ALPHA BANK CYPRUS LTD

ANNUAL REPORT 2011

CONTENTS

BOARD OF DIRECTORS AND PROFESSIONAL ADVISERS

Board of Directors	**Sp. N. Filaretos** Chairman
	G. A. Georgiou Managing Director (appointed on 15 April 2011)
	C. M. Kokkinos (retired on 30 April 2011)
	M. P. Economides General Manager (appointed on 15 April 2011)
	Gr. Th. Timplalexis (retired on 30 April 2011)
	Ch. C. Giampanas
	A. M. Michaelides (appointed on 20 July 2011)
	G. M. Michaelides (retired on 20 July 2011)
	L. A. Papagaryfallou
	Dr. A. K. Kritiotis
	I. S. Monastiriotis
Secretary	**L. A. Papalambrianou**
Legal Advisers	**Chrysafinis and Polyviou**
Independent Auditors	**KPMG Limited**
Registered Office	**Corner of Chilonos & Gladstonos Street, Stylianos Lena Square, Nicosia**
Head Office	**Alpha Bank Building 3, Lemesos Avenue, Nicosia**

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

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 2011 we confirm that, to the best of our knowledge:

(a) The annual financial statements that are presented on pages 10 to 61:

(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

G. A. Georgiou – Managing Director

M. P. Economides – General Manager

Ch. C. Giampanas – Board Member

A. 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, 19 April 2012

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 2011.

PRINCIPAL ACTIVITIES

During the year 2011, 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	2011	2010
	%	€	€
Profits from operations	8,22	192.109.855	177.514.503
Profits before taxation	(90,50)	5.873.017	61.808.514
Profits after taxation	(96,16)	2.120.913	55.253.716
Earnings per share	(96,16)	1,52 cent	39,61 cent

Principle Financial Figures	Change	2011	2010
	%	€	€
Loans and advances	(5,22)	4.277.386.531	4.512.864.908
Customer deposits	(27,11)	2.602.923.573	3.570.924.647
Equity	(1,34)	519.832.834	526.908.772

Alpha Bank Cyprus Limited, presents profits before tax for the year 2011 amounting to €5,8m compared to €61,8m in the year 2010. The decrease in profits reflects the negative outlook in the financial environment in year 2011.

Profits from operations were increased by 8,2% compared to 2010, 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 29,6%.

Profit before taxes are negatively influenced by high provisions for impairment of loans and advances, which shield the system from the unfavorable economic content in the field of rational management policy for credit risk. Provisions were increased by 109%, and as a result the profits before tax present a decrease of 90,5% compared to year 2010.

The Bank has a market share to loans 6,70% and to deposits 3,73% in December 2011, compared to 7,62% and 5,07% in December 2010, respectively.

BOARD OF DIRECTORS' REPORT

ALPHA BANK – EUROBANK MERGER
The Board of Directors of the holding Bank Alpha Bank S.A. and the Board of Directors of Eurobank EFG announced on 29 August 2011 that they reached an agreement to initiate the merger process of the two Banks, by the assimilation of the latter by the former. On 15 November 2011, the Shareholders' General Meeting of the merging banks approved the Merger Contract Plan.

With a further notice on 14 March 2012, Alpha Bank informed the investment public about the progress of the said merger, and following the restructuring of Greek debt (PSI) and repercussions in the banking sector, announced its intention to present and on 3 April 2012 presented for approval to the Board of Directors a proposal for the calling of a General Meeting of Shareholders of the Bank with object the withdrawal of the underlined decisions of the General Meeting of Shareholders of the 15 November 2011, which has been set on the 26 April 2012.

FINANCIAL RESULTS
The results of the Company are set out in the statement of comprehensive income on page 9 of the financial statements.

The profits for the year attributable to the owners amounted to €2.120.913 (2010: €55.253.716), 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 2011 (2010:€nil).

RISK MANAGEMENT
Risk is considered any financial or other factor that creates a possibility of future decrease 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 37 of the financial statements.

FUTURE DEVELOPMENT
The financial crisis is affecting negatively both the financial markets as well as the economy in general. As a result the risks in which the Company is exposed have been substantially increased, rendering the achievement of satisfactory profitability in the medium term period extremely uncertain.

Under this economic environment and the challenges posed by the market the Company is expected to adopt a conservative business plan based on the following priorities:

- Maintaining and attracting new deposits in the local market as well as through its international business network,
- Selective growth in loans and 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 35 branches and other specialised units which are effectively supported by ATMs, Internet Banking and mobile 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
G. A. Georgiou, Managing Director
M. P. Economides, General Manager
Ch. C. Giampanas
A. M. Michaelides
L. A. Papagaryfallou
Dr. A. K. Kritiotis
I. S. Monastiriotis

BOARD OF DIRECTORS' REPORT

Mr. Costas Kokkinos and Mr. Gregorios Timplalexis have retired as members of the Board of Directors on 30 April 2011 and Mr. George Michaelides has retired as a member of the Board of Directors on 20 July 2011.

On 15 April 2011, the Board of Directors appointed Mr. Georgio A. Georgiou and Mr. Mario P. Economide as new Members of the Board and they were re-elected as Members of the Board of Directors at the same date. On 20 July 2011, the Board of Directors appointed Mr. Andrea M. Michaelide as new member of the Board.

Dr. Andreas K. Kritiotis and Mr. Andreas M. Michaelides are non executive independent members of the Board. Mr. Andreas M. Michaelides is appointed as Senior Independent Member.

In accordance with Article 95 of the Company's Articles of Association, Mr. Andreas M. Michaelides retires and being eligible, offer himself for re-election.

In accordance with Article 89 of the Company's Articles of Association, Mr. Spyros N. Filaretos and Dr. Andreas K. Kritiotis retire and being eligible, offer themselves for re-election.

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are presented in note 41 of the financial statements.

EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period are presented in note 42 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, 19 April 2012

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 61, which comprise of the statement of financial position as at 31 December 2011 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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: fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 2011, 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 Auditors and Statutory Audit of Annual and Consolidated Accounts of 2009 Act, 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 8 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 34 of the Auditors and Statutory Audit of Annual and Consolidated Accounts of 2009 Act 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.

Maria A. Papacosta
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors

Nicosia, 19 April 2012

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	Note	2011 €	2010 €
Interest income	5	303.815.199	276.902.626
Interest expense	5	(138.875.530)	(132.230.127)
Net interest income		164.939.669	144.672.499
Fees and commissions income	6	23.209.184	28.077.450
Fees and commissions expenses	6	(708.162)	(662.298)
Net income from fees and commissions		22.501.022	27.415.152
Net (loss)/income from the change in the fair value of the financial instruments	7	(1.328.169)	380.785
Other income from operations	8	5.997.333	5.046.067
		4.669.164	5.426.852
Results from operating activities		192.109.855	177.514.503
Provision for impairment of bad and doubtful debts	16	(129.374.700)	(62.028.849)
Staff costs	9	(41.448.300)	(39.883.557)
Depreciation and amortisation	21 & 22	(2.793.242)	(2.945.793)
Other expenses	10	(12.620.596)	(10.847.790)
Profits for the year before taxation	11	5.873.017	61.808.514
Taxation	12	(3.752.104)	(6.554.798)
Profits for the year after tax		2.120.913	55.253.716
Other comprehensive cost			
Deficit on revaluation of investments	18	(9.196.851)	(987.037)
Other comprehensive cost for the year		(9.196.851)	(987.037)
Total comprehensive (cost)/income for the year attributable to the owners of the Company		(7.075.938)	54.266.679
Profits attributable to the owners of the Company		2.120.913	55.253.716
Earnings per share (€cent)	13	1,52	39,61

The notes on pages 14 to 61 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

		2011	2010
		€	€
Assets			
Cash and balances	14	308.271.498	71.816.178
Loans and advances to financial institutions	15	580.031.945	2.811.965.622
Loans and advances to customers	16	4.277.386.531	4.512.864.908
Investments classified as loans and advances	17	912.599.057	912.541.500
Investments available for sale	18	79.845.548	31.043.391
Investments in subsidiary companies	19	16.428.979	16.428.979
Derivative financial instruments	20	11.606.922	-
Property, plant and equipment	21	30.820.570	32.727.954
Intangible assets	22	468.731	399.955
Deferred taxation	23	3.223.497	2.765.965
Taxation	24	1.098.517	636.028
Other assets	25	12.276.147	7.331.736
Total assets		6.234.057.942	8.400.522.216
Liabilities			
Bonds	26	100.291.289	100.251.378
Amounts due to banks	27	2.928.855.356	4.142.405.256
Customer deposits	28	2.602.923.573	3.570.924.647
Derivative financial instruments	20	17.230.199	291.722
Other liabilities	29	64.924.691	59.740.441
Total liabilities		5.714.225.108	7.873.613.444
Equity			
Share capital	30	118.575.000	118.575.000
Reserves	31	401.257.834	408.333.772
Total equity		519.832.834	526.908.772
Total equity and liabilities		6.234.057.942	8.400.522.216
Items off the statement of financial position	32	285.858.438	376.995.842

The financial statements were approved by the Board of Directors on 19 April 2012.

