ANNUAL REPORT 2009

Emporiki Bank
10-years success in Albania

Emporiki Bank
CRÉDIT AGRICOLE GROUP

Message to the Shareholders

The financial and political developments of the past year have shaped up new challenges and opportunities for the banking sector, while at the same time, the severe crisis that broke out especially during the last months has brought about considerable upheaval in the field of the economy and the broader socio-political arena.

Within this volatile environment, Emporiki Bank is pursuing consistent efforts and has been taking all measures necessary in order to return to profitability and continue its development. The centralized credit control system that we implement, based upon the standards set by Cr dit Agricole, in conjunction with our retail network redeployment plan, the effective management of our operational costs and the optimization of our employees development, have already started showing results. In 2009 Emporiki Bank has communicated a new more modern face, focusing on the customer and its employees as the bank s driving force. Moreover, the continuous support of Cr dit Agricole, Emporiki s majority shareholder, is a significant competitive advantage for Emporiki in the Greek market. The full integration of Emporiki to the biggest retail banking Group in Europe and one of the most powerful financial organizations in the world, safeguards our Bank with liquidity, capital adequacy, knowhow and best practices and brings on guarantees to the customers of the bank following the inclusion of the brand name of Cr dit Agricole to the new corporate identity of Emporiki Bank. The Restructuring & Development Plan 2009 2013, presented in October 2009, sets a new overall framework for Emporiki s operation. The first results from the Plan's implementation are already visible and countable, proving that our bank is on the right track. In particular, the Restructuring & Development Plan is based upon four basic pillars, i.e. cost of risk reduction, streamlining of the bank s cost base, enhancement of our commercial performance and a redefinition of our human resources management. Additionally, in order to further enhance our competitiveness, we have redefined our commercial strategy, with the launch of a wide array of products and services aiming at responding even to the most demanding banking needs of our individual and business customers. With the re-designing of our branches according to the standards of the new retail banking model of Emporiki and the redeployment of our network with a focus on high-growth potential areas, we seek and have achieved to a great extent already to further integrate our operation to the high standards set by our majority shareholder. At the same time we make adjustments, when appropriate, to the Greek market requirements, remaining focused on constantly improving our customer service. Twenty Emporiki branches all over Greece operate already according to the new retail-banking model and, according to the current planning, in total more than 50 branches of Emporiki Bank will have adopted their image and operation to the new model standards, by the end of 2010. In parallel, our key figures, as included in the FY 2009 Financial Results Announcement of Emporiki Bank Group, are in line with the Restructuring& Development Plan. We look towards the future, take determinative decisions and promote our competitive advantages with the solid support

The centralized credit control system that we implement based upon the standards set by Crédit Agricole, in conjunction with our retail network redeployment plan, the effective management of our operational costs and the optimization of our employees' development, have already started showing results.

Jean - Fr d ric de Leusse
Chairman of the Board of Directors

Alain Strub
Vice-Chairman of the Board of Directors and CEO

The vision of Emporiki Bank is "to be the privileged long–standing professional banking partner of its clients, for all their personal needs and projects in Greece and abroad".

of Cr dit Agricole. The framework within which we work and operate remains volatile. The recovery of the Greek economy and the restoration of its credibility in the international financial field, along with the efforts for development of the banking sector, constitute fundamentals also for Emporiki s further future development. Within this economic environment, Emporiki Bank will fully exploit the concrete competitive advantages that it possesses - increased liquidity and own capital adequacy- after the recent Share Capital Increase that was fully covered by Cr dit Agricole, remaining disengaged from any kind of government support. We pursue unabated the rationalization of all our operations and further develop our commercial activities, always seeking to improve customer satisfaction and to build a long-term and mutually beneficial relationship with our customers. The substantial and consistent support of Cr dit Agricole and the commitment of the people of Emporiki to implement the Development & Restructuring Plan 2009   2013, are key factors that will lead Emporiki to profitability in 2011 and to a course of growth in the years to come. The year 2009 has undoubtedly been difficult. The year 2010 may be even more so. In such difficult times, however, we identify the challenges and opportunities ahead and move forward with determination, a concrete strategy and the given support of our employees, so as to bring Emporiki back to the heart of the Greek society and business activity.

We look towards the future, take determinative decisions and promote our competitive advantages with the solid support of Crédit Agricole.

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Chairman of the Board of Directors

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Vice-Chairman of the Board of Directors and CEO

Emporiki Bank 10 years of success in Albania

Emporiki Bank Albania started its journey in Albania in the year 1999.

EBA was one of the first private banks which started to operate in Albania. At the time, the situation of the Albanian financial market was very poor considering the financial catastrophe caused by the pyramidal schemes that happened in 1997. EBA contributed in stabilizing the troubled market and also to introduce Albania in the new era of international finances.

During the 90 Emporiki Bank has started its penetration on the Balkans. The subsidiary in Albania was opened on 1999 and the name at that time was Commercial Bank of Greece. On November 2003 the name changed in Emporiki Bank Albania along with the logo. The first branch that Emporiki Bank has opened in Albania, on 1 November 1999, is the Main Branch located in Rr. Kavajes, Tirana, Albania. The total number of personnel during that period was 15.

Nowadays Emporiki Bank of Albania has extended its network all over the country, counting today 20 branches and 3 Office Desks. This expansion started in 2004 and boosted in 2006 covering 90% of Albania s territory. Main Branch as well as the other Branches is specifically designed to meet the needs of targeted clientele by providing a dedicated support and more comfortable atmosphere. The number of customers has grown year after year reaching actually the 25 thousand. Business clients are supported by personal Relationship employees that serve as a dedicated point of contact which are available to provide prompt attention and excellent customer service. The total number of personnel now days have reached 236 people and is expected to grow in the coming years. Based on our rich company tradition and inheritance, we work systematically for the Bank s dynamic and sustainable development.

Emporiki Bank of Albania has huge potential in developing certain aspects that the public perceives as its values: Personnel, reputation, competency, accuracy and transparency. Tapping on the advantage of our company values and the quality of our workforce, we form a powerful team and work methodically for the Bank s development.

Actually Emporiki Bank Albania is in the process of changing for the future. We have reorganized the

Celebration of the 10th Anniversary

Emporiki Bank celebrated in November 25th the 10th anniversary of the bank in Albania with a special ceremony in The National Art Gallery.

To celebrate the 10th Anniversary were present the Premier of Albania, Mr. Sali Berisha, the Governor of Bank of Albania, Mr. Ardian Fullani, Mr. Alain Strub CEO of Emporiki Bank Greece and member of the Executive Committee of Cr dit Agricole Group, Mr. Bruno-Marie Charrier Deputy CEO of Emporiki Greece, ministers of Albanian Government, representative of the banking sector, diplomats, politicians, customers and other guests.

whole structure in order to cover particular needs of a modern bank and constantly work for the continuous reinforcement of the position in the market. Our objective is to transform Emporiki Bank into a model Albanian bank, placing particular emphasis on innovation, on competitiveness and on high level of customer service through improvement in the quality of products and services offered.

In achieving the goal we have the full support of Emporiki Bank of Greece, which has over a century of experience in the banking sector and is one of the 5 major banks in Greece. They own 10% share of points of sale in Greece. Emporiki Bank is present in South Eastern European countries such as Albania, Romania, Bulgaria and Cyprus and offers a deep product expertise on retail products targeted to specific segment of its clientele. This activity is strengthened by the fact that Emporiki is part of Cr dit Agricole Group, which owns 82 % of Emporiki Bank capitals, making this bank the sole major Greek bank fully integrated in an international Group. C.G.A is Number 1 in Europe in terms of retail banking revenues. Cr dit Agricole Group is ranked number 1 banking group in France, with 28% of the consumer market. With more than 160,000 employees in more than 70 countries Cr dit Agricole is present across the entire spectrum of finance activities. Via its network of 11,850 branches with a firm foothold in their local region, as well as the expertise of its specialized subsidiaries, it combines efficient production and powerful distribution, serving 58 million customers in the world.

Being part of this solid and powerful group the new Corporate Strategy adopted by the Bank in the last years is aiming at reinforcing its presence in the Albanian business community, 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. Improve quality of service for customers though the creation of different customer segments with different approach and the creation of specific products oriented at fulfilling every customer need.

The new philosophy is applied in the new branch concept which fully integrates the transparency and modern design with the efficient and personalized service to the customers. The three new branches to be inaugurated are: Shkodra branch, Kavaja Branch and Lushnja Branch. Along with the new branches a new logo has been applied in the branches. The new logo, which started to be applied in Emporiki Bank Greece, is now fully incorporated in the branches of the subsidiaries which emphasize the closer integration in the Cr dit Agricole Group.

Our message is clear: WE ARE HERE TO SUPPORT THE ALBANIAN MARKET, WE ARE HERE TO GROW TOGETHER, WE ARE HERE TO STAY!

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Ten years of activity in Albania,
a history of success

George Caracostas
CEO of Emporiki Bank Albania

In this decade of intensive efforts and thorough dedication, two elements have been the core of our activity:

1. Our customer   our business partner , with his creative judgement has enabled us to become better every day.

2. Our team, The team . The today s results, we are so proud of, are the mirror of actions, hard work and vision shared by our people. These people, who welcome you everyday with a smiley face, and many more behind the scenes, are the people of Emporiki Bank Albania. A team with a strong corporate pride which I am delighted to publicly reiterate my thanks for their devotion and loyalty during all these years.

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Congratulating staff and directors of this Bank, Premier Berisha said that the history of Emporiki Bank in Albania is a story of success.

Emporiki Bank in a short time period has managed to gain honour and enjoy the best reputation that it deserves. Founded in Tirana 10 years ago, Emporiki was a somewhat a precursor of the new dimensions increasingly large in economical the market in general and in particular in the banking market.

Considering that the bank guarantees quality services for its customers, the Premier stressed that Emporiki became one of the most important symbols of faith and Greek attract business in Albania. Prime Minister stressed that although at the time of a crisis, the largest in the global finance Emporiki Bank and other banks in Albania stand with dignity because of the principles of healthy, solid, transparent on which functioned and function.

The Governor of the Bank of Albania, Ardian Fullani in his address, also valued highly the stability of Emporiki Bank during its 10 year presence in Albania.

Ten years are a necessary period for the consolidation of a bank. Emporiki has taken a step forward in its merge with Cr dit Agricole, he said.

Mr. George Caracostas CEO of Emporiki Bank Albania, highlighted in his speech the most important steps that Emporiki Bank has undertaken through the years and the prospects for the future :

Emporiki Bank started its journey in Albania in November 1999. I remember as it was yesterday, when I arrived in Tirana almost 10 years ago, with a piece of document requesting to search the market and establish a bank.

What a privilege and honor for me. At the same time what a burden of responsibilities and heavy obligations. It took me a year for the basic preparations and recruit qualified staff, some of them still supporting me in my efforts to manage and develop the Bank.

How lucky I was during this start up period to have with me such exceptional personalities. and fortunate enough to meet a number of colleagues of other banks, among them a distinguished banker whose support was vital, Mr. Ardian Fullani (today Governor of Central Bank).

