INTESA SANPAOLO BANK ALBANIA SH.A.

Financial Statements as at and for the year ended

31 December 2016

(with independent auditors' report thereon)

Contents

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Independent Auditors' Report

To the Shareholders of Intesa Sanpaolo Albania Sh.a

Opinion

We have audited the financial statements of Intesa Sanpaolo Albania Sh.a ("the Bank"), which comprise the statement of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and with Institute of Authorized Chartered Auditors of Albania Code of Ethics (IEKA Code), together with the ethical requirements of the Law No. 10091, dated 5 March 2009 "On the statutory audit and the organization of the statutory auditors and chartered accountants professions", amended that are relevant to our audit of the financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code and IEKA Code.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report prepared by management in accordance with Article 53 of the Law. No. 9662, dated 18 December 2006 "On banks in the Republic of Albania", amended, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Fatos Beqja
Statutory Auditor

Fatos Beqja

KPMG Albania Shpk
"Deshmoret e Kombit" Blvd.
Twin Towers Building I, floor 13
Tirana, Albania

Tirana, 3 February 2017

Intesa Sanpaolo Bank Albania Sh.a.

Statement of financial position

As at 31 December 2016

(in thousands of Lek)

	Notes	2016	2015
Assets			
Cash and cash equivalents	7	27,269,197	16,341,358
Loans and advances to banks	8	17,106,968	23,902,937
Financial investments available for sale	9	7,251,448	4,457,428
Financial investments held to maturity	10	50,729,433	51,863,186
Loans and advances to customers	11	42,542,151	40,627,846
Property and equipment	12	1,172,243	1,202,269
Intangible assets	13	591,902	590,563
Deferred tax assets	17	82,092	82,103
Current tax assets		282,007	282,007
Inventory and other assets	14	2,500,378	2,077,698
Total Assets		**149,527,819**	**141,427,395**
Liabilities			
Due to banks	15	2,885,233	1,953,032
Due to customers	16	125,974,220	118,842,126
Current tax liabilities		25,259	110,676
Deferred tax liabilities	17	290	46
Provisions	18	350,379	379,808
Other liabilities	19	786,564	709,127
Total Liabilities		**130,021,945**	**121,994,815**
Equity			
Share capital	20	5,562,518	5,562,518
Share premium	20	1,383,880	1,383,880
Legal and regulatory reserves	21	1,825,623	1,825,623
Other reserve	22	1,643	259
Other comprehensive items	22	714,555	714,555
Retained earnings		10,017,655	9,945,745
Total Equity		**19,505,874**	**19,432,580**
Total Liabilities and Equity		**149,527,819**	**141,427,395**

The notes on pages 6 to 58 are an integral part of these financial statements.

Intesa Sanpaolo Bank Albania Sh.a.

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2016
(in thousands of Lek)

	Notes	2016	2015
Interest income		4,825,966	5,704,319
Interest expense		(817,350)	(1,158,593)
Net interest income	23	**4,008,616**	**4,545,726**
Fee and commission income		910,143	953,522
Fee and commission expense		(204,494)	(169,550)
Net fee and commission income	24	**705,649**	**783,972**
Net other income	25	366,342	569,073
Other operating expenses, net	26	(278,023)	(243,911)
Operating income		**4,802,584**	**5,654,860**
Net impairment reversal/(loss) on financial assets	11	398,713	(637,533)
Net impairment loss on off-balance sheet	18	(12,533)	(18,369)
Write down of inventory	14	(293,553)	(167,221)
Personnel expenses	27	(1,048,209)	(1,069,290)
Operating lease expenses	31	(164,626)	(173,946)
Depreciation and amortization	12,13	(324,257)	(348,587)
Amortization of leasehold improvements	15	(7,751)	(8,406)
Other administration expenses	28	(614,400)	(584,238)
Provisions for risk and expenses	18	27,890	21,701
Total expenses		**(2,038,726)**	**(2,985,889)**
Net income before taxes		**2,763,858**	**2,668,971**
Income tax expense	29	(480,853)	(457,876)
Profit for the year		**2,283,005**	**2,211,095**
Other comprehensive income			
Change in fair value of available-for-sale investment securities, net of income tax		1,384	(88,233)
Other comprehensive income for the year, net of tax		**1,384**	**(88,233)**
Total comprehensive income for the year, net of tax		**2,284,389**	**2,122,862**

The notes on pages 6 to 58 are an integral part of these financial statements.

Intesa Sanpaolo Bank Albania Sh.a.

Statement of changes in equity
For the year ended 31 December 2015
(in thousands of Lek)

	Share capital	Share premium	Legal and regulatory reserves	Other reserves	Other comprehensive items	Retained earnings	Total
Balance at 1 January 2015	**5,562,518**	**1,383,880**	**1,744,615**	**88,492**	**714,555**	**9,789,567**	**19,283,627**
Profit for the year	-	-	-	-	-	2,211,095	**2,211,095**
Other comprehensive income							
Net change in fair value of available-for-sale investment securities, net of tax	-	-	-	(88,233)	-	-	**(88,233)**
Total comprehensive income for the year	**-**	**-**	**-**	**(88,233)**	**-**	**2,211,095**	**2,122,862**
Transaction with owners, recorded directly in equity							
Dividends to equity holders	-	-	-	-	-	(1,973,909)	**(1,973,909)**
Total contributions by and distribution to owners	**-**	**-**	**-**	**-**	**-**	**(1,973,909)**	**(1,973,909)**
Other movements within equity							
Appropriation of retained earnings	-	-	81,008	-	-	(81,008)	**-**
Appropriation of retained earnings	**-**	**-**	**81,008**	**-**	**-**	**(81,008)**	**-**
Balance at 31 December 2015	**5,562,518**	**1,383,880**	**1,825,623**	**259**	**714,555**	**9,945,745**	**19,432,580**

The notes on pages 6 to 58 are an integral part of these financial statements.

Intesa Sanpaolo Bank Albania Sh.a.

Statement of changes in equity (continued)
For the year ended 31 December 2016
(in thousands of Lek)

	Share capital	Share premium	Legal and regulatory reserves	Other reserves	Other comprehensive items	Retained earnings	Total
Balance at 1 January 2016	**5,562,518**	**1,383,880**	**1,825,623**	**259**	**714,555**	**9,945,745**	**19,432,580**
Profit for the year	-	-	-	-	-	2,283,005	**2,283,005**
Other comprehensive income							
Net change in fair value of available-for-sale investment securities, net of tax	-	-	-	1,384	-	-	**1,384**
Total comprehensive income for the year	**-**	**-**	**-**	**1,384**	**-**	**2,283,005**	**2,284,389**
Transaction with owners, recorded directly in equity							
Dividends to equity holders	-	-	-	-	-	(2,211,095)	**(2,211,095)**
Total contributions by and distribution to owners	**-**	**-**	**-**	**-**	**-**	**(2,211,095)**	**(2,211,095)**
Other movements within equity							
Appropriation of retained earnings	-	-	-	-	-	-	**-**
Appropriation of retained earnings	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2016	**5,562,518**	**1,383,880**	**1,825,623**	**1,643**	**714,555**	**10,017,655**	**19,505,874**

The notes on pages 6 to 58 are an integral part of these financial statements.

