ANNUAL REPORT 2011

Emporiki Bank
CRÉDIT AGRICOLE GROUP

Contents

1. Emporiki Bank Albania, Crédit Agricole Group

A. PHILOSOPHY AND HISTORY OF THE BANK

Emporiki Bank Albania started operating in 1999, as one of the first private banks in Albania under the name “Commercial Bank of Greece”, while in November 2003 its name changed to “Emporiki Bank Albania S.A.”. It is a fully-owned subsidiary of Emporiki Bank Group and a member of the Crédit Agricole BPI network.

Emporiki Bank Albania has a network of **24 branches covering the main cities and regions of Albania,** holding a considerable **market share.**

One of the **Bank´s key objectives is to reinforce its presence in the Albanian business community, through systematic development of synergies with Emporiki Bank and Crédit Agricole Group.** Given Albania’s good prospects and sustained economic growth, Emporiki Bank Albania aims at maintaining excellent client relationship, with the contribution of its 246 employees, who work with professionalism and dedication.

In 1st December 2010 Emporiki Bank Albania has successfully migrated to a new banking system, being the second entity of CASA Group, following Emporiki Bank Bulgaria, **to incorporate the new Core Banking System in its business operations, in line with the Group´s commercial and marketing strategy.** The successful implementation of the new banking system is the starting point of Emporiki Albania for introducing in the local market the customer focused strategy of the Crédit Agricole Group. Through this software, the Bank will be able to fully support tailor-made products, addressed to all client segments, yet with a differentiated approach per customer segment.

In addition, Emporiki Albania invests in establishing its brand name and promoting good will for its products and services. The Bank launches several actions during the year and one of the most attractive and successful campaigns was the one launched on spring 2011, **the new deposit offer 6.8%** (in local currency Lek), addressed to the individuals customers´market. The campaign was based on different direct marketing initiatives (e.g. door to door promotion in the main cities and regions) to enhance contact with existing and potential customers.


Emporiki Bank
CRÉDIT AGRICOLE GROUP
Emporiki Bank
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MBESHTETJE
E FORTE
Emporiki Bank

LUC BEISO
CEO OF EMPORIKI BANK ALBANIA

Key objectives were to make the benefits of the product obvious to the consumers, reinforce the Bank´s image and support the Branches´sales activity.

Due to the coordinated and successfully planned efforts, the campaign's target was achieved by 141.29%!

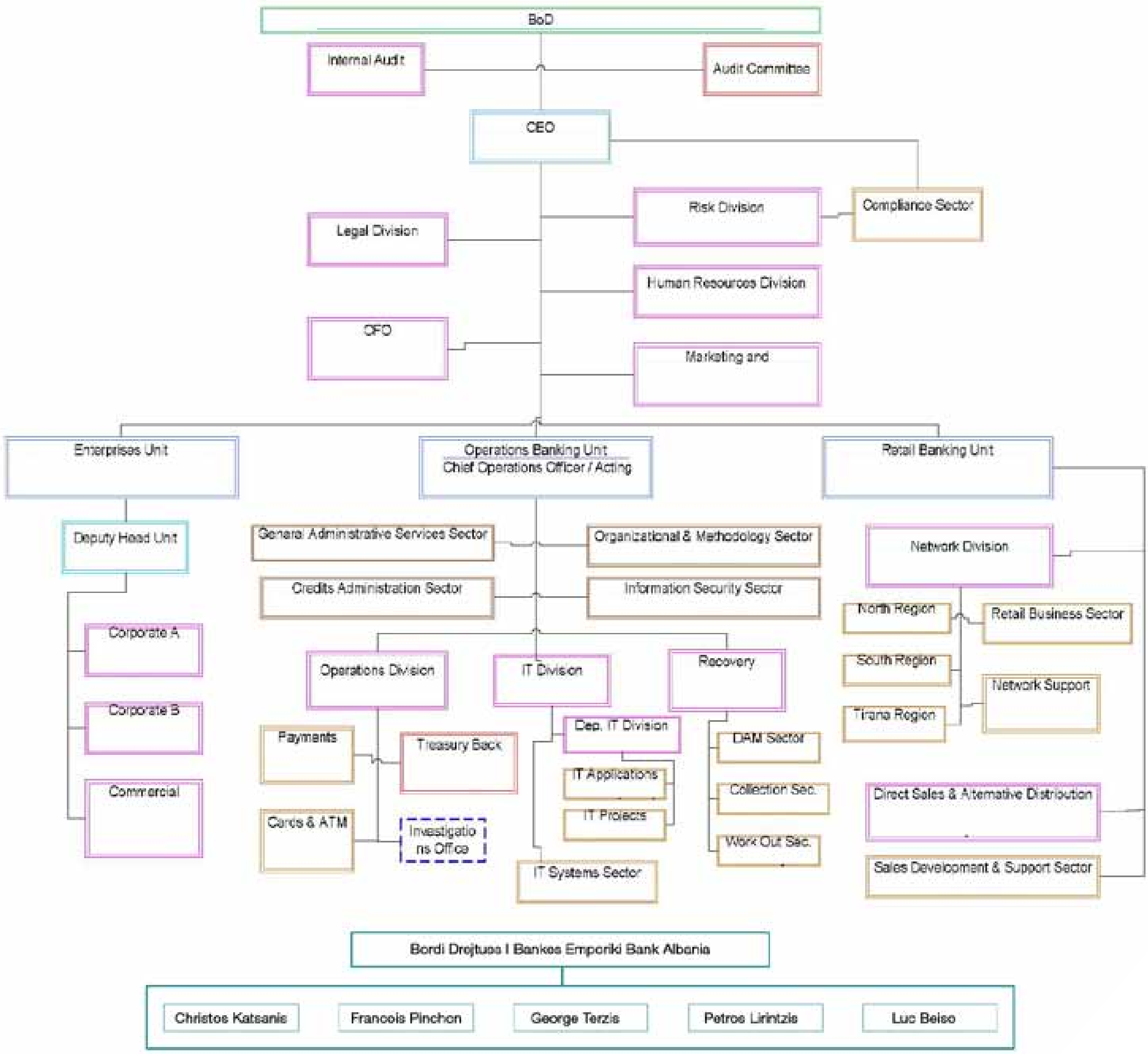
Emporiki Bank Albania cooperates successfully with its parent Bank in Greece in various projects. One of them had to do with the target to expand clientele through the special procedure of **opening accounts for Albanian citizens living in Greece.** Such procedure has been designed in order to facilitate the **cross-country transactions** performed by this segment, as well as aiming at **increasing the transactions at Group level.** Indicatively and as a result, the target for 2011 was achieved, by opening more than 100 new accounts in Emporiki Albania for Albanian immigrants.

Moreover, during the last years, Emporiki Bank Albania has been an important partner of the country´s art and culture, undertaking also a number of activities to support social causes in the local community.Emporiki Bank Albania aims to be transformed into a model bank in the country dedicating special attention to innovation, competition and costumer's service.

As of July 1st 2011, **Mr. Luc Beiso** is the new CEO of Emporiki Bank Albania. Mr. Beiso underlines his main challenges: "My new assignment as the CEO of Emporiki Bank Albania poses interesting challenges to achieve further success in the local market. This bank has strong benefits, deriving from the quality and dynamism of its employees and the solid fundamentals set by the former CEO Mr. George Caracostas, whose role was unquestionably essential for the bank and its solid growth over the last three years.

Of course, we have a lot of work to do and the team of Emporiki Bank Albania and myself will be fully dedicated to achieve the best possible results, in order for our bank to further reinforce the place it deserves in the local banking system and the Balkans market."

B. ORGANIZATIONAL CHART AND BOARD OF DIRECTORS



C. OUR NETWORK OF BRANCHES

Emporiki Bank of Albania in its 12th year of activity counts for 21 branches and 3 agencies. The network of branches is located in the most important cities of Albania covering the majority part of the population. Only in Tirana the Bank counts for 9 branches covering the central and periphery areas.

The main focus of the Bank, in line also with the Group strategy is to enhance the quality of service given to the customer. This philosophy is not only applied in the products and services and internal processes but also in the branches layouts. The new branch model applied by the Group in its network of subsidiaries has also been applied in some of the branches and will continue in the future as well.

This model is based on fostering a customer centric attitude among staff and a pro- active approach with the aim of guarantying the customer the benefits from the most suitable service /product to his needs.

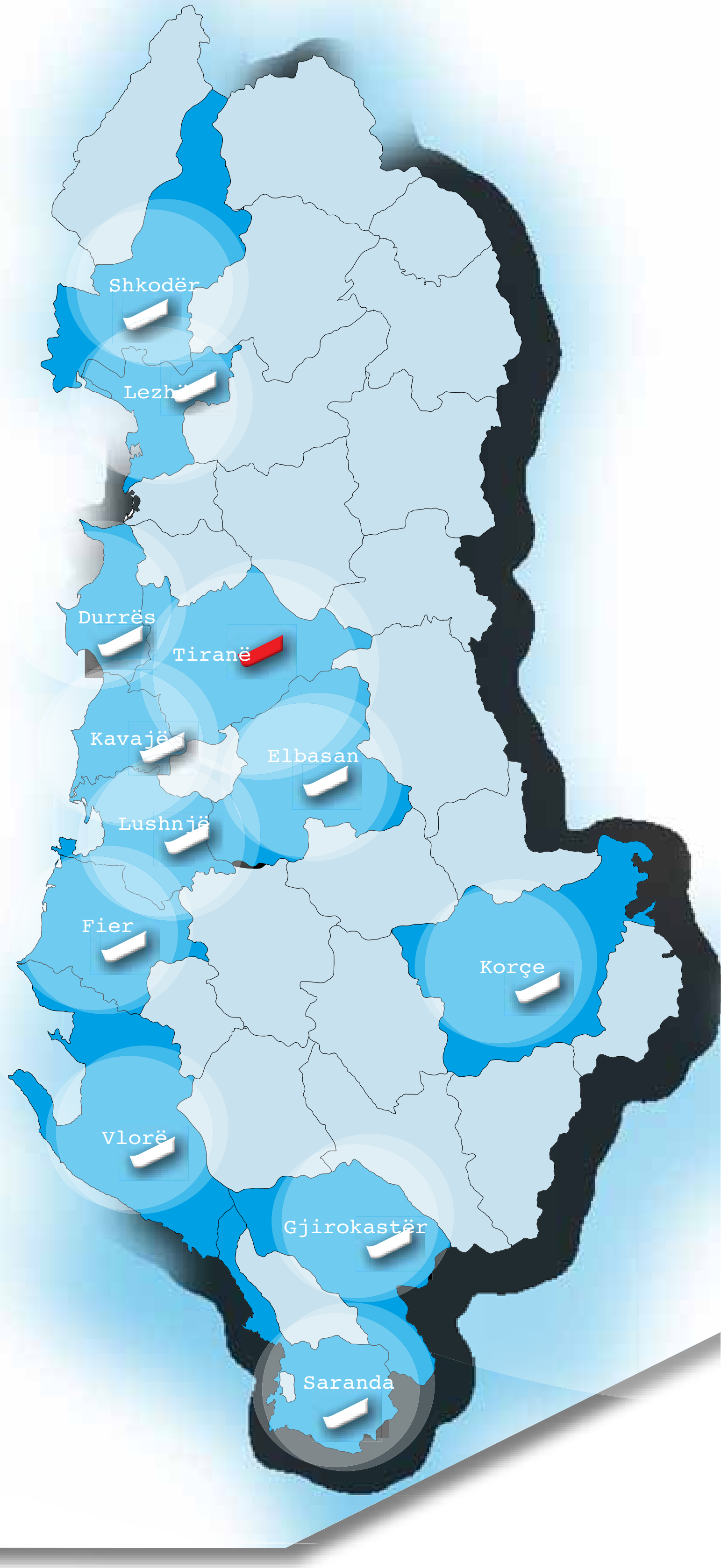
The new branch gives importance to the human aspect of making banking. Always welcome and assist customers; team spirit to represent the Bank for all staff in the branch whether sale, reception or transaction; a clearly defined role for everyone.


