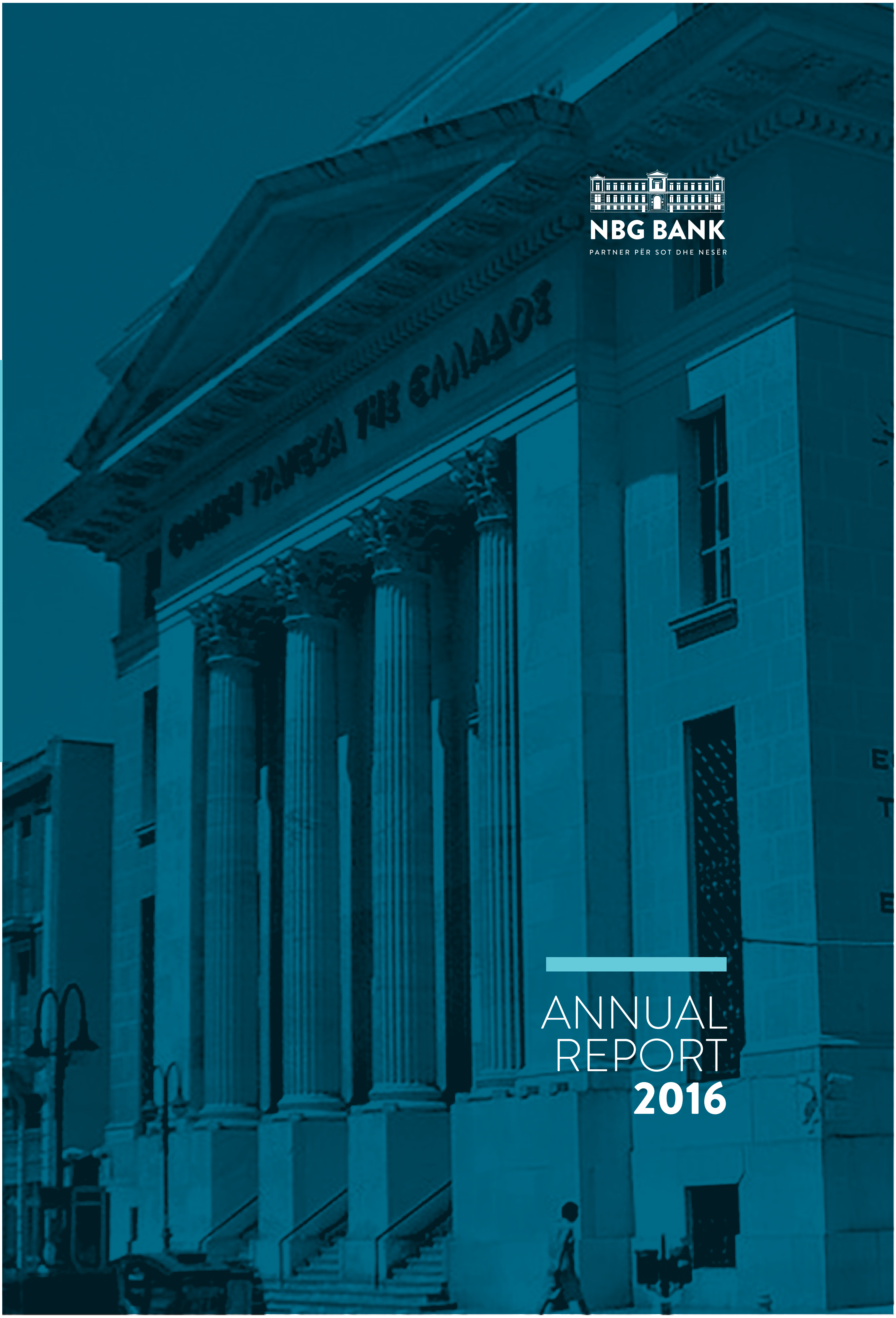

NBG BANK

PARTNER PËR SOT DHE NESËR

ANNUAL REPORT 2016

NBG ALBANIA ANNUAL REPORT

2016

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OUR MISSION

NBG Bank Albania's mission is to grow as a leading financial institution in the country providing its customers with a consistently dedicated service that generates value by operating with commitment, consistency, the employee in a spirit of responsibility to the community at large.

At NBG Albania we:

- Deliver high quality tailor made service and innovative financial solutions to our customers.
- Care for and value our employees while promoting teamwork and diversity.
- Leverage our independence and sustain high levels of performance.
- Make a difference in our communities and demonstrate integrity and excellence.

NBG Albania is a proud member of NBG Group which is leading today's largest financial group in Greece, with a strong presence in Southeast Europe and Eastern Mediterranean. National Bank of Greece was established in 1841 being the first bank in the modern Greek state and throughout its 170 years of history has given a decisive contribution to the financial life of the home country.

NBG Group offers a wide range of financial products and services that meet the ever changing needs of businesses and individuals such as deposits, business investment, finance, brokerage, insurance, leasing and factoring.

The vision of NBG Group is to maintain its leading position in Greece and its dynamic presence in Southeast Europe, Eastern Mediterranean, operating with commitment, consistency and transparency for the benefit of the customer, the shareholder, the employee and with responsibility towards society.

Mr. Ioannis Agathos
CEO

DEAR READER,

As I write this letter, I can't help but feeling gratitude and pride about the achievements of Banka NBG Albania Sh.A , a fully owned subsidiary of NBG Group, over the past 12 months.

Year 2016 was an exceptional year for the family of NBG Albania, as it marks its 20year consolidated and successful presence in the Albanian financial market.

The Albanian Economy in 2016 continued to grow with a real GDP growth rate of 3.46%, the highest growth rate within the last 5 years. Inflation has remained low and broadly under control at the level of 1.28% on average, although below the target of Bank of Albania (BoA). Following the low inflationary environment BoA has continued its expansionary monetary policy reducing its key interest rates twice at the early start of 2016 to the lowest level of 1.25%.
The decline of key interest rates and intensifying competition in the Banking Market, fueled by higher levels of liquidity in the system, has increased the challenge of maintaining net interest income and net interest margins.

NBG Albania has strongly continued its focus to improving Asset Quality as one of our key priorities. The Bank has managed to continue improving its NPL ratio by 142 basis points due to effective management of the bad loans portfolio.

The Bank has continued to keep its revenue growth on track with pre provision results increasing 12.8% higher than the previous year, due to effective management of its assets and liabilities and also improved operational cost efficiency.

But our most significant achievement for the year 2016 was the full and complete recovery of the deposits lost during the Greek crisis period of 2015. Deposits increased by almost 32 million euros, 17% higher than the previous year, and liquidity improved with Gross Loans/Deposit Ratio declining from 112% to 94% at the end of the year.

The Bank has continued to remain self financed, with Regulatory Liquidity Ratios increasing from 34.70% at the end of 2015 to 36.80% at the end of 2017. This ratios remain well above the regulatory requirement of the Bank of Albania, as well as provide a substantial cushion to NBG Albania for any future liquidity stress periods.

Capital preservation remained also one of our key strategic priorities. CAD ratio of the bank has increased from 16.40% at the end of 2015 to 18.20% at the end of 2016, well above the Albanian Banking Sector average of 15.70% and above the regulatory requirement for Greek Banks of 15%.

In 2016 NBG Albania has also kept a focus on social responsibility, by contributing in several areas of public and community interest.

Looking ahead the Bank will continue to emphasize on Capital Preservation and Liquidity, while increasing its efforts towards improvement of Asset Quality, reduction of NPL's through out of court debt restructuring but if necessary through collateral liquidation, too.

Concluding, I am confident that as 2016 the next will be another successful year despite the several challenges should be faced and such a success once again has to be attributed to the strong commitment and professionalism of our executive officers and personnel as well as the support and know-how of NBG Group, and most importantly the trust of our customers.

2016 was a jubilee year for NBG Albania celebrating 20 years in Albania

We started as a Tirana branch of the National Bank of Greece and now following the transformation on May 2012, Banka NBG Albania carries out its activity as an independent, self financed subsidiary bank, member of NBG Group. Back in 1996, Banka NBG Albania counted only few tens of employees. Now the bank depends on more than 300 well qualified and professional staff. Banka NBG Albania is now one of the main banks in the country with a network of branches and ATMs that cover the whole country. The celebrations for the 20 years in Albania took place across our branches all over the country and culminated in a corporative event.

1996
NBG Albania commences operations as the Tirana branch of NBG Group.

2003
NBG Albania becomes the first bank to launch a mortgage offering in Albania.

2004
NBG Albania becomes the first bank to introduce unsecured consumer loans in the market.

2007
NBG Albania launches the first innovative mortgage product in the market via the 5x5 mortgage campaign[1].

Source: Company information.
1. Offering 5% fixed interest rate for 5 years (versus market at ~ 8% interest rates at the time) and variable thereafter.


LICENCË
Nr. 08, datë 25.11.1996
PËR TË VEPRUAR SI BANKË NË REPUBLIKËN E SHQIPËRISË

2016
NBG Albania celebrates its 20th year in Albania, and undertakes a nation-wide marketing campaign.

2012
NBG Albania transforms from a branch into a subsidiary bank, 100% owned by NBG. BoA grants a full banking license in May 2012.

2012
NBG Albania becomes a self-funded bank following successful retail deposit build-up in 2011 and 2012.

BANKA NBG'S ALBANIA'S PRINCIPLES ON CORPORATE GOVERNANCE ("CG")

1.1 INTRODUCTION TO THE CORPORATE GOVERNANCE FRAMEWORK OF THE BANK.

The Bank's corporate governance framework is aligned with the requirements of Albanian legislation i.e. Company Law, the rules of the Regulation of the Bank of Albania No.63 /14.11.2012,the Bank's Articles of Association, Group principles and internal regulations. Consequently, the Bank's governance aims to ensure the effective and transparent separation of the roles and responsibilities of its corporate bodies, and, in particular, also in accordance with regulatory provisions, checks and balances between strategic supervision, management and control functions.

Based on Governor's Act No. 8/1/28.05.2012, Tirana Branch of NBG S.A. was transformed into Banka NBG Albania Sh.A. an independent self financed subsidiary member of NBG Group. The process of transformation led to the establishment of new supervising, governing and managing structures of the Bank such as the Board of Directors, the Audit Committee, and the Executive Management. The relevant duties and responsibilities of the said structures are comprehensively reflected in the Articles of Association of the Bank, approved by the General Assembly on 29 June 2012, in line with the corporate governance principles set by both legislative and regulatory framework of the Bank of Albania and the Group CG.

The Bank is in compliance with the local Corporate Governance Principles and Group Corporate Governance Code to the extent applicable in Albania. Within the context of strengthening the Corporate Governance structures, in 2016 the Bank (i) established the Corporate Governance, Nomination and Remuneration Committee, (ii) revised the composition and the Charter of responsibilities of Board Risk Management Committee charter in line with the Group standards and Basel principles on CG.

1.2 CORPORATE GOVERNANCE PRACTICES

In its endeavour to maintain corporate governance excellence and enhance its existing risk management framework, the Bank has adopted the following main corporate governance policies and practices, which are aligned with its activities and ensure the transparency and effectiveness of its operations.

CORPORATE GOVERNANCE CODE

The Bank adopted in October 2016 the Corporate Governance Code of the Bank which completes the corporate governance framework of the Bank. The code aims at providing a clear description of the Bank system of corporate governance, seeking to uphold the Bank's interests on a long-term basis for the benefit of all stakeholders, and at the Bank's compliance with the applicable Albanian and regulatory framework, and the regulatory and contractual obligations undertaken by the Bank within the context of capital strengthening measures. In addition, it aims at adopting international corporate governance best practices.

CONFLICT OF INTEREST POLICY FOR SENIOR EXECUTIVES

The Conflict of Interest Policy for Senior Executives adopted in 2012 in line with the Group Policy aims at enhancing the Bank's Internal Controls System, as well as preventing and managing potential conflicts of interest between the Bank and its Senior Executives, which could potentially have an adverse impact on the reputation and interests of the Bank as well as its clients, shareholders and employees.

CODE OF ETHICS

The Group Code of Ethics adapted to the local regulatory framework reflects the fundamental values that the Bank as member of the Group upholds in its business activities and the provisions of national legislation and regulations which, accordingly, concern

management and employees throughout the Bank in order to protect the interests of their employees, clientele and shareholders, ensure the proper operation of the financial environment, and maintain and enhance the reliability, solvency and goodwill of the Bank.

WHISTLEBLOWING POLICY

The Bank Whistle-blowing Policy in line with the Group standards that along with the relevant Procedure sets out the principles and the procedures for the submission of confidential reports or comments by any party, whether anonymously or not. These reports mainly relate to behaviours employed by the Bank's executives and employees that raise concerns about irregular or illegal actions related to accounting and auditing matters, which are inconsistent with international practices and regulations.

The Audit Committee of the Bank is responsible for the adoption and ongoing monitoring of the implementation of these procedures, which safeguard the confidentiality and anonymity of the received reports or comments.

The Bank's email address info.ac@nbgal.groupnbg.com is the contact address for the submission of confidential reports. This address is accessed by the Compliance Manager and one of the members of the Audit Committee.

BANK REMUNERATION POLICY

The Bank's Remuneration Policy revised in 2015 in accordance with Group Remuneration Policy and the Regulation of the Bank of Albania No. 63/14.11.2012 on "Core Management principles of banks and Branches of Foreign Banks and Criteria on the Approval of their Administrators". You can find detailed information related thereto in Section D of this Report.

GENERAL MEETING OF SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Bank's Articles of Association (Articles 12-13) describe the modus operandi of the General Meeting of the Assembly of Shareholders ("GAM"), its key responsibilities and authorities as well as the Shareholders' rights. The Bank's Articles of Association are available on the National Registration Center website at www.qkr.gov.al.

1.1 GENERAL ASSEMBLY MEETING OF SHAREHOLDERS FUNCTIONING AND RESPONSIBILITIES

Competencies: The GAM is the Bank's supreme, collective decision-taking body. Its lawful resolutions are binding to all Shareholders, even to those absent or dissenting. All of the Bank's Shareholders are entitled to participate in the GAM. Shareholders may be represented at the GAM by other, duly authorised persons, in line with the applicable provisions of law. Each share entitles the holder to one vote as stipulated by law. Since its transformation into a subsdiary bank in 2012, the Bank has one shareholder, the National Bank of Greece S.A. and the GAM is referred to as the General Meeting of the Sole Shareholder.

The GAM is the sole corporate body vested with authority to decide on:

- amendments to the Articles of Association;
- extension of the duration of the Bank's activity, merger, dissolution of the Bank;
- change of registered office;
- increase or decrease of the registered capital;
- issue of bond loans as defined in the legislation in force;
- appointment and dismissal of the members of the Board of Directors and approval of their remuneration;
- appointment of the chartered accountant and of the members of the Audit Committee and approval of their remuneration;
- Decisions on merger, acquisition and liquidation of the Bank
- distribution of profits;
- approval of annual Financial Statements certified by elected independent auditor.
- other issues as set forth explicitly in the applicable law.

The provisions of the previous paragraph do not apply to:

i. the election of the Board Members in replacement of members resigned, deceased or having forfeited their office for whatever reason, in line with the provisions of the Articles of Association pursuant to para. 11 of Article 14 therein;
ii. the appointment of the Chairman and Vice Chairman of the Board of Directors; such a/m competencies rest with the Board.

Call of Meetings: The GAM decides on all Board proposals included in the agenda. It is convened by the Board and/or by the Managing Directors or as otherwise provided for by the Articles of Association and law, regularly at least once a year, always within six months of the end of each financial year. The GAM may also be convened extraordinarily whenever deemed necessary, at the discretion of the Board or the Audit Committee members or by request of shareholders having at least 5% of the share capital.

With the exception of repeated GAMs/GAMs deemed similar thereto, or unless the call procedure is waived by the shareholders, as a general rule the GAM shall be called at least 21 calendar days before the date set for it.

The invitation to the GAM, including the information provided for by law, should contain inter alia the place where the GAM is to be held, the date and time thereof, the items on the agenda, clearly specified, and the shareholders entitled to participate therein, along with precise instructions as to the method of participation and exercise of the rights thereof. The invitation is sent via registered post to all Shareholders; or via electronic mail or otherwise by publication of a notice in a daily newspaper authorized for legal publications with a

nationwide circulation, when the applicable law so requires and displayed in the Bank's website.

Any person appearing as a Shareholder (i.e. holder of ordinary registered shares of the Bank) in the registry of the Shares of NBG Albania, in which the shares of the Bank are being held, as per the formalities of Article 6.1 of the Articles of Association of the Bank and Article 119 of the Companies Law No.9901/14.4.2008, as amended and the relevant invitation to the GAM, is entitled to participate in and vote at the GAM either in person or by legally authorized proxy.

Actually, the Bank has not issued any preference shares that entitle the representative of their holder to attend the Meeting and to exercise its veto right regarding specific matters.

The procedure and deadline for submitting the proxies and representatives of the Shareholders are set out in Article 140 of the Company Law No.9901/14.4.2008, as amended. In addition in case the GAM' is convened without complying with the formalities set, the GAM may adopt valid decisions only if all the shareholders are present or duly represented and no shareholder has any objections to adopt decisions despite the irregularity. A resolution in writing adopted by or on behalf of each Shareholder shall be as valid as if it had been adopted at a General Shareholder's Assembly duly convened, despite the irregularities.

Prior to the Annual General Shareholders' Assembly the Board of Directors, upon the request of any Shareholder, shall make available (i) the Annual Financial Statements, and the notes thereto, (ii) Independent Auditor's Report (iii) the Report of the Board (iv) the report/certificate of the Audit Committee.

Quorum: The GAM forms a quorum and validly deliberates on the items on the agenda when Shareholders owning at least more than 1/2 of the paid-up capital are present or represented thereat. Should there be no such quorum, the GAM must reconvene within thirty (30) days as of the date of the meeting that was cancelled; at such repeat meeting, the GAM forms a quorum and validly deliberates on the original agenda when present shareholders hold at least 35% of the subscribed voting shares. In the event that no quorum is formed, a third GM takes place at least (30) full days after the cancelled GM provided that the present shareholders hold 30% of the subscribed voting rights.

In specific cases, resolutions of General Shareholders' Assembly concerning:

- extension of the duration of the activity of the Bank;
- change of the Bank's registered office;
- amendment of the activity of the Bank in conformity with the applicable legislation on banks;
- issuance of bond obligations (including convertible bonds to share capital);
- increase of the obligations of the Shareholders;
- increase or decrease of the registered capital;
- distribution of profit;
- reorganization, dissolution and merger of the Bank and
- any other amendments of the Articles of Association,

require a majority of at least 3/4 of the votes represented in the General Shareholders' Assembly, and a quorum of 2/3 of the share capital present at the Meeting.

Except the above, all the other resolutions are adopted by a simple majority of votes of the shareholders present at the meeting.

1.2 MINORITY RIGHTS

The shareholders' rights of minority are preserved in accordance with the applicable provisions of the Companies Law No.9901/14.4.2008, as amended and also with the relevant Articles of Association.

At the request of Shareholders representing at least 5 (five) percent of the paid-up share capital, the Directorate of the Bank/Chief Executive Officer is obliged to convene an extraordinary GAM setting the date thereof not later than eight (8) days as of the date on which the request was submitted to the Chairman of the Board. The request indicates the items on the agenda in compliance with the applicable law.

BOARD OF DIRECTORS AND OTHER MANAGEMENT, ADMINISTRATIVE AND SUPERVISORY BODIES

1.1 BOARD OF DIRECTORS OF THE BANK

The Bank is managed by the Board of Directors (the "Board") which is responsible for ensuring strategic direction, management supervision and adequate control of the Bank, with the ultimate goal of increasing the long-term value of the Bank and protecting the corporate interest at large, in compliance with the current legislation and regulatory framework.

BOARD COMPOSITION

The Board of the Bank is composed by an odd number of members, not less than 5 (five) and not more than 9 (nine) members that are elected by the GAM a term of no longer than (4) years. The members of the Board of Directors shall have the right to be re-elected without limitation. The majority of the members of the Board shall be composed of individuals that at the time of their election and throughout their mandate are not connected through private interests, with the Bank, its subsidiaries, parent bank, shareholders that control the bank or its executive directors as per the definition given in the Banking Law No. 9662/ 18.12.2006 as amended. Members of Directorate, including the CEO may be members of the Board, provided that their total number does not constitute the majority of the total number of members of the Board of Directors.

The Bank requires that each Member provides an annual declaration confirming the continued possession of non-conflict of interest requirements, which the members file each year with the Board. The last assessment on independence was carried out on December 2016. All Board Members, based on declarations made by each of them and on information already available to the Bank, were found to be in possession of non-conflict of interest criteria.