Intesa Sanpaolo Bank Albania Sh.a.

Statement of cash flows
For the year ended 31 December 2016
(in thousands of Lek)

	2016	2015
Net profit for the year	**2,283,005**	**2,211,095**
Adjustments for:		
Depreciation and amortization	324,257	348,587
Disposal of property and equipment	56	78,754
Net impairment (reversal)/loss on loans and advances to customers	(398,713)	637,533
Write downs of inventory	293,553	167,221
Net interest income	(4,008,616)	(4,545,726)
Net impairment loss on off-balance sheet items	12,533	18,369
Tax expense	480,853	457,876
Changes in		
Loans and advances to banks	6,796,979	1,441,059
Loans and advances to customers	(1,369,956)	(555,291)
Due to banks	932,201	(3,710,107)
Due to customers	7,132,094	(2,437,549)
Inventory and other assets	(716,232)	397,605
Other liabilities and provisions	60,542	(436,805)
Interest received	4,642,223	5,196,104
Interest paid	(817,350)	(1,158,593)
Income taxes paid	(566,259)	(427,481)
Net cash from/(used) in operating activities	**15,081,170**	**(2,317,349)**
Cash flows from investing activities		
Acquisition of property and equipment	(160,978)	(120,646)
Acquisition of intangible assets	(134,648)	(146,455)
Net collections from investment securities held to maturity	1,209,172	5,574,955
Net acquisitions of investments securities available-for-sale	(2,850,815)	(554,287)
Net cash (used in)/from investing activities	**(1,937,269)**	**4,753,567**
Cash flows from financing activities		
Dividends paid	(2,211,095)	(1,973,909)
Net cash from financing activities	**(2,211,095)**	**(1,973,909)**
Net increase in cash and cash equivalents	**10,932,806**	**462,309**
Cash and cash equivalents at 1 January	16,341,358	15,890,476
Effect of exchange rate fluctuations on cash and cash equivalents held	(4,967)	(11,427)
Cash and cash equivalents at 31 December	**27,269,197**	**16,341,358**

The notes on pages 6 to 58 are an integral part of these financial statements.

On behalf of the Bank, these financial statements are signed on 3 February 2017 by:

Silvio Pedrazzi
Chief Executive Officer

Julian Cela
Chief Financial Officer

Notes to the financial statements for the year ended 31 December 2016

1. Reporting entity

Intesa Sanpaolo Bank Albania Sh.a, (the “Bank”), is a company domiciled in Albania. The Bank’s registered office is at “Ismail Qemali” street, no.27, and operates through a network of 32 branches and agencies, located in different cities of Albania: Tirana, Durres, Vlora, Elbasan, Fier, Berat, Gjirokastra, Korca, Lushnja, Shkoder, Lezhe, Kavaje (2015: 32 branches and agencies).

The Bank was incorporated on May 1998, and is primarily involved in banking activities in Albania. The Bank started operations on 24 September 1998.

The Bank had 578 employees as at 31 December 2016 (2015: 567).

2. Basis of accounting

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). These financial statements were authorized for issue by Management on 3 February 2017 for approval by the Board of Directors.

(b) Basis of measurement

The financial statements are prepared on the amortized or historical cost basis except for Available-for-sale financial assets, which are stated at fair value.

(c) Functional and presentation currency

The financial statements are presented in Lek, which is the Bank’s functional and presentation currency. Except as indicated otherwise, financial information presented in Lek has been rounded to the nearest thousand.

3. Significant accounting policies

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

(a) Foreign currency

Transactions in foreign currencies are translated into the functional currency at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the spot exchange rate at the end of the year. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the spot exchange rate at the date that the fair value was determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are generally recognized in profit or loss. Foreign currency differences arising from translation of available-for-sale equity instruments are recognized in other comprehensive income. Foreign currency differences arising from retranslation of transactions with owners are recorded directly in equity.

(b) Interest

Interest income and expense are recognized in profit or loss using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments and receipts through the expected life of the financial asset or liability (or where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instruments, but no future credit losses.

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

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

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

(c) Fees and commissions

Fees, commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate (see (b)).

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

Other fee and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

3. Significant accounting policies (continued)

(d) Leases

The determination of whether an arrangement is a lease or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The Bank enters into leases only as a lessee, and in this respect has entered only into operating lease agreements, payments under which are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(e) Income Tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

(i) Current Tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax payable also includes any tax liability arising from the declaration of dividends.

(ii) Deferred Tax

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

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognised deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. Additional taxes that arise from the distribution of dividends by the Bank are recognized at the same time as the liability to pay the related dividend is recognized.

(iii) Tax exposure

In determining the amount of current and deferred tax, the Bank takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Bank to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such determination is made (see note (5)(d)).

3. Significant accounting policies (continued)

(f) Financial assets and financial liabilities

(i) Recognition

The Bank initially recognizes loans and advances, deposits and borrowings on the date on which they are originated. Regular purchases and sales of financial assets are recognized on the trade date on which the Bank commits to purchase or sell the asset. All other financial assets and liabilities are initially recognized on the trade date on which the Bank becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

Financial Assets

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

- loans and receivables, subsequently measured at amortised cost;
- held-to-maturity, subsequently measured at amortised cost; or
- available-for-sale, subsequently measured at fair value.

See notes 3 (g),(h) and (i).

Financial liabilities

The Bank classifies its financial liabilities as other financial liabilities, subsequently measured at amortised cost.

See notes 3 (n) and (o).

(iii) De-recognition

Financial Assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale and repurchase transactions.

3. Significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(iii) De-recognition (continued)

Financial liabilities

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

(iv) Off-setting

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

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

(v) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

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

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

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

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

The fair value of a demand deposit is not less that the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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

3. Significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment

At each reporting date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss, are impaired. A financial asset or a group of financial assets is individually impaired when objective evidence or judgmental criteria demonstrate that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows on the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include: significant financial difficulty of the borrower or issuer; default or delinquency by a borrower; restructuring of a loan or advance by the Bank because of financial difficulties experienced by the client and on terms which the Bank would not otherwise consider; indications that a borrower or issuer will enter bankruptcy; the disappearance of an active market for a security, or other nationally or locally observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group; or a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets.

The Bank considers evidence of impairment for loans and advances and held-to-maturity investment securities at both specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for individual impairment. Those financial assets found not to be individually impaired are then collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

In assessing collective impairment, the Group uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortized cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss. Expected cash flows from impaired loans and advances include the estimated proceeds from the realization of collateral. Proceeds from collateral are estimated by applying discounts (haircuts) to estimated market values and establishing a timeframe for collection, depending on the collateral type.