G. A. Georgiou	M. P. Economides	L. Skaliotis
Managing Director	General Manager	Head Financial Control Division

The notes on pages 14 to 61 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2011

	Share capital €	Share premium €	Investment revaluation reserve €	Difference from the conversion of share capital into euro reserve €	Retained earnings €	Total reserves €	Total equity €
1 January 2011	118.575.000	15.334.698	(355.785)	599.951	392.754.908	408.333.772	526.908.772
Total comprehensive income for the year							
Profits for the year	-	-	-	-	2.120.913	2.120.913	2.120.913
Other comprehensive income recognised directly in equity	-	-	(9.196.851)	-	-	(9.196.851)	(9.196.851)
31 December 2011	118.575.000	15.334.698	(9.552.636)	599.951	394.875.821	401.257.834	519.832.834

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

Share premium reserve is not available for distribution as dividend.

The notes on pages 14 to 61 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2011

	Note	2011 €	2010 €
Cash flows from operating activities			
Profits for the year		2.120.913	55.253.716
Adjustments for:			
Depreciation of property, plant and equipment	21	2.551.757	2.718.145
Amortisation of intangible assets	22	241.485	227.648
Gain on disposal of shares	8	-	(203.334)
Write off of property plant and equipment	10	49.564	169.929
Dividends received		(2.451.646)	(1.361.866)
Provision for impairment of bad and doubtful debts charged to the statement of comprehensive income	16	129.374.700	62.028.849
Taxation	12	3.752.104	6.554.798
Profit from operations before changes in working capital		135.638.877	125.387.885
Decrease in loans and advances to financial institutions		251.931.188	5.846.518
(Increase)/decrease in investments classified as loans and advances		(57.557)	197.574.002
Decrease/(increase) in loans and advances to customers		86.857.738	(171.692.654)
Increase/(decrease) in provisions for bad and doubtful debts		19.245.939	(41.723.879)
(Increase)/decrease in assets from transactions with derivative financial instruments		(11.606.922)	126.893
Increase in other receivables		(4.944.411)	(3.733.088)
Increase in other liabilities		5.184.250	750.297
Decrease in amounts due to banks		(664.515.848)	(435.333.972)
(Decrease)/increase in customer deposits		(968.001.074)	295.460.039
Increase in interest from bonds		39.911	27.645
Increase/(decrease) in liabilities from transactions with derivative financial instruments		16.938.477	(751.642)
Cash flows used in operating activities		(1.133.289.432)	(28.061.956)
Taxation paid		(4.672.125)	(10.184.154)
Net cash flows used in operating activities		(1.137.961.557)	(38.246.110)
Cash flows from investing activities			
Payments less proceeds from investments available for sale		(57.999.006)	(14.764.938)
Payments for the acquisition of property, plant and equipment	21	(693.937)	(1.529.602)
Payments for the acquisition of intangible assets	22	(310.261)	(262.898)
Dividends received		2.451.646	1.361.866
Net cash flows used in investing activities		(56.551.558)	(15.195.572)
Net decrease in cash and cash equivalents for the year		(1.194.513.115)	(53.441.682)
Cash and cash equivalents at the beginning of the year		1.995.660.767	2.049.102.449
Cash and cash equivalents at the end of the year	36	801.147.652	1.995.660.767

The notes on pages 14 to 61 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

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 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's main business activity is the conduct of full banking operations by offering a wide range of banking and financial services.

2. BASIS OF PRESENTATION

The financial statements of the Company are for the year ended 31 December 2011 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 that best presents the nature of its transactions and activities.

The Company prepared these separate financial statements for the parent company 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 2011 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

These financial statements relate to the fiscal year 1.1 – 31.12.2011 and they have been prepared:

a) in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union in accordance with Regulation 1606/2002 of the European Parliament and the Council of the European Union on 19 July 2002 and the requirements of the Cyprus Company Law, Cap. 113
b) on the historical cost basis except for the following assets and liabilities which were measured at fair value:
   - Derivative financial instruments
   - Available-for-sale securities

The estimates and judgments applied by the Company in preparing the financial statements are based on historical information and assumptions which at present are considered appropriate.

The estimates and assumptions are reviewed on an ongoing basis to take into account current conditions, and the effect of any revisions is recognized in the period in which the estimate is revised.

The accounting policies for the preparation of the financial statements have been consistently applied by the Company to the years 2010 and 2011, after taking into account the following amendments of International Accounting Standards as well as the new or amended Interpretations issued by the

International Accounting Standards Board (IASB) and adopted by the European Union and which are effective for annual periods beginning on 1.1.2011:

- **Amendment of International Financial Reporting Standard 1** «Limited Exemption from Comparative IFRS7 Disclosures for First-time Adopters» (Regulation 574/30.6.2010)

  On 28.1.2010, a new amendment of IFRS 1 was issued, with which first-time adopters are permitted to use the same transition provisions, permitted for existing preparers of financial statements prepared in accordance with IFRSs, with regards to additional disclosures required by the amendment of IFRS 7, issued on 5.3.2009.

  The amendment does not apply to the financial statements of the Company.

- **Amendment of International Accounting Standard 24** «Related Party Disclosures» (Regulation 632/19.7.2010)

  The revised IAS 24 amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.

  The adoption of the above revision did not have any impact on the financial statements of the Company.

- **Amendment of International Accounting Standard 32** «Classification of Rights Issues» (Regulation 1293/23.12.2009)

  According to the above amendment, which was issued on 8.10.2009, financial instruments that give their holder the right to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency should be classified as equity instruments, provided the entity offers this right pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

  The adoption of the above amendment did not have any impact on the financial statements of the Company.

- **Improvements to International Accounting Standards** (Regulation 149/18.2.2011)

  As part of the annual improvements project, the International Accounting Standards Board issued, on 6 May 2010, certain amendments to various standards.

  The adoption of the above improvements did not have a substantial impact on the financial statements of the Company.

- **Amendment of Interpretation 14** «Prepayment of a Minimum Funding Requirement» (Regulation 633/19.7.2010)

  The aim of this amendment is to remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement, which in some cases do not lead to the recognition of an asset but to the recognition of an expense.

  The adoption of the above amendment did not have any impact on the financial statements of the Company.

- **Interpretation 19** «Extinguishing Financial Liabilities with Equity Instruments» (Regulation 662/23.7.2010)

  According to IFRIC 19, which was issued on 26.11.2009, the issue of an entity's equity instruments to a creditor to extinguish all or part of a financial liability is consideration paid in accordance with IAS 39. The equity instruments issued to a creditor to extinguish all or part of a financial liability should be measured, at initial recognition, at the fair value, unless that fair value cannot be reliably measured in which case they are measured at the fair value of the financial liability extinguished.

If only part of the financial liability is extinguished, the entity shall assess whether some of the consideration paid relates to a modification of the terms of the liability that remains outstanding. If part of the consideration paid does relate to a modification of the terms of the remaining part of the liability, the entity shall allocate the consideration paid between the part of the liability extinguished and the part of the liability that remains outstanding. The difference between the carrying amount of the financial liability (or part of a financial liability) extinguished and the consideration paid shall be recognised in profit or loss. It should be noticed that the above Interpretation should be applied only in cases of renegotiation of the terms of the contract and not in the cases that the possibility to settle financial liabilities through the issuance of equity instruments is available in the original contact.

The adoption of the above interpretation did not have any impact on the financial statements of the Company.

Apart from the above Standards and Interpretations, the European Union adopted the following standard, which is effective for annual periods beginning after 1.1.2011 and which has not been early adopted by the Company.

- **Amendment of International Financial Reporting Standard 7** «Disclosures – Transfers of financial assets» (Regulation 1205/22.11.2011)

  Effective for annual periods beginning on or after 1.7.2011

  On 7.10.2010, the International Accounting Standards Board issued an amendment of IFRS 7 regarding the disclosures that are required when financial assets are transferred. With the above amendment the existing disclosures are revised in order to achieve greater transparency in the reporting of transfer transactions, particularly those that involve securitisation of financial assets.

  The Company is examining the potential impact of the above amendment on its financial statements.

In addition, the International Accounting Standards Board has issued the following standards and interpretations which have not yet been adopted by the European Union and they have not been early applied by the Company.