DEGA FIER


DEGA SHKODER
mirësevini
welcome
Shërbim sigurie
Security
PAYROLL


Emporiki Bank
Emporiki Bank


Emporiki Bank
24/7


Shkodër
Lezhë
Durrës
Tiranë
Kavajë
Elbasan
Lushnjë
Fier
Korçe
Vlorë
Gjirokastër
Saranda

D. HUMAN RESOURCES

We in Credit Agricole Albania Bank believe in the fact that our employees are an important competitive advantage. We believe that active participation of our employees is key to the achievement of the goals of the Bank. Human resources are the catalyst of change, with confidence, dedication, skills and knowledge and permanent commitment they have. We have restructured our processes regarding selection, training, development, compensation and performance evaluation of our employees.

OUR VALUES ARE NON-NEGOTIABLE:

Respect for the dignity and rights of our employees, respect for differences, maintain safety, the combination between the professional and personal life, development and training of employees and all this within the framework of an important group as we are.

Based on tradition and heritage of our bank, we work systematically to the dynamic and continuous development of the Bank. Only thanks to the advantage that we have the values of the Bank and the quality of our employees, we manage to create a strong and successful team.

Total
253 employees

The average age
33 years old(32.8)

Male
89 employees (35 %)

Woman
164 employees (65%)

2. Crédit Agricole Group

Profile

The Crédit Agricole Group is market leader in Universal Customer-Focused Banking in France and one of the largest banks in Europe.

The Crédit Agricole Group seeks to serve the real economy by supporting its clients' projects in all areas of retail banking and associated specialised business lines.

Emphasising its values and its commitment, the Crédit Agricole Group is the bank of common sense. It puts the satisfaction and the interests of its 54 million customers, 160,000 employees, 1.2 million shareholders and 6.5 million cooperative shareholders at the heart of its activities.

Crédit Agricole remains true to its co-operative and mutual origins by pursuing a proactive policy in terms of social and environmental responsibility. As part of this policy, the Group is making continual progress on behalf of its customers, staff and the environment, as proven by quantitative indicators.

www.credit-agricole.com

54 million
clients worldwide

160,000
employees

€35.1 billion
revenues

€70.7 billion
shareholders' equity Group share

€812 million
net income Group share

10.2%
Core Tier One Ratio unfloored

6.5 million mutual shareholders form the basis of Crédit Agricole's cooperative organisational structure.

They own the capital of the **2,531 Local Banks** in the form of mutual shares and select their representatives each year. **A total of 32,227 directors** convey their expectations within the Group.

The Local Banks own the major part of the Regional Banks' share capital. The 39 Regional Banks are cooperative Regional Banks that offer their customers a comprehensive range of products and services.

The discussion body for the Regional Banks is the **Fédération Nationale du Crédit Agricole,** where the Group's main directions are discussed.

56.2%

of Crédit Agricole S.A.'s share capital held by the 39 Regional Banks
via holding company SAS Rue La Boétie.

43.5%

of Crédit Agricole S.A.'s share capital held by:

- Institutional investors: 27.9%
- Individual shareholders: 10.8%
- Employees via employee mutual funds: 4.8%

0.3%

treasury shares

Crédit Agricole S.A. owns 25% of share capital in the Regional Banks (excl. the Regional Bank of Corsica) and manages and consolidates its subsidiaries in France and abroad.

Retail banking

More than 11,600 branches serving 33.5 million clients

Banks for personal customers, farmers, small businesses, companies and public authorities, with a strong local footing.
The Crédit Agricole Regional Banks offer the full range of banking and financial products and services

LCL

LCL is a retail banking network with a strong presence in urban areas across France, with four main business lines: retail banking for personal customers, retail banking for small business customers, private banking and corporate banking.

INTERNATIONAL RETAIL BANKING

Crédit Agricole is a first-class partner in Europe, mainly in Italy (with 962 branches) and Poland (with 434 branches). It is also present in Greece, Egypt, Morocco, Ukraine and Serbia.

Other specialised subsidiaries

- Crédit Agricole Immobilier
- Crédit Agricole Capital Investissement & Finance
- Uni-Éditions

Specialised business lines

Market-leading positions in France and Europe

- A key player in Europe in consumer finance
- Market leader in France in leasing and factoring
- No. 2 in Europe in asset management
- No. 7 in insurance in Europe
- A key player in private banking

Corporate and investment banking

An international network in the main areas in Europe, Americas, Asia and Middle East

- Financing activities
- Investment banking
- Capital markets
- Equity brokerage

The Crédit Agricole Group consists of Crédit Agricole S.A. along with all of the Regional Banks and Local Banks, and together they are developing the Universal Customer-Focused Banking model. Its model is based on synergies between retail banks and its associated specialised business lines.

3. Financial Statements

Indipendent auditor's report

pwc

Independent auditor's report

To the Shareholders and Board of Directors of Emporiki Bank - Albania sh.a.

Report on the Financial Statements

We have audited the accompanying financial statements of Emporiki Bank - Albania sh.a., which comprise the statement of financial position as of 31 December 2011 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Emporiki Bank - Albania sh.a. as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers Audit sh.p.k.

PricewaterhouseCoopers Audit sh.p.k.
29 June 2012, Tirana, Albania

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Registered with the National Registration Center on 15 July 2009 and with Tax Identification Number NUIS K91915023A

Statement of comprehensive income for the year ended 31 December 2011

(All Amounts in ALL thousand, unless otherwise stated)

	Notes	31 December 2011	31 December 2010
Assets			
Cash and balances with Central Bank	5	2,292,572	2,603,022
Loans and advances to banks	6	6,538,743	4,136,285
Available-for-sale financial assets	7	901,659	1,102,290
Loans and advances to customers	8	20,809,230	22,595,583
Property and equipment	9	582,213	696,388
Intangible assets	10	235,241	190,778
Other assets	11	1,085,111	346,376
Prepaid income tax		51,451	51,524
Deferred Tax Asset		15,609	-
Total assets		**32,511,829**	**31,722,246**
Liabilities			
Due to Banks	12	13,462,348	12,857,318
Due to customers	13	12,888,519	12,805,732
Subordinated loan	14	1,536,513	1,533,420
Other liabilities	15	548,474	288,775
Deferred tax liabilities	16	-	35,037
Total liabilities		**28,435,854**	**27,520,282**
Shareholders' equity			
Share capital	17	5,348,725	4,649,723
Legal reserve	18	57,162	57,162
Revaluation of AFS portfolio		1,946	2,430
Accumulated deficit		(1,331,858)	(507,351)
Total shareholders' equity		**4,075,975**	**4,201,964**
Total liabilities and shareholders' equity		**32,511,829**	**31,722,246**

The accompanying notes on pages 6 to 58 form an integral part of these financial statements.
These financial statements have been approved by Board of Directors
on 26 June 2012 and signed on their behalf by:

Luc Beiso
Chief Executive Officer

Armand Muharremi
Chief Financial Officer

Statement of comprehensive income for the year ended 31 December 2011

(All Amounts in ALL thousand, unless otherwise stated)

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
Interest and similar income	19	2,018,295	2,085,531
Interest and similar expense	20	(849,859)	(735,087)
Net interest income		**1,168,436**	**1,350,444**
Impairment losses on loans and advances	8	(897,389)	(447,616)
Net interest income after loan impairment charges		**271,047**	**902,828**
Fee and commission income		162,338	103,380
Fee and commission expenses		(18,543)	(20,012)
Net fee and commission income	21	**143,795**	**83,368**
Net foreign exchange result	22	27,046	64,824
Other (expenses)/income	23	(93,475)	15,256
Other operating expenses	24	(1,223,566)	(944,801)
Profit/ (loss) for the year before income tax		**(875,153)**	**121,475**
Income tax credit/ (expense)	25	50,646	2,888
Net (loss)/ profit for the year		**(824,507)**	**124,363**
Other comprehensive income			
Revaluation of available-for-sale financial assets		(484)	2,649
Total comprehensive (loss)/income for the year		**(824,991)**	**127,012**

The accompanying notes on pages 6 to 58 form an integral part of these financial statements.

These financial statements have been approved by Board of Directors on 26 June 2012 and signed on their behalf by:

Luc Beiso
Chief Executive Officer

Armand Muharremi
Finance Division Manager

Statement of changes in equity for the year ended 31 December 2011

(All Amounts in ALL thousand, unless otherwise stated)

	Share Capital	Legal Reserve	Revaluation of AFS investments	Accumulated deficit	Total
Balance at 1 January 2010	4,649,723	57,162	(219)	(631,714)	4,074,952
Share capital increase	-	-	-	-	-
Revaluation of available-for-sale financial assets	-	-	2,649	-	2,649
Net loss for the year	-	-	-	124,363	124,363
Total comprehensive loss for the year	-	-	2,649	124,363	127,012
Balance at 31 December 2010	4,649,723	57,162	2,430	(507,351)	4,201,964
Share capital increase	699,002				699,002
Revaluation of available-for-sale financial assets			(484)		(484)
Net profit for the year				(824,507)	(824,507)
Total comprehensive profit for the year	-	-	(484)	(824,507)	(824,991)
Balance at 31 December 2011	5,348,725	57,162	1,946	(1,331,858)	4,075,975

The accompanying notes on pages 6 to 58 form an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2011

(All Amounts in ALL thousand, unless otherwise stated)

	Year ended 31 December 2011	Year ended 31 December 2010
Cash flows from operating activities		
Net profit/ (loss) before income tax	(875,153)	121,475
Adjustments to reconcile net profit to net cash flows from operating activities:		
Depreciation	131,709	111,206
Amortization	70,771	21,047
Impairment losses on loans and advances	896,613	449,383
Provision for contingent liabilities	771	(1,767)
Unrealized (gains)/losses on foreign currency revaluation	(13,116)	(71,983)
Tax penalties compensated through income tax receivable	73	23
Income tax paid		-
Cash flows from operating activities before changes in operating assets and liabilities	211,668	629,384
Changes in operating assets and liabilities:		
Increase in restricted balances with central bank	(41,620)	(150,340)
Increase in investment property		(203,818)
Decrease in loans and advances to customers	891,708	2,411,546
Increase in other assets	(738,736)	(23,858)
Increase/(decrease) in due to banks	605,030	(188,314)
Increase in due to customers	82,788	1,631,912
Increase in other liabilities	258,926	150,364
Cash flow from / (used) in operating activities	1,269,764	4,256,876
Cash flows from investing activities		
Purchases of intangible assets	(115,234)	(150,289)
Purchases of property and equipment	(17,534)	(56,413)
Purchases of AFS securities	(1,005,674)	(1,157,014)
Proceeds from matured AFS securities	1,211,781	866,488
Cash flows from / (used in) investing activities	73,339	(497,228)

Statement of cash flows continues on next page.