BOARD MEMBERSHIP/QUALIFICATIONS

The Board in office at the date of publication of this Report consists of the following members:

Board of Directors Name	Position in Board	Re/Election Date	End of Term	Profession/Main job experience
Konstantinos Bratos	Chairman, non-executive	19.05.2016	2020	Economist. Mr.Bratos holds a BSc in Economics from the University of Piraeus, a MSc in Economic Management with a specialization in Marketing Management from Burgas University (Bulgaria). Mr. Bratos is actually the Assistant General Manager, Corporate Workout & Remedial Management of International Activities. He has developed a long and excellent carrier path within NBG Group holding high-level positions such as Assistant General Manager of International Activities at NBG, Chairman of the BoD of NBG Malta Holdings Ltd, NBG Bank Malta Ltd, Banka NBG Albania, Stopanska Banka AD Skopje and NBG Egypt (branch network), Executive Manager for Corporate & Business Banking at UBB/ Manager of International Network Division A' at NBG, Second General Manager at Stopanska Banka, Deputy Manager at the NBG branch in Boston, Manager at the NBG branches in Belgrade, Sofia and Bucharest. Mr. Bratos served also as Deputy Chairman of the BoD of Banca Romaneasca SA and Vojvodjanska Banka AD and member of the BoD of United Bulgarian Bank AD. At the beginning of his carrier at NBG he worked in the Audit Division and in Branch network of NBG S.A..
Executive members				
Ioannis Agathos	CEO/ member	16.04.2017	2018	Economist. Mr. Agathos holds a B.A. in Economics, Master's degree in Banking and a PhD in Banking management. He has developed a long successful carrier at NBG Group holding offices of General Manager of Operations and Chief Corporate Officer NBG Cyprus Ltd, member of the Executive Board Member of NBG Cyprus Ltd and NBG Management Services Ltd., Vice Chief Internal Auditor at NBG Group/ Private Banking Sector. Mr. Agathos has worked for many years as a high level experienced auditor at NBG Group. He holds many certificates in specialising/trainings in economic sciences, knowledge and skills in banking areas on Product Administration, Processing, Accounting, Corporate/SBB lending internal audit, risk management, AML.
Independent non-executive members				
Konstantinos Kyriazis	Deputy Chairman	19.05.2016	2020	Economist. Mr. Kyriazis holds a B.A in Economics. He has a long experience at NBG Group holding positions as NBG Group AC Secretarial, NBG Inspector, D/Manager &Division Manager of Internal Audit NBG S.A.
Dimitris Vrailas1	Member	19.05.2017	2020	Mathematician. Mr. Vrailas holds a Master of Science of Modern Control Systems. He has an extensive experience in banking system working as Executive President of Ethnodata S.A.(NBG Greece It affiliate), Assistant General Manager in IT Division.
Kozeta Sevrani	Member	19.05.2016	2020	Physician. Mrs. Sevrani holds the title of Ass. Professor and a PhD in Physics. She is currently Head of the Statistics and Applied Informatics Department at the State Economic University of Tirana. She has been member of the Supervisory Board of the National Institute of Statistic. She holds many internationals certificates and specialisation in her practise area. Mrs. Sevrani is organiser of many international conferences on Applied Informatics and a regular invitee as external lecturer in various international universities.
Board/Board Committes Secretary				
Jonida Lakuriqi	Corporate Governance Manager			Lawyer. Mrs. Lakuriqi holds a B.A. in law and a LL.M in European Business Law. Prior joining NBG Albania, she worked as Tax& Legal Law Leader of Ernst&Young Albania&Kosovo, Partner at Apicella& Partners, including External consultant of Ministry of Finance in major public concessionaire projects, Senior Associate at Kalo& Associates/Attorneys- at-law at Corporate &Projects Department being team leader of large scale public and private projects. She is a licensed attorney at-law, member of the Albanian Bar Association. She has attended several international conferences and published in the international law magazines.

The members of the Board, while fulfilling their duties shall comply with the highest ethical standards and act upon sufficient and adequate information, in good faith, with the due care and responsibility, fully committed to their responsibilities, in the best interest of the safety and sustainability of the banking and financial activity, of the clients and their shareholders.

The Board elects the Chairman and the Vice Chairman of the Board. Moreover, the Board is empowered to elect the CEO of the Bank.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board is, indicatively, responsible for:

- the appointment of the Chairman and Vice Chairman of the Board of Directors
- the appointment of the Chief Executive Officer;
- the preparation of the financial statements to be submitted to the Ordinary Meeting of Shareholders and the allocation of the profits pursuant to the applicable law and Art.10 of the Articles of Association:
- the opening, closing and transfer of branches and representative offices:
- the acquisition and sale of participations;
- the purchase, sale and any other operation on fixed asset, excluding the decision on those transactions under the competence of the General Assembly of shareholders as provided by explicitly by applicable law.
- the evaluation of assets and credits;
- the definition of strategic plans;
- the approval and modification of internal regulatory framework (strategies, policies);
- the possible setting-up of committees or commissions;
- any other issues for which it is competent pursuant to the applicable law and the Articles of Association.

The Bank's Board is supported by competent Committees, which have been established and operate for this purpose, the operation of which is in accordance with legislation and the regulatory framework.

DIRECTORS/ADMINISTRATORS NOMINATION

The nomination procedure and the qualification criteria for Directors/administrators of the Bank are subject to specific rules that are set out in the Banking Law No. 9662/18.12.2006, as amended and the Regulation of the Bank of Albania No.63/ 14.11.2012. Since its establishment in October 2015, the Board Committee of the Corporate Governance, Nomination& Remuneration is responsible for overseeing the process of selecting and proposing to the AGM candidates for the Board, the candidates who meet the fit and proper requirements, as set out in the above mentioned regulations, and whose nomination ensures that the Board as a collective body depicts the required profile.

FREQUENCY OF MEETINGS AND BOARD MEMBER ATTENDANCE

As a rule, the Board meetings are held at every two months, save for extraordinary meetings. In 2016 the Board held 5 meetings.

As in the past, Board Members' attendance at meetings has proved constant. In particular, during 2016, the attendance of Board members at meetings was equal to 100%.This attendance in the Board meetings ensured the systematic contribution of all members to the management Bank business, thereby allowing the Bank to make full use of the professional skills represented.

The Board meetings lasted an average of 3 hours, considered adequate in satisfying the need for thorough development and discussion of matters on the agenda, also in view of the appropriate meeting and pre-meeting information, and the number of meetings held.

BOARD ANNUAL SELF- ASSESSMENT

The Board and Audit Committee conducts on annual basis the self-evaluation performance for the effectiveness of its work as both a collegial body and the annual evaluation of the skills, experience and knowledge of each individual member. The self-assessments were carried out based on questionnaires, consisting of an outline of topics covering all aspects of the activity of Board and Audit Committee.

1.2 BOARD'S INTERNAL COMMITTEES: COMPOSITION AND OPERATIONS

With regard to their specific specialist duties, the internal Board Committees play an important role in the research, analysis and in-depth study of matters put forth before the Supervisory Board. Such activities facilitate the task of the Board in making more reasoned decisions, without limiting the powers and responsibilities of the Board, and rather increasing the effectiveness and efficiency of its work.

In establishing the Committees, the Board took into consideration the independence requirements and the professional characteristics and experience of its

Members, so that each Committee is composed of members whose competence and professional skills are appropriate in terms of the duties attributed and is able to ensure the performance of tasks in a timely manner. The activities of each Committee are coordinated and directed by a Chairman designated by the Board. The duties of each Committee are specified in special Regulations.

The following Committees are currently established within the Board:

AUDIT COMMITTEE

The Audit Committee was established in 29 June 2012 and operates in accordance with the provisions of the Bank of Albania, the Banking Law No. 9662/18.12.2006 (article 33 and 38).The members of the Committee are elected by the GAM. The Chairman of the Committee is appointed by the Board. The Committee is currently composed of three members, out of which two independent and one non-executive. One of the members acts as the financial advisor on issues related to the IFRS and local GAP requirements. The Committee's members are appointed for a four-year term of office, which can be renewed indefinitely.

The Committee is in charge of:

- Reviews the financial statements.
- Monitors the operations of the Internal Audit Division.
- Assesses the adequacy of the internal audit systems.
- Submits a proposal for the appointment of an external auditor.
- Coordinates with the Compliance Manager on AML issues.

THE AUDIT IN OFFICE AT THE DATE OF PUBLICATION OF THIS REPORT CONSISTS OF THE FOLLOWING MEMBERS:

Audit Committee Name	Position in AC	Re/Election Date	End of Term	Profession/Main job experience
Konstatinos Kyriazis	Chairman independent	18.06.2016	2020	As referred in Table above
Anastasios Lizos	Member, non-executive	30.06.2016	2020	holds MBA in Finance Banking, certificate in Internal Audit Bankers Trust N.Y (3/96), Internal Audit KPMG (5/96), NPL's Inter-Alpha Banking Program France (5 and 11/2006). He has developed a long carrier path with NBG Group holding positions such as Deputy Manager in Internat. Network Division A/B/Internal Auditor. He is non-executive Director in (.) Stopanska Banka, NBG Leasing d.o.o (AC Chairman), UBB, Voivodanska Banka Serbia (Risk Committee member), SABA, (Remuneration committee), NBG Bank Malta, Interlease Bulgaria.
Teit Gjini	Member independent, financial expert	22.09.2016	2020	holds BA in Finance/Accounting from the University of Tirana. He is an authorized Chartered Auditor, and the Managing and Audit Partner of MAZARS Albania, International Audit& Consulting company, Member of the Board of the Institute of Chartered Auditors Albania/ Member of the Supervisory Board of the Albanian Agency on Deposits insurance, Internal Auditor of International Commercial Bank (Albania/ CFO of Eurovia Int/Lecturer of Managerial Accounting, State University of Tirana.

In 2016, the Audit Committee convened in 5 meetings with full participation of all its members. During the course of the year the Committee, it (i) reviewed the quarterly and annual financial statements of the Bank, (ii) monitored on a quarterly basis and evaluated on an annual basis the operations of the Bank Internal Audit Division, (iii) assessed the adequacy of the internal audit systems in line with Bank of Albania regulatory framework and the Group, ensuring the independence, objectivity and effectiveness of its operation, and (iv) submitted to the Board the proposal for the appointment of Ernst& Young as external auditor, (iv) conducted hearing with Compliance Manager on AML/ CFT issues.

Detailed information on the responsibilities, composition and modus operandi of the Committee are included in the Committee's charter.

BOARD RISK MANAGEMENT COMMITTEE

The Board Risk Management Committee comprises three members elected by the Board. This body is (i) responsible for the on-going monitoring and approval of the risk profile defined by the BoD, (ii) provides guidance to the Risk Management Division in implementing risk appetite strategy and management policies, (iii) develops internal risk management systems and ensures their incorporation in the business decision making processes.

The Committee in office at the date of publication of this Report consists of the following members:

Konstantinos Bratos
Apostolis Priftis2
Ioannis Agathos

Detailed information on the responsibilities of the Committee are included in the Charter of the Committee.

CORPORATE GOVERNANCE NOMINATIONS, REMUNERATION COMMITTEE

The Corporate Governance, Nominations and Remuneration Committee is established as a Board Committee in accordance with the local regulatory framework and NBG Group standards on the corporate governance principles. The members and the Chairman of this committee are appointed by the Board for one year office term with undefined re-election right. The Committee actually is composed by three non-executive members, out of which two are independent. The activity of this Committee consists in (i) assistance of the Board in evaluation/remuneration of the executive members of the Board, Senior Management and heads of major Bank units, (ii) planning and coordination of the process for selecting candidates as Board member and executive directors of the Bank, (iii) ensuring conformity assessment of the Bank with the applicable regulatory framework on corporate governance.

The Committee in office at the date of publication of this Report consists of the following members:

Konstantinos Bratos	Chairman	Non -executive
Kozeta Sevrani	Member	Independent
Apostolis Priftis	Member	Independent

In 2016 the Committee submitted to the Board the reports for (i) re-election of four Board of Directors members and (ii) three Audit Committee members following their office term expiration (iv) remuneration of the Board and Board Committee's independent members.

Detailed information on the responsibilities of the Committee are included in the Charter of the Committee.

BOARD CREDIT COMMITTEE

The Board serves as Credit Committee for the approval of credit facilities over EUR 5 million up to EUR 200 million whereas an additional approval required from NBG Group International Corporate Credit Committee. The Committee convenes at least 4 times per year and comprises of all the members of the Board.

1.3 MANAGEMENT, ADMINISTRATIVE BODIES OF THE BANK

The key supervisory, management and administrative bodies of the Bank in which executive members of the Board participate, include the Executive Committee, the ALCO, the Executive Credit Committee, the Provisions and Write-Off Committee, the Risk Management Committee and the Risky Events Management Committee.

EXECUTIVE COMMITTEE

The Executive Committee of the Bank is the supreme executive body that supports the Chief Executive Officer of the Bank in his duties. The Executive Committee has strategic and executive powers in regard to the more efficient operation of the Bank and the monitoring of the execution of the Bank's strategy, as well as approval authority that cannot be delegated to other members of the Bank's management or to other collective bodies of the Bank. The Committee in office at the date of publication of this Report consists of the following members:

Name	Position in ExCo	Election Date	Profession/Main work experience
Ioannis Agathos	Chairman	2012	As referred in Table BoD membership above
Ioannis Antoniadis3	Member, Chief Risk Officer	2012	Economist. Mr. Antoniadis is graduated in Geology from Aristotle University of Thessaloniki, he holds an MBA on banking from Macedonia University of Thessaloniki, and an MBA on Banking from Open University of Patra. Prior joining NBG Albania in 2007 as Corporate Credit Manager and then as Chief Risk Officer , he held the position of Relationship Manager for Large companies at the Credit Center of National Bank of Greece, Thessaloniki. He has attended various seminars and trainings in financial management system, credit analysis, corporate financial management and strategies, management of credit risk, Non-Performing Loans management and others.
Brunilda Papa (Jakovi)	Member, Chief Operations/ Finance Officer	2012	Financier. Mrs. Papa holds BA in Finance/Accounting, and MBA in Finance Banking from University of New York in Tirana. Mrs. Papa has developed a long carrier path since establishment of NBG Albania holding positions such as Chief Finance Officer, Manager of Finance & Accounting Division. Mrs. papa has been involved in all the Bank main projects for implementation of the Bank core systems. She has attended various seminars and trainings in financial management system. She is a member of all the decision- making committees of the Bank.
Aida Apostoli (Tirana)	Member, Chief Retail Officer	2012	Economist. Mrs. Apostoli holds the position of Chief Retail Officer in NBG Bank Albania since July 2011. Prior to this appointment, she served as Network and Sales Director in NBG Bank Albania starting from March 2007. Other positions held within NBG Bank Albania were as Branch Manager and as Internal Audit Officer. Prior joining the banking system (in 1996), Mrs. Apostoli worked for more than a decade as a Physics Professor in one of the state universities in Tirana. Mrs. Apostoli holds a MBA (2005), a Bachelor of Law and a Diploma in Physics from the University of Tirana (Albania).
Anastasios Asimakopoulos	Member, Chief Corporate Officer	2014	Economist. Mr. Asimakopoulos is appointed as CCO of NBG Bank since January 2014, responsible for the Management and higher supervision of the Commercial (SME)& Corporate Portfolio of the Bank. He is a member of all the decision- making Committees of the Bank. Mr. Asimakopoulos has a long experience within NBG Group, as a Senior Group Auditor of the Credit Audit Sector (since 2007), specialized in auditing of all the aspects of the Financing Procedure for the Group's SME and Corporate portfolio, following the office held as Senior Credit Analyst for the SME's portfolio. Mr. Asimakopoulos holds a BSc in Economics from the Athens University of Economics & Business (A.U.E.B.), an MBA from University of Wales, Cardiff Business School, he is also a member of the Greek Institute of Internal Auditors since 2009

ASSET AND LIABILITY MANAGEMENT COMMITTEE (ALCO)

ALCO's key purpose is to establish the Bank's financial sector strategy and policy as to matters relating to the structuring and management of assets and liabilities taking into account the current regulatory framework and market conditions, as well as the risk limits set by the Bank. The Committee in office at the date of publication of this Report consists of all the ExCo members and the Head of Treasury, Mr. Niko Kotonika.

PROVISIONS AND WRITE-OFFS COMMITTEE

The Committee oversees the decision making process on provisions and write-offs of the Bank's claims of any nature, which are considered by the Committee to be liable of a loss in value.
The Committee is comprised of ExCo members and the Workout Manager.

BANK CREDIT COMMITTEES

The Bank lending activity is managed by a five-level system of credit committees escalated as per the credit facility amount discretion.

BOARD CREDIT COMMITTEE

The Board Credit Committee' scope is the approval of the credit facilities from € 5 million up to € 200 million upon the proposal of the NBG Group International Corporate Credit Committee. The Committee is comprised of all the members of the Board.

EXECUTIVE CORPORATE CREDIT COMMITTEE

The Board Credit Committee of the Bank as subsidiary was established in July 2012 and its scope is the approval of the credit facilities from 1,01 million Euro up to 4.99 million Euro. The Committee in office at the date of publication of this Report consists of the following members:

Chairman	**Ioannis Agathos**	CEO
Member	**Ioannis Kagioulis**	Head of NBG Group International Credit Division (with veto power)
Member	**Theodoros Saidanis**	Representative of NBG International Activities Division
Member	**Ioannis Antoniadis4**	Chief Risk Officer
Member	**Anastasios Asimakopoulos**	Chief Corporate Officer

SENIOR CORPORATE CREDIT COMMITTEE

The Senior Corporate Credit Committee of the Bank as subsidiary was established in July 2012 and its scope is the approval of the credit facilities from EUR 300,01 million up to EUR 1 million. The Committee in office at the date of publication of this Report consists of the following members:

Chairman	**Ioannis Agathos**	CEO
Member	**Ioannis Antoniadis**	Chief Risk Officer (with veto power)
Member	**Anastasios Asimakopoulos**	Chief Corporate Officer

A representative of NBG Group International Credit Division participates in the decision making of the committee for (i) all exposures from 0,75 million Euro to 1 million Euro and (ii) all facilities under the responsibility of the committee classified as GB internal risk category.

COMMERCIAL CREDIT COMMITTEE

The Commercial Credit Committee' scope is the approval of the credit facilities up to €300,000. The Committee in office at the date of publication of this Report consists of the following members:

Chairman	**Ioannis Antoniadis5**	Chief Risk Officer (with veto power)
Member	**Anastasios Asimakopoulos**	Chief Corporate Officer
Member	**Aida Apostoli**	Retail

REMUNERATION OF BOARD &BOARD COMMITTEES MEMBERS

1.1 NBG ALBANIA BANK REMUNERATION POLICY

Remuneration Policy of Banka NBG Albania Sh A is designed by Human Resources in cooperation with Compliance and Corporate Governance of the Bank, in line with NBG Group guide and principles and approved by the Bank's Board of Directors.The Remuneration Policy is applied to all bank employees in the Administrative Office and Branch Network.

The key objectives of the Remuneration Policy are:

- To ensure that the Bank acts in full compliance with local legal and regulatory remuneration framework
- To ensure the implementation of the basic guidelines and principles across the group
- To allocate respective procedures responsibilities and their proper implementation
- To ensure transparency as regard the remuneration of Bank's staff
- To minimize potential risks caused due to the implementation of principles governing the remuneration of Staff identified by this Policy.

The remuneration Policy on senior management applies the following identified staff categories:

- Non-Executive Board and Audit Committee Members;
- Executive Committee Members;
- Independent Control Functions: Head of Internal Audit; Corporate Governance Manager, Compliance Manager;
- Other Executives whose professional activities have a material impact on the risk profile of the Bank: Managers of Human Resources; Legal; IT and Treasury.

The remuneration structure for the staff of Banka NBG Albania is comprised of fixed components and the variable ones.

- Fixed components represent a sufficiently high proportion of the total remuneration as compared with variable components and include: (i) fixed cash, (ii) fixed in shares* and (iii) fixed in other type instruments.
- Variable components are adaptable to the market conditions and the nature of the work being paid for and include: (i) variable cash, (ii) variable in shares and* (iii) variable in other type instruments.
  During 2016, no remuneration was paid in shares or other instruments other than in cash.
- Variable remuneration shall only be paid subject to the Bank's overall financial standing and justified according to the performance of the Bank, the unit involved.

1.2 BOARD MEMBERS, EXECUTIVE DIRECTORS, SENIOR MANAGEMENT REMUNERATION.

The remuneration of CEO is in line with the Bank's and Group Remuneration Policy, as well as industry best practices, in a way that adequately reflects the time and effort for him to contribute to the work of the Board, while at the same time managing the day to day activity of the Bank.