With the commitment of well trained personnel, the Bank has always achieved a high level of quality service offered to customers. At present our family has grown up having 236 proud staff members.

Confidence, as one of the major parameters in the stability of free markets,

is behind the recovery prospects of the Albanian economy. While the neighbouring countries are facing a deep recession, Albania will reflect a growth of over 2% for the period 2009 - 2010. It is foreseen that by 2011 the growth rate will reach the long-term potential of 6%.

In line with the economic prospects, the aggressive network expansion of the bank will soon be back in place, estimating:

- 37 branches by 2012
- 47 branches by 2014.

Today, Emporiki Bank - Albania has 23 all over the country.

The network expansion is the result of a strategic decision made in 2006

to focus on and boost Retail Banking. Based on the rich company tradition and inheritance, the Bank systematically works to be dynamic and sustainable.

Our vision for the future is to become one of the leading banks in Albania.

In achieving this goal the Bank has the full support of Emporiki Bank of Greece, a group which is active for more than a century. Its strong presence in Greece is reinforced by the international presence in Albania, Romania, Bulgaria and Cyprus.

In 2006, Cr dit Agricole acquired the Group and today controls more than 82% of the share capital. We can proudly say to be part of a solid and powerful group which is the largest retail bank in Europe in terms of retail banking revenues.

This presence is reflected in the recently changed corporate identity of Emporiki Bank:

- new logo,
- new design, and outlet of branches
- new commercial strategy.

In this decade of intensive efforts and thorough dedication, two elements have been the core of our activity:

1. Our customer our business partner , with his creative judgement has enabled us to become better every day.

2. Our team, The team .
The today s results, we are so proud of, are the mirror of actions, hard work and vision shared by our people.

These people, who welcome you everyday with a smiley face, and many more behind the scenes, are the people of Emporiki Bank Albania.

A team with a strong corporate pride which I am delighted to publicly reiterate my thanks for their devotion and loyalty during all these years.

Mr. Alain Strub, CEO of Emporiki Group and member of Executive Committee of Cr dit Agricole Group emphasized the support of the Group for Emporiki Bank Albania and its strategy for a long term and active presence in the country:

Our main priority that we have in Emporiki Group for Emporiki Bank Albania, as well as for all our subsidiaries abroad, is a steady and safe development and profitability. This process is on tracks and it will have a definite contribution toward the overall achievement of the long-term goals of development and growth of Emporiki Bank. Emporiki Group is standing close to Emporiki Albania. We are determined to support your plans and to strive for the further growth of the bank by offering all the necessary resources .

Emporiki Bank Albania in 10 years of activity has gone through an impressive road. We are proud for this success. Now days, Emporiki Bank Albania has a network of 20 branches, and 236 employers serve a considerable number of customers, companies and individuals.

Emporiki Bank and Cr dit Agricole S.A believe in Albania s potential for development. Our priority for the Albanian subsidiary, as it for all o ther subsidiaries of Emporiki Group is their constant, safe and useful growth. We consider our presence in Albania as a long-term investment.

In Albania as in Greece, Emporiki aspires to be the partner of a long term relationship with its customers. This is our vision. For this reason, Emporiki Bank will work constantly for improving not only the quality of the relationships with the customers but also the quality of all offered products and services.

The full support of Cr dit Agricole S.A is always on the side of Emporiki Group.

Cr dit Agricole is one of the most important banking Groups worldwide. Its business lines, know how and extended network are now in disposal of all customers of Emporiki Bank

Albania S.A. The recently inclusion of the Cr dit Agricole Group logo in the main logo of the Bank, underlines once again this support.

Tonight, I would like to ensure that the engagement of Cr dit Agricole Group, Emporiki Group and Emporiki Bank Albania are at service of the economy of the country.

I am totally confident that we can rely on the staff of Emporiki Bank Albania to keep our promises.

This 10 years anniversary is only the beginning of long term collaboration with all related actors which want to create value in this country.

Thank you very much to all of you!

Alain Strub
CEO of Emporiki Group
Member of Executive Committee of Cr dit Agricole Group.

Business Model- integration and interaction

Corporate activity remains a key business of the Bank, with an extended range of products and business solutions offered to meet the needs of SMEs and Large Companies. Special tailored offers are main factors of successful penetration in a dynamic and highly competitive market.

Emporiki Bank - Albania S.A. is very active in both Retail and Corporate Banking areas.

Wholesale Banking Unit, Corporate and Investment Banking (CIB)

Corporate activity remains a key business of the Bank, with an extended range of products and business solutions offered to meet the needs of SMEs and Large Companies. Special tailored offers are main factors of successful penetration in a dynamic and highly competitive market. Despite the growing competition, the Bank pursued a prudent approach in order to maintain a healthy portfolio.
During 2009 we carried out successfully certain key commercial objectives:
- Further penetration in the mid market and corporate segments, aiming to provide competitive package deals with clients having positive credit records, in line with the commercial and risk strategy of the Group.
- Approach selective project investments in the country, sponsored by foreign investors in the loop of corporate and investment banking arms of the Group.
- Priority was given to the development of institutional clientele, focusing on the establishment of account relation with State institutions, key utility companies and various organizations, for increasing our deposit base and for exploiting cross-selling activities.

Average deposit balances increased as well, despite volatility and acute competition in that market. Efforts are made to extend the range of clientele, which is expected to reward in new business to be approached in due course.

Lending portfolio balance amounted to EUR 100 million approx., slightly increased compared to end-2008, in line with new risks identified due to the global and local economic performance. The revising of internal policies and commercial strategy implemented towards the end of 2008 led to more prudent expansion of the portfolio. We focused mainly in performing sectors of the economy and distinctive investment projects.

The profitability margins sourced from the core activities were increased, with no portfolio leakages or any back-steps noted during the stated period. The number of business groups and public entities has increased in our portfolio during 2009.

This derives from a strongly build relationship and increase of interaction with clients, as well as side benefits from cross-selling activities through the network of branches.

Since 2006 Calyon (the corporate and investment banking arm of Cr dit Agricole Group) has taken into consideration various financing

The business line aims to pursue in developing a prudent but steady expansion during 2010, maintaining as key objective the quality of the portfolio.

opportunities in Albania. Jointly we have exploited business opportunities arising from both Public and Private Sector, aiming to increase the Group presence in the country.

We leverage on the flow of information regarding new investments that penetrate in the Country, aiming to take advantage of the clients expansion plans, in order to offer regional / global service.

We maintain direct communication and developed account relationship with the local subsidiaries of certain international groups, being Group clients, having business interests in Albania.

The business line aims to pursue in developing a prudent but steady expansion during 2010, maintaining as key objective the quality of the portfolio. Other important objectives for 2010 will be:

- Increase of clientele base in the institutional segment and major companies, for extending the deposits level and enhancing the volume of business operations channelled with the bank.

- Extend interaction with other business lines of Cr dit Agricole Group, in order to intensify the contacts and establish account relationship with Group s corporate clients operating in Albania.

- Increase the lending profitability by presenting attractive package deals and enhancing the relationship with corporate clientele.

Retail Banking Unit

During 2009, Retail Banking Unit has deepened its orientation towards Individuals, Small Businesses and Professionals through adequate marketing tools, opening new distribution channels (branches and agencies) and offering improved products. The philosophy was to offer standardized products and services to respective clientele segments. In addition, the introduction of Business Center in Tirana improved service offered to Small Businesses.

Loan Portfolio

Loans to Individuals continue to remain a strong retail activity of the

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Number of branches in operation

Tirana	9
Durres	1
Fieri	1
Vlora	1
Saranda	1
Gjirokastra*	2
Elbasani	1
Korca	1
Lezha	1
Kavaja	1
Lushnja	1
Shkodra	1
Shengjin	1
Livadhja	1
Total	23

bank. Wealthy individuals in all towns of our operation are financed through specialized products and professionally assisted by our individual advisor staff. As a result individual lending at year end amounts 30% of entire bank loans. Furthermore the new loans were increased (38% year to year) despite the world crisis effect of lower demand.

Financing Small Businesses Enterprises is one the most important activities for Emporiki Bank in Albania. Therefore a dedicated Centre for Businesses was established following the past successful introduction of highly professional business advisors teams. The results were impressive with a 45% increase of new volume lend year to year. Furthermore, products were improved to encourage suitable terms to their needs. As of year end 81 % of the business loans are granted in foreign currency and about 62% are granted for a long term period (above 5 years).

Deposits

The 2009 world banking crisis affected Albanian banking system especially through an increased deposit withdrawals related to past history events. However Emporiki Bank in Albania, through the introduction of very well perceived products and an intensive promotion of our strong French group, raised loyalty and faith to existing and new deposits customers. Year to year volume figures show less than 4 % decrease, but the number of clients was increased

NETWORK OF BRANCHES

Emporiki Bank, in the eve of its 10-th year of operation in Albania covers more than 82 % of the population with 23 operating outlets. The network of branches and agencies located in all major towns including the capital is rapidly expanding toward smaller remote areas.

Emporiki Bank Albania operates in a modern on-line service for all outlets, maintaining always superior and dedicated service to its clientele. All outlets of Emporiki Bank coverage map are being adapted to Cr dit Agricole branch model which will uniform branches of the Group around the globe. To get more detailed information about us everyone is welcomed to contact our well trained staff in any of Emporiki Bank Albania.

Marketing & Advertising

We are continually exploring ways of developing and widening the products and services offerings to meet the ever-changing demands of our customers. As competition increases, we re seeking innovative ways to make sure that our Bank stands out from the crowd.

During the year 2009 Emporiki Bank have lunched different campaigns promoting products and offers full filling the needs for individuals and companies. The main strategy followed in all bank communication activities was to promote our top products and emphasize the fact that Emporiki is a bank that provides solutions to all customers needs. During this year the new branch layout was introduced in the new three branches. Campaigns in this regard were done emphasising the increase in efficiency and quality of service offered.

Dega Bajram Curri

2009 was one of the most important years because it corresponds with the 10th anniversary of the Bank. A special event organized gathered the most eminent personalities such as the Prime Minister of the country, Mr. Sali Berisha, the governor of the Bank of Albania, Mr. Ardian Fullani and for the first time in Albania the new CEO of Emporiki Group, Mr. Alain Strub. The event was extensively announced in the written and electronic media.
The campaigns related to the products, were launched in different Medias and channels of distribution. The communication mix used was adapted to the needs of the segment of clientele the product was oriented to. Through the efficient use of all channels of communication the Bank realized to increase its share of market in the Medias.

During the year 2009 efforts were made to further increase the cooperation at CASA Group level. In particular, CALYON and Emporiki have expressed the interest to get involved in specific export finance and project finance transactions, related to public infrastructure development, as well as projects in the energy field with estimated positive prospects.

Initial communications were established with the private Banking Units, which were positive to penetrate with their special products.