	Year ended 31 December 2011	Year ended 31 December 2010
Cash flows from financing activities		
Share capital increase	699,002	-
Subordinated debt	8,283	6,950
Cash flows from financing activities	707,285	6,950
Net increase in cash and cash equivalents	2,050,388	3,766,598
Cash and cash equivalents at beginning of the year	5,525,062	1,758,464
Cash and cash equivalents at end of the end of the year (note 25)	7,575,450	5,525,062

Cash flows from operating activities for the year ended 31 December 2011 include interest received in the amount of ALL 1,568,509 thousand (2010: ALL 2,058,260 thousand) and interest paid in the amount of ALL 666,425 thousand (2010: ALL 697,900 thousand.)

The accompanying notes on pages 6 to 58 form an integral part of these financial statements.

1. INTRODUCTION

Emporiki Bank Greece (the "Parent Bank") is an international financial institution based in Greece since 1907 which upon the decision of the Greek Ministry of Development changed its name from the Commercial Bank of Greece on 3 July 2003. In October 1998, the Parent Company opened a subsidiary in Albania with its principal office located in Tirana, which, in October 1999, was authorized to operate in all fields of banking activity. In October 1999, this subsidiary was named Intercommercial Bank – Albania Sh.a. and subsequently during 2001 changed its name to the Commercial Bank of Greece (Albania) Sh.a. On 1 March 2004, upon the final approval from the Bank of Albania, the Bank's name was changed to Emporiki Bank Albania Sh.a. ("EBA" or "the Bank").

From the commencement of its activity to June 2007 the Bank operated in accordance with the Law no. 8365 "On the Banking System in Albania", dated July 1998 and Law no. 8269, dated December 1997 "On the Bank of Albania". In June 2007 the Law No. 9662 "On the Banks in the Republic of Albania", dated 18 December 2006, superseded the preceding banking law. The Bank is licensed to perform payment transfers, credit and deposit activities in Albania and abroad and other banking activities in accordance with Albanian laws.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

2.2 ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The Bank has adopted all new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations.

The following standards, amendments and interpretations to existing standards are mandatory for the Bank's accounting periods beginning on or after 1 January 2011 but they are not relevant to the Bank's operations.
The following standards, amendments and interpretations to existing standards are mandatory for the Company's accounting periods beginning on or after the effective date:

a) New and amended standards adopted by the Company

There are no new standards and amendments to standards accepted by the Company for application for the financial year, beginning 1 January 2011.

(b) New and amended standards and improvements to IFRS mandatory for the first time for the financial year beginning on or after 1 January 2011 but not currently relevant to the Company

IAS 24 (revised), 'Related party disclosures' (effective 1 January 2011) - This revised standard removes the requirement for government related entities to disclose details of transactions with the government and other government-related entities and it clarifies and simplifies the definition of a related party. The amendment is not applicable to the Company as it does not have such related party transactions.

Adoption of New or Revised Standards and Interpretations (continued)

Amendments IAS 32, 'Financial instruments: Presentation', on 'Classification of rights issues' (effective 1 February 2010) - The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Before the amendment, such rights issues were accounted for as derivative liabilities. The amendment states that, if such rights are issued pro rata to an entity's existing shareholders for a fixed amount of any currency, they should be classified as equity, regardless of the currency in which the exercise price is denominated. The amendment is not applicable to the Company as it does not have right issues, options or warrants.

Amendment to IFRS 1 'First time adoption', on financial instrument disclosures (effective 1 July 2010) - This amendment provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7, 'Financial instruments: Disclosures', regarding comparative information for the new three-level classification disclosures. This amendment is not applicable to the Company as it is not a first time adopter.

Annual improvements to IFRSs 2010 (effective 1 January 2011) - This set of amendments includes changes to six standards and one IFRIC:

- IFRS 1, 'First time adoption'.
- IFRS 3, 'Business combinations'.
- IFRS 7, 'Financial instruments; Disclosure'.
- IAS 1, 'Presentation of financial statements'.
- IAS 27, 'Separate financial statements'.
- IAS 34, 'Interim financial reporting'.
- IFRIC 13, 'Customer loyalty programmes'.

None of the improvements is applicable to the financial statements of the Company.

IFRIC 19, 'Extinguishing financial liabilities with equity investments' (effective 1 July 2010) - This interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. The interpretation is not relevant to the Company's financial statements as it does not have such transactions.

Amendment to IFRIC 14, 'Prepayments of a minimum funding requirement' (effective 1 January 2011) - This amendment will have a limited impact, as it applies only to entities that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', relating to voluntary pension pre-payments when there is a minimum funding requirement. The interpretation is not relevant to the Company's financial statements because it does not make contributions to pension plans.

c) New and amended standards and improvements to IFRS that have been issued but are not yet effective

Amendments to IFRS 7, 'Financial instruments: Disclosures' on derecognition (effective for annual periods beginning on or after 1 July 2011) - These amendments arise from the IASB's review of off-balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's

Adoption of New or Revised Standards and Interpretations (continued)

financial position, particularly those involving securitisation of financial assets. It is not expected to have any impact on the Company's financial statements.

Amendment to IFRS 1, 'First time adoption', on fixed dates and hyperinflation (effective for annual periods beginning on or after 1 July 2011) - These amendments include two changes to IFRS 1, 'First-time adoption of IFRS'. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs.

The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. It is not expected to have any impact on the Company's financial statements.

Amendment to IAS 12, 'Income taxes' on deferred tax (effective for annual periods beginning on or after 1 January 2012) - IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes – recovery of revalued non depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. It is not expected to have any impact on the Company's financial statements.

Amendment to IAS 19, 'Employee benefits' (effective for annual periods beginning on or after 1 July 2012) - These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. It is not expected to have any impact on the Company's financial statements.

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income (effective for annual periods beginning on or after 1 July 2012) - The main change resulting from these amendments is a requirement for entities to group items presented in Other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Company is evaluating the impact of these amendments to its financial statements.

IFRS 9, 'Financial instruments' – classification and measurement' (effective for annual periods beginning on or after 1 January 2013) - This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. It is not expected to have any impact on the Company's financial statements.

Adoption of New or Revised Standards and Interpretations (continued)

IFRS 10, 'Consolidated financial statements' (effective for annual periods beginning on or after 1 January 2013) - This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries. It is not expected to have any impact on the Company's financial statements.

IFRS 11, 'Joint arrangements' (effective for annual periods beginning on or after 1 January 2013) - This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. It is not expected to have any impact on the Company's financial statements.

IFRS 12, 'Disclosures of interests in other entities' (effective for annual periods beginning on or after 1 January 2013) - This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. It is not expected to have any impact on the Company's financial statements.

IFRS 13, 'Fair value measurement' (effective for annual periods beginning on or after 1 January 2013) - This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements of this standard provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. It is not expected to have any impact on the Company's financial statements.

IAS 27 (revised 2011) 'Separate financial statements' (effective for annual periods beginning on or after 1 January 2013) - This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. It is not expected to have any impact on the Company's financial statements.

IAS 28 (revised 2011) 'Associates and joint ventures' (effective for annual periods beginning on or after 1 January 2013) - This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. It is not expected to have any impact on the Company's financial statements.

IFRIC 20, 'Stripping costs in the production phase of a surface mine' (effective for annual periods beginning on or after 1 January 2013) - This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The interpretation may require mining entities reporting under IFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body. This interpretation is not applicable to the Company's operations.

2.3 BASIS OF PREPARATION

a) Basis of measurement

These financial statements have been prepared on the historical cost basis, except for the available-for-sale financial assets which are measured at fair value. The financial statements are presented in Albanian Lek and all values are rounded to the nearest thousand (ALL 000) except when otherwise indicated.

b) Functional and presentation currency

These financial statements are presented in Albanian Lek ("ALL") which is the Bank's functional and presentation currency.

c) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in note 4.

The accounting policies set out below have been applied consistently to all the periods presented in these financial statements.

d) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

e) Interest income

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.
Interest income and expense presented in the statement of comprehensive income include interest on financial assets and liabilities at amortised cost and financial assets available-for-sale on an effective interest rate basis.

f) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.
Other fees and commission income, including account servicing fees, placement fees, are recognised as the related services are performed.
Other fees and commission expense relates mainly to transaction and other banking service fees, which are expensed as the services are received.

g) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

h) Operating expenses

The operating expenses are recognized when incurred.

i) Employee benefits

The Bank operates a defined contribution pension plan. The Bank pays contributions to publicly administered pension insurance plans on a mandatory basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

j) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.
A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

k) Financial assets and liabilities

I Recognition

The Bank initially recognises loans and advances, and deposits, on the date that they are originated. All other financial assets and liabilities are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

II Derecognition

The Bank derecognises a financial asset when the assets are redeemed or the rights to the cash flows from the assets otherwise expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.
The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

III Amortized cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

IV Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques, mainly discounted cash flow method.

V Identification and measurement of impairment for assets carried at amortised cost

At each balance sheet date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.
Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the Bank.
Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

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 Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the 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.

VI Identification and measurement of impairment of available for sale financial instruments

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. 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 current period's profit or loss.

i) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks, loans and advances to banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Mandatory reserves held with Central Bank as excluded from cash and cash equivalents for the statement of cash flows purposes. Cash and cash equivalents are subsequently carried at amortised cost in the statement of financial position.

m) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo"), the arrangement is accounted for as a loan or advance to other banks or customers. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

n) Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, or available-for-sale.

Held-to-maturity

Held-to-maturity investments are assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale. Held-to-maturity investments are carried at amortised cost using the effective interest method.

Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years.