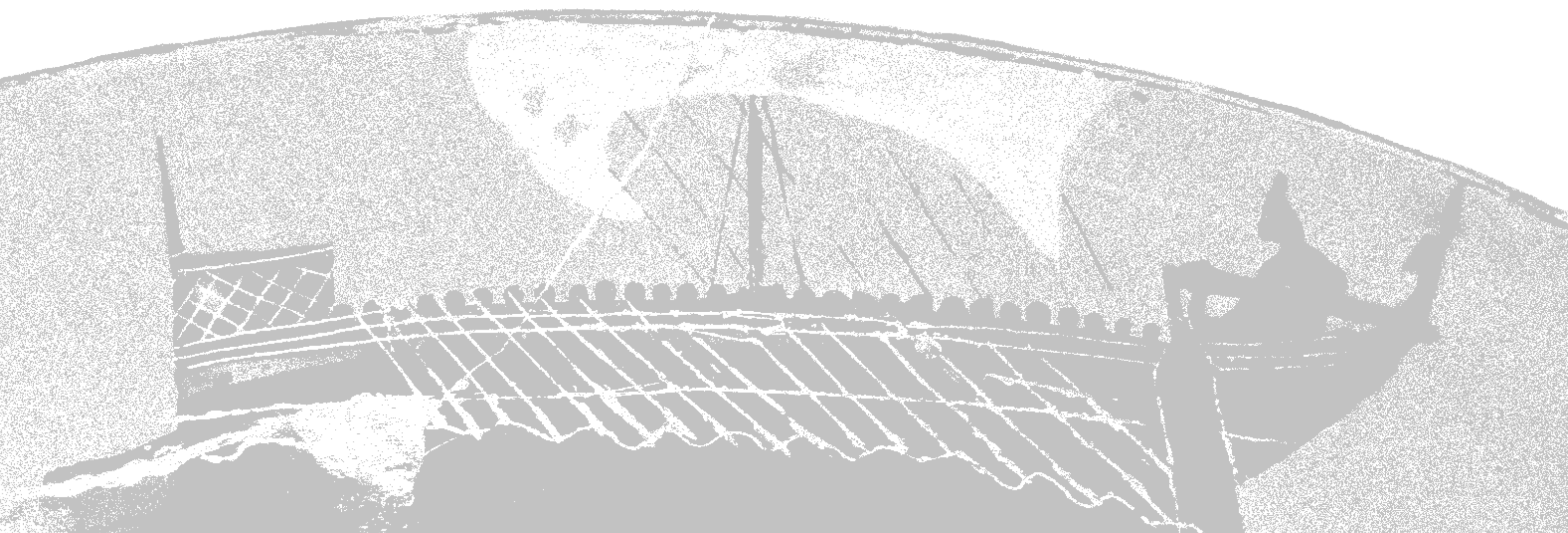
During 2016 no kind of remuneration (either variable, fixed) was granted to the Chairman and the executive members of the Board, while the remuneration of independent non-executive members is a fixed-payment exclusive of any bonuses, participations in shares in accordance with the Remuneration Policy of the Bank and the AGM decision.

The AGM of Shareholders, upon Board proposal approved the remuneration of the independent members of the Board of the Bank and Audit Committee for the subsequent financial years, unless otherwise decided by AGM.

In 2016, the independent members of the Board and Audit Committee members were paid based on a fixed fee per each meeting attendance. The remuneration schema does not provide for any whatsoever kind of additional compensation in the form of bonuses or participations in shares.

The table below sets out the compensation of the Board& Board Committees' meetings in 2016 as well as the remuneration for the Bank executives and Senior management.

	Independent BoD and Audit Committee Members	**Executive Committee Members**	**Independent Control Functions**	**Other Executives**
Categories	(1)	(2)	(3)	(4)
Headcount	4	5	3	4
Total annual fixed remuneration (in EUR):	13,447.09	306,416.08	76,740.32	95,204.68
fixed in cash	13,447.09	306,416.08	76,740.32	95,204.68
fixed in shares and share-linked instruments	-	-	-	-
fixed in other types instruments	-	-	-	-
Total annual variable remuneration (in EUR):	-	-	-	-
variable in cash	-	-	-	-
variable in shares and share-linked instruments	-	-	-	-
variable in other types instruments	-	-	-	-



INTERNAL CONTROL SYSTEM AND MANAGEMENT OF RISKS

1.1 MAIN FEATURES OF THE INTERNAL CONTROL SYSTEM

Aiming to ensure the good reputation and credibility of the Bank towards shareholders, customers, investors and the supervisory and other independent authorities, the Bank provides for the continuous enhancement of its Internal Control System ("I.C.S."). The I.C.S. refers to the set of controls and processes that cover all activities on an ongoing basis and is designed to ensure that the Bank and the Group operate effectively. The I.C.S. aims to achieve the following main objectives:

- Consistent implementation of the Group business strategy through the efficient use of available resources;
- Identification and management of the undertaken risks, including the operational risk;
- Completeness and reliability of data and information that are necessary for the accurate and timely determination of the Group's financial position and the production of reliable financial statements filed to Albanian and other authorities abroad;
- Compliance with the local and international institutional framework that governs the operation of the Bank and the Group, including internal regulations, IT systems and codes of ethics;
- Adoption of Corporate Governance best practices; and prevention and avoidance of any errors and irregularities that may put at risk the reputation and the interests of the Bank, its shareholders and customers.

The Board, with the assistance of its Committees, in the context of the review of the corporate strategy and the significant business risks, adopts appropriate policies aiming to ensure an adequate and effective I.C.S. for the Bank and the Group. The Management is responsible for establishing and maintaining adequate controls and procedures, depending on the nature of activities and the undertaken risks, for assessing any I.C.S.'s deficiencies and finally undertaking the necessary corrective actions.

1.2 RISK MANAGEMENT FRAMEWORK

The Bank aims to adopt practices regarding risk management governance, taking into account all relevant guidelines and regulatory requirements, as set by the Bank of Albania and the Group. The Bank's risk governance framework comprises of a number of different constituents. In particular, the Board has established the Board Risk Committee overseeing all risk management functions across the Bank. The risk management unit report and are supervised by the Chief Risk Officer of the Bank, who reports to the Risk Management Committee.

The Bank's ALCO sets the general guidelines for asset and liability management. ALCO determines the Bank's strategy and policy as to matters relating to the structuring and management of assets and liabilities taking into account the current market conditions and the risk limits set by the Bank.

The Internal Audit, which reports directly to the Board through the Audit Committee, complements the risk management framework and acts as an independent reviewer, focusing on the effectiveness of the risk management framework and control environment.

1.3 REGULATORY COMPLIANCE AND CORPORATE GOVERNANCE

The Compliance Division is functionally independent from other Bank units and is responsible for regular monitoring and control of issues and reports regarding the Bank's legal and regulatory compliance. This Division ensures the timely prevention of risks relating to potential breach of regulatory rules and acts, supervise the implementation of Policies such as those regarding Anti-money Laundering / counter financing of terrorism, senior executives conflict of interest, anti-bribery, and of Policies adopted in compliance with the AML Law.

The Compliance Division Manager reports to the Board of Directors and the Chief Executive Officer.

The Corporate Governance Division includes the Board& Board committees Secretariat and the Corporate Governance of the Bank. Its scope of work is the alignment and adaption to the current regulatory requirements at national and Group level, in view of the enhanced importance that corporate governance issues have taken during the last decade in the sound administration of the Bank. As from its established the Corporate Governance Division has managed to support the Bank and in particular its Board in establishment and upgrade of the functioning of the governing bodies and Board Committees, monitoring and supervision of matters related to corporate governance, projects/ issues sensitive to the Board, and relationships with supervisors. The Corporate Governance Manager, who acts also as a facilitator and advisor to the Board and the CEO, reports to the CEO of the Bank and to the Board upon its request. In addition, this office provides support and guarantees contact with the Corporate Bodies with Bank management responsibilities on all matters of interest to the Board. In performing its duties, the Corporate Governance Division acts in liaison with other Bank and Group Departments.

1.4 MANAGEMENT OF RISKS RELATING TO THE PROCESS OF FINANCIAL STATEMENTS PREPARATION

Management is responsible for establishing and maintaining an adequate Internal Controls over Financial Reporting ("I.C.F.R.") which provides reasonable assurance regarding the reliability of financial statements and reports that are prepared in accordance with the applicable generally accepted accounting principles. In this context, the Bank's policies and procedures provide reasonable assurance that transactions are recorded as necessary, receipts and expenditures are made only in accordance with the authorizations of management and any unauthorized acquisition, use or disposition of Bank's assets is timely prevented or detected. These policies and procedures are supported by the appropriate IT and accounting systems.

The Bank's Audit Committee is responsible for monitoring and annually evaluating the adequacy and effectiveness of the I.C.F.R. of the Bank based on the reports submitted by the Finance Division) and the external auditors. The Audit Committee monitors the process of the financial statements preparation in accordance with the International Financial Reporting Standards ("IFRS") and the accounting principles generally accepted in Albania ("local GAAP"), and reports to the Bank's Board. Furthermore, the Audit Committee monitors the progress of the corrective actions undertaken in the context of the internal controls over financial reporting.

The Internal Audit (IA) is administratively independent from other Bank's units. The Chief IA is appointed or dismissed by the Bank's Board, based on the proposal of the Audit Committee and upon the recommendation of the Group Chief Audit Executive. The appointment or dismissal of the Chief IA is communicated to the Bank of Albania. The Chief IA reports on the IA's activities administratively to the Bank's CEO, to the Audit Committee on a quarterly basis and to the Bank's Board, through the Audit Committee on a quarterly basis. It also maintains a reporting line to the NBG Group Chief Audit Executive. The IA performs systematic assessment of the I.C.S. of the Bank, in order to evaluate the adequacy and effectiveness of the risk management and governance framework as this is designed and established by Management.

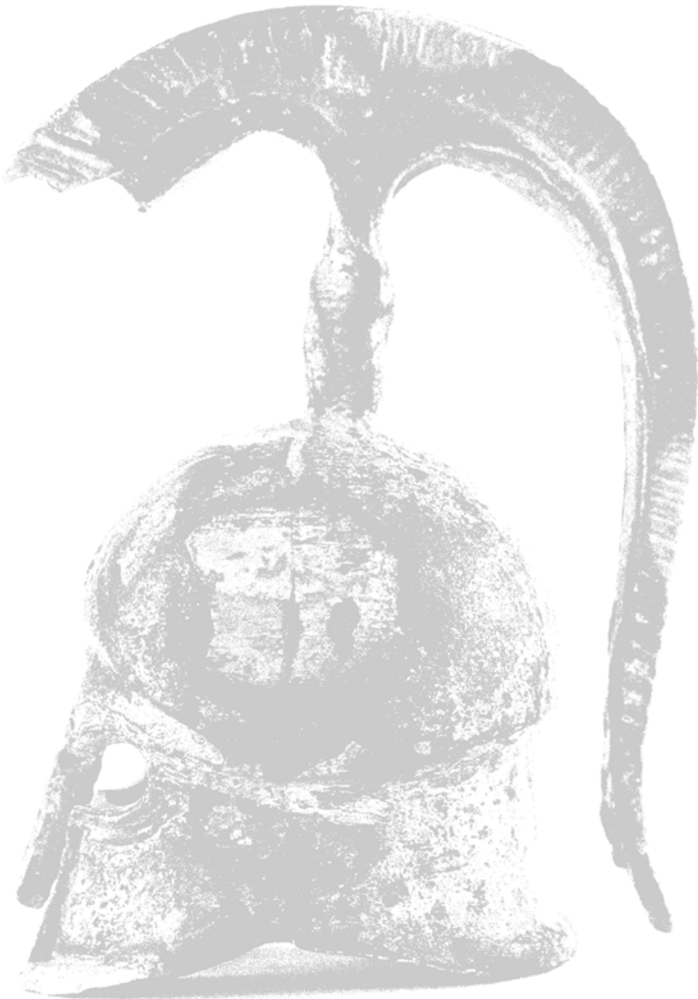
The external auditor, throughout the fiscal year, reports to the Audit Committee any significant deficiencies or material weaknesses identified in the I.C.F.R. during the audit. The Audit Committee submits proposals to the Boards of Directors regarding the required corrective actions and monitors their implementation. Additionally, the Audit Committee makes proposals on the appointment of the external auditors, pre-approves services rendered to the Bank and monitors the balance of audit and non-audit services in order to ensure auditor's independence.

1.5 ASSESSMENT OF INTERNAL CONTROLS OVER FINANCIAL REPORTING

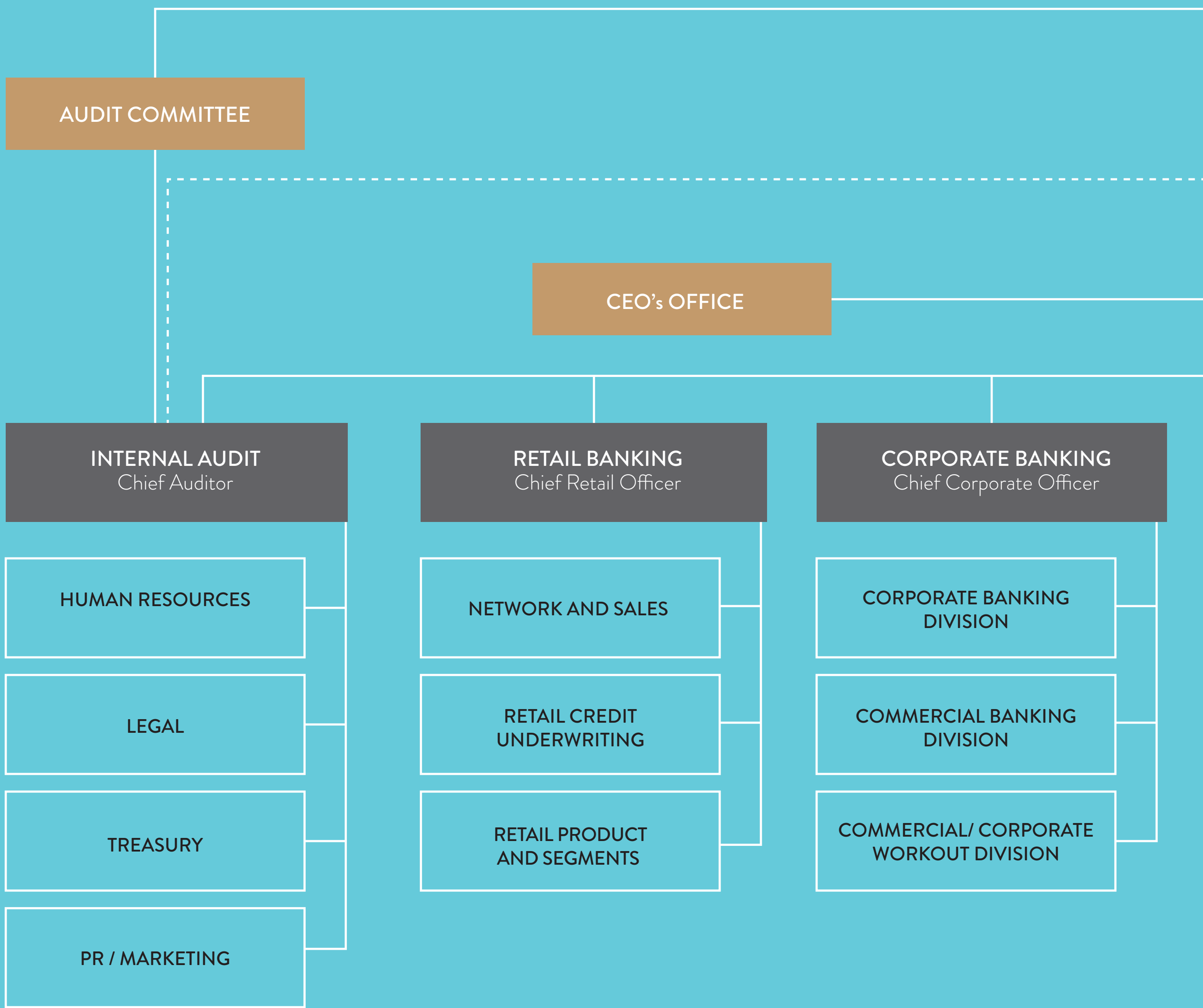
Specifically, for the preparation of financial statements in accordance with US GAAP and in compliance with SOX, Management performs on behalf of the Group the annual assessment of the effectiveness of the Bank's I.C.F.R., based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - 2013 Integrated Framework (COSO). The results of the assessment are included in the Group Annual Report 20-F filed with the US Securities Exchange Committee (SEC). The assessment is conducted by the Finance Division of the Bank and concerns the review of the efficiency of the control mechanisms that have been identified in critical processes on Bank level.

1.6 ASSESSMENT OF DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer, and the Chief Financial Officer, perform an evaluation of the effectiveness of the disclosure controls and procedures of the Bank and present the relevant conclusions of the Bank which is filed with the Group SOX Division. Disclosure controls and procedures are defined as those controls and procedures designed to ensure that financial and non-financial information required to be disclosed in reports submitted under the US Securities Exchange Act of 1934 is properly recorded, processed, summarized and reported in a timely manner. For the assessment of the disclosure controls and procedures, the "self-assessment" method is applied by the management of the involved Bank units.



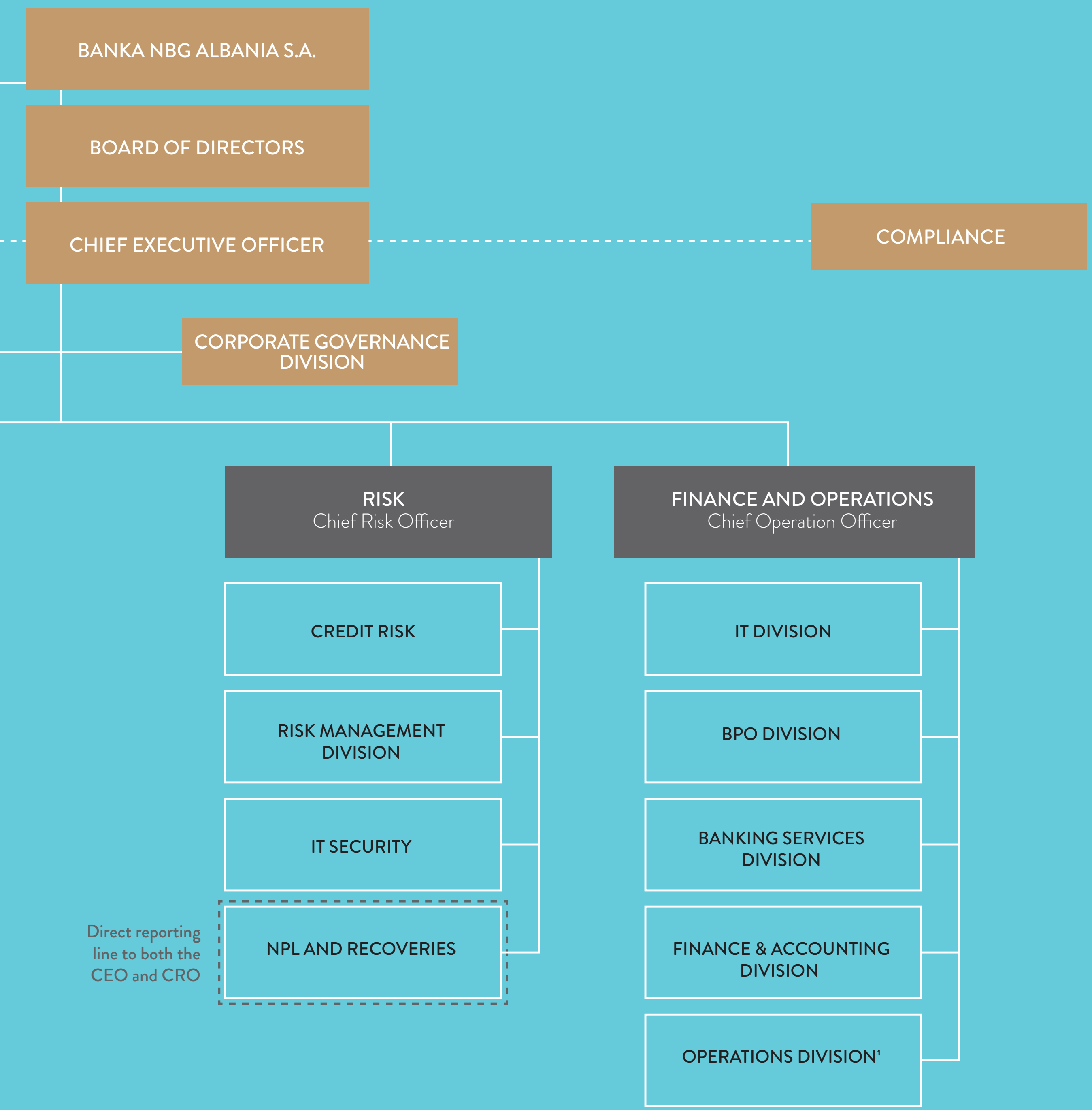
OVERALL ORGANIZATIONAL CHART DECEMBER 31ST, 2016



1. ***Operations Division***
Consists of Loan Administration Division, Administration and Procurement Division, Cash Management Department, Real Estate Evaluators Department and Treasury Back Office.

