ANNUAL REPORT '07

Emporiki Bank

Member of CA Group

ANNUAL REPORT 2007

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CEO
George Caracostas

COO
Constantinos Galiatsos

Deputy General Manager - Head Corporate & Investments Banking Unit
Dritan Mustafai

Head of the Retail Banking Unit
Herjola Spahiu

Senior Internal Auditor
Eralda Tafaj

Head of the Corporate Division
Valbona Guri

Head of Individual Loans Sector
Sonila Beqari

Head IT Division
Dhimiter Kikina

Head Human Resources Sector
Entela Qerama

Head Credit Cards - ATMs Sector
Ervin Gogaj

Management Staff

Head Finance Division
Merita Musliu

Risk Management and Permanent Control Officer
Gresa Panajoti

Compliance Officer
Mirela Berdufi

Head Treasury Sector
Teuta Lloshi

Head of Legal Office
Adv. Alban Mehmeti

Head Correspondent Banking & Payments Sector
Linda Jakova

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Letter from the Chief Executive Officer

Dear Sirs,

Year 2007 was a special year for Emporiki Bank-Albania S.A. Positive and strategic developments have befallen towards the achievement of ambitious target and shareholders structure innovation.

Last year, further to a long-term strategic cooperation, dating back to 2000, the group Credit Agricole, one of the largest financial instructions in the world, decided to make a step forward by becoming the majority shareholder of Emporiki Bank Group. This move is for us the highlight of as successful partnership, which will lead us to a new era. Now we are part of an international family with a presence in 70 countries 11,000 branches and 44 million clients worldwide.

Emporiki Bank – Albania S.A, has largely expanded its activity during 2007 by attracting foreign and domestic enterprises and by establishing and maintaining excellent client relationship. New branches opened within the year. In addition, new points of sale, new points of communication and new channels of incomes have been established.

The corporate strategy of our Bank is aiming at reinforcing its presence in the Albania business community, in a country with good prospective and positive economic development. However, the main orientation is to focus on Retail Banking activities, by exploding the range of products offered to individuals and small and medium- size enterprises.

Despite the difficult overall environment, we were largely able to meet our ambitious targets. The Credit activity of the Bank had a steady increase. As a result of our efforts, we again increased our pre-tax in 2007 by almost 30%. During the year 2007 the Bank had a total of EUR 104 million new financing and the loan portfolio reached the level of EUR 144million, at the and of the year. Deposits account grew by 67% per cent to the level of EUR, 74 million, while total assets were at the level of EUR 172 million.

Taking this opportunity, I thank the personnel of Emporiki Bank – Albania, whose continuous dedication, commitment and professionalism, contributing in the achievement of a sustainable growth and the consolidation of its position as a competitive institution in Albania.

George Caracostas
Chief Executive Officer

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Emporiki Bank History

Emporiki Bank – Albania operates since 1999, and has one goal: to maintain excellent client relationship through a professional and devoted staff.
In August 2006, Crédit Agricole SA purchased the 72% of Emporiki Bank Group. This important step was the conclusion of a long collaboration between Crédit Agricole and Emporiki Bank.

The new Corporate Strategy adopted by the Bank on the last years is aiming at reinforcing its presence in the Albanian business community, in a country with good prospects and positive economic development. While, Corporate & Investment Banking remains the core business of the Bank, the main orientation of Emporiki Bank–Albania is to focus on Retail Banking activities, by expanding the range of products offered to Individuals as well as Small and Medium-size Enterprises.

The new orientation means the rapid expansion of the network of branches in Albania, to be closer to customers and satisfy their needs.

Day by day, working systematically all together towards achievement of the qualitative objectives, the Bank has today 18 branches, and a considerable market share. In addition, 7 new Branches and 4 Office Desks are forecasted to operate in 2008.

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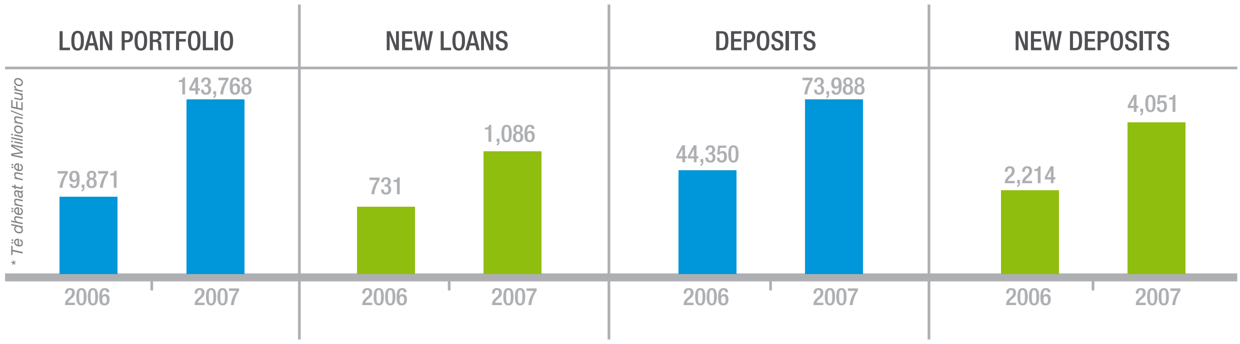
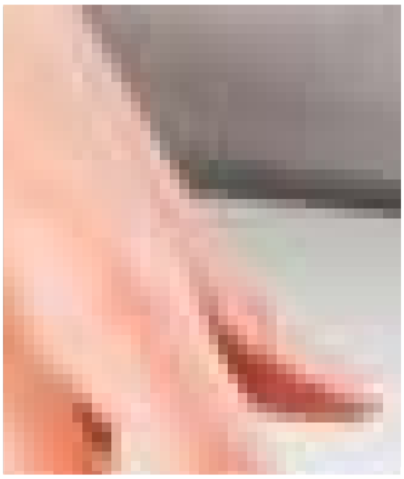
Emporiki Bank Activities

HIGHLIGHTS

- Loan portfolio grew up by 81%
- New Loans grew up by 48.6%
- Deposits grew up by 66.8%
- New deposits grew up by 82.2 %





4.1

Corporate Activities

Corporate and Investment Banking

Corporate Banking has been the core business of Emporiki Bank – Albania. Since establishment in 1999, our Bank has managed to establish and maintain a diversified portfolio through financing of the must dynamic sectors of economy.

Our strategy consisted of offering special – tailored financing package being our driving tool in an increasing competition.

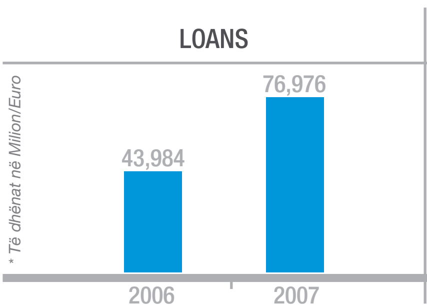
During 2007, the bank achieved a further penetration of the corporate segment of customers, maintaining a healthy credit portfolio.

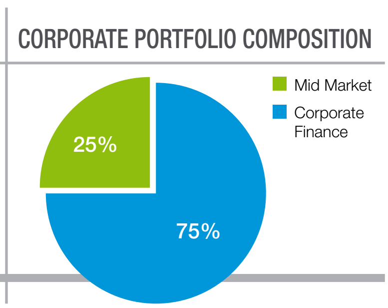
Lending to corporate costumers consist of over 50% of the overall portfolio, which doubled compared to the year 2006, characterized by an increase of the client base and volume of new loans booked.

We strive to anticipate costumer's needs through a diversified mix of products including short, medium and long - term financing in local and foreign currency. We aim to help them by forging a strong relationship, listening to their objectives and working with them to deliver expertise which will support in the achievement of their business objectives.

The Bank concluded successfully the participation into new syndication with local banks.

We are proud to highlight that 2008 will be an aggressive year regarding the further penetration in corporate segment in large scale financing such as for infrastructure and energy sector taking the advantages and the full support of our shareholder, Crédit Agricole and the extension of our branch network. New products will be launched in order to fully support the needs of our costumers.





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Retail Banking Activity

During 2007, Retail Banking Unit has been oriented towards specific clientele segments (Individuals, Small Businesses and Professionals), as well as towards network expansion, product development and marketing. The philosophy was to offer standardized products and services to respective clientele segments. In addition, the idea of having specialized advisors for each customer segment was introduced for the first time. Year 2007 was the second important year for the development of Retail with an excellent progress and high rate of investment.

Our long term strategy is to become the leader bank in Retail, a strategy that will take some time to be implemented but will be achieved. The last two years were very important and positive for Retail, the figures were doubled and an increase in market share for each segment was noticed. Our philosophy to place the customer at the heart of the Bank was realized through the improvement of the service level per each segment of clientele, offering complete and attractive packages of products in order to meet customer's requirements, as well as the expansion of the network in new markets aiming at being close to customers.

On 2007, one of our priorities was the improvement of the mortgage loans activity and after a careful study performed on the overall procedure; we achieved to considerably decrease the time processing for mortgage loans. Furthermore, our efforts were concentrated in supporting the mortgage loans with high qualitative advertising campaign, as well as by introducing new products in the market. The result of such efforts was a significant increase of new applications for mortgage loans associated with a greater market share.

Year 2007 was important even for the development of Cards and ATMs project. It was successfully finalized on December and will go live by beginning of year 2008. The VISA Cards to be introduced by Emporiki are the only ones in Albania having chip and full EMV, offering to the customers full security and safe service overall ATMs in the world.

Another big project started by Emporiki Bank in order to offer the best quality service to our customers and enrich the product offering, is the replacement of the current Banking system. It is a two years project that will be finalized during the first semester of 2009 and it is coordinated by the mother company Credit Agricole.

Today we serve around 8,700 customers in total, 7,300 individuals and 1,400 businesses and professionals. The customers' current accounts experienced a slight decrease compared to year 2006, meanwhile the saving accounts showed for an increase of 500 % and term deposit accounts by 51%. Total new accounts generated during 2007 were about 18,000 and 75% of them were generated by new clientele.

The cross selling ratio is around 3.2 products per customer and our goal is to reach at 4 on 2008.