- **Amendment of International Financial Reporting Standard 1** «Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters»

  Effective for annual periods beginning on or after 1.7.2011

  On 20.12.2010 the International Accounting Standards Board issued an amendment of IFRS 1 according to which:

  i. In cases of an entity where its the first time adopting IFRSs and has a functional currency that was or is the currency of a hyperinflationary economy, then it should be determined whether the currency was subject to severe hyperinflation before the date of transition to IFRSs. When an entity's date of transition to IFRSs is on or after the functional currency "normalization" date, the entity may elect to measure assets and liabilities held before the functional currency "normalization" date at fair value on the date of transition to IFRSs and use the fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. When the functional currency "normalization" date falls within the comparative period, the comparative period presented in the first IFRS financial statements may be less than 12 months.

ii. The fixed dates (1.1.2004 and 25.10.2002) defined by the existing standard regarding the exceptions for first-time adopters for the derecognition and the initial fair value measurement of financial instruments are abolished. Those dates are replaced by the phrase “the date of transition to IFRSs”.

The above amendment does not apply to the financial statements of the Company.

- **International Financial Reporting Standard 9** «Financial Instruments»

  Effective for annual periods beginning on or after 1.1.2015

  On 12.11.2009, IFRS 9: «Financial Instruments» was issued by the International Accounting Standards Board. The new standard was issued as part of the first phase of the project for the replacement of IAS 39; therefore, the scope of the first phase is the classification and measurement of financial assets. According to the new standard, financial instruments should be classified, at initial recognition, at either amortized cost or at fair value. The criteria that should be considered for the initial classification of the financial assets are the following:

  I. The entity’s business model for managing the financial assets and
  II. The contractual cash flow characteristics of the financial assets.

  In addition, IFRS 9 permits, at initial recognition, equity instruments to be classified at fair value through other comprehensive income. The option precludes equity instruments held for trading. Moreover, with regards to embedded derivatives, if the hybrid contact contains a host that is within the scope of IFRS 9, the embedded derivative should not be separated and the accounting treatment of the hybrid contact should be based on the above requirements for the classification of the financial instruments.

  In addition, on 28.10.2010, the International Accounting Standards Board issued the revised requirements regarding the classification and measurement of financial liabilities. According to the new requirements, which were included in IFRS 9, in the case of financial liabilities that are initially designated at fair value through profit or loss, the change in the fair value of the liability should be recognised in profit or loss with the exception of the effect of change in the liability’s credit risk which should be recognised directly in other comprehensive income.

  Furthermore, on 16.12.2011 the International Accounting Standard Board, with a new amendment of IFRS 9, transferred the effective date of the standard from 1.1.2013 to 1.1.2015.

  Finally, it should be noted that for the completion of IFRS 9 the finalization of the texts relating to amortised cost and impairment calculation as well as to hedge accounting is pending.

  The Company is evaluating the potential impact from the adoption of this standard on its financial statements.

- **Amendment of International Financial Reporting Standard 7** «Financial Instruments – Disclosures»

  Effective for annual periods beginning on or after 1.1.2015

  On 16.12.2011, the International Accounting Standards Board issued the amendment of IFRS 7. With this amendment, disclosures were added relating to the transition to IFRS 9.

  The Company is evaluating the potential impact from the adoption of the amendment on its financial statements.

- **International Financial Reporting Standard 10** «Consolidated Financial Statements»

  Effective for annual periods beginning on or after 1.1.2013

  On 12 May 2011, the IASB issued IFRS 10 "Consolidated Financial Statements". The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The major change brought by IFRS 10 is the new definition of the principle of control. Control is the basis for determining which entities are consolidated, regardless of the type of entity. IFRS 10 supersedes the requirements relating to consolidated financial statements in IAS 27 "Consolidated and Separate Financial Statements" and also supersedes SIC 12 "Consolidation – Special Purpose Entities".

  According to the new control definition, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, an investor controls an investee if and only if the investor has all the following:

  1. power over the investee,
  2. exposure, or rights, to variable returns from its involvement with the investee, and
  3. ability to use its power over the investee to affect the amount of the investor's returns.

  Power arises from existing rights that give the investor the current ability to direct the relevant activities, ie the activities that significantly affect the investee's returns. An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. Although only one investor can control an investee, more than one party can share in the returns of an investee.

  Control must be reassessed if facts and circumstances indicate that there are changes to one or more of the three elements of control.

  IFRS 10 sets out requirements on how to apply the control principle in various circumstances, i.e. when voting or similar rights give an investor power, when voting rights are not the dominant factor in deciding who controls the investee, in circumstances involving agency relationships or when the investor has control over specified assets of an investee.

  IFRS 10 also includes the accounting principles for the preparation and presentation of consolidated financial statements which are substantially the same as the ones that currently apply according to IAS 27 "Consolidated and Separate Financial Statements".

  The Company is evaluating the potential impact from the adoption of this standard on its financial statements.

- **International Financial Reporting Standard 11** «Joint Arrangements»

  Effective for annual periods beginning on or after 1.1.2013

  On 12 May 2011, the IASB issued IFRS 11 which establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. There are two types of joint arrangements according to IFRS 11, ie joint operations and joint ventures. The classification depends upon the rights and obligations of the parties to the arrangement. Specifically, in joint operations, the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement, while in joint ventures, they have rights to the net assets of the arrangement.

The parties that have joint control of a joint operation recognise in their consolidated and separate financial statements the assets, liabilities and income or expenses that they own or are entitled do from the joint operation. The same accounting principles apply for parties to joint operations that do not have joint control but have rights to the assets and obligations for the liabilities relating to the joint operation. The parties that have joint control of a joint venture recognise their interest as an investment using the equity method in accordance with IAS 28 "Investments in associates and joint ventures". The alternative of proportionally consolidating joint ventures is no longer provided. A party to a joint venture that does not have joint control of the joint venture accounts for its interest in accordance IFRS 9, unless it has significant influence over the joint venture, in which case it shall account for it using the equity method.

IFRS 11 supersedes IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non Monetary Contributions by Venturers".

The Company is evaluating the potential impact from the adoption of this standard on its financial statements.

- **International Financial Reporting Standard 12** «Disclosure of Interests in Other Entities»

  Effective for annual periods beginning on or after 1.1.2013

  On 12 May 2011, the IASB issued IFRS 12 which establishes the information that the reporting entity must disclose concerning its interests in other entities. An interest in another entity refers to contractual or non-contractual involvement that exposes an entity to variability of returns from the performance of another the entity. IFRS 12 lists the disclosures required depending on the nature of the interest to other entities, i.e. a) subsidiaries, b) joint arrangements, c) associates and d) unconsolidated structured entities.

  Structured entities are those that have been designed so that voting or similar rights are not a dominant factor in deciding who controls the entity (ie. the relevant activities are directed by means of contractual arrangements).

  IFRS 12 does not apply to separate financial statements to which IAS 27 "Separate financial statements" applies. However, an entity with interests in unconsolidated structured entities that only prepares separate financial statements will include the IFRS 12 disclosure requirements concerning unconsolidated structured entities in those financial statements.

  The Company is evaluating the potential impact from the adoption of this standard on its financial statements.

- **International Financial Reporting Standard 13** «Fair Value Measurement»

  Effective for annual periods beginning on or after 1.1.2013

  On 12.5.2011, the International Accounting Standards Board issued IFRS 13 which:

  i. Defines fair value
  ii. Sets out in a single IFRS a framework for measuring fair value and
  iii. Requires disclosures about fair value measurements.

  The Company is evaluating the potential impact from the adoption of this standard on its financial statements.

- **Amendment of International Accounting Standard 1** «Presentation of Items of Other Comprehensive Income»

  Effective for annual periods beginning on or after 1.7.2012

  On 16.6.2011, the International Accounting Standards Board issued an amendment of IAS 1 regarding the presentation of items of other comprehensive income. Based on the amendment, items of other comprehensive income should be grouped in those that will not be reclassified subsequently to profit or loss and in those that will be reclassified subsequently to profit or loss when specific conditions are met. In case items of other comprehensive income are presented before tax, tax should be presented separately for each of the above groups.

The Company is examining the potential impact of the above amendment on its financial statements.

- **Amendment of International Accounting Standard 12** «Deferred Tax: Recovery of Underlying Assets»

  Effective for annual periods beginning on or after 1.1.2012

  On 20.12.2010, the International Accounting Standards Board issued an amendment of IAS 12 regarding the way with which deferred taxation should be calculated when it is difficult to determine the expected manner of recovery of the underlying assets and the manner of recovery affects the determination of the tax base and the tax rate. In the revised IAS 12, it is clarified that when an asset is classified either as «Investment Property» measured using the fair value model or as «Property, plant and equipment» measured using the revaluation model, there is a rebuttable presumption that its carrying amount will be recovered entirely by sale; therefore, for the calculation of deferred taxation the respective tax rate and tax base should be used. However, it also clarified that for the cases of investment property only, this presumption is rebutted if the asset is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the asset over time, rather than through sale.

  The Company is examining the potential impact of the above amendment on its financial statements.