BANKA NBG ALBANIA S.A

HEADCOUNT – 309
(HO 158 + NET 151)



INDEPENDENT AUDITOR'S REPORT AND THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED

DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Banka NBG Albania sh.a.

Opinion

We have audited the financial statements of Banka NBG Albania sh.a. (the "Bank"), which comprise the statement of financial position as at December 31, 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Bank as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of Banka NBG Albania sh.a. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young - Ekspertë Kontabël të Autorizuar
Dega në Shqipëri

Ernst & Young Certified Auditors

May 19, 2017
Tirana, Albania

ERNST & YOUNG - EKSPERTE KONTABEL TE AUTORIZUAR
NIPT: K61911012I
Tirane

Mario Vangjel
Certified Auditor

BANKA NBG ALBANIA SHA

STATEMENT OF FINANCIAL POSITION
as at December 31, 2016

	Notes	December 31, 2016 ALL '000	December 31, 2015 ALL '000
Assets			
Cash on hand and balances with Central Bank	6	4,377,972	3,797,523
Due from banks	7	6,626,737	3,830,841
Loans and advances to customers, net	8	24,945,933	25,646,577
Investment securities – available for sale	9	5,193,606	5,199,843
Intangible assets, net	10	70,599	55,938
Property and equipment, net	11	171,421	182,641
Other assets, net	12	221,628	63,167
Deferred tax asset	15	45,097	48,154
Prepaid income tax	25	60,732	117,735
Total assets		**41,713,725**	**38,942,419**
Liabilities			
Due to banks and financial institutions	13	1,131,460	2,307,403
Due to customers	14	30,900,170	26,511,976
Other liabilities	16	505,470	264,317
Subordinated debt	17	946,944	1,647,623
Total liabilities		**33,484,044**	**30,731,319**
Equity			
Share capital	18	7,587,915	7,587,915
Reserves	19	491,039	479,613
Retained earnings		150,727	143,572
Total equity		**8,229,681**	**8,211,100**
Total liabilities and equity		**41,713,725**	**38,942,419**

The financial statements were approved by the Management of the Bank, authorized for issue on May 4, 2017 and signed on its behalf by:

Ioannis AGATHOS
Chief Executive Officer

Brunilda PAPA (JAKOVI)
Chief Operations Officer

The accompanying notes on pages 5 to 67 are an integral part of these financial statements.

BANKA NBG ALBANIA SHA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended December 31, 2016

	Notes	Year ended December 31, 2016 ALL '000	Year ended December 31, 2015 ALL '000
Interest income	20	1,552,900	1,687,437
Interest expense	21	(310,186)	(418,296)
Net interest income		**1,242,714**	**1,269,141**
Fee and commission income	22	249,720	229,625
Fee and commission expense		(10,191)	(6,850)
Net fee and commission income		**239,529**	**222,775**
Net trading expense	27	(120,659)	(100,172)
Gain from investment securities, net	26	78,865	130
Other operating income		37,638	3,718
Net operating income		**1,478,087**	**1,395,592**
Impairment of loans	23	(283,540)	(183,121)
Other operating expenses	24	(1,108,047)	(1,067,495)
Profit before tax		**86,500**	**144,976**
Income tax expense	25	(60,060)	(48,548)
Net profit for the year		**26,440**	**96,428**
Other comprehensive income			
Items to be reclassified to Profit or loss in subsequent periods (net of tax):			
Realization of income from investment securities, net		-	127
Changes in fair value of AFS, net		(7,859)	33,250
Total		**(7,859)**	**33,377**
Total comprehensive income for the year		**18,581**	**129,805**

The accompanying notes on pages 5 to 67 are an integral part of these financial statements.

BANKA NBG ALBANIA SHA

STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2016

	Share capital ALL '000	Reserves ALL '000	Fair value reserves ALL '000	Retained earnings ALL '000	Total ALL '000
As at January 1, 2015	**7,587,915**	**453,868**	**(15,039)**	**54,551**	**8,081,295**
Net profit of the year	-	-	-	96,428	**96,428**
Net change in fair value for available for sale investments	-	-	33,377	-	**33,377**
Total comprehensive income for the year	**-**	**-**	**33,377**	**96,428**	**129,805**
Allocation of retained earnings to reserves	-	7,407	-	(7,407)	**-**
As at December 31, 2015	**7,587,915**	**461,275**	**18,338**	**143,572**	**8,211,100**
Net profit of the year	-	-	-	26,440	**26,440**
Net change in fair value for available for sale investments	-	-	(7,859)	-	**(7,859)**
Total comprehensive income for the year	**-**	**-**	**(7,859)**	**26,440**	**18,581**
Allocation of retained earnings to reserves	-	19,285	-	(19,285)	**-**
As at December 31, 2016	**7,587,915**	**480,560**	**10,479**	**150,727**	**8,229,681**

The accompanying notes on pages 5 to 67 are an integral part of these financial statements.

BANKA NBG ALBANIA SHA

STATEMENT OF CASH FLOWS
for the year ended December 31, 2016

	Notes	Year ended December 31, 2016 ALL '000	Year ended December 31, 2015 ALL '000
Cash flows from operating activities			
Net profit before tax		**86,500**	**144,976**
Adjustments to reconcile change in net assets to net cash provided by operating activities			
Depreciation and amortization	10,11	65,547	65,684
Impairment of loans	23	283,540	183,121
Net foreign exchange losses	27	(44,456)	31,786
Interest income		(1,552,900)	(1,687,437)
Interest expense		310,186	418,296
Operating cash flows before movements in working capital		**(851,583)**	**(843,574)**
Change in operating assets and liabilities			
(Increase)/Decrease in restricted balances at Central Bank and due from other banks	6, 7	(531,322)	1,624,267
Decrease/(Increase) in loans and advances to customers	8	478,699	(1,817,332)
(Increase)/Decrease in other assets	12	(158,461)	22,716
Matured securities –held for trading		-	51,173
(Decrease)/Increase in due to banks and financial institutions	13	(1,175,943)	1,087,047
Increase/(Decrease) in due to customers	14	4,380,367	(6,699,229)
Increase/(Decrease) in other liabilities	16	241,152	(36,462)
Cash generated from/(used in) operations		**2,382,909**	**(6,611,394)**
Interest received		1,484,299	1,482,310
Interest paid		(291,245)	(285,697)
Corporate income tax paid	25	-	(45,203)
Net cash generated from/(used in) operating activities		**3,575,963**	**(5,459,984)**
Cash flows from investing activities			
Purchases of property and equipment	11	(37,163)	(34,629)
Purchases of intangible assets	10	(31,824)	(32,364)
Sale of investments in securities	9	2,240,896	2,348,671
Purchases of securities – available for sale	9	(3,807,018)	(5,415,542)
Matured securities – available for sale	9	1,604,848	6,364,097
Net cash (used in)/generated from investing activities		**(30,261)**	**3,230,233**
Cash flows from financing activities			
Payment of subordinated debt	17	(700,679)	-
Net cash used in financing activities		**(700,679)**	**-**
Net increase/(decrease) in cash and cash equivalents		**2,845,023**	**(2,229,751)**
Cash and equivalents at the beginning of year	28	**5,309,848**	**7,539,599**
Cash and equivalents at the end of the year	28	**8,154,871**	**5,309,848**

The accompanying notes on pages 5 to 67 are an integral part of these financial statements.

BANKA NBG ALBANIA SHA
NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in '000 Lek, unless otherwise stated)

1. General

Banka NBG Albania sh.a. (the "Bank") is the Albanian subsidiary of the National Bank of Greece S.A. (the "NBG S.A.") that operates in all fields of the banking activity and particularly in trade related transactions utilizing a large network of international correspondents.

The Bank started its activity at the end of November 1995 as Tirana Branch of National Bank of Greece S.A. with a paid-in capital of ALL 200,000 thousand. During the period 1999 to 2012 the paid-in capital was increased and now amounts to ALL 7,587,914 thousand.

In May 2012, the Bank changed its legal form from a branch to the subsidiary of the National Bank of Greece S.A, a process supervised by the Bank of Albania that approved it as per the License Annex no. 08/1 dated May 25, 2012. As a result of this transformation the Bank changed its name to Banka NBG Albania Sh.A, its legal form to Joint Stock Company with a sole shareholder the National Bank of Greece S.A. and with a share capital amounting to ALL 7,168,604,546 divided into 55,851,664 regular shares with a nominal value of EUR 1 (or USD 0.92 or ALL 128.35).

The Bank has its own governing bodies such as the Assembly of Sole Shareholder, the Board of Directors, the Directorate, the Executive Committee and the Audit Committee.

On November 23, 2012, the share capital was increased by EUR 3,000,000, (3 million regular shares with a face value of EUR 1) equivalent in ALL 419,310 thousand. As of December 31, 2016 the Share Capital of Banka NBG Albania sh.a amounts to ALL 7,587,914,546 being comprised of 58,851,664 regular shares with a nominal value of EUR 1 (or USD 0.92, or ALL 128.35).

The Bank operates with a network of 26 (2015: 27) units spread overall the country, i.e. in Tirana, Durrës, Korca, Vlora, Lezhë, Elbasan, Gjirokastër, Shkodër, Lushnje, Pogrades, Berat, Sarandë, Fier, Kukës, Bilisht and Kavajë.

As at December 31, 2016, the Bank had 309 employees (December 31, 2015: 293 employees).

Management of the Bank

Chief Executive Officer:	Ioannis Agathos
Chief Risk Officer:	Ioannis Antoniadis
Chief Operations Officer:	Brunilda Papa (Jakovi)
Chief Corporate Officer:	Anastasios Asimakopoulos
Chief Retail Officer:	Aida Apostoli

2. Adoption of new and revised International Financial Reporting Standards (IFRSs)

2.1 Standards and interpretations effective for the current period

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank given that the Bank has not used a revenue-based method to depreciate its non-current assets.

2. Adoption of new and revised International Financial Reporting Standards (continued)

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. The bank does not prepare condensed interim statements.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

Other standards that have been recently issued or revised but are not applicable to the Bank include:

- IAS 34 Interim Financial Reporting
- IFRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 27: Equity Method in Separate Financial Statements

The adoption of the above amendments to standards has no effect on these financial statements.

2.2 Standards and interpretations in issue not yet adopted

Standards issued but not yet effective and not early adopted up to the date of issuance of the Bank's financial statements are listed below. This listing is of standards and interpretations issued, which the Bank reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Bank intends to adopt those standards when they become effective.

Standards and amendments that are not applicable at all to the Bank have not been discussed in detail.

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2016
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2. Adoption of new and revised International Financial Reporting Standards (continued)

2.2 Standards and interpretations in issue not yet adopted (continued)

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2017, the Bank plans to assess the potential effect of IFRS 16 on its financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Bank plans to adopt the new standard on the required effective date. The Bank is in the process of performing a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Bank in the future.

(a) Classification and measurement

The Bank does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest, except for default loans that the bank will derive its cash flows from execution of collaterals. Thus, the Bank expects that these will continue to be measured at amortised cost under IFRS 9.

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2. Adoption of new and revised International Financial Reporting Standards (continued)

2.2 Standards and interpretations in issue not yet adopted (continued)

IFRS 9 Financial Instruments (continued)

(a) Classification and measurement (continued)

However, the Bank will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(b) Impairment

IFRS 9 requires the Bank to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Bank will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact, to assess the full impact of the new standard.

(c) Hedge accounting

The Bank believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Bank does not expect a significant impact as a result of applying IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Bank is assessing the potential impact on its financial statements resulting from IFRS 15.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted.

3. Basis of preparation

3.1 Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for the investment securities available-for-sale financial assets, which are measured at fair value.

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3. Basis of preparation (continued)

3.3 Presentation of financial statements

The financial statements of the Bank are prepared under the going concern assumption. The significant matters affecting this assumption are disclosed in more detail in note 5 to these financial statements (Going concern assumptions). The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3.4 Functional and presentation currency

The financial statements are presented in Albanian Lek ("ALL") which is the currency of the primary economic environment in which the Bank operates (functional currency). All the financial information is presented in "ALL" and rounded in thousands (unless otherwise stated).

The significant principle accounting policies are applied consistently year to year and are set out below.

4. Significant accounting policies

4.1 Foreign currencies

In preparing the financial statements, transactions in currencies other than the functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign currency differences arising on retranslation are recognized in profit or loss.

Official exchange rates for main currencies used in the translation of the statement of financial position items denominated in foreign currencies were as follows:

	December 31, 2016	December 31, 2015
ALL/EUR	135.23	137.28
ALL/USD	128.17	125.79

4.2 Financial assets and liabilities

(i) Recognition

The Bank initially recognizes 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) Classification

The Bank classifies its financial assets in one of the following categories:

- loans and receivables;
- held to maturity;
- at fair value through profit or loss and within the category as – held for trading
- available-for-sale;

4. Significant accounting policies (continued)

4.2 Financial assets and liabilities (continued)

(ii) Classification (continued)

See Notes 4.3, 4.4 (i), 4.4 (ii), 4.4 (iii).

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss. See 4.16.

(iii) Derecognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Any interest in transferred financial assets that is created or retained by the Bank is recognized as a separate asset or liability.

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains both all risks and rewards of the transferred assets, or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions. In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognized separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(v) Amortized cost measurement

The amortized 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 amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

4. Significant accounting policies (continued)

4.2 Financial assets and liabilities (continued)

(vi) Fair value measurement (continued)

When applicable, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using other valuation techniques.

Other valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

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4. Significant accounting policies (continued)

4.2 Financial assets and liabilities (continued)

(vi) Fair value measurement (continued)

However, where the Bank measures portfolios of financial assets and financial liabilities on the basis of net exposures, it applies judgement in determining appropriate portfolio level adjustments such as bid-ask spread. Such adjustments are derived from observable bid-ask spreads for similar instruments and adjusted for factors specific to the portfolio.

As at December 31, 2016 and 2015 all financial instruments are measured at amortized cost and the respective fair values. Fair values as at December 31, 2016 and 2015 for the Albanian Government Treasury Bills and Treasury Bonds have been measured based on Level 3 hierarchy, and the Albanian Government Eurobond has been measured based on Level 1 hierarchy, as it is quoted in an open market.

Loans to customers - The fair value of loans to customers whose credit spread is not market observable would be measured using a Level 3 of the fair value hierarchy. Fair value of loans is approximated by their carrying value because the loan portfolio is comprised mainly by floating rate loans that are re-priced every 3 to 12 months.

Deposits - All deposits to customers and due to customer accounts (including term deposits) should be classified into Level 3 of the fair value hierarchy and fair valued accordingly. The average duration of the deposits portfolio is less than 1 year (approximately 6 months) making the estimation of fair value approximate to their carrying value.

Due from Banks - All deposits to banks are measured based on a Level 3 hierarchy.

Subordinated debt - The subordinated debt and hybrid subordinated debt carry a floating interest rate which is re-priced every three months. The interest rate is comprised by Euribor plus margin. As at December 31, 2016 and 2015 subordinated debt is measured based on Level 3 hierarchy.

The fair value of cash and cash equivalents, loan and advances to banks is approximately equal to the carrying value, because of their short-term maturity.

Taking into consideration the nature of financial assets and liabilities the Bank does not disclose fair value of loans and receivables and subordinated debt and deposits because their fair value is approximated by their carrying value, due to fact that these financial instruments carry floating interest rates which reflect the changes in the market conditions.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices) or unobservable inputs that are corroborated by the market. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable that cannot be corroborated by market data. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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4. Significant accounting policies (continued)

4.2 Financial assets and liabilities (continued)

(vi) Fair value measurement (continued)

The table below sets out the carrying amounts and fair values of the financial assets and liabilities and analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

December 31, 2016		**Fair Value**			
	Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Due from banks	**6,626,737**	-	6,626,737	-	**6,626,737**
Investment securities available-for-sale	**5,193,606**	1,048,727	4,144,879	-	**5,193,606**
Loans to customers, net	**24,945,933**	-	-	19,189,079	**19,189,079**
Total financial assets	**36,766,276**	**1,048,727**	**10,771,616**	**19,189,079**	**31,009,422**
Customer deposits	**30,900,170**	-	-	30,812,527	**30,812,527**
Due to banks and financial institutions	**1,131,460**	-	-	1,131,460	**1,131,460**
Subordinated debt	**946,944**	-	-	947,307	**947,307**
Total financial liabilities	**32,978,574**	**-**	**-**	**32,891,294**	**32,891,294**

December 31, 2015		**Fair Value**			
	Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Due from banks	**3,830,841**	-	3,830,841	-	**3,830,841**
Investment securities available-for-sale	**5,199,843**	703,663	4,496,180	-	**5,199,843**
Loans to customers, net	**25,646,577**	-	-	22,768,241	**22,768,241**
Total financial assets	**34,677,261**	**703,663**	**8,327,021**	**22,768,241**	**31,798,925**
Customer deposits	**26,511,976**	-	-	26,396,656	**26,396,656**
Due to banks and financial institutions	**2,307,403**	-	-	2,307,403	**2,307,403**
Subordinated debt	**1,647,623**	-	-	1,531,233	**1,531,233**
Total financial liabilities	**30,467,002**	**-**	**-**	**30,235,292**	**30,235,292**

4. Significant accounting policies (continued)

4.2 Financial assets and liabilities (continued)

(vii) Identification and measurement of impairment

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

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.

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 then collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar risk characteristics.

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

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower then an assessment is made whether the financial asset is impaired. In practice the renegotiated loan is accounted for as a new asset and the existing loan is derecognized. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case the original financial asset is derecognised and the new financial asset is recognised at fair value. The impairment loss is measured as follows:

- If the expected restructuring does not result in derecognition of the existing asset, the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
- If the expected restructuring results in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Impairment losses on assets carried at amortized 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 recognized in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through statement of profit or loss and other comprehensive income.

4. Significant accounting policies (continued)

4.2 Financial assets and liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Impairment losses on available-for-sale investment securities are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment allowance attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

4.3 Loans and advances to customers

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

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

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo"), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognized in the Bank's financial statements.

4.4 Investment securities

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held to maturity, fair value through profit or loss, or available for sale.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset

(i) Held-to-maturity

Held-to-maturity investments are non-derivative 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 as at fair value through profit or loss or as available for sale, and that do not meet the definition of loans and receivables. As at December 31, 2016 and December 31, 2015 the Bank does not hold any held to maturity investments.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses (see Note 4.2 (vii)). A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available for sale, and would prevent the Bank from classifying investment securities as held to maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Bank has collected substantially all of the asset's original principal; and
- sales or reclassifications attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated.

4. Significant accounting policies (continued)

4.4 Investment securities (continued)

(ii) At fair value through profit or loss - held for trading

Financial assets at fair value through profit or loss ("FVTPL") are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. As at December 31, 2016 and December 31, 2015 the Bank does not hold any held for trading instruments.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

(iii) Available-for-sale

Available-for-sale ("AFS") investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot reliably be 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. Impairment losses are recognised in profit or loss (see Note 4.2 (vii)).

Other fair value changes, other than impairment losses are recognised in other comprehensive income and presented in the fair value reserve in equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it otherwise would have met the definition of loans and receivables and if the Bank has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

4.5 Interest

Interest income and expense are recognised in profit or loss using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial. 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. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

Interest income and expense presented in the statement of profit or loss and other comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on available-for-sale investment securities calculated on an effective interest basis.
- interest on held for trading investment securities calculated on an effective interest basis.

4. Significant accounting policies (continued)

4.5 Interest (continued)

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income, see Note 4.7.

4.6 Fees and commission

Fees and commission income and expenses are amortized through the expected life of the financial instrument, using the effective interest method. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period. Other fees and commission income, including account servicing fees, placement fees, are recognized as the related services are performed.

4.7 Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

4.8 Operating lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

4.9 Operating expenses

The operating expenses are recognized when incurred. More details are included in note 24 of the financial statements.

4.10 Defined contribution plans

The Bank makes only compulsory social security contributions that provide pension benefits for employees upon retirement. The local authorities are responsible for providing the legally set minimum threshold for pensions in Albania under a defined contribution pension plan. Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss when they are due.