Available-for-sale

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired and the balance in equity is reclassified from other comprehensive income to profit or loss.

o) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives are as follows:

	(in years)
Building	50
Computers and IT equipment	4
Office furniture	5
Motor vehicles	5
Leasehold improvements	9 - 12

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

p) Intangible assets

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.
Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is four years.

q) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property has been acquired through the enforcement of security over loans and advances. Investment property is measured cost less accumulated depreciation and impairment losses.

r) Non-current assets held for sale

Asset held for sale represent non-current assets that are not used for operational purposes but will rather be recovered through a sale transaction. Non-current assets classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

s) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.
The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

t) Deposits and other financial liabilities

Deposits and other liabilities are the Bank's sources of debt funding.
When the Bank sells a financial asset and simultaneously enters into a "repo" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements.
The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the contractual terms of the instrument.
Deposits and other financial liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

u) Provisions

A provision is recognised only if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3. USE OF ESTIMATES AND JUDGMENTS

Management discussed with the Board of Directors the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.
These disclosures supplement the commentary on financial risk management (see note 5).
Key sources of estimation uncertainty
Allowances for credit losses

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

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impact of the ongoing global financial and economic crisis
Recent volatility in global and Albanian financial market.

Impact of the economic crisis and situation in Greece

Since late 2009, fears of a European sovereign debt crisis developed among investors as a result of the rising government debt levels, together with a wave of downgrading of government debt in some European states. Concerns intensified in early 2011 making it difficult for some countries in the euro area to re-finance their government debt without external assistance. The three countries most affected by this were Greece, Ireland and Portugal.

On the Greek debt front, a new funding program was agreed with the European Commission, the ECB and the Eurozone member-states, in the Eurogroup meeting held on 21 February 2012. The new program aims to bring the country's public debt-to-GDP ratio to 120.5% by 2020, close to the 120.0% target envisioned in the European Council session held on 26 and 27 October 2011.

The new funding program is expected to have a significant beneficial effect on the country's solvency outlook. This is due, not only to the reduction of public debt, but also to the expected decline of interest expenditure from 2012 onwards. The funding program constitutes a credible opportunity for the Greek economy to remove uncertainty surrounding it from the middle of 2010 onwards, regarding both sustainability of fiscal position as well as preservation of the country's Eurozone participation.

Position of the Group

Emporiki Bank Albania is a part of Emporiki Bank Group. Emporiki Bank Greece is the majority shareholder of Emporiki Bank Abania sh.a.

Emporiki Bank Greece became a subsidiary of Credit Agricole SA when it acquired a controlling interest in August 2006. Since then Emporiki Bank Group has enjoyed the full support of its parent with the provision of significant additional equity and similar capital and also substantial liquidity in the form of various types of borrowing. Liquidity support is provided by Emporiki Bank Greece to Emporiki Bank Albania sh.a.

In February 2012, Emporiki Bank Greece submitted to The Bank of Greece, which regulates the Greek banking system, its updated 4 year Business Plan for the period 2012 to 2015. The Business Plan takes into account the latest available economic forecasts for Greece and other relevant territories and it sets out the projected results and identifies the level of support that Emporiki Bank Group needs in order to meet its future regulatory liquidity and capital requirements. However, there is an uncertainty arising from the impact of potential further adverse developments that might lead to a significant deterioration of the economic and political environment and outlook for Greece. The effect of these uncertainties on the position and prospects of Emporiki Bank and its subsidiaries may cause Credit Agricole SA to reassess its current strategy and may cast doubt about the Emporiki Bank Greece ability to continue as a going concern.

Position of the Bank

The management of Emporiki Bank Albania sh.a has carefully considered the situation of its majority shareholder. An analysis has been performed to assess the liquidity, funding and capital needs of Emporiki Bank Albania sh.a. Based on the analysis, taking into consideration that the majority of the funding as at 31 December 2011 is provided directly by Credit Agricole and the capital adequacy ratio of th Bank is 12.96% as at 31 December 2011and would remain above the minimum required level of 12%, the management has concluded that Emporiki Bank Albania is able to continue operations in the next 12 months and the foreseeable future.

Consequently, the going concern assumption has been applied in the preparation of the financial statements.

Management prepared these financial statements on a going concern basis, which assumes that the Bank will continue to operate in the foreseeable future. In order to assess the reasonability of this assumption, management reviews the forecasts of the future cash inflows and the support provided by shareholders.

The Bank is financed via direct cash contributions of the shareholders through share capital increase (see Note 17), a subordinated loan (see Note 14) granted by the Parent Bank – Emporiki Bank SA, Greece and interbank lending and other funding provided to Credit Agricole SA (see Note 12).

Based on the current financial plans and the support of the Parent Bank and Credit Agricole, management is satisfied that the Bank will be able to continue to operate as a going concern in the foreseeable future and, therefore, this principle is applied in the preparation of these financial statements.
Impact on customers/ borrowers:

The debtors or borrowers of the Bank may also be affected by the lower liquidity situation which could, in turn, impact their ability to repay the amounts owed. The operating conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

4. FINANCIAL RISK MANAGEMENT

a) Overview

The Bank has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Bank Asset and Liability (ALCO), Credit and Operational Risk committees, which are responsible for developing and monitoring Bank risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.
The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.
The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.
The Bank Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Bank Credit Committee. A separate Bank Unit, reporting to the Chief Executive Officer and the Chief Risk Officer in parallel, is responsible for oversight of the Bank's credit risk.

The management of credit risk is accomplished through:

- Formulating credit risk policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing and monitoring of the delegation levels and escalating process regarding the credit approvals. Board of Directors delegates its power of approval authority to the Credit Committees of the Bank currently for the amount up to EUR 2,000,000 equivalent). However for financings of specific sectors of economy as well as certain counterparties types, which are considered more risky such as real estate, construction, hotels, start ups, financial institutions, political persons, etc. The approval authority remains with the Board of Directors regardless of the amount of financing.
- Reviewing and assessing credit risk. Bank Management and Permanent Control Sector of the Bank assess all credit exposures limits, prior to the final approval by the competent authority. Renewals and reviews of facilities are subject to the same process.
- Limiting concentrations of exposure to counterparties, geographies and sectors of economy.
- The bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, industry segments and to geographical segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.
- Monitoring the actual exposures against limits on a frequent basis. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations, even by changing these lending limits where appropriate.
- Developing and maintaining the Bank's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures.
- The current risk grading framework consists of five categories reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades remains with the Risk Management and Permanent Control Unit with the final approval by Credit Committee. Risk grades are subject to regular reviews by the Bank.

(i) Maximum exposure to credit risk

	Maximum exposure	
	2011	2010
Credit risk exposures relating to on-balance sheet assets are as follows:		
Cash and balances with Central Bank	2,292,572	2,603,022
Loans and advances to banks	6,538,743	4,136,285
Loans and advances to customers:		
Loans to individuals		
– Consumer/Overdrafts	142,376	162,048
– Credit cards	58,832	49,238
– Mortgages	6,175,375	7,249,261
Loans to corporate entities:		
– Large corporate customers	10,538,230	10,789,923

– Small and medium size enterprises	3,894,417	4,345,113
Total loans and advances to customers	20,809,230	22,595,583
Available-for-sale financial investments	901,659	1,102,290
Other financial assets	1,085,111	116,243
Credit risk exposures relating to off-balance sheet items are as follows:		
Letters of Guarantees	399,279	115,959
Loans Commitment	500,324	1,268,997
At 31 December	32,526,918	31,938,379

(ii) Credit quality of loans and advances to banks and investment securities

	Loans and advances to banks		Investment securities (AFS)	
	2011	2010	2011	2010
Neither past due nor impaired				
Grade 1: Low-fair risk (Standard)	6,538,743	4,136,285	901,659	1,102,290
Total carrying amount (Notes 7 and 8)	6,538,743	4,136,285	901,659	1,102,290

(ii) Credit quality of loans and advances to customers

	Loans and advances to customers	
	2011	2010
Carrying amount		
Individually impaired		
Grade1:Impaired(Standart)	41,780	
Grade2:Impaired(SM)	10,659	-
Grade3:Impaired(Substandard)	87,895	1,650,586
Grade4:Impaired(Doubtful)	4,181,489	950,307
Grade5:Impaired(Lost)	2,700,707	2,229,624
Gross amount	7,022,530	4,830,517
Allowance for impairment	(247,353)	(1,761,931)
Carrying amount(A)	6,775,177	3,068,586
Portfolio based allowance for losses		
Grade1:Low-fairrisk(Standard)	13,340,710	16,223,820
Grade2:Watchlist(SM)	2,372,458	2,887,635
Grade3:Impaired(Substandard)	1,006,694	729,898
Grade4:Impaired(Doubtful)	56,558	21,777
Grade5:Impaired(Lost)	48,119	45,130
Gross amount	16,824,539	19,908,260
Allowance for impairment	(2,790,486)	(381,263)
Carrying amount (B)	14,034,053	19,526,997
Total carrying amount (A+B)	20,809,230	22,595,583

Loans and advances are as follows:

	31 December 2011		31 December 2010	
	Loans and advances to customers		Loans and advances to customers	
Neither past due nor impaired	10,661,395	1,421,648	13,205,695	4,136,285
Past due but not impaired	6,163,144		6,702,565	-
Impaired	7,022,530		4,830,517	-
Gross Total	23,847,069	1,421,648	24,738,777	4,136,285
Less: allowance for impairment	(3,037,839)		(2,143,194)	-
Net Total	20,809,230	1,421,648	22,595,583	4,136,285

(iii) Loans and advances neither past due nor impaired by rating class (gross amounts)

31 December 2011	Loans and advances neither past due nor impaired by rating class							
	Individuals				Corporate entities			
	Overdrafts	Credit Cards	Term loans	Mortgages	Large Corporate Customers	SMEs	Loans and advances to customers	Loans and advances to banks
Standard monitoring	2,425,527	40,284	93,340	3,807,795	2,477,580	1,183,415	10,027,941	6,538,743
Special monitoring	225,839	1,413	1,034	24,403	310,008	-	562,697	-
Sub-standard	70,098	659	-	-	-	-	70,757	-
Total	2,721,464	42,356	94,374	3,832,198	2,787,588	1,183,415	10,661,395	6,538,743

31 December 2010	Loans and advances neither past due nor impaired by rating class							
	Individuals				Corporate entities			
	Overdrafts	Credit Cards	Term loans	Mortgages	Large Corporate Customers	SMEs	Loans and advances to customers	Loans and advances to banks
Standard monitoring	2,781,976	36,180	117,066	4,556,806	4,155,294	1,337,868	12,985,190	4,136,285
Special monitoring	55,203	161	4,103	78,795	18,840	-	157,101	-
Sub-standard	-	-	270	59,037	-	4,096	63,404	-
Total	2,837,179	36,341	121,439	4,694,638	4,174,134	1,341,964	13,205,695	4,136,285

(iv) Loans and advances past due but not impaired

31 December 2011	Loans and advances past due but not impaired by ageing						
				Individuals		Corporate entities	
	Overdrafts	Credit Cards	Term loans	Mortgages	Large Corporate Customers	SMEs	Loans and advances to customers
Past due up to 30 days	1,116,763	8,854	10,403	897,372	1,204,674	345,627	3,583,693
Past due 30 – 90 days	256,090	886	1,751	626,633	697,797	142,929	1,726,086
Past due 90 – 180 days	225,893	438	1,257	223,956	298,067	14,424	764,035
Past due more than 180 days	353	3,549	13,510	68,578	-	3,341	89,331
Total	1,599,099	13,727	26,921	1,816,539	2,200,538	506,321	6,163,145
Fair value of collaterals	**1,364,034**	**787**	**101,881**	**5,226,031**	**10,207,085**	**1,769,731**	**18,669,549**

31 December 2010				Loans and advances past due but not impaired by ageing			
				Individuals	Corporate entities		
	Overdrafts	Credit Cards	Term loans	Mortgages	Large Corporate Customers	SMEs	Loans and advances to customers
Past due up to 30 days	482,301	2,154	16,279	774,280	1,173,578	565,878	3,014,470
Past due 30 – 90 days	527,423	3,461	7,270	902,669	501,584	402,118	2,344,525
Past due 90 – 180 days	80,682	2,220	1,352	40,124	148,095	26,188	298,661
Past due more than 180 days	307,038	3,113	14,631	111,210	606,987	1,930	1,044,909
Total	1,397,444	10,948	39,532	1,828,283	2,430,244	996,114	6,702,565
Fair value of collaterals	851,342	3,565	186,000	3,713,332	8,219,449	2,528,730	15,502,417

Loans and securities past due but not impaired contain loans where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Bank.