Meanwhile, specific sub-products of existing ones are offered to the local market, aiming the fully accomplishment of customer s needs. The products were designed as packages including several services offered by the Bank: deposits, loans, transfers, cards, money transfer, safe box, free tax payments etc. Many other products were launched in the market along with also special offers. Due to the characteristics of the year, economical and sociological developments, the special offers launched were related mostly to deposit products. The period of launching was influenced also by the flow of Albanian citizens coming from abroad which income flows in the market are quite a substantial element. The aim of our activity was to place particular emphasis on innovation, on competitiveness and on high level of customer service through improvement in the quality of products and services offered.

We are continually exploring ways of developing and widening the products and services offerings to meet the ever–changing demands of our customers. As competition increases, we're seeking innovative ways to make sure that our Bank stands out from the crowd.

Human Resources

Number of employees in 2009 and expatriate staff from emporiki bank.

The number of employees has closely followed the expansion of the network by being evidently increased from 2010 in December 2008, to 238 by the end of December, 2009.

Description	December, 31 2009
Local Staff	237
Expatriate Staff	1

238

Total number of employees

PROSPECTS OF THE BANK FOR 2010

The strategy of the Bank for the year 2010 will continue to be in line with the previous years, having as main target the reinforcement of its position in the local market by offering the highest quality of service as well as different packages of products to the respective target clientele. The bank will continue to increase prudently its presence in both markets, retail and corporate through the following:

- Further expansion of network (4 sales points) during 2nd semester of 2010
- Continuous focus in enhancing Retail Banking activities, especially in the Small Business area
- Design and launch of new package products to state institutions, organizations, etc., having as main target to boost deposits products.
- Continuous improvement of internal organization and governance
- Development of new synergies with the Group in terms of corporate financings

Crédit Agricole group,
a leader in Europe.

Crédit Agricole group, a leader in Europe.

Retail bank leader in France [1] **and in Europe** [2], Crédit Agricole is a first-class partner for the economies in which it operates.

The strength of its retail banks including 11,500 branches worldwide and the **expertise of its specialised subsidiaries** give Crédit Agricole an effective presence in all areas of banking and finance. More than 160,000 employees work to satisfy the banking requirements of **59 million customers** in 70 countries.

Crédit Agricole intends to fulfil its role as a leading European player with global scale, while complying with the commitments that stem from its **mutualist background.** Its development is focused on servicing the real economy and it is commited to the principle of **responsible growth.** It is well positioned in three major sustainable development indices [3].

(1) by customer bank deposits, source: Banque de France
(2) by retail banking revenues and the number of branches, source: company data
(3) ASPI Eurozone since 2004; FTSE4Good since 2005; DJSI since 2008.

28%
of the household market in France

59 million customers
worldwide

70
countries

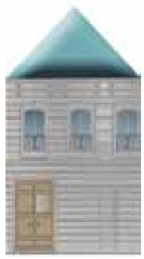
€2.7 billion
net income - group share

€68.8 billion
shareholders' equity - group share

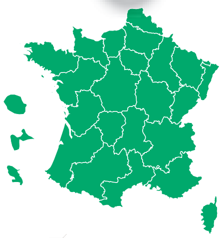
9.7%
tier 1 ratio

The Group’s organisation

6.2 million cooperative shareholders
elect the 32,600 Local Banks directors



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



39 Crédit Agricole Regional Banks
As cooperative societies and fully-fledged banks, they propose a wide offering of banking products and financial services to their customers. Together, they hold 55.2% of Crédit Agricole S.A. share capital via SAS Rue La Boétie.

2,544 Local Banks hold the bulk of the Regional Banks’ share capital. The Local Bank directors are key players in France’s local communities and enable Crédit Agricole to tailor its product and service offering to customer requirements

Float represents 44.4% of Crédit Agricole S.A. share capital
- **Institutional investors: 31.2%**
- **Individual shareholders: 8.6%**
- **Employees via employee mutual funds: 4.6%**

Listed since December 2001, **Crédit Agricole S.A.** ensures the cohesion of the strategic development and the Group’s financial unity. **Crédit Agricole S.A.** manages and consolidates its subsidiaries organised into 3 business lines.

3 BUSINESS LINES:

RETAIL BANKING
- **In France**
  - 25% of the Regional Banks (excl. the Regional Bank of Corsica)
  - LCL
- **International retail banking**
  - Cariparma FriulAdria
  - Emporiki
  - Crédit du Maroc
  - Crédit Agricole Egypt.
  - Lukas Bank

SPECIALISED BUSINESS LINES
- **Specialised financial services**
  - Consumer finance
  - Leasing
  - Factoring
- **Savings management**
  - Asset management
  - Insurance
  - Private banking

CORPORATE AND INVESTMENT BANKING
- Coverage and Investment Banking
- Equity Brokerage and Derivatives
- Fixed Income Markets
- Structured Finance

SPECIALISED SUBSIDIARIES: Crédit Agricole Immobilier, Crédit Agricole Private Equity, Idia - Sodica, Uni-Editions.

International Activities

Emporiki Bank is active in the Balkans (Albania, Bulgaria and Romania) through its subsidiary banks – Emporiki Bank Albania S.A., Emporiki Bank Bulgaria EAD, and Emporiki Bank Romania S.A. – and in Cyprus through its subsidiary Emporiki Bank Cyprus Ltd.

All subsidiary...

...banks offer a wide range of products and services of retail and corporate banking. They are continuously expanding and improving their portfolio with products and services that address not only individuals, but also businesses.

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branches and agencies in the network of its subsidiary banks.

The total branch network of its subsidiary banks in the Balkans and Cyprus grew from 88 branches and agencies in 2008 to 97 in 2009. Specifically, at the end of 2009 the branch network of Emporiki Bank Albania S.A. consisted of 20 branches and 3 agencies (2008: 17 branches, 2 agencies), of Emporiki Bank Bulgaria EAD, of 28 branches (the same as in 2008), of Emporiki Bank Romania S.A., of 33 branches and 1 agency (2008: 28 branches and 1 agency), and of Emporiki Bank Cyprus Ltd, of 12 branches (the same as in 2008). As of 1/1/2009, an Emporiki Bank branch has been operating in Frankfurt.

In 2009, apart from reinforcing the subsidiary banks in Albania, Bulgaria, Romania and Cyprus, Emporiki Bank placed particular emphasis on promoting the new deposit products of the subsidiary banks, as well as improving the quality of those already provided. To this end, the synergies with other subsidiary banks of Emporiki Bank Group and Crédit Agricole Group were expanded. In addition, special emphasis was put on the development of IT systems, such as the Core Banking System, which aims at providing a uniform IT platform for all the subsidiary banks in Albania, Bulgaria and Romania, the development of e-banking in Bulgaria and the integration of the application of the Card Management System in Albania.

In 2010, Emporiki Bank will continue to support the operation of foreign subsidiaries. Given the adverse economic environment caused by the world financial crisis, the development of the branch network will be rather conservative. In addition, it is imperative that strict criteria for the approval of new loans be imposed, so that the volume of non-serviced loans can be restrained.

The main objectives are to increase deposits, reinforce the mechanism for the collection of overdue debt and upgrade the quality of services provided to its customers. Another objective is to further expand the subsidiary banks' synergies with the companies of Emporiki Bank Group and Crédit Agricole Group, in the best possible service of the customers.

EMPORIKI BANK ALBANIA sh.a.

Financial Statements for the year ended 31 December 2009

PricewaterhouseCoopers Audit sh.p.k.
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Twin Towers, Tower 1, 10th Floor
Tirana, Albania
Telephone: +355 (4) 2 242 254 / 280 423
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Independent auditor's report

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

We have audited the accompanying financial statements of Emporiki Bank - Albania Sh.a. which comprise the statement of financial position as of 31 December 2009 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation 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 misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

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

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Emporiki Bank - Albania Sh.a. as of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Pricewaterhouse Coopers Audit shpk.

PricewaterhouseCoopers Audit sh.p.k.
16 July 2010
Tirana
Albania

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

(All amounts in ALL thousand, unless otherwise stated)

	Notes	31 December 2009	31 December 2008 (Restated)
Assets			
Cash and balances with Central Bank	7	2,354,636	1,694,556
Loans and advances to banks	8	467,734	538,532
Available–for–sale financial assets	9	816,731	149,504
Loans and advances to customers	10	25,372,731	22,690,644
Investment property	11	13,659	13,659
Property and equipment	12	751,183	703,003
Intangible assets	13	61,535	52,147
Other assets	14	105,040	32,256
Prepaid income tax		51,548	56,395
Total assets		**29,994,797**	**25,930,696**
Liabilities			
Due to Banks		13,045,632	11,648,424
Due to customers	15	11,225,945	9,661,239
Subordinated loan	16	1,524,057	880,085
Other liabilities	17	86,287	93,073
Deferred tax liabilities	18	37,925	16,054
Total liabilities	19	**25,919,846**	**22,298,875**
Shareholders' equity			
Share capital		4,649,723	3,987,880
Legal reserve		57,162	57,162
Revaluation of AFS portfolio	20	(219)	(63)
Accumulated deficit	21	(631,715)	(413,158)
Total shareholders' equity		**4,074,951**	**3,631,821**
Total liabilities and shareholders' equity		**29,994,797**	**25,930,696**

The accompanying notes on pages 6 to 56 form an integral part of these financial statements.

These financial statements have been approved by Board of Directors
on 25 June 2010 and signed on their behalf by:

George Caracostas
Chief Executive Officer

Elvin Meka
Finance Division Manager

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

(All amounts in ALL thousand, unless otherwise stated)

	Notes	Year ended 31 December 2009	Year ended 31 December 2008 (Restated)
Interest and similar income	22	2,099,810	1,795,517
Interest and similar expense	23	(997,135)	(898,825)
Net interest income		1,102,675	896,692
Fee and commission income		98,750	119,946
Fee and commission expenses		(21,867)	(16,127)
Net fee and commission income	24	43,054	51,740
Net foreign exchange result	25	537,079	86,223
Impairment losses on loans and advances	10	(1,031,615)	(389,288)
Other operating expenses		(847,879)	(744,230)
Loss for the year before income tax	26	(196,686)	(98,863)
Income tax (expense)/credit		(21,871)	42
	27		
Net loss for the year		**(218,557)**	**(98,821)**
Other comprehensive income			
Revaluation of available–for–sale financial assets		(156)	1,729
Total comprehensive loss for the year		**(218,713)**	**(97,092)**

The accompanying notes on pages 6 to 56 form an integral part of these financial statements.

