



ALPHA BANK CYPRUS LTD

ANNUAL REPORT | **2010**



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## BOARD OF DIRECTORS AND PROFESSIONAL ADVISERS

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Board of Directors	<b>Sp. N. Filaretos</b> Chairman
	<b>K. M. Kokkinos</b> Managing Director
	<b>Gr. Th. Timplalexis</b> General Manager
	<b>Ch. C. Giampanas</b>
	<b>G. M. Michaelides</b>
	<b>L. A. Papagaryfallou</b>
	<b>Dr. A. K. Kritiotis</b> (appointed on 7 April 2010)
	<b>I. S. Monastiriotis</b> (appointed on 7 April 2010)
	<b>M. S. Yiannopoulos</b> (retired on 7 April 2010)
Secretary	<b>L. A. Papalambrianou</b>
Legal Advisers	<b>Chrysafinis and Polyviou</b>
Independent Auditors	<b>KPMG Limited</b>
Registered Office	<b>Corner of Chilonos &amp; Gladstonos Street, Stylianos Lena Square, Nicosia</b>
Head Office	<b>Alpha Bank Building 3, Lemesos Avenue, Nicosia</b>

## STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE RESPONSIBLE PERSON OF THE COMPANY FOR THE FINANCIAL STATEMENTS

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In accordance with Article 9, sections (3)(c) and (7) of the Transparency Requirements (Securities for Trading on Regulated Market) Law of 2007 ("Law"), we the members of the Board of Directors and the responsible person for the financial statements of Alpha Bank Cyprus Limited for the year ended 31 December 2010 we confirm that, to the best of our knowledge:

(a) The annual financial statements that are presented on pages 10 to 53:

(i) were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, and in accordance with the provisions of Article 9, section (4) of the Law, and

(ii) give a true and fair view of the assets and liabilities, the financial position and the profit or losses of Alpha Bank Cyprus Limited, and

(b) the directors' report gives a fair review of the developments and the performance of the business as well as the financial position of Alpha Bank Cyprus Limited, together with a description of the principal risks and uncertainties that they are facing.

### **Members of the Board of Directors and the responsible person of the Company for the financial statements**

Sp. N. Filaretos – Chairman

K. M. Kokkinos – Managing Director

Gr. Th. Timplalexis – General Manager

Ch. C. Giampanas – Board Member

G. M. Michaelides – Board Member

L. A. Papagaryfallou – Board Member

Dr. A. K. Kritiotis – Board Member

I. S. Monastiriotis – Board Member

L. Skaliotis – Head of Financial Control Division

Nicosia, 24 February 2011

## BOARD OF DIRECTORS' REPORT

The Board of Directors of Alpha Bank Cyprus Limited (the "Company") presents to the members its annual report together with the audited financial statements of the Company for the year ended 31 December 2010.

### PRINCIPAL ACTIVITIES

During the year 2010, the Company continued its full banking operations by offering a wide range of banking and financial services.

The Company is a wholly owned subsidiary company of Alpha Bank S.A., registered in Greece. The Company is the holding company of the Group of Alpha Bank Cyprus Limited.

### REVIEW OF THE COMPANY'S POSITION, DEVELOPMENT AND PERFORMANCE

Key Financial Data	Change %	2010 €	2009 €
Profits from operations	9,18	177.514.503	162.595.094
Profits before taxation	(14,99)	61.808.514	72.707.995
Profits after taxation	(13,78)	55.253.716	64.086.183
Earnings per share	(13,78)	39,61 cent	45,94 cent

	Change %	2010 €	2009 €
Loans and advances	3,47	4.512.864.908	4.361.477.224
Customer deposits	9,02	3.570.924.647	3.275.464.608
Own Funds	11,48	526.908.772	472.642.093

Alpha Bank Cyprus Limited, presents profits before tax for the year 2010 amounting to €61.8m compared to €72,7m in the year 2009. Taking into consideration that the current year was extremely difficult year because of the global economic crisis which has belatedly affected Cyprus, the results appear to be satisfactory.

Profits from operations were up by 9,2% compared to 2009, because of improvement in the net income from interest but also due to the effective management of the operation cost. The increase in net income from interest is a result of the strengthening of the population and improvement of marginal interests. The decrease in operation costs had as a result a particular low ratio of expenses to income 30,2%.

During the process of a rational management policy for credit risk, the provisions for impairment of receivables raised, and as a result the profits before tax present a decrease of 15% compared to 2009.

The Bank has a market share between commercial banks to loans 11,2% and to deposits 7,2% in December 2010, compared to 11,6% and 8,2% in December 2009, respectively.

## BOARD OF DIRECTORS' REPORT

### FINANCIAL RESULTS

The results of the Company are set out in the statement of comprehensive income on page 10 of the financial statements.

The profits for the year attributable to the owners amounted to €55.253.716 (2009: €64.086.183) which the Board of Directors recommends to be transferred to the revenue reserve.

### DIVIDENDS

The Board of Directors does not recommend the payment of a dividend for the year (2009: €nil).

### RISK MANAGEMENT

Risk is considered any financial or other factor that creates a possibility of future decreases in the profitability of the Company.

The most important risks that the Company is exposed due to its operations are credit risk, market risk (mainly interest rate risk and foreign exchange risk), liquidity risk, operational risk and compliance risk.

Details as to how these risks are managed are disclosed in note 35 of the financial statements.

### FUTURE DEVELOPMENT

The financial crisis is affecting negatively both the financial markets as well as the economy in general.

Under this economic environment and the challenges posed by the market the Company is expected to continue to develop its business activities by adopting a conservative business plan based on the following priorities:

- Attracting new deposits in the local market as well as through its international business network,
- Selective growth in advances based on predefined credit criteria,
- Controlling of loans in arrears and loan impairments,
- Controlling of operating costs and improvement in productivity and,
- Continuous improvement in the quality of services offered to clients.

### SHARE CAPITAL

There was no change in the share capital of the Company during the year.

### BRANCHES

The Company is currently comprised of a technologically advanced network of 36 branches and other specialised units which are effectively supported by ATM and Internet Banking.

### BOARD OF DIRECTORS

The members of the Board of Directors as at the date of this report are set out below:

**Sp. N. Filaretos, Chairman**  
**K. M. Kokkinos, Managing Director**  
**Gr. Th. Timplalexis, General Manager**  
**Ch. C. Giampanas**  
**G. M. Michaelides**  
**L. A. Papagaryfallou**  
**Dr. A. K. Kritiotis**  
**I. S. Monastiriots**

Mr. Marinos Yiannopoulos has retired as a member of the Board of Directors on 7 April 2010.

On 7 April 2010, the Board of Directors appointed Dr. Andreas Kritiotis and Mr. Ioannis Monastiriots as new Members of the Board. Dr. Andreas Kritiotis and Mr. Ioannis Monastiriots were re-elected as Members of the Board of Directors during the Annual General Meeting on 21 April 2010.

Dr. Andreas Kritiotis and Mr. George Michaelides are non executive independent members of the Board.

In accordance with Article 89 of the Company's Articles of Association, Messrs Christos Giampanas and Lazaros Papagaryfallou retire and being eligible, offer themselves for re-election.

### EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period are presented in note 40 of the financial statements.

### INDEPENDENT AUDITORS

The independent auditors of the Company, KPMG Limited, have expressed their willingness to continue in office. A resolution authorising the Board of Directors to fix their remuneration will be submitted at the Annual General Meeting.

By order of the Board

L. A. Papalambrianou  
 Secretary

Nicosia, 24 February 2011

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALPHA BANK CYPRUS LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of the parent company Alpha Bank Cyprus Limited (the "Company") on pages 10 to 53 which comprise of the statement of financial position as at 31 December 2010 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the parent company Alpha Bank Cyprus Limited as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

### Report on Other Legal Requirements

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of the information available to us and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 6 to 7 is consistent with the financial statements.



### **Other matter**

This report, including the opinion has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Companies Law, Cap. 113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Chartered Accountants

Nicosia, 24 February 2011

## STATEMENT OF COMPREHENSIVE INCOME

### For the year ended 31 December 2010

	Note	2010 €	2009 €
Interest income	5	276.902.626	277.754.050
Interest expense	5	(132.230.127)	(147.627.853)
<b>Net interest income</b>		<u>144.672.499</u>	<u>130.126.197</u>
Fees and commissions income	6	28.077.450	25.735.364
Fees and commissions expenses	6	(662.298)	(458.722)
<b>Net income from fees and commissions</b>		<u>27.415.152</u>	<u>25.276.642</u>
Net income/(loss) from the change in the fair value of the financial instruments	7	380.785	(215.608)
Other income from operations	8	5.046.067	7.407.863
		<u>5.426.852</u>	<u>7.192.255</u>
<b>Results from operating activities</b>		177.514.503	162.595.094
Provision for impairment of bad and doubtful debts	16	(62.028.849)	(34.751.155)
Staff costs	9	(39.883.557)	(39.246.338)
Depreciation and amortisation	19 & 20	(2.945.793)	(2.894.128)
Other expenses	10	(10.847.790)	(12.995.478)
<b>Profits for the year before taxation</b>	11	61.808.514	72.707.995
Taxation	12	(6.554.798)	(8.621.812)
<b>Profits for the year</b>		<u>55.253.716</u>	<u>64.086.183</u>
<b>Other comprehensive income</b>			
(Deficit)/Surplus on revaluation of investments	17	(987.037)	631.252
<b>Other comprehensive (cost)/income for the year</b>		<u>(987.037)</u>	<u>631.252</u>
<b>Total comprehensive income for the year attributable to the owners of the Company</b>		<u>54.266.679</u>	<u>64.717.435</u>
<b>Profits attributable to the owners of the Company</b>		<u>55.253.716</u>	<u>64.086.183</u>
<b>Earnings per share (€cent)</b>	13	<u>39,61</u>	<u>45,94</u>

The notes on pages 14 to 53 form an integral part of the financial statements.

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

		2010 €	2009 €
<b>Assets</b>			
Cash and balances with the Central Bank of Cyprus	14	71.816.178	75.959.371
Loans and advances to financial institutions	15	3.724.507.122	3.758.423.134
Loans and advances to customers	16	4.512.864.908	4.361.477.224
Investments available for sale	17	31.043.391	17.062.225
Investments in subsidiary companies	18	16.428.979	16.428.909
Property, plant and equipment	19	32.727.954	34.086.426
Intangible assets	20	399.955	364.705
Deferred taxation	22	2.765.965	700.459
Taxation	26	636.028	-
Other assets	21	7.331.736	3.598.648
<b>Total assets</b>		<u>8.400.522.216</u>	<u>8.268.101.101</u>
<b>Liabilities</b>			
Bonds	23	100.000.000	100.000.000
Amounts due to banks	24	4.142.405.256	4.358.936.231
Customer deposits	25	3.570.924.647	3.275.464.608
Taxation	26	-	927.821
Other liabilities	27	60.283.541	60.130.348
<b>Total liabilities</b>		<u>7.873.613.444</u>	<u>7.795.459.008</u>
<b>Equity</b>			
Share capital	28	118.575.000	118.575.000
Reserves	29	408.333.772	354.067.093
<b>Total equity</b>		<u>526.908.772</u>	<u>472.642.093</u>
<b>Total equity and liabilities</b>		<u>8.400.522.216</u>	<u>8.268.101.101</u>
<b>Items off the statement of financial position</b>	30	<u>376.995.842</u>	<u>487.694.855</u>

The financial statements were approved by the Board of Directors on 24 February 2011.

Sp. N. Filaretos  
Chairman

K. M. Kokkinos  
Managing Director

Gr. Th. Timplalexis  
General Manager

L. Skaliotis  
Head Financial Control  
Division

The notes on pages 14 to 53 form an integral part of the financial statements.

## STATEMENT OF CHANGES IN EQUITY

### For the year ended 31 December 2010

	Share capital €	Share premium €	Investment revaluation reserve €	Difference from the conversion of share capital into euro reserve €	Retained earnings €	Total reserves €	Total equity €
<b>1 January 2010</b>	118.575.000	15.334.698	631.252	599.951	337.501.192	354.067.093	472.642.093
<b>Total comprehensive income for the year</b>							
Profits for the year	-	-	-	-	55.253.716	55.253.716	55.253.716
Loss from revaluation of investment	-	-	(987.037)	-	-	(987.037)	(987.037)
<b>31 December 2010</b>	118.575.000	15.334.698	(355.785)	599.951	392.754.908	408.333.772	526.908.772

	Share capital €	Share premium €	Investment revaluation reserve €	Difference from the conversion of share capital into euro reserve €	Retained earnings €	Total reserves €	Total equity €
<b>1 January 2009</b>	118.575.000	15.334.698	-	599.951	273.415.009	289.349.658	407.924.658
<b>Total comprehensive income for the year</b>							
Profits for the year	-	-	-	-	64.086.183	64.086.183	64.086.183
Gain on revaluation of investments	-	-	631.252	-	-	631.252	631.252
<b>31 December 2009</b>	118.575.000	15.334.698	631.252	599.951	337.501.192	354.067.093	472.642.093

Share premium reserve is not available for distribution as dividend.