(v) Loans and advances impaired

				Loans and advances impaired			
				Individuals	Corporate entities		
	Overdrafts	Credit Cards	Term loans	Mortgages	Large Corporate Customers	SMEs	Loans and advances to customers
31 December 2011							
Individually impaired	958,672	7101.253724	31,138	1,391,869	3,025,165	1,608,585	7,022,530
Fair value of collaterals	**1,164,417**	**12,888.40**	**168,735**	**2,950,439**	**10,554,171**	**4,756,783**	**19,607,433**
31 December 2010							
Individually impaired	507,652	2,917	23,163	1,425,980	1,514,272	1,356,533	4,830,517
Fair value of collaterals	543,126	10,487	101,742	2,340,895	7,311,870	3,686,776	13,994,896

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring. Total amount of renegotiated loans as of 31 December 2011 is ALL 300,809 thousand (31 December 2010: ALL 1,905,991 thousand).

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimation regarding the incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for Banks of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Bank writes off a loan / security balance (and any related allowances for impairment losses) when Bank Credit Committee determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write off decisions generally are based on a product specific past due status as well as on legal actions followed related to the enforcement procedure.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade.

	Overdrafts	Credit Cards	Term loans	Mortgages	Large Corporate Customers	SMEs	Total individually impaired	Fair value of collaterals
31 December 2011								
Grade 1: Low-fair risk(Standard)	-	139	-	29,383	-	12,258	41,780	116,652
Grade 2: Watchlist (SM)	-	-	-	10,659	-	-	10,659	29,761
Grade 3: Impaired (Substandard)	-	-	-	87,895	-	-	87,895	245,409
Grade 4: Impaired (Doubtful)	470,379	3,550	12,386	300,193	2,589,599	805,382	4,181,489	11,675,034
Grade 5: Impaired (Lost)	488,293	3,412	18,752	963,739	435,566	790,945	2,700,707	7,540,577
Total	958,672	7,101	31,138	1,391,869	3,025,165	1,608,585	7,022,530	19,607,433
31 December 2010								
Grade 3: Impaired (Substandard)	114,950	632	826	137,647	1,222,680	173,851	1,650,586	7,410,656
Grade 4: Impaired (Doubtful)	156,459	563	4,872	301,981	111,226	375,207	950,308	2,128,427
Grade 5: Impaired (Lost)	236,243	1,722	17,466	986,353	180,365	807,474	2,229,623	4,455,812
Total	507,652	2,917	23,163	1,425,980	1,514,272	1,356,533	4,830,517	13,994,895

The Bank holds collateral against loans and advances to customers. The Bank implements its internal guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The Bank holds collateral mainly in the form of:

- Real Estate mortgages over residential as well as business properties;
- Pledge over business assets in operation such as machineries and equipments, inventory, and accounts receivable;
- Cash collateral and certain securities (i.e. Treasury Bills), etc.

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are updated on an annual basis for the loans granted to corporate clients, while for the small enterprises and for the mortgage loans the revision takes place when the loan is individually assessed as impaired, except for cases where the review is requested by the customer, the loan is in arrears, or there is a significant decrease in the market prices for real estate premises. There is no collateral for loans and advances to banks, except in reverse repurchase case. For large part of loan portfolio the fair value of collateral exceeds the amounts of loans, however the Bank normally discounts the fair value of the collateral substantially (almost 40%) to account for the practical and administrative difficulties of a foreclosure. In such a manner the bank is protected against the potential default of the client.
The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk as at 31 December 2011 and 31 December 2010 is shown below:

Concentration by sector

	Loans and Advances to customers		Loans and Advances to Banks		Investment Securities	
Carrying Amount	2011	2010	2011	2010	2011	2010
Corporate	10,538,230	10,789,923		-		-
Sovereign		-		-	901,659	1,102,290
Bank		-	6,538,743	4,136,285		-
Retail	10,271,000	11,805,660		-		-
Total	20,809,230	22,595,583	6,538,743	4,136,285	901,659	1,102,290

Concentration by location

	Loans and Advances to customers		Loans and Advances to Banks		Investment Securities	
Carrying Amount	2011	2010	2011	2010	2011	2010
Albania	20,809,230	22,595,583	277	3,745	901,659	1,102,290
North America		-	11,793	181,511		-
Europe		-	6,526,673	3,951,029		-
Total	20,809,230	22,595,583	6,538,743	4,136,285	901,659	1,102,290

Concentration by location for loans and advances is measured based on the location of the Bank entity holding the asset, which has a high correlation with the location of the borrower. Concentration by location for investment securities is measured based on the location of the issuer of the security.

Detailing of corporate loans with regards to economic sector is as follows:

	Corporate loans	
	2011	2010
Trading, repairing of cars and homes	3,406,791	5,508,375
Construction	2,385,921	3,120,363
Production and distribution of electricity, gas and water	1,136,937	676,812
Processing industry	1,078,969	335,459
Transport and telecommunication	378,902	342,782
Health and social activities	454,580	123,438
Public, individual and social services	963,738	390,835
Hotels and restaurants	100,806	291,859
Agriculture, hunting and other services	133,881	-
Fishing, cultivation of fish, water cultures	242,654	-
Real Estate	195,854	-
Textile industry	59,197	-
Total	10,538,230	10,789,923

Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.
For certain types of transactions the Bank mitigates this risk by conducting settlements through a settlement / clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Bank Risk.

c) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

Liquidity policies and procedures are subject of approval and review by ALCO.

The Bank's liquidity management process includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers;
- Maintaining a portfolio of marketable assets and a MM line from the Parent Company reviewed on annual basis;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

The responsibility for the management of daily liquidity position remains with the Treasury Sector Monitoring. Daily reports cover the projected estimated cash flows for the next day, week, and month, which are considered as key liquidity management periods. The starting point for those projections is the analysis of the contractual maturity of the financial liabilities and the expected collection date for the financial assets.

The Management of short and medium term liquidity is a responsibility of ALCO. ALCO analyses on a monthly basis the liquidity position of the Bank and proposes the actions deemed as necessary.

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of highly liquid assets to short term liabilities, and the cumulative gap up to 3- months over total assets. For this purpose the highly liquid assets are considered as including cash and cash equivalents and available for sale securities portfolio. The Liquidity ratios defined by the Bank are in compliance with Central Bank requirements imposed by the Regulation 'On Liquidity Risk Management"

Parent bank is committed to support the bank by maintaining a credit line necessary to cover liquidity needs using the worst liquidity scenarios. The line is reviewed on annual basis based on the approved budget.

The following tables show the cash flows from the Bank's assets and liabilities on the basis of their earliest possible contractual maturity as at 31 December 2011 and 2010. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2011	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Assets						
Cash and balances with Central Bank	2,292,572	-	-	-	-	2,292,572
Loans and advances to banks	6,560,742	-	-	-	-	6,560,742
Available for sale financial assets	66,824	99,159	359,414	443,086	-	968,483
Loans and advances to customers	1,152,537	1,732,965	1,402,551	2,970,568	18,168,919	25,427,540
Other financial assets	1,066,908	-	-	-	-	1,066,908
Total	11,139,583	1,832,124	1,761,965	3,413,654	18,168,919	36,316,245
Liabilities						
Due to banks	759,541	74,281	85,423	169,917	15,094,126	16,183,288
Due to customers	5,579,880	2,076,749	1,784,097	3,853,793	80,039	13,374,558
Subordinated debt	-	10,978	8,126	27,408	1,807,059	1,853,571
Other financial liabilities	534,610	-	-	-	-	534,610
Total	6,874,031	2,162,008	1,877,646	4,051,118	16,981,224	31,946,027
Commitments and guarantees	93,091	85,296	64,575	238,856	327,786	899,602
Liquidity gap at 31 December 2011	4,172,461	(415,180)	(180,256)	(966,320)	859,909	3,470,616

As at 31 December 2010	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Assets						
Cash and balances with Central Bank	2,603,022	-	-	-	-	2,603,022
Loans and advances to banks	4,169,143	-	-	-	-	4,169,143
Available for sale financial assets	76,389	198,363	435,869	468,058	-	1,178,679
Loans and advances to customers	1,874,113	1,443,609	2,049,510	2,625,453	19,166,495	27,159,180
Other financial assets	116,243	-	-	-	-	116,243
Total	8,838,910	1,641,972	2,485,379	3,093,511	19,166,495	35,226,267
Liabilities						
Due to banks	182,550	62,342	81,561	179,316	15,501,621	16,007,390
Due to customers	6,676,760	2,212,345	1,608,839	2,706,890	96,376	13,301,210
Subordinated debt	-	9,501	7,274	27,123	1,859,264	1,903,162
Other financial liabilities	235,679	-	-	-	-	235,679
Total	7,094,989	2,284,188	1,697,674	2,913,329	17,457,261	31,447,441
Commitments and guarantees	26,063	189,636	84,347	987,045	97,864	1,348,955
Liquidity gap at 31 December 2010	1,717,857	(831,852)	703,358	(806,863)	1,611,370	2,429,871

d) Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Bank's cash flows, income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

The Bank separates its exposure to market risk between trading and non-trading portfolios. The foreign exchange position is treated as part of the Bank's trading portfolios for risk management purposes.

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of risks arising from the Bank's held-to-maturity and available-for-sale investments.