- **Amendment of International Accounting Standard 19** «Employee Benefits»

  Effective for annual periods beginning on or after 1.1.2013

  The International Accounting Standards Board issued on 16.6.2011 the revised IAS 19. The revised standard introduces significant changes regarding the accounting of defined benefit plans. The main changes are the following:
  - Immediate recognition of changes in net defined benefit liability. Therefore, the option to defer actuarial gains and losses (corridor approach) and past service cost when benefits are not vested is abolished.
  - The new standard clearly defines the recognition of each defined benefit cost component. In particular:
    I. Service cost is recognized in profit or loss
    II. Net interest on the net defined benefit liability (asset) is recognized in profit or loss
    III. Remeasuremets of the net defined benefit liability (asset) are recognized in other comprehensive income. They are not reclassified in profit or loss in a subsequent period.
  - Disclosures required for defined benefit plans are revised so that to align with the developments in other standards and particularly in IFRS 7.

  In addition the new standard changes the timing for the recognition of the liability arising from termination benefits.

  The Company is examining the impact from the adoption of the above amendment on its financial statements.

- **International Accounting Standard 27** «Separate Financial Statements»

  Effective for annual periods beginning on or after 1.1.2013

  On 12 May 2011 the IASB amended and retitled IAS 27 "Separate Financial Statements".

The amended IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The above investments shall be accounted for either at cost or in accordance with IAS 39 (or IFRS 9 if applied) in the investor's separate financial statements. The amended standard does not substantially change the respective accounting requirements that are currently applicable under IAS 27 "Consolidated and Separate Financial Statements".

The Company is evaluating the potential impact from the adoption of this amendment on its financial statements.

- **International Accounting Standard 28** «Investments in Associates and Joint Ventures»

Effective for annual periods beginning on or after 1.1.2013

On 12 May 2011, the IASB amended and retitled IAS 28 "Investments in Associates and Joint Ventures" which prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. All entities that have joint control of, or significant influence over, an investee shall account for the joint venture or associate using the equity method, except from venture capital organizations, mutual funds, unit trusts or similar entities including investment linked insurance funds, which may elect to measure investments in associates and joint ventures at fair value through profit or loss in accordance with IFRS 9.

Apart from making the equity method compulsory for joint ventures, the amended IAS 28 has not substantially changed the accounting for associates and the application of the equity method.

The Company is evaluating the potential impact from the adoption of this amendment on its financial statements.

- **Amendment of International Accounting Standard 32** «Offsetting Financial Assets and Financial Liabilities» and of **International Financial Reporting Standard 7** «Disclosures – Offsetting Financial Assets and Financial Liabilities»

Amendment of IAS 32: Effective for annual periods beginning on or after 1.1.2014
Amendment of IFRS 7: Effective for annual periods beginning on or after 1.1.2013

On 16.12.2011, the International Accounting Standards Board issued the amendment of IAS 32 and IFRS 7 regarding offsetting of financial assets and financial liabilities. The amendment of IAS 32 relates to the addition of application guidance concerning the right to offset while the amendment of IFRS 7 relates to additional disclosure requirements regarding the same issue.

The Company is examining the impact from the adoption of the above amendments on its financial statements.

- **Interpretation 20** «Stripping costs in the production phase of a surface mine»

Effective for annual periods beginning on or after 1.1.2013

On 19.12.2011, the International Accounting Standards Board issued IFRIC 20 which clarifies issues relating to the recognition of production stripping costs as an asset as well as to its initial and subsequent measurement.

The above Interpretation does not apply to the activities of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for all the years presented in these financial statements and in stating the financial position of the Company.

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 Euro 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, from investments available for sale and from derivative financial instruments.

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 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.

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.

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.

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.

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 hedging no longer fulfills the relevant criteria and hedge accounting is terminated.

Investments classified as loans advances

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. 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.

Profits 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 is 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 recognised at cost.

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 amortised cost is the fair value of securities issued after deducting interest payments plus the cumulative amortization using the effective interest method of any difference between the initial amount and the amount at maturity. The bonds are classified as secondary capital (Tier 2 Capital) for the purposes of calculating the capital adequacy ratio.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or group of financial assets or financial liabilities) allocating revenues or interest expenses during the period concemed. The real interest rate is the rate that exactly discounts estimated future cash payments or receipts which correspond to the expected life of the instrument or, when appropriate for a shorter period, to the net carrying amount of the financial asset or financial liability.

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.

Detailed information on investments available for sale are disclosed in note 18.

5. NET INTEREST INCOME

	2011 €	2010 €
Interest income		
Deposits with Central Bank of Cyprus	970.324	759.170
Loans and advances to banks	24.936.391	27.267.282
Loans and advances to customers – (Note (i))	245.203.615	235.385.056
Derivatives held for risk management	14.647.765	-
Government bonds	2.154.661	893.217
Corporate bonds	15.902.443	12.597.901
Total interest income	303.815.199	276.902.626
Interest expense		
Amounts due to banks	(40.614.410)	(27.914.119)
Customer deposits	(93.060.295)	(98.986.482)
Derivatives held for risk management	-	(592.740)
Bonds	(3.156.700)	(2.603.786)
Government bonds	(2.044.125)	(2.133.000)
Total interest expense	(138.875.530)	(132.230.127)
Net interest income	164.939.669	144.672.499

Explanatory note:

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

	Note	2011 €	2010 €
Loans and advances to customers		261.951.433	248.129.331
Unwinding of Interest	16	(16.747.818)	(12.744.275)
		245.203.615	235.385.056

6. NET INCOME FROM FEES AND COMMISSIONS

	2011 €	2010 €
Fees and commissions income		
Commissions receivable	15.186.680	18.126.051
Income from fees	7.731.482	7.584.913
Study fees	291.022	2.366.486
Total income from fees and commissions	23.209.184	28.077.450
Fees and commissions expenses		
Expenses from fees	(576.735)	(605.482)
Commissions payable	(131.427)	(56.816)
Total expense from fees and commissions	(708.162)	(662.298)
Net income from fees and commissions	22.501.022	27.415.152

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

	2011 €	2010 €
Deficit on revaluation of derivatives held for risk management	(1.487.909)	-
Surplus from revaluation of derivatives held for trading purposes	159.740	380.785
	(1.328.169)	380.785

8. OTHER INCOME FROM OPERATIONS

	2011 €	2010 €
Income from foreign exchange transactions	3.013.410	3.236.903
Unrealised profit from foreign exchange transactions	532.277	243.964
Profit on disposal of investments	-	203.334
Dividends received	2.451.646	1.361.866
	5.997.333	5.046.067

9. STAFF COSTS

	Note	2011 €	2010 €
Salaries and employer's contributions		33.469.152	32.023.655
Other staff costs		611.465	543.738
Cost of retirement benefits	29	7.367.683	7. 316.164
		41.448.300	39.883.557

The number of staff of the Company as at 31 December 2011 amounted to 758 persons (2010: 758 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 take 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 year 2011.

On 12 January 2012 a new Collective Agreement between the Cyprus Bankers Employers' Association and the Bank employees Union of Cyprus was signed, where the defined benefit plan of Provident Fund/Retirement Gratuity expired on 31 December 2011 and replaced by 1 January 2012 with defined contribution plan. Defined contributions are 14% on employee's salary by the employer while for the employee varies from 3% to 10%.

10. OTHER EXPENSES

	2011 €	2010 €
Advertising and promotion	1.806.000	1.770.648
Rent payable	1.475.062	1.620.472
Maintenance and repairs	705.340	630.719
Write off of property, plant and equipment	49.564	169.929
Other expenses	8.584.630	6.656.022
	12.620.596	10.847.790

11. PROFITS FOR THE YEAR BEFORE TAXATION

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

	Note	2011 €	2010 €
Directors' emoluments:			
As Executive Directors	41	576.917	777.633
As Directors	41	55.000	48.749
Independent Auditor's remuneration for statutory audit of annual accounts		46.500	52.988
Independent Auditor's remuneration for other verification services		7.500	7.500
Independent Auditor's remuneration for other non audit services		18.738	12.250
Depreciation of property, plant and equipment	21	2.551.757	2.718.145
Amortisation of intangible assets	22	241.485	227.648
Rents payable	10	1.475.062	1.620.472

12. TAXATION

	2011 €	2010 €
Corporation tax for the year	843.284	7.827.868
Corporation tax for previous years	-	792.437
Special tax on credit institutions	3.366.352	-
Deferred taxation - credit	(457.532)	(2.065.507)
Charge for the year	3.752.104	6.554.798

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

Furthermore, tax losses from previous years 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.

The special tax of credit institutions come into effect on 14 April 2011. The company is taxed to 0,095% on total deposits, excluding deposits from other credit institutions at 31 December of previous year.