These financial statements have been approved by Board of Directors on 25 June 2010 and signed on their behalf by:

George Caracostas
Chief Executive Officer

Elvin Meka
Finance Division Manager

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

(All amounts in ALL thousand, unless otherwise stated)

	Share Capital	Legal Reserve	Revaluation of AFS investments	Accumulated deficit	Total
Balance at 1 January 2008	**2,584,897**	**57,162**	**(1,792)**	**(314,337)**	**2,325,930**
Share Capital increase	1,402,983	–	–	–	1,402,983
Revaluation of available–for–sale financial assets	–	–	1,729	–	1,729
Net loss for the year	–	–	–	(98,821)	(98,821)
Total comprehensive loss for the year	–	–	1,729	(98,821)	(97,092)
Balance at 31 December 2008	**3,987,880**	**57,162**	**(63)**	**(413,158)**	**3,631,821**
Share Capital increase	661,843	–	–	–	661,843
Revaluation of available–for–sale financial assets	–	–	(156)	–	(156)
Net loss for the year	–	–	–	(218,557)	(218,557)
Total comprehensive loss for the year	–	–	(156)	(218,557)	(218,713)
Balance at 31 December 2009	**4,649,723**	**57,162**	**(219)**	**(631,715)**	**4,074,951**

The accompanying notes on pages 6 to 56 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

(All amounts in ALL thousand, unless otherwise stated)

	Year ended 31 December 2009	Year ended 31 December 2008 (Restated)
Cash flows from operating activities		
Net loss before tax	(196,686)	(98,863)
Adjustments to reconcile net profit to net cash flows from operating activities:		
Depreciation	97,595	91,711
Amortization	22,753	21,308
Impairment losses on loans and advances	1,031,615	389,288
Provision for contingent liabilities	(1,698)	11,984
Unrealized (gains)/losses on foreign currency revaluation	(410,774)	10,891
Tax penalties compensated through income tax receivable	5,073	–
Income tax paid	(226)	(13,000)
Cash flows from operating activities before changes in operating assets and liabilities	**547,652**	**413,319**
Changes in operating assets and liabilities:		
Increase in restricted balances with central bank		
Increase in loans and advances to customers	(284,978)	(70,021)
Increase in other assets	(3,723,646)	(5,895,583)
Increase in due to banks	(72,784)	(8,062)
Increase in due to customers	1,878,000	3,208,078
(Decrease)/increase in other liabilities	1,560,714	481,194
Cash flow from / (used) in operating activities	(6,786)	38,298
	(101,828)	**(1,832,777)**
Cash flows from investing activities		
Purchases of intangible assets	(32,142)	(18,056)
Purchases of property and equipment	(148,255)	(207,779)
Purchases of AFS securities	(1,217,153)	–
Proceeds from disposal of AFS securities	590,000	484,209
Proceeds from disposal HTM securities	–	467,914
Cash flows from / (used in) investing activities	**(807,550)**	**726,288**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

(All amounts in ALL thousand, unless otherwise stated)

	Year ended 31 December 2009	Year ended 31 December 2008 (Restated)
Cash flows from financing activities		
Share capital increase	661,841	1,402,984
Subordinated debt	551,840	–
Cash flows from financing activities	**1,213,681**	**1,402,984**
Net increase in cash and cash equivalents	304,303	296,495
Cash and cash equivalents at beginning of the year	1,454,161	1,157,666
Cash and cash equivalents at end of the end of the year (note 28)	**1,758,464**	**1,454,161**

Cash flows from operating activities for the year ended 31 December 2009 include interest received in the amount of ALL 2,061,046 thousand (2008: ALL 1,725,333 thousand) and interest paid in the amount of ALL 1,017,637 thousand (2008: ALL 872,461 thousand).

The accompanying notes on pages 6 to 56 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(All amounts in ALL thousand, unless otherwise stated)

1. INTRODUCTION

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

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

2. 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 the available-for-sale financial assets which are measured at fair value.

(c) Functional and presentation currency
These financial statements are presented in Albanian Lek ("ALL") 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
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

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

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include interest on financial assets and liabilities at amortised cost and financial assets available-for-sale on an effective interest rate basis.

(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, placement fees, are recognised as the related services are performed.

Other fees and commission expense relates mainly to transaction and other banking service fees, which are expensed as the services are received.

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

(g) Income tax expense
Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets and liabilities (continued)

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

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

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

The Bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the Bank.

(h) Financial assets and liabilities (continued)

v Identification and measurement of impairment (continued)

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Bank s grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

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

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

(i) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks, loans and advances to banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Mandatory reserves held with Central Bank as excluded from cash and cash equivalents for the statement of cash flows purposes.

Cash and cash equivalents are carried at amortised cost in the balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo"), the arrangement is accounted for as a loan or advance to other banks or customers. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

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

(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.

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.

i Available-for-sale

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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. Land is not depreciated.

The estimated useful lives are as follows:

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

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

(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 estimated useful life of software is four years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 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.

(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 liabilities are the Bank s sources of debt funding.
When the Bank sells a financial asset and simultaneously enters into a "repo" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the contractual terms of the instrument.

Deposits and other financial liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(r) Provisions

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Adoption of New or Revised Standards and Interpretations

Certain new standards and interpretations became effective for the Bank from 1 January 2009:

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. IFRS 8 is not relevant to the Bank's financial statements.

Puttable Financial Instruments and Obligations Arising on Liquidation IAS 32 and IAS 1 Amendment (effective for annual periods beginning on or after 1 January 2009). The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities. The amendment did not have an impact on these financial statements

IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009). The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The amendment to IAS 23 does not have a significant impact on the Bank's financial statements.

IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the Bank's financial statements but had no impact on the recognition or measurement of specific transactions and balances.

Vesting Conditions and Cancellations Amendment to IFRS 2, Share-based Payment (issued in January 2008; effective for annual periods beginning on or after 1 January 2009). The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment did not have an impact on these financial statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Adoption of New or Revised Standards and Interpretations (continued)

IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Bank s operations because it does not operate any loyalty programmes.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008). The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the gain or loss recycled from the currency translation reserve to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities will apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. IFRIC 16 does not have any impact on these financial statements as the Bank does not apply hedge accounting.

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate IFRS 1 and IAS 27 Amendment (issued in May 2008; effective for annual periods beginning on or after 1 January 2009). The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment. The amendments do not have any impact on the Bank's financial statements.

Improvements to International Financial Reporting Standards (issued in May 2008). In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41.

(s) Adoption of New or Revised Standards and Interpretations (continued)

Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The Bank believes the amendments do not have any material effect on its financial statements.

Improving Disclosures about Financial Instruments - Amendment to IFRS 7, Financial Instruments: Disclosures (issued in March 2009; effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity will be required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The enhanced disclosures are included in these financial statements.

The International Financial Reporting Standard for Small and Medium-sized Entities (issued in July 2009) is a self-contained standard, tailored to the needs and capabilities of smaller businesses. Many of the principles of full IFRS for recognising and measuring assets, liabilities, income and expense have been simplified, and the number of required disclosures have been simplified and significantly reduced. The IFRS for SMEs may be applied by entities which publish general purpose financial statements for external users and do not have public accountability. The bank is not eligible to apply the IFRS for SMEs.

New standards and interpretations not yet effective:

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously “minority interests”) even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent’s ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Bank does not expect the amended standard to have a material effect on its financial statements.

(s) Adoption of New or Revised Standards and Interpretations (continued)

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. IFRS 3 is not relevant to the Bank as it does not expect a business combination to occur.

IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The amendment clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable. The Bank is currently assessing the impact of the new interpretation on its financial statements.

IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The Bank concluded that the revised standard does not have any effect on its financial statements.

IFRIC 18, Transfers of Assets from Customers (effective prospectively to transfers of assets from customers received on or after 1 July 2009, earlier application permitted). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately

identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 is not expected to have any impact on the Bank's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Adoption of New or Revised Standards and Interpretations (continued)

Embedded Derivatives - Amendments to IFRIC 9 and IAS 39 (effective for annual periods ending on or after 30 June 2009). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. The amendments do not have any impact on the Bank financial statements.

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard.

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity s own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Bank does not expect the amendments to have any material effect on its financial statements.

Eligible Hedged Items Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The Bank is currently assessing the impact of the amendment on its financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Adoption of New or Revised Standards and Interpretations (continued)

Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS (effective for annual periods beginning on or after 1 January 2010). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result. The amendments will not have any impact on the Bank's financial statements.

Classification of Rights Issues – Amendment to IAS 32, Financial Instruments: Presentation (effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The Bank is currently assessing the impact of the amendment on its financial statements.

IAS 24, Related Party Disclosures (amended November 2009, effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The Bank is currently assessing the impact of the amended standard on disclosures in its financial statements.

IFRS 9, Financial Instruments (issued in November 2009, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

• Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

• An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

• All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

(s) Adoption of New or Revised Standards and Interpretations (continued)

The Bank is currently assessing the impact of the interpretation on its financial statements.

Prepayments of a Minimum Funding Requirement Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The Bank is currently assessing the impact of the amended interpretation on its financial statements.

Improvements to International Financial Reporting Standards (issued in May 2010 and effective for the Group from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree s share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 1 was amended to clarify that the components of the statement of changes in equity include profit or loss, other comprehensive income, total comprehensive income and transactions with owners and that an analysis of other comprehensive income by item may be presented in the notes; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The Bank is assessing the impact of the amendments on its financial statements.

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

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

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

To the extent that the net present value of estimated cash flows differs by (+/-) 5% the provision would be estimated LEK 86,768 thousand higher, LEK 6,834 thousand lower (2008: LEK 54,381 thousand higher, LEK 19,140 thousand lower).

Impact of the ongoing global financial and economic crisis

The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 (often referred to as the Credit Crunch) has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporate, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere.

4. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

The full extent of the impact of the ongoing financial crisis is proving to be difficult to anticipate or completely guard against.

The volume of wholesale financing has significantly reduced since August 2007. Such circumstances may affect the ability of the Bank to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

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

The amount of provision for impaired loans is based on management s appraisals of these assets at the balance sheet date after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and selling the collateral. The market in Albania for many types of collateral, especially real estate, has been affected in some extent by the recent volatility in global financial markets resulting in there being a low level of liquidity for certain types of assets. As a result, the actual realisable value on foreclosure may differ from the value ascribed in estimating allowances for impairment.

Management is unable to reliably determine the effects on the Bank's future financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and development of the Bank s business in the current circumstances.

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.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Bank Audit Committee is responsible for monitoring compliance with the Bank s risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(b) Credit risk

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

Management of credit risk

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

The management of credit risk is accomplished through:

• Formulating credit risk policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

• Establishing and monitoring of the delegation levels and escalating process regarding the credit approvals. Board of Directors delegates its power of approval authority to the Credit Committees of the Bank currently for the amount up to EUR 2,000,000 equivalent). However for financings of specific sectors of economy as well as certain counterparties types, which are considered more risky such as real estate, construction, hotels, start ups, financial institutions, political persons, etc. The approval authority remains with the Board of Directors regardless of the amount of financing.

• Reviewing and assessing credit risk. Bank Management and Permanent Control Sector of the Bank assess all credit exposures limits, prior to the final approval by the competent authority. Renewals and reviews of facilities are subject to the same process.

• Limiting concentrations of exposure to counterparties, geographies and sectors of economy. The bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, industry segments and to geographical segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

• Monitoring the actual exposures against limits on a frequent basis. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations, even by changing these lending limits where appropriate.