When possible the Bank seeks to restructure/renegotiate loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. If the terms of a financial asset are renegotiated or modified, or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then the asset is assessed for individual impairment. All customers with any restructured credit remain so for a period of at least 2 years from the restructuring date, independently from the payments performed pursuant to the new terms of repayments. Management continuously reviews renegotiated loans to ensure all criteria are met and to ensure future payments are likely to occur.

Impairment losses are recognized in profit or loss and are reflected in an allowance account against loans and advances or available-for-sale investment securities, if any. When an event occurring after the impairment was recognized causes the amount of impairment on loans and advances loss to decrease, the decrease in impairment loss is reversed through profit or loss.
In case of investments classified as available-for-sale, a significant or prolonged decline in the fair value of the instruments below its cost is considered in determining whether the assets are impaired. Impairment losses on available-for-sale investment securities are recognized by reclassifying the losses previosulsy recognized in other comprehensive income to profit or loss. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss.

3. Significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Changes in impairment provisions attributable to the application of the effective interest method are reflected as a component of interest income.

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

(g) Cash and cash equivalents

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

(h) Loans and advances

'Loans and advances to banks and customers' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. Loans and advances are initially measured at fair value and subsequently measured at amortized cost plus incremental direct transaction costs, using the effective interest method. After initial measurement, they are subsequently measured at amortized cost using effective interest rate, less allowance for impairment. The amortization is included in the interest income in profit or loss. The losses arising from impairment are recognized in profit or loss in net impairment loss on financial assets.

(i) Investment securities

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

(i) Held-to-maturity

'Held-to-maturity investments' are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortized cost using the effective interest method less any impairment losses. Any sale or reclassification of more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Bank from classifying investment securities as Held-to-maturity for the current and following two financial years.

(ii) Available-for-sale

'Available-for-sale investments' are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition. Interest income is recognised in profit or loss using the effective interest method.

3. Significant accounting policies (continued)

(i) Investment securities (continued)

Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss. Impairment losses are recognised in profit or loss. Other fair value changes, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

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

(j) Property and equipment

(i)Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized with other income in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably.

(iii)Depreciation

Depreciation is recognized in profit or loss using the straight-line method over the estimated useful life of each part of an item of property and equipment. Land and art work are not depreciated. The estimated useful live for the current and comparative periods are as follows:

	2016	**2015**
• Buildings	20 years	20 years
• IT and Electrical Equipment	4 to 8 years	4 to 8 years
• Furniture	3 to 10 years	3 to 10 years
• Other non-electrical assets	5 years	5 years

3. Significant accounting policies (continued)

(k) Intangible assets

Software, licences and trademarks compose intangible assets and are stated at cost less accumulated amortization. Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization is charged on a straight-line basis in profit or loss over the estimated useful lives, from the date that it is available for use. The estimated useful lives for the current and comparative periods are as follows:

	2016	2015
• Software	5 years	5 years
• Licences and trademarks	10 years	10 years

(l) Inventory

Inventory comprises repossessed assets acquired through enforcement of security over non-performing loans and advances to customers which do not earn rental, and are not used by the Bank and are intended for disposal in a reasonably short period of time, without significant restructuring. Repossessed assets are measured at the lower of cost and net realizable value and any write-down is recognized in the profit or loss**.**

(m) Impairment of non-financial assets

At each reporting date, the Bank reviews the carrying amount of its non-financial assets (other than inventory and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Deposits

Deposits are the Bank's sources of debt funding.

Deposits are initially measured at fair value plus directly attributable transaction costs, and subsequently measured at their amortized cost using the effective interest method.

When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date ("repo" or "stock lending"), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognized in the Bank's financial statements.

3. Significant accounting policies (continued)

(o) Provisions

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

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3. Significant accounting policies (continued)

(q) New standards and interpretation not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016. However, the Bank has not early applied the following new or amended standards in preparing these financial statements.

New or amended standards	Summary of the requirement	Possible impact on financial statements
IFRS 9 *Financial Instruments*	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Bank is assessing the potential impact on its financial statements resulting from the application of IFRS 9. Given the nature of the Bank's operations, this standard is expected to have a pervasive impact on the Bank's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances. The Bank, in liaison with Intesa Sanpaolo Group, will implement a parallel running in the beginning of 2017 and assess the potential impact.
IFRS 15 *Revenue from Contracts with Customers*	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. The core principle in that framework is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. IFRS 15 replaces existing revenue recognition guidance standard, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	Although it has not yet fully completed its initial assessment of the potential impact of IFRS 15 on the Bank's financial statements, management does not expect that the new Standard, when initially applied, will have material impact on the Bank's financial statements. The timing and measurement of the Bank's revenues are not expected to change under IFRS 15 because of the nature of the Bank's operations and the types of revenues it earns.

3. Significant accounting policies (continued)

(q) New standards and interpretation not yet adopted (continued)

New or amended standards	Summary of the requirement	Possible impact on financial statements
IFRS 16 Leases	IFRS 16 Leases, published by the IASB in January 2016 replaces the existing IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.	The Bank is assessing the potential impact on its financial statements resulting from application of IFRS 16. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. The most significant effect of the new requirements in IFRS 16 will be an increase in lease assets and financial liabilities.

Other amended standards that are not expected to have a significant impact of the Bank's financial statements are as follows:

- *Disclosure Initiative (Amendments to IAS 7);*
- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12);*
- *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).;*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);*
- *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4);*
- *IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration;*
- *Transfers to and from investment property (Amendments to IAS 40);*
- *Outdated exemptions for first-time adopters of IFRS are removed (Amendments to IFRS 1);*
- *Disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution (Amendments to IFRS 12);*
- *Measurement options for investments in associate or joint venture by venture capital organisations, or other qualifying entities (Amendments to IAS 28).*

4. Financial Risk Management

The Bank is exposed to the following risks from financial instruments:

a. credit risk
b. liquidity risk
c. market risk
d. operational risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board of Directors of the Bank has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Bank's Governance Committees (Executive Directors Committee, Credit Committee, Financial Risk Committee, Operational Risk Committee, Credit Risk Governance Committee, Problematic Loans Committee and other committees) that have the authority for decision-making in their specified areas.

Risk Management Division is responsible for developing and monitoring the Bank's risk management policies in these areas. All the Bank's committees have both executive and non-executive members and report regularly to the Board of Directors on their activities. The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

(a) Credit Risk

In the normal course of its business, the Bank is exposed to credit risk on its loans and advances to customers and financial institutions, investment securities and other off-balance-sheet items. Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers, debt securities, on funds with other financial institutions and other off-balance sheet items. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). The Bank manages its exposure to credit risk on a regular basis by closely monitoring credit limits, its loan portfolio and concentration of exposure.

Management of credit risk

The Board of Directors has delegated responsibility for decision-making to Committees in Credit Area. The Risk Management Division, reporting to the CEO, is responsible for the oversight and management of the Bank's credit risk, including:

- *Formulating credit policies* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Reviewing and assessing credit risk*. The Bank's Underwriting Department assesses all credit exposures, before facilities are commited to customers by the Bank. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure* to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).