Overall authority for market risk is vested in ALCO. ALCO is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

Exposure to market risks

The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Following the group policy, for liquidity purposes Bank maintains AFS portfolio. AFS is in local currency and consist of T-Bills of Albanian Government. This portfolio is marked to market using the market interest rates available. The group policy does not allow the bank to maintain the HTM portfolio.

Exposure to foreign exchange risk

The Board of Directors sets limits on the level of exposure for both overnight and intra-day positions, which are monitored daily by the Middle Office Unit.

The analysis below includes only monetary assets and liabilities denominated in ALL and foreign currencies. Non-monetary assets are not considered to give rise to any material currency risk and therefore were excluded from the analysis.

The table below summarizes the Bank's exposure to foreign currency exchange rate risk at the balance sheet date:

	As at 31 December 2011					As at 31 December 2010				
	ALL	euro	usd	other	TOTAL	ALL	euro	usd	other	TOTAL
Assets										
Cash and balances with Central Bank	971,034	1,087,649	233,889	-	2,292,572	1,148,927	1,162,758	291,337	-	2,603,022
Loans and advances to banks		5,634,830	522,988	380,925	6,538,743		3,599,142	181,729	355,414	4,136,285
Available for sale Securities	901,659	-	-	-	901,659	1,102,290	-	-	-	1,102,290
Loans and advances to customers	936,244	19,145,835	727,152	-	20,809,230	984,869	20,807,314	803,400	-	22,595,583
Other financial assets	483,313	431,973	18,585	133,036	1,066,908	(386,930)	495,607	8,788	(1,222)	116,243
Total	3,292,250	26,300,287	1,502,614	513,961	31,609,112	2,849,156	26,064,821	1,285,254	354,192	30,553,423
Liabilities										
Due to banks	735,731	12,008,549	355,082	362,986	13,462,348	170,961	11,991,029	343,366	351,962	12,857,318
Due to customers	5,524,122	6,144,311	1,063,358	156,728	12,888,519	5,418,493	6,475,097	909,056	3,086	12,805,732
Subordinated Debt	-	1,536,513	-	-	1,536,513		1,533,420	-	-	1,533,420
Other financial liabilities	113,128	356,978	59,480	5,024	534,610	194,775	74,315	18,713	-	287,803
Total	6,372,981	20,046,351	1,477,920	524,738	28,421,990	5,784,229	20,073,861	1,271,135	355,048	27,484,273
Net Position	(3,080,731)	6,253,936	24,694	-10,777	3,187,122	(2,935,073)	5,990,960	14,119	(856)	3,069,150

As of 31 December 2011 the Bank did not have any hedge accounting. The Bank had only economic hedging transactions during the reporting period.

The following table presents sensitivities of profit and loss to reasonably possible changes in exchange rates (+/- 10%) applied at the balance sheet date, with all other variables held constant:

	Open Currency Position on December 31st		**Effect of Depreciation of ALL to profit and loss**		**Effect of Appreciation of ALL to profit and loss**	
	2011	2010	2011	2010	2011	2010
USD	(84,252)	58,266	-8,425	(5,826)	8,425	5,826
EUR	(945,098)	(546,093)	-94,510	54,609	94,510	(54,609)
Total effect	-1,029,350	(487,827)	-102,935	48,783	102,935	(48,783)

The appreciation of the local currency by 10% vis-à-vis the Euro and USD would result in positive revaluation effect of ALL 102,935 thousand (2010: ALL 48,783 thousand).

Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates.

The ALCO defines and reviews the interest rate pricing policy for financial assets and liabilities. The responsibility for the management of day-to-day interest rate risk lies with the Treasury Sector.

The Bank uses the back-up liquidity facility line provided from the Parent company to economically hedge the interest rate risk by re-pricing the borrowing based on the re-pricing of the loans.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 300 basis point (bps) parallel fall or rise in all interest rates up to one year and 200 basis points (bps) parallel fall or rise over one year. An analysis of the Bank's sensitivity to an increase or decrease in market interest rates is as presented below.

				2011
		Up to 1 Year		over 1 Year
		Scenarios		Scenarios
	300 bps	300 bps	200 bps	200 bps
	Increase	decrease	increase	Decrease
Estimated Profit (loss) effect	6,363	(6,363)	(26,780)	26,780

				2010
		Up to 1 Year		over 1 Year
		Scenarios		Scenarios
	300 bps	300 bps	200 bps	200 bps
	Increase	decrease	increase	Decrease
Estimated Profit (loss) effect	(17,804)	17,804	8,219	(8,219)

The effect on fair value of the AFS portfolio due to change in the interest rate is immaterial due small size of portfolio and short period to remaining maturity.

The table below summarizes the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual reprising or maturity dates.

						As at 31 December 2011
	Up to 1 month	1 to 3 months	3 to 6 Months	6 to 12 months	Over 1 year	Not interest bearing	Total
Assets							
Cash and balances with Central Bank	1,255,865					1,036,707	2,292,572
Loans and advances to banks	6,538,743						6,538,743
Available for sale Securities	901,659						901,659
Loans and advances to customers	8,905,676	5,525,119	695,959	4,446,768	1,235,708	-	20,809,230
Other financial assets						1,066,908	1,066,908
Total	17,601,943	5,525,119	695,959	4,446,768	1,235,708	2,103,615	31,609,112
Liabilities							
Due to banks	743,346	12,719,002					13,462,348
Due to customers	5,369,431	2,003,324	1,721,018	3,717,537	77,209		12,888,519
Subordinated debt		556,208	980,305				1,536,513
Other liabilities						548,474	548,474
Total	6,112,777	15,278,534	2,701,323	3,717,537	77,209	548,474	28,435,854
Interest sensitivity gap at 31 December 2011	11489166	(9753415)	(2,005,364)	729,231	1,158,499	1,555,141	3,173,258

	Up to 1 month	1 to 3 months	3 to 6 Months	6 to 12 months	Over 1 year	Not interest bearing	Total
Assets							
Cash and balances with Central Bank	1,577,678	-	-	-	-	1,025,344	2,603,022
Loans and advances to banks	4,136,285	-	-	-	-	-	4,136,285
Available for sale Securities	1,102,290	-	-	-	-	-	1,102,290
Loans and advances to customers	10,389,704	4,546,415	960,482	5,280,654	1,418,328	-	22,595,583
Other financial assets	-	-	-	-	-	116,243	116,243
Total	17,205,957	4,546,415	960,482	5,280,654	1,418,328	1,141,587	30,553,423
Liabilities							
Due to banks	176,323	12,680,995	-	-	-		
Due to customers	4,526,748	2,111,302	1,579,523	2,624,332	1,963,827		
Subordinated debt	-	555,513	977,907	-	-		
Other f liabilities	-	-	-	-	-		
Total	4,703,071	15,347,810	2,557,430	2,624,332	1,963,827		
Interest sensitivity gap at 31 December 2010	12,502,887	(10,801,395)	(1,596,947)	2,656,321	(545,498)		

f) Capital management

Regulatory capital
The Bank monitors the adequacy of its capital using, among other measures, the rules and ratios established by the Albanian regulator, the Bank of Albania ("BoA"), which ultimately determines the statutory capital required to underpin its business. The regulation "On capital adequacy" is issued pursuant to Law No. 8269 date 23.12.1997 "On the Bank of Albania", and Law No. 8365 date 02.07.1998 "Banking Law of the Republic of Albania". The Parent company and individual banking operations are directly supervised by their local regulators.

Capital Adequacy Ratio
The Capital Adequacy Ratio is the proportion of the regulatory capital to risk weighted assets and off balance-sheet items, expressed as a percentage. The minimum required Capital Adequacy Ratio for total Tier I and Tier II capital is 12%. The Capital Adequacy Ratio is monitored by Bank of Albania and the Bank based on statutory figures.
The Modified Capital Adequacy Ratio is the proportion of the base capital to risk-weighted assets and off balance-sheet items, expressed as a percentage. The minimum modified capital adequacy is 6%.

Risk-Weighted Assets (RWAs)
Assets are weighted according to broad categories of notional risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50%, 100%) are applied; for example cash and money market instruments have a zero risk weighting which means that no capital is required to support the holding of these assets. Property and equipment carries a 100% risk weighting, meaning that it must be supported by capital equal to 12% of the carrying amount.
Off-balance-sheet credit related commitments are taken into account. The amounts are then weighted for risk using the same percentages as for on-balance-sheet assets.

	Balance sheet/notional amount		Risk Weight amount	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Total Assets (Local GAAP)	31,125,842	30,837,274	25,366,048	28,375,274

	Capital		Ratio	
Capital Ratios	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Tier 1 Capital	2,211,712	2,938,313	8.64%	10.36%
Tier 1 + Tier 2 Capital	3,317,567	4,407,469	12.96%	15.53%

Tier 1 capital or otherwise known as Core Capital is composed of the following:
- Elements that are added – subscribed capital, reserves, retained earnings, profit of the current year, revaluation differences.
- Elements that are subtracted – Prior year's losses, losses of the current period, revaluation differences, intangible fixed assets.

Tier 2 capital or otherwise known as supplementary capital includes: revaluation reserve, subordinated liabilities (hybrid instruments, time subordinated liabilities).
The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.
The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.
There have been no material changes in the Bank's management of capital during the period.

	2011		2010	
	Fair value	Carrying value	Fair value	Carrying value
Loans and advances to customers	17,404,819	20,809,230	20,899,501	22,595,583
Individuals				
-Overdrafts	5,316,903	4,941,840	5,014,438	4,742,232
-Credit cards	55,110	58,816	54,458	49,238
-Term loans	129,460	126,695	176,368	157,683
-Mortgages	4,029,782	6,377,609	5,772,943	7,249,261
Corporate				
-Large corporate customers	5,676,779	6,674,122	6,804,291	7,445,465
-SME	2,196,785	2,630,149	3,077,003	2,951,704
Due to banks	12,345,696	13,462,348	14,147,039	12,857,318
Due to customers	12,885,468	12,888,520	12,938,436	12,805,732

Loans and advances to credit institutions
Loans and advances to credit institutions include inter-bank placements and items in the course of collection. As loans, advances and overnight deposits are short term and at floating rates, their fair value is considered to equate to their carrying amount.

Loans and advances to customers
Due to the nature of the Bank's information system, the Bank is not able to determine the fair value of its loans and advances to customers by class of instrument.

Due to customers
The fair value of customer deposits has been estimated discounting cash flows using the market rates for the remaining maturity.

Loans and advances from financial institutions
The fair value for due to banks and financial institutions has been estimated discounting cash flows using the market rates for the remaining maturity.