• Developing and maintaining the Bank’s risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The current risk grading framework consists of five categories reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades remains with the Risk Management and Permanent Control Unit with the final approval by Credit Committee. Risk grades are subject to regular reviews by the Bank.

(i) Maximum exposure to credit risk

Credit risk exposures relating to	2009	2008
on–balance sheet assets are as follows:		
	2,354,636	1,694,556
Cash and balances with Central Bank	467,734	538,532
Loans and advances to banks		
Loans and advances to customers:		
Loans to individuals	188,526	209,133
Consumer/Overdrafts	21,356	1,060
Credit cards	7,231,599	6,653,076
Mortgages		
Loans to corporate entities:	12,749,021	11,586,954
Large corporate customers	5,182,230	4,240,420
Small and medium size enterprises	25,372,731	22,690,644
Total loans and advances to customers		
	816,731	149,504
Available–for–sale financial investments	79,709	7,180
Other financial assets		
	147,615	306,482
Credit risk exposures relating to	327,138	410,974
off–balance sheet items are as follows:		
	29,566,295	25,797,872
Letters of Guarantees		
Loans Commitment		
At 31 December		

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

	Loans and advances to banks		Investment securities (AFS)	
	2009	**2008**	**2009**	**2008**
Neither past due nor impaired				
Grade 1: Low–fair risk (Standard)	467,734	538,532	816,731	149,504
Total carrying amount	**467,734**	**538,532**	**816,731**	**149,504**
(Notes 8 and 9)				

(ii) Credit quality of loans and advances to customers

	Loans and advances to customers	
Carrying amount	**2009**	**2008**
Individually impaired		
Grade 2: Impaired (SM)	–	7,275
Grade 3: Impaired (Substandard)	1,789,716	1,329,259
Grade 4: Impaired (Doubtful)	1,223,749	440,482
Grade 5: Impaired (Lost)	1,410,319	575,779
Gross amount	4,423,784	2,352,795
Allowance for impairment	(1,313,683)	(351,196)
Carrying amount (A)	**3,110,101**	**2,001,598**
Portfolio based allowance for losses		
Grade 1: Low–fair risk (Standard)	19,257,569	18,977,608
Grade 2: Watch list (SM)	2,132,383	1,516,929
Grade 3: Impaired (Substandard)	1,252,956	410,646
Grade 4: Impaired (Doubtful)	47,858	50,008
Grade 5: Impaired (Lost)	35,773	14,687
Gross amount	22,726,539	20,969,878
Allowance for impairment	(463,909)	(280,833)
Carrying amount (B)	**22,262,630**	**20,689,045**
Total carrying amount (A+B)	**25,372,731**	**22,690,644**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

	Loans and advances to banks		Investment securities (AFS)	
	2009	**2008**	**2009**	**2008**
Neither past due nor impaired				
Grade 1: Low–fair risk (Standard)	467,734	538,532	816,731	149,504
Total carrying amount	**467,734**	**538,532**	**816,731**	**149,504**
(Notes 8 and 9)				

	Loans and advances to customers	
Carrying amount	2009	2008
Individually impaired		
Grade 2: Impaired (SM)	–	7,275
Grade 3: Impaired (Substandard)	1,789,716	1,329,259
Grade 4: Impaired (Doubtful)	1,223,749	440,482
Grade 5: Impaired (Lost)	1,410,319	575,779
Gross amount	4,423,784	2,352,795
Allowance for impairment	(1,313,683)	(351,196)
Carrying amount (A)	**3,110,101**	**2,001,598**
Portfolio based allowance for losses		
Grade 1: Low–fair risk (Standard)	19,257,569	18,977,608
Grade 2: Watch list (SM)	2,132,383	1,516,929
Grade 3: Impaired (Substandard)	1,252,956	410,646
Grade 4: Impaired (Doubtful)	47,858	50,008
Grade 5: Impaired (Lost)	35,773	14,687
Gross amount	22,726,539	20,969,878
Allowance for impairment	(463,909)	(280,833)
Carrying amount (B)	**22,262,630**	**20,689,045**
Total carrying amount (A+B)	**25,372,731**	**22,690,644**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Loans and advances are as follows:

	31 December 2009		31 December 2008	
	Loans and advances to customers	**Loans and advances to banks**	**Loans and advances to customers**	**Loans and advances to banks**
Neither past due nor impaired	18,222,481	467,734	18,578,864	538,532
Past due but not impaired	4,504,057	–	2,391,014	–
Impaired	4,423,785	–	2,352,795	–
Gross Total	**27,150,323**	**467,734**	**23,322,673**	**538,532**
Less: allowance for impairment	(1,777,592)	–	(632,029)	–
Net Total	**25,372,731**	**467,734**	**22,690,644**	**538,532**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

31 December 2009	Loans and advances neither past due nor impaired by rating class							
	Individuals				Corporate entities			
	Overdrafts	Credit Cards	Term loans	Mortgages	Large Corporate Customers	SMEs	Loans and advances to customers	Loans and advances to banks
Standard monitoring	4,370,919	18,160	124,354	4,905,880	5,033,289	2,235,089	16,687,691	467,734
Special monitoring	481,881	–	4,352	138,201	208,291	22,397	855,122	–
Sub–standard	13,742	–	9,469	160,641	284,139	211,676	679,667	–
Total	**4,866,542**	**18,160**	**138,175**	**5,204,722**	**5,525,719**	**2,469,162**	**18,222,480**	**467,734**

31 December 2008	Loans and advances neither past due nor impaired by rating class							
	Individuals			Corporate entities				
	Overdrafts	Credit Cards	Term loans	Mortgages	Large Corporate Customers	SMEs	Loans and advances to customers	Loans and advances to banks
Standard monitoring	5,143,293	1,071	145,623	4,850,519	4,900,413	2,230,002	17,270,921	538,532
Special monitoring	595,508	–	11,948	34,492	427,555	42,893	1,112,395	–
Sub–standard	7,373	–	2,359	103,235	32,554	50,026	195,547	–
Total	**5,746,174**	**1,071**	**159,930**	**4,988,246**	**5,360,522**	**2,322,921**	**18,578,864**	**538,532**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

31 December 2009

	Loans and advances past due but not impaired by ageing						
	Individuals			Corporate entities			
	Overdrafts	Credit Cards	Term loans	Mortgages	Large Corporate Customers	SMEs	Loans and advances to customers
Past due up to 30 days	512,759	1,688	25,934	912,321	781,448	366,524	2,600,674
Past due 30 – 90 days	61,414	1,502	10,446	259,755	48,390	126,546	508,053
Past due 90 – 180 days	71,087	–	–	24,244	–	63,055	158,386
Past due more than 180 days	316,485	–	10,891	46,751	845,082	17,735	1,236,944
Total	**961,745**	**3,190**	**47,271**	**1,243,071**	**1,674,920**	**573,860**	**4,504,057**
Fair value of collaterals	**787,032**	**11,308**	**153,592**	**2,719,574**	**8,883,309**	**1,514,878**	**14,069,693**

31 December 2008

	Loans and advances past due but not impaired by ageing						
	Individuals			Corporate entities			
	Overdrafts	Credit Cards	Term loans	Mortgages	Large Corporate Customers	SMEs	Loans and advances to customers
Past due up to 30 days	78,633	–	16,993	1,002,484	403,244	355,754	1,857,108
Past due 30 – 90 days	–	–	8,117	115,801	189,118	140,390	453,426
Past due 90 – 180 days	–	–	2,544	31,556	–	–	34,100
Past due more than 180 days	2,026	–	11,035	29,375	–	3,944	46,380
Total	**80,659**	**–**	**38,689**	**1,179,216**	**592,362**	**500,088**	**2,391,014**
Fair value of collaterals	**313,186**	**–**	**107,282**	**2,341,232**	**1,189,812**	**1,653,132**	**5,604,644**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

(v) Loans and advances impaired

	Loans and advances neither past due nor impaired by rating class						
		Individuals			Corporate entities		
	Overdrafts	Credit Cards	Term loans	Mortgages	Large Corporate Customers	SMEs	Loans and advances to customers
31 December 2008							
Individually impaired	452,728	346	22,802	1,235,978	1,576,372	1,135,559	4,423,785
Fair value of collaterals	360,576	–	75,207	2,331,051	3,237,308	3,080,215	9,084,357
31 December 2008							
Individually impaired	51,036	–	16,983	707,018	1,175,693	402,065	2,352,795
Fair value of collaterals	98,732	–	58,403	1,065,385	2,260,042	1,108,823	4,591,385

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower s financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring. Total amount of renegotiated loans as of 31 December 2009 is ALL 1,636,765 thousand (31 December 2008: ALL 101,620 thousand).

Allowances for impairment

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

Write–off policy

The Bank writes off a loan / security balance (and any related allowances for impairment losses) when Bank Credit 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.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

31 December 2009	Overdrafts	Credit Cards	Term loans	Mortgages	Large	SMEs	Total	Fair value o
Grade 3: Impaired (Substandard)					Corporate		individually	collateral
Grade 4: Impaired (Doubtful)	168,499	346	2,608	231,776	Customers	203,334	impaired	
Grade 5: Impaired (Lost)	216,565	–	6,417	560,423		359,765		3,009,49
Total	67,664	–	13,777	443,779	1,183,154	572,460	1,789,717	3,456,53
	452,728	346	22,802	1,235,978	80,580	1,135,559	1,223,750	2,618,33
31 December 2008					312,638		1,410,318	9,084,35
Grade 2: Impaired (SM)					1,576,372		4,423,785	
Grade 3: Impaired (Substandard)	–	–	–	–		–		
Grade 4: Impaired (Doubtful)	40,439	–	3,708	265,237		126,091		25,00
Grade 5: Impaired (Lost)	8,014	–	9,004	285,329	7,275	138,135	7,275	2,776,71
Total	2,583	–	4,271	156,452	893,783	137,839	1,329,258	724,88
	51,036	–	16,983	707,018	–	402,065	440,482	1,064,78
					274,635		575,780	4,591,38
					1,175,693		2,352,795	

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

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

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are updated on an annual basis for the loans granted to corporate clients, while for the small enterprises and for the mortgage loans the revision takes place when the loan is individually assessed as impaired, except for cases where the review is requested by the customer, the loan is in arrears, or there is a significant decrease in the market prices for real estate premises. 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 2009 or 2008.