Individuals

In the framework of the Group's policy to segment the Retail clientele and offering specific products and services to each segment, 2007 strategy was to upgrade the overall approach towards an individual customer.
The figures show for a 95% growth in loans to this segment, manifesting a satisfactory growth rate. 10.7 mn EUR new housing loans were granted during 2007. It is to be emphasized that 75% of loans are granted in foreign currency (mainly in Euro). However, the Bank is preparing new attractive products in local currency in order to prevent customers' exposure towards risk from foreign exchange transactions.

Long term loans growth was noticed for the housing loans mainly. They compose 60% of total portfolio for the above customers.

Small Business Customers

Aiming at offering a specialized service to this segment, we created the Credit Centre, which is a specialized centre for performing financial analysis of business loans. The introduction of such centre improved the processing time of the business loans. It has effectively improved the quality of financial analysis provided; having as well a positive impact to the Branch's focusing on sales.

The volume of loans to small business and professionals grew up with 79% in 2007, representing 25% of the total portfolio of business loans. 70 % of the business loans are granted in foreign currency and more than 60% are granted for a long term period (above 5 years).

Trade finance (LC) and Letters of Guarantees are other products provided to the business clientele.

The target for 2008 is to create centralized Business Centres offering a differentiated approach to business clientele and handling the overall relationship with them.

PRODUCT

2007 was the beginning of a new line of products to be launched according to which every product created by the Bank satisfies our clients' specific needs. The diversified necessities of each clientele segment were reflected in the range of products introduced and to be further developed in 2008. The concept of packages of products was firstly introduced in 2007 with the new housing loan package. The development of our cross selling activities was the main objective leading the new trend of package of products.

The customer in the heart of our business – this is the guide that led every activity of the Bank and was reflected in the strategy followed in the designing and implementation of our products.

2008 will be the year that will further strengthen and develop our image of a one stop Bank. Our Bank will continue its penetration into the particularly competitive retail banking sector by offering a wide range of products in competitive terms. The customer will find in us a complete package of solutions to best meet its expectations.

MARKETING & ADVERTISING

Several Marketing Campaigns of corporate identity and specific products have been launched to the market, with the goal of extending the presence of Emporiki Bank in audience's attention, representing new choices and solutions for our customers. The creative work of Marketing Sector has been rewarded with positive feedback in Loans and Deposits as well.

Fairs have been also a market where participation of Emporiki Bank has been evident during 2007, making excellent public relation with other businesses or even with other Bank representatives as well.

Branding of new Branches has been another point in Marketing Sector's attention and has successfully been done. In the framework of creating a positive and satisfying customer experience, the effective design of our Branches has allowed the customer the opportunity to explore our range of products and services.

A.B.C.C.I event

A.B.C.C.I event

Twin Tower Branch Anniversary

Fieri Fair


Banka Emporiki
Emporiki Bank

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Banka Emporiki
Emporiki Bank


Emporiki Bank

Network Expansion

The ongoing process of the network expansion continued on 2007 by opening 10 new branches and closing the year with 17 branches and 2 agencies in total. We have presence in the main cities of the country such as Tirana (9 branches), Durres, Vlore, Saranda (1 branch and 1 agency), Fier, Elbasan, Korce, Gjirokaster (1 branch and 1 agency in borders) and Lezhe. Even the coming year will be aggressive in terms of expansion with other 10 new branches all over the country aiming at covering more than 71% of the country in terms of population.

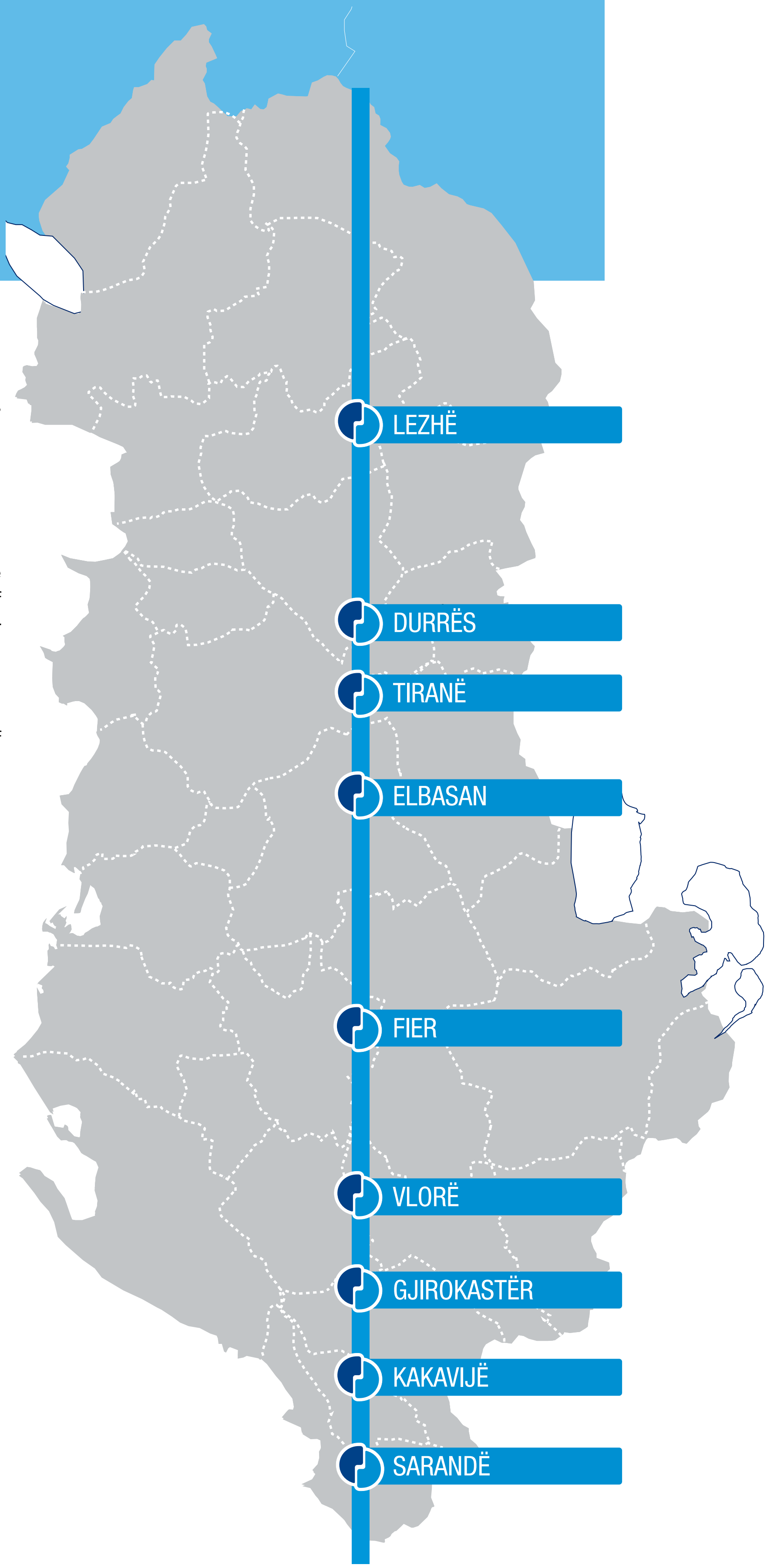
By the end of 2008 we will cover around 71% of the country in terms of population

Existing Branches:

- Tirana (9)
- Vlora
- Saranda (2)
- Fier
- Durres
- Gjirokaster (2)
- Lezhe
- Elbasan
- Korçe

Under Construction:

- Tirana (3)
- Shkoder
- Kavaje
- Lushnje



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Human Resources

The Human Resources Sector has as ultimate goal to establish and develop an appropriate work environment, considering the rapid network expansion and being ascertained that the cooperation and interaction between the Units of the Bank is a strong tool for achieving targets.

During the year 2007, best efforts were performed for recruiting new staff based on strict criteria in terms of quality education and professional standards.

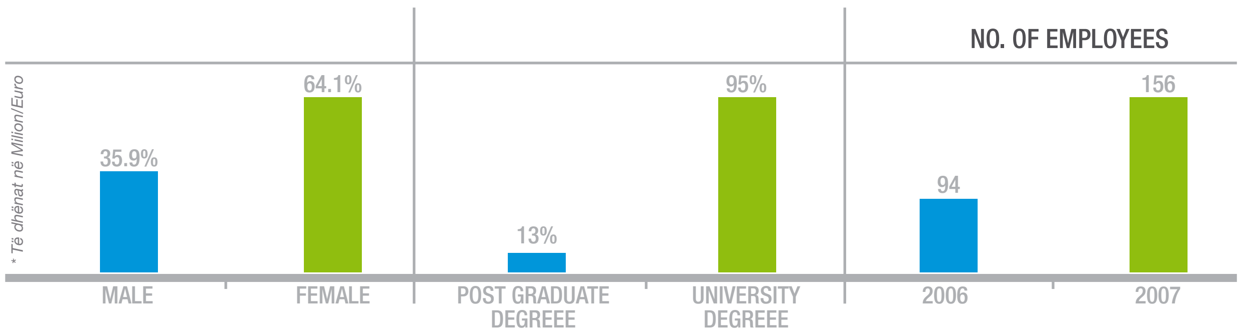
Personnel Statistics

31ST OF DECEMBER 2007	
Total no. Of employees	156(Non banking 7)
Head office	56
Branches	100
OUT OF WHICH:	
Sales units	76.9% [120]
Support units	23.1% [36]
Male	35.9% [56]
Female	64.1% [100]
Average age	27
University degree	95% [147]
Postgraduate degree	13% [20]

Personnel Turnover

Continues improvement in training is our objective for 2008, having as priority the development of our employee's professional skills.

The Human Resources Sector will continue to be strongly supportive to the employees working with devotion, consistency, high performance and ambitiousness. The priority in promotions is considered a must.