4. Financial Risk Management (continued)

(a) Credit Risk (continued)

- *Developing and maintaining the Bank's risk classifications* in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk classification is used in determining where impairment may be required against specific credit exposures.

  According to the Bank's methodology, all exposures are classified between Performing and Non- Performing exposures (including Past Due, Unlikely to Pay and Doubtful). The Bank classifies the Non-Performing portfolio by analyzing the exposures based on a set of rules harmonized with the guidelines of Intesa Sanpaolo Group. These rules include objective evidence being: breach of contract (such as default or delinquency in interest or principal payments); significant financial difficulty of the borrower; and other significant adverse financial information relating to the customer.

- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries and product types. Detailed analyses are provided monthly to the Problem Assets Committee on the credit quality of customer exposures and specific actions are proposed.
- *Providing advice, guidance and specialist skills* to business units to promote best practice throughout the Bank in the management of credit risk.

Maximum Exposure to Credit Risk

The following table shows the current maximum exposure to credit risk for the applicable components of statement of financial position:

	Gross Maximum Exposure	
	31 December 2016	**31 December 2015**
Cash and cash equivalents (excluding cash on hand)	25,968,849	15,241,271
Loans and advances to banks	17,106,968	23,902,937
Financial assets available-for-sale	7,251,448	4,457,428
Financial assets held-to-maturity	50,729,433	51,863,186
Loans and advances to customers	42,542,151	40,627,846
Sundry debtors	57,462	57,498
Total on-balance-sheet risk	**143,656,311**	**136,150,166**
Undrawn credit commitments	4,977,785	5,804,593
Letters of credit	355,827	279,391
Guarantees in favour of customers	4,664,841	5,230,505
Total credit related commitments	**9,998,453**	**11,314,489**
Total Credit Risk Exposure	**153,654,764**	**147,464,655**

Where financial assets are recorded at fair value, the amounts shown represent the current credit risk exposure, but not the maximum risk exposure that could arise in the future as a result of changes in values. The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees commit the Bank to make payments on behalf of customers in the event of a specific act or event, generally related to the import or export of goods, and payment and performance guarantees. Such commitments expose the Bank to similar credit risks, which are mitigated by the same control processes and policies. Every month, the Bank assesses the credit related commitments for impairment. Amounts subject to individual impairment assessment are non-cancellable commitments granted to non-performing customers or customers with restructured credit facilities.

4. Financial Risk Management (continued)

(a) Credit Risk (continued)

Credit Quality by class of financial assets

The tables below show the credit quality of the financial assets exposed to credit risk, based on the Bank's internal ratings. In the Past Due classification below, loans and advances include exposures more than 90 days past due and collectively impaired (2015: 90 days). The collective impairment is allocated in accordance with the default rate of the group with similar credit risk characteristics where customers belong. The financial assets in the tables below are gross of impairment allowances for both financial years ended as at 31 December 2016 and 31 December 2015:

31 December 2016	Neither past due nor individually impaired	Past due, not individually impaired	Individually Impaired	Total
Cash and cash equivalents (excluding cash on hand)	25,968,849	-	-	25,968,849
Loans and advances to banks	17,106,968	-	-	17,106,968
Commercial lending	31,954,224	365,585	4,719,307	37,039,116
Mortgage lending	5,931,119	647,781	468,523	7,047,423
Consumer lending	1,107,970	44,177	1,277	1,153,424
Loans and advances to customers:	38,993,313	1,057,543	5,189,107	45,239,963
	82,069,130	**1,057,543**	**5,189,107**	**88,315,780**
Listed financial institutions	5,775,300	-	-	5,775,300
Unlisted financial institutions	1,476,148	-	-	1,476,148
Financial Assets available-for-sale:	7,251,448	-	-	7,251,448
Listed companies	2,959,900	-	-	2,959,900
Government securities	47,769,533	-	-	47,769,533
Financial Assets held to maturity:	50,729,433	-	-	50,729,433
Total	**140,050,011**	**1,057,543**	**5,189,107**	**146,296,661**

31 December 2015	Neither past due nor individually impaired	Past due, not individually impaired	Individually Impaired	Total
Cash and cash equivalents (excluding cash on hand)	15,241,271	-	-	15,241,271
Loans and advances to banks	23,902,937	-	-	23,902,937
Commercial lending	29,756,498	420,868	6,901,868	37,079,234
Mortgage lending	4,762,792	666,384	887,888	6,317,064
Consumer lending	1,500,214	3,082	100,407	1,603,703
Loans and advances to customers:	36,019,504	1,090,334	7,890,163	45,000,001
	75,163,712	**1,090,334**	**7,890,163**	**84,144,209**
Listed financial institutions	3,146,034	-	-	3,146,034
Unlisted financial institutions	1,311,394	-	-	1,311,394
Financial Assets available-for-sale:	4,457,428	-	-	4,457,428
Listed companies	3,491,625	-	-	3,491,625
Government securities	48,371,561	-	-	48,371,561
Financial Assets held to maturity:	51,863,186	-	-	51,863,186
Total	**131,484,326**	**1,090,334**	**7,890,163**	**140,464,823**

4. Financial Risk Management (continued)

(a) Credit Risk (continued)

Credit Quality by class of financial assets (continued)

Loans and advances to customers are the only class of financial assets resulting in non-performing categories which are not necessarily subject to individual impairment assessment. During 2016 and 2015, the Bank complied with the "Handbook on the Rules and Criteria for Classification of Credit Exposure for Consolidation Purposes" issued by the Group classifying loans and advances to customers in four main categories being a) performing; b) past due; c) unlikely to pay and d) doubtful.

Assessments for impairment are made in accordance with the ISP Individual Assessment Handbook according to which the performing category is subject to collective assessment for impairment, while the other three categories can be subject to either individual or collective assessment for impairment. A significance threshold is applied all non performing categories, based on which an individual assessment for impairment is performed for all exposures exceeding the threshold. Assessment on a portfolio basis using the statistical approach for impairment, is applied to the Past Due category not exceeding the significance threshold.