5. CASH AND BALANCES WITH CENTRAL BANK

Cash and balances with Central Bank consisted of the following:

	31 December 2011	31 December 2010
Cash on hand:		
-In Albanian Lek	224,953	266,109
-In foreign currencies	595,695	748,850
Current account with Central Bank	216,059	373,818
Included in cash and cash equivalents (Note 25)	1,036,707	1,388,777
Mandatory reserve	1,255,865	1,214,245
Total	2,292,572	2,603,022

Restricted balances with Central Bank (mandatory reserves)

In accordance with the Bank of Albania's requirement relating to the deposit reserve, the Bank should maintain a minimum of 10% of customer deposits with the Central Bank as a reserve account, which during the month can be decreased up to 60% of its level, provided that the required monthly average is greater than the required reserve. The statutory reserve is not available for the Banks' day-to-day operations.

Interest on statutory reserves with the Central Bank is calculated as follows:

-LEK balances: 70% of the repurchase agreements rate: 4.75% per annum as of 31 December 2011 (31 December 2010: 3.5% per annum);

Balances in EUR and USD are not interest earnings assets since July 2011, while before this date the interest earned from these balances is calculated as follows:

-EUR balances: 70% of ECB base rate:: 0.7 % per annum as of 31 December 2010 (31 December 2010: 0.7%); and

-USD balances: 70% of FED base rate: 0.09 % per annum as of 31 December 2010 (31 December 2010: 0.09% per annum).

6. LOANS AND ADVANCES TO BANKS

Current accounts and money market placements with banks are detailed as follows:

	31 December 2011	31 December 2010
Current accounts with banks	5,138,728	3,784,453
Money market placements	1,400,015	351,832
Included in cash and cash equivalents (Note 25)	6,538,743	4,136,285

Interest rates for term deposits with banks range from 3.25% to 5.05% for ALL, ranges from 0.28% to 1.55% for EUR, from 0.05% to 0.3% for USD and from 0.08% to 0.2% for CHF in 2011.

All loans and advances to banks are short term.

	31 December 2011	31 December 2010
Greece	6,524,441	3,006,737
Albania	277	3,745
U.S.A	11,793	181,511
Other	2,232	944,292
Total	6,538,743	4,136,285

7. AVAILABLE FOR SALE FINANCIAL ASSETS

Details of available for sale treasury bills by contractual maturity are presented as follows:

				31 December 2011
	Cost	Accrued interest	Fair value reserve for available-for-sale securities	Carrying value
12 months	874,780	24,933	1,946	901,659
Total	874,780	24,933	1,946	901,659

				31 December 2010
	Cost	Accrued interest	Fair value reserve for available-for-sale securities	Carrying value
6 months	338,588	5,398	128	344,114
12 months	738,916	16,958	2,302	758,176
Total	1,077,503	22,356	2,430	1,102,290

8. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers consisted of the following:

	31 December 2011	31 December 2010
Individuals	7,156,629	8,152,778
Private entrepreneurs and enterprises	16,266,439	16,482,894
Accrued interest	424,001	103,105
	23,847,069	24,738,777
Less allowance for impairment	(3,037,839)	(2,143,194)
Total	20,809,230	22,595,583

	31 December 2011	31 December 2010
Current	4,686,133	3,124,939
Non-current	16,123,097	19,470,644
Total	20,809,230	22,595,583

Loans to customers include ALL 5,276 thousand (2010: 4,944 thousands) that represent overdrafts.

All impaired loans have been written down to their recoverable amounts. Movements in the impairment allowances are as follows:

							31 December 2011
	Overdrafts	Credit Cards	Term loans	Mortgages	Large Corporate Customers	SMEs	Total
Balance at the beginning of the year	252,599	968	(1,798)	699,640	594,421	597,364	2,143,194
(Recovery of)/ impairment charge for the year	146,888	1,765	(4,865)	133,876	513,574	105,375	896,613
Write-Offs	(74,097)	-	1,306	(23,465)	(52,972)	(135,120)	(284,348)
Total Int. of NPL decreased from CoR	11,040	1,653	2,837	72,371	126,061	74,938	288,900
Translation adjustment	(545)	(33)	28,286	(1,017)	(50,722)	17,511	(6,520)
Balance at the end of the year	335,885	4,353	25,766	881,405	1,130,362	660,068	3,037,839

							31 December 2010
	Overdrafts	Credit Cards	Term loans	Mortgages	Large Corporate Customers	SMEs	Total
Balance at the beginning of the year	200,137	339	19,722	452,171	863,978	241,244	1,777,591
(Recovery of)/ impairment charge for the year	50,770	627	19,886	244,446	(246,366)	380,021	449,384
Write-Offs	-	-	(41,526)	-	(28,910)	(25,363)	(95,799)
Translation adjustment	1,692	2	121	3,022	5,719	1,462	12,018
Balance at the end of the year	252,599	968	(1,797)	699,639	594,421	597,364	2,143,194

9. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	Buildings	Computers and IT equipment	Office equipment	Motor vehicles	Leasehold improve-ments	Total
Cost						
At 1 January 2010	360,738	245,496	104,655	41,767	418,579	1,171,235
Additions	10,214	35,441	8,950	17	1,786	56,408
At 31 December 2010	370,952	280,937	113,605	41,784	420,365	1,227,643
At 1 January 2011	370,952	280,937	113,605	41,784	420,365	1,227,643
Additions	2,239	12,000	795	-	2,500	17,534
At 31 December 2011	373,191	292,937	114,400	41,784	422,865	1,245,177
Accumulated depreciation						
At 1 January 2010	(125,424)	(126,036)	(56,236)	(23,961)	(88,394)	(420,051)
Charge for the year	(7,316)	(41,293)	(15,284)	(6,106)	(41,206)	(111,205)
At 31 December 2010	(132,740)	(167,329)	(71,520)	(30,067)	(129,600)	(531,256)
At 1 January 2011	(132,740)	(167,329)	(71,520)	(30,067)	(129,600)	(531,256)
Charge for the year	(7,492)	(44,936)	(14,930)	(4,956)	(59,394)	(131,708)
At 31 December 2011	(140,232)	(212,265)	(86,450)	(35,023)	(188,994)	(662,964)
Net book value						
At 31 December 2010	238,212	113,608	42,085	11,717	290,764	696,388
At 31 December 2011	232,959	80,672	27,950	6,761	233,871	582,213

There are no assets pledged as collateral as at 31 December 2011 (2010: none).
Leasehold improvements relate to expenditures made by the Bank for the reconstruction of the leased premises for branches opened during 2010 and 2009.

10. INTANGIBLE ASSETS

	Software
Cost	
At 1 January 2010	166,854
Additions	150,289
At 31 December 2010	317,143
At 1 January 2011	317,143

Additions	115,234
At 31 December 2011	432,377
Accumulated amortization	
At 1 January 2010	(105,319)
Charge for the year	(21,046)
At 31 December 2010	(126,365)
At 1 January 2011	(126,365)
Charge for the year	(70,771)
At 31 December 2011	(197,136)
Net carrying value	
At 31 December 2010	190,778
At 31 December 2011	235,241

11. OTHER ASSETS

Other assets are comprised of the following:

	31 December 2011	31 December 2010
Financial assets		
Bank orders receivable	49,989	57,102
Other debtors	73,862	59,142
Total other financial assets	123,851	116,244
Other non-financial assets		
Prepayments	11,137	3,777
Other	7,066	8,878
Total non-financial assets	18,204	12,655
Total other assets	142,054	128,899
	31 December 2011	**31 December 2010**
Current	142,054	128,899
Total	142,054	128,899

Other debtors are neither past due nor impaired.

Repossessed Collaterals		
	31 December 2011	31 December 2010
Balance at 1 January	217,477	13,659
Additions	725,580	203,818
Balance at 31 December	943,057	217,477

12. DUE TO BANKS

Due to banks are comprised of the following:

	31 December 2011	31 December 2010
Current accounts		
Resident	13	12
Non-resident	7,615	5,363
Borrowings from non-resident Banks	12,719,002	12,680,995
Borrowings from resident Banks	735,718	170,948
Total	13,462,348	12,857,318

	31 December 2011	31 December 2010
Current	14,068,014	12,857,318
Total	13,462,348	12,857,318

The deposits denominated in EUR represent 94.35% (2010: 95%) of the deposits from non-resident banks. The interest rates for the year 2011 range from 2.45% to 2.816% for EUR; 1.527% to 1.847% for USD and 1.287% to 1.458% for CHF

Included in deposits from non resident banks is an amount of EUR 86 million, USD 3.3 million and CHF 3.1 million (2010: EUR 86 million, USD 3.3 million and CHF 3.1 million) related to a ten year maturity borrowings received from the Parent Bank with reprising on quarterly bases.

13. DUE TO CUSTOMERS

Due to customers consisted of current, savings, and other accounts and term deposits as follows:

	31 December 2011			31 December 2010		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Corporate entities						
CA	770,300	783,882	1,554,182	850,150	725,361	1,575,466
TD	538,039	1,113,074	1,651,113	1,428,900	1,478,673	2,907,573
Other	6,206	29,414	35,620	6,275	17,610	23,885
Total	1,314,545	1,926,370	1,686,735	2,337,405	2,221,644	4,506,924
Individuals						
CA	260,099	126,376	386,475	193,465	232,376	425,841
DD	343,755	1,047,334	1,391,089	354,836	875,174	1,230,010
TD	3,501,030	4,204,256	7,705,286	2,531,019	4,003,368	6,534,387
Other	103	22	125	102	21	123
Total	4,104,987	5,377,988	9,482,975	3,079,422	5,110,939	8,190,361
Accrued Interest	104,589	60,040	164,629	55,308	53,139	108,447
Total	5,524,121	7,364,398	12,888,519	5,472,135	7,385,722	12,805,732

	31 December 2011	31 December 2010
Current	12,737,348	12,712,472
Non-current	151,171	93,260
Total	12,888,519	12,805,732

14. SUBORDINATED LOAN

	31 December 2011	31 December 2010
Balance at the beginning of the year	1,533,420	1,524,057
New disbursements during the year	-	-
Accrued interest	8,283	6,950
Translation adjustments	(5,190)	2,413
Total	1,536,513	1,533,420

	31 December 2011	31 December 2010
Non-current	1,536,513	1,533,420
Total	1,536,513	1,533,420

The subordinated debt is issued by Emporiki bank of Greece S.A. It bears interest at six month EURIBOR plus a spread that range from 0.9 % to 2.25% as detailed in the following table:

	Amount in Euro	Maturity	Interest rate	Disbursement date	First instalment due after
Tranche 1	4,500,000	10 years	EURIBOR + 2.25%.	April 2006	April 2012
Tranche 2	2,500,000	10 years	EURIBOR + 0.9 %	May 2007	May 2017
Tranche 3	4,000,000	10 years	EURIBOR + 2.1 %	December 2009	December 2019
Total	11,000,000				

During the year 2011 there are no new disbursements of the subordinated debt.