The amount of total tax for both fiscal years 2011 and 2012 will not exceed 20% of the total taxable profits of the Company as these are assessed by the Director of Inland Revenue.

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

	2011 €	2010 €
Accounting profits before taxation	5.873.017	61.808.514
Taxation based on tax rates	587.302	6.180.851
Tax effect of non-allowable expenses	832.123	2.189.487
Tax effect of deductions and non-taxable income	(573.306)	(539.752)
Tax effect of offsetting losses by Group's Companies	(2.835)	(2.718)
Previous years taxes	-	792.437
Deferred tax	(457.532)	(2.065.507)
Special tax on credit institutions	3.366.352	-
Taxation as per statement of comprehensive income	3.752.104	6.554.798
Effective tax rate (excluding deferred tax rate and special tax on credit institutions)	14,36%	12,66%

13. EARNINGS PER SHARE

	2011	2010
Profits attributable to the owners (€)	2.120.913	55.253.716
Weighted average number of shares in issue during the year	139.500.000	139.500.000
Earnings per share (€cent)	1,52	39,61

14. CASH AND BALANCES

	2011 €	2010 €
Cash and cash equivalents	17.582.508	20.698.183
Deposits with the Central Bank of Cyprus	290.688.990	51.117.995
	308.271.498	71.816.178

Balances with the Central Bank of Cyprus include the minimum reserve requirement on deposits amounting to €290.688.990 (2010: €51.117.995).

The analysis of the above assets by maturity date and by currency is presented in note 37 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

	2011 €	2010 €
Placements with Alpha Bank Group companies	565.382.993	2.796.693.135
Placements with other financial institutions	14.648.952	15.272.487
	580.031.945	2.811.965.622

Analysis of the above deposits by maturity date is presented in note 37 of these financial statements.

16. LOANS AND ADVANCES TO CUSTOMERS

	2011 €	2010 €
Loans and advances to customers	4.602.325.539	4.689.183.277
Provision for impairment of doubtful debts	(324.939.008)	(176.318.369)
	4.277.386.531	4.512.864.908

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 provision.

By economic sector

	2011 €	2010 €
Industry	71.614.566	71.269.605
Tourism	122.234.123	120.787.240
Trade	129.285.315	155.469.655
Building and construction	1.702.705.780	1.757.968.245
Personal and professional	2.385.080.970	2.372.030.925
Other sectors	191.404.785	211.657.607
	4.602.325.539	4.689.183.277

Analysis of loans and advances to customers based on maturity date is presented in note 37 of these financial statements.

Provision for impairment

	Impairment reserve €
2011	
1 January	176.318.369
Debit in the statement of comprehensive income	129.374.700
Reversals and write offs	367.427
Exchange difference	2.130.694
Unwinding of interest	16.747.818
31 December	324.939.008
2010	
1 January	156.013.399
Debit in the statement of comprehensive income	62.028.849
Reversals and write offs	(59.546.713)
Exchange difference	5.078.559
Unwinding of interest	12.744.275
31 December	176.318.369

17. INVESTMENTS CLASSIFIED AS LOANS AND ADVANCES

	2011 €	2010 €
Investments classified as loans and advances	912.599.057	912.541.500

During the year 2009, the Company acquired bonds which were issued by companies of Alpha Bank S.A. Group. The Company's Board of Directors considers that the financial substance of that particular investment concerns the loans and advances category.

18. INVESTMENTS AVAILABLE FOR SALE

		2011 €	2010 €
Items available for sale			
Cyprus listed government bonds and debentures		78.177.745	29.375.588
Shares in companies		1.667.803	1.667.803
		79.845.548	31.043.391
Listed in Stock Exchange		78.194.977	29.392.820
Unlisted		1.650.571	1.650.571
		79.845.548	31.043.391
Geographical analysis based on issuer's place:			
	- Cyprus	79.828.316	31.026.159
	- USA	17.232	17.232
		79.845.548	31.043.391

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

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

	Government bonds and debentures €	Shares in companies €	Total €
2011			
1 January	29.375.588	1.667.803	31.043.391
Acquisitions	67.736.666	-	67.736.666
Securities expired	(11.000.000)	-	(11.000.000)
Accrued interest	1.925.450	-	1.925.450
Interest received	(663.108)	-	(663.108)
Revaluation	(9.196.851)	-	(9.196.851)
31 December	78.177.745	1.667.803	79.845.548
2010			
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	29.375.588	1.667.803	31.043.391

Analysis of the above assets by maturity date is presented in note 37 of the financial statements.

	Government bonds €	Shares in companies €	Total €
2011			
Level 1	78.177.745	17.232	78.194.977
Level 2	-	-	-
Level 3	-	1.650.571	1.650.571
Total	78.177.745	1.667.803	79.845.548
2010			
Level 1	29.375.588	17.232	29.392.820
Level 2	-	-	-
Level 3	-	1.650.571	1.650.571
Total	29.375.588	1.667.803	31.043.391

19. INVESTMENTS IN SUBSIDIARY COMPANIES

	2011 €	2010 €
Cost of investment		
Alpha Trustees Limited	85.500	85.500
Alpha Insurance Limited	16.343.479	16.343.479
	16.428.979	16.428.979

The subsidiary companies and their business activities are the following:

	Shareholding 2011 %	Shareholding 2010 %	Activities
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.

20. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives Nominal Value

	2011		2010	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	€	**€**	**€**	**€**
Interest rate derivatives				
Interest rate swaps	-	5.000.000	-	5. 175.944
Foreign exchange derivatives				
Futures	88. 701.061	84.236.967	-	26.770
Currency swaps	307.506.739	1.858.182.076	-	-
	396.207.800	1.942.419.043	-	26.770
Total derivatives	396.207.800	1.947.419.043	-	5.202.714
Interest rate derivatives				
Interest rate swaps	-	131.405	-	291.145
Foreign exchange derivatives				
Futures	4.995.794	4.464.095	-	577
Currency swaps	6. 611.128	12.634.699	-	-
	11.606.922	17.098.794	-	577
Total	11.606.922	17.230.199	-	291.722

	Derivatives (Assets)	**Derivatives (Liabilities)**
	€	**€**
2011		
Level 1	-	-
Level 2	11.606.922	17.230.199
Level 3	-	-
Total	11.606.922	17.230.199
2010		
Level 1	-	-
Level 2	-	291.722
Level 3	-	-
Total	-	291.722

21. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and improvements on leasehold buildings	Lease premium	Plant and equipment	Total
	€	€	€	€	€
Cost					
1 January 2011	5.671.333	34.305.484	219.555	19.042.341	59.238.713
Additions	-	254.057	-	439.880	693.937
Write offs	-	(342.613)	-	(287.635)	(630.248)
31 December 2011	5.671.333	34.216.928	219.555	19.194.586	59.302.402
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
Depreciation					
1 January 2011	-	10.858.303	215.513	15.436.943	26.510.759
Charge for the year	-	1.363.085	3.416	1.185.256	2.551.757
Write offs	-	(302.336)	-	(278.348)	(580.684)
31 December 2011	-	11.919.052	218.929	16.343.851	28.481.832
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
Net book value					
1 January 2010	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
31 December 2011	5.671.333	22.297.876	626	2.850.735	30.820.570

22. INTANGIBLE ASSETS

	Application software €
Cost	
1 January 2011	5.977.890
Additions	310.261
31 December 2011	6.288.151
1 January 2010	5.714.992
Additions	262.898
31 December 2010	5.977.890
Amortization	
1 January 2011	5.577.935
Charge for the year	241.485
31 December 2011	5.819.420
1 January 2010	5.350.287
Charge for the year	227.648
31 December 2010	5.577.935
Net book value	
1 January 2010	364.705
31 December 2010	399.955
31 December 2011	468.731

23. DEFERRED TAXATION

	2011 €	2010 €
1 January	2.765.965	700.459
Credit in the statement of comprehensive income	457.532	2.065.506
31 December	3.223.497	2.765.965

Deferred tax arose as a result of the following:

	2011 €	2010 €
Deferred tax assets		
Provision for impairment of loans and advances	3.970.393	3.458.631
Deferred tax liabilities		
Differences between depreciation and capital allowances	(746.896)	(692.666)
Deferred tax asset	3.223.497	2.765.965

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

24 TAXATION

	2011 €	2010 €
Corporation tax receivable	1.098.517	645.467
Special contribution to the defence fund	-	(9.439)
	1.098.517	636.028

The above amounts are payable within one year.

	2011 €	2010 €
1 January	636.028	(927.821)
Charge for the year	(4.209.636)	(7.827.868)
Charge for prior years	-	(792.437)
Payments and readjustments	4.672.125	10.184.154
31 December	1.098.517	636.028

25. OTHER ASSETS

	2011 €	2010 €
Other receivables and prepayments	2.099.613	1.782.853
Prepayments of interest	10. 176.534	5.548.883
	12.276.147	7.331.736

26. BONDS

	2011 €	2010 €
1 January	100. 251.378	100.223.733
Interest payable	3. 156.700	2.603.786
Payments	(3. 116.789)	(2.576.141)
31 December	100.291.289	100.251.378

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 margin 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.