The notes on pages 14 to 53 form an integral part of the financial statements.

## STATEMENT OF CASH FLOWS

### For the year ended 31 December 2010

	Note	2010 €	2009 €
<b>Cash flows from operating activities</b>			
Profits for the year		55.253.716	64.086.183
Adjustments for:			
Depreciation of property, plant and equipment		2.718.145	2.639.040
Amortisation of intangible assets		227.648	255.088
Gain on disposal of shares		(203.334)	(81.112)
Loss on disposal of property, plant and equipment		-	20.393
Dividends received		(1.361.866)	(1.416.113)
Revaluation of foreign exchange derivatives		(243.964)	(7.036.499)
Write off of property plant and equipment		169.929	3.308
(Surplus)/deficit on revaluation of derivatives		(380.785)	215.608
Provision for impairment of bad doubtful debts		62.028.849	34.751.155
Taxation		6.554.798	8.621.812
<b>Profit from operations before changes in working capital</b>		124.763.136	102.058.863
Decrease/(increase) in loans and advances to financial institutions		203.420.520	(1.340.049.544)
(Increase)/decrease in loans and advances to customers		(171.692.654)	140.670.101
Decrease in provisions for bad and doubtful debts		(41.723.879)	(19.403.800)
(Increase)/decrease in other receivables		(3.733.088)	2.934.287
Increase in other liabilities		777.942	2.270.877
(Decrease)/increase in amounts due to banks		(435.333.972)	1.570.366.994
Increase/(decrease) in customer deposits		295.460.039	(144.667.043)
<b>Cash flows (used in)/from operating activities</b>		(28.061.956)	314.180.735
Taxation paid		(10.184.154)	(9.194.773)
<b>Net cash flows (used in)/from operating activities</b>		(38.246.110)	304.985.962
<b>Cash flows from investing activities</b>			
Payments less proceeds from investments available for sale		(14.764.938)	(11.066.339)
Proceeds from disposal of property, plant and equipment		-	16.911
Payments for the acquisition of property, plant and equipment		(1.529.602)	(2.797.913)
Payments for the acquisition of intangible assets		(262.898)	(300.811)
Dividends received		1.361.866	1.416.113
<b>Net cash flows used in investing activities</b>		(15.195.572)	(12.732.039)
<b>Net increase in cash and cash equivalents</b>		(53.441.682)	292.253.923
<b>Cash and cash equivalents at the beginning of the year</b>		2.049.102.449	1.756.848.526
<b>Cash and cash equivalents at the end of the year</b>	34	1.995.660.767	2.049.102.449

The notes on pages 14 to 53 form an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2010

#### 1. INCORPORATION AND PRINCIPAL ACTIVITY

Alpha Bank Cyprus Limited (the "Company") was registered in Cyprus in 1960 as a limited liability company in accordance with the requirements of the Cyprus Companies Law, Cap.113. On 13 September 2000, the Company converted its status to a Public Liability Company according to the Companies Law, Cap. 113. On 21 January 2003, the Company was converted from a public to a private company according to the Companies Law, Cap. 113.

On 27 of December 2006, the Company renamed from Alpha Bank Limited to Alpha Bank Cyprus Limited in accordance with the requirements of the Cyprus Company Law Cap. 113. The trade name continues to be "Alpha Bank".

The Company is the parent company of the Group of Alpha Bank Cyprus Limited. The Company considers its ultimate parent company to be Alpha Bank S.A., registered in Greece.

The Company continued its full banking operations by offering a wide range of banking and financial services.

#### 2. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

The financial statements of the Company are for the year ended 31 December 2010 and are presented in Euro ("€") which as from 1 January 2008 is the official currency of the Republic of Cyprus and in the case of the Company is also its functional currency.

The Company prepared these parent's separate financial statements for compliance with the requirements of the Cyprus Income Tax Law.

The Company will prepare consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU for the Company and its subsidiary companies which together are referred to as the "Group". The consolidated financial statements can be obtained from the registered office of the Company.

The users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as of and for the year ended 31 December 2010 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

#### 3. SIGNIFICANT ACCOUNTING POLICIES

##### Basis of preparation

The financial statements have been prepared under the historical cost convention as amended to include the fair values of leasehold premises, the investments available for sale, the derivatives and the investments in subsidiary companies.

The preparation of financial statements in compliance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### Adoption of new and revised International Financial Reporting Standards and Interpretations

In the current year the Company adopted all of the IFRSs and International Accounting Standards (IAS), which are relevant to its operations. The adoption of these Standards did not have a significant effect on the financial statements of the Company.

The following Standards, Amendments to Standards and Interpretations had been issued but are not yet effective for the year ended 31 December 2010:

#### (i) Standards and Interpretations adopted by the EU

- Improvements to IFRSs issued in May 2010 (Effective for annual periods beginning on or after 1 July 2010 and 1 January 2010 as applicable).
- IFRS1 (amendment): Limited exemption from comparative IFRS7 disclosures for first time adopters (effective for annual periods beginning on or after 1 July 2010)
- IAS 24 "Related Party Disclosures" (revised) (effective for annual periods beginning on or after 1 January 2011).
- IAS 32 "Classification of rights issues" (amendments) (effective for annual periods beginning on or after 1 February 2010).
- IFRIC 14 Prepayments of a Minimum Funding Requirement (amendments) (effective for annual periods beginning on or after 1 January 2011).
- IFRIC 19: "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010).

#### (ii) Standards and Interpretations not adopted by the EU

- IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (amendments) (effective for annual periods beginning on or after 1 July 2011).

- IFRS 7 Financial Instruments (amendments): Disclosures - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011).
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2013).
- IAS 12 - "Deferred tax": Recovery of Underlying Assets (amendments) (effective for annual periods beginning on or after 1 January 2012).

The Board of Directors expects that the adoption of the above financial reporting standards in future periods will not have a significant effect on the financial statements of the Company except for:

- The adoption of IFRS9 could change the classification and measurement of financial assets. The extent of the impact has not been determined.

### Foreign currencies

Transactions in foreign currencies are translated to the functional currency of the Company using the exchange rates on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency using the exchange rate on that date. Foreign currency differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are retranslated using the currency rate at the date of the transaction.

### Interest receivable

Interest receivable is recognised on an accruals basis. Interest receivable includes interest receivable from loans and advances and from investments available for sale.

According to the Regulations of the Central Bank of Cyprus interest receivable on non-performing credit facilities is suspended and is not recognised in the statement of comprehensive income.

"Non-performing credit facilities" are considered to be loans and advances that exceed their limit or are in arrear in the settlement of capital or interest or other income for a period more than 3 months. A loan or an advance is not classified as a non-performing credit facility in cases of fully secured credit facilities.

Income is not recognised in cases of "non-performing credit facilities". In these cases the recognition of income is suspended until the amounts involved are received and consequently it is not shown in the income statement, but is transferred to a provisional account of suspension of income.

Interest receivable is recognised in the statement of comprehensive income when the income is collected.

#### **Interest expense**

Interest expense is recognised on an accrual basis.

#### **Income and expenses from fees and commission**

Income from fees and expenses are recognised according to the completion of the transaction in order to correlate with the cost of the service provided.

Fees and commissions are recognised on accrual basis in the accounting period when the income is collected.

#### **Dividend income**

Dividend income is recognised in the statement of comprehensive income when it is received.

#### **Expenses on improvements, repairs and maintenance**

The expenses on the alteration or improvement of buildings or improvements on leasehold premises are capitalised and depreciated based on the number of years indicated on the note of property, plant and equipment.

The cost on repairs and maintenance of buildings and other plant and equipment is charged in the statement of comprehensive income of the year in which it is incurred.

#### **Segment analysis**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including income and expenses related to transactions involved with other segments of the Company. All operating segments' results are reviewed regularly by the Board of Directors of the Company to take decisions about resources to be allocated to the segment and assess its performance viability, and for which discrete financial information is available. Following this, it is not feasible to disclose any other information relating to operating segments of the Company beyond that which is already disclosed since the Company provides only banking operations.

#### **Loans and advances**

Loans and advances, originated by providing cash directly to the borrowers are measured initially at fair value including arrangement costs. Loans and advances are subsequently measured at amortised cost using the effective yield method. Loans and advances to customers are stated net of provisions for bad and doubtful debts. Loans and advances are written off to the extent that there is no realistic prospect of recovery.

The collectability of individually significant loans and advances is evaluated based on the customer's overall financial condition, resources and payment record, the prospect of support from any creditworthy guarantors and the realisable value of any collateral.

A loan is considered impaired when management determines that it is possible that the Company will not be able to collect all amounts due according to the original contractual terms, unless such loans are secured or other factors exist where the Company expects that all amounts due will be received.

When a loan has been classified as impaired, the carrying amount of the loan is reduced to the estimated recoverable amount, being the present value of expected future cash flows including amounts recoverable from guarantees and collaterals, discounted at the original effective interest rate of the loan.



For certain homogeneous loan portfolios, such as consumer loans, provisions are calculated based on a collective assessment of the whole portfolio. During the assessment of the portfolio a number of factors, such as the level of watch list or potential problem debts, the time period for which amounts are overdue, the prevailing economic conditions and prior period loss rates are taken into consideration.

Non-performing loans are monitored continuously and are reviewed for provision purposes every three months. Any subsequent changes to the estimated recoverable amounts and timing of the expected future cash flows, are compared to the prior estimates and any difference arising results in a corresponding charge/credit in the statement of comprehensive income. A provision for an impaired loan is reversed only when the creditworthiness of the customer has improved to such an extent that there is reasonable assurance that all principal and interest according to the original terms of the loan will be collected timely.

## Financial Instruments

### Recognition date

Acquisitions and disposals of financial assets required to be delivered within the time limit as prescribed in the regulations and standard rules of the relevant market, is recognised at the date of transaction thus the date when the Company is bound to acquire or dispose such assets. Derivatives are recognised on the date of the commercial transaction. Amounts due to credit institutions, customers deposits, placements with credit institutions and loans and advances to customers are recognised as soon as the Company has received or granted funds to the contracting parties, unless a financial asset or liability is not measured at fair value through profit and loss.

### Initial recognition of financial instruments

The classification of the financial instruments during the initial recognition depends on the acquisition purpose and their characteristics. All financial instruments are initially measured at fair

value plus transaction expenses directly incurred during the acquisition or the issuance of such financial assets or liability, unless a financial asset or liability is measured at fair value through profit and loss.

### Derivatives to be classified at fair value through profit or loss

The Company uses derivative financial instruments such as currency and interest rate swaps and forward rate agreements to compensate for the market price risks arising from its operating financial and investment activities. Derivatives not fulfilling the requirements for hedging purposes are considered to be trading instruments.

Derivatives are initially recognised at their acquisition price. Subsequently the derivatives are restated at their fair value. The fair value of a currency and interest rate swap is considered to be the estimated price to be received or paid by the Company which would pay to terminate the currency and interest rate swap at the end of the reporting period taking into account the current creditworthiness of the contracting parties. The fair value of the forward rate agreements is the market price at the reporting period. Any adjustments at the fair value are recognised in the statement of comprehensive income. Derivatives are stated as other assets in case of positive fair values and as other liabilities in case of negative fair values.

### Hedging

For derivatives fulfilling the relevant hedging criteria, the surplus or deficit from the instrument is recognised in the net loss or profit from the change in fair value of the financial instrument in the statement of comprehensive income. The accounting value of the hedged asset or liability is adjusted with profit or loss that relates to the risk being hedged. When the hedged asset or liability is sold, terminated or exercised, then the hedged asset or liability is sold, terminated or exercised, then the hedging no longer fulfills the relevant criteria and hedge accounting is terminated.

### **Loans**

Loans and advances are financial assets with constant and prescribed payments not having a stock exchange price in an active market. Such financial assets have not been acquired for the direct sale thereof and they are not classified as investments available for sale. This accounting policy relates to the categories classified in the statement of financial position as placements with credit institutions and loans and advances to customers. Following the initial recognition, loans and advances are recognised at depreciated cost using the effective interest rate method less provisions for impairment. Loss from the impairment of such loans and advances is recognised in the provision for impairment of loans and advances in the statement of comprehensive income.

### **Investments available for sale**

Investments available for sale are investments which may be sold for liquidity purposes or because of market risk changes and include shares, treasury bonds and government bonds.

