair value by reference to quoted market prices when available. If quoted prices are not available, then the fair values are estimated using valuation techniques.
- Investment securities carried at amortised cost: the fair value of financial investments is determined using prices quoted in an active market when these are available. In other cases, fair value is determined using a valuation technique. As at 31 March 2013, the fair value of "Debt securities lending portfolio" and "Held-to-maturity investment securities" was € 1,859 million and € 741 million, respectively (31 December 2012: € 1,847 million and € 870 million, respectively).
- Loans and advances to customers: for loans and advances to customers quoted market prices are not available as there are no active markets where these instruments are traded. The fair value is determined using generally accepted valuation techniques with current market parameters. The fair value is estimated by discounting future expected cash flows over the time period they are expected to be recovered, using appropriate risk-adjusted rates. As at 31 March 2013, the fair value of "loans and advances to customers" was € 33,100 million (31 December 2012: € 33,650 million).

18. Fair value of financial assets and liabilities (continued)

- d) Debt issued and other borrowed funds: the fair value of the debt issued and other borrowed funds is determined using quoted market prices, if available. If quoted prices are not available, the fair value is determined by discounting the remaining contractual cash flows at a discount rate adjusted for own credit spread, where appropriate. As at 31 March 2013, the fair value of long term debt carried at amortised cost and held by third party investors was € 205 million, whereas its carrying value amounted to € 359 million.
- e) Other financial instruments, which are short term or re-price at frequent intervals, their carrying value represents a reasonable estimate of fair value.

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

i) Level 1 – Quoted prices in active markets for identical assets and liabilities. Quoted prices must be readily and regularly available from an exchange or active index/market location and prices must represent actual and regularly occurring market transactions on an arm's length basis.

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

iii) Level 3 – Financial instruments measured using valuation technique with significant non observable inputs.

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

	31 March 2013			Total € million
	Quoted prices in active market (Level 1) € million	Valuation technique observable parameters (Level 2) € million	Valuation technique non observable parameters (Level 3) € million	
Financial assets measured at fair value:				
Financial instruments held for trading	7	41	-	48
Derivative financial instruments	1	1,705	-	1,706
Available-for-sale investment securities	601	177	-	778
Total financial assets	609	1,923	-	2,532
Financial liabilities measured at fair value:				
Derivative financial instruments	1	2,461	-	2,462
Due to customers:				
- Structured deposits	-	147	-	147
Trading liabilities	0	-	-	0
Total financial liabilities	1	2,608	-	2,609
	31 December 2012			
	Quoted prices in active market (Level 1) € million	Valuation technique observable parameters (Level 2) € million	Valuation technique non observable parameters (Level 3) € million	Total € million
Financial assets measured at fair value:				
Financial instruments held for trading	69	23	-	92
Derivative financial instruments	0	1,913	-	1,913
Available-for-sale investment securities	711	184	-	895
Total financial assets	780	2,120	-	2,900
Financial liabilities measured at fair value:				
Derivative financial instruments	1	2,687	-	2,688
Due to customers:				
- Structured deposits	-	147	-	147
Total financial liabilities	1	2,834	-	2,835

19. Advance contribution of Hellenic Financial Stability Fund

On 28 May 2012, on 21 December 2012 and on 30 April 2013 the HFSF advanced to the Bank EFSF notes of face value of € 3,970 million, € 1,341 million and € 528 million, respectively, on account for the recapitalisation of the Bank (note 7). As at 31 March 2013, under the terms of the relevant presubscription agreements (PSAs), the transaction (advance of € 3,970 million and € 1,341 million) was recorded as a securities lending agreement (off balance sheet).

20. Contingent liabilities and other commitments

As at 31 March 2013, the Bank's contingent liabilities in terms of guarantees, standby letters of credit and commitments to extend credit amounted to € 4,058 million (31 December 2012: € 5,008 million) and the Bank's documentary credits amounted to € 12 million (31 December 2012: € 13 million).

The Bank's capital commitments in terms of property, plant and equipment amounted to € 5 million (31 December 2012: € 5 million).