4.11 Income tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

(i) Current tax

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

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4. Significant accounting policies (continued)

4.11 Income tax expense (continued)

(i) Current tax (continued)

Current tax currently payable is based on taxable profit for the year. Taxable profit or loss may differ from profit or loss as reported in the statement of profit or loss and other comprehensive income because of temporary differences arising from income or expense that are taxable or deductible in periods different from the accounting period when recognised. The Bank's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it 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.

4.12 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Bank of Albania 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.

For the purposes of the cash flow statement cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the statement of financial position as detailed in note 28 "Cash and cash equivalent".

4.13 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.

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4. Significant accounting policies (continued)

4.13 Property and equipment (continued)

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognized 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 recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives, in years, for the year ended December 31, 2016 and 2015 are as following:

- Machinery and equipment 4 to 10
- Office furniture and supplies 5 to 10
- Leasehold improvements 6 to 15

Depreciation methods, useful lives and residual values are reassessed at the reporting date. Depreciation is not provided on construction-in-progress.

4.14 Intangible assets

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

4.15 Impairment of tangible and intangible assets

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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4. Significant accounting policies (continued)

4.16 Deposits, subordinated debt and other financial liabilities

Deposits, subordinated debt and other financial liabilities are part of the Bank's sources of debt funding.

When the Bank sells a financial asset and simultaneously enters into a "repo" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognized in the Bank's financial statements. The transferee does not have the right to sell or re-pledge the asset before maturity.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. Deposits and other financial liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortized cost using the effective interest method.

Deposits, subordinated debt and other financial liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at fair value through profit or loss (see Note 4.2 (vii)).

4.17 Provisions

A provision is recognized 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.

4.18 Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contracts has become probable. Financial guarantees and commitments to provide a loan at a below-market interest rate are included within other liabilities.

5. Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting 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 recognised in the period in which the estimates are revised and in any future periods affected.

Allowance for impairment

Allowance for impairment of financial assets is estimated on the basis described in Note 4.2 (vii).

The specific component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

A collective component of the total allowance is established for:

- groups of homogeneous loans that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired.

Collective allowance for groups of homogeneous loans is established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historic loss rate experience. The roll rate methodology uses statistical analysis of historical data on delinquency to estimates the amount of loss. The estimate of loss arrived at on the basis of historical information is then reviewed to ensure that it appropriately reflects the economic conditions and product mix at the reporting date. Roll rates and loss rates are regularly benchmarked against actual loss experience.

Collective allowance for groups of assets that are individually significant but that were not found to be individually impaired cover credit losses inherent in portfolios of loans and advances, and held-to-maturity investment securities with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired loans and advances, and held-to-maturity investment securities, but the individual impaired items cannot yet be identified.

In assessing the need for collective loss allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

An assessment as to whether an investment in sovereign debt is impaired may be complex. In making such an assessment, the Bank considers the following factors.

(i) The market's assessment of creditworthiness as reflected in the bond yields.

(ii) The rating agencies' assessments of the creditworthiness.

(iii) The ability of the country to access the capital markets for new debt issuance.

(iv) The probability of debt being restructured resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

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5. Use of estimates and judgments (continued)

Allowances for credit losses (continued)

The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country as well as the intention, reflected in public statements, about governments' and agencies' willingness to use those mechanisms. This includes an assessment as to the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

The most significant assumption used in the Bank's calculation of loan loss impairment relates to the discount period used for identifying the present value of future possible cash inflows. The discount period the Bank uses ranges from 3 years to 5 years, depending on the average time needed to sell the mortgage and close the debt and class of loans (corporate, mortgage, lost). A sensitivity analyses of this significant estimate over loan loss impairment for the year is presented in the following table:

Range	Change in discount period	Effect in loan loss impairment
3 – 5 years	+10%	67,798
	-10%	(56,358)

Going Concern assumptions

Management of the Bank's has carried out the assessment of its ability to continue as a going concern on the reporting date.

In recent years the Bank has faced a number of risks to its business deriving from the global financial crisis in general and the Greek crisis in particular. The parent company, National Bank of Greece S.A ("NBG S.A.") had faced very adverse economic conditions; however being considerably recovered from the headwinds, being in the leading liquidity position among Greek Banks. During 2016, the Parent Company has reduced substantially the dependency from Euro-system liquidity facilities of repaying circa 50% of the obligations.

Even though NBG SA may face challenges on the way to its full recovery, the NBG Group management's position on December 31, 2016 concluded that the entity is a going concern and that NBG S.A (and the Group) can continue to operate for the foreseeable future.

Despite the difficulties faced by NBG SA, NBG Albania continues to operate self-reliantly in terms of liquidity and capital and does not foresee any necessity for relative assistance from the Parent. The Bank has operated profitably in recent years and it is in compliance with regulatory ratios in Albania. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis.

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6. Cash on hand and balances with Central Bank

	December 31, 2016	December 31, 2015
Cash on hand	1,527,078	1,429,140
Balances with Bank of Albania	1,056	49,867
Reserve at Bank of Albania	2,849,838	2,318,516
Total	**4,377,972**	**3,797,523**

In accordance with the Central Bank's requirement relating to the deposit reserve, the Bank should maintain a minimum of 10% of customer deposits with the Central Bank as an obligatory reserve account. This reserve is not available for the Bank's daily operations.

Interest on obligatory reserves with the Central Bank is calculated at 70% of the repurchase agreements rate (which was 1.25% p.a. as of December 31, 2016 and 1.75% p.a. as of December 31, 2015) on deposits balance denominated in ALL.

On July 2016, the Supervisory Council of the Bank of Albania issued the decision no. 75 about some amendments to the Regulation no. 29, dated 16.05.2012 "On the minimum required reserves maintained by the banks with the Bank of Albania", based on which it is specified that the excess of mandatory reserve in EUR will be renumerated based on the interest rate that will be equal to the deposit rate defined by ECB, specifically the applied rate from September 2016 and onwards was -0.4%.

Current accounts with the Bank of Albania bear no interest.

7. Due from banks

	December 31, 2016	December 31, 2015
Current accounts		
Non-resident	908,509	1,568,908
Resident	-	11
	908,509	**1,568,919**
Deposits		
Non-Resident	4,653,272	2,161,890
Resident	1,064,510	100,000
	5,717,782	**2,261,890**
Other amounts due from banks	-	-
Accrued interest	446	32
Total	**6,626,737**	**3,830,841**

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7. Due from banks (continued)

	December 31,2016	December 31,2015
NBG group entities:		
NBG - Head Office	35,779	33,953
NBG - London Branch	33,570	14,019
Total due from group entities	**69,349**	**47,972**
Due from non-resident banks:		
Deutsche Trust Bank	67,101	68,117
Intesa San Paolo Group	10,457	677,919
Atlantic Bank of New York	-	15,046
Commonwealth Bank of Australia	820	10,318
Deutche Bank AG Visa Int	760,782	749,522
Standard Chartered	-	14
Total Due from non-resident banks	**839,160**	**1,520,936**
Placements:		
NBG Malta LTD	1,717,421	-
Erste Group Bank AG	1,448,321	880,530
KBC Bank NV Brussels	1,487,530	713,856
Unicredito Italiano SPA	-	503,160
Intesa San Paolo SPA	-	64,344
Total Placement due from non-resident banks	**4,653,272**	**2,161,890**
Total due from non-resident banks	**5,561,781**	**3,730,798**
Due from resident banks:		
Tirana Bank (Nostro)	-	11
Alpha Bank Albania SH.A.	150,000	-
Banka Societe Generale Albania	384,510	-
National Commercial Bank	530,000	100,000
Total due from resident banks	**1,064,510**	**100,011**
Other accounts due from banks	-	-
Accrued interest	446	32
Total	**6,626,737**	**3,830,841**

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8. Loans and advances to customers, net

	December 31, 2016	December 31, 2015
To individuals	13,771,631	14,622,762
To corporate entities / professionals	7,607,174	6,769,286
Performing loans at amortized cost	**21,378,805**	**21,392,048**
To individuals	2,210,973	2,346,255
To corporate entities / professionals	5,601,901	6,050,346
Non-performing loans - at amortized cost	**7,812,874**	**8,396,601**
Allowance for impairment of loans and LGs (note 23)	(4,245,746)	(4,142,072)
Total	**24,945,933**	**25,646,577**

9. Investment securities – available for sale

	December 31, 2016	December 31, 2015
Treasury bills (Albanian Government)	1,764,537	2,100,470
Listed debt securities issued by Albanian Government	1,041,271	703,663
Non-listed debt securities issued by Albanian Government	2,347,450	2,318,896
Accrued interest	40,348	76,814
Total	**5,193,606**	**5,199,843**

The table below presents the minimum and maximum interest rates applied to available for sale securities during 2016 and 2015, per maturity and currency of the instruments issued:

	2016		**2015**	
Maturity	**Minimum Interest rates**	**Maximum Interest rates**	**Minimum Interest rates**	**Maximum Interest rates**
T-Bills LEK				
12 months	1.26%	3.60%	2.50%	3.60%
Goverment Bonds LEK				
1-5 years	2.70%	8.18%	4.90%	8.18%
> 5 years	3.05%	5.94%	4.55%	6.07%
Goverment Eurobonds EUR				
1-5 years	3.12%	5.75%	3.12%	5.75%

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9. Investment securities – available for sale (continued)

Investment securities-available for sale by contractual maturity band, as at December 31, 2016, are as follows:

December 31, 2016	Nominal Value	Purchase Value	Premium to be amortized	Accruals	Marked to market gain/ (loss)	Fair Value
Treasury Bills	**1,808,140**	**1,776,995**	**(31,145)**	**9,518**	**(12,458)**	**1,774,055**
3 months	-	-	-	-	-	-
6 months	-	-	-	-	-	-
12 months	1,808,140	1,776,995	(31,145)	9,518	(12,458)	1,774,055
Government Bonds	**3,274,500**	**3,370,172**	**95,672**	**30,830**	**18,549**	**3,419,551**
12 months	-	-	-	-	-	-
1-5 years	2,424,500	2,521,598	97,098	23,897	14,663	2,560,158
>5 years	850,000	848,574	(1,426)	6,933	3,886	859,393
Total	**5,082,640**	**5,147,167**	**64,527**	**40,348**	**6,091**	**5,193,606**

Investment securities-available for sale by contractual maturity band, as at December 31, 2015, are as follows:

December 31, 2015	Nominal Value	Purchase Value	Amortized discount	Accruals	Marked to market gain/ (loss)	Fair Value
Treasury Bills	**2,160,330**	**2,093,535**	**(66,795)**	**39,208**	**6,936**	**2,139,679**
3 months	-	-	-	-	-	-
6 months	100,000	98,769	(1,231)	149	17	98,935
12 months	2,060,330	1,994,766	(65,564)	39,060	6,918	2,040,744
Government Bonds	**3,020,440**	**3,015,543**	**(4,897)**	**37,606**	**7,015**	**3,060,164**
12 months	-	-	-	-	-	-
1-5 years	2,170,440	2,167,254	(3,186)	27,090	32,378	2,226,722
>5 years	850,000	848,289	(1,711)	10,516	(25,363)	833,442
Total	**5,180,770**	**5,109,078**	**(71,692)**	**76,814**	**13,951**	**5,199,843**

Movement of Investment Securities – Available for Sale

The table below shows the movements in the balances of available for sale investments as at 31 December 2016 and 31 December 2015, including additions, maturing and sale of investments during these years:

	December 31, 2016	December 31, 2015
Balance 1 January	**5,199,843**	**8,464,177**
Additions	3,810,141	5,415,542
Sales	(2,234,659)	(2,348,671)
Matured	(1,604,848)	(6,484,245)
Fair Value fluctuations	(7,859)	36,809
Accrued Interest	40,348	76,815
Forex differences	(9,360)	39,416
Balance 31 December	**5,193,606**	**5,199,843**

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10. Intangible assets, net

	Software	Other	Total
Cost			
At January 1, 2015	**367,732**	**8,114**	**375,846**
Additions	32,364	-	32,364
At December 31, 2015	**400,096**	**8,114**	**408,210**
Additions	31,167	-	31,167
Transfer	657	-	657
At December 31, 2016	**431,920**	**8,114**	**440,034**
Accumulated amortization			
At January 1, 2015	**(330,304)**	**(7,930)**	**(338,234)**
Charge for the year	(13,858)	(180)	(14,038)
At December 31, 2015	**(344,162)**	**(8,110)**	**(352,272)**
Charge for the year	(17,161)	(2)	(17,163)
At December 31, 2016	**(361,323)**	**(8,112)**	**(369,435)**
Net book value			
At December 31, 2015	**55,934**	**4**	**55,938**
At December 31, 2016	**70,597**	**2**	**70,599**

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11. Property and equipment, net

	Machinery and equipment	Office furniture and supplies	Leasehold improvements	Work in progress	Total
Cost					
At January 1, 2015	**612,017**	**404,798**	**236,962**	**6,115**	**1,259,892**
Additions	15,351	10,237	6,611	2,430	**34,629**
Transfer	-	-	-	-	**-**
Disposal	-	(1,524)	-	-	**(1,524)**
At December 31, 2015	**627,368**	**413,511**	**243,573**	**8,545**	**1,292,997**
Additions	11,775	11,687	9,834	6,954	**40,250**
Transfer	1,198	707	-	(2,561)	**(656)**
Disposal	(2,763)	-	-	-	**(2,763)**
At December 31, 2016	**637,578**	**425,905**	**253,407**	**12,938**	**1,329,828**
Accumulated depreciation					
At January 1, 2015	**(563,731)**	**(348,472)**	**(148,031)**	**-**	**(1,060,234)**
Charge for the year	(18,358)	(20,440)	(12,224)	-	**(51,022)**
Disposal	**-**	900	**-**	**-**	**900**
At December 31, 2015	**(582,089)**	**(368,012)**	**(160,255)**	**-**	**(1,110,356)**
Charge for the year	(17,496)	(17,780)	(13,107)	-	**(48,383)**
Disposal	332	-	**-**	**-**	**332**
At December 31, 2016	**(599,253)**	**(385,792)**	**(173,362)**	**-**	**(1,158,407)**
Net book value					
At December 31, 2015	**45,279**	**45,499**	**83,318**	**8,545**	**182,641**
At December 31, 2016	**38,325**	**40,113**	**80,045**	**12,938**	**171,421**

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12. Other assets, net

Other assets, net as at December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Assets acquired through foreclosure proceedings	171,623	-
Disbursement of guarantee for tax inspection liabilities	19,501	19,501
Debtors, net	10,330	10,604
Suspense payments in transit	12,485	11,666
Cash Shortage	*853*	*848*
Guarantees	*273*	*749*
Fees Payable	*1,621*	*1,591*
Others	*9,738*	*8,478*
Receivable from third parties	-	14,532
Other accrued income	1,479	2,001
Prepaid expenses	6,210	4,863
Total	**221,628**	**63,167**

During late 2016, the bank has recorded in its books the first repossessed asset, acquired through foreclosure proceedings, while as at the end of 2016, the number of repossessed assets accounts to one Commercial Unit and two apartments.

Disbursement of guarantee for tax inspection liabilities, net is composed as follows:

	December 31, 2016	December 31, 2015
Disbursement of guarantee for tax inspection liabilities	220,782	220,782
Provision for potential losses	(201,281)	(201,281)
Total	**19,501**	**19,501**

The Bank has made disbursements of guarantees for tax inspection liabilities identified by Tax Authorities during their tax inspection in 2012. The Bank is disputing the case in court. Debtors represent balances for execution office, registration office and other taxes paid by the Bank, net of provision.

13. Due to banks and financial institutions

Due to banks and financial institutions as at December 31, 2016 and 2015 consisted as follows:

	December 31, 2016	December 31, 2015
Time deposits due to credit institutions	1,102,262	1,173,399
Amounts owed to Bank of Albania	6,836	1,117,931
Demand deposits due to credit institutions	22,309	13,890
Accrued interest	53	2,183
Total	**1,131,460**	**2,307,403**

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13. Due to banks and financial institutions (continued)

	December 31, 2016		December 31, 2015	
Time deposits due to credit institutions :	**Carrying Amount**	**Interest rate**	**Carrying Amount**	**Interest rate**
- Borrowings non-resident				
National Bank of Greece S.A Cairo	256,340	0.35%	251,580	0.25%
National Bank of Greece S.A London	-	-	18,659	1.00%
	256,340		**270,239**	
- Borrowings resident				
Alpha Bank Albania Sh.A	845,922	0.35%	603,160	1.01%
American Bank of Investment	-	-	300,000	1.80%
	845,922		**903,160**	
Total	**1,102,262**		**1,173,399**	

The amount owed to Bank of Albania as of December 31, 2016 relates to the utilized part of the Mandatory Reserve in ALL, within the limits provided as per Bank of Albania decision no. 48 dated 11.12.2008. While as of December 31, 2015, this account represents Reverse Repo with Central Bank amounting to ALL 1,117,931 thousand at a rate range between 1.78% and 2.20%.

14. Due to customers

	December 31, 2016	December 31, 2015
Due to individual clients		
Time deposits	19,943,468	19,280,769
Current accounts	4,994,395	3,005,927
Savings accounts	1,635,990	1,447,111
	26,573,853	**23,733,807**
Due to corporate clients		
Current accounts	1,929,834	1,287,436
Time deposits	1,593,548	611,291
	3,523,382	**1,898,727**
Due to Government and agencies		
Current accounts	517,058	409,743
Time deposits	64,035	207,249
METE	108,184	129,851
	689,277	**746,843**
Accrued interest	113,658	132,599
Total	**30,900,170**	**26,511,976**

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15. Deferred tax asset

Deferred tax asset and liability are attributable to temporary differences from the following items:

	December 31, 2016	December 31, 2015
Tax depreciation in excess of reference tax rates	28,694	30,654
Deferred loan commission	16,403	17,500
Deferred tax asset	**45,097**	**48,154**
Trading securities	**-**	**-**
Deferred tax liability	**-**	**-**
Deferred tax asset, net	**45,097**	**48,154**

Movements in temporary differences during the year are recognized in the statement of profit or loss and other comprehensive income. The enacted tax rate as at December 31, 2016 is 15% (December 31, 2015: 15%).

Movement in deferred tax for the year ended 31 December 2016 is presented as follows:

	December 31, 2016	December 31, 2015
As at 1 January	**48,154**	**54,928**
Change in deferred tax allocated to profit loss	(3,057)	(3,345)
Change in deferred tax allocated to other comprehensive income	-	(3,429)
As at 31 December 2016	**45,097**	**48,154**

16. Other liabilities

	December 31, 2016	December 31, 2015
Creditors and suppliers	92,840	71,142
Payment in transit	330,780	142,815
Bank Payments in Transit	*297,629*	*90,136*
Customer Transactions	*28,931*	*48,691*
Fees Payable	*3,958*	*3,687*
Guarantees	*255*	*218*
Other	*7*	*83*
Taxes payable - other than income taxes	30,184	13,289
Provisions for litigations and other risks	51,666	37,071
Total	**505,470**	**264,317**

Provisions for litigations and other risks are composed by the following items:

	December 31, 2016	December 31, 2015
Provisions for legal cases	8,599	17,571
Provisions for staff indemnity	18,000	7,500
Provisions for unaudited tax years	20,000	12,000
Other miscellaneous provisions	5,067	-
Total	**51,666**	**37,071**

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16. Other liabilities (continued)

During 2016, the bank has recorded an additional provision of ALL 8,000 thousand for unaudited tax years, as well as an additional provision of ALL 10,500 thousand for unutilized annual leaves of employees. Referring to the other miscellaneous provision, it includes a full provision for robbery case to "Rr. Kavajes" Branch, amounting to ALL 848 thousands. The case is under investigation and legal procedures have started. The Bank has applied to the Insurance Company for damage compensation upon issuance of the report from the Prosecution office clearly stating that there are no implications from Bank employees on the subject matter.

Litigations and other risks represent provisions created for legal cases for the year ended on December 31, 2016 and 2015.

	December 31, 2016	December 31, 2015
Balance 1 January	**37,071**	**19,309**
Additions	24,729	19,500
Usage	(10,164)	(280)
Reversal	-	(1,591)
Exchange differences	30	133
Balance 31 December	**51,666**	**37,071**

17. Subordinated debt

	December 31,2016	December 31, 2015
Balance at the beginning of the year	1,647,623	1,681,958
Accrued interest	334	263
Redemption within the period	(688,870)	-
Foreign exchange differences	(12,143)	(34,598)
Total	**946,944**	**1,647,623**

On March 31, 2010 the Bank signed an agreement with National Bank of Greece S.A. for the issuance of a credit facility in the form of subordinated loan of an amount of EUR 10 million extended for a tenor of 6 years from each drawdown date. The purpose of the agreement was the compliance with the minimum required by the Bank of Albania capital adequacy ratio of 12% for Banka NBG Albania, at the time.

During 2011, the Bank of Albania issued a decision, according to which the Bank NBG Albania, should reach the minimum level of capital adequacy of 15%.