For large part of the individually impaired loans the fair value of collateral exceeds the amounts of such loans, however as practical and administrative difficulties of a foreclosure procedure may cause that the Bank will not get access to the collateral or its full amount, the Bank considers such loans as impaired rather than as 'past due and not impaired' for disclosure purposes. The Bank applies judgment in classifying collateralised loans as individually impaired or 'past due and not impaired' based on type of collateral, nature of the borrower and its own experience with foreclosure procedures.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk as at 31 December 2009 and 31 December 2008 is shown below:

Concentration by sector

	Loans and Advances to customers		Loans and Advances to Banks		Investment Securities	
Carrying Amount	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Corporate	12,749,021	11,586,954	–	–	–	–
Sovereign	–	–	–	–	816,731	149,504
Bank	–	–	467,734	538,532	–	–
Retail	12,623,710	11,103,690	–	–	–	–
Total	**25,372,731**	**22,690,644**	**467,734**	**538,532**	**816,731**	**149,504**

Concentration by location

	Loans and Advances to customers		Loans and Advances to Banks		Investment Securities	
Carrying Amount	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Albania	25,372,731	22,690,644	62,628	3,849	816,731	149,504
North America	–	–	2,243	80	–	–
Europe	–	–	402,863	534,602	–	–
Total	**25,372,731**	**22,690,644**	**467,734**	**538,532**	**816,731**	**149,504**

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.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

	Corporate loans	
	2009	**2008**
Trading, repairing of cars and homes	5,005,720	4,384,460
Construction	3,688,072	3,277,931
Production and distribution of electricity, gas and water	1,600,036	1,602,871
Processing industry	1,335,441	1,368,963
Transport and telecommunication	419,740	387,503
Health and social activities	223,257	67,767
Public, individual and social services	430,781	423,251
Hotels and restaurants	45,957	74,191
Other	17	16
Total	**12,749,021**	**11,586,954**

Settlement risk

The Bank s activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Bank mitigates this risk by conducting settlements through a settlement / clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Bank Risk.

(c) Liquidity risk

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

Management of liquidity risk

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

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

The Bank s liquidity management process includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers;
- Maintaining a portfolio of marketable assets and a MM line from the Parent Company reviewed on annual basis;

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

- 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 has been established with the aim 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"

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

The following tables show the cash flows from the Bank's assets and liabilities on the basis of their earliest possible contractual maturity as at 31 December 2009 and 2008. The amounts disclosed in the table are the contractual undiscounted cash flows

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

As at 31 December 2009	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Assets						
Cash and balances with Central Bank	1,940,809	155,107	97,354	161,366	–	2,354,636
Loans and advances to banks	468,076	–	–	–	–	468,076
Available for sale financial assets	817,977	9,967	14,951	29,901	–	872,796
Loans and advances to customers	3,155,152	1,467,814	1,817,356	3,164,316	20,349,893	29,954,531
Other financial assets	79,709	–	–	–	–	79,709
Total	**6,461,723**	**1,632,888**	**1,929,661**	**3,355,583**	**20,349,893**	**33,729,748**
Liabilities						
Due to banks	539,106	38,890	58,335	116,670	14,626,036	15,379,037
Due to customers	5,891,275	1,430,354	918,135	3,306,435	54,948	11,601,147
Subordinated debt	3,656	7,374	!6,650	21,184	1,882,566	1,931,430
Other financial liabilities	83,548	–	–	–	–	83,548
Total	**6,517,585**	**1,476,618**	**976,470**	**3,444,289**	**16,563,550**	**28,978,512**
Commitments and guarantees	**51,451**	**67,707**	**102,374**	**85,119**	**168,103**	**474,754**
Liquidity gap at 31 December 2009	**(107,313)**	**88,563**	**850,817**	**(173,825)**	**3,618,240**	**4,276,482**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

As at 31 December 2008	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Assets						
Cash and balances with Central Bank	1,361,515	48,577	63,773	220,691	–	1,694,556
Loans and advances to banks	539,077	–	–	–	–	539,077
Available for sale financial assets	150,605	4,252	8,693	26,184	–	189,734
Loans and advances to customers	2,597,930	1,463,636	1,755,504	3,648,235	16,512,053	25,977,358
Other financial assets	7,180	–	–	–	–	7,180
Total	**4,656,307**	**1,516,465**	**1,827,970**	**3,895,110**	**16,512,053**	**28,407,905**
Liabilities						
Due to banks	165,472	210,454	123,130	379,160	11,755,247	12,633,463
Due to customers	4,586,003	2,931,652	1,032,162	1,514,087	33,355	10,097,259
Subordinated debt	4,059	8,199	25,663	24,357	1,316,257	1,378,455
Other financial liabilities	81,088	–	–	–	–	81,088
Total	**4,836,622**	**3,150,225**	**1,180,955**	**1,917,604**	**13,104,859**	**24,190,265**
Commitments and guarantees	**250,822**	**200,573**	**67,521**	**163,756**	**34,785**	**717,457**
Liquidity gap at 31 December 2008	**(431,137)**	**(1,834,413)**	**579,494**	**1,813,750**	**3,372,409**	**3,500,103**

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 cash flows, income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

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

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

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

Exposure to market risks

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

Exposure to foreign exchange risk

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

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

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) *Liquidity risk (continued)*

	As at 31 December 2009					As at 31 December 2008				
	ALL	EURO	USD	OTHER	TOTAL	ALL	EURO	USD	OTHER	TOTAL
Assets										
Cash and balances with Central Bank	1,073,982	1,091,493	189,161	–	2,354,636	603,260	933,567	157,728	–	1,694,555
Loans and advances to banks	60,008	363,548	41,059	3,119	467,734	–	523,648	482	14,402	538,532
Available for sale Securities	816,731	–	–	–	816,731	149,504	–	–	–	149,504
Loans and advances to customers	1,337,747	22,657,624	1,029,231	348,129	25,372,731	1,731,384	19,501,874	1,068,549	388,837	22,690,644
Other financial assets	18,736	59,830	1,057	86	79,709	–	7,180	–	–	7,180
Total	3,307,204	24,172,495	1,260,508	351,334	29,091,541	2,484,148	20,966,269	1,226,759	403,239	25,080,415
Liabilities										–
Due to banks	463,290	11,918,841	316,321	347,180	13,045,632	4	10,736,681	492,549	419,190	11,648,424
Due to customers	4,957,729	5,290,867	967,359	9,990	11,225,945	3,519,356	5,380,297	748,296	13,290	9,661,239
Subordinated Debt		1,524,057			1,524,057	–	880,085	–	–	880,085
Other financial liabilities	69,421	13,311	816		83,548	61,906	19,182	–	–	81,088
Total	5,490,440	18,747,076	1,284,496	357,170	25,879,182	3,581,266	17,016,245	1,240,845	432,480	22,270,836
Net Position	–2,183,236	5,425,419	23,988	5,836	3,212,359	–1,097,118	3,950,024	–14,086	–29,242	2,809,579

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

As of 31 December 2009 the Bank did not have any hedge accounting. The Bank had only economic hedging transactions during the reporting period.

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

	Open Currency Position on December 31st		Effect of Depreciation of ALL to profit and loss		Effect of Appreciation of ALL to profit and loss	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
USD	(23,989)	(14,086)	2,399	1,409	(2,399)	(1,409)
EUR	5,425,419	3,950,024	(542,542)	(395,002)	544,919	395,002
Total effect	**5,401,430**	**3,935,938**	**(540,143)**	**(393,594)**	**542,520**	**393,594**

The appreciation of the local currency by 10% vis- -vis the Euro and USD would result in negative revaluation effect of ALL 542,520 thousand (2008: ALL 393,594 thousand).

Exposure to interest rate risk

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

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

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

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

	2009			
	Up to 1 Year Scenarios		**over 1 Year Scenarios**	
	bps	bps	bps	bps
	Increase	decrease	increase	Decrease
Estimated Profit (loss) effect	19,315	(19,315)	1,584	(1,584)
	Up to 1 Year Scenarios		**over 1 Year Scenarios**	
	300 bps	300 bps	200 bps	200 bps
	Increase	decrease	increase	Decrease
Estimated Profit (loss) effect	(7,079)	7,079	(4,719)	4,719

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

	Up to 1 month	1 to 3 months	3 to 6 Months	6 to 12 months	Over 1 year	Not interest bearing	Total
Assets							
Cash and balances with Central Bank	1,508,440	–	–	–	–	846,196	2,354,636
Loans and advances to banks	467,734	–	–	–	–	–	467,734
Available for sale Securities	816,731	–	–	–	–	–	816,731
Loans and advances to customers	11,851,324	6,745,494	1,182,275	5,759,886	1,611,344	(1,777,592)	25,372,731
Other financial assets	–	–	–	–	–	79,709	79,709
Total	**14,644,229**	**6,745,494**	**1,182,275**	**5,759,886**	**1,611,344**	**(851,687)**	**29,091,541**
Liabilities							
Due to banks	519,661	12,525,971	–	–	–	–	13,045,632
Due to customers	5,742,793	1,367,813	825,871	3,234,520	54,948	–	11,225,945
Subordinated debt	–	552,228	971,829	–	–	–	1,524,057
Other liabilities	–	–	–	–	–	124,212	124,212
Total	**6,262,454**	**14,446,012**	**1,797,700**	**3,234,520**	**54,948**	**124,212**	**25,919,846**
Interest sensitivity gap at 31 December 2009	**8,381,775**	**(7,700,518)**	**(615,425)**	**2,525,366**	**1,556,396**	**(975,899)**	**3,171,695**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non–spe–cific	Total
Assets							
Cash and balances with Central Bank	988,954	–	–	–	–	705,602	1,694,556
Loans and advances to banks	538,532	–	–	–	–	–	538,532
Available for sale Securities	149,504	–	–	–	–	–	149,504
Loans and advances to customers	5,275,084	9,573,032	400,646	5,968,063	2,105,848	(632,029)	22,690,644
Other financial assets assets	–	–	–	–	–	7,180	7,180
Total	**6,952,074**	**9,573,032**	**400,646**	**5,968,063**	**2,105,848**	**80,753**	**25,080,416**
Liabilities							
Loans from credit institutions	124,428	7,929,344	–	3,594,652	–	–	11,648,424
Due to customers	4,537,543	2,878,243	925,132	1,286,966	33,355	–	9,661,239
Subordinated debt	–	–	–	880,085	–	–	880,085
Other financial liabilities	**–**	**–**	**–**	**–**	**–**	**81,088**	**81,088**
Total	**4,661,971**	**10,807,587**	**925,132**	**5,761,703**	**33,355**	**81,088**	**22,270,836**
Interest sensitivity gap at 31 December 2008	**2,290,103**	**(1,234,555)**	**(524,486)**	**206,360**	**2,072,493**	**(335)**	**2,809,580**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management

Regulatory capital

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

Capital Adequacy Ratio

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

The Modified Capital Adequacy Ratio is the proportion of the base capital to risk-weighted assets and off balance-sheet items, expressed as a percentage. The minimum modified capital adequacy is 6%.

Risk–Weighted Assets (RWAs)

Assets are weighted according to broad categories of notional risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50%, 100%) are applied; for example cash and money market instruments have a zero risk weighting which means that no capital is required to support the holding of these assets. Property and equipment carries a 100% risk weighting, meaning that it must be supported by capital equal to 12% of the carrying amount.

Off-balance-sheet credit related commitments are taken into account. The amounts are then weighted for risk using the same percentages as for on-balance-sheet assets.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

The amounts shown in the table below are derived from statutory financial statements.