15. OTHER LIABILITIES

Other liabilities are comprised of the following:

	31 December 2011	31 December 2010
Financial liabilities		
Accrued expenses	26,076	44,234
Sundry creditors	490,395	191,445
Due to fiscal administration (agent transactions)	18,139	52,125

Total financial liabilities	534,610	287,804
Other non-financial liabilities Provisions for Operational Risk	12,122	-
Provision for LG	1,742	971
Total other liabilities	548,474	288,775

	31 December 2011	31 December 2010
Current	548,474	288,775
Total	548,474	288,775

Movements in provisions for contingent liabilities are as follows:

	2011	2010
As of 1 January	971	2,739
Provisions for letters of guarantees	771	(1,768)
Provisions for tax penalties resulting from tax inspections	-	-
As of 31 December	1,742	971

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16. DEFERRED TAX

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

	31 December 2011	31 December 2010
Balance at the beginning of the year	(35,037)	(37,925)
Deferred tax benefit relating to the origination and reversal of temporary differences	50,646	2,888
Balance at the end of the year	15,609	(35,037)

The deferred tax assets have been set off against deferred tax liabilities as the amounts are due to the same tax authority and are expected to be settled on a net basis. Movements in temporary differences during the year are recognised in profit or loss, except for an insignificant amount related to revaluation of AFS portfolio.

As at 31 December 2011 and 2010 deferred tax assets/ liabilities have been recognized for the following items:

	31 December 2011	31 December 2010
Deferred tax asset		
Accelerated depreciation for accounting	6,232	7,072
Amortization of loan fees income	9,377	10,758
Carried forward losses	-	77,822
	15,609	95,652
Deferred tax liability		
Difference between IFRS and Statutory allowance for impairment losses	-	(130,689)
	-	(130,689)
Net deferred tax asset	15,609	(35,037)

Albanian tax legislation allows carry forward of losses for three consecutive years after the tax loss was declared.

17. SHARE CAPITAL

Emporiki Bank of Greece remains the sole shareholders of the Bank.
In 2011 the Shareholders' Assembly of the Bank decided to increase the paid-up capital by issuing 6,156 new shares (2,462 new shares issued in October 2011 and 3,694 new shares in December 2011) As a result the paid-up capital increased to EUR 38,567,303.36 and historical cost is ALL 5,348,725 thousand.

As at 31 December 2011, share capital is ALL 5,348,725 thousand.
The table below reconciles the number of shares outstanding at the beginning and end of the year:

	31 December 2011	31 December 2010
Number of authorized and fully paid shares at beginning of the year	41,336	41,336
Number of shares issued during year	6,156	-
Number of authorized and fully paid shares at the end of the year	47,492	41,336

18. LEGAL RESERVE

The legal reserve represents balances created by using the previous year statutory profit in accordance with the local legislation in order to provide for the coverage of possible losses that may arise during the normal course of the business. Legal reserves are not distributable to the shareholders.

	31 December 2011	31 December 2010
Legal reserve at the beginning of the year	57,162	57,162
Increase in reserve	-	-
At 31 December	57,162	57,162

19. INTEREST AND SIMILAR INCOME

Interest income was earned on the following assets:

	Year ended 31 December 2011	Year ended 31 December 2010
Loans and advances to customers	1,878,643	1,995,545
Loans and advances to credit institutions	27,756	27,067
Investment securities	111,896	62,919
Total	2,018,295	2,085,531

20. INTEREST AND SIMILAR EXPENSE

Interest expense was incurred on the following liabilities:

	Year ended 31 December 2011	Year ended 31 December 2010
Due to customers	442,275	423,834
Loans and advances from credit institutions	355,366	270,186
Subordinated loan	52,218	41,067
Total	849,859	735,087

21. NET FEE AND COMMISSIONS INCOME

Fee and commissions received and paid were comprised as follows:

	Year ended 31 December 2011	Year ended 31 December 2010
Fee and Commission Income		
Money transfer and cheques	38,836	21,791
Account maintenance	23,362	13,959
Agent transactions	100,050	44,998
Other	90	22,632
Total fee and Commission income	162,338	103,380
Fee and commission Expenses		
Guarantees received from banks	2,007	1,686
Correspondent Banks	1,305	9,213
Credit Cards	6,733	5,356
Other	8,498	3,757
Total Fee and commissions expenses	18,543	20,012
Net fee and commission income	143,795	83,368

22. NET FOREIGN EXCHANGE RESULT

	Year ended 31 December 2011	Year ended 31 December 2010
Foreign exchange transactions gains/(losses)	32,777	(10,066)
Foreign exchange translation gains/(losses)	(5,731)	74,890
Net foreign exchange result	27,046	64,824

23. OTHER (EXPENSES) INCOME

Other expenses in 2011 is mainly composed of losses deriving from written off loans. Such losses represent insurances, valuations and other fees paid by the Bank on behalf of the default customers. Such receivable amounts, after not being reimbursed by these default customers, are released to expenses of the Bank subsequent to the loan write off process.

24. OTHER OPERATING EXPENSES

Other operating expenses consisted of the following:

	Year ended 31 December 2011	Year ended 31 December 2010
Personnel costs	403,548	348,300
Rent	113,590	101,443
Depreciation of property and Equipment	131,709	111,248
Amortization of intangibles	70,771	21,046
Advertising and promotion	100,509	89,024
Telephone and electricity	36,665	82,178
Reuters, Swift maintenance	10,826	16,178
Insurance and security	68,856	14,745
Consulting and legal fees	17,006	2,745
Travel and transportation	6,965	4,076
IT system maintenance	42,831	21,440
Maintenance and repairs	153,373	16,903
Office supplies	-	-
Taxes other than income tax	5,429	7,172
Other	61,488	108,303
Total	1,223,566	944,801

Personnel costs

	Year ended 31 December 2011	Year ended 31 December 2010
Fixed salaries	298,200	287,957
Social contributions	32,540	31,153
Bonus and variable compensation	52,418	15,455
Other personnel expenses	20,390	13,736
Total	403,548	348,300

25. INCOME TAX EXPENSE

Income tax in Albania is assessed at the rate of 10% (2009: 10%) of taxable income:

	Year ended 31 December 2011	Year ended 31 December 2010
Current tax	-	-
Deferred taxes (See Note 17)	50,646	2,888
Total	50,646	2,888

The following is a reconciliation of income taxes calculated at the applicable tax rate to income tax expense.

	Tax rate	2011	Tax rate	2010
Profit/ (loss) before taxes		(875,153)		121,475
Prima facie tax calculated at 10%	10%	(87,515)	10%	12,148
Non tax deductible expenses	-2%	16,881	-11%	13,420
Tax benefits resulted from temporary differences not previously recognized	14%	121,280	19%	(22,680)
Income tax expense		50,646		2,888

26. CASH AND CASH EQUIVALENTS AT END OF THE END OF THE YEAR

	31 December 2011	31 December 2010
Cash and balances with Central Bank (Note 5)	1,036,707	1,388,777
Loans and advances to banks (Note 6)	6,538,743	4,136,285
Total	7,575,450	5,525,062

27. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies include the following:

	31 December 2011	31 December 2010
Contingent liabilities		
Guarantees in favour of customers	399,279	115,959
Loan commitments	500,324	1,268,996

Guarantees and letters of credit

Letters of credit and guarantees given to customers commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.
Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates, or other termination clauses.

As at the balance sheet date the fair value of the guarantees and letters of credit approximates their carrying value.

Legal

In the normal course of business the Bank is presented with legal claims; the Bank's management is of the opinion that no material losses will be incurred in relation to legal claims outstanding at 31 December 2011 and 2010

Lease commitments

The Bank has entered into non-cancellable operating lease commitments primarily for the new branches opened during 2010, 2009, 2008, 2007 and 2006. Such commitments as at 31 December 2011 and 2010 are as follows:

	31 December 2011	31 December 2010
Not later than 1 year	104,679	100,729
Later than 1 year and not later than 5 years	473,430	497,006
Later than 5 years	41,677	118,227
Total	619,786	715,962

28. RELATED PARTY TRANSACTIONS

The Parent of the Bank is Emporiki Bank of Greece SA. The ultimate parent and ultimate controlling party is Credit Agricole SA, France. The Bank entered into the following related party transactions with its Parent Bank in Greece: placements, foreign exchange transactions and money transfers. All of the Bank's transactions of this nature with Head Office are carried out on an arms length basis.

A summary of related party transactions are as follows:

	31 December 2011	31 December 2010
Emporiki Bank SA Greece (Parent)		
Assets at end of year		
Loans and advances to banks	6,524,441	3,006,737
Liabilities at end of year		
Due to banks	12,726,617	12,686,358
Subordinated loan	1,536,513	1,533,420
Off balance sheet		
Guarantees and commitments received from Banks	-	-
Income for year ending		
Interest and similar income	43,858	433
Fee and commission income	-	-
Expenses for the year ending		
Interest and similar expense	382,092	298,581
Fee and commission expenses	2,057	1,765
Short term managements benefits		
Key management's compensation	60,824	34,967
Salaries	33,979	34,967
Bonuses	26,845	-

In key management's compensation are included only short term employee benefits (salaries and bonuses). The post employment benefits, long term benefits and share based payments are not applicable as no such benefits are granted.

29. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

The following table provides a reconciliation of classes of financial assets with the measurement categories as of 31 December 2010:

2011	Loans and receivables	Available-for-sale assets	Total
Cash and balances with Central Bank	2,292,572	-	2,292,572
Loans and advances to banks	6,538,743	-	6,538,743
Available-for-sale financial assets		901,659	901,659
Loans and advances to customers	20,809,230		20,809,230
Other financial assets	123,851		123,851
Total financial assets	29,764,396	901,659	30,666,055
Non-financial assets			1,845,774
Total assets			32,511,829

2010	Loans and receivables	Available-for-sale assets	Total
Cash and balances with Central Bank	2,603,022	-	2,603,022
Loans and advances to banks	4,136,285	-	4,136,285
Available-for-sale financial assets	-	1,102,290	1,102,290
Loans and advances to customers	22,595,583	-	22,595,583
Other financial assets	116,243	-	116,243
Total financial assets	29,451,133	1,102,290	30,553,423
Non-financial assets			1,168,823
Total assets			31,722,246

As of 31 December 2011 and 2010, the Bank had no assets in trading assets and assets designated a at Fair Value Through Profit or Loss categories.

As of 31 December 2011 and 2010, all of the Bank's financial liabilities were carried at amortised cost.

30. EVENTS AFTER THE REPORTING PERIOD

As at 21 March 2012 and 6 June 2012, the Bank's sole shareholder approved the increase of share capital by EUR 2,500 thousand and EUR 2,500 thousand, respectively, which capital is currently fully paid.

As at 14 June 2012, the Board of Directors of the Bank approved the sale of 100% of Emporiki Bank of Greece S.A. participation in its 100% subsidiary Emporiki Bank Albania to IUB a French Joint Stock company wholly owned by Credit Agricole S.A.

There are no other events after the reporting period that would require either adjustments or additional disclosures in the financial statements.

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