Available for sale investments are measured at estimated fair value, based on current market price for securities listed on stock exchanges. Investments in unlisted securities are presented at fair value estimated using recognised valuation models and indicators adjusted on the specific circumstances of the issuer or based on the financial results, the current financial situation and the prospects of the issuer compared with those of similar companies listed on stock exchange where current market prices exist.

Profit or loss from the change in fair value is recognised directly in equity, in the investments revaluation reserve. When the investment is disposed the overall profit or loss previously recognised in the investments revaluation reserve is transferred to the statement of comprehensive income. When the Company holds more than one investment with the same security, it is considered that such investments are sold on the basis of the weighted average cost of capital method. Interest on government bonds which are held as available for sale is recognised as interest receivable using the effective interest rate method.

Dividends received from available for sale shares are recognised in the income from operations in the statement of comprehensive income as soon as the right to receive is deemed final. Losses incurred from the impairment of such investments are recognised in the net loss from the change in fair value of financial instruments in the statement of comprehensive income.

In the case of disposal of investments, the difference between the net proceeds and the carrying amount stated in the financial statements is transferred to the statement of comprehensive income along with any amount from the investments revaluation reserve in relation to the investment being disposed.

### **Impairment of assets**

The Company assesses at each reporting period the carrying value of its assets in order to find out whether there is any objective evidence that an asset may be impaired. If any such evidence exists, the Company estimates the recoverable amount of that asset. The recoverable amount of an asset is the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is defined as the higher value between the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties, and value in use as the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. The impairment is recognised in the statement of comprehensive income as an expense.

### **Investments in subsidiary companies**

Investments in subsidiary companies are initially recognised at cost and subsequently re-measured at fair value. Any surplus arising from changes in net assets is transferred to the revaluation reserve of the Company, while deficits are charged directly to the statement of comprehensive income to the extent that they are not covered by previous surplus on revaluation.

### Property, plant and equipment

Land and buildings are stated at historic cost less depreciation on buildings. Property, plant and equipment are stated at historic cost less accumulated depreciation. The historic cost includes expenses directly associated with the acquisition of property and equipment. The costs of material renovations and other expenses are included in the carrying value of the asset or is recognised as separate asset when it is probable that the Company will result in future economic benefits and the costs can be measured reliably.

Depreciation is calculated on a straight line basis in such a way that the cost less the estimated residual value is being depreciated over the expected useful economic life of the assets. Annual depreciation rates are as follows:

Premises and improvements on leasehold premises	5-50 years
Leasehold premises	10 years
Installations and equipment	3-10 years

No depreciation is calculated on land.

Amortisation on leasehold premises is estimated in such a way so as to write off the revalued amount of the leasehold by equal annual instalments over the period of the lease.

The residual value and the remaining useful economic life is reserved at each reporting period date if it is considered necessary.

On disposal of property, plant and equipment the difference between the net receipts and the net carrying value is debited or credited to the statement of comprehensive income. In the case of disposal of revalued assets, the amounts included in the revaluation reserve are transferred through revenue reserve.

### Intangible assets

#### Computer application software

Computer application software programs are stated at cost less accumulated depreciation. Amortisation is calculated on a straight line basis

in such a way that the cost less the estimated residual value of the intangible assets is being amortised over the expected useful economic life of the assets. The annual amortisation rate for computer application software is 33,3% with exception the Company's main system whose annual amortisation rate is 20%.

Expenses incurred for the maintenance of computer application software programs are charged in the statement of comprehensive income of the year in which they incur.

### Employees' retirement benefits

The Company operates a defined benefit retirement plan for staff as described in note 9 of the financial statements. The defined benefit retirement plan is a plan which sets a lump sum payable on retirement, or a pension amount paid during retirement, taking into account factors such as years of service and salary of employee.

Contributions to these plans are made on a yearly basis in order to create adequate reserves or capital during the working life of employees so that they may receive their related benefits upon their retirement.

The cost of defined benefit retirement benefits is charged to the statement of comprehensive income during the years of service of staff in accordance with the assessment of independent professional actuaries who provide actuarial assessments every two years.

The obligation for the retirement benefits scheme for its employees is calculated according to the present value of expected future payments that is required for the settlement of the obligation that arises from the services of employees for the current and past periods.

Actuarial profits or losses that exceed the 10% of the current value of the obligation or the fair value of the assets whichever is the highest, are amortised over the remaining average working life of the employees that participate in the scheme.

## **Taxation**

Taxation on income is provided for in accordance with the tax legislation and tax rates which apply in Cyprus where the Company carries on its operations and is recognised as an expense in the period in which the income arises.

## **Deferred taxation**

Provision for deferred taxation is made on all temporary differences between the carrying values of assets and liabilities for financial reporting purposes and their tax base. Deferred tax is calculated at the tax rates applying at the year end. Any deferred tax assets arising from deductible temporary differences are recognised to the extent that it is expected that taxable profits will be available in the future.

Any adjustment in deferred taxation, which is due to changes of tax rates, is presented in the statement of comprehensive income or in the reserves according to where the original debit or credit for the deferred tax was initially recorded.

## **Financial guarantee contracts**

Financial guarantee contracts (except for those considered to be insurance contracts) are contracts that require the issuer to make specified payments to reimburse the holder for a loss that is incurred because a specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Such financial guarantees are granted to banks, financial institutions and other organisations on behalf of customers for the granting of loans and other bank facilities.

Financial guarantees are initially recognised at fair value on the date of the granting thereof and subsequently they are evaluated on the basis of the highest amount out of:

- (a) The amount of initial recognition less, if any, the amount of accumulated amortisation recognised; and
- (b) The best cost estimation required for the settlement of the relevant commitment at the end of the reporting period. These estimations are based on the experience with similar transactions and previous loss reports and they are supplemented by the evaluations of the Management.

Any increase of the liability related to such guarantees is recognised in the statement of comprehensive income. The Company has not recognised any amounts relating to financial guarantee contracts in the statement of comprehensive income.

## **Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and of loans and advances to financial institutions and other securities, the maturity of which does not exceed three months from their acquisition date. In this category, balances with the Central Bank of Cyprus as part of the minimum reserve requirement on deposits are included.

## **Loan capital**

The loan capital consists of bonds that are recognised at fair value and represent the proceeds from the issue. The bonds are classified as secondary capital (Tier 2 Capital) for the purposes of calculating the capital adequacy ratio.

## **Share capital**

The ordinary shares are classified as equity.

## **Provisions**

Provisions are recognised in the statement of financial position when the Company has legal or commercial commitment as a result of an event that happened in the past and is likely to require an outflow of economic benefits to repay the obligation. Provisions are assessed by the Members of the Board at their best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

## **Operating leases**

Leases on assets arising where the Company does not undertake substantially all the risks and rewards arising from ownership are classified as operating leases.

The rent paid on a monthly basis on the operating leases is debited in the statement of comprehensive income based on the straight line method over the life of the lease.

### Comparative amounts

The comparative amounts included in the financial statements are adjusted when it is considered necessary in order to comply with the current year's presentation.

### 4. SEGMENT REPORTING

The Company's key business segment is that of banking and financial services and all its activities are conducted in Cyprus.

### 5. NET INTEREST INCOME

	2010 €	2009 €
<b>Interest income</b>		
Loans and advances to banks	40.624.353	36.371.139
Loans and advances to customers – (Note (i))	235.385.056	235.469.075
Derivatives held for risk management	-	1.757.526
Government bonds	893.217	4.109.703
Corporate bonds	-	46.607
Total interest income	276.902.626	277.754.050
<b>Interest expense</b>		
Amounts due to banks	(27.914.119)	(35.738.130)
Customer deposits	(98.986.482)	(107.651.227)
Derivatives held for risk management	(592.740)	(627.571)
Bonds	(2.603.786)	(3.522.050)
Government bonds	(2.133.000)	(88.875)
Total interest expense	(132.230.127)	(147.627.853)
Net interest income	144.672.499	130.126.197

### Explanatory note:

(i) Loans and advances to customers are disclosed after the unwinding of interest as analysed below:

		2010 €	2009 €
Loans and advances to customers		248.129.331	246.780.421
Unwinding of Interest	16	(12.744.275)	(11.311.346)
		235.385.056	235.469.075

**6. NET INCOME FROM FEES AND COMMISSIONS**

	<b>2010</b>	<b>2009</b>
	<b>€</b>	<b>€</b>
<b>Fees and commissions income</b>		
Commissions receivable	18.126.051	18.231.949
Income from fees	7.584.913	5.335.437
Study fees	2.366.486	2.167.978
Total income from fees and commissions	28.077.450	25.735.364
<b>Fees and commissions expenses</b>		
Expenses from fees	(605.482)	(440.041)
Commissions payable	(56.816)	(18.681)
Total expense from fees and commissions	(662.298)	(458.722)
Net income from fees and commissions	27.415.152	25.276.642

**7. NET PROFIT/(LOSS) FROM THE CHANGE IN THE FAIR VALUE OF THE FINANCIAL ASSETS**

	<b>2010</b>	<b>2009</b>
	<b>€</b>	<b>€</b>
Deficit on revaluation of derivatives held for risk management	-	(1.021.294)
Surplus on revaluation of hedged financial instruments	-	869.421
Surplus/(deficit) from revaluation of derivatives held for trading purposes	380.785	(63.735)
	380.785	(215.608)

**8. OTHER INCOME FROM OPERATIONS**

	<b>2010</b>	<b>2009</b>
	<b>€</b>	<b>€</b>
Income from foreign exchange transactions	3.236.903	6.014.491
Unrealised profit/(loss) from foreign exchange transactions	243.964	(103.853)
Profit on disposal of investments	203.334	81.112
Dividends received	1.361.866	1.416.113
	5.046.067	7.407.863

**9. STAFF COSTS**

		<b>2010</b>	<b>2009</b>
	<b>Note</b>	<b>€</b>	<b>€</b>
Salaries and employer's contributions		32.023.655	31.934.494
Other staff costs		543.738	722.933
Cost of retirement benefits	27	<u>7.316.164</u>	<u>6.588.911</u>
		<u>39.883.557</u>	<u>39.246.338</u>

The number of staff of the Company as at 31 December 2010 amounted to 758 persons (2009: 763 persons).

The Company operates a non – contributory, defined benefits scheme for which provisions are made in the financial statements in order to accumulate sufficient reserves to meet the entitlement payment at retirement of employees. The amount of the provision is determined in accordance with valuation by independent professional actuaries which takes into account, inter alia, the employees' remuneration, age and years of service, and after making assumptions as to future salary increases and the annual return on the relevant funds.

Full actuarial valuation of the Company's liabilities for the provision of retirement benefits is carried out at least every two years by independent professional actuaries. The latest independent actuarial valuation was carried out in 2009.

**10. OTHER EXPENSES**

		<b>2010</b>	<b>2009</b>
		<b>€</b>	<b>€</b>
Advertising and promotion		1.770.648	2.574.720
Rent payable		1.620.472	1.781.635
Maintenance and repairs		630.719	682.909
Loss on disposal of property, plant and equipment		-	20.393
Write off of property, plant and equipment		169.929	3.308
Other expenses		<u>6.656.022</u>	<u>7.932.513</u>
		<u>10.847.790</u>	<u>12.995.478</u>

**11. PROFITS FOR THE YEAR BEFORE TAXATION**

Profits for the year before taxation are stated after charging the following:

		<b>2010</b>	<b>2009</b>
	<b>Note</b>	<b>€</b>	<b>€</b>
Directors' emoluments:			
As Executive Directors	39	777.633	1.400.034
As Directors	39	48.749	25.630
Independent auditors' remuneration		72.738	73.478
Depreciation of property, plant and equipment	19	2.718.145	2.639.040
Amortisation of intangible assets	20	227.648	255.088
Rents payable	10	1.620.472	1.781.635
Loss on disposal of property, plant and equipment	10	<u>-</u>	<u>20.393</u>

**12. TAXATION**

	<b>2010</b>	<b>2009</b>
	<b>€</b>	<b>€</b>
Corporation tax for the year	7.827.868	7.645.829
Corporation tax for previous years	792.437	1.474.652
Special contribution to the defence fund on dividends	-	246
Deferred taxation - credit	(2.065.507)	(498.915)
Charge for the year	<u>6.554.798</u>	<u>8.621.812</u>

The Company is subject to corporation tax at the rate of 10% on taxable profits of the year.

Furthermore, tax losses from the year 1997 and onwards, can be carried forward to subsequent years until such losses are eliminated. Companies of the same group can set off tax losses with taxable profits arising in the current year.