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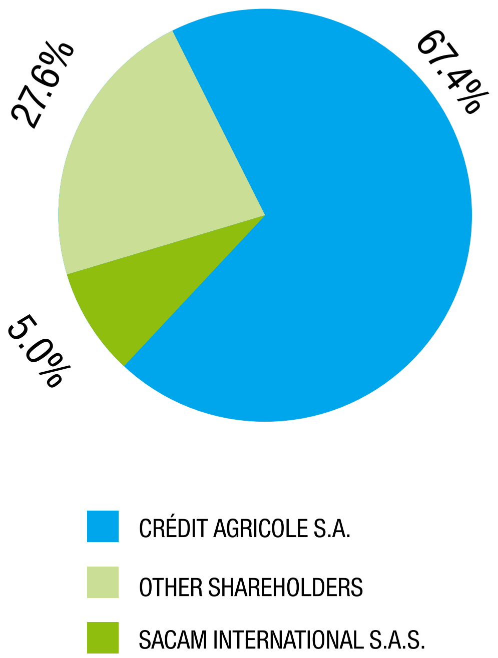
Shareholder Structure

During 2007 Crédit Agricole S.A. increased its participation in the share capital of Emporiki Bank. Thus, at the end of the year Crédit Agricole S.A. held 67.418% of Emporiki Bank's share capital against 66.966% at the end of 2006, while SACAM INTERNATIONAL S.A.S. held 5.0% and other shareholders (institutional and individual investors) held 27.582 %. On December 31st 2007, the share capital of Emporiki Bank consisted of 132,391,468 shares.



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International Activities

Emporiki Bank maintains operations, via subsidiary banks, in southeastern Europe and in particular in Albania, Romania, Bulgaria and Cyprus.

During 2007, the branch network of Emporiki Bank's subsidiaries in the Balkans expanded as particular emphasis was put on the development of operations in this area. Thus, in the end of 2007 the branch network of the subsidiary Emporiki Bank-Albania S.A., consisted of 16 branches and 2 agencies (2006: 7 branches), Emporiki Bank-Romania S.A., consisted of 16 branches and 1 agency (2006: 8 branches and 1 agency) and Emporiki Bank-Bulgaria EAD, consisted of 23 branches (2006: 16 branches). Emporiki Bank- Cyprus Ltd branch network consisted of 12 branches (same as in 2006).

Foreign subsidiary banks are active in retail banking and the business credit sector offering a wide range of competitive products and services. The financed businesses mainly offer services in sectors such as manufacturing, constructions, real estate development and management and commerce.

In 2008 the Bank shall focus on the wider expansion of the operations of its subsidiaries abroad since there exist prosperous perspectives for its development in countries where its presence has already been established. Regarding the implementation of the 5year Business Plan, we aim at increasing the market share through the introduction of new retail products as well as the reinforcement of our presence in local markets via the rapid expansion of our branches' network and dynamic actions of promotion. Besides, our main objective is the development of a partnership among SMEs with strong presence in southeastern Europe with subsidiaries, and with Crédit Agricole Group.

Emporiki Bank ALBANIA SA

Emporiki Bank BULGARIA EAD

Emporiki Bank ROMANIA SA

Emporiki Bank CYPRUS LTD

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Credit Agricole Group

Present across the entire spectrum of finance activities, Crédit Agricole is a first-class player in retail banking in Europe. Its ambition: to create a world-class European leader in banking and insurance, in accordance with the principles of the United Nations Global Compact.

A leading banking group, a strengthened international presence

- **No.1 in France with 28%** of the households market.
- **No.1 in Europe** in terms of retail banking revenues.
- **No.8 worldwide and No.3 in Europe** in terms of shareholders' equity (Tier 1).

European leader in consumer finance

- A top-15 asset manager worldwide.
- A top-20 insurer worldwide.
- Among the top 10 in Europe in corporate and investment banking.

3 domestic markets: France, Italy, Greece.

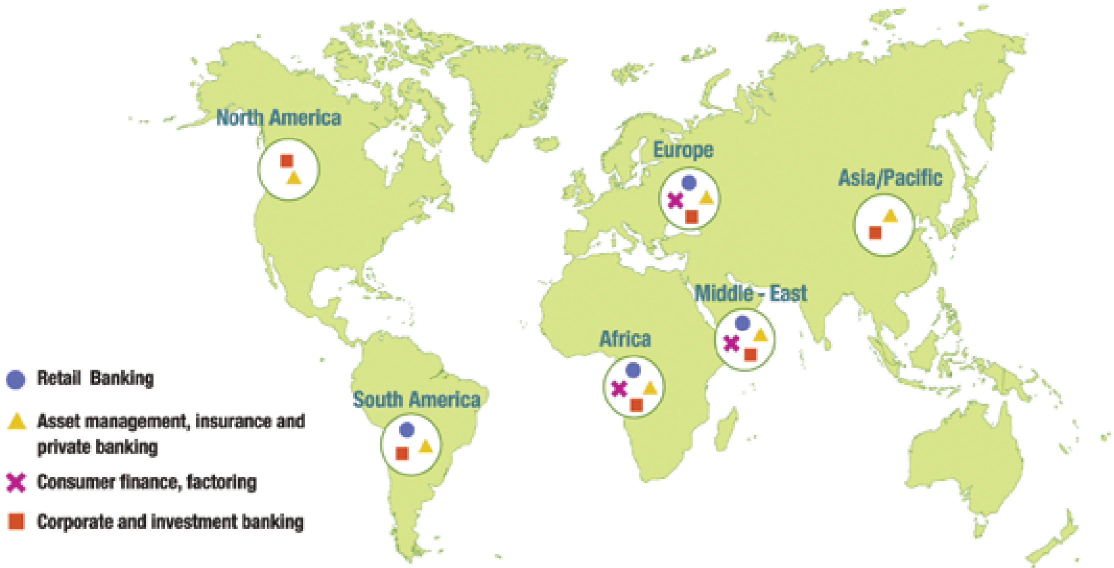
- **44 million** private customers.
- **11,000** branches in **23 countries.**
- operations in 58 countries in corporate and investment banking.

A committed and responsible player.

- Signature of the United Nations Global Compact (2003) and of the Diversity Charter (2008).
- Adoption of the Equator Principles by Calyon.
- Signature of the Principles for Responsible Investment by Crédit Agricole Asset Management.

Sources: Crédit Agricole S.A., Banque de France, The Banker, FFSA.

Presence in more than 70 countries



Over 5.8 million co-operative shareholders elect the 33,400 Local Banks directors.

The Fédération Nationale du Crédit Agricole (FNCA) acts as a consultative and representative body and a forum for the Regional Banks.

2,570 Local Banks, forming the bedrock of Crédit Agricole. They hold the bulk of the Regional Banks' share capital. Key players in France's local communities, the Local Bank directors enable Crédit Agricole to tailor its product and service offering to customer requirements.

39 CRÉDIT AGRICOLE REGIONAL BANKS

As cooperative societies and fully-fledged banks, 39 Crédit Agricole Regional Banks propose a wide offering of banking products and financial services to their customers. Together, they hold a majority stake in Crédit Agricole S.A. (54.1%) via SAS Rue La Boétie.

CRÉDIT AGRICOLE S.A.

Float represents 45.9% of Crédit Agricole S.A.' share capital.

- Institutional investors: 30% of the share capital.
- Individual shareholders: 9%.
- Employees via employee mutual funds: 6.2%.
- Treasury shares: 0.7%.

When Crédit Agricole S.A. became a listed company, in December 2001, it was organized to represent all the Group's business lines and entities.

3 main missions:

- As the central body, it ensures the cohesion and smooth running of the network, and represents the Group with respect to the banking authorities
- As the central bank, it ensures the Group's financial unity
- Responsible for ensuring consistent business development, it works with the specialized subsidiaries to co-ordinate strategy in the various business lines and oversees the Group's international development.

3 business lines:

- French and international retail banking: 25% of the Regional Banks*, LCL, Cariparma, FriulAdria Group, Emporiki Bank.
- Specialised business lines: asset management, insurance, private banking, consumer finance, leasing, factoring.
- Corporate and investment bank.

excl.: the Regional Bank of Corsica

Data at 31/12/2007

Branches

TIRANA

MAIN BRANCH
"Kavaja" str., No. 59,
Tirana
Tel: +355 42 258 755,
Fax: +355 42 258 752

SAMOS TOWER BRANCH
"Ismail Qemali" str., Tirana.
Tel: +355 42 250 885,
Fax: +355 42 250 155

TWIN TOWER BRANCH
Blv. "Dëshmoret e Kombit",
Twin Tower, Twin 1, Tirana.
Tel: +355 42 280 446,
Fax: +355 42 280 447

BAJRAM CURRI BRANCH
"Bajram Curri" str., No.13,
Tirana.
Tel: +355 42 256 108,
Fax: +355 42 256 109

USLUGA BRANCH
Autostrada Tirane – Durrës, Km 7.
Tel: +355 48 2 303 747
Fax:+355 48 2 303 748

KOMBINATI BRANCH
"Llazi Miho" str., Block 89,
Tirana.
Tel., Fax: +355 48 2 302 538

BARDHYLI BRANCH
"Gogo Nushi" str.,
No.11/A,Tirana.
Tel., Fax: +355 42 347 557

KOMUNA E PARISIT BRANCH
"Komuna e Parisit" str.,
Tirino Tower, Tirana
Tel: +355 42 320 895
Fax:+355 42 320 904

ALI DEMI BRANCH
"Ali Demi" str., No.150, Tirana.
Tel., Fax; +355 42 370 474

DURRËSI
Tregtare str., No. 48, Durres.
Tel: +355 52 230 728,
Fax: +355 52 230 753

ELBASANI
"11 Nëntori" str.,
Section"Qemal Stafa",
Elbasan.
Tel: +355 54 247 145-6
Fax: +355 54 247 144

LEZHA
Main Square, Lezha.
Tel: +355 21 2 546 17,
Fax: +355 21 2 547 81

FIERI
Main Square,
"Konferenca e Pezës" str.,
Fier.
Tel: +355 34 231 199
Fax: +355 34 231 197

VLORA
"Pavarësia" str.,
Riviera Business Center,
Vlore.
Tel: +355 33 2 266 86,
Fax:+355 33 2 220 40

KORÇA
Blv. "Themistokli Gërmenji",
No.7, Korce.
Tel: +355 82 254 912,
Fax: +355 82 254 913

GJIROKASTRA
"18 Shtatori" str.,
Gjirokaster.
Tel: +355 84 2 647 70,
Fax: +355 84 2 646 50

SARANDA
"Skënderbej" str.,
Sarande
Tel: +355 852 266 51,
Fax: +355 852 266 52

LIVADHJA
Sarande-Konispol str.,
Livadhja
Tel: +355 68 20 69 677

KAKAVIJA
Kakavija (near Customhouse).
Tel: +355 88 490 268
Fax: +355 88 490 036

Financial Statements for the year ended 31 December 2007
(with independent auditor's report thereon)

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Tirana, Albania

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Telefax +355 4 235 534
E-mail al-office@kpmg.com
Internet www.kpmg.al

Independent Auditors' Report

To the shareholder of
Emporiki Bank - Albania S.A.