An ageing analysis of loans considered neither past due nor individually impaired as at 31 December 2016 and 2015 is shown in the tables below:

31 December 2016	Less than 30 days	31 to 60 days	61 to 90 days	Total
Loans and advances to customers:				
Commercial lending	31,417,303	217,310	313,855	31,948,468
Mortgage lending	1,080,203	21,414	7,259	1,108,876
Consumer lending	5,533,373	293,809	108,787	5,935,969
Total	**38,030,879**	**532,533**	**429,901**	**38,993,313**

31 December 2015	Less than 30 days	31 to 60 days	61 to 90 days	Total
Loans and advances to customers:				
Commercial lending	28,858,701	512,362	379,294	29,750,357
Mortgage lending	4,494,320	148,597	124,545	4,767,462
Consumer lending	1,477,841	17,593	6,251	1,501,685
Total	**34,830,862**	**678,552**	**510,090**	**36,019,504**

An ageing analysis of loans considered past due as per Bank internal policy but not individually impaired as at 31 December 2016 and 2015 is shown in the tables below:

31 December 2016	91 to 180 days	more than 180 days	Total
Loans and advances to customers:			
Commercial lending	6,900	358,685	365,585
Mortgage lending	146,572	501,209	647,781
Consumer lending	14,411	29,766	44,177
Total	**167,883**	**889,660**	**1,057,543**

31 December 2015	91 to 180 days	more than 180 days	Total
Loans and advances to customers:			
Commercial lending	152,604	268,264	420,868
Mortgage lending	258,754	407,630	666,384
Consumer lending	2,331	751	3,082
Total	**413,689**	**676,645**	**1,090,334**

4. Financial Risk Management (continued)

(a) Credit Risk (continued)

Credit Quality by class of financial assets (continued)

Impaired loans and securities

Impaired loans and securities are the ones for which the Bank determines that it is probable that it will be unable to collect all principal and interest due, according to the contractual terms of the agreement(s). The Bank classifies loans and advances to customers in performing and non-performing categories as described above and performs impairment tests for all loans that show objective evidence for impairment, estimating their discounted future cash flows and comparing them with the respective carrying amount of the loans. Within the non-performing categories, for individually significant exposures, individual assessment for impairment is performed. While for the non-performing exposures which are not individually significant an individual assessment on a portfolio basis is applied. Loans that do not show objective evidence for individual impairment are assessed collectively for impairment using indicative information on annual default dates, loss rates and loss confirmation period compiled by the Bank for the groups of loans with similar risk characteristics. Collective impairment is also applied to the non-performing individually significant exposures for which full recovery is expected under the individual assessment approach and to the exposures which are tested individually, but resulted with no need for individual impairment.

Both collective assessment and individual assessment on portfolio basis are approaches to impairment evaluation based on statistical methods by using credit risk parameters which are estimated based on historical data for homogenous groups of assets.

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio.

The main components of this allowance are a specific loss component that relates to individually significant exposures, as well as collectively assessed and less significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred, but have not been identified on loans subject to individual assessment for impairment.

The table below shows the net loans and advances to customers categorized within two main groups: Individually and Collectively Impaired.

	Net Exposure to Loans and advances to customers	
Individually impaired	**31 December 2016**	**31 December 2015**
Gross amount	5,189,107	7,890,163
Allowance for impairment	(2,139,442)	(3,966,066)
Carrying amount	**3,049,665**	**3,924,097**
Collectively impaired		
Gross amount	40,050,856	37,109,838
Allowance for impairment	(558,370)	(406,089)
Carrying amount	**39,492,486**	**36,703,749**
Total carrying amount on Loans and advances to customers	**42,542,151**	**40,627,846**

4. Financial Risk Management (continued)

(a) Credit Risk (continued)

Credit Quality by class of financial assets (continued)

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired loans by risk classification:

	Individually Impaired Loans and advances to customers	
	Gross	**Net**
31 December 2016		
Performing	-	-
Past Due	108,100	85,903
Unlikely to Pay	3,005,664	1,649,999
Doubtful	2,075,343	1,313,763
Total	**5,189,107**	**3,049,665**
31 December 2015		
Performing	151,705	150,398
Past Due	249,255	146,996
Unlikely to Pay	2,617,781	1,174,930
Doubtful	4,871,422	2,451,773
Total	**7,890,163**	**3,924,097**

Set out below is the carrying amount of restructured loans and advances to customers, net of impairment allowances, by product:

	31 December 2016	31 December 2015
Commercial lending	1,560,093	1,418,714
Mortgage lending	148,285	151,994
Total	**1,708,378**	**1,570,708**

Write-off policy

The Bank writes off a loan (and any related allowances for impairment losses) when the Bank's Board of Directors determines that the loans are uncollectible. This is generally the case when the Board of Directors determines that significant changes in the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. The loan is classified as lost for regulatory reporting purpose for a period of at least 3 years. The Bank's policy is also in compliance with the amended Regulation no.62 dated 14.09.2011 "On Administration of Credit Risk for Banks and Foreign Banks Subsidiaries".

The estimated cash flows derived from the collateral, including guarantees securing the exposures, are usually the main source of future cash flows from non-performing loans. Some of the valuation parameters used for the calculation are:

- *Realizable value of collaterals*, which is estimated by reducing the appraised market value of the collateral with a discount factor. This takes into account the characteristics of similar groups of collaterals. It presumes an average recoverable value of specific collateral, based on the Bank's experience.
- *Timing of the expected cash flow*, which represents the expected recovery time (in years) for a specific type of collateral.

The recovery costs are deducted from estimated future cash flows. Collateral, generally, is not held over loans and advances to financial institutions, except when securities are held as part of reverse repurchase and securities borrowing activity. Usually, collateral is not held against investment securities, and no such collateral was held at 31 December 2016 and 2015. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are updated every three years.

4. Financial Risk Management (continued)

(a) Credit Risk (continued)

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

	Collateral of Loans and advances to customers 31 December 2016		Collateral of Loans and advances to customers 31 December 2015	
	Undiscounted	**Discounted**	**Undiscounted**	**Discounted**
Against individually impaired				
Property	10,509,462	3,117,472	16,379,285	7,065,201
Debt securities	729,694	88,135	818,012	254,166
Pledges and guarantees	94,414	8,778	7,729,568	149,938
Other	-	-	54,912	-
Total	**11,333,570**	**3,214,385**	**24,981,777**	**7,469,305**
Net carrying amount		**3,049,665**		**3,924,097**

The gross amount of collaterals includes the value of collaterals before testing the individually impaired loans. The net amount shows the present value of the same collaterals under this test.

Allowances for impairment

The table below shows the total amount of collaterals for the loans assessed under the category of collectively impaired. These collaterals do not undergo the same testing procedures as the above group, hence only their gross value is presented. The information on the table below provides information on how much the collectively impaired loans and advances to customers are secured against their respective collaterals.

	Collateral of Loans and advances to customers 31 December 2016		Collateral of Loans and advances to customers 31 December 2015	
Against Collectively Impaired	**Undiscounted**	**Discounted**	**Undiscounted**	**Discounted**
Property	67,976,883	29,985,533	73,595,312	26,427,885
Pledges and guarantees	8,170,061	3,643,476	18,031,206	4,352,121
Cash	1,268,998	1,226,859	2,411,938	2,340,468
Debt securities	4,546,960	1,487,527	3,873,025	1,425,575
Other	-	-	2,622,097	-
Total	**81,962,902**	**36,343,395**	**100,533,578**	**34,546,049**
Net carrying amount		**39,492,486**		**36,703,749**

It is the Bank's policy to dispose off assets repossessed through the recovering process. The amounts collected from the proceeds are used to reduce or liquidate the carrying amount of the non-performing loans.