**Reconciliation of taxation based on taxable income and taxation based on the accounting profits of the Company**

	<b>2010</b>	<b>2009</b>
	<b>€</b>	<b>€</b>
Accounting profits before taxation	<u>61.808.514</u>	<u>72.707.995</u>
Taxation based on tax rates	6.180.851	7.270.800
Tax effect of non-allowable expenses	123.981	144.111
Tax effect of deductions and non-taxable income	(542.471)	(267.996)
Previous years taxes	792.437	1.474.651
Special contribution to the defence fund	<u>-</u>	<u>246</u>
Taxation as per statement of comprehensive income	<u>6.554.798</u>	<u>8.621.812</u>

**13. EARNINGS PER SHARE**

	<b>2010</b>	<b>2009</b>
Profits attributable to the owners (€)	<u>55.253.716</u>	<u>64.086.183</u>
Weighted average number of shares in issue during the year	<u>139.500.000</u>	<u>139.500.000</u>
Earnings per share (€cent)	<u>39,61</u>	<u>45,94</u>



**14. CASH AND BALANCES WITH THE CENTRAL BANK OF CYPRUS**

	<b>2010</b>	<b>2009</b>
	<b>€</b>	<b>€</b>
Cash and cash equivalents	20.698.183	23.189.041
Deposits with the Central Bank of Cyprus	<u>51.117.995</u>	<u>52.770.330</u>
	<u>71.816.178</u>	<u>75.959.371</u>

Balances with the Central Bank of Cyprus include the minimum reserve requirement on deposits amounting to €51.117.995 (2009: €47.770.330).

The analysis of the above assets by maturity date and by currency are presented in note 35 of the financial statements. The deposits carry interest based on the interbank rate of the relevant time period and currency.

**15. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS**

	<b>2010</b>	<b>2009</b>
	<b>€</b>	<b>€</b>
Investments classified as loans and advances	912.541.500	1.110.115.502
Placements with Alpha Bank Group companies	2.796.693.135	2.617.116.990
Placements with other financial institutions	<u>15.272.487</u>	<u>31.190.642</u>
	<u>3.724.507.122</u>	<u>3.758.423.134</u>

During the year 2009 the Company acquired bonds that were issued by companies of the Alpha Bank S.A. Group. The Board Members are of the opinion that the substance of these bonds should be classified as loans and advances.

Analysis of the above deposits by maturity date is presented in note 35 of these financial statements.

**16. LOANS AND ADVANCES TO CUSTOMERS**

	<b>2010</b>	<b>2009</b>
	<b>€</b>	<b>€</b>
Loans and advances to customers	4.689.183.277	4.517.490.623
Provision for impairment of doubtful debts	<u>(176.318.369)</u>	<u>(156.013.399)</u>
	<u>4.512.864.908</u>	<u>4.361.477.224</u>

The fair value of loans and advances to customers is about equal to the carrying amount presented in the statement of financial position after the deduction of the provision for impairment of doubtful debts.

**By economic sector**

	<b>2010</b>	<b>2009</b>
	€	€
Industry	71.269.605	90.131.984
Tourism	120.787.240	159.317.784
Trade	155.469.655	144.045.701
Building and construction	1.757.968.245	1.796.052.474
Personal and professional	2.372.030.925	2.219.461.927
Other sectors	<u>211.657.607</u>	<u>108.480.753</u>
	<u><u>4.689.183.277</u></u>	<u><u>4.517.490.623</u></u>

Analysis of loans and advances to customers based on maturity date is presented in note 35 of these financial statements.

**Provision for Impairment**

	<b>Impairment reserve</b>	<b>Suspension of interest account</b>	<b>Total</b>
	€	€	€
<b>2010</b>			
1 January	156.013.399	-	156.013.399
Debit in the statement of comprehensive income	62.028.849	-	62.028.849
Reversals and write offs	(59.546.713)	-	(59.546.713)
Exchange difference	5.078.559	-	5.078.559
Unwinding of interest	<u>12.744.275</u>	<u>-</u>	<u>12.744.275</u>
31 December	<u><u>176.318.369</u></u>	<u><u>-</u></u>	<u><u>176.318.369</u></u>
<b>2009</b>			
1 January	110.596.305	30.069.741	140.666.046
Debit in the statement of comprehensive income	34.751.155	-	34.751.155
Reversals and write offs	(30.715.148)	-	(30.715.148)
Transfer	30.069.741	(30.069.741)	-
Unwinding of interest	<u>11.311.346</u>	<u>-</u>	<u>11.311.346</u>
31 December	<u><u>156.013.399</u></u>	<u><u>-</u></u>	<u><u>156.013.399</u></u>

**17. INVESTMENTS AVAILABLE FOR SALE**

	<b>2010</b>	<b>2009</b>
	<b>€</b>	<b>€</b>
Items available for sale		
Cyprus listed government bonds and debentures	29.375.588	15.260.630
Shares in companies	1.667.803	1.801.595
	<u>31.043.391</u>	<u>17.062.225</u>
Listed in Stock Exchange	29.392.820	15.411.654
Unlisted	1.650.571	1.650.571
	<u>31.043.391</u>	<u>17.062.225</u>
Geographical analysis based on issuer's place:		
- Cyprus	31.026.159	16.911.201
- USA	17.232	151.024
	<u>31.043.391</u>	<u>17.062.225</u>

The unlisted securities include the participation interest of the Company in JCC Payments Systems Limited and VISA Inc.

The movement of the items available for sale is analysed as follows:

	<b>Government bonds and debentures</b>	<b>Shares in companies</b>	<b>Cyprus listed corporate bonds</b>	<b>Total</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
<b>2010</b>				
1 January	15.260.630	1.801.595	-	17.062.225
Disposals	-	(133.792)	-	(133.792)
Acquisitions	14.919.442	-	-	14.919.442
Accrued interest	856.001	-	-	856.001
Interest received	(673.448)	-	-	(673.448)
Revaluation	(987.037)	-	-	(987.037)
31 December	<u>29.375.588</u>	<u>1.667.803</u>	<u>-</u>	<u>31.043.391</u>
<b>2009</b>				
1 January	-	1.866.319	3.417.203	5.283.522
Disposals	-	(64.724)	(3.417.203)	(3.481.927)
Acquisitions	13.955.930	-	-	13.955.930
Accrued interest	673.448	-	-	673.448
Revaluation	631.252	-	-	631.252
31 December	<u>15.260.630</u>	<u>1.801.595</u>	<u>-</u>	<u>17.062.225</u>

Analysis of the above assets by maturity date is presented in note 35 of the financial statements.

	<b>Government bonds €</b>	<b>Shares in companies €</b>	<b>Total €</b>
<b>2010</b>			
Level 1	29.375.588	-	29.375.588
Level 2	-	-	-
Level 3	-	1.667.803	1.667.803
<b>Total</b>	<b>29.375.588</b>	<b>1.667.803</b>	<b>31.043.391</b>
<b>2009</b>			
Level 1	15.260.630	-	15.260.630
Level 2	-	-	-
Level 3	-	1.801.595	1.801.595
<b>Total</b>	<b>15.260.630</b>	<b>1.801.595</b>	<b>17.062.225</b>

**18. INVESTMENTS IN SUBSIDIARY COMPANIES**

	<b>2010 €</b>	<b>2009 €</b>
Cost of investment		
Alpha Trustees Limited	85.500	85.430
Alpha Insurance Limited	16.343.479	16.343.479
	<b>16.428.979</b>	<b>16.428.909</b>

The subsidiary companies and their business activities are the following:

	<b>Shareholding</b>		<b>Activities</b>
	<b>2010 %</b>	<b>2009 %</b>	
Alpha Trustees Limited	100	100	Trustees services
Alpha Insurance Limited	82,05	82,05	Provision of insurance services of life and general insurance

The Company and the subsidiary companies are registered and operate in Cyprus.

**19. PROPERTY, PLANT AND EQUIPMENT**

	Land €	Buildings and improvements on leasehold buildings €	Lease premium €	Plant and equipment €	Total €
<b>Cost</b>					
1 January 2010	5.671.333	33.862.454	219.555	18.464.621	58.217.963
Additions	-	658.380	-	871.222	1.529.602
Write offs	-	(215.350)	-	(293.502)	(508.852)
31 December 2010	5.671.333	34.305.484	219.555	19.042.341	59.238.713
1 January 2009	5.671.333	32.129.471	219.555	17.558.568	55.578.927
Additions	-	1.732.983	-	1.064.930	2.797.913
Write offs	-	-	-	(75.290)	(75.290)
Disposals	-	-	-	(83.587)	(83.587)
31 December 2009	5.671.333	33.862.454	219.555	18.464.621	58.217.963
<b>Depreciation</b>					
1 January 2010	-	9.497.527	210.558	14.423.452	24.131.537
Charge for the year	-	1.428.546	4.955	1.284.644	2.718.145
Write offs	-	(67.770)	-	(271.153)	(338.923)
31 December 2010	-	10.858.303	215.513	15.436.943	26.510.759
1 January 2009	-	8.171.692	205.603	13.233.467	21.610.762
Charge for the year	-	1.325.835	4.955	1.308.250	2.639.040
Write offs	-	-	-	(71.982)	(71.982)
Disposals	-	-	-	(46.283)	(46.283)
31 December 2009	-	9.497.527	210.558	14.423.452	24.131.537
<b>Net book value</b>					
1 January 2009	5.671.333	23.957.779	13.952	4.325.101	33.968.165
31 December 2009	5.671.333	24.364.927	8.997	4.041.169	34.086.426
31 December 2010	5.671.333	23.447.181	4.042	3.605.398	32.727.954

**20. INTANGIBLE ASSETS**

	<b>Application software</b>
	<b>€</b>
<b>Cost</b>	
1 January 2010	5.714.992
Additions	262.898
31 December 2010	5.977.890
1 January 2009	5.414.181
Additions	300.811
31 December 2009	5.714.992
<b>Amortization</b>	
1 January 2010	5.350.287
Charge for the year	227.648
31 December 2010	5.577.935
1 January 2009	5.095.199
Charge for the year	255.088
31 December 2009	5.350.287
<b>Net book value</b>	
1 January 2009	318.982
31 December 2009	364.705
31 December 2010	399.955

**21. OTHER ASSETS**

	<b>Note</b>	<b>2010</b>	<b>2009</b>
		<b>€</b>	<b>€</b>
Other receivables and prepayments		1.782.853	1.498.949
Prepayments of interest		5.548.883	1.972.806
Derivatives held for trading	27	-	126.893
		7.331.736	3.598.648

	<b>2010</b>		<b>2009</b>	
	<b>Nominal value</b>	<b>Fair value</b>	<b>Nominal value</b>	<b>Fair value</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
<b>Derivatives held for trading</b>				
Foreign exchange derivatives				
Forward contracts	-	-	32.512.993	126.893

**22. DEFERRED TAXATION**

	<b>2010</b>	<b>2009</b>
	<b>€</b>	<b>€</b>
1 January	700.459	201.544
Credit in the statement of comprehensive income	<u>2.065.506</u>	<u>498.915</u>
31 December	<u><u>2.765.965</u></u>	<u><u>700.459</u></u>

Deferred tax arose as a result of the following:

	<b>2010</b>	<b>2009</b>
	<b>€</b>	<b>€</b>
<b>Deferred tax assets</b>		
Provision for impairment of loans and advances	<u>3.458.631</u>	<u>1.309.057</u>
<b>Deferred tax liabilities</b>		
Differences between depreciation and capital allowances	<u>(692.666)</u>	<u>(608.598)</u>
Deferred tax asset	<u><u>2.765.965</u></u>	<u><u>700.459</u></u>

Deferred tax was calculated based on current tax rates (10%).

**23. BONDS**

	<b>2010</b>	<b>2009</b>
	<b>€</b>	<b>€</b>
1 January and 31 December	<u><u>100.000.000</u></u>	<u><u>100.000.000</u></u>

The Board of Directors of the Company has approved the issue of €1m. bonds with 10 years duration with a nominal value of €100 each and which have been offered to a limited number of investors in Cyprus and abroad. The bonds were issued on 30 May 2008 and have been placed to the Cyprus Stock Exchange on 31 December 2008 where they are tradeable.

The bonds may be redeemed in whole at the option of the Company at their principal amount together with any outstanding interest, five years after their issue date, or on any interest payment date thereafter, subject to the prior consent of the Central Bank of Cyprus.

The bonds bear a floating interest which will be set at the beginning of each period and will apply to the specific interest period.

The floating interest rate is equal to the 3-month Euribor in force at the beginning of each interest period plus 1,80%. The Bonds are not secured and in the event of liquidation of the Company, their repayment shall follow in priority the repayment of the obligations of the Company to its depositors and any other creditors, but they will have priority over the repayment of the rights of the shareholders of the Company.

**24. AMOUNTS DUE TO BANKS**

	<b>2010</b>	<b>2009</b>
	€	€
Amounts due to Alpha Bank Group companies	3.825.872.212	3.989.275.118
Amounts due to other financial institutions	78.479.878	132.562.363
Repurchase agreements with the European Central Bank	<u>238.053.166</u>	<u>237.098.750</u>
	<u><u>4.142.405.256</u></u>	<u><u>4.358.936.231</u></u>

Analysis of the above deposits by maturity date is presented in note 35 of these financial statements.