	Balance sheet/ notional amount		Risk Weight amount	
	31 December 2009	**31 December 2008**	**31 December 2009**	**31 December 2008**
Total Assets	29,286,057	25,959,933	33,933,160	25,012,242

	Capital		Ratio	
Capital Ratios	**31 December 2009**	**31 December 2008**	**31 December 2009**	**31 December 2008**
Tier 1 Capital	3,054,808	2,905,804	9.00%	11.62%
Tier 1 + Tier 2 Capital	4,572,368	3,772,404	13.47%	15.08%

Tier 1 capital or otherwise know as Core Capital is composed of the following:

- Elements that are added - subscribed capital, reserves, retained earnings, profit of the current year, revaluation differences. The Bank s statutory Tier 1 capital includes total retained earnings of ALL 18,631 thousand, which are distributable to the Bank s shareholders.
- Elements that are subtracted – Prior years losses, losses of the current period, revaluation differences, intangible fixed assets.

Tier 2 capital or otherwise known as supplementary capital includes: revaluation reserve, subordinated liabilities (hybrid instruments, time subordinated liabilities).

The Bank s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

There have been no material changes in the Bank s management of capital during the period.

6. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

	2009		2009	
	Fair value	**Carrying value**	**Fair value**	**Carrying value**
Loans and advances to customers	22,444,953	25,372,731	19,781,039	22,690,644
Individuals				
–Overdrafts	6,558,479	6,080,878	6,177,593	5,812,637
–Credit cards	23,564	21,357	1,164	1,060
–Term loans	188,135	188,526	196,274	209,133
–Mortgages	5,018,105	7,231,600	4,444,185	6,653,076
Corporate				
–Large corporate customers	7,329,411	7,913,033	6,339,628	6,860,038
–SME	3,327,259	3,937,337	2,622,195	3,154,700
Due to banks	14,354,243	13,045,632	12,249,994	11,648,424
Due to customers	11,296,297	11,225,945	9,723,239	9,661,239

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

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

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

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

7. CASH AND BALANCES WITH CENTRAL BANK

Cash and balances with Central Bank consisted of the following:

	31 December 2009	31 December 2008
Cash on hand:		
–In Albanian Lek	178,200	155,492
–In foreign currencies	667,996	600,060
Current account with Central Bank	444,535	160,076
Included in cash and cash equivalents (Note 28)	**1,290,731**	**915,628**
Statutory Reserves	1,063,905	778,928
Total	**2,354,636**	**1,694,556**

The time deposit with Central Bank at 31 December 2009 earns interest at 3.5% per annum (2008: 4.5%).
Restricted balances with Central Bank (statutory reserves)

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

Interest on statutory reserves in the Central Bank is calculated as follows:
-LEK balances: 70% of the repurchase agreements rate: 3.675% per annum as of 31 December 2009 (31 December 2008: 4.38% per annum);
-EUR balances: 70% of the one-month EUR LIBOR rate: 0.7% per annum as of 31 December 2009 (31 December 2008: 2.61%); and
-USD balances: 70% of the one-month USD LIBOR rate: 0.09% per annum as of 31 December 2009 (31 December 2008: 0.44% per annum).

8. LOANS AND ADVANCES TO BANKS

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

	31 December 2009	31 December 2008
Current accounts with banks	23,120	190,967
Money market placements	444,614	347,565
Total – included in cash and cash equivalents (Note 28)	**467,734**	**538,532**

Interest rates for term deposits with banks range from 0.15% for EUR and 3.5% for ALL (2008: from 1.75% to 4.5%).

8. LOANS AND ADVANCES TO BANKS (CONTINUED)

All loans and advances to banks are short term.

	31 December 2009	31 December 2008
Greece	388,500	349,617
Albania	62,628	3,849
U.S.A	2,243	81
Other	14,363	184,985
Total	467,734	538,532

9. AVAILABLE FOR SALE FINANCIAL ASSETS

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

	31 December 2009			
	Cost	Accrued interest	Fair value reserve for available–for–sale securities	Book value
3 months	49,222	487	(1)	49,708
6 months	144,468	2,015	28	146,511
12 months	599,301	21,457	(246)	620,512
Total	**792,991**	**23,959**	**(219)**	**816,731**

	31 December 2008			
	Cost	Accrued interest	Fair value reserve for available–for–sale securities	Book value
12 months	138,746	10,821	(63)	149,504
Total	**138,746**	**10,821**	**(63)**	**149,504**

Available for sale financial assets are marked to market at each reporting date using level 1-fair-value inputs

10. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers consisted of the following:

	31 December 2009	31 December 2008
Individuals	7,887,166	7,063,380
Private entrepreneurs and enterprises	19,181,579	16,169,656
Accrued interest	81,578	89,637
	27,150,323	**23,322,673**
Less allowance for impairment	(1,777,592)	(632,029)
	25,372,731	**22,690,644**

	31 December 2009	31 December 2008
Current	5,568,057	9,021,774
Non–current	19,804,674	13,668,870
Total	25,372,731	22,690,644

Loans to customers include ALL 6,318,734 thousand that represent overdrafts (2008: ALL 5,877,527 thousand). Accrued interest on impaired loans as of 31 December 2009 is ALL 3,728 thousand (2008: ALL 13,362 thousand).

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

	Overdrafts	Credit Cards	Term loans	Mortgages	Large Corporate Customers	SMEs	Total
31 December 2009							
Balance at the beginning of the year	65,232	11	6,469	221,404	268,539	70,374	632,029
Allowance for Loan loss impairment	122,113	307	11,993	201,865	540,214	155,450	1,031,940
Translation adjustment	12,793	22	1,261	28,902	55,225	15,420	113,622
Balance at the end of the year	200,137	339	19,722	452,171	863,978	241,244	1,777,592

	Overdrafts	Credit Cards	Term loans	Mortgages	Large Corporate Customers	SMEs	Total
31 December 2008							
Balance at the beginning of the year	36,349	–	3,316	57,195	126,288	22,656	245,805
Allowance for Loan loss impairment	29,199	11	3,184	165,283	143,553	48,059	389,288
Translation adjustment	(316)	–	(31)	(1,073)	(1,302)	(341)	(3,064)
Balance at the end of the year	65,232	11	6,469	221,404	268,539	70,374	632,029

11. INVESTMENT PROPERTY

In December 2007, the Bank s management decided to classify a building, which was foreclosed to recover a loan, 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. In 2007, the bank transferred the property from held for sale category to investment property, because the sale of the property was not realised on the time required by the standard. An evaluation of the market value of the property from an independent evaluator has been performed. Since the market value at that day was higher than the amount of exposure of ALL 13,659 thousand covered by foreclosure of collateral, the later has been considered as cost of this investment property. The fair value of investment property approximates its carrying amount.

12. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	Buildings	Computers and IT equipment	Office equipment	Motor vehicles	Leasehold im–provements
Cost					
At 1 January 2008	353,623	164,751	70,898	26,331	223,080
Additions	7,115	63,067	12,947	9,497	115,153
Disposal	–	(16,562)	(429)	(241)	–
At 31 December 2008	**360,738**	**211,256**	**83,416**	**35,587**	**338,233**
At 1 January 2009	360,738	211,256	83,416	35,587	338,233
Additions	–	34,241	27,483	6,185	80,346
Disposal	–	–	(6,252)	–	–
At 31 December 2009	**360,738**	**245,497**	**104,647**	**41,772**	**418,579**
Accumulated depreciation					
At 1 January 2008	(99,349)	(75,027)	(35,768)	(13,955)	(27,611)
Charge for the year	(17,942)	(31,820)	(10,959)	(5,334)	(25,657)
Disposals	–	16,527	429	239	–
At 31 December 2008	**(117,291**	**((90,320)**	**(46,298)**	**(19,050)**	**(53,268)**
At 1 January 2009	(117,291)	(90,320)	(46,298)	(19,050)	(53,268)
Charge for the year	(8,133)	(35,716)	(13,709)	(4,911)	(35,126)
Disposals	–	–	3,772	–	–
At 31 December 2009	**(125,424)**	**(126,036)**	**(56,235)**	**(23,961)**	**(88,394)**
Net book value					
At 31 December 2008	243,447	120,936	37,118	16,537	284,965
At 31 December 2009	**235,314**	**119,461**	**48,411**	**17,811**	**330,185**

There are no assets pledged as collateral as at 31 December 2009 (2008: none).
Leasehold improvements relate to expenditures made by the Bank for the reconstruction of the leased premises for branches opened during 2009 and 2008.

13. INTANGIBLE ASSETS

	Software
Cost	
At 1 January 2008	116,657
Additions	18,056
At 31 December 2008	**134,713**
At 1 January 2009	134,713
Additions	32,142
At 31 December 2009	**166,855**
Accumulated amortization	
At 1 January 2008	(61,258)
Charge for the year	(21,308)
At 31 December 2008	**(82,566)**
At 1 January 2009	(82,566)
Charge for the year	(22,753)
At 31 December 2009	**(105,319)**
Net carrying value	
At 31 December 2008	52,147
At 31 December 2009	**61,535**

14. OTHER ASSETS

Other assets are comprised of the following:

	31 December 2009	31 December 2008
Financial assets		
Bank orders receivable	61,499	1,904
Other debtors	18,210	5,276
Total other financial assets	79,709	7,180
Other non–financial assets		
Prepayments	17,052	20,249
Other	8,278	4,827
Total non–financial assets	25,330	25,076
Total other assets	105,040	32,256

	31 December 2009	31 December 2008
Current	105,040	32,256
Total	105,040	32,256

Other debtors are neither past due nor impaired.

15. DUE TO BANKS

Due to banks are comprised of the following:

	31 December 2009	31 December 2008
Current accounts		
Resident	7	23,959
Non–resident	4,266	3,388
Borrowings from non–resident Banks	12,578,076	11,547,229
Borrowings from resident Banks	463,283	73,848
Total	**13,045,632**	**11,648,424**

	31 December 2009	31 December 2008
Current	–	385,695
Non–current	13,045,632	11,262,729
Total	**13,045,632**	**11,648,424**

The deposits which are denominated in EUR represent 95% (2008: 92%) of the deposits from non-resident banks. The interest rates range from 0.8% to 1.992% (2008: 4.99% to 6.176%).

Included in deposits from non resident banks is an amount of EUR 86 million (2008: EUR 93.07 million) related to up to ten year borrowings received from the Parent Bank with repricing from 3 months to maximum one year.

16. DUE TO CUSTOMERS

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

	31 December 2009			31 December 2008		
	Local currency	**Foreign currency**	**Total**	**Local currency**	**Foreign currency**	**Total**
Corporate entities						
Current accounts	640,384	783,127	1,423,511	492,260	547,484	1,039,744
Term deposits	2,023,499	1,323,825	3,347,324	461,553	517,572	3,765,815
Other accounts	11,933	127	12,060	12,811	150,626	163,437
	2,675,816	**2,107,079**	**4,782,895**	**1,899,843**	**3,069,153**	**4,968,996**
Corporate entities						
Current accounts	25,341	143,584	168,925	16,683	151,209	167,892
Demand deposits	358,361	631,710	990,071	279,281	474,106	753,387
Term deposits	1,856,567	3,232,922	5,089,489	1,280,081	2,366,866	3,646,947
Other accounts	102	133	235	102	56	158
	2,240,371	**4,008,349**	**6,248,720**	**1,576,147**	**2,992,237**	**4,568,384**
Accrued interest	37,158	41,486	78,644	36,116	38,535	74,651
Payment in transit	4,929	110,757	115,686	7,250	41,958	49,208
Total	**4,958,274**	**6,267,671**	**11,225,945**	**3,519,356**	**6,141,883**	**9,661,239**

	31 December 2009	**31 December 2008**
Current	11,200,218	9,627,884
Non–current	25,727	33,355
Total	11,225,945	9,661,239

17. 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 and bears 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 %.