The first issuance of subordinated loan was on March 31, 2010 for EUR 3 million and initially it had interest rate at 3 months EURIBOR plus 7%.

The subordinated debt was reprised upon the second issue of EUR 1 million on September 28, 2010 to 3 month EURIBOR plus 4.75% and the pricing terms have remained the same since then.

In October 17, 2012, with decision no. 73 taken by International Division of the Bank, except for the capital increase it was decided to extend the subordinated loan limit to EUR 12 million out of which EUR 6 million will have the characteristics of the existing subordinated loan and the other EUR 6 million will be hybrid subordinated instrument, meaning that it is eligible for capitalization upon the sole discretion of the Bank as described below.

The main purpose of limit amount extension and of the introduction of the option to convert to capital at the discretion of the Bank ("convertible to capital" or also called "hybrid"), is to meet and keep up with regulatory requirements for capital adequacy ratio of 15% as defined by the Central Bank for the Greek banks operating in the Albanian jurisdiction.

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17. Subordinated debt (continued)

While the subordinated debt use in the regulatory capital is limited to 50% of tier one, there is not a similar limit for the "hybrid" instrument, enabling thus, the full use of it. Thus in December 2012, Banka NBG Albania switched EUR 4 million of the total subordinated loan limit of EUR 10 million into "hybrid" subordinated instrument.

During 2013 Banka NBG Albania has extended the limit of subordinated debt to EUR 12 million. On March 31, 2013 the subordinated debt was increased by EUR 2 million with interest rate at 3 months EURIBOR plus 7%. As at the end of February 2013, Banka NBG Albania switched EUR 6 million of the total subordinated debt limit of EUR 12 million into hybrid subordinated instrument. The "hybrid" subordinated debt instrument has been priced at 3 months EURIBOR plus 7%.

The purpose of the Subordinated "Hybrid" Loan is to facilitate the Borrower in maintaining its regulatory capital adequacy ratio in the statutory level as per the Borrower's country applicable legislation.

The repayment to the full principal of the Subordinated "Hybrid" Loan, shall be made by the Borrower in its sole initiative, choice and discretion (i) for an indefinite period of time and (ii) either in full as an one-off payment or divided in tranches (both as the Repayment Event), provided that any Repayment Event shall be subject to the Bank of Albania's prior consent in conformity with the Bank of Albania's instruction on the Regulatory capital. Therefore, the Maturity Date and Repayment dates will occur, subject to the above, at the Business Day as so determined by the Borrower in its sole initiative and discretion.

The convertible subordinated debt portion of EUR 6 million (last two portions) final maturity is March 2049. The subordinated loan was repaid during 2016 for the amount of Euro 5 million while the remaining portion of Euro 1 million will mature in March 31st 2017. Although the subordinated debt use in the regulatory capital is limited to 50% of tier one (with the change in regulation no.48 "On Capital Adequacy" starting from 2017 only 33.33% of Tier 1 will be recognized), there is not a similar limit for the hybrid instrument.

18. Share capital

The Board of Directors of National Bank of Greece S.A. meeting as of October 17, 2012 decided the increase of share capital with an amount of EUR 3 million (ALL 419,310 thousand). This decision was in turn approved by the General Shareholders Meeting on November 30, 2012 and the amount of EUR 3 million was blocked in the Bank of Albania under the name of the Bank for capital increase purposes.

As of December 31, 2016 the Share Capital of Banka NBG Albania totals to ALL 7,587,915 thousand (2015: ALL 7,587,915 thousand) being comprised of 58,851,664 regular shares (2015: 58,851,664 shares) with a nominal value of EUR 1 (or USD 0.92, or ALL 128.35).

19. Reserves

Reserve as at December 31, 2016 and 2015 are composed of the following:

	December 31, 2016	December 31, 2015
Legal reserve	480,560	461,275
Fair value Reserve	10,479	18,338
Total	**491,039**	**479,613**

Legal reserve is created in accordance with Central Bank regulations "On the size and fulfilment of "Minimum initial capital" for activities allowed for banks and branches of licensed foreign banks", Article 8, which requires that foreign banks and bank branches create their general reserves to the extent of 1.25% to 2% of total weighted risk assets and off-balance sheets items. These reserves are not distributable. They are created by subtracting a fifth of profit after taxes and before payment of any dividends.

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19. Reserves (continued)

Movements in reserves are presented below:

Movements in Reserve	December 31, 2016	December 31, 2015
Balance 1 January	479,613	438,829
Addition of legal reserve	19,285	7,407
Net change in Fair Value AFS	(7,859)	33,377
Balance 31 December	**491,039**	**479,613**

20. Interest income

Interest income is earned from the following:

	Year ended December 31, 2016	Year ended December 31, 2015
Loans and advances to customers	1,346,805	1,418,026
Investment securities – available for sale	182,742	250,335
Other interest income	9,429	14,053
Due from other banks	13,924	4,741
Investment securities – held for trading	-	282
Total	**1,552,900**	**1,687,437**

Interest income from impaired assets for 2016 amounted to ALL 106,890 thousand (2015: ALL 66,037 thousand).

21. Interest expense

Interest expense arises from the following:

	Year ended December 31, 2016	Year ended December 31, 2015
Due to customers	220,667	278,418
Due to banks	89,519	139,878
Total	**310,186**	**418,296**

22. Fees and commissions income

	Year ended December 31, 2016	Year ended December 31, 2015
Transfer of funds	53,538	53,279
Residential mortgage	48,747	36,672
Deposit accounts fee	61,539	67,386
Corporate loans	32,134	20,163
Consumer loans	10,770	8,708
Letters of Credit's commissions and charges	2,294	4,306
Letters of guarantee	5,357	2,771
Custodian services	599	459
Credit Cards	1,086	894
Other	33,656	34,987
Total	**249,720**	**229,625**

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22. Fees and commissions' income (continued)

Other fee and commission income refer mainly to banking services provided to correspondent banks. Commissions for residential mortgage and other loans are in addition to those that make part of the effective interest rate, which are reported within interest income.

23. Allowance for impairment of loans

The movement in allowance for impairment of loans is stated as follows:

	December 31, 2016	December 31, 2015
Opening balance as at January 1	4,142,072	4,028,387
Impairment of loans and LGs of the year	296,202	533,050
Reversals of the year	(12,662)	(349,929)
Write offs / recoveries	(125,635)	-
Foreign exchange rate difference	(54,231)	(69,436)
Closing balance as at December 31	**4,245,746**	**4,142,072**

Impairment charge recognized in statement of Profit or loss of the year is broken down as below:

	Year ended December 31, 2016	Year ended December 31, 2015
Impairment of Letters of Guarantee (net)	900	2,927
Impairment of loans to corporate (net)	174,637	20,372
Impairment loans to individuals (net)	108,003	159,822
Net Impairment for the year	**283,540**	**183,121**

24. Other operating expenses

	Year ended December 31, 2016	Year ended December 31, 2015
Administrative expenses	424,168	448,899
Staff costs:	489,909	429,438
- Wages and Salaries	*378,267*	*371,765*
- Social Security Cost	*42,978*	*42,072*
- Bonuses and other compensation expenses	-	*515*
- Other Staff Cost	*68,664*	*15,086*
Deposit Insurance Premium	78,871	87,122
Depreciation and amortization	65,547	65,058
Provision charges	24,729	17,762
Other	24,823	19,216
Total	**1,108,047**	**1,067,495**

The Bank accounts for the deposit insurance premium expense, with reference to the law no. 53/14 dated 22.05.2014 "On Deposit Insurance," article 31. For banks, the quarterly insurance premium is 0.125 % of the arithmetic average of the amount of insured deposits, which are recorded in the bank on the last day of each month of the previous quarter. For purposes of calculating the premiums, the quarter begins on the first day of January, April, July and October. Premium calculations are reported to the Deposit Insurance Agency at the end of the quarter and payable no later than the 15th of the first month of the quarter for which it is paid. Expenses of the year related to the deposits insurance premium reflect the amount of premiums paid during the year for insuring deposits of customers placed during the same period.

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24. Other operating expenses (continued)

Total amounts of provisions, booked for the year ending on December 31, 2016 amount to ALL 24,729 thousand, relating to provisions for staff indemnity costs, provisions for unaudited tax periods and changes in provisions for legal cases (refer to note 16).

25. Income tax expense

	Year ended December 31, 2016	Year ended December 31, 2015
Current tax	57,003	45,203
Deferred tax recovery (see note 15)	3,057	3,345
Income tax expense	**60,060**	**48,548**

Reconciliation between the effective tax rate and the tax rate used for statutory accounting purposes is provided below:

	Year ended December 31, 2016	Year ended December 31, 2015
Profit of the year	**86,500**	**144,976**
Depreciation expense IFRS-Tax on disposed Fixed Assets	(5,921)	(21,316)
Differences accounting vs IFRS for tax Purposes	133,813	94,179
Non-deductible expenses:		
Interest expenses for the subordinated debt	23,001	17,777
Staff expenses	77,311	20,129
Third parties services	21,098	22,830
Provision for unaudited tax year	8,000	12,000
Other expenses	30,241	5,125
Interest expense for tax on debt	7,265	6,512
Non Taxable Income	(1,291)	(857)
Total non-deductible expenses	**165,625**	**83,516**
Taxable profit	**380,017**	301,355
Income Tax Expense @ 15% (2015: 15%)	**57,003**	**45,203**

Difference of accounting versus IFRS of ALL 133,813 thousands (2015: ALL 94,179 thousands) relates to IFRS adjustments which for fiscal purposes are considered as non-deductible.

Movement in prepaid income tax for the year ended 31 December 2016 is presented as follows:

	December 31, 2015	December 31, 2015
As at 1 January	**117,735**	**140,575**
Income tax expense	(57,003)	(45,203)
Prepayments during the year	-	22,363
As at 31 December	**60,732**	**117,735**

On the basis of changes in Law 8438, dated December 28, 1998 "On Income Tax" law nr.10364, dated December 16, 2011 "On some amendments" the Bank should consider provisions calculated according to IFRS as a deductible expense, and if no objections are certified by external auditors.

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26. Gain from investment securities, net

Gain from investment securities presents the change in fair value of the major part of investment portfolio of the Bank. Gains from investment securities as per below detailed:

	Year ended December 31, 2016	Year ended December 31, 2015
Gains from Treasury-Bills	-	1,190
Gains from Treasury-Bonds	78,865	1,105
Losses from Bond of EIB	-	(2,165)
Gain from investment securities, net	**78,865**	**130**

27. Net trading expense

	Year ended December 31, 2016	Year ended December 31, 2015
Position in Foreign Assets/ Liabilities	165,115	134,262
Gains from Foreign Exchange Transactions	(44,456)	(34,226)
Losses from sale of AFS	-	136
Net trading expense, net	**120,659**	**100,172**

The main reason for the variance in gains from foreign currency position is that due to regulatory accounting rules, capital disbursed in foreign currency is treated as monetary item (in accordance with Bank of Albania Financial Reporting Manual). Additionally, in accordance with the Central Bank rules, Banks in Albania are required to manage (close) their foreign currency position by treating capital as a monetary item. Since in accordance with IAS 21 capital is a non-monetary item, the Bank cannot close its foreign currency position in IFRS, and thus it is exposed to greater sensitivity to changes in foreign currency rates resulting in income or expense in the current year profit or loss.

28. Cash and equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents at the end of the financial year, as shown in the cash flow statement, can be reconciled to the related items in the balance sheet as follows:

	December 31, 2016	December 31, 2015
Cash on hand (note 6)	1,527,078	1,429,140
Balances with Bank of Albania (note 6)	1,056	49,867
Current accounts in other banks (note 7)	908,509	1,568,919
Short term deposits in other banks with contractual maturity less than three months	5,718,228	2,261,922
Total	**8,154,871**	**5,309,848**

29. Related party transactions

A party is related to an entity if: (a) directly, or indirectly through one or more intermediaries, the party: (i) controls, is controlled by, or is under common control with, the entity; (ii) has an interest in the entity that gives it significant influence over the entity; or (iii) has joint control over the entity; (b) the party is an associate of the entity; (c) the party is a joint venture in which the entity is a venture; (d) the party is a member of the key management personnel of the entity or its parent; (e) the party is a close member of the family of any individual referred to in (a) or (d); (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or (g) the party is a post-employment benefit plan for the benefit of employees of the entity, and as approved by the Bank of Albania.

Key management personnel includes those directors that are approved by the Bank of Albania, and those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any directors (whether executive or otherwise) of the Bank.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

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29. Related party transactions (continued)

As at December 31, 2016 and 2015, related party transactions are as follows:

	31 December 2016			31 December 2015		
	National Bank of Greece (Parent Co)	Other Group Companies	Key Personnel Management	National Bank of Greece (Parent Co)	Other Group Companies	Key Personnel Management
Due from banks - Current Accounts	35,780	33,569	-	33,953	14,019	-
Due from banks - Placements	-	1,717,713	-	-	-	-
Loans and advances to customers, net	-	-	14,823	-	-	18,258
Total Assets	**35,780**	**1,751,282**	**14,823**	**33,953**	**14,019**	**18,258**
Due to banks and financial institutions	22,309	256,362	-	13,890	270,239	-
Subordinated debt	946,944	-	-	1,647,623	-	-
Due to customers	-	-	48,671	-	-	15,830
Other liabilities	44,380	4,868	-	4,646	16,846	-
Total Liabilities	**1,013,633**	**261,230**	**48,671**	**1,666,159**	**287,085**	**15,830**
Interest income	-	1,462	351	156	5,090	276
Fee and commission income	3	5	-	1,608	4	-
Total Income	**3**	**1,467**	**351**	**1,764**	**5,094**	**276**
Interest expense	78,729	653	-	100,061	355	-
Fee and commission expense	238	-	-	1,440	-	-
Other operating expenses - Service Level Agreement	26,161	1,397	-	20,707	9,806	-
Other operating expenses - Salaries	37,754	-	47,719	-	-	49,084
Total Expense	**142,882**	**2,050**	**47,719**	**122,208**	**10,161**	**49,084**
Letter of Guarantee	-	38,135	-	-	-	-
Off –Balance Sheet Commitments	**-**	**38,135**	**-**	**-**	**-**	**-**

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29. Related party transactions (continued)

During the year, the Bank has acquired intangible assets for the value of ALL 15,231 thousands (2015: ALL 28,502 thousand) mostly from United Bulgarian Bank (ALL 10,722 thousands).

Interest income represents the amount of interest earned from placements and other investments the Bank has had during the year with other group companies. Interest expense represents the amount of interest incurred from the subordinated debt the Bank has with NBG Athens.

Other operating expenses related to Service Level Agreement, is related to outsourcing services for the provisioning of NBG Model Bank solution, which the Bank has with NBG S.A., United Bulgarian Bank and NBG SEE Subsidiaries.

Salaries presented in the table above represent the amount of salaries paid to key management personnel of the Bank during the year, including any bonuses or other benefits paid.

In respect of related party transactions as at 31 December 2016 there was an outstanding LGs granted or received with the related party United Bulgarian Bank amounting to ALL 38 million.

30. Contingencies and commitments

Contingencies and commitments include guarantees extended to customers and received from credit institutions. The balances as at December 31, 2016 and 2015 are composed of the following:

	December 31, 2016	December 31, 2015
Guarantees received from banks	317,383	232,505
Guarantees in favour of customers	46,533	66,862
Imported Letters of Credit	79,070	123,023
Unused Credit Limit	482,695	369,262

Guarantees and letters of credit

Guarantees received from the customers include cash collateral, mortgages, inventory and other assets pledged in favour of the bank from its borrowers.

Litigation

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. As of December 2016 there is no other significant exposure other than those disclosed in Note 16 (Other Liabilities/ Litigations and other Risks).

Lease commitments

The Bank leases office premises in Tirana, Durrës Korça, Vlora, Lezhë, Elbasan, Gjirokastër, Shkodër, Lushnje, Pogradec, Berat, Sarandë. The leases at their maturity are renewable unless a three months' notice is given to cancel it. Rental expenses for the year ended 2016 is ALL 130,475 thousand (2015: ALL 140,423 thousands). Future minimum lease payments are classified as follows:

	December 31, 2016	December 31, 2015
Within one year	125,424	95,310
From one to five years	456,943	314,781
More than five years	184,788	118,195
Total	**767,155**	**528,286**

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31. Events after the reporting date

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

32. Financial risk management

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 Banks' Board of Directors, through the BoD Risk Committee, has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established the Bank Asset and Liability (ALCO), Credit Committees, which are responsible for developing and monitoring Bank risk management policies in their specified areas in accordance with the policies and procedures in force.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Bank Internal Audit Division is responsible for monitoring compliance with the Bank's regulations and manuals risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the respective Audit Division in Athens.

Current developments

The Bank operates in the condition of a dynamically developing global financial and economic crisis. Its further extension might result in negative implications on the financial position of the Bank.

The management of the Bank performs daily monitoring over all positions of assets and liabilities, income and expenses, as well as the development of the international financial markets, applying the best banking practices. Based on this, the management analyse profitability, liquidity and the cost of funds and implements adequate measures in respect to credit, market (primarily interest rate) and liquidity risk, thus limiting the possible negative effects from the global financial and economic crisis. In this way the Bank responds to the challenges of the market environment, maintaining a stable capital and liquidity position.

(a) 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).

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32. Financial risk management (continued)

(a) Credit risk (continued)

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to the competent Credit Committees. Separate Retail Credit Risk Committees of three levels and Corporate Credit Risk Committees of four levels are responsible for overseeing, decision making and underwriting the related portfolios credit risk.

The management of credit risk is accomplished through:

(i) 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.

(ii) 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.

(iii) Reviewing and assessing credit risk. Bank Management through specific structures of Credit Risk Management assesses all credit exposures limits, prior to the final approval and disbursement.

(iv) Renewals and reviews of facilities are subject to the credit policies in force.

(v) Limiting concentrations of exposure to counterparties. 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. Moreover, concentration limits by sectors of economy are being established. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, as considered necessary.

(vi) 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.

(vii) Developing and maintaining the Bank's risk grading in order to categorize 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 allowance may be required against specific credit exposures. The current risk grading framework is based on a general categorization of the loan portfolio in performing and non-performing loans, classified into 5 categories and sub-categories, which reflect various degrees of risk of default and the availability of collateral or other credit risk mitigation. Non-performing loans are loans that show more than 90 days in arrears and other loss trigger such as bankruptcy, significant financial difficulties etc. The responsibility for setting the risk grades remains with the Credit Risk Management and is subject to the final approval by Credit Committee or the Management. The risk grading is also subject to regular reviews performed by the Bank risk and impairment measurement policies and guidelines.