The repurchase agreements with the European Central Bank were used as part of financing the operations of the Company.

**25. CUSTOMER DEPOSITS**

	<b>2010</b>	<b>2009</b>
	€	€
On demand	264.285.089	338.865.087
On savings	3.940.240	4.721.709
Fixed term or notice deposits	<u>3.302.699.318</u>	<u>2.931.877.812</u>
	<u><u>3.570.924.647</u></u>	<u><u>3.275.464.608</u></u>

**26. TAXATION**

	<b>2010</b>	<b>2009</b>
	€	€
Corporation tax (receivable)/payable	(645.467)	918.382
Special contribution to the defence fund	<u>9.439</u>	<u>9.439</u>
	<u><u>(636.028)</u></u>	<u><u>927.821</u></u>

The above amounts are payable within one year.

	<b>2010</b>	<b>2009</b>
	€	€
1 January	927.821	1.001.868
Charge for the year	7.827.868	7.645.829
Charge for prior years	792.437	1.474.652
Payments	<u>(10.184.154)</u>	<u>(9.194.528)</u>
31 December	<u><u>(636.028)</u></u>	<u><u>927.821</u></u>



**27. OTHER LIABILITIES**

	<b>2010</b>	<b>2009</b>
	<b>€</b>	<b>€</b>
Accrued interest on bonds, allowances and commissions	251.378	223.733
Defined benefit scheme liability (note (i))	48.001.587	43.137.001
Accrued expenses	4.991.302	4.564.355
Provisions for legal claims (note (ii))	361.394	1.642.715
Other payables	5.239.516	8.224.607
Taxes payable on behalf of clients	1.146.642	1.294.573
Derivatives held for trading (note (iii))	291.722	1.043.364
	<u>60.283.541</u>	<u>60.130.348</u>

**(i) Defined Benefit Scheme Liability**

	<b>2010</b>	<b>2009</b>
	<b>€</b>	<b>€</b>
Present value of obligations	56.257.309	52.960.990
Unrecognized actuarial deficit	<u>(8.255.722)</u>	<u>(9.823.989)</u>
	<u>48.001.587</u>	<u>43.137.001</u>

The movement in the defined benefit scheme liability is analysed as follows:

	<b>2010</b>	<b>2009</b>
	<b>€</b>	<b>€</b>
1 January	43.137.001	37.673.278
Debit in the statement of comprehensive income	7.316.164	6.588.911
Payments to members who retired	<u>(2.451.578)</u>	<u>(1.125.188)</u>
31 December	<u>48.001.587</u>	<u>43.137.001</u>

The movement of the liability as shown in the statement of financial position of the Company is analysed as follows:

	<b>2010</b>	<b>2009</b>
	<b>€</b>	<b>€</b>
Present value of obligations 1 January	52.960.990	44.860.212
Current service cost	4.419.795	3.917.583
Interest on liabilities	2.683.984	2.550.038
Payments to members who retired	<u>(2.451.578)</u>	<u>(1.125.189)</u>
Actuarial (gain)/loss	<u>(1.355.882)</u>	<u>2.758.346</u>
	<u>56.257.309</u>	<u>52.960.990</u>

The charge in the statement of comprehensive income is analysed as follows:

	2010	2009
	€	€
Current service cost	4.419.795	3.917.583
Interest on liabilities	2.683.984	2.550.038
Amortisation – unrecognized loss	212.385	121.290
	<u>7.316.164</u>	<u>6.588.911</u>

The main assumptions used for the actuarial valuation, expressed as weighted average, were:

	2010	2009
	%	%
Discount rate	5,44	5,21
Future salary increase	6,25	6,75
Future rate of inflation	2,00	2,00

**(ii) Provisions of legal claims**

	2010	2009
	€	€
1 January	1.642.715	2.109.269
Release for the year	(1.281.321)	(404.076)
Utilised during the period	<u>-</u>	<u>(62.478)</u>
31 December	<u>361.394</u>	<u>1.642.715</u>

**(iii) Derivatives held for trading**

	Nominal amount 2010 €	Nominal amount 2009 €	Fair value 2010 €	Fair value 2009 €
<u>Interest rate derivatives</u>				
Interest rate swaps	<u>5.175.944</u>	<u>12.474.843</u>	<u>291.145</u>	<u>671.930</u>
<u>Foreign exchange derivatives</u>				
Forward contracts	<u>26.770</u>	<u>32.817.534</u>	<u>577</u>	<u>371.434</u>
<b>Total of Derivatives</b>	<u>5.202.714</u>	<u>45.292.377</u>	<u>291.722</u>	<u>1.043.364</u>

	<b>Derivatives (assets) €</b>	<b>Derivatives (liabilities) €</b>
<b>2010</b>		
Level 1	-	-
Level 2	-	291.722
Level 3	-	-
Total	<u>-</u>	<u>291.722</u>
<b>2009</b>		
Level 1	-	-
Level 2	126.893	1.043.364
Level 3	-	-
Total	<u>126.893</u>	<u>1.043.364</u>

## 28. SHARE CAPITAL

	<b>2010</b>		<b>2009</b>	
	<b>Number of shares</b>	<b>€</b>	<b>Number of shares</b>	<b>€</b>
<b>Authorised</b>				
(Ordinary shares of €0,85 each)	<u>600.000.000</u>	<u>510.000.000</u>	<u>600.000.000</u>	<u>510.000.000</u>
<b>Issued and fully paid</b>				
1 January and 31 December				
(Ordinary shares of €0,85 each)	<u>139.500.000</u>	<u>118.575.000</u>	<u>139.500.000</u>	<u>118.575.000</u>

During the year 2010 there has been no change in the share capital of the Company.

## 29. RESERVES

The revenue reserve is distributable according to the requirements of the Company Law, Cap. 113.

The investments revaluation reserve arose from the revaluation of investments available for sale. The investments revaluation reserve is not distributable but in case of disposal of revalued investments, any balance of the surplus on revaluation which belongs to the disposed investments which is included in the investments revaluation reserve, is transferred to the revenue reserve.

As from 1 January 2003, companies which do not distribute 70% of their profits after taxation, as determined by the Special Defence contribution Law, during the two years after the end of taxable year that the profits are reported, it will be considered that they have distributed this amount as dividend. Special defence contribution of 15% will be payable on the dividend distribution at the extent which owners (individuals and companies) at the end of the two year period after the end of taxable year that the profits are reported, are taxable Cyprus residents. The amount of distribution of dividends is reduced by any realised dividend that has already been distributed for the year during which the profits are reported. The special defence contribution is paid by the company for the owners account.

The above requirements of the Law are not applied in the case of the Company due to the fact that its owners are not residents in Cyprus for tax purposes.

**30. ITEMS OFF THE STATEMENT OF FINANCIAL POSITION**

	<b>2010</b>	<b>2009</b>
	<b>€</b>	<b>€</b>
<b>Contingent liabilities</b>		
Bank guarantees	91.076.593	111.494.543
<b>Commitments</b>		
Import letters of credit and confirmed export letters of credit	41.145.088	64.705.515
Loan and facility limits already approved but not utilized	244.774.161	311.494.797
	<u>285.919.249</u>	<u>376.200.312</u>
<b>Total Items Off the Statement of Financial Position</b>	<u><u>376.995.842</u></u>	<u><u>487.694.855</u></u>

Documentary credits and letters of guarantee are usually compensated through respective third party liabilities.

Documentary credits which are in the form of letters of credit relating to imports/exports commit the Company to make payments to third parties on production of documents and provided that the terms of the documentary credit are satisfied. The repayment by the customer is due immediately or within up to six months.

Loan and facility limits that have been approved but not utilized by clients represent a contractual obligation. These limits are granted for a specific time period and may be cancelled by the Company at any time by giving notice to the customer.

Credit risk exposure relating to items off the statement of financial position:

	<b>Financial Services Sector</b>	<b>Industry</b>	<b>Buildings &amp; Construction</b>	<b>Trading</b>	<b>Tourism Industry</b>	<b>Other</b>	<b>Individual</b>	<b>Total</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
<b>2010</b>								
Letters of Guarantee and Documentary Credits	1.620.962	26.274.073	46.783.711	20.367.251	4.048.660	29.035.294	4.091.731	132.221.682
Loan and facility limits already approved but not utilized	4.212.155	11.184.937	60.370.743	13.609.186	2.673.921	59.775.784	92.947.434	244.774.160
<b>Total</b>	<u>5.833.117</u>	<u>37.459.010</u>	<u>107.154.454</u>	<u>33.976.437</u>	<u>6.722.581</u>	<u>88.811.078</u>	<u>97.039.165</u>	<u>376.995.842</u>
<b>2009</b>								
Letters of Guarantee and Documentary Credits	1.740.351	1.684.096	116.071.787	19.515.549	2.869.811	30.182.456	4.136.008	176.200.058
Loan and facility limits already approved but not utilized	28.497.770	10.302.772	125.200.213	13.266.952	9.116.949	8.997.500	116.112.641	311.494.797
<b>Total</b>	<u>30.238.121</u>	<u>11.986.868</u>	<u>241.272.000</u>	<u>32.782.501</u>	<u>11.986.760</u>	<u>39.179.956</u>	<u>120.248.649</u>	<u>487.694.855</u>

### 31. OTHER COMMITMENTS

Due to the proceedings of the Law 118 (1)/2009 of the Republic of Cyprus, the Company was provided through a bilateral agreement, special titles issued by the Government of Cyprus amounting to €237m. (2009: €237m). These titles were pledged to the European Central Bank with the aim of raising liquidity.

In accordance with the Law 118(1)/2009, loans amounting to €245m. (2009:€256m.) were granted as a guarantee to the Government of Cyprus, in order to provide these special titles to the Company.

### 32. OTHER CONTINGENT LIABILITIES

#### Lease commitments

The minimum future liabilities for lease agreements that expire at various dates up to 2032 are analysed as follows:

	2010 €	2009 €
Within one year	1.190.218	1.367.931
Between one to five years	4.636.099	5.182.773
More than five years	<u>4.939.799</u>	<u>8.775.474</u>
	<u>10.766.116</u>	<u>15.326.178</u>

#### Litigation

As at 31 December 2010, there were pending litigations against the Company in relation to its activities. Following legal advice, the Board of Directors proceeded to a provision for some cases in the financial statements, where the Company expected to anticipate financial loss.

Apart from the above there are no pending litigations, claims or assessments against the Group or court decisions where the outcome of which would have a material effect on the financial statements apart from those already provided for (note 27 of these financial statements).

### 33. CAPITAL COMMITMENTS

As at 31 December 2010, the Company's commitments for capital expenditure for which no provision has been made in the financial statements amounted to €1.099.835 (2009: €1.636.905) and related to additional work performed to the new Head Office buildings and cost of refurbishment of new branches.

### 34. CASH AND CASH EQUIVALENTS

Cash and cash equivalents that appear in the statement of cash flows consist of the following elements of the statement of financial position:

	Note	2010 €	2009 €
Cash and balances with the Central Bank of Cyprus	14	71.816.178	75.959.371
Loans and advances to financial institutions		2.560.034.434	2.390.529.926
Amounts due to banks		<u>(636.189.845)</u>	<u>(417.386.848)</u>
		<u>1.995.660.767</u>	<u>2.049.102.449</u>

### 35. RISK MANAGEMENT

Alpha Bank Cyprus Limited, as a member of the Alpha Bank Group is adhering to the provisions of Basel II, as these are adopted in the "Capital Requirements Directive" of the Central Bank of Cyprus as well as the provisions of the "Corporate Governance Directive" of the Central Bank of Cyprus. The Company being a member of the Alpha Bank A.E. Group, operates within the framework and procedures of risks management of the Alpha Bank A.E. Group.

The structure of the Risk Management function is based on the Risk Management Policy framework that the Group has developed and aims at:

- Compliance with the instructions of the supervisory bodies with regards to setting a policy for the acceptance, follow up and management of every risk.
- Improvement in the handling of the action taken to prevent and minimize risks.
- Effective capital planning in order to cover the risks undertaken.

Within the above framework, the Group has established Manuals with Policies and Procedures in various areas relating to risk management such as:

- credit risk
- loan impairment
- market risk
- management of assets – liabilities
- operational risk
- regulatory compliance
- capital management

The above policies are specific and are incorporated into the procedures of the Company, taking into account the requirements of the supervisory framework.

The Risk Management Committee is responsible for the assessment of risks and the coordination of activities required for their correct administration, through supervision of the strategy and procedures of risk management.