Tirana, 25 February 2008

Report on the Financial Statements

We have audited the accompanying financial statements of Emporiki Bank - Albania S.A. ("the Bank"), which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement 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 and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our 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, we consider 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 principles 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 opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Albania Sh.p.k.

KPMG Albania Sh.p.k.
"Deshmoret e Kombit" Blvd.
Twin Towers Buildings
Building 1, 13th floor
Tirana, Albania

Balance sheet as at 31 December 2007

(in EUR)

	Notes	31 December 2007	31 December 2006
Assets			
Cash and cash equivalents	7	9,506,213	4,382,029
Restricted balances with Central Bank	8	5,821,212	4,331,168
Investment securities	9	9,326,122	10,946,032
Loans and advances to customers	10	140,790,356	77,859,001
Assets held for sale	11	-	110,330
Prepaid income tax		356,338	-
Property and equipment	12	4,335,270	2,567,845
Intangible assets	13	448,832	385,463
Investment property	11	110,330	-
Deferred tax asset	14	126,795	179,987
Other assets	15	198,675	81,377
Total assets		171,020,143	100,843,232
Liabilities			
Due to banks and financial institutions	16	69,277,022	36,953,211
Due to customers	17	75,017,197	47,209,068
Subordinated loan	18	7,102,803	4,565,441
Income tax payable		-	69,340
Deferred tax liabilities	14	258,975	59,487
Other liabilities	19	755,464	254,622
Total liabilities		152,411,461	89,111,169
Shareholder's equity			
Paid-up capital	20	17,068,296	10,323,996
Legal reserve	21	459,470	183,953
Revaluation of AFS portfolio		(14,713)	-
Translation reserve		(6,224)	27,963
Retained earnings		1,101,853	1,196,151
Total shareholder's equity		18,608,682	11,732,063
Total liabilities and shareholder's equity		171,020,143	100,843,232

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 44.

Income statement for the year ended 31 December 2007

(in EUR)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
Interest income	22	9,863,931	6,039,756
Interest expense	23	(4,284,705)	(2,141,957)
Net interest income		5,579,226	3,897,799
Fee and commission income	24	664,846	452,539
Fee and commission expenses		(72,179)	(75,324)
Net fee and commission income		592,667	377,215
Net foreign exchange result		182,262	124,344
Other operating income		-	4,949
Impairment losses on loans and advances	10	(1,055,586)	(388,892)
Change in provision for risk		19,333	(19,415)
Other operating expenses	25	(3,947,087)	(2,572,097)
		(4,983,340)	(2,980,404)
Operating profit for the year before tax		1,370,815	1,423,903
Income tax expense	25	(294,707)	(244,911)
Net profit for the year		1,076,108	1,178,992

The income statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 44.

Statement of changes in equity for the year ended 31 December 2007

	Paid-up Capital	Legal Reserve	Revaluation of AFS portfolio	Translation reserve	Accumulated profits	Total
Balance at 31 December 2005	9,582,566	-	-	34,440	944,402	10,561,408
Capitalization of profits into share capital	741,430	-	-	-	(741,430)	-
Transfer of profit into reserves	-	183,953	-	1,860	(185,813)	-
Translation reserve	-	-	-	(8,337)	-	(8,337)
Net profit	-	-	-	-	1,178,992	1,178,992
Balance at 31 December 2006	10,323,996	183,953	-	27,963	1,196,151	11,732,063
Share capital increase	6,744,300	-	-	-	(894,889)	5,849,411
Transfer of profit into reserves	-	275,517	-	-	(275,517)	-
Revaluation of AFS portfolio	-	-	(14,713)	-	-	(14,713)
Translation reserve	-	-	-	(34,187)	-	(34,187)
Net profit	-	-	-	-	1,076,108	1,076,108
Balance at 31 December 2007	17,068,296	459,470	(14,713)	(6,224)	1,101,853	18,608,682

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 44.

Statement of cash flows for the year ended 31 December 2007

	Year ended 31 December 2007	Year ended 31 December 2006
Cash flows from operating activities		
Net profit for the year	1,076,108	1,178,992
Adjustments to reconcile net profit to net cash flows from operating activities:		
Depreciation	371,984	260,901
Amortization	108,699	62,722
Impairment losses on loans and advances	1,055,586	388,892
Change in provision for risk	(19,333)	19,415
Interest income	(9,863,931)	(6,039,756)
Interest expense	4,284,705	2,141,957
Income tax expense	294,707	244,911
Gain from sale of FA	-	(4,949)
Translation effect	(34,187)	(6,477)
Cash flows from operating profits before changes in operating assets and liabilities	(2,725,662)	(1,753,392)
Changes in operating assets and liabilities:		
Increase in restricted balances with central bank	(1,490,044)	(1,266,402)
Increase in loans and advances to customers	(64,336,737)	(37,084,782)
Increase in other assets	(117,298)	(44,100)
Increase in due to banks and financial institutions	32,406,998	19,065,444
Increase in due to customers	27,577,014	14,102,412
Increase in other liabilities	520,175	898,533
Interest received	10,056,646	6,381,753
Interest paid	(4,067,811)	(1,926,303)
Income tax paid	(467,705)	(388,334)
Cash flow used in operating activities	(2,644,424)	(2,015,171)
Cash flows from investing activities		
Purchases of intangible assets	(172,068)	(338,467)
Purchases of property and equipment	(2,139,409)	(1,090,783)
Proceeds from sale of fixed assets	-	4,949
Purchases/ redemption of investment securities	1,730,674	444,819
Cash flows used in investing activities	(580,803)	(979,482)

	Year ended 31 December 2007	Year ended 31 December 2006
Cash flows from financing activities		
Share capital increase	5,849,411	-
Subordinated debt	2,500,000	4,500,000
Cash flow generated from financing activities	8,349,411	4,500,000
Net increase in cash and cash equivalents	5,124,184	1,505,347
Cash and cash equivalents at beginning of the year	4,382,029	2,876,682
Cash and cash equivalents at end of the year (note 7)	9,506,213	4,382,029

Statement of cash flows for the year ended 31 December 2007

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 44.

These financial statements have been approved by the Board of Directors of the Bank on 25 February 2008 and signed on its behalf by:

George Caracostas Chief Executive Officer	Merita Musliu Finance Division Manager

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 Bank 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 S.A. and subsequently during 2001 changed its name to the Commercial Bank of Greece (Albania) S.A. On 1 March 2004, upon the final approval from the Bank of Albania, the Bank's name was changed to Emporiki Bank - Albania S.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 employs 159 (2006: 94) staff, including 2 (2006: 2) expatriate managers and operates in the geographical region of Albania.

2. Basis of preparation

(a) Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

(b) Basis of measurement
These financial statements have been prepared on the historical cost basis, except for available-for-sale financial assets which are measured at fair value and assets held for sale, which are measured at the lower of carrying amount and fair value less costs to sell.

(c) Functional and presentation currency
These financial statements are presented in EUR, which is the Bank's functional and presentation currency.

(d) 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.

3. Significant accounting policies

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

(a) Foreign currency transactions
Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.
The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

3. Significant accounting policies (continued)

(b) Interest

Interest income and expense are recognised in the income statement 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 effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

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 income statement include interest on financial assets and liabilities at amortised cost on an effective interest rate basis.

(c) 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, sales commission, placement fees, are recognised as the related services are performed.
Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(d) 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.

(e) Operating expenses

The operating expenses are recognized when incurred.

(f) Employee benefits

The Bank makes only compulsory social security contributions that provide pension benefits for employees upon retirement. The local authorities are responsible for providing the legally set minimum threshold for pensions in Albania under a defined contribution pension plan. The Bank's contributions to the benefit pension plan are charged to the income statement as incurred.

(g) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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 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 not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. 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.
Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

3. Significant accounting policies (continued)

(h) 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 contractual rights to the cash flows from the asset 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.

The Bank enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks and rewards of the transferred assets, or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions. When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions.

In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.
The Bank also derecognizes certain assets when it writes off balances pertaining to the assets deemed to be uncollectible (see note 4).

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. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments like options and interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

v. Identification and measurement of impairment

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.

3. Significant accounting policies (continued)

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 then 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.
In assessing collective impairment the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are benchmarked against actual outcomes to ensure that they remain appropriate.

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

(i) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central 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.
Cash and cash equivalents are carried at amortised cost in the balance sheet.

(j) Loans and advances

Loans and advances 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, and the underlying asset is not recognised in the Bank's financial statements.
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.

(k) 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.

i. 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.

ii. 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.

3. Significant accounting policies (continued)

(k) Investment securities (continued)

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 directly in equity until the investment is sold or impaired and the balance in equity is recognised in profit or loss.

(l) Property and equipment

i. 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.

ii. 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.

iii. 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.

The estimated useful lives for the current and comparative periods are as follows:

	2007 (in years)	2006 (in years)
• Buildings	20	20
• Computers and IT equipment	4	4
• Office furniture	5	5
• Motor vehicles	5	5
• Leasehold improvements	10.5 - 12	10.5 - 12

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

(m) 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 estimate useful life of software is four years.

(n) 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 at cost less accumulated depreciation and impairment losses.

(o) 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.

3. Significant accounting policies (continued)

(p) 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.

(q) Deposits and other financial liabilities

Deposits and other financial liabilities are part of 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 substance of 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.

(r) Provisions

A provision is recognised 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 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.

(s) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these financial statements:
IFRS 8 **Operating Segments** (effective from 1 January 2009) requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Bank does not expect the new Standard to have any impact on the financial statements.
IAS 23 **Borrowing Costs - Revised (**effective from 1 January 2009) will require the capitalization of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The Bank has not yet completed its analysis of the impact of the revised Standard.
IFRIC 11 **IFRS 2 – Group and Treasury Share Transactions (**effective for annual periods beginning on or after 1 March 2007) requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. IFRIC 11 is not relevant to the Bank's operations as the Bank has not entered into any share-based payments arrangements.