When the Bank holds repossessed assets in its ownership, their conversion into cash is the Bank's first aim, through marketing the properties for sale. If there is no satisfactory offer collected, the Bank's practice is to keep the asset for sale until receiving the best offer. Depending on operational needs and the suitability of the asset to fulfill those needs, management may decide to make use of the property; in such cases a reclassification into property and equipment of the Bank is performed. The amounts of repossessed properties are disclosed in note 14.

4. Financial Risk Management (continued)

(a) Credit Risk (continued)

The Bank monitors concentration of credit risk by sector and location. An analysis of credit risk at the reporting date is shown below:

	Net Loans and advances to customers	
Concentration by sector	**31 December 2016**	**31 December 2015**
Services	17,012,528	16,328,756
Wholesale	9,016,937	8,422,368
Construction	2,802,533	3,487,760
Manufacturing	4,501,193	3,959,989
Real Estate	113,078	150,256
Other	1,289,844	937,710
Corporate	**34,736,113**	**33,286,839**
Mortgage	6,721,178	5,851,935
Consumer	1,084,860	1,489,072
Retail	**7,806,038**	**7,341,007**
Carrying amount	**42,542,151**	**40,627,846**

	Loans and advances to banks	
Concentration by sector	**31 December 2016**	**31 December 2015**
Bank	17,106,968	23,902,937
Carrying amount	**17,106,968**	**23,902,937**

	Financial Investments	
Concentration by sector	**31 December 2016**	**31 December 2015**
Sovereign	55,554,462	53,263,462
Bank	1,789,549	3,057,152
Other Financial Institutions	636,870	-
Carrying amount	**57,980,881**	**56,320,614**

The credit quality of the maximum credit exposure of debt securities based on Moody's ratings, where applicable, is as follows:

	Financial Investments (debt securities)	
Sovereign	**31 December 2016**	**31 December 2015**
Rated Aaa	-	961,469
Rate Aa1	404,876	-
Rate Baa2	6,266,433	4,238,737
Rate B1	48,883,153	48,613,729
	55,554,462	**53,813,935**
Financial Institutions		
Rated Aaa	2,261,888	1,671,467
Rate Baa2	164,531	835,212
	2,426,419	**2,506,679**
Total carrying amount	**57,980,881**	**56,320,614**

4. Financial Risk Management (continued)

(a) Credit Risk (continued)

Concentration of Credit Risk

The following concentractions of credit risk arise in the Bank's credit-risk portfolio.

	31 December 2016	Exposure In %	31 December 2015	Exposure In %
Republic of Albania securities	48,883,153	34%	48,613,730	36%
Balances with Bank of Albania	12,235,288	8%	11,121,210	8%
Total direct Albanian Sovereign risk	**61,118,441**	**42%**	**59,734,940**	**44%**
Largest bank	13,224,058	9%	10,079,644	7%
Largest customer	5,715,588	4%	5,989,326	4%
Total largest bank and customer	**18,939,646**	**13%**	**16,068,970**	**11%**
Total on-balance-sheet risk	**80,058,087**	**55%**	**75,803,910**	**55%**

The largest exposure toward the banks is with the Group and the largest customer is a local state-owned company.

Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed. The settlement risk with financial institutions and government counterparties is included within a system of limits for all the transactions with such counterparties and is subject to daily monitoring, defined and regulated in the internal regulation "ISBA Counterparty limits for Financial Institutions" and the Central Bank of Albania regulation "On risk management arising from the large exposures of the Bank".

The Bank of Albania regulation "On risk management arising from the large exposures of Bank" was revised during 2014 and entered in force in March 2015. On 3 October 2016 the limit for large exposures, not more that 25% of Regulatory Capital, as required by BoA for Intesa Sanpaolo Group counterparty was breached at the level of 25.56% on which BoA has been informed. The breach was due to the overall increase of the cash balance with Intesa Sanpaolo Bank Milan. The Bank decreased the exposure and entered within the required limit on 4 October 2016.

4. Financial Risk Management (continued)

(b) Liquidity Risk

Liquidity risk is defined as the possibility that an institution is unable to meet its payment obligations due to its incapacity to liquidate assets or obtain adequate funding from the market (funding liquidity risk), or due to the difficulty of easily unwinding positions in financial assets without negatively and significantly affecting their price due to inadequate market depth or temporary market disruptions.

Management of liquidity risk

The Bank's approach to managing liquidity risk is to ensure, as much as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank defines the guidelines for liquidity risk management and the contingency liquidity plan, which are subject to review by Group structures and approval by the Bank's Financial Risk Committee and Board of Directors. The Treasury and ALM Department is responsible for liquidity management and the Risk Management Division is responsible for monitoring indicators and verifying adherence to the limits.

The Bank's Regulation on Liquidity Risk Management is updated on December 2016. The new policy implements the latest regulatory provisions issued through the so-called 'Delegated Regulation' and by the Basel Committee (BCBS October 2014).

The Bank monitors liquidity, in accordance with this regulation, in order to manage its obligations when they fall due and activate emergency procedures in case of escalation. A balanced ratio should be maintained between incoming sources and outflows, in both the short and medium-long term. This target is organized through the use of the following specific metrics "Liquidity Coverage Ratio up to 30 days" and "Net Stable Funding Ratio".

- **Liquidity Coverage Ratio (LCR)** up to 30 days**:** aims to ensure that the Bank maintains an adequate level of unencumbered high-quality liquid assets (HQLA) to meet its short term liquidity needs under liquidity stress scenario (LCR≥90%).
- **Net Stable Funding Ratio (NSFR):** aims to guarantee an adequate liquidity position over a medium/long-term time horizon. It establishes a minimum "acceptable" amount of funding over one year horizon in relation to the needs arising from the liquidity characteristics and the residual maturities of assets and off-balances exposures (NSFR≥90%).

Holding reserves of liquid assets (so-called Liquidity Buffer) is one of the main tools for mitigating liquidity risk. For the purpose of identifying and measuring this risk, both short and medium-long term, the classification of highly-liquid assets takes on crucial importance.

In its Liquidity Policy, the Bank projects a LCR indicator of up to 3 months by including the estimated market effect of specific acute liquidity tensions (at bank level) combined with a widespread and general market crisis, based on assumptions provided by the Group's guidelines.

A similar, but not identical, calculation is used to measure the Bank's compliance with the liquidity limits established by the Central Bank of Albania, which should be above 20% for all currencies and above 15% separately for the local currency and foreign currencies. The Central Bank of Albania regulation requires that the Bank keeps 10% of its customer deposits with maturity less than 2 years as an obligatory reserve with the Central Bank.

All the above liquidity ratios are periodically monitored by the Bank with reference to the Group internal limits and guidelines and to the Central Bank of Albania requirements.