The Company follows the "Internal assessment of Capital Adequacy" (ICCAP) and prepares a relevant report in accordance with the Instructions of the Central Bank of Cyprus and the Pillar II of the Second Treaty of Basel (Basel II). During the assessment, strategies and procedures are being reviewed in order to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of the Company, as well as the maintaining on a continued basis the amount, composition and allocation of internal funds that are considered appropriate to cover the nature and level of risks that the Company has adopted or is likely to undertake.

The Company undertakes a series of stress tests to measure possible impacts caused in extraordinary situations for all significant risks.

The Company operates an independent Risk Management Unit, whose main responsibility is to implement effective methods of recognizing, quantifying and managing the risks that the Company undertakes.

The Unit has the following departments:

- Credit Risk
- Market Risk and Liquidity Risk
- Operational Risk

#### Credit risk

Credit Risk refers to the potential risk that the Company may face from the inability of a creditor or contracting parties to meet their repayment obligations on time, or even to fully repay their debts as according to agreed terms of each contract.

The Company minimizes credit risk with the diversification of the lending portfolio to different sectors of the economy and categories of clients. It is noted that the diversification between different sectors of the economy is limited due to the small size and the special characteristics of the Cyprus economy (ie. focus on service sectors). Diversification between different categories of clients is achieved following the setting of upper credit limits to individuals and groups. Through compliance with the internal procedures of the Company and through the adoption of systems for the approval and control of the loans, the losses arising from credit risk are minimized to the greatest extent possible.

The procedures followed include among others, the grading and the evaluation of the customers' repayment ability, the laying out of the stages that have to be followed from the preparation and submission of the customer's application to the appropriate approval authority and to the stage of final approval and implementation. The close following up of the customer accounts after the loan, is drawn is also laid out in the above procedures. The procedures are evaluated on a regular basis aiming at greater standardization and better measurement and monitoring of credit risk.

The loan approvals are sanctioned only from loan committees, whose authority is determined based on the amount, the type and grade of the customer, the particular product and the collateral being offered. The credit policy of the Company is within the Group policy and the Regulations of the Central Bank of Cyprus.

Important tools that are being used for the loan approval process as well as the credit quality classification of the loan portfolio are the credit grading and scoring systems. The Company has replaced various evaluation techniques with new systems which are used by the Group. The Company has also developed scoring cards for assessing requests, which have been incorporated to the approval procedures.

The mitigation of credit risk is enhanced through the securing of collateral from customers against their loans.

In addition to the above, the Company monitors continuously loans in default as well as non performing loans and takes all the necessary measures for their minimisation. The recovery procedures are revised frequently aiming on their flexibility and effectiveness to mitigate credit risk.

Additionally, the Company maintains impairment allowances so as to meet losses from bad debts. In the context of this policy, the impairment reserves are created at both individual and group level.

**I. LOANS AND ADVANCES WITH REPAYMENT****Loans and advances to individuals**

	<b>Neither past due nor impaired</b>	<b>Past due but not impaired</b>	<b>Individually impaired</b>	<b>Collectively impaired</b>	<b>Total</b>
	€	€	€	€	€

**2010**

Not past due	1.732.331.245	-	5.850.404	1.068.435	1.739.250.084
Past due up to 30 days	-	209.676.827	1.052.142	566.144	211.295.113
Past due 30 – 60 days	-	126.476.903	-	191.547	126.668.450
Past due 60 – 90 days	-	62.152.132	463.664	-	62.615.796
Past due 90 – 180 days	-	105.157	-	61.889.229	61.994.386
Past due 180 – 270 days	-	1.339	-	36.300.178	36.301.517
Past due 270 – 360 days	-	468	-	21.529.803	21.530.271
Past due over 360 days	-	1.819	605.093	28.425.285	29.032.197
Legal Action	-	134	11.719.772	71.623.204	83.343.110

<b>Total before impairment (A)</b>	<u>1.732.331.245</u>	<u>398.414.779</u>	<u>19.691.075</u>	<u>221.593.825</u>	<u>2.372.030.924</u>
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**Loans and advances to companies**

	<b>Neither past due nor impaired</b>	<b>Past due but not impaired</b>	<b>Individually impaired</b>	<b>Collectively impaired</b>	<b>Total</b>
	€	€	€	€	€

**2010**

Not past due	1.946.307.356	-	55.739.548	130.494	2.002.177.398
Past due up to 30 days	-	114.401.896	454.458	-	114.856.354
Past due 30 – 60 days	-	82.065.143	80.189	604.792	82.750.124
Past due 60 – 90 days	-	36.449.810	247.439	227.785	36.925.034
Past due 90 – 180 days	-	15.534.747	4.027.530	2.343.654	21.905.931
Past due 180 – 270 days	-	605	13.351.301	1.282.220	14.634.126
Past due 270 – 360 days	-	117	1.528.866	434.441	1.963.424
Past due over 360 days	-	257	-	887.630	887.887
Legal Action	-	2.003.524	37.465.088	1.583.463	41.052.075

<b>Total before impairment (B)</b>	<u>1.946.307.356</u>	<u>250.456.099</u>	<u>112.894.419</u>	<u>7.494.479</u>	<u>2.317.152.353</u>
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<b>Total (A + B)</b>	<u><u>3.678.638.601</u></u>	<u><u>648.870.878</u></u>	<u><u>132.585.494</u></u>	<u><u>229.088.304</u></u>	<u><u>4.689.183.277</u></u>
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**Loans and advances to individuals**

	Neither past due nor impaired €	Past due but not impaired €	Individually impaired €	Collectively impaired €	Total €
<b>2009</b>					
Not past due	1.808.444.213	-	9.642.058	652.244	1.818.738.515
Past due up to 30 days	-	146.393.934	315.574	255.217	146.964.725
Past due 30 – 60 days	-	79.751.716	-	252.644	80.004.360
Past due 60 – 90 days	-	34.871.301	-	70.228	34.941.529
Past due 90 – 180 days	-	18.305	11.718	30.492.839	30.522.862
Past due 180 – 270 days	-	931	-	14.785.705	14.786.636
Past due 270 – 360 days	-	411	1.151.972	6.011.811	7.164.194
Past due over 360 days	-	919	32.429	7.206.105	7.239.453
Legal Action	-	121	20.618.907	58.480.625	79.099.653
<b>Total before impairment (A)</b>	<u>1.808.444.213</u>	<u>261.037.638</u>	<u>31.772.658</u>	<u>118.207.418</u>	<u>2.219.461.927</u>

**Loans and advances to companies**

	Neither past due nor impaired €	Past due but not impaired €	Individually impaired €	Collectively impaired €	Total €
<b>2009</b>					
Not past due	1.954.410.509	-	47.042.024	1.109.427	2.002.561.960
Past due up to 30 days	-	127.245.715	718.243	-	127.963.958
Past due 30 – 60 days	-	53.446.690	679.376	283.464	54.409.530
Past due 60 – 90 days	-	45.328.622	868.889	-	46.197.511
Past due 90 – 180 days	-	1.270.614	-	1.032.911	2.303.525
Past due 180 – 270 days	-	-	-	175.109	175.109
Past due 270 – 360 days	-	156	-	198.227	198.383
Past due over 360 days	-	11	4.123	79.016	83.150
Legal Action	-	11	51.124.561	13.010.998	64.135.570
<b>Total before impairment (B)</b>	<u>1.954.410.509</u>	<u>227.291.819</u>	<u>100.437.216</u>	<u>15.889.152</u>	<u>2.298.028.696</u>
<b>Total (A + B)</b>	<u>3.762.854.722</u>	<u>488.329.457</u>	<u>132.209.874</u>	<u>134.096.570</u>	<u>4.517.490.623</u>

## II. LOANS AND ADVANCES THAT ARE PAST DUE BUT NOT IMPAIRED

	Housing Loans €	Consumer Loans and Credit Cards €	Loans to companies €	Total €
<b>2010</b>				
Past due up to 90 days	353.064.704	45.241.158	232.916.849	631.222.711
Past due over 90 days	-	108.917	17.539.250	17.648.167
<b>Total before impairment</b>	<u>353.064.704</u>	<u>45.350.075</u>	<u>250.456.099</u>	<u>648.870.878</u>
<b>Fair value of collaterals</b>	<u>288.673.759</u>	<u>27.482.832</u>	<u>202.290.551</u>	<u>518.447.142</u>
<b>2009</b>				
Past due up to 90 days	218.736.957	42.279.995	226.021.028	487.037.980
Past due over 90 days	-	20.686	1.270.791	1.291.477
<b>Total before impairment</b>	<u>218.736.957</u>	<u>42.300.681</u>	<u>227.291.819</u>	<u>488.329.457</u>
<b>Fair value of collaterals</b>	<u>196.852.956</u>	<u>29.366.271</u>	<u>216.978.603</u>	<u>443.197.830</u>

## III. LOANS AND ADVANCES – IMPAIRMENT ON AN INDIVIDUAL BASIS IN RELATION TO COLLATERALS

## Loans and advances to individuals

	Housing Loans €	Consumer Loans €	Credit Cards €	Other €	Total €
<b>2010</b>					
<b>Balances</b>	-	19.691.075	-	-	19.691.075
<b>Provision for impairment</b>	-	(9.699.238)	-	-	(9.699.238)
<b>Book value</b>	<u>-</u>	<u>9.991.837</u>	<u>-</u>	<u>-</u>	<u>9.991.837</u>
<b>Fair value of collaterals</b>					
Residential property	-	1.679.293	-	-	1.679.293
Commercial property	-	474.991	-	-	474.991
Other real estate	-	3.106.803	-	-	3.106.803
<b>Total collaterals</b>	<u>-</u>	<u>5.261.087</u>	<u>-</u>	<u>-</u>	<u>5.261.087</u>

**Loans and advances to companies**

	<b>Other €</b>	<b>Total €</b>
<b>2010</b>		
<b>Balances</b>	112.894.418	112.894.418
<b>Provision for impairment</b>	(42.811.645)	(42.811.645)
<b>Book value</b>	70.082.773	70.082.773
<b>Fair value of collaterals</b>		
Cash	66.094	66.094
Residential property	58.642.926	58.642.926
Commercial property	1.692.265	1.692.265
Other real estate	22.869.952	22.869.952
<b>Total collaterals</b>	83.271.237	83.271.237

**Loans and advances to individuals**

	<b>Housing Loans €</b>	<b>Consumer Loans €</b>	<b>Credit Cards €</b>	<b>Other €</b>	<b>Total €</b>
<b>2009</b>					
<b>Balances</b>	426.458	31.330.687	15.513	-	31.772.658
<b>Provision for impairment</b>	(14.657)	(19.302.114)	(14.177)	-	(19.330.948)
<b>Book value</b>	411.801	12.028.573	1.336	-	12.441.710
<b>Fair value of collaterals</b>					
Residential property	-	9.254.779	8.954	-	9.263.733
Commercial property	-	1.424.254	-	-	1.424.254
Other real estate	-	5.299.826	3.400	-	5.303.226
<b>Total collaterals</b>	-	15.978.859	12.354	-	15.991.213

**Loans and advances to companies**

	<b>Other €</b>	<b>Total €</b>
<b>2009</b>		
<b>Balances</b>	100.437.216	100.437.216
<b>Provision for impairment</b>	(53.443.612)	(53.443.612)
<b>Book value</b>	46.993.604	46.993.604
<b>Fair value of collaterals</b>		
Cash	129.300	129.300
Residential property	25.469.143	25.469.143
Commercial property	2.796.522	2.796.522
Other real estate	15.236.203	15.236.203
<b>Total collaterals</b>	43.631.168	43.631.168

## IV. LOANS AND ADVANCES WITH CREDIT RISK RATING

## Loans neither past due nor impaired

	2010	2009
	€	€
<b>Loans and advances to individuals</b>		
With no grade	1.732.331.245	1.808.444.213
	<u>1.732.331.245</u>	<u>1.808.444.213</u>
<b>Loans and advances to companies</b>		
AA	-	1.613.291
A+	-	343.164
A	79.960	5.760.005
A-	2.038.854	7.367.111
BB+	75.914.131	60.443.221
BB	86.603.800	181.429.300
BB-	79.378.751	73.739.969
B+	109.046.939	286.175.687
B	156.324.956	512.062.583
B-	402.662.957	451.065.234
CC+	213.814.432	129.533.160
CC	286.015.471	107.577.400
CC-	120.167.999	72.235.716
C	399.513.049	58.491.594
D0	10.182.386	1.663.874
D1	41.900	1.103.443
E	-	-
With no grade	4.521.770	3.805.758
	<u>1.946.307.355</u>	<u>1.954.410.510</u>
<b>Total</b>	<u><u>3.678.638.600</u></u>	<u><u>3.762.854.723</u></u>

**V. OTHER CLAIMS**

	<b>Loans and advances with financial institutions</b>	<b>Derivatives</b>	<b>Investments available for sale</b>	<b>Total</b>
	€	€	€	€
<b>2010</b>				
AA- to AA+	620.242	-	-	620.242
A- to A+	8.346.035	-	29.375.588	37.721.623
Below A-	3.715.540.845	-	-	3.715.540.845
With no grade	-	-	1.667.803	1.667.803
<b>Neither past due nor impaired</b>	<u>3.724.507.122</u>	<u>-</u>	<u>31.043.391</u>	<u>3.755.550.513</u>
<b>2009</b>				
AA- to AA+	1.110.886.464	-	15.260.629	1.126.147.093
A- to A+	10.503.487	-	-	10.503.487
Below A-	2.626.347.721	126.893	-	2.626.474.614
With no grade	10.685.462	-	1.801.595	12.487.057
<b>Neither past due nor impaired</b>	<u>3.758.423.134</u>	<u>126.893</u>	<u>17.062.224</u>	<u>3.775.612.251</u>

**Market risk**

Market risk is the risk of loss of the economic value or of income that arises from unfavourable impact in the price or volatility that is observed in interest rates, exchange rates, shares, bonds or commodities.