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32. Financial risk management (continued)

(a) Credit risk (continued)

Loans and advances to customer divided by type and their due period, as at December 31, 2016 and December 31, 2015, are detailed as follows:

December 31, 2016	Consumer	Mortgage	Small Business loans	Corporate loans	Credit Cards	Total Loans
Neither past due nor impaired	1,510,801	7,338,145	208,947	3,607,866	17,819	**12,683,578**
Past due but not impaired	523,326	4,210,061	141,212	3,817,403	5,200	**8,697,202**
Individually impaired	174,885	1,784,522	66,429	5,783,806	1,257	**7,810,899**
Total Gross	**2,209,012**	**13,332,728**	**416,588**	**13,209,075**	**24,276**	**29,191,679**
Less: allowance for individually impaired loans	(119,401)	(624,103)	(29,708)	(2,991,182)	(1,257)	**(3,765,651)**
Less: allowance for collectively impaired loans	(7,934)	(57,677)	(21,335)	(393,143)	(6)	**(480,095)**
Total Allowance for impairment	**(127,335)**	**(681,780)**	**(51,043)**	**(3,384,325)**	**(1,263)**	**(4,245,746)**
Total net	**2,081,677**	**12,650,948**	**365,545**	**9,824,750**	**23,013**	**24,945,933**

December 31, 2015	Consumer	Mortgage	Small Business loans	Corporate loans	Credit Cards	Total Loans
Neither past due nor impaired	1,396,359	8,826,476	248,767	3,497,376	18,244	**13,987,222**
Past due but not impaired	395,551	3,819,249	202,673	3,174,982	4,089	**7,596,544**
Individually impaired	166,005	1,809,843	80,420	6,147,274	1,341	**8,204,883**
Total gross	**1,957,915**	**14,455,568**	**531,860**	**12,819,632**	**23,674**	**29,788,649**
Less: allowance for individually impaired loans	(124,833)	(606,579)	(22,659)	(2,996,819)	(1,341)	**(3,752,231)**
Less: allowance for collectively impaired loans	(7,514)	(67,706)	(32,738)	(281,876)	(7)	**(389,841)**
Total allowance for impairment	**(132,347)**	**(674,285)**	**(55,397)**	**3,278,695)**	**(1,348)**	**(4,142,072)**
Total net	**1,825,568**	**13,781,283**	**476,463**	**9,540,937**	**22,326**	**25,646,577**

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32. Financial risk management (continued)

(a) Credit risk (continued)

Loans and advances to customers in past due but not impaired and those individually impaired, divided by type and their days past due as at December 31, 2016 are detailed as follows:

December 31, 2016	Consumer	Mortgage	Small Business loans	Corporate loans	Credit Cards	Total Loans
Past due up to 30 days	364,047	2,010,788	52,168	2,250,015	4,177	**4,681,195**
Past due 31-90 days	114,437	1,638,361	37,785	412,967	1,023	**2,204,573**
Past 90+ days	44,842	560,912	51,259	1,154,421	-	**1,811,434**
Total past due but not impaired	**523,326**	**4,210,061**	**141,212**	**3,817,403**	**5,200**	**8,697,202**
Past due 31-90	16,197	429,816	27,121	1,336,325	-	1,809,459
Past due 91-180 days	16,402	68,322	2,651	0	90	87,465
Past due 181-365 days	142,286	1,286,384	36,657	4,447,481	1,167	5,913,975
Total individually impaired	**174,885**	**1,784,522**	**66,429**	**5,783,806**	**1,257**	**7,810,899**

Loans and advances to customers past due but not impaired and those individually impaired, divided by type and their days past due as at December 31, 2015 are detailed as follows:

December 31, 2015	Consumer	Mortgage	Small Business loans	Corporate loans	Credit Cards	Total Loans
Past due up to 30 days	237,797	1,531,334	106,435	2,215,527	2,683	**4,093,776**
Past due 31-90 days	105,178	1,680,523	41,325	223,499	607	**2,051,132**
Past 90+ days	52,576	607,392	54,913	735,956	799	**1,451,636**
Total past due but not impaired	**395,551**	**3,819,249**	**202,673**	**3,174,982**	**4,089**	**7,596,544**
Past due 31-90	19,732	380,339	26,164	832,884	-	**1,259,119**
Past due 91-180 days	13,839	28,174	10,799	-	73	**52,885**
Past due 181-365 days	132,434	1,401,330	43,457	5,314,390	1,268	**6,892,879**
Total individually impaired	**166,005**	**1,809,843**	**80,420**	**6,147,274**	**1,341**	**8,204,883**

Exposures past due for more than 90 days are assessed for individual impairment and resulted with no such impairment. They are however tested again collectively for impairment as at December 31, 2016 and 2015.

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32. Financial risk management (continued)

(a) Credit risk (continued)

The amount of collateral of loans and advances to customers past due but not impaired and those individually impaired, divided by type and their days past due as at December 31, 2016 are detailed as follows:

December 31, 2016	**Consumer**	**Mortgage**	**Small Business loans**	**Corporate loans**	**Credit Cards**	**Total Collaterals**
Past due up to 30 days	749,007	5,712,130	166,959	3,544,698	5,725	10,178,519
Past due 31-90 days	312,725	4,614,691	108,760	2,872,176	189	7,908,541
Past due 91-180days	22,588	395,744	24,501	161,824		604,657
Past due 181-365 days	6,419	230,392	26,520	1,989,700	-	2,253,031
Past due 365+ days	301,470	2,050,861	164,200	5,337,095	-	7,853,626
Total collaterals	**1,392,209**	**13,003,818**	**490,940**	**13,905,493**	**5,914**	**28,798,374**

The amount of collateral of loans and advances to customers past due but not impaired and those individually impaired, divided by type and their days past due as at December 31, 2015 are detailed as follows:

December 31, 2015	**Consumer**	**Mortgage**	**Small Business loans**	**Corporate loans**	**Credit Cards**	**Total Collaterals**
Past due up to 30 days	385,092	4,310,239	357,777	2,944,704	1,083	**7,998,895**
Past due 31-90 days	283,013	5,100,414	140,565	631,768	1,117	**6,156,877**
Past due 91-180days	42,562	304,973	85,106	432,466	-	**865,107**
Past due 181-365 days	30,641	126,309	36,973	644,539	-	**838,462**
Past due 365+ days	255,686	2,712,807	181,136	7,218,140	-	**10,367,769**
Total collaterals	**996,994**	**12,554,742**	**801,557**	**11,871,617**	**2,200**	**26,227,110**

32. Financial risk management (continued)

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s).

Past due but not impaired loans

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

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. The volume of restructured loans for the year ended December 31, 2016 is ALL 1,777,632 thousand (31 December 2015: ALL 1,190,028 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' competent structures determine 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 and proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write off decisions generally are based on a product specific past due status as well as on legal actions followed related to the enforcement procedure.

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

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32. Financial risk management (continued)

(a) Credit risk (continued)

Movement in allowance for impairment of loans for the year ended December 31, 2016:

31 December 2016	Individuals								
	Mortgages		Consumers		Other		Cards		Subtotal
	Individual basis	Pool basis	Individual basis	Pool basis	Individual basis	Pool basis	Individual basis	Pool basis	
Balance at January 1	**606,579**	**67,706**	**124,833**	**7,514**	**22,658**	**32,739**	**1,341**	**7**	**863,377**
Charge of the year	86,667	-	33,787	211	-	-	-	-	**120,665**
Reversal of the year	-	(9,135)	-	-	(1,706)	(1,735)	(84)	(1)	**(12,661)**
Bad debts written off	(61,973)	(185)	(38,756)	(12)	(591)				**(101,517)**
Exchange differences	(7,170)	(709)	(463)	221	9,347	(9,669)	-	-	**(8,443)**
Balance at December 31	**624,103**	**57,677**	**119,401**	**7,934**	**29,708**	**21,335**	**1,257**	**6**	**861,421**

	Corporate		
	Individual basis	Pool basis	Total
Balance as at January 1, 2016	**2,996,817**	**281,878**	**3,278,695**
Charge of the year	135,653	39,884	**175,537**
Reversal of the year	-	-	**-**
Bad debts written off	(24,116)	-	**(24,116)**
Exchange differences	(117,172)	71,381	**(45,791)**
Balance as at December 31, 2016	**2,991,182**	**393,143**	**3,384,325**

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32. Financial risk management (continued)

(a) Credit risk (continued)

Allowance for impairment of loans for the year ended December 31, 2015:

	Individuals								
	Mortgages		Consumers		Other		Cards		Subtotal
	Individual basis	Pool basis	Individual basis	Pool basis	Individual basis	Pool basis	Individual basis	Pool basis	
Balance at January 1	**510,667**	**93,162**	**102,632**	**4,536**	**29,535**	**23,664**	**939**	**6**	**765,141**
Charge of the year	156,041	-	36,119	4,845	-	14,764	654	2	**212,425**
Reversal of the year	-	(41,415)	-	-	(11,188)	-	-	-	**(52,603)**
Exchange differences	(60,129)	15,959	(13,918)	(1,867)	4,312	(5,690)	(252)	(1)	**(61,586)**
Balance at December 31	**606,579**	**67,706**	**124,833**	**7,514**	**22,659**	**32,738**	**1,341**	**7**	**863,377**

	Corporate		
	Individual basis	Pool basis	Total
Balance at January 1	**2,769,484**	**493,762**	**3,263,246**
Charge of the year	369,852	-	**369,852**
Reversal of the year	-	(346,553)	**(346,553)**
Exchange differences	(142,517)	134,667	**(7,850)**
Balance at December 31	**2,996,819**	**281,876**	**3,278,695**

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32. Financial risk management (continued)

(a) Credit risk (continued)

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

(i) Real Estate mortgages over residential as well as business properties;

(ii) Pledge over business assets in operation such as machinery and equipment, inventory, and accounts receivable;

(iii) 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. 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.

A classification of loans according to respective type of collateral is shown below:

	December 31, 2016	December 31, 2015
Secured by real estate	25,939,602	25,105,177
Guarantees and other collaterals	2,251,569	2,961,667
Unsecured	1,000,508	1,721,805
Loans and advances (Gross)	**29,191,679**	**29,788,649**

The financial effect of collaterals by showing the level of provisions if no collateral would be considered is shown as below:

	December 31, 2016	December 31, 2015
Gross amount	29,191,679	29,788,649
Provisions if no collateral would be considered	(8,757,888)	(9,936,093)
Net carrying amount on loans and advances to customers	**20,433,791**	**19,852,556**

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32. Financial risk management (continued)

(a) Credit risk (continued)

A breakdown as per the type of loans and the effect collaterals have for loans and advances to customers impaired as at 31 December 2016 and 31 December 2015 are shown in the tables below:

31 December 2016	**Consumer**	**Mortgage**	**Small Business loans**	**Corporate loans**	**Credit Cards**	**Total Loans**
Gross amount	2,209,012	13,332,728	416,588	13,209,075	24,276	**29,191,679**
Provisions if no collateral would be considered	(211,912)	(2,432,803)	(109,285)	(6,002,625)	(1,263)	**(8,757,888)**
Net carrying amount on loans and advances to customers	**1,997,100**	**10,899,925**	**307,303**	**7,206,450**	**23,013**	**20,433,791**
Net loans and advances to customers on 31 December 2016	2,081,677	12,650,948	365,545	9,824,750	23,013	**24,945,933**
Net effect of collateral	**84,577**	**1,751,023**	**58,242**	**2,618,300**	**-**	**4,512,142**

31 December 2015	**Consumer**	**Mortgage**	**Small Business loans**	**Corporate loans**	**Credit Cards**	**Total Loans**
Gross amount	1,957,915	14,455,568	531,860	12,819,632	23,674	**29,788,649**
Provisions if no collateral would be considered	(233,937)	(2,954,717)	(145,235)	(6,600,856)	(1,348)	**(9,936,093)**
Net carrying amount on loans and advances to customers	**1,723,978**	**11,500,851**	**386,625**	**6,218,776**	**22,326**	**19,852,556**
Net loans and advances to customers on 31 December 2015	1,825,568	13,781,283	476,463	9,540,937	22,326	**25,646,577**
Net effect of collateral	**101,590**	**2,280,432**	**89,838**	**3,322,161**	**-**	**5,794,021**

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32. Financial risk management (continued)

(a) Credit risk (continued)

Credit quality by class of financial assets

The Bank follows the following internal credit rating system to determine credit quality of its financial assets, where the rating description is the equivalent to the Standards & Poor's rating. These internal credit rating correspond to the Bank's internal range of the probability of default, as for the period as at 31 December 2016 and 31 December 2015 is as follows:

	December 31, 2016	December 31, 2015
AAA	0.01%	0.01%
AA+	0,02-0,03%	0,02-0,03%
AA	0,031-0,06%	0,031-0,06%
AA-	0,061-0,08%	0,061-0,08%
A+	0,081-0,13%	0,081-0,13%
A	0,131-0,21%	0,131-0,21%
A-	0,211-0,33%	0,211-0,33%
BBB+	0,331-0,50%	0,331-0,50%
BBB	0,501-0,68%	0,501-0,68%
BBB-	0,681-1,00%	0,681-1,00%
BB+	1,001-1,70%	1,001-1,70%
BB	1,701-3,10%	1,701-3,10%
BB-	3,101-4,50%	3,101-4,50%
B+	4,501-6,50%	4,501-6,50%
B	6,501-9,00%	6,501-9,00%
B-	9,001-16,00%	9,001-16,00%
CCC+	16,001-19,00%	16,001-19,00%
CCC	19,001-21,00%	19,001-21,00%
CCC-	21,001-25,00%	21,001-25,00%
D	100.00%	100.00%

Credit quality or financial assets that are neither past due nor impaired are presented in the following tables for the period as at 31 December, 2016 and 31 December 2015:

Neither past due nor impaired - Loans to customers	**December 31, 2016**	**December 31, 2015**
AAA	17,819	14,370
A+	9,057,893	8,745,459
BB+	3,607,866	1,617,470
BBB-	-	3,609,923
	12,683,578	**13,987,222**

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2016

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32. Financial risk management (continued)

(a) Credit risk (continued)

Investment securities - AFS	December 31, 2016	December 31, 2015
Rating B1 (Albania)	5,193,606	5,199,843
Total Investment Securities - AFS	**5,193,606**	**5,199,843**

Concentration of risk

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk as at December 31, 2016 and December 31, 2015 is shown below:

	December 31, 2016		December 31, 2015	
Private individuals	15,121,181	61%	15,994,810	62%
Industry and mining	3,264,431	13%	3,098,038	12%
Trade and services	3,342,847	13%	3,980,941	16%
Construction and real estate development	2,020,747	8%	1,167,020	5%
Tourism	438,980	0%	377,302	1%
Transportation and telecommunications	71,895	0%	115,798	1%
Small scale industry	44,058	2%	91,332	0%
Government and agencies	-	0%	-	0%
Other	641,794	3%	821,336	3%
Total net	**24,945,933**	**100%**	**25,646,577**	**100%**

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.

	December 31, 2016		December 31, 2015	
Albania	24,945,933	100%	25,646,577	100%
Other locations	-	-	-	-
Total	**24,945,933**	**100%**	**25,646,577**	**100%**

Due from banks, and investment securities as at 31 December 2016 and 31 December 2015 are neither past due nor impaired.

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".

32. Financial risk management (continued)

(b) 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.

The Bank manages Liquidity Risk in accordance with the Bank's Policy "Liquidity Risk Management" approved by the Board of Directors, which is in full compliance with the Bank of Albania Regulation "On the Administration of Liquidity Risk". 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;
- 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 Section.

Daily reports cover the projected estimated cash flows for the next day, week, and month, which are considered as key liquidity management periods. The Management of short and medium term liquidity is a responsibility of ALCO. ALCO analyses the liquidity position of the Bank and approves any actions deemed as necessary. The Bank performs Stress Tests every three months related to liquidity risk and when deemed necessary by the ALCO.

Exposure to liquidity risk

The Bank makes its best efforts to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturity. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required meeting business goals and targets set in terms of the overall Bank strategy.

The following tables show the discounted cash flows from the Bank's assets and liabilities on the basis of their earliest possible remaining periods to repayment. The Bank's expected cash flows may vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance. In addition the Bank holds a portfolio of liquid assets in order to be in full compliance with the Regulator and the Policy on Liquidity Risk Management.

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32. Financial risk management (continued)

(b) Liquidity risk (continued)

The following table shows assets and liabilities by maturity at December 31, 2016, based on discounted cash flows in/out of the Bank reflecting any earlier repayment or retention history assumptions:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Assets							
Cash on hand and balances with Central Bank	2,034,320	-	-	-	2,343,652	-	**4,377,972**
Due from banks	6,626,737	-	-	-	-	-	**6,626,737**
Loans and advances to customers, net	622,244	1,345,922	978,376	2,455,878	10,925,198	8,618,315	**24,945,933**
Investment securities - available for sale	-	118,893	865,767	1,445,407	2,603,975	159,564	**5,193,606**
Other assets	10,761	-	-	203,178	-	-	**213,939**
Total monetary assets	**9,294,062**	**1,464,815**	**1,844,143**	**4,104,463**	**15,872,825**	**8,777,879**	**41,358,187**
Liabilities							
Due to banks and financial institutions	1,131,460	-	-	-	-	-	**1,131,460**
Due to customers	11,809,247	3,666,835	4,672,666	9,176,041	1,507,766	67,615	**30,900,170**
Other liabilities	366,760	79,097	-	7,947	-	-	**453,804**
Subordinated debt	-	135,564	-	-	-	811,380	**946,944**
Total monetary liabilities	**13,307,467**	**3,881,496**	**4,672,666**	**9,183,988**	**1,507,766**	**878,995**	**33,432,378**
TOTAL GAP ON BALANCE SHEET	**(4,013,405)**	**(2,416,681)**	**(2,828,523)**	**(5,079,525)**	**14,365,059**	**7,898,884**	**7,925,809**
Off Balance sheet (Cash flow in)	-	-	-	-	-	-	-
Off Balance sheet (Cash flow out)	(85,402)	(120,542)	(285,256)	(319,121)	(590,734)	(245,248)	**(1,646,303)**
TOTAL GAP OFF BALANCE SHEET	**(85,402)**	**(120,542)**	**(285,256)**	**(319,121)**	**(590,734)**	**(245,248)**	**(1,646,303)**
Total GAP 31 December 2016	**(4,098,807)**	**(2,537,223)**	**(3,113,779)**	**(5,398,646)**	**13,774,325**	**7,653,636**	**6,279,506**
Cumulative GAP 31 December 2016	**(4,098,807)**	**(6,636,030)**	**(9,749,809)**	**(15,148,455)**	**(1,374,130)**	**6,279,506**	**-**

The intention of the Bank is to cover any short term liquidity gap with borrowing from inter-bank borrowings.

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32. Financial risk management (continued)

(b) Liquidity risk (continued)

The following table shows monetary assets and liabilities by maturity at December 31, 2015:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Assets							
Cash on hand and balances with Central Bank	1,904,683	-	-	-	1,892,840	-	**3,797,523**
Due from banks	3,830,841	-	-	-	-	-	**3,830,841**
Loans and advances to customers, net	2,272,891	854,435	1,349,936	5,650,040	6,867,515	8,651,760	**25,646,577**
Investment securities - available for sale	399,315	293,985	619,968	929,954	2,755,758	200,863	**5,199,843**
Other assets	56,303						**56,303**
Total monetary assets	**8,464,033**	**1,148,420**	**1,969,904**	**6,579,994**	**11,516,113**	**8,852,623**	**38,531,087**
Liabilities							
Due to banks and financial institutions	2,307,403	-	-	-	-	-	**2,307,403**
Due to customers	8,806,313	3,595,609	1,917,174	10,863,986	1,260,253	68,641	**26,511,976**
Other liabilities	173,869	53,378	-	-	-	-	**227,247**
Subordinated debt	412,103	-	-	274,560	960,960	-	**1,647,623**
Total monetary liabilities	**11,699,688**	**3,648,987**	**1,917,174**	**11,138,546**	**2,221,213**	**68,641**	**30,694,249**
TOTAL GAP ON BALANCE SHEET	**(3,235,655)**	**(2,500,567)**	**52,730**	**(4,558,552)**	**9,294,900**	**8,783,982**	**7,836,838**
Off Balance sheet (Cash flow in)	-	-	-	-	-	-	-
Off Balance sheet (Cash flow out)	(16,433)	(85,601)	-	-	(430,121)	(118,195)	(650,350)
TOTAL GAP OFF BALANCE SHEET	**(16,433)**	**(85,601)**	**-**	**-**	**(430,121)**	**(118,195)**	**(650,350)**
Total GAP 31 December 2015	**(3,252,088)**	**(2,586,168)**	**52,730**	**(4,558,552)**	**8,864,779**	**8,665,787**	**7,186,488**
Cumulative GAP 31 December 2015	**(3,252,088)**	**(5,838,256)**	**(5,785,526)**	**(10,344,078)**	**(1,479,299)**	**7,186,488**	**-**

*Amounts blocked at Bank of Albania

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32. Financial risk management (continued)

(b) Liquidity risk (continued)

Details of the reported Bank ratio at the reporting dates were as follows:

	December 31, 2016	December 31, 2015
Total Liquid Assets/Short Term Liabilities Ratio	36.79%	34.58%
Liquid Assets in local currency /Short Term Liabilities in local currency Ratio	38.80%	29.24%
Liquid Assets in foreign currency /Short Term Liabilities in foreign currency Ratio	35.40%	39.19%

(c) Market Risk

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

Management of market risks

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market, together with financial assets and liabilities that are managed on a fair value basis. The foreign exchange position is treated as part of the Bank's trading portfolios for risk management purposes.

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

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

- ***Exposure to market risks - trading portfolios***

The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

- ***Exposure to foreign exchange risk***

The Bank is exposed to currency risk through transactions in foreign currencies. As the currency in which the Bank presents its financial statements is the Albanian Lek, the Bank's financial statements are effected by movements in the exchange rates between the Albanian Lek and other currencies.

The Bank is exposed to foreign currency risk through the open currency position. Net Open Forex Position in a specific currency is the amount, equivalent in ALL of the difference between total assets and total liabilities of the Bank in that currency.

Foreign exchange risk is the risk to earnings or capital from adverse movements in foreign exchange rates. If assets and liabilities are not matched by currency, then there is a risk that changes in foreign exchange rates (or the volatility of these changes) may have a negative financial impact.

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32. Financial risk management (continued)

(c) Market Risk (continued)

(i) Exposure to foreign exchange risk (continued)

The Dealing Room has the responsibility to handle the Open Foreign Currency Position. The Dealer is responsible for monitoring the Forex Position for every currency through the T24 core banking system. The Dealer must, at any moment through queries in T24 system, control and arrange the position by appropriate movements.