4. Financial Risk Management (continued)

(b) Liquidity Risk (continued)

The table enclosed shows the liquidity situation of the Bank as currently monitored by the Bank's management, based on internal local regulations and Group Liquidity Guidelines, as at 31 December 2016 and 2015. The information is not reconcilable as it is provided by management and adjusted as explained below.
It considers the undiscounted cash flows in/out of the Bank for on and off-balance-sheet financial assets and liabilities, according to contractual maturity and not reflecting any retention history assumptions or earlier repayment. It reflects assumptions of one scenario as: liquidity reserves 1st line, 2nd line and 3rd line reserve, behavioural coefficients applied for current accounts and overdrafts to customers, and drawdown percentages for off-balance-sheet categories such as committed credit lines and guarantees.

31 December 2016	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**> 5 years**	**Total**
Assets (Cash Flow IN)	**75,259,512**	**20,021,699**	**13,299,182**	**35,543,560**	**8,191,195**	**152,315,148**
Net Cash	1,302,925	-	-	-	-	**1,302,925**
Minimum reserve requirements	1,312,852	-	-	11,522,585	-	**12,835,437**
Advances to banks	12,457,383	-	-	-	-	**12,457,383**
Held-to-maturity and Available-for-sale Investment Securities – 1st line reserves	46,383,198	-	-	-	-	**46,383,198**
Other Held-to-maturity and Available-for-sale Investment Securities – 3rd line reserves	154,400	11,320,024	1,310,494	3,224,737	429,226	**16,438,881**
Loans to banks	6,070,335	6,795,073	5,628,130	-	-	**18,493,538**
Loans and advances to customers (gross performing loans)	7,578,419	1,906,602	6,360,558	20,796,238	7,761,969	**44,403,786**
31 December 2016	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**> 5 years**	**Total**
Liabilities (Cash flow OUT)	**(19,720,276)**	**(14,944,682)**	**(40,626,395)**	**(54,227,214)**	**(29,531)**	**(129,548,098)**
Deposits from banks and customers- Current accounts	(11,070,674)	(5,143,480)	(11,039,376)	(45,139,051)	-	**(72,392,581)**
Current accounts with banks	(1,008,354)	-	-	-	-	**(1,008,354)**
Current accounts with customers	(10,062,320)	(5,143,480)	(11,039,376)	(45,139,051)	-	**(71,384,227)**
Deposits from banks	(1,886,323)	-	-	-	-	**(1,886,323)**
Deposits from customers - Time deposits	(6,763,279)	(9,801,202)	(29,587,019)	(9,088,163)	(29,531)	**(55,269,194)**
Total gap on-balance sheet	**55,539,236**	**5,077,017**	**(27,327,213)**	**(18,683,654)**	**8,161,664**	**22,767,050**
Off- Balance sheet (Cash flow in)	-	-	-	-	-	
Off- Balance sheet (Cash flow out)	(250,025)	-	-	-	-	**(250,025)**
Total gap off-balance sheet	(250,025)	-	-	-	-	**(250,025)**
Total gap 31 December 2016	**55,289,211**	**5,077,017**	**(27,327,213)**	**(18,683,654)**	**8,161,664**	**22,517,025**
Cumulated gap 31 December 2016	**55,289,211**	**60,366,228**	**33,039,015**	**14,355,361**	**22,517,025**	

4. Financial Risk Management (continued)

(b) Liquidity Risk (continued)

31 December 2015	Up to 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Assets (Cash Flow IN)	**69,684,144**	**19,430,671**	**14,006,235**	**32,523,841**	**6,730,943**	**142,375,834**
Net Cash	1,100,646	-	-	-	-	**1,100,646**
Minimum reserve requirements	713,181	-	-	10,883,187	-	**11,596,368**
Advances to banks	8,650,220	-	-	-	-	**8,650,220**
Held-to-maturity and Available-for-sale Investment Securities – 1st line reserves	46,221,948	-	-	-	-	**46,221,948**
Other Held-to-maturity and Available-for-sale Investment Securities – 3rd line reserves	191,467	9,291,373	2,410,032	3,190,938	455,679	**15,539,489**
Loans to banks	5,506,941	8,223,681	5,687,110	-	-	**19,417,732**
Loans and advances to customers (gross performing loans)	7,299,741	1,915,617	5,909,093	18,449,716	6,275,264	**39,849,431**
31 December 2015						
Liabilities (Cash flow OUT)	**(16,584,292)**	**(15,143,442)**	**(46,635,526)**	**(43,208,117)**	**(19,052)**	**(121,590,429)**
Deposits from banks and customers- Current accounts	(8,215,239)	(4,188,979)	(8,967,493)	(36,261,877)	-	**(57,633,588)**
Current accounts with banks	(82,569)	-	-	-	-	**(82,569)**
Current accounts with customers	(8,132,670)	(4,188,979)	(8,967,493)	(36,261,877)	-	**(57,551,019)**
Deposits from banks	(1,870,520)	-	-	-	-	**(1,870,520)**
Deposits from customers- Time deposits	(6,498,533)	(10,954,463)	(37,668,033)	(6,946,240)	(19,052)	**(62,086,321)**
Total gap on-balance sheet	**53,099,852**	**4,287,229**	**(32,629,291)**	**(10,684,276)**	**6,711,891**	**20,785,405**
Off- Balance sheet (Cash flow in)	-	-	-	-	-	**-**
Off- Balance sheet (Cash flow out)	(264,965)	-	-	-	-	**(264,965)**
Total gap off-balance sheet	**(264,965)**	**-**	**-**	**-**	**-**	**(264,965)**
Total gap 31 December 2015	**52,834,887**	**4,287,229**	**(32,629,291)**	**(10,684,276)**	**6,711,891**	**20,520,440**
Cumulated gap 31 December 2015	**52,834,887**	**57,122,116**	**24,492,825**	**13,808,549**	**20,520,440**	

4. Financial Risk Management (continued)

(b) Liquidity Risk (continued)

The information provided relates to cash flows deriving from financial off-balance-sheet liabilities, therefore it considerably differs from the face of the statement of financial position. The analysis does not include non-financial liabilities and equity, and comprises of cash flows of contractual interest.

The table below shows the Bank's financial contingent liabilities and financial commitments.

31 December 2016	1 Month	1-3 Months	3-12 Months	1-5 Years	>5 Years	Total
Commitments	4,977,785	-	-	-	-	**4,977,785**
Guarantees	5,020,668	-	-	-	-	**5,020,668**
31 December 2015						
Commitments	6,268,006	-	-	-	-	**6,268,006**
Guarantees	5,509,896	-	-	-	-	**5,509,896**

The Bank expects only a small part of the commitments to be demanded within one month and guarantees to be closed at maturity date. (Refer also to note 30 Commitment and contingencies)

Reconciliation between contingent liabilities and commitments maturity table and note 30 Commitment and contingencies is as follows:

	31 December 2016	31 December 2015
Commitments	**4,977,785**	**6,268,006**
Un-drawn credit facilities	4,977,785	6,268,006
Guarantees	**5,020,668**	**5,509,896**
Letters of credit	355,827	279,391
Guarantees in favor of customers	4,664,841	5,230,505

c) Market Risk

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

Management of market risks

The Bank holds its securities portfolio in accordance with IAS 39 as either Held-to-maturity or Available-for-sale portfolio.