During the year 2009 the subordinated debt was increased by EUR 4,000,000. The third disbursement has ten year duration, with the principal payable at maturity and an interest of six month EURLIBOR + 2.1 %.

	31 December 2009	**31 December 2008**
Balance at the beginning of the year	880,085	864,979
New disbursements during the year	551,840	–
Accrued interest	6,497	13,485
Translation adjustments	85,635	1,621
Total	**1,524,057**	**880,085**

	31 December 2009	**31 December 2008**
Non–current	1,524,057	880,085
Total	**1,524,057**	**880,085**

18. OTHER LIABILITIES

Other liabilities are comprised of the following:

	31 December 2009	**31 December 2008**
Financial liabilities		
Accrued expenses	37,309	41,130
Sundry creditors	46,239	39,958
Total financial liabilities	**83,548**	**81,088**
Other non–financial liabilities		
Provision for contingent liabilities	2,739	11,985
Total other liabilities	**86,287**	**93,073**

	31 December 2009	**31 December 2008**
Current	86,287	93,073
Total	**86,287**	**93,073**

18. OTHER LIABILITIES (CONTINUED)

Movements in provisions for contingent liabilities are as follows:

	2009	2008
As of 1 January	11,985	–
Provisions for letters of guarantees	(327)	3,066
Provisions for tax penalties resulting from tax inspections	(8,919)	8,919
As of 31 December	2,739	11,985

Provisions were raised in 2008 for Lek 3,066 thousand to cover the potential inability of the Bank s customer to settle their obligations. Provisions for tax penalties is related to the assessment made by management that certain tax positions taken by the Bank would most probably not be sustained, if challenged by the tax authorities, which resulted in a provision amount of Lek 8,919, reversed in 2009 as the liability amount was ascertained by the tax authorities and paid by the Bank through decreasing the Bank s receivable corporate income tax. According to Albanian Tax legislation the Tax authorities have right to examine tax returns for 5 years following submission of the return.

19. DEFERRED TAX LIABILITIES

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

	31 December 2009	31 December 2008
Balance at the beginning of the year	(16,054)	(16,096)
Deferred tax benefit relating to the origination and reversal of tempo–rary differences	(21,871)	42
Balance at the end of the year	(37,925)	(16,054)

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

As at 31 December 2009 and 31 December 2008 deferred tax assets and liabilities have been recognized for the following items:

	31 December 2009	31 December 2008
Deferred tax asset		
Accelerated depreciation for accounting		
Amortization of loan fees income	6,519	3,781
Carried forward losses	15,463	15,307
	77,822	58,532
Deferred tax liability	99,804	77,620
Difference between IFRS and Statutory		
allowance for impairment losses	(137,729)	(93,674)
	(137,729)	(93,674)
Net deferred tax liabilities	(37,925)	(16,054)

Albanian tax legislation allows carry forward of losses for three consecutive years after the tax loss was declared. Losses of ALL 202 and 168 thousand carried forward from 2007 and 2008, respectively, in the calculation of the deferred tax assets, were written down as they will expire in 2011 when the Bank expects to report profit for statutory purposes.

20. SHARE CAPITAL

Emporiki Bank of Greece remains the sole shareholders of the Bank
In August 2008 the Shareholders Assembly of the Bank decided to increase the paid-up capital through the cash contribution of EUR 11,499,864.88 and by issuing 14,161 new shares. As a result the paid-up capital increased to EUR 28,568,162 and historical cost is ALL 3,987,880 thousand.

In August 2009 the Shareholders Assembly of the Bank decided to increase the paid-up capital through the cash contribution of EUR 4,999,976.56 and by issuing 6,157 new shares. As a result the paid-up capital increased to EUR 33,568,138.88 and historical cost is ALL 4,649,723 thousand.

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

	31 December 2009	**31 December 2008**
Number of authorized and fully paid shares at beginning of the year	35,179	21,018
Number of shares issued during year	6,157	14,161
Number of authorized and fully paid shares at the end of the year	41,336	35,179

21. LEGAL RESERVE

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

	31 December 2009	31 December 2008
Legal reserve at the beginning of the year	57,162	57,162
Increase in reserve	–	–
At 31 December	57,162	57,162

22. INTEREST AND SIMILAR INCOME

Interest income was earned on the following assets:

	Year ended	Year ended
Loans and advances to customers	31 December 2009	31 December 2008
Loans and advances to credit institutions	2,032,334	1,712,301
Investment securities	27,246	36,082
Total	40,230	47,134
	2,099,810	1,795,517

23. INTEREST AND SIMILAR EXPENSE

Interest expense was incurred on the following liabilities:

	Year ended	Year ended
Due to customers	31 December 2009	31 December 2008
Loans and advances from credit institutions	436,020	308,497
Subordinated loan	520,642	532,249
Other	40,473	58,067
Total	–	12
	997,135	898,825

24. NET FEE AND COMMISSIONS INCOME

Fee and commissions received and paid were comprised as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
Fee and Commission Income		
Money transfer and cheques	24,398	26,482
Account maintenance	13,303	12,001
Imports / Exports	252	1,252
Agent transactions	17,087	14,930
Other	9,881	13,202
Total fee and commission income	64,921	67,867
Fee and commission Expenses		
Guarantees received from banks	86	2,336
Correspondent Banks	8,236	5,476
Credit Cards	3,192	1,906
Other	10,353	6,408
Total Fee and commissions expenses	21,867	16,127
Net fee and commission income	43,054	51,740

25. NET FOREIGN EXCHANGE RESULT

Fee and commissions received and paid were comprised as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
Foreign exchange transactions gains	11,497	39,049
Foreign exchange translation gains	526,102	47,174
Net foreign exchange result	537,079	86,223

26. OTHER OPERATING EXPENSES

Other operating expenses consisted of the following:

	Year ended 31 December 2009	Year ended 31 December 2008
Personnel costs	301,918	278,780
Rent	90,314	69,627
Depreciation of property and equipment	97,595	91,712
Amortization of intangibles	22,753	21,308
Advertising and promotion	118,076	80,634
Telephone and electricity	34,821	34,151
Reuters, Swift maintenance	39,822	34,605
Insurance and security	36,303	34,111
Consulting and legal fees	16,833	13,326
Travel and transportation	16,511	19,481
IT system maintenance	18,894	12,886
Maintenance and repairs	13,737	8,432
Office supply	8,787	7,460
Taxes other than income tax	6,437	4,520
Provisions for tax penalties	–	8,919
Other	25,077	24,278
Total	847,879	744,230

	Year ended 31 December 2009	Year ended 31 December 2008
Salaries	273,019	250,798
Contribution to state pension fund	26,206	19,967
Contribution for Social and health insurance	2,693	8,015
Total	301,918	278,780

27. INCOME TAX EXPENSE

Income tax in Albania is assessed at the rate of 10% (2008: 10%) of taxable income:

	Year ended 31 December 2009	Year ended 31 December 2008
Current tax	–	–
Deferred taxes (See Note 19)	21,871	(42)
Total	21,871	(42)

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

	Year ended 31 December 2009	Year ended 31 December 2008
Profit/ (loss) before taxes	(196,686)	(98,827)
Prima facie tax calculated at 10%	(19,669)	(9,883)
Non tax deductible expenses	4,512	4,409
Unrecognised tax losses	37,028	5,432
Income tax expense	21,871	(42)

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

	31 December 2009	31 December 2008
Cash and balances with Central Bank (Note 7)	1,290,731	915,628
Loans and advances to banks (Note 8)	467,734	538,532
Total	1,758,465	1,454,160

29. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies include the following:

	31 December 2009	31 December 2008
Contingent liabilities		
Guarantees in favor of customers	147,615	306,482
Loan commitments	327,138	410,974

Guarantees and letters of credit

Letters of credit and guarantees given to customers commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates, or other termination clauses.

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

Legal

In the normal course of business the Bank is presented with legal claims; the Bank s management is of the opinion that no material losses will be incurred in relation to legal claims outstanding at 31 December 2009 and 2008.

Lease commitments

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

30. RELATED PARTY TRANSACTIONS

The Parent of the Bank is Emporiki Bank of Greece SA. The ultimate parent and ultimate controlling party is Cr dit Agricole SA, France.

The Bank entered into the following related party transactions with its Parent Bank in Greece: placements, foreign exchange transactions and money transfers. All of the Bank s transactions of this nature with Head Office are carried out on an arms length basis.

A summary of related party transactions are as follows:

	31 December	31 December
Emporiki Bank SA Greece (Parent)	**2009**	**2008**
Assets at end of year		
Loans and advances to banks	156,706	349,640
Liabilities at end of year		
Due to banks	12,582,342	11,547,229
Subordinated loan	1,524,057	880,085
Off balance sheet		
Guarantees and commitments received from Banks	80,632	13,618
Income for year ending		
Interest and similar income	1,264	5,261
Fee and commission income	–	2,336
Expenses for the year ending		
Interest and similar expense	552,761	572,642
Fee and commission expenses	184	94
Short term managements benefits		
Key management's compensation	36,652	45,806
Salaries	27,967	37,959
Bonuses	8,684	7,847

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

31. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

The following table provides a reconciliation of classes of financial assets with the measurement categories as of 31 December 2008:

2009	Loans and receivables	Available–for–sale assets	Total
Cash and balances with Central Bank	2,354,636	–	2,354,636
Loans and advances to banks	467,734	–	467,734
Available–for–sale financial assets	–	816,731	816,731
Loans and advances to customers	25,372,731	–	25,372,731
Other financial assets	79,709	–	79,709
Total financial assets	28,274,810	816,731	29,091,541
Non–financial assets			903,256
Total assets			29,994,797

2008	Loans and receivables	Available–for–sale assets	Total
Cash and balances with Central Bank	1,694,556	–	1,694,556
Loans and advances to banks	538,532	–	538,532
Available–for–sale financial assets	–	149,504	149,504
Loans and advances to customers	22,690,644	–	22,690,644
Other financial assets	7,180	–	7,180
Total financial assets	24,930,912	149,504	25,080,416
Non–financial assets			850,280
Total assets			25,930,696

As of 31 December 2009 and 2008, the Bank had no assets in trading assets and assets designated at FVTPL categories.

As of 31 December 2009 and 2008 all of the Bank's financial liabilities were carried at amortised cost.

32. EVENTS AFTER THE REPORTING PERIOD

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

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