The management policy to be followed for Market risk as well as the accepted limits which are defined by the Asset and Liability Committee (ALCO), within which the Treasury Division operates. The Asset and Liability Committee acts within the parameters set by the relevant policies of the Group and in particular according to the Manuals of the Policies and Procedures in areas of market risk and the management of assets and liabilities.

**Interest rate risk**

Interest rate risk arises from the different readjustment dates in the interest bearing assets and liabilities of the Company. The Company analyses the interest rate gaps for each time period for each currency (interest rate gap analysis) for all the interest bearing elements and uses this analysis for measuring the effects of a change in interest rates in its revenues. The above analysis enables the Company to measure the effects of an interest rate change to its Economic value, enabling the Company to monitor effectively interest rate risk.

Currency	Case of changes in interest rates (parallel shift in yield curve)	Sensitivity of net interest income (for a period of one year) €000
EUR	+50 b.p	5.064
	-50 b.p	(5.064)
USD	+50 b.p	69
	-50 b.p	(69)
CHF	+50 b.p	531
	-50 b.p	(531)

### Exchange rate risk

Exchange rate risk arises from maintaining an open position in one or more foreign currencies. The Company maintains a small position in foreign currencies which in each case is much lower than the approved limits set by the Central Bank and the Assets and Liabilities Committee. Due to this, the result on the income of the Company is not materially affected by foreign currency changes and consequently no sensitivity analysis is required in respect to this issue.

### Liquidity risk

Liquidity risk arises from the potential difficulty in finding adequate liquid funds to cover the obligations of the Company; that is the replacement of the existing funds as they come due or withdrawn, or to meet customer needs for further advances.

The Company monitors closely the maturity of the assets and liabilities and in particular those with a short-term duration and it takes the necessary measures for the minimization of liquidity risk while at the same time ensures that the liquidity ratios set by the Central Bank of Cyprus are met.

### SENSITIVITY ANALYSIS RELATING TO INTEREST RATE RISK ON 31 DECEMBER 2010

CURRENCY – USD (\$)	Total €000	Up to 7 days €000	8 to 30 days €000	1 up to 3 months €000	4 up to 6 months €000	7 up to 12 months €000	1 up to 5 years €000	Up to 5 years €000	Non-interest bearing position €000
Cash	416	-	-	-	-	-	-	-	416
Loans and advances to financial institutions	829.634	126.518	337.457	365.659	-	-	-	-	-
Bonds	251	-	-	251	-	-	-	-	-
Investments available for sale	-	-	-	-	-	-	-	-	-
Other investments	-	-	-	-	-	-	-	-	-
Loans and advances to companies	27.414	13.730	7.014	4.747	1.091	-	-	-	832
Loans and advances to individuals	12.134	202	5.216	4.563	1.592	456	-	-	105
Property, plant and equipment	-	-	-	-	-	-	-	-	-
Other assets	7	-	-	-	-	-	-	-	7
<b>TOTAL ASSETS</b>	<b>869.856</b>	<b>140.450</b>	<b>349.687</b>	<b>375.220</b>	<b>2.683</b>	<b>456</b>	<b>-</b>	<b>-</b>	<b>1.360</b>
Amounts due to financial institutions	50.864	31.435	18.231	1.198	-	-	-	-	-
Customer deposits	818.723	332.818	259.767	196.142	13.754	16.242	-	-	-
Other liabilities	314	-	-	-	-	-	-	-	314
Derivatives	27	27	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>(869.928)</b>	<b>(364.280)</b>	<b>(277.998)</b>	<b>(197.340)</b>	<b>(13.754)</b>	<b>(16.242)</b>	<b>-</b>	<b>-</b>	<b>(314)</b>
<b>NET POSITION IN USD</b>	<b>(72)</b>	<b>(223.830)</b>	<b>71.689</b>	<b>177.880</b>	<b>(11.071)</b>	<b>(15.786)</b>	<b>-</b>	<b>-</b>	<b>1.046</b>

		Up to 7	8 to 30	1 up to	4 up to	7 up to	1 up to	Up to 5	Non-interest
	Total	days	days	3 months	6 months	12 months	5 years	years	bearing
CURRENCY – EURO (€)	€000	€000	€000	€000	€000	€000	€000	€000	position
									€000
Cash	70.972	51.118	-	-	-	-	-	-	19.854
Loans and advances to financial institutions	2.864.980	872.478	718.003	1.022.568	-	251.931	-	-	-
Investments available for sale	31.044	-	856	-	-	4.876	23.644	-	1.668
Other securities	16.429	-	-	-	-	-	-	-	16.429
Loans and advances to companies	1.616.015	940.125	250.745	288.028	88.315	3.066	1.562	-	44.174
Loans and advances to individuals	805.343	572.029	143.948	53.667	13.024	2.587	-	-	20.088
Property, plant and equipment	33.128	-	-	-	-	-	-	-	33.128
Other assets	11.878	-	-	-	-	-	-	-	11.878
Derivatives	5.027	27	-	-	-	5.000	-	-	-
<b>TOTAL ASSETS</b>	<b>5.454.816</b>	<b>2.435.777</b>	<b>1.113.552</b>	<b>1.364.263</b>	<b>101.339</b>	<b>267.460</b>	<b>25.206</b>	<b>-</b>	<b>147.219</b>
Amounts due to banks	2.093.935	121.731	587.730	1.129.420	-	255.054	-	-	-
Customers deposits	2.671.775	741.307	386.739	542.840	415.827	514.345	67.059	-	3.658
Bonds	100.000	-	-	100.000	-	-	-	-	-
Other liabilities	57.437	-	-	-	-	-	-	-	57.437
Equity	526.909	-	-	-	-	-	-	-	526.909
Derivatives	5.291	-	-	-	-	-	5.000	-	291
<b>TOTAL LIABILITIES</b>	<b>(5.455.347)</b>	<b>(863.038)</b>	<b>(974.469)</b>	<b>(1.772.260)</b>	<b>(415.827)</b>	<b>(769.399)</b>	<b>(72.059)</b>	<b>-</b>	<b>(588.295)</b>
<b>NET POSITION IN EURO</b>	<b>(531)</b>	<b>1.572.739</b>	<b>139.083</b>	<b>(407.997)</b>	<b>(314.488)</b>	<b>(501.939)</b>	<b>(46.853)</b>	<b>-</b>	<b>(441.076)</b>

  

		Up to 7	8 to 30	1 up to	4 up to	7 up to	1 up to	Up to 5	Non-interest
	Total	days	days	3 months	6 months	12 months	5 years	years	bearing
CURRENCY – SWISS FRANCS (CHF)	€000	€000	€000	€000	€000	€000	€000	€000	position
									€000
Cash	25	-	-	-	-	-	-	-	25
Loans and advances to financial institutions	2.516	2.516	-	-	-	-	-	-	-
Bonds	251	-	-	251	-	-	-	-	-
Investments available for sale	-	-	-	-	-	-	-	-	-
Other investments	-	-	-	-	-	-	-	-	-
Loans and advances to companies	614.117	130.622	222.534	182.162	74.322	202	-	-	4.275
Loans and advances to individuals	1.361.368	110.148	784.016	283.031	55.165	5.130	-	-	123.879
Property, plant and equipment	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Derivatives	176	-	-	-	-	176	-	-	-
<b>TOTAL ASSETS</b>	<b>1.978.453</b>	<b>243.286</b>	<b>1.006.550</b>	<b>465.444</b>	<b>129.487</b>	<b>5.508</b>	<b>-</b>	<b>-</b>	<b>128.179</b>
Amounts due to banks	1.976.699	-	1.324.646	512.013	136.031	4.009	-	-	-
Customers deposits	1.198	1.198	-	-	-	-	-	-	-
Other liabilities	251	-	-	-	-	-	-	-	251
Equity	-	-	-	-	-	-	-	-	-
Derivatives	176	-	-	-	-	176	-	-	-
<b>TOTAL LIABILITIES</b>	<b>(1.978.324)</b>	<b>(1.198)</b>	<b>(1.324.646)</b>	<b>(512.013)</b>	<b>(136.031)</b>	<b>(4.185)</b>	<b>-</b>	<b>-</b>	<b>(251)</b>
<b>NET POSITION IN SWISS FRANCS</b>	<b>129</b>	<b>242.088</b>	<b>(318.096)</b>	<b>(46.569)</b>	<b>(6.544)</b>	<b>1.323</b>	<b>-</b>	<b>-</b>	<b>127.928</b>

## SENSITIVITY ANALYSIS RELATING TO INTEREST RATE RISK ON 31 DECEMBER 2009

		Up to 7	8 to 30	1 up to	4 up to	7 up to	1 up to	Up to 5	Non-interest
	Total	days	days	3 months	6 months	12 months	5 years	years	bearing
CURRENCY – USD (\$)	€000	€000	€000	€000	€000	€000	€000	€000	position
									€000
Cash	423	-	-	-	-	-	-	-	423
Loans and advances to financial institutions	641.335	58.309	267.741	314.591	694	-	-	-	-
Loans and advances to companies	19.258	1.054	12.728	291	1.020	4.165	-	-	-
Loans and advances to individuals	9.054	150	3.365	3.436	1.603	500	-	-	-
Other assets	687	-	-	-	-	-	-	-	687
<b>TOTAL ASSETS</b>	<b>670.757</b>	<b>59.513</b>	<b>283.834</b>	<b>318.318</b>	<b>3.317</b>	<b>4.665</b>	<b>-</b>	<b>-</b>	<b>1.110</b>
Amounts due to banks	51.393	9.718	24.877	16.104	694	-	-	-	-
Customer deposits	631.855	117.636	93.494	117.473	46.414	43.487	213.351	-	-
Other liabilities	1.139	-	-	-	-	-	-	-	1.139
<b>TOTAL LIABILITIES</b>	<b>(684.387)</b>	<b>(127.354)</b>	<b>(118.371)</b>	<b>(133.577)</b>	<b>(47.108)</b>	<b>(43.487)</b>	<b>(213.351)</b>	<b>-</b>	<b>(1.139)</b>
<b>NET POSITION IN USD</b>	<b>(13.630)</b>	<b>(67.841)</b>	<b>165.463</b>	<b>184.741</b>	<b>(43.791)</b>	<b>(38.822)</b>	<b>(213.351)</b>	<b>-</b>	<b>(29)</b>

		Up to 7	8 to 30	1 up to	4 up to	7 up to	1 up to	Up to 5	Non-interest
	Total	days	days	3 months	6 months	12 months	5 years	years	bearing
CURRENCY – EURO (€)	€000	€000	€000	€000	€000	€000	€000	€000	position
									€000
Cash	74.978	52.770	-	-	-	-	-	-	22.208
Loans and advances to financial institutions	3.009.747	480.244	1.383.831	1.126.707	1.445	17.520	-	-	-
Investments available for sale	14.587	-	-	-	-	-	14.587	-	-
Other securities	18.231	-	-	-	-	-	-	-	18.231
Loans and advances to companies	1.641.349	833.961	535.837	217.479	46.195	4.475	3.402	-	-
Loans and advances to individuals	871.726	565.030	225.446	63.235	15.089	2.903	23	-	-
Property, plant and equipment	34.451	-	-	-	-	-	-	-	34.451
Other assets	15.447	-	-	-	-	-	-	-	15.447
Derivatives	127	-	-	-	-	-	-	-	127
<b>TOTAL ASSETS</b>	<b>5.680.643</b>	<b>1.932.005</b>	<b>2.145.114</b>	<b>1.407.421</b>	<b>62.729</b>	<b>24.898</b>	<b>18.012</b>	<b>-</b>	<b>90.464</b>
Amounts due to banks	2.522.608	300.281	568.708	1.627.154	1.445	25.020	-	-	-
Customers deposits	2.491.478	573.220	314.068	491.394	447.889	442.393	222.514	-	-
Bonds	100.000	-	-	100.000	-	-	-	-	-
Other liabilities	93.621	-	-	-	-	-	-	-	93.621
Equity	472.687	-	-	-	-	-	-	-	472.687
Derivatives	1.043	-	-	-	-	-	-	-	1.043
<b>TOTAL LIABILITIES</b>	<b>(5.681.437)</b>	<b>(873.501)</b>	<b>(882.776)</b>	<b>(2.218.548)</b>	<b>(449.334)</b>	<b>(467.413)</b>	<b>(222.514)</b>	<b>-</b>	<b>(567.351)</b>
<b>NET POSITION IN EURO</b>	<b>(794)</b>	<b>1.058.504</b>	<b>1.262.338</b>	<b>(811.127)</b>	<b>(386.605)</b>	<b>(442.515)</b>	<b>(204.502)</b>	<b>-</b>	<b>(476.887)</b>