The Bank is obliged to respect the limits of Net Open Forex Position and of Total Net Open Forex Position set by the Bank of Albania.

In view of the fact that Albania has been rated by Moody's as B1 long term rating it is recommended that the maximum exposures to FX and total country (Albania) risks be undertaken exclusively by the Tirana Treasury in cooperation with NBG Group Risk Management Division.

The analysis of monetary positions as at December 31, 2016 by currencies in which they were denominated is as follows:

	EUR	USD	GBP	AUD	LEK	Total
Assets						
Cash and balances with Central Bank	2,385,890	287,218	39,071	111	1,665,682	4,377,972
Due from banks	4,012,194	1,900,101	33,569	820	680,053	6,626,737
Loans and advances to customers, net	19,783,763	719,474	-	-	4,442,696	24,945,933
Investment securities - available for sale	1,465,115	-	-	-	3,728,491	5,193,606
Other assets	189,770	6,446		9	17,714	213,939
Total assets	**27,836,732**	**2,913,239**	**72,640**	**940**	**10,534,636**	**41,358,187**
Liabilities						
Due to banks and financial institutions	-	1,124,624	-	-	6,836	1,131,460
Due to customers	15,847,608	963,502	72,965	26	14,016,069	30,900,170
Other liabilities	132,765	6,612	1	-	314,426	453,804
Subordinated debt	946,944	-	-	-	-	946,944
Total liabilities	**16,927,317**	**2,094,738**	**72,966**	**26**	**14,337,331**	**33,432,378**
Net position	**10,909,415**	**818,501**	**(326)**	**914**	**(3,802,695)**	**7,925,809**

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32. Financial risk management (continued)

(c) Market Risk (continued)

(i) Exposure to foreign exchange risk (continued)

The analysis of monetary positions as at December 31, 2015 by currencies in which they were denominated is as follows:

	EUR	USD	GBP	AUD	Lek	Total
Assets						
Cash on hand and balances with Bank of Albania	1,918,144	330,301	15,898	111	1,533,069	3,797,523
Due from banks	2,175,249	1,466,892	14,019	74,665	100,016	3,830,841
Loans and advances to customers, net	20,595,845	825,305	-	-	4,225,427	25,646,577
Investment securities - available for sale	1,126,092	-	-	-	4,073,751	5,199,843
Other assets	13,071	18,241	12	21	24,958	56,303
Total assets	**25,828,401**	**2,640,739**	**29,929**	**74,797**	**9,957,221**	**38,531,087**
Liabilities						
Due to banks and financial institutions	-	768,645	18,661	-	1,520,097	2,307,403
Due to customers	12,708,759	842,111	10,685	75,645	12,874,776	26,511,976
Other liabilities	112,008	11,496	-	-	103,743	227,247
Subordinated debt	1,647,623	-	-	-	-	1,647,623
Total liabilities	**14,468,390**	**1,622,252**	**29,346**	**75,645**	**14,498,616**	**30,694,249**
Net position	**11,360,011**	**1,018,487**	**583**	**(848)**	**(4,541,395)**	**7,836,838**

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32. Financial risk management (continued)

(c) Market Risk (continued)

The table below indicates the currencies to which the Bank had exposures at 31 December 2016 and 31 December 2015 on its non–trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Albanian LEK (all other variables being held constant) on the income statement and equity. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the currencies below against the Albanian LEK would have resulted in an equivalent but opposite impact.

Currency	Increase / (decrease) in basis points	31 December 2016		31 December 2015	
		Sensitivity of profit or loss	Sensitivity of equity	Sensitivity of profit or loss	Sensitivity of equity
	in %	'000 ALL	'000 ALL	'000 ALL	'000 ALL
EUR	+ 5/(5)	+/- 197,550	+/- 225,792	+/- 205,011	+/- 133,733
USD	+ 5/(5)	+/- 1,795	+/- 115,412	+/- 9,829	+/- 138,488
GBP	+ 5/(5)	+/- 16	+/- 16	+/- 30	+/- 30
AUD	+ 5/(5)	+/- 46	+/- 46	+/- 43	+/- 43

(ii) Exposure to interest rate risk - non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments 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 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 quarterly basis include a 50 basis point (bp) parallel fall or rise in all yield curves.

An analysis of the Bank's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant consolidated statement of financial position) is as follows:

	up to 1 Year scenarios Amounts in Euro		over 1 Year scenarios Amounts in Euro	
	50 pb increase	50 pb decrease	50 pb increase	50 pb decrease
31 December 2016				
Estimated Profit (loss) effect	566,616	(566,616)	406,585	(406,585)
Estimated effect of equity	114,250	(114,250)	(362,657)	362,657
31 December 2015				
Estimated Profit (loss) effect	367,471	(367,471)	187,178	(187,178)
Estimated effect of equity	128,825	(128,825)	(173,838)	173,838

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32. Financial risk management (continued)

(c) Market Risk (continued)

(ii) Exposure to interest rate risk - non-trading portfolios (continued)

The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re–pricing or maturity dates as at 31 December 2016.

December 31, 2016	**Carrying Amount**	**Non-interest bearing**	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**
Assets							
Cash on hand and balances with Bank of Albania	4,377,972	1,528,134	-	2,849,838	-	-	-
Due from banks	6,626,737	908,509	5,718,228	-	-	-	-
Loans and advances to customers, net	24,945,933	235,170	-	9,824,751	15,121,182	-	-
Investment securities – available for sale	5,193,606	-	-	472,057	3,526,370	1,195,179	-
Other assets, net	213,939	213,939	-	-	-	-	-
Total assets	**41,358,187**	**2,650,582**	**5,718,228**	**13,146,646**	**18,647,552**	**1,195,179**	**-**
Liabilities							
Due to banks and financial institutions	1,131,460	22,309	1,109,151	-	-		-
Due to customers	30,900,170	9,077,280	2,729,205	3,755,429	13,770,176	1,500,464	67,616
Other liabilities	453,804	453,804	-	-	-	-	-
Subordinated debt	946,944	334	-	946,610	-	-	-
Total liabilities	**33,432,378**	**9,553,727**	**3,838,356**	**4,702,039**	**13,770,176**	**1,500,464**	**67,616**
Gap	**7,925,809**	**(6,903,145)**	**1,879,872**	**8,444,607**	**4,877,376**	**(305,285)**	**(67,616)**

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32. Financial risk management (continued)

(c) Market Risk (continued)

(ii) Exposure to interest rate risk - non-trading portfolios (continued)

The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re–pricing or maturity dates as at 31 December 2015.

December 31, 2015	**Carrying Amount**	**Non-interest bearing**	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**
Assets							
Cash on hand and balances with Bank of Albania	3,797,523	2,733,331		1,064,192	-	-	-
Due from banks	3,830,841	1,568,919	2,261,922	-	-	-	-
Loans and advances to customers, net	25,646,577	-	-	13,183,277	12,463,300	-	-
Investment securities – available for sale	5,199,843	-	399,315	1,468,859	2,799,729	531,940	-
Other assets, net	56,303	56,303	-	-	-	-	-
Total assets	**38,531,087**	**4,358,553**	**2,661,237**	**15,716,328**	**15,263,029**	**531,940**	**-**
Liabilities							
Due to banks and financial institutions	2,307,403	13,890	2,293,513	-	-	-	-
Due to customers	26,511,976	6,150,217	2,656,096	3,595,609	12,781,160	1,260,253	68,641
Other liabilities	227,247	227,247	-	-	-	-	-
Subordinated debt	1,647,623	263	-	1,647,360	-	-	-
Total liabilities	**30,694,249**	**6,391,617**	**4,949,609**	**5,242,969**	**12,781,160**	**1,260,253**	**68,641**
Gap	**7,836,838**	**(2,033,064)**	**(2,288,372)**	**10,473,359**	**2,481,869**	**(728,313)**	**(68,641)**

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32. Financial risk management (continued)

(c) Market Risk (continued)

(iii) Interest Rate Risk Management

The ALCO is the responsible body for the management of interest rate risk. 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 Section.

Management of Interest Rate Risk is carried in accordance with all the applicable rules, regulations and banking best practices.

Interest rate risk in the banking book is the current or prospective risk to earnings (Net Interest Income) and / or capital arising from adverse movements in interest rates affecting the banking book positions.

Changes in interest rates affect:

- Profitability by changing net interest income and the level of other interest sensitive income or expense items;
- The economic value of the Bank's assets, liabilities and off-balance-sheet (OBS) positions, because the present value of future cash flows (and in some cases, the cash flows themselves) change when interest rates change.

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 200 basis point (bps) parallel fall or rise in all yield curves.

The bank measures the Interest Rate Risk through IRR Gap and then adjusts for the modified duration in order to calculate the Economic Value of Equity.

(d) Operational risks

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

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

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

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

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32. Financial risk management (continued)

(d) Operational risks (continued)

Compliance with Bank standards is supported by a program of periodic reviews undertaken by specific operational risk structures as well as Internal Audit.

(e) 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. 9662 date 18.12.2006 "On Banks in the Republic of Albania". Regulation No.69 on "Bank Regulatory Capital", Article 5 entered in force on 10.04.2015, will affect Banka NBG Albania Regulatory Capital, due to imposture of the following limits and deadline on Tier 2 Capital up to 50% of Tier 1 capital (until 31.12.2016).

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 Capital Adequacy Ratio required by Bank of Albania is starting from 15%, while the Bank has maintained this ratio at 16.79% as at 31 December 2016 (2015: 16,87%). 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%, while the Bank has improved this ratio at 13.41% as at 31 December 2016 (December 2015: 11,24%).

Risk-Weighted Assets (RWAs)

Starting from March 2015 and on RWA has been calculated based on the new regulation of CAR as per Basel II, stipulating a new methodology on risk assessment and risk categories.

Risk Weighted of Bank Assets is calculated according to BOA regulation "On Capital Adequacy Ratio" amended on Jul 2015. The Risk Weighted Assets as at December 2016 is ALL 24,218,141 thousands (2015: ALL 24,942,921 thousands)

Off-balance-sheet credit related commitments are taken into account. The amounts are weighted for risk assessment considering type (Letter guarantee, Letter of Credit, Unused Overdraft /Credit Cards) using the remaining maturity (from 20% - 50%). The Off Balance sheet risk weighted assets as for December 2016 are ALL 212,446 thousands (2015: ALL 255,311 thousands).

Compliance

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

Various credit risk mitigation techniques are used, for example collateralized transactions and guarantees. The Bank's regulatory capital is analyzed into two tiers:

Tier 1 capital (core capital), which includes ordinary share capital, share premium, statutory reserve, other general reserves, retained earnings from prior years and minority interests after deductions for goodwill, intangible assets and unrealized loss from available for sale investments.

Tier 2 capital (supplementary capital), which includes qualifying subordinated liabilities, namely perpetual debt and subordinated term debt.

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2016
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32. Financial risk management (continued)

(e) Capital management (continued)

The following limits are applied to elements of the capital base: Qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. 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 recognized and the Bank recognizes 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.

Reconciliation to Regulatory Equity

Due to changes in legislation and reporting requirements as per the Bank of Albania accounting manual, there are differences between the equity as reported in accordance to IFRS and as reported and available for distribution and/or retained to reserves in accordance to Bank of Albania accounting manual and law no. 9662, dated 18 December 2006, “On Banks in Albania”.

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2016
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32. Financial risk management (continued)

(e) Capital management (continued)

Reconciliation to Regulatory Equity (continued)

The table below presents the reconciliation between the items of equity as reported for Bank of Albania purposes to IFRS, for 31 December 2016.

31 December 2016	Pain in capital	Revaluation reserve	Legal & Other reserve	(Accumulated losses) / Retained earnings	Total
Equity as per Bank of Albania	**7,587,915**	**246,295**	**480,560**	**(4,654,098)**	**3,660,672**
Revaluation reserve on share capital denominated in foreign currency [a]	-	(246,295)	-	-	(246,295)
Fair Value appreciation on investment securities – AFS [b]	-	6,091	-	-	6,091
Deferred Tax Asset on AFS as per IFRS [c]	-	4,388	-	-	4,388
Prior Year Accummulated Losses as per BoA	-	-	-	5,141,150	5,141,150
Current Year result	-	-	-	(336,325)	(336,325)
Equity as per IFRS	**7,587,915**	**10,479**	**480,560**	**150,727**	**8,229,681**
Difference IFRS to BoA	**-**	**(235,816)**	**-**	**4,804,825**	**4,569,009**

[a] The revaluation reserve on share capital results from different accounting treatment of the two standards: IFRS treats capital as non-monetary item whereas Bank of Albania rules treat capital as monetary item.

[b] There are no differences between IFRS and Bank of Albania rules regarding the measurement of fair value, however, Bank of Albania rules require the recognition of only FV decreases of homogenous classes of financial assets.

[c] Bank of Albania does not have an accounting policy requirement for deferred tax.

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in '000 Lek, unless otherwise stated)

32. Financial risk management (continued)

(e) Capital management (continued)

Reconciliation to Regulatory Equity (continued)

The table below presents the reconciliation between the items of equity as reported for Bank of Albania purposes to IFRS, for 31 December 2015.

31 December 2015	Pain in capital	Revaluation reserve	Legal & Other reserve	(Accumulated losses) / Retained earnings	Total
Equity as per Bank of Albania	**7,587,915**	**335,219**	**444,196**	**(5,141,152)**	**3,226,178**
Revaluation reserve on share capital denominated in foreign currency	-	(335,219)	-	-	(335,219)
Fair Value appreciation on investment securities - AFS	-	-	17,079	-	17,079
Fair Value on AFS as per IFRS	-	-	13,950	-	13,950
Deferred Tax Asset on AFS as per IFRS	-	-	4,388	-	4,388
Prior Year Accummulated Losses as per BoA	-	-	-	5,771,594	5,771,594
Current Year result	-	-	-	(486,870)	(486,870)
Equity as per IFRS	**7,587,915**	**-**	**479,613**	**143,572**	**8,211,100**
Difference IFRS to BoA	**-**	**(335,219)**	**35,417**	**5,284,723**	**4,984,921**

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in '000 Lek, unless otherwise stated)

32. Financial risk management (continued)

(e) Capital management (continued)

Reconciliation to Regulatory Equity (continued)

Differences included under accumulated losses are summarized in the following table, as at 31 December 2016 and 31 December 2015.

	December 31, 2016	December 31, 2015
Difference in Loan Provision BoA vs IFRS	4,670,846	4,727,372
Deferred Loan Commissions	(109,352)	(116,673)
Revaluation of foreign currency capital	246,294	335,217
DTA on IFRS balances	44,748	47,805
Adjustment of NPL interest	87,451	291,047
Difference in other Provisions	10,604	3,994
Difference in Investment securities Fair Value BoA vs IFRS	14,811	-
Difference in Interest income BoA vs IFRS for repossessed assets	(156,538)	-
Difference in Investment securities valuation	(4,039)	(4,039)
Net difference in accummulated losses IFRS vs BoA	**4,804,825**	**5,284,273**

Retained earnings that are in excess of regulatory earnings are not available for distribution.

ADMINISTRATIVE OFFICE

Nr	DIVISIONS	POSITION	NAME		NR TEL
1		Chief Executive Officer	IOANNIS	AGATHOS	
2	CORPORATE GOVERNANCE	Corporate Govornance Manager	JONIDA	LAKURIQI	35544541001
3	INTERNAL AUDIT DIVISION	Chief Internal Auditor	SILVANA	ZOTO (DAUTAJ)	35544541095
4	MARKETING & PR DIVISION	Marketing & PR Division Manager	BALINA	BODINAKU	35544541082
5	TREASURY DIVISION	Manager of Treasury Division	NIKO	KOTONIKA	35544541039
6	LEGAL DIVISION	Legal Division Manager	LORETA	VISHKA (BEGA)	35544541103
7	HUMAN RESOURCES DIVISION	HR Division Manager	NERTILA	VASILI	35544541011
8	COMPLIANCE DIVISION	Compliance Division Manager	AGIM	SAQE	35544541014
9	OPERATIONS	Chief Operation Officer	BRUNILDA	PAPA (JAKOVI)	35544541020
10		BPO Division Manager	BLEDAR	KUMANOVA	35544541060
11		IT Manager	JORGO	DHROSO	35544541050
12		Manager of Banking Service	MAJLINDA	MIHO	35544541035
13		Finance & Accounting Division Manager	LORINA	VANGJELI (MAQINA)	35544541096
14	CORPORATE BANKING	Chief Corporate Officer	ANASTASIOS	ASIMAKOPOULOS	35544541007
15		Corporate Banking Division Manager	ENI	KARAGJOZI	35544541010
16		Commercial Banking Division Manager	ERALD	PEPA	35544541087
17		Workout Division Manager	GENTIAN	DEMA	35544541017
18	RETAIL BANKING	Chief Retail Officer	AIDA	TIRANA (APOSTOLI)	35544541006
19		Network & Sales Manager	ERKID	VEIZI	35544541090
20		Retail Credit Underwriting Division	ENTELA	QERAMA	35544541033
21	RISK MANAGEMENT	Chief Risk Officer	IOANNIS	ANTONIADIS	35544541005
22		Manager of Risk Management Division	DENISA	DELIJA	35544541013
23		Manager of Retail Credit Risk Division	ESMERALDA	LAGAMI (BEKA)	35544541065
24		NPL & Recoveries Division Manager	OLTJON	DANO	35544541070

Nr.	City	NBG Albania Branches	Telephone Number	Address
1	TIRANË	Zyrat qëndrore	35542280000	Rr. Dritan Hoxha, Nd.8, H.1, Njësia Bashkiake Nr.11, Tiranë
2	TIRANË	Dega Laprakë	35542231635	Rr. Dritan Hoxha, N.d 8, H. 1, Njësia Bashkiake Nr. 11, Tiranë
3	TIRANË	Dega Rruga e Kavajës	35542253230	
4	TIRANË	Dega Blloku	35542243729	Rr. Sami Frashëri, Pallati Teknoprojekt
5	TIRANË	Dega Rruga e Elbasanit	35542372066	Blv. Bajram Curri, (pranë Shkollës së Baletit)
6	TIRANË	Dega Rruga e Dibrës	35542379503	Rr. Dibrës, përballë Vila Goldi
7	TIRANË	Dega Qendër	35542234226	Rr. Luigj Gurakuqi, pallati me kolona
8	TIRANË	Dega Sheshi Shtraus	35542347775	Rr. Qemal Stafa, Sheshi Shtraus
9	TIRANË	Dega Parku	35542256292	Rr. Kavajës, (pranë ish Parkut të Autobuzave)
10	TIRANË	Dega Kombinat	35542350976	Rr. Llazi Miho, P. 6, Sh 1, Ap. 2
11	TIRANË	Dega Komuna Parisit	35542320977	Rr. Komuna e Parisit, pranë Kolegjit "Kristal"
12	TIRANË	Dega Autostrada	35548200768	Autostrada Tiranë – Durrës, Km7
13	DURRËS	Dega Durrës	35552223993	Lagja Nr.5, Rruga Dëshmorët, Durres, Radesa Center
14	KORCË	Dega Korçë	35582245932	Rr. Sotir Gura, Nr.1, Lagja 2, Korçë
15	VLORË	Dega Vlorë	35533225958	Blv. Kryesor, Parku Rinia
16	LEZHË	Dega Lezhë	35521522732	Blv. Gjergj Fishta, kryqëzimi tek ura
17	ELBASAN	Dega Elbasan	35554245710	L. Luigj Gurakuqi, Blv. Qemal Stafa, (tek Hotel Skampa)
18	SHKODËR	Dega Shkodër	3552250333	L. Vasil Shanto, Rr. 13 Dhjetori, Nr. 270
19	SARANDË	Dega Sarandë	35585226770	L. 1, Rr Skënderbeu, Nr. 50, (Pranë Kishës Ortodokse)
20	POGRADEC	Dega Pogradec	35583225910	Rr. Rreshit Çollaku (përballë Hotel Turizmit)
21	LUSHNJE	Dega Lushnje	35535226491	Shëtitorja Kongresi i Lushnjes, (pranë Postës Shqiptare)
22	BERAT	Dega Berat	35532236161	Blv. Kryesor, Lagjia 28 Nëntori
23	GJIROKASTËR	Dega Gjirkastër	35584268290	L. "18 Shtatori"
24	FIER	Dega Fier	35534221955	Rr. "Ramiz Aranitasi", L. "Kastrioti"
25	KUKËS	Dega Kukës	35524225815	Rr. "Dituria", Lagjia Nr. 4
26	BILISHT	Dega Bilisht	35581122985	Rr. Nacionale Bilisht-Kapshticë, (në dalje të qytetit)
27	KAVAJË	Dega Kavajë	35555247400	L. Nr.2, Shëtitorja Josif Budo

NBG BANK

PARTNER PËR SOT DHE NESËR

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