27. AMOUNTS DUE TO BANKS

	2011 €	2010 €
Amounts due to Alpha Bank Group companies	2.695.030.378	3.825.872.212
Amounts due to other financial institutions	12.767.089	78.479.878
Repurchase agreements with the Central Bank	221.057.889	238.053.166
	2.928.855.356	4.142.405.256

Analysis of the above deposits by maturity date is presented in note 37 of these financial statements.

The repurchase agreements with the Central Bank are sourced through the Eurosystem credit operations and are fully secured by pledging eligible underlying securities with the Central Bank.

28. CUSTOMER DEPOSITS

	2011 €	2010 €
On demand	236.356.481	264.285.089
On savings	3.298.753	3.940.240
Fixed term or notice deposits	2.363.268.339	3.302.699.318
	2.602.923.573	3.570.924.647

29. OTHER LIABILITIES

	2011 €	2010 €
Defined benefit scheme liability (note (i))	53.297.542	48.001.587
Accrued expenses	4.525.586	4.991.302
Provisions for legal claims (note (ii))	357.516	361.394
Other payables	5.479.098	5.239.516
Taxes payable on behalf of clients	1.264.949	1.146.642
	64.924.691	59.740.441

(i) Defined Benefit Scheme Liability

	2011 €	2010 €
Present value of obligations	55.908.197	56.257.309
Unrecognized actuarial deficit	(2.610.655)	(8.255.722)
	53.297.542	48.001.587

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

	2011 €	2010 €
1 January	48.001.587	43.137.001
Debit in the statement of comprehensive income	7.367.683	7.316.164
Payments to members who retired	(2.071.728)	(2.451.578)
31 December	53.297.542	48.001.587

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

	2011 €	2010 €
Present value of obligations 1 January	56.257.309	52.960.990
Current service cost	4.251.563	4.419.795
Interest on liabilities	2.992.094	2.683.984
Payments to members who retired	(2.071.728)	(2.451.578)
Actuarial (gain)/loss	(5.521.041)	(1.355.882)
	55.908.197	56.257.309

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

	2011 €	2010 €
Current service cost	4.251.563	4.419.795
Interest on liabilities	2.992.094	2.683.984
Amortisation – unrecognized actuarial loss	124.026	212.385
	7.367.683	7.316.164

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

	2011 %	2010 %
Discount rate	5,12	5,44
Future salary increase	5,25	6,25
Future rate of inflation	2,00	2,00

(ii) Provisions of legal claims

	2011 €	2010 €
1 January	361.394	1.642.715
Release for the year	(117.394)	(2.131.412)
Utilised during the period	113.516	850.091
31 December	357.516	361.394

30. SHARE CAPITAL

	2011		2010	
	Number of shares	€	Number of shares	€
Authorised				
(Ordinary shares of €0,85 each)	600.000.000	510.000.000	600.000.000	510.000.000
Issued and fully paid				
1 January and 31 December				
(Ordinary shares of €0,85 each)	139.500.000	118.575.000	139.500.000	118.575.000

During the year 2011 there has been no change in the share capital of the Company.

31. 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.

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 20% for years 2012 and 2013 and 17% in 2014 and after (during 2011 the rate was 15% until 30 August 2011 and 17% until the end of the year) 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 account of the owners.

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.

32. ITEMS OFF THE STATEMENT OF FINANCIAL POSITION

	2011 €	2010 €
Contingent liabilities		
Bank guarantees	79.099.981	91.076.593
Commitments		
Documentary letters of credits on imports and confirmed documentary credits on exports	6. 616.872	41.145.088
Loan and facility limits already approved but not utilized	200. 141.585	244.774.161
	206.758.457	285.919.249
Total Items Off the Statement of Financial Position	285.858.438	376.995.842

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:

	Financial Services Sector €	Industry €	Buildings & Construction €	Trading €	Tourism Industry €	Other €	Individual €	Total €
2011								
Letters of Guarantee and Documentary Credits	671.179	1.072.626	37.770.889	18.050.030	2.967.709	21.818.239	3.366.182	85.716.854
Loan and facility limits already approved but not utilized	2.304.869	7.310.109	46.489.136	9.780.728	2.499.004	55.470.378	76.287.360	200.141.584
Total	2.976.048	8.382.735	84.260.025	27.830.758	5.466.713	77.288.617	79.653.542	285.858.438
2010								
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
Total	5.833.117	37.459.010	107.154.454	33.976.437	6.722.581	88.811.078	97.039.165	376.995.842

33. 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. (2010: €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 €243m. (2010:€245m.) were granted as a guarantee to the Government of Cyprus, in order to provide these special titles to the Company.

Moreover, eligible securities of nominal value of €85,8m. are pledged with the aim of raising liquidity.

34. OTHER CONTINGENT LIABILITIES

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

	2011 €	2010 €
Within one year	1.316.137	1.190.218
Between one to five years	5.125.902	4.636.099
More than five years	5.638.656	4.939.799
	12.080.695	10.766.116

Litigation
As at 31 December 2011, there were pending litigations against the Company in relation to its activities. Following legal advise, 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 29 of these financial statements).

35. CAPITAL COMMITMENTS

As at 31 December 2011, the Company's commitments for capital expenditure for which no provision has been made in the financial statements amounted to €974.267 (2010: €1.099.835) and related to additional work performed to the new Head Office buildings and cost of refurbishment of new branches.

36. 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	2011 €	2010 €
Cash and balances with the Central Bank of Cyprus	14	308.271.498	71.816.178
Loans and advances to financial institutions		580.031.945	2.560.034.434
Amounts due to banks		(87.155.791)	(636.189.845)
		801.147.652	1.995.660.767

37. 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 S.A. Group, operates within the framework and procedures of risks management of the Alpha Bank S.A. 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 sactioned 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

	Neither past due nor impaired €	Past due but not impaired €	Individually impaired €	Collectively impaired €	Total €
2011					
Not past due	1.391.098.663	-	5.172.616	884.637	1.397.155.916
Past due up to 30 days	-	246.992.880	958.678	470.383	248.421.941
Past due 30 – 60 days	-	226.762.005	1.009.856	730.387	228.502.248
Past due 60 – 90 days	-	155.189.929	727.181	230.228	156.147.338
Past due 90 – 180 days	-	740.346	7.092.513	74.071.793	81.904.652
Past due 180 – 270 days	-	2.383.701	544.734	45.160.114	48.088.549
Past due 270 – 360 days	-	2.860.357	-	23.977.203	26.837.560
Past due over 360 days	-	28.944	670.461	94.921.278	95.620.683
Legal Action	-	846.926	11.073.821	90.481.336	102.402.083
Total before impairment (A)	1.391.098.663	635.805.088	27.249.860	330.927.359	2.385.080.970

Loans and advances to companies

	Neither past due nor impaired €	Past due but not impaired €	Individually impaired €	Collectively impaired €	Total €
2011					
Not past due	1.349.419.603	-	149.411.877	285.202	1.499.116.682
Past due up to 30 days	-	77.882.226	6.690.493	-	84.572.719
Past due 30 – 60 days	-	39.135.331	44.135.752	157.401	83.428.484
Past due 60 – 90 days	-	257.012.699	47.071.266	133.269	304.217.234
Past due 90 – 180 days	-	15.363.804	7.181.935	2.563.273	25.109.012
Past due 180 – 270 days	-	16.559.114	42.678.854	4.057.292	63.295.260
Past due 270 – 360 days	-	2.668.784	14.863.597	1.896.682	19.429.063
Past due over 360 days	-	1.266.471	15.027.914	3.898.314	20.192.699
Legal Action	-	2.085.611	111.657.523	3.705.134	117.448.268
Total before impairment (B)	1.349.419.603	411.974.040	438.719.211	16.696.567	2.216.809.421
Total (A + B)	2.740.518.266	1.047.779.128	465.969.071	347.623.926	4.601.890.391

Loans and advances to individuals

	Neither past due nor impaired €	Past due but not impaired €	Individually impaired €	Collectively impaired €	Total €
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
Total before impairment (A)	1.732.331.245	398.414.779	19.691.075	221.593.825	2.372.030.924

Loans and advances to companies

	Neither past due nor impaired €	Past due but not impaired €	Individually impaired €	Collectively impaired €	Total €
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
Total before impairment (B)	1.946.307.356	250.456.099	112.894.419	7.494.479	2.317.152.353
Total (A + B)	3.678.638.601	648.870.878	132.585.494	229.088.304	4.689.183.277