3. Significant accounting policies (continued)

IFRIC 12 **Service Concession Arrangements** (effective from 1 January 2008) provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Bank's operations as it has not entered into any service concession arrangement.

IFRIC 13 **Customer Loyalty Programmes** (effective for annual periods beginning on or after 1 July 2008) explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations. The Bank does not expect the Interpretation to have any impact on the financial statements.

IFRIC 14 **IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements (MFR) and their interactions** (effective for annual periods beginning on or after 1 January 2008) addresses: 1) when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; 2) how a MFR might affect the availability of reductions in future contributions; and 3) when a MFR might give rise to a liability. No additional liability need be recognised by the employer under IFRIC 14 unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. The Bank does not expect the Interpretation to have any impact on the financial statements.

(t) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

4. 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

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3(h) (v). The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently estimated by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3(h)(iv). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.
Functional currency

4. Use of estimates and judgments (continued)

The functional currency of the bank has been re-evaluated based on the guidance in the revised IAS 21, *The Effects of Changes in Foreign Exchange Rates.* In making this judgment, the Bank considered the currency that mainly influences the prices for its services, the labor, and other costs of providing the services. Furthermore, the Bank follows the Parent Bank's policies by centralizing its money market activity (i.e. placements, borrowings and foreign-exchange activities are performed mainly with the Parent Bank). The Bank concluded that the EUR is an appropriate functional currency. This conclusion requires judgment.

5. 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).

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

5. Financial risk management (continued)

(b) Credit risk (continued)

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 Committee of the Bank (currently for the amount up to EUR 1,000,000 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.

Exposure to credit risk

(i) Loans and advances to banks and investment securities

In EUR	Loans and advances to banks		Investment securities	
	2007	2006	2007	2006
Neither past due nor impaired				
Grade 1: Low-fair risk (Standard)	2,619,954	1,789,563	9,326,122	10,946,032
Total carrying amount (Notes 7 and 9)	2,619,954	1,789,563	9,326,122	10,946,032

5. Financial risk management (continued)

(b) Credit risk (continued)

Exposure to credit risk

(ii) Loans and advances to customers

	2007	2006
Individually impaired		
Grade 2: Impaired (Special Mention)	-	3,890,147
Grade 3:Impaired (Substandard)	575,873	362,337
Grade 4:Impaired (Doubtful)	2,306,894	55,131
Grade 5:Impaired (Lost)	140,288	113,744
Gross amount	3,023,055	4,421,359
Allowance for impairment	(610,543)	(182,079)
Carrying amount (A)	2,412,512	4,239,280
Portfolio based allowance for losses		
Grade 1:Low-fair risk (Standard)	122,445,196	72,937,980
Grade 2:Watch list (Special Mention)	14,343,984	1,410,450
Grade 3:Impaired (Substandard)	1,862,030	18,463
Grade 4:Impaired (Doubtful)	958,218	-
Grade 5:Impaired (Lost)	176,313	1,999
Gross amount	139,785,741	74,368,892
Allowance for impairment	(1,407,897)	(749,171)
Carrying amount (B)	138,377,844	73,619,721
Past due but not individually impaired comprises:		
30-60 days:	4,641,202	127,838
60-90 days:	1,773,015	-
90-180 days:	1,168,710	-
180 days + :	621,304	1,999
Carrying amount	8,204,231	129,837
Total carrying amount (A+B)	140,790,356	77,859,001

Impaired loans and securities
Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These loans are graded 3 to 5 in the Bank's internal credit risk grading system.

Past due but not impaired loans
Loans and securities 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.

5. Financial risk management (continued)

(b) Credit risk (continued)

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.

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 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.

In EUR	Loans and advances to customers	
	Gross	**Net**
31 December 2007		
Individually impaired		
Grade 3:Impaired (Substandard)	575,873	533,600
Grade 4:Impaired (Doubtful)	2,306,894	1,764,696
Grade 5:Impaired (Lost)	140,288	114,216
Total	3,023,055	2,412,512
31 December 2006		
Individually impaired		
Grade 2:Impaired (Special Mention)	3,890,147	3,708,068
Grade 3:Impaired (Substandard)	362,337	362,337
Grade 4:Impaired (Doubtful)	55,131	55,131
Grade 5:Impaired (Lost)	113,744	113,744
Total	4,421,359	4,239,280

5. Financial risk management (continued)

(b) Credit risk (continued)

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 equipment, 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 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. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2007 or 2006.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

In EUR	Loans and advances to customers	
	2007	**2006**
Against individually impaired	4,219,842	8,025,118
Property	4,219,842	7,127,326
Debt securities	-	96,891
Other	-	800,901
Against collectively impaired	312,960,919	181,586,589
Property	271,140,610	152,811,994
Cash	2,639,673	1,865,867
Debt securities	145,839	2,731,995
Other	39,034,797	24,176,733
Total	317,180,761	189,611,707

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk as at 31 December 2007 and 31 December 2006 is shown below:

Concentration by sector

In EUR	Loans and advances to customers		Loans and advances to banks		Investment securities	
Carrying amount	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Corporate	75,139,929	43,077,632	-	-	-	-
Sovereign	-	-	-	-	9,326,122	10,946,032
Bank	-	-	2,619,954	1,789,563	-	-
Retail	65,650,427	34,781,369	-	-	-	-
Total	140,790,356	77,859,001	2,619,954	1,789,563	9,326,122	10,946,032

5. Financial risk management (continued)

b) Credit risk (continued)

Concentration by location

In EUR	Loans and advances to customers		Loans and advances to banks		Investment securities	
Carrying amount	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Albania	140,790,356	77,859,001	20,923	647,544	9,326,122	10,946,032
North America	-	-	29,336	7,476	-	-
Europe	-	-	2,569,695	1,134,543	-	-
Total	140,790,356	77,859,001	2,619,954	1,789,563	9,326,122	10,946,032

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.

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 back up liquidity facility from the Parent Company;
- 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.

A separate unit Middle Office was established as a separate unit with the aiming of monitoring the liquidity ratios. This unit reports to Treasury Sector and ALCO.

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".

The following tables show the undiscounted cash flows from the Bank's assets and liabilities on the basis of their earliest possible contractual maturity as at 31 December 2007 and 31 December 2006.

The Bank's expected cash flows may vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance.

5. Financial risk management (continued)

(c) Liquidity risk (continued)

For the year ended 31 December 2007

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non-specific	Total
Assets							
Cash and cash equivalents	9,506,213	-	-	-	-	-	9,506,213
Restricted balances with Central Bank	3,361,071	1,387,473	460,427	576,406	35,835	-	5,821,212
Investment securities	6,707,138	2,200,013	418,971	-	-	-	9,326,122
Loans and advances to customers	6,854,814	12,335,528	7,420,907	28,020,191	86,158,916	-	140,790,356
Property, equipment and intangibles	-	-	-	-	-	4,784,102	4,784,102
Investment property	-	-	-	-	-	110,330	110,330
Tax and other assets	555,013	-	-	-	126,795	-	681,808
Total	26,984,249	15,923,014	8,300,305	28,596,597	86,321,546	4,894,432	171,020,143
Liabilities							
Due to banks and financial institutions	10,262,757	20,764,265	950,000	37,300,000	-	-	69,277,022
Due to customers	43,748,545	17,634,930	5,852,074	7,326,179	455,469	-	75,017,197
Subordinated loan	-	102,803	-	-	7,000,000	-	7,102,803
Tax and other liabilities	755,463	-	-	-	258,976	-	1,014,439
Shareholder's equity	-	-	-	-	-	18,608,682	18,608,682
Total	54,766,765	38,501,998	6,802,074	44,626,179	7,714,445	18,608,682	171,020,143
Liquidity gap at 31 December 2007	(27,782,516)	(22,578,984)	1,498,231	(16,029,582)	78,607,101	(13,714,250)	-
Cumulative	(27,782,516)	(50,361,500)	(48,863,269)	(64,892,851)	13,714,250	-	-

For the year ended 31 December 2006

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non-specific	Total
Assets							
Cash and cash equivalents	4,382,029	-	-	-	-	-	4,382,029
Restricted balances with Central Bank	2,316,708	1,246,110	363,611	346,797	57,942	-	4,331,168
Investment securities	866,643	4,576,463	1,827,444	3,271,768	403,714	-	10,946,032
Loans and advances to customers	4,527,562	5,995,682	7,586,258	11,289,469	48,460,030	-	77,859,001
Assets held for sale	110,330	-	-	-	-	-	110,330
Property, equipment and intangibles	-	-	-	-	-	2,953,308	2,953,308
Tax and other assets	58,365	-	-	-	202,999	-	261,364
Total	12,261,637	11,818,255	9,777,313	14,908,034	49,124,685	2,953,308	100,843,232
Liabilities							
Due to banks and financial institutions	11,635,211	7,540,000	1,500,000	-	16,278,000	-	36,953,211
Due to customers	25,671,063	13,323,039	3,887,620	3,707,851	619,495	-	47,209,068
Subordinated loan	-	-	65,441	-	-	4,500,000	4,565,441
Tax and other liabilities	323,963	-	-	-	59,486	-	383,449
Shareholder's equity	-	-	-	-	-	11,732,063	11,732,063
Total	37,630,237	20,863,039	5,453,061	3,707,851	16,956,981	16,232,063	100,843,232
Liquidity gap at 31 December 2006	(25,368,600)	(9,044,784)	4,324,252	11,200,183	32,167,704	(13,278,755)	-
Cumulative	(25,368,600)	(34,413,384)	(30,089,132)	(18,888,949)	13,278,755	-	-

5. Financial risk management (continued)

(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 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. Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market, together with financial assets and liabilities that are managed on a fair value basis. 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 the day-to-day review of their implementation.