		Up to 7	8 to 30	1 up to	4 up to	7 up to	1 up to	Up to 5	Non-interest
	Total	days	days	3 months	6 months	12 months	5 years	years	bearing
CURRENCY – SWISS FRANCS (CHF)	€000	€000	€000	€000	€000	€000	€000	€000	position
									€000
Cash	44	-	-	-	-	-	-	-	44
Loans and advances to financial institutions	2.963	-	2.963	-	-	-	-	-	-
Loans and advances to companies	582.600	119.009	211.782	177.916	73.719	174	-	-	-
Loans and advances to individuals	1.190.455	141.466	718.473	271.159	53.667	5.287	152	251	-
Other assets	1.181	-	-	-	-	-	-	-	1.181
Derivatives	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>1.777.243</b>	<b>260.475</b>	<b>933.218</b>	<b>449.075</b>	<b>127.386</b>	<b>5.461</b>	<b>152</b>	<b>251</b>	<b>1.225</b>
Amounts due to banks	1.760.583	-	1.164.061	458.345	134.807	3.370	-	-	-
Customers deposits	1.650	-	-	18	-	-	1.632	-	-
Other liabilities	680	-	-	-	-	-	-	-	680
Derivatives	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>(1.762.913)</b>	<b>-</b>	<b>(1.164.061)</b>	<b>(458.363)</b>	<b>(134.807)</b>	<b>(3.370)</b>	<b>(1.632)</b>	<b>-</b>	<b>(680)</b>
<b>NET POSITION IN SWISS FRANCS</b>	<b>14.330</b>	<b>260.475</b>	<b>(230.843)</b>	<b>(9.288)</b>	<b>(7.421)</b>	<b>2.091</b>	<b>(1.480)</b>	<b>251</b>	<b>545</b>

## LIQUIDITY RISK

	Without expiration €	On demand €	Within 3 months €	Between 3 months and 1 year €	More than 1 year €	Total €
<b>2010</b>						
<b>Assets</b>						
Cash and balances with the Central Bank of Cyprus	-	20.698.183	51.117.995	-	-	71.816.178
Loans and advances to financial institutions	-	1.011.919.656	1.548.656.279	251.931.187	912.000.000	3.724.507.122
Loans and advances to customers	484.877.870	72.858.062	116.737.353	375.430.808	3.462.960.815	4.512.864.908
Investments available for sale	1.667.803	5.933.791	20.748.038	-	2.693.759	31.043.391
Investments in subsidiary companies	16.428.979	-	-	-	-	16.428.979
Property, plant and equipment	32.727.954	-	-	-	-	32.727.954
Intangible assets	399.955	-	-	-	-	399.955
Deferred taxation	2.765.965	-	-	-	-	2.765.965
Taxation	636.028	-	-	-	-	636.028
Other assets	7.331.736	-	-	-	-	7.331.736
<b>Total assets</b>	<b>546.836.290</b>	<b>1.111.409.692</b>	<b>1.737.259.665</b>	<b>627.361.995</b>	<b>4.377.654.574</b>	<b>8.400.522.216</b>
<b>Liabilities</b>						
Bonds	-	-	-	-	100.000.000	100.000.000
Amounts due to banks	-	134.294.382	740.677.866	221.568.838	3.045.864.170	4.142.405.256
Customer deposits	-	712.123.445	1.484.637.611	1.079.142.358	295.021.233	3.570.924.647
Other liabilities	12.030.573	-	251.379	-	48.001.589	60.283.541
<b>Total liabilities</b>	<b>(12.030.573)</b>	<b>(846.417.827)</b>	<b>(2.225.566.856)</b>	<b>(1.300.711.196)</b>	<b>(3.488.886.992)</b>	<b>(7.873.613.444)</b>
<b>Net position</b>	<b>534.805.717</b>	<b>264.991.865</b>	<b>(488.307.191)</b>	<b>(673.349.201)</b>	<b>888.767.582</b>	<b>526.908.772</b>

	Without expiration €	On demand €	Within 3 months €	Between 3 months and 1 year €	More than 1 year €	Total €
<b>2009</b>						
<b>Assets</b>						
Cash and balances with the Central Bank of Cyprus	-	75.959.371	-	-	-	75.959.371
Loans and advances to financial institutions	-	28.853.087	2.600.178.492	19.791.555	1.109.600.000	3.758.423.134
Loans and advances to customers	638.809.616	11.821.756	155.264.991	380.892.642	3.330.701.618	4.517.490.623
Provision for impairment of doubtful debts	(156.013.399)	-	-	-	-	(156.013.399)
Investments available for sale	1.801.595	-	673.447	-	14.587.183	17.062.225
Investments in subsidiary companies	16.428.909	-	-	-	-	16.428.909
Property, plant and equipment	34.086.426	-	-	-	-	34.086.426
Intangible assets	364.705	-	-	-	-	364.705
Deferred taxation	700.459	-	-	-	-	700.459
Other assets	3.598.648	-	-	-	-	3.598.648
<b>Total assets</b>	<b>539.776.959</b>	<b>116.634.214</b>	<b>2.756.116.930</b>	<b>400.684.197</b>	<b>4.454.888.801</b>	<b>8.268.101.101</b>
<b>Liabilities</b>						
Bonds	-	-	-	-	100.000.000	100.000.000
Amounts due to banks	-	51.414.557	620.466.467	239.246.560	3.447.808.647	4.358.936.231
Customer deposits	-	820.375.723	1.321.738.239	941.155.420	192.195.226	3.275.464.608
Taxation	927.821	-	-	-	-	927.821
<b>Other liabilities</b>	<b>16.769.612</b>	<b>-</b>	<b>223.733</b>	<b>-</b>	<b>43.137.003</b>	<b>60.130.348</b>
<b>Total liabilities</b>	<b>(17.697.433)</b>	<b>(871.790.280)</b>	<b>(1.942.428.439)</b>	<b>(1.180.401.980)</b>	<b>(3.783.140.876)</b>	<b>(7.795.459.008)</b>
<b>Net position</b>	<b>522.076.526</b>	<b>(755.156.066)</b>	<b>813.688.491</b>	<b>(779.717.783)</b>	<b>671.747.925</b>	<b>472.642.093</b>

### Operational risk

Operational risk is defined as the risk of direct or indirect losses arising either from internal inadequate procedures and systems, human behaviour, or other external factors, including legal risk.

The Company has implemented the Operational Risk Management Framework as analysed in the Group Policy. The basic pillars of this policy are listed below:

- The organisational structure of managing operational risk
- The collecting and collating of data relating to operational risk events
- The evaluation of the risk and the determination of risk mitigation action

Under the Framework, the Company operates an Operational Risk Management Committee which is overseeing the implementation of the operational risk management policy of the Group and its activities and actions related to the effective management of operational risk.

Within the above framework, a specialised system is being used which is located at the parent company Alpha Bank S.A. It is a system that accepts data on operational risk that will be classified in the relevant banking activity category as well as in the relevant operational risk category outlined in Basel II.

At the same time, the Company in cooperation with the Group, has set-up Key Risk indicators and collects data to this end. These indicators assist in monitoring operational risk.

Under the framework of operational risk management, structured self assessments are conducted by business and infrastructure and support units, with the aim of identifying, recording and assessing the operational risks which could be potentially faced and that courses of action could be adopted so as to be restricted.

### REGULATORY COMPLIANCE

The Company enacts and implements suitable procedures in order to achieve the timely and

continuous compliance with the Regulatory and Supervisory framework that may exist from time to time. The above procedures include a computerized system for the continuous and effective monitoring of customer accounts and transactions for the purpose of preventing money laundering.

The Company operates an independent Regulatory Compliance Department as required by the provisions of the Central Bank of Cyprus directives which at the same time ensures the implementation of the Information Security Policy of the Group.

The aim of the Regulatory Compliance Department is the prevention and effective management of compliance risks, according to the relevant compliance framework (Regulatory Compliance Risk) that may arise from the business activity of the financial institution. This can be achieved through the establishment of adequate policies and processes, and the adoption of recognition control, monitoring mechanism of relevant controls, aiming at the preservation of the integrity and reputation of the Bank.

### INFORMATION SECURITY

The Company has adopted the Information Security Framework of the Group.

The Information Security Framework refers to the administrative, technical and physical measures which ensure the protection of data and information systems of the Company.

Specifically, with the above framework the safeguarding of the following attributes that characterise all the kinds of data or information systems is ensured.

- Confidentiality – it ensures that only entitled entities can have access on specific data or information systems.
- Integrity – it protects data and information systems from non authorized or negligent modification.
- Availability – it ensures the availability of data and information systems to authorized entities whenever they need them.

### 36. FAIR VALUE

Fair value represents the amount at which an asset could be exchanged or a liability settled in an arm's length transaction. The fair value of most of the financial assets and liabilities are similar to the amounts disclosed in the statement of financial position.

The fair value of loans and advances to customers is approximately equal to their book value as disclosed in the statement of financial position, net of the provisions for bad and doubtful debts.

The investments in subsidiary companies are presented at the acquisition price as modified by periodical reassessments, based on the Company's share of net assets of these companies. This is considered the best practice method for valuation of their fair value.

The Management is of the opinion that the fair value of the assets and liabilities of the Company that are not stated at their calculated fair value, approximates their carrying value.

### 37. ANALYSIS OF ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

	2010 €	2009 €
<b>ASSETS</b>		
Euro	5.448.619.765	5.678.858.761
Foreign currencies	<u>2.951.902.451</u>	<u>2.589.242.340</u>
	<u>8.400.522.216</u>	<u>8.268.101.101</u>
<b>LIABILITIES</b>		
Euro	5.449.180.603	5.689.180.703
Foreign currencies	<u>2.951.341.613</u>	<u>2.578.920.398</u>
	<u>8.400.522.216</u>	<u>8.268.101.101</u>

### 38. CAPITAL ADEQUACY

Capital protects from unpredictable/unexpected losses since the predicted or expected losses are covered by provisions eg. impairment for bad and doubtful debts. In order to cover these unexpected losses, the supervisory authorities require the maintenance of adequate capital by defining what is capital, a minimum capital ratio and how to measure it.

The system "SUNGARD" which is installed at the parent company Alpha Bank S.A., is used to calculate capital under the requirements of Pillar I of Basel II.

In 2010, the Company undertook «internal procedure for assessing capital adequacy ("ICAAP")» and submitted the related report in accordance with the relevant directives of the Central Bank of Cyprus and of Basel II.

During 2010, the Company fully complied with the regulations of the Central Bank of Cyprus while maintaining adequate capital in accordance to its nature, scale and complexity of its activities and the related risk undertaken.

### 39. RELATED PARTY TRANSACTIONS

#### (i) Transactions with members of the Board of Directors

Connected persons include spouses, minor children and companies in which the Director holds directly or indirectly, at least 20% of the voting rights in a General Meeting. All transactions with members of the Board of Directors and their connected persons are taking place under normal trading terms. Credit facilities granted to key management are under the same terms as those applicable to the rest of the Company's staff.

Loan balances and other advances to Members of the Board of Directors and connected persons:

	Number of Directors	Total €000
Less than 1% of the net assets of the Company, per Director	1	19
	2010 €	2009 €
<b>Non-executive Directors</b>		
Fees as members of the Board	48.749	25.630
<b>Executive Directors</b>		
Salaries and benefits	777.633	1.400.034

#### (ii) Transactions with the parent company

During the year, the parent company Alpha Bank S.A. has granted bank guarantees totalling €280.400.000 (2009: €345.095.736) in relation to loans and advances granted to specific clients.

### 40. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period which affects the position of the Company as at 31 December 2010.

The financial statements were approved and authorised for issue by the Board of Directors of the Company on 24 February 2011.



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