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

	Housing Loans €	Consumer Loans and Credit Cards €	Loans to companies €	Total €
2011				
Past due up to 90 days	583.075.708	45.869.105	374.030.256	1.002.975.069
Past due over 90 days	-	6.860.274	37.943.784	44.804.058
Total before impairment	583.075.708	52.729.379	411.974.040	1.047.779.127
Fair value of collaterals	457.041.008	33.652.071	375.127.571	865.820.650
2010				
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
Total before impairment	353.064.704	45.350.075	250.456.099	648.870.878
Fair value of collaterals	288.673.759	27.482.832	202.290.551	518.447.142

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 €
2011					
Balances	-	27.249.861	-	-	27.249.861
Provision for impairment	-	(9.811.676)	-	-	(9.811.676)
Book value	-	17.438.185	-	-	17.438.185
Fair value of collaterals					
Cash	-	1.097.788	-	-	1.097.788
Residential property	-	3.785.743	-	-	3.785.743
Commercial property	-	628.765	-	-	628.765
Other real estate	-	1.151.071	-	-	1.151.071
Total collaterals	-	6.663.367	-	-	6.663.367

Loans and advances to companies

	Other €	Total €
2011		
Balances	438.719.211	438.719.211
Provision for impairment	(132.006.311)	(132.006.311)
Book value	306.712.900	306.712.900
Fair value of collaterals		
Cash	22.668.777	22.668.777
Residential property	212.495.332	212.495.332
Commercial property	14.027.681	14.027.681
Other real estate	67.919.077	67.919.077
Total collaterals	317.110.867	317.110.867

Loans and advances to individuals

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

Loans and advances to companies

	Other €	Total €
2010		
Balances	112.894.418	112.894.418
Provision for impairment	(42.811.645)	(42.811.645)
Book value	70.082.773	70.082.773
Fair value of collaterals		
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
Total collaterals	83.271.237	83.271.237

IV. LOANS AND ADVANCES WITH CREDIT RISK RATING

Loans neither past due nor impaired

	2011	2010
	€	€
Loans and advances to individuals		
With no grade	1.391.098.663	1.732.331.245
	1.391.098.663	1.732.331.245
Loans and advances to companies		
AA	-	-
A+	-	-
A	-	79.960
A-	2.102.437	2.038.854
BB+	63.844.308	75.914.131
BB	58.217.682	86.603.800
BB-	48.232.708	79.378.751
B+	54.815.555	109.046.939
B	57.986.258	156.324.956
B-	103.695.188	402.662.957
CC+	134.072.014	213.814.432
CC	379.608.603	286.015.471
CC-	35.240.843	120.167.999
C	401.269.089	399.513.049
D0	6.984.407	10.182.386
D1	25	41.900
E	-	-
With no grade	3.785.634	4.521.770
	1.349.854.751	1.946.307.355
Total	2.740.953.414	3.678.638.600

V. OTHER CLAIMS

	Loans and advances with financial institutions €	Investments classified as loans and advances €	Derivatives €	Investments available for sale €	Total €
2011					
AA- to AA+	1.740.521	-	-	-	1.740.521
A- to A+	6.673.337	-	-	-	6.673.337
Below A-	571.618.087	912.599.057	11.606.922	78.177.745	1.574.001.811
With no grade	-	-	-	1.667.803	1.667.803
Neither past due nor impaired	580.031.945	912.599.057	11.606.922	79.845.548	1.584.083.472
2010					
AA- to AA+	620.242	-	-	-	620.242
A- to A+	8.346.035	-	-	29.375.588	37.721.623
Below A-	2.802.999.345	912.541.500	-	-	3.715.540.845
With no grade	-	-	-	1.667.803	1.667.803
Neither past due nor impaired	2.811.965.622	912.541.500	-	31.043.391	3.755.550.513

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	2.877
	-50 b.p	(2.877)
USD	+50 b.p	97
	-50 b.p	(97)
CHF	+50 b.p	(1.289)
	-50 b.p	1.289

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 2011

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	421	-	-	-	-	-	-	-	421
Loans and advances to financial institutions	108.582	93	92.999	15.490	-	-	-	-	-
Loans and advances to companies	24.061	11.638	9.938	336	1.039	-	-	-	1.110
Loans and advances to individuals	11.191	200	4.264	3.976	1.532	386	-	-	833
Derivatives	254.345	237.267	17.078	-	-	-	-	-	-
Other assets	2	-	-	-	-	-	-	-	2
TOTAL ASSETS	398.602	249.198	124.279	19.802	2.571	386	-	-	2.366
Amounts due to banks	4.610	4.610	-	-	-	-	-	-	-
Customer deposits	376.863	206.749	70.301	59.565	33.974	6.274	-	-	-
Other liabilities	40	-	-	-	-	-	-	-	40
Equity	-	-	-	-	-	-	-	-	-
Derivatives	17.078	-	17.078	-	-	-	-	-	-
TOTAL LIABILITIES	398.591	211.359	87.379	59.565	33.974	6.274	-	-	40
NET POSITION IN USD	11	37.839	36.900	(39.763)	(31.403)	(5.888)	-	-	2.326

CURRENCY – EURO (€)	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	72.397	55.689	-	-	-	-	-	-	16.708
Loans and advances to financial institutions	685.960	657.813	28.147	-	-	-	-	-	-
Investments classified as loans and advances	912.599	-	-	912.599	-	-	-	-	-
Investments available for sale	79.845	4.999	10.858	-	45.822	245	25.846	-	(7.925)
Investments in subsidiaries	16.429	-	-	-	-	-	-	-	16.429
Loans and advances to companies	1.475.684	842.109	176.558	187.904	73.779	2.160	2.400	-	190.774
Loans and advances to individuals	753.190	497.728	125.399	45.628	11.973	1.952	-	-	70.510
Property, plant and equipment	31.289	-	-	-	-	-	-	-	31.289
Other assets	17.651	-	-	-	-	-	-	-	17.651
Derivatives	2.012.659	-	1.305.218	504.398	133.791	4.443	11.477	53.332	-
TOTAL ASSETS	6.057.703	2.058.338	1.646.180	1.650.529	265.365	8.800	39.723	53.332	335.436
Amounts due to banks	2.887.015	173.552	1.595.391	1.094.553	-	3.513	20.006	-	-
Customers deposits	2.166.814	559.835	314.582	491.168	488.372	249.459	59.925	-	3.473
Bonds	100.291	-	-	100.291	-	-	-	-	-
Other liabilities	62.499	-	-	-	-	-	-	-	62.499
Equity	519.833	-	-	-	-	-	-	-	519.833
Derivatives	318.706	235.000	16.559	-	2.847	-	11.387	52.913	-
TOTAL LIABILITIES	6.055.158	968.387	1.926.532	1.686.012	491.219	252.972	91.318	52.913	585.805
NET POSITION IN EURO	2.545	1.089.951	(280.352)	(35.483)	(225.854)	(244.172)	(51.595)	419	(250.368)

CURRENCY – SWISS FRANCS (CHF)	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	63	-	-	-	-	-	-	-	63
Loans and advances to financial institutions	4.495	4.495	-	-	-	-	-	-	-
Loans and advances to companies	571.774	127.590	212.312	131.750	53.064	-	-	-	47.058
Loans and advances to individuals	1.360.087	93.604	706.464	247.010	49.287	4.843	89	108	258.682
Other assets	38	-	-	-	-	-	-	-	38
TOTAL ASSETS	1.936.457	225.689	918.776	378.760	102.351	4.843	89	108	305.841
Amounts due to banks	-	-	-	-	-	-	-	-	-
Customers deposits	2.546	2.480	66	-	-	-	-	-	-
Other liabilities	8	-	-	-	-	-	-	-	8
Equity	-	-	-	-	-	-	-	-	-
Derivatives	1.934.024	-	1.292.366	505.923	131.622	4.113	-	-	-
TOTAL LIABILITIES	1.936.578	2.480	1.292.432	505.923	131.622	4.113	-	-	8
NET POSITION IN SWISS FRANCS	(121)	223.209	(373.656)	(127.163)	(29.271)	730	89	108	305.833

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	-	-	-	-	-
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
Other assets	7	-	-	-	-	-	-	-	7
TOTAL ASSETS	869.605	140.450	349.687	374.969	2.683	456	-	-	1.360
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	63	-	-	-	-	-	-	-	63
Derivatives	27	27	-	-	-	-	-	-	-
TOTAL LIABILITIES	869.677	364.280	277.998	197.340	13.754	16.242	-	-	63
NET POSITION IN USD	(72)	(223.830)	71.689	177.629	(11.071)	(15.786)	-	-	1.297