Exposure to market risks – trading portfolios
The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

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 of monetary positions as at 31 December 2007 and 31 December 2006 by currencies in which they were denominated is as follows:

5. Financial risk management (continued)

(d) Market risks (continued)

	For the year ended 31 December 2007					For the year ended 31 December 2006				
	LEK	EURO	USD	OTHER	TOTAL	LEK	EURO	USD	OTHER	TOTAL
Assets										
Cash and cash equivalents	3,624,946	2,606,665	3,260,763	13,839	9,506,213	1,877,003	1,225,045	1,202,636	77,345	4,382,029
Restricted balances with Central Bank	1,675,633	3,420,158	725,421	-	5,821,212	1,332,358	2,304,082	694,728		4,331,168
Investment securities	9,326,122	-	-	-	9,326,122	10,946,032	-	-	-	10,946,032
Loans and advances to customers	6,970,353	126,257,074	4,008,659	3,554,270	140,790,356	2,988,703	69,370,343	5,499,955	-	77,859,001
Tax and other assets	503,811	168,605	8,706	686	681,808	180,524	69,045	11,795	-	261,364
Total	22,100,865	132,452,502	8,003,549	3,568,795	166,125,711	17,324,620	72,968,515	7,409,114	77,345	97,779,594
Off balance sheet items										
Spot FX transactions	-	-	210,089	205,080	415,169	-	-	239,594	-	239,594
Liabilities										
Loans from credit institutions	1,336	65,457,476	68,241	3,749,967	69,277,020	43,948	35,417,009	1,492,254	-	36,953,211
Due to customers	21,391,859	45,560,601	8,064,713	24	75,017,197	15,839,236	25,223,201	6,146,631	-	47,209,068
Subordinated Debt	-	7,102,803	-	-	7,102,803	-	4,565,441	-	-	4,565,441
Tax and other liabilities	699,294	315,103	-	42	1,014,439	306,468	-	76,981	-	383,449
Total	22,092,489	118,435,983	8,132,954	3,750,033	152,411,459	16,189,652	65,205,651	7,715,866	-	89,111,169
Off balance sheet items										
Spot FX transactions	193,792	221,500	-	-	415,292	84,021	80,000	-	76,173	240,194
Net Position	(185,416)	13,795,019	80,684	23,842	13,714,129	1,050,947	7,682,864	(67,158)	1,172	8,667,825

5. Financial risk management (continued)

(d) Market risks (continued)

Exposure to interest rate risk – non-trading portfolios
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 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 100 basis point (bp) parallel fall or rise in all yield curves. An analysis of the Bank's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

	2007			
		up to 1 Year		**over 1 Year**
		scenarios		scenarios
	100 bp	100 bp	100 bp	100 bp
	increase	decrease	increase	decrease
Estimated Profit (loss) effect	127,319	(127,319)	4,554	(4,554)

				2006
		up to 1 Year		**over 1 Year**
		scenarios		scenarios
	100 bp	100 bp	100 bp	100 bp
	increase	decrease	increase	decrease
Estimated Profit (loss) effect	247,830	(247,830)	(152,558)	152,558

5 Financial risk management (continued)

(d) Market risks (continued)

A summary of the Bank's interest rate re-pricing analysis is as follows:

For the year ended 31 December 2007

EUR	Up to 1 month	1-3 Month	3-6 Months	6-12 Months	Over 1 year	Non interest bearing	Total
Assets							
Cash and cash equivalents	5,714,585	-	-	-	-	3,791,628	9,506,213
Restricted balances with Central Bank	5,821,212	-	-	-	-	-	5,821,212
Investment securities	6,707,138	2,200,013	418,971	-	-	-	9,326,122
Loans and advances to customers	38,912,087	56,326,910	3,574,982	44,954,388	-	(2,978,011)	140,790,356
Property, equipment and intangibles	-	-	-	-	-	4,784,102	4,784,102
Investment property	-	-	-	-	-	110,330	110,330
Tax and other assets	-	-	-	-	-	681,808	681,808
Total	57,155,022	58,526,923	3,993,953	44,954,388	-	6,389,857	171,020,143
Liabilities							
Due to banks and financial institutions	10,284,376	24,042,646	950,000	34,000,000	-	-	69,277,022
Due to customers	42,719,600	17,634,929	5,852,074	7,326,179	455,463	1,028,952	75,017,197
Subordinate loan	-	-	7,102,803	-	-	-	7,102,803
Tax and other liabilities	-	-	-	-	-	1,014,439	1,014,439
Shareholder's equity	-	-	-	-	-	18,608,682	18,608,682
Total	53,003,976	41,677,575	13,904,877	41,326,179	455,463	20,652,073	171,020,143
Gap	4,151,046	16,849,348	(9,910,924)	3,628,209	(455,463)	(14,262,216)	-
Cumulative gap	4,151,046	21,000,394	11,089,470	14,717,679	14,262,216	-	-

For the year ended 31 December 2006

EUR	Up to 1 month	1-3 Month	3-6 Months	6-12 Months	Over 1 year	Non interest bearing	Total
Assets							
Cash and cash equivalents	2,435,797	-	-	-	-	1,946,232	4,382,029
Restricted balances with Central Bank	4,331,168	-	-	-	-	-	4,331,168
Investment securities	866,644	4,576,463	1,827,444	3,271,767	403,714	-	10,946,032
Loans and advances to customers	55,740,023	22,083,647	615,815	950,842	-	(1,531,326)	77,859,001
Property, equipment and intangibles	-	-	-	-	-	2,953,308	2,953,308
Investment property						110,330	110,330
Tax and other assets	-	-	-	-	-	261,364	261,364
Total	63,373,632	26,660,110	2,443,259	4,222,609	403,714	3,739,908	100,843,232
Liabilities							
Due to banks and financial institutions	12,673,211	8,540,000	700,000	-	15,040,000	-	36,953,211
Due to customers	24,769,560	13,323,039	3,887,620	3,707,851	619,495	901,503	47,209,068
Subordinate loan	-	-	4,565,441	-	-	-	4,565,441
Tax and other liabilities	-	-	-	-	-	383,449	383,449
Shareholder's equity	-	-	-	-	-	11,732,063	11,732,063
Total	37,442,771	21,863,039	9,153,061	3,707,851	15,659,495	13,017,015	100,843,232
Gap	25,930,861	4,797,071	(6,709,802)	514,758	(15,255,781)	(9,277,107)	-
Cumulative gap	25,930,861	30,727,932	24,018,130	24,532,888	9,277,107	-	-

5. Financial risk management (continued)

(d) Market risks (continued)

Effective yield information

The average effective yields of significant categories of financial assets and liabilities of the Bank as at 31 December 2007 and 31 December 2006 were as follows:

	Weighted average interest rate (Lek)		Weighted average interest rate (USD)		Weighted average interest rate (EUR)	
	2007	2006	2007	2006	2007	2006
Assets						
Cash and cash equivalents	4.55	4.51	4.69	5.26	-	3.37
Fixed income securities	7.31	6.86	-	-	-	-
Loans and advances to customers	11.22	10.74	8.54	9.28	8.18	8.29
Liabilities						
Due to banks and financial institutions	2.9	-	4.47	5.5	4.92	3.98
Due to customers	4.15	3.27	3.07	2.79	2.75	2.21

(e) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

5. Financial risk management (continued)

(e) Operational risks

Compliance with Bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.
A permanent control policy of the operation risk will be implemented within 2008 (the Risk Unit is in charge for the correct implementation of such policy).

(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 is 12%.

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.
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.
The risk-weighted assets are based on the financial statements, which are prepared for statutory purposes.

5. Financial risk management (continued)

	Statutory Balance sheet/notional amount		Risk Weight amount	
	31 December 2007	**31 December 2006**	**31 December 2007**	**31 December 2006**
BALANCE SHEET ASSETS				
Cash and balances with Central Bank	9,669,206	6,347,863	-	-
Loans and advances to financial institutions	5,658,219	1,789,563	1,131,644	357,913
Loans and advances to customers	139,447,432	78,142,592	132,478,061	71,805,781
Risk weighted at 0% ratio	2,117,099	1,762,194	-	-
Risk weighted at 20% ratio	1,800,000	1,825,000	360,000	365,000
Risk weighted at 50% ratio	6,824,543	6,229,233	3,412,271	3,114,617
Risk weighted at 100% ratio	128,705,790	68,326,165	128,705,790	68,326,164
Investment securities	9,340,835	11,592,266	-	-
Property, equipment and intangible assets	3,010,850	1,645,851	3,010,850	1,645,851
Other assets	2,433,953	1,113,701	2,424,748	1,113,667
Risk weighted at 50% ratio	18,409	69	9,204	35
Risk weighted at 100% ratio	2,415,544	1,113,632	2,415,544	1,113,632
TOTAL ASSETS	169,560,495	100,631,836	139,045,303	74,923,212
Off balance sheet positions	12,500,295	6,902,424	11,422,232	6,576,989
Credit related commitments	12,500,295	6,902,424	11,422,232	6,576,989
Risk weighted at 0% ratio	1,078,062	248,935	-	-
Risk weighted at 50% ratio	-	153,000	-	76,500
Risk weighted at 100% ratio	11,422,233	6,500,489	11,422,232	6,500,489
TOTAL	182,060,790	107,534,260	150,467,535	81,500,201
TOTAL RISK WEIGHTED ASSETS				

		CAPITAL		RATIO
CAPITAL RATIOS	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Tier 1 Capital	17,197,571	10,124,261	11.43%	12.42%
Tier 1 + Tier 2 Capital	24,197,571	14,624,261	16.08%	17.94%

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.

6. Fair values of financial assets and liabilities

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.

Investment securities

Investment securities include treasury bills and government bonds and are held to maturity. Since no active market exists for treasury bills, the fair value has been estimated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity.
As at 31 December 2007, the fair value of the treasury bills portfolio is EUR 8,905,410 (31 December 2006: EUR 8,042,571) while its carrying value is EUR 9,326,122 (31 December 2006: EUR 8,060,371).
The fair value of the government bonds is based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity.

Loans and advances to customers

Loans and advances are net of allowances for impairment. The Bank's loan portfolio has an estimated fair value approximately equal to its book value due to either their short term nature or underlying interest rates which approximate market rates. The majority of the loan portfolio is subject to re-pricing within a year.

Due to customers

The estimated fair value of deposits with no stated maturity, which include non-interest bearing deposits, is the amount repayable on demand. The fair value of time deposits with stated maturity as at 31 December 2007 is approximately EUR 48,117,408 (31 December 2006: EUR 31,045,377) whilst their carrying value is EUR 48,165,599 (31 December 2006 EUR 31,158,451).

Due to banks and financial institutions

The estimated fair value of loans and advances have an estimated fair value approximately equal to their carrying amount because of either their short-term nature and underlying interest rates, which approximate market rates.