CURRENCY – EURO (€)	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	70.972	51.118	-	-	-	-	-	-	19.854
Loans and advances to financial institutions	1.952.438	872.478	718.003	110.026	-	251.931	-	-	-
Investments classified as loans and advances	912.542	-	-	912.542	-	-	-	-	-
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	-	-	-
TOTAL ASSETS	5.454.816	2.435.777	1.113.552	1.364.263	101.339	267.460	25.206	-	147.219
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	100.251	-	-	100.251	-	-	-	-	-
Other liabilities	57.186	-	-	-	-	-	-	-	57.186
Equity	526.909	-	-	-	-	-	-	-	526.909
Derivatives	5.291	-	-	-	-	-	5.000	-	291
TOTAL LIABILITIES	5.455.347	863.038	974.469	1.772.511	415.827	769.399	72.059	-	588.044
NET POSITION IN EURO	(531)	1.572.739	139.083	(408.248)	(314.488)	(501.939)	(46.853)	-	(440.825)

CURRENCY – SWISS FRANCS (CHF)	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	25	-	-	-	-	-	-	-	25
Loans and advances to financial institutions	2.516	2.516	-	-	-	-	-	-	-
Loans and advances to companies	614.117	130.622	222.534	182.162	74.322	202	-	-	4.275
Loans and advances to individuals	1.361.369	110.148	784.016	283.031	55.165	5.130	-	-	123.879
Derivatives	176	-	-	-	-	176	-	-	-
TOTAL ASSETS	1.978.203	243.286	1.006.550	465.193	129.487	5.508	-	-	128.179
Amounts due to banks	1.976.699	-	1.324.646	512.013	136.031	4.009	-	-	-
Customers deposits	1.198	1.198	-	-	-	-	-	-	-
Derivatives	176	-	-	-	-	176	-	-	-
TOTAL LIABILITIES	1.978.073	1.198	1.324.646	512.013	136.031	4.185	-	-	-
NET POSITION IN SWISS FRANCS	130	242.088	(318.096)	(46.820)	(6.544)	1.323	-	-	128.179

LIQUIDITY RISK

	Without expiration €	On demand €	Within 3 months €	Between 3 months and 1 year €	More than 1 year €	Total €
2011						
Assets						
Cash and balances	-	252.582.508	55.688.990	-	-	308. 271.498
Loans and advances to financial institutions	-	438.079.365	141.952.580	-	-	580. 031.945
Loans and advances to customers after provisions	593. 191.928	86.259.526	119.405.188	420.438.488	3.058. 091.401	4.277.386.531
Investments available for sale	1.667.803	42.333.800	21.000.000	-	14.843.945	79.845.548
Investments classified as loans and advances	-	-	599.057	-	912.000.000	912.599.057
Investments in subsidiary companies	16.428.979	-	-	-	-	16.428.979
Derivatives	-	-	-	-	11.606.922	11.606.922
Property, plant and equipment	30.820.570	-	-	-	-	30.820.570
Intangible assets	468.731	-	-	-	-	468.731
Deferred taxation	3.223.497	-	-	-	-	3.223.497
Taxation	1.098.517	-	-	-	-	1.098.517
Other assets	12. 276.147	-	-	-	-	12. 276.147
Total assets	659. 176.172	819.255.199	338.645.815	420.438.488	3.996.542.268	6.234.057.942
Liabilities						
Bonds	-	-	291.289	-	100.000.000	100. 291.289
Derivatives	-	17.230.199	-	-	-	17.230.199
Amounts due to banks	-	102.464.912	187.849.334	3. 512.772	2.635.028.338	2.928.855.356
Customer deposits	-	534. 961.932	997.799.575	807. 108.926	263.053.140	2.602.923.573
Other liabilities	11.627.150	-	-	-	53.297.541	64.924.691
Total liabilities	11.627.150	654.657.043	1.185.940.198	810. 621.698	3. 051.379.019	5. 714.225.108
Net position	647.549.022	164.598.156	(847.294.383)	(390. 183.210)	945. 163.249	519.832.834

	Without expiration €	On demand €	Within 3 months €	Between 3 months and 1 year €	More than 1 year €	Total €
2010						
Assets						
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. 114.779	251. 931.187	-	2.811.965.622
Loans and advances to customers after provisions	484. 877.870	72.858.062	116. 737.353	375.430.808	3.462.960.815	4.512.864.908
Investments classified as loans and advances	-	-	541.500	-	912.000.000	912.541.500
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
Total assets	546.836.290	1.111.409.692	1.737.259.665	627. 361.995	4.377.654.574	8.400.522.216
Liabilities						
Bonds	-	-	251.378	-	100.000.000	100. 251.378
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
Derivatives	291.722	-	-	-	-	291.722
Other liabilities	11.738.852	-	-	-	48.001.589	59.740.441
Total liabilities	12.030.574	846. 417.827	2.225.566.855	1.300. 711.196	3.488.886.992	7.873. 613.444
Net position	534.805.716	264. 991.865	(488.307.190)	(673.349.201)	888.767.582	526.908.772

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 operates an independent Regulatory Compliance Division as required by the provisions of the Central Bank of Cyprus directive «Framework of Principles of Operation and Criteria of Assessement of Bank's Organisational Structure, Internal Governance and Internal Control Systems».

The Compliance Division is administratively independent of other units responsible for risk management, with no executive authority, or with other internal audit duties. The division reports directly to the Managing Director, is supervised by the Group Compliance Head of the parent Bank and reports to the Board of Directors through the Board Audit Committee.

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.

Through the Compliance officer, as defined in the Central Bank Directive "Directive to Banks for the Prevention of money laundering and terrorist financing (3rd edition April 2008)" designs and implements appropriate procedures aiming at the timely and ongoing Compliance of the Bank with the outstanding supervisory framework in relation to the prevention of the financial system being used for the legislation of income arising from money laundering and the financing of terrorism.

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.

38. 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.

39. ANALYSIS OF ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

	2011 €	2010 €
ASSETS		
Euro	6.057.702.000	5.448.619.765
Foreign currencies	176.355.942	2.951.902.451
	6.234.057.942	8.400.522.216
LIABILITIES		
Euro	6.055.157.000	5.449.180.603
Foreign currencies	178.900.942	2.951.341.613
	6.234.057.942	8.400.522.216

40. CAPITAL ADEQUACY

Capital protects from unpredictable/unexpected losses since the predicted or anticipated 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 2011, 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 2011, 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.

41. 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

	2011 €	2010 €
Non-executive Directors		
Fees as members of the Board	55.000	48.749
Executive Directors		
Salaries and benefits	576.917	777.633

(ii) Transactions with the parent company

During the year, the parent company Alpha Bank S.A. has granted bank guarantees totalling €354.895.566 (2010: €280.400.000) in relation to loans and advances granted to specific clients.

(iii) Income/expenses with parent company

	2011 €	2010 €
Income		
Interest on deposit accounts	20.949.913	22.909.953
Interest on derivative financial instruments	14.647.765	-
	35.597.678	22.909.953
Expenses		
Interest on deposit accounts	36.009.712	24.580.574
Interest on debt capital	637.786	526.074
	36.647.498	25.106.648

(iv) Balances with subsidiaries

Alpha Insurance Limited

	2011 €	2010 €
Deposits from deposits accounts	11.974.237	11.720.120
Debit balances in working capital accounts	103.142	126.747
Debit balances on current accounts	135.198	484.714
Bank debt capital	4.900.000	4.900.000
Interest expense on debt capital	14.273	12.318
Debit balances at 31 December	17.126.850	17.243.899

Alpha Trustees Limited

	2011 €	2010 €
Credit balances in current accounts	435.148	407.084
Credit balances at 31 December	435.148	407.084

(v) Income/expenses with subsidiaries

Alpha Insurance Limited

	2011 €	2010 €
Interest payable	474.738	438.892
Interest payable on debt capital	154.678	127.586
Commissions receivable	(507.396)	(408.435)
Net expenses	122.020	158.043

Alpha Trustees Limited

	2011 €	2010 €
Interest receivable	23.191	21.632
Net income	23.191	21.632

(vi) Balances with Alpha Bank Group Companies

Alpha Katanalotika Plc

	2011 €	2010 €
Investments classified as loans and advances	912.599.057	912.541.500
Debit balances at 31 December	912.599.057	912.541.500

Alpha Bank Srbija AD

	2011 €	2010 €
Amounts due to Group Companies of Alpha Bank	3.500.043	-
Credit balances at 31 December	3.500.043	-

42. 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 2011, except from the following:

- On 12 January 2012, a new collective agreement between the Cyprus Bankers Employer's Association and the Bank Employees Union of Cyprus was signed, where the defined benefit plan of Provident Fund/Retirement Graduity expired on 31 December 2011 and replaced by 1 January 2012 with a defined contribution plan. The defined contributions are 14% on employee's salary by the employer while for the employee varies from 3% to 10%.

  The introduction of the Provident Fund is not expected to adversely affect the Company's results for 2012.

- The financial statements were approved and authorised for issue by the Board of Directors of the Company on 19 April 2012.

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