7. Cash and cash equivalents

Cash and cash equivalents consisted of the following:

	31 December 2007	31 December 2006
Cash on hand		
In Albanian Lek	531,064	584,450
In foreign currencies	3,260,563	1,361,782
Central Bank		
Current account	142,297	-
Term deposit	2,952,335	-
Repurchase agreement	-	646,234
Banks		
Current accounts with banks	119,414	151,968
Money market placements	2,500,540	1,637,595
Total	9,506,213	4,382,029

The repurchase agreement earns interest at 6.25% per annum (2006: 5.25%) and the time deposit with Central Bank at 31 December 2007 earns interest at 4.5% per annum.
Interest rates for term deposits with banks range from 4.35 % to 5.22% (2006: from 5.27% to 5.3%).
Current accounts and money market placements with banks are detailed geographically as follows:

	31 December 2007	31 December 2006
Greece	2,552,705	1,111,202
Albania	20,922	647,544
U.S.A	29,336	7,476
Other	16,991	23,341
Total	2,619,954	1,789,563

8. Restricted balances with Central Bank

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. The statutory reserve is not available for the Banks' day-to-day operations.
Interest on statutory reserves in the Central Bank is calculated as follows:
-LEK balances: 70% of the repurchase agreements rate: 4.38% per annum as of 31 December 2007 (31 December 2006: 3.85% per annum);
-EUR balances: 70% of the one-month EUR LIBOR rate: 3.11% per annum as of 31 December 2007 (31 December 2006: 2.57%); and
-USD balances: 70% of the one-month USD LIBOR rate: 3.40% per annum as of 31 December 2007 (31 December 2006: 3.75% per annum).9. Investment securities (continued)
Government Bonds
As at 31 December 2007, the Bank held government bonds denominated in LEK. The interest is received semi annually at a coupon rate of 8.3% (2006: range from 7.5% to 8.9%). Details of government bonds are as follows:

	31 December 2007			
	Nominal value	Accrued interest	Premium amortisation	Book value
36 months	410,577	8,292	102	418,971
	410,577	8,292	102	418,971

	31 December 2006			
	Nominal value	Accrued interest	Premium/(discount) amortisation	Book value
24 months	2,422,285	51,917	(895)	2,473,307
36 months	403,714	8,198	442	412,354
	2,825,999	60,115	(453)	2,885,661

10. Investment securities

Investment securities are comprised as follows:

	31 December 2007	31 December 2006
Available-for-sale investment securities	5,805,153	-
Held-to-maturity investment securities	3,520,969	10,946,032
Total	9,326,122	10,946,032

Investment securities classified as available-for-sale represent Treasury Bills. Investment securities classified as held-to-maturity are comprised as follows:

	31 December 2007	31 December 2006
Treasury bills	3,101,998	8,060,371
Government bonds	418,971	2,885,661
Total	3,520,969	10,946,032

As at 31 December 2006 the investment securities were classified as held-to-maturity. This designation reflected the intention and ability of the Bank as at that date.

Treasury bills

The effective interest rates on treasury bills for the year ended 31 December 2007 fluctuated between 6.2% and 8.15% (2006: 5.61% and 7.81%).

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

	31 December 2007			
	Price	**Accrued interest**	**Fair value reserve for available-for-sale securities**	**Book value**
6 months	1,980,972	53,419	(1,046)	2,033,345
12 months	3,651,245	134,230	(13,667)	3,771,808
Total	5,632,217	187,649	(14,713)	5,805,153

Details of held-to-maturity treasury bills by contractual maturity are presented as follows:

	31 December 2007		
	Price	**Accrued interest**	**Book value**
12 months	2,914,806	187,192	3,101,998
Total	2,914,806	187,192	3,101,998

11. Loans and advances to customers

Loans and advances to customers consisted of the following:

	31 December 2007	31 December 2006
Individuals	42,012,748	21,520,826
Private entrepreneurs and enterprises	100,181,541	56,769,671
Accrued interest	614,507	499,754
	142,808,796	78,790,251
Less allowance for impairment	(2,018,440)	(931,250)
	140,790,356	77,859,001

Loans to customers include EUR 29.8 million that represent overdrafts (2006: EUR 9.96 million).

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

	31 December 2007	31 December 2006
Balance at the beginning of the year	931,250	550,420
Allowance for loan loss impairment	1,055,586	388,892
Translation adjustment	31,604	(8,062)
Balance at the end of the year	2,018,440	931,250

13. Assets held for sale

As at 31 December 2006 the assets held for sale comprised a building acquired in December 2005 through the execution of the property collateral received by the Bank for an unrecoverable loan. Based on the intention to recover its carrying amount through sale rather than through continuing use the building was classified as held for sale. An independent evaluation was taken on August 2006 to determine its fair value, which was EUR 140,000. The fair value was higher than the carrying amount of EUR 110,330.

The initial period planned for the disposal of the asset was extended and the delay was caused by events and circumstances beyond the Bank's control.

In December 2007 the Bank's management decided to classify the building as investment property, because the criteria for classification as held for sale were no longer met. The Bank will not use the asset in its operations. The Management believes the fair value of property is not significantly different from the August 2006 valuation.

14. Property and equipment

Property and equipment consisted of the following:

	Buildings	Computers and IT equipment	Office equipment	Motor vehicles	Leasehold improvements	Total
Cost						
At 1 January 2006	1,634,845	466,005	237,197	89,176	315,713	2,742,936
Additions	30,045	185,577	96,929	63,148	715,084	1,090,783
Disposals	-	(8,907)	-	(14,786)	-	(23,693)
At 31 December 2006	1,664,890	642,675	334,126	137,538	1,030,797	3,810,026
At 1 January 2007	1,664,890	642,675	334,126	137,538	1,030,797	3,810,026
Additions	584,959	591,767	182,724	56,898	723,061	2,139,409
At 31 December 2007	2,249,849	1,234,442	516,850	194,436	1,753,858	5,949,435
Accumulated depreciation						
At 1 January 2006	409,086	317,200	150,942	66,467	61,493	1,005,188
Charge for the year	82,479	78,757	34,242	18,114	47,309	260,901
Disposals	-	(9,122)	-	(14,786)	-	(23,908)
At 31 December 2006	491,565	386,835	185,184	69,795	108,802	1,242,181
At 1 January 2007	491,565	386,835	185,184	69,795	108,802	1,242,181
Charge for the year	93,423	114,860	47,663	25,597	90,441	371,984
At 31 December 2007	584,988	501,695	232,847	95,392	199,243	1,614,165
Net carrying value						
At 1 January 2006	1,225,759	148,805	86,255	22,709	254,220	1,737,748
At 31 December 2006	1,173,325	255,840	148,942	67,743	921,995	2,567,845
At 31 December 2007	1,664,861	732,747	284,003	99,044	1,554,615	4,335,270

There are no assets pledged as collateral as at 31 December 2007 (2006: none).
Leasehold improvements relate to expenditures made by the Bank for the reconstruction of the leased premises for branches opened during 2007 and 2006.

15. Intangible assets

	Software
Cost	
At 1 January 2006	353,696
Additions	338,467
At 31 December 2006	692,163
At 1 January 2007	692,163
Additions	172,068
At 31 December 2007	864,231
Accumulated amortization	
At 1 January 2006	244,053
Charge for the year	62,647
At 31 December 2006	306,700
At 1 January 2007	306,700
Charge for the year	108,699
At 31 December 2007	415,399
Net carrying value	
At 1 January 2006	109,643
At 31 December 2006	385,463
At 31 December 2007	448,832

16. Deferred tax assets /(liabilities)

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

	31 December 2007	31 December 2006
Balance at the beginning of the year	120,500	(13,112)
Deferred tax benefit relating to the origination and reversal of temporary differences	(252,680)	133,612
Balance at the end of the year	(132,180)	120,500

Movements in temporary differences during the year are recognised in the income statement.
Deferred tax has been calculated based on the enacted tax rate for 2008 of 10% (2007: 20%). As at 31 December 2007 and 31 December 2006 deferred tax assets and liabilities have been recognized for the following items:

	31 December 2007	31 December 2006
Deferred tax asset		
Accelerated depreciation for accounting	30,838	63,830
Amortization of loan fees income	95,957	116,157
	126,795	179,987
Deferred tax liability		
Allowance for impairment losses	(258,975)	(59,487)
	(258,975)	(59,487)
Net deferred tax assets / (liabilities)	(132,180)	120,500

17. Other assets

Other assets are comprised of the following:

	31 December 2007	31 December 2006
Bank orders receivable	18,409	669
Prepayments	51,635	23,013
Other	128,631	57,695
Total	198,675	81,377

18. Due to banks and financial institution

Due to banks and other financial institutions are comprised of the following:

	31 December 2007	31 December 2006
Current accounts		
Resident	21,620	44,164
Non-resident	-	8,481
Deposits from non-resident banks	-	1,246,152
Borrowings from non-resident banks	69,255,402	35,654,414
Total	69,277,022	36,953,211

The deposits which are denominated in EUR represent 95% (2006: 95%) of the deposits from non-resident banks. The interest rates range from 4.85% to 5.38% (2006: 4.01 % to 5.8%).
Included in deposits from non resident banks is an amount of EUR 66.2 million (2006: EUR 33 million) related to one-year renewable borrowings received from the Parent Bank.

19. Due to customers

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

	31 December 2007			31 December 2006		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Current accounts						
Individuals	118,918	4,295,468	4,414,386	261,189	2,136,072	2,397,261
Private enterprises	3,185,920	9,878,658	13,064,578	2,661,249	3,846,773	6,508,022
Public enterprises	265,491	909,204	1,174,695	216,417	635,840	852,257
	3,570,329	15,083,330	18,653,659	3,138,855	6,618,685	9,757,540
Savings accounts						
Individuals	2,135,935	4,776,287	6,912,222	1,515,382	3,527,083	5,042,465
	2,135,935	4,776,287	6,912,222	1,515,382	3,527,083	5,042,465
Term deposits						
Individuals	9,658,484	22,566,478	32,224,962	8,249,730	11,016,923	19,266,653
Private enterprises	5,824,528	8,494,643	14,319,171	2,369,601	8,553,361	10,922,962
Public enterprises		1,185,891	1,185,891		764,378	764,378
	15,483,012	32,247,012	47,730,024	10,619,331	20,334,662	30,953,993
Other accounts						
Individuals	-	-	-	683	663	1,346
Private enterprises	-	256,767	256,767	113,427	234,317	347,744
	-	256,767	256,767	114,110	234,980	349,090
Accrued interest	202,583	232,992	435,575	109,014	95,444	204,458
Payments in transit	-	1,028,950	1,028,950	342,554	558,968	901,522
Total	21,391,859	53,625,338	75,017,197	15,839,246	31,369,822	47,209,068

17. Due to customers (continued)

The above balances in foreign currency represent deposits in EUR and US Dollars.
Current accounts do not bear interest. Saving accounts in following currencies bear interest ranging:

		2007	2006
•	LEK	1% to 2.0%	1% to 2%
•	EUR	1% to 1.75%	1% to 1.75%
•	USD	1.4% to 2.15%	1.4% to 2.15%

Term deposits are composed of deposits with maturities between 1 to 24 months. Such deposits in following currencies bear interest ranging:

		2007	2006
•	LEK	3% to 6.6%	3.35% to 5.85%
•	EUR	3% to 4.2%	2.5% to 4.1%
•	USD	2.6% to 3.3%	2.65% to 4.25%

20. Subordinated loan

On 29 March 2006, the Bank signed an agreement with Emporiki Bank of Greece S.A for the issuance of a subordinated debt of EUR 4.5 million to be given to the Bank by the sole shareholder, Emporiki Bank of Greece S.A. with ten years duration. The debt was issued on 3 April 2006 bearing interest at six month EURLIBOR + 2.25%. The principal will be paid in five equal annual installments of EUR 900,000, starting from the sixth year of the subordinated loan contractual period.
During the year 2007 the subordinated debt was increased by EUR 2,500,000. The second disbursement has ten year duration, with the principal payable at maturity and an interest of six month EURLIBOR + 0.9 %.

	31 December 2007	31 December 2006
Balance at the beginning of the year	4,500,000	-
New disbursements during the year	2,500,000	4,500,000
Balance at the end of the year	7,000,000	4,500,000
Accrued interest	102,803	65,441
Total	7,102,803	4,565,441

21. Other liabilities

Other liabilities are comprised of the following:

	31 December 2007	31 December 2006
Accrued expenses	340,286	75,452
Sundry creditors	395,815	98,734
Provision for risk (note 28)	-	19,294
Due to fiscal administration	19,363	61,142
Total	755,464	254,622

The Bank acts as an agent for the tax authorities in the collection of taxes. In return, the Bank charges a commission to the taxpayers for the service rendered. The balance of EUR 19,633 (2006: EUR 61,142) represents the amount collected from the taxpayers, which has not yet been transferred to the tax authorities' account.

22. Paid-up capital

The initial paid-up capital in 1999 was US Dollars 3,800,000 and was registered in LEK at the exchange rates prevailing at the date of payment 1 USD: 135.47 LEK. During 2000 the Bank increased its paid up capital to US Dollars 7,800,000. For the increased portion of the paid up capital the exchange rate at the date of the transaction was 1 USD: 140.70 LEK.
During 2001 the bank increased its paid up capital by US Dollars 2,500,000 to US Dollars 10,300,000. The rate of exchange at the date of the transaction was 1 USD: 148.58 LEK. Also during 2002 the paid up capital was increased by US Dollars 1,500,000 to US Dollars 11,800,000.
During 2005, the Bank converted the paid up capital from USD into EUR, at the exchange rate at the date of transaction 1USD: 1.23 EUR. After conversion the fully paid up capital of the bank became EUR 9,582,566 and registered with the relevant authorities. All shares are a par value of EUR 812.

In June 2006 the Shareholders' Assembly of Emporiki Bank Albania decided to approve the capitalization of the profit of 2005. 20 % of this amount was used to create a general reserve, as per the Bank of Albania requirements, while the remaining amount was capitalized by issuing 913 shares, as a result the paid-up capital increased to EUR 10,323,987.

In June 2007 the Shareholders' Assembly of the Bank decided to approve the capitalization of EUR 894,889 from the profit of 2006 by issuing 1,102 new shares. As a result the paid-up capital increased to EUR 11,218,885.

In September 2007 the Shareholders' Assembly of the Bank decided to increase the paid-up capital through the cash contribution of EUR 5,849,411 and by issuing 7,203 new shares. As a result the paid-up capital increased to EUR 17,068,296.

The table below reconciles the number of shares outstanding at the beginning and end of the year:

	31 December 2007	31 December 2006
Number of authorized and fully paid shares at beginning of the year	12,713	11,800
Number of unregistered shares issued during year	8,305	913
Number of authorized and fully paid shares at the end of the year	21,018	12,713

23. 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.

	31 December 2007	31 December 2006
Legal reserve at the beginning of the year	183,953	-
Increase in reserve	275,517	183,953
At 31 December	459,470	183,953

25. Interest income

Interest income was earned on the following assets:

	Year ended 31 December 2007	Year ended 31 December 2006
Loans and advances to customers	8,691,825	5,086,745
Loans and advances to credit institutions	277,138	185,698
Investment securities	894,968	767,313
Total	9,863,931	6,039,756

26. Interest expense

Interest expense was incurred on the following liabilities:

	Year ended 31 December 2007	Year ended 31 December 2006
Due to customers	1,633,024	949,284
Loans and advances from credit institutions	2,283,654	1,001,261
Subordinated loan	367,024	191,412
Other	1,003	-
Total	4,284,705	2,141,957

27. Fee and commission income

Fees and commissions received were comprised as follows:

	Year ended 31 December 2007	Year ended 31 December 2006
Banking services	401,318	289,227
Lending activity	263,528	163,312
Total	664,846	452,539

28. Other operating expenses

Other operating expenses consisted of the following:

	Year ended 31 December 2007	Year ended 31 December 2006
Personnel costs (note 26)	1,706,268	1,030,998
Rent and office supply	455,989	304,397
Depreciation of property and equipment	371,984	260,901
Advertising and promotion	277,196	195,286
Telephone and electricity	209,930	120,573
Reuters, Swift maintenance	202,597	154,610
Insurance and security	172,217	121,396
Amortization of intangibles	108,699	62,722
Consulting and legal fees	104,982	83,482
Travel and transportation	91,570	70,538
IT system maintenance	68,669	52,860
Maintenance and repairs	41,550	25,407
Taxes other than income tax	20,001	13,127
Other	115,435	75,800
Total	3,947,087	2,572,097

29.

30. Personnel costs

	Year ended 31 December 2007	Year ended 31 December 2006
Salaries	1,572,953	924,039
Social insurance	133,315	106,959
Total	1,706,268	1,030,998

31. Income tax expense

Income tax in Albania is assessed at the rate of 20% (2006: 20%) of taxable income:

	Year ended 31 December 2007	Year ended 31 December 2006
Current tax	42,027	378,523
Deferred taxes (See Note 14)	252,680	(133,612)
Total	294,707	244,911

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

	Year ended 31 December			
	Tax rate	2007	Tax rate	2006
Profit before taxes		1,370,815		1,423,902
Prima facie tax calculated at 20%	20%	274,163	20%	284,780
Non tax deductible expenses	4%	60,331	2%	23,500
Tax benefits resulted from temporary differences not previously recognized	6%	86,757	(4%)	(63,830)
Effect of exchange rate differences	-	5,636	-	461
Reduction in tax rate	(10%)	(132,180)	-	-
Income tax expense		294,707		244,911

32. Commitments and contingencies

Commitments and contingencies include the following:

	31 December 2007	31 December 2006
Contingent assets		
Guarantees received from credit customers	311,229,261	188,161,707
Guarantees received from credit institutions	5,951,500	1,450,000
Commitment received from credit institutions	75,000,000	17,240,240
Contingent liabilities		
Guarantees in favor of customers	3,644,347	1,749,391
Commitments in favor of customers	7,926,385	4,973,033
Foreign currency contracts	415,292	240,194
Guarantees in favor of credit institutions	1,090,000	180,000

Guarantees and letters of credit

Guarantees received from customers and credit institutions include cash collateral, mortgages, inventory and other assets pledged in favor of the bank from its borrowers. The Bank issues guarantees for its customers. These instruments bear a credit risk similar to that of loans granted, so they are tested for impairment and the respective provisions is shown in the other liabilities (refer to note 19).

28. Commitments and contingencies (continued)

Foreign currency contracts

Foreign currency contracts are agreements to exchange specific amounts of currencies at a specified rate of exchange, at a spot date (settlement occurs two days after the trade date) or at a forward date (settlement occurs more than two days after the trade date). Commitments to purchase and sell foreign currency facilitate the management of market risk by ensuring that the Bank will have a specified currency at a future point in time. The notional amount of these contracts does not represent the actual market or credit risk associated with this product. Foreign currency contracts are used by the Bank for trading purposes.

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 2007 and at 31 December 2006.

Lease commitments

The Bank has entered into non-cancelable lease commitments primarily for the new branches opened during 2007 and 2006. Such commitments as at 31 December 2007 and 31 December 2006 are as follows:

	31 December 2007	31 December 2006
Not later than 1 year	509,972	265,883
Later than 1 year and not later than 5 years	1,958,040	1,123,122
Later than 5 years	2,211,201	2,159,420
Total	4,679,213	3,548,425

29. Related party transactions

The Bank entered into the following related party transactions with its Head Office 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 2007	31 December 2006
Assets at end of year		
Loans and advances to credit institutions	2,565,099	1,112,016
Liabilities at end of year		
Loans and advances from credit institutions	66,207,025	34,624,161
Customer deposits	15,935	18,464
Subordinated debt	7,102,803	4,565,441
Off balance sheet		
Guarantees and commitments received from Banks	79,310,340	18,690,241
Guarantees and commitments given to Banks	1,090,000	180,000
Foreign currency contracts	221,500	205,208
Income for year ending		
Interest income	45,009	39,543
Expenses for the year ending		
Interest expense	2,563,402	1,131,313
Fee and commission expense	9,499	27,778
Key managers compensation	399,300	287,519

30.

31. Post balance sheet events

There are no events after the balance sheet date that would require either adjustments or additional disclosures in the financial statements.

Emporiki Bank

Member of Group