4. Financial Risk Management (continued)

c) Market Risk (continued)

Exposure to Foreign Exchange rate risk

Foreign exchange rate risk is defined as the possibility that foreign exchange rate fluctuations will produce significant changes, both positive and negative, in the Bank's statement of financial position. The key sources of exchange rate risk consist of:

- Foreign currency loans and deposits held by corporate and retail customers;
- Investment securities in foreign currencies;
- Trading of foreign banknotes;
- Collection and/or payment of interest, commissions, administrative costs, etc. in foreign currencies.

The Bank's exposure to exchange rate risk is monitored on a daily basis by Market and Operational Risk Office ensuring compliance with the internal and regulatory limits. Internal regulations set limits for each open currency position, global open position, maximum loss and Value at Risk (VaR). A detailed analysis was carried out on a one year historical data in order to confirm/establish the aforementioned limits. The local regulatory limits refer to a maximum of 20% of the regulatory capital for each open currency position and 30% for the overall open currency position.

The VaR methodology introduced in the internal procedure is based on the weighted historical simulation technique. The weights used in the model are assigned employing an exponentially declining function with a decay factor of 0.992 and the time window covers a period of 250 days, which is in line with the Group Guidelines. The 1-day, 99% VaR was Lek 1.7 million as of 31 December 2016, with an average of Lek 0.9 million during the year (December 2015: Lek 1.2 million and average Lek 0.6 million).

The effectiveness of the VaR calculations was monitored daily via backtesting by comparing the estimates of value at risk with the end of day unrealized losses. The backtesting indicates that the VaR accurately predicts the amount of unrealized daily losses. The VaR level was within the limit during 2016 and 2015, and the Stop Loss limit was within the limit during 2016 and 2015.

The Bank has been within the limits in accordance with Bank of Albania regulation during the year 2016.

Financial assets denominated in foreign currencies are disclosed in each relevant note to the financial statements.

4. Financial Risk Management (continued)

c) Market Risk (continued)

Assets	**Lek**	**USD**	**EUR**	**Other**	**Total**
Cash and cash equivalents	1,287,913	6,025,449	18,950,440	1,005,395	**27,269,197**
Loans and advances to banks	4,180,116	1,194,268	11,732,584	-	**17,106,968**
Financial Investments Available-for-sale	725,207	1,899,092	4,099,821	527,328	**7,251,448**
Financial Investments Held-to-maturity	45,657,986	2,555,024	2,516,423	-	**50,729,433**
Loans and advances to customers	14,597,822	1,479,762	26,464,489	78	**42,542,151**
Property and equipment	1,172,243	-	-	-	**1,172,243**
Intangible assets	591,902	-	-	-	**591,902**
Deferred tax assets	82,092	-	-	-	**82,092**
Current tax assets	282,007	-	-	-	**282,007**
Inventory and other assets	641,761	20,311	1,838,099	207	**2,500,378**
Total Assets	**69,219,049**	**13,173,906**	**65,601,856**	**1,533,008**	**149,527,819**
Liabilities					
Due to Banks	1,927,017	917,402	25,439	15,375	**2,885,233**
Due to customers	47,899,374	12,231,789	64,329,802	1,513,255	**125,974,220**
Provisions	304,918	3,442	42,019	-	**350,379**
Other liabilities	635,709	10,663	139,722	470	**786,564**
Current tax liabilities	25,259	-		-	**25,259**
Deferred tax liabilities	290	-		-	**290**
Net Equity	19,503,941	(5,899)	1,484	6,348	**19,505,874**
Total Liabilities and equity	**70,296,508**	**13,157,397**	**64,538,466**	**1,535,448**	**149,527,819**
Net Open Position at 31 December 2016	(1,077,459)	16,509	1,063,390	(2,440)	**-**
Off balance sheet Assets	10,644,726	5,996,642	109,092,989	7,433	**125,741,790**
Off balance sheet Liabilities	10,578,557	5,966,095	109,198,396	(1,258)	**125,741,790**
Net Off balance sheet FX Position at 31 December 2016	**66,169**	**30,547**	**(105,407)**	**8,691**	**-**
Total Net FX Position at 31 December 2016	(1,011,290)	47,056	957,983	6,251	**-**
Balance sheet Assets as at 31 December 2015	67,682,049	12,850,117	59,553,571	1,341,658	**141,427,395**
Balance sheet Liabilities and equity as at 31 December 2015	69,552,544	12,698,843	57,834,868	1,341,140	**141,427,395**
Net Off balance sheet FX Position at 31 December 2015	**(81,134)**	**(109,192)**	**189,450**	**876**	**-**
Total Net FX Position at 31 December 2015	**(1,951,629)**	**42,082**	**1,908,153**	**1,394**	**-**

4. Financial Risk Management (continued)

c) Market Risk (continued)

Exposure to Interest Rate risk

The principal Interest Rate risk to which the Bank's portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of the change in market interest rates. This risk arises primarily from securities portfolio, retail and corporate banking. Interest rate risk is managed principally through periodic monitoring of interest rate spreads between the Bank's assets and liabilities and also preparing related scenario analysis on interest rates for decision making purposes.

The method used to measure Interest Rate risk of the Bank's assets and liabilities is based on the sensitivity analysis.

i) Shift sensitivity of fair value quantifies the change in economic value of a financial portfolio resulting from adverse movements in the interest rates. The adverse movement is defined as a parallel and uniform shift of ±100 basis points of the interest rate curve. This measure highlights the effect of the variation in market interest rates on the portfolio being measured, with the assumption of no future changes in the mix of assets and liabilities. The sensitivity of equity is calculated by revaluing the available-for-sale securities portfolio. The Bank's financial assets and liabilities have mainly variable interest rate or have a re-pricing date of less than one year, except for Albanian Securities and for certain non-Albanian securities investment, which have coupon rates between 0.9 - 6.9%, for USD denominated securities (2015: 1.2 - 6.9%), between 0.5 - 5.8% for EUR denominated securities (2015: 1.4 - 5.8%) and between 1.2 - 2.6% for GBP denominated securities (2015: 1 - 5.6%).

Interest rate risk generated by the Bank's assets and liabilities, as measured through shift sensitivity analysis of Fair Value analysis of ± 100 basis points, registered at the end of December 2016 a value of (ALL 710 million) (for +100 basis points) compared to the end of year 2015 (ALL 761 million). The table below shows the currency breakdown of the shift sensitivity for the year end 2016 and 2015.

The Bank's Regulation on Interest Rate Risk Management is under revision in order to fully comply with the new Group Interest Rate Risk Guideline issued on July 2015.

Shift sensitivity 31 December 2016	Increase in basis points	Total	Sensitivity of Profit & Loss	Sensitivity of Equity
EUR	+100 b.p. / -100 b.p.	(222,369)/ 225,848	(192,000)/ 218,504	(30,369)/7,343
USD	+100 b.p. / -100 b.p.	(190,681)/ 211,274	(184,714)/ 205,247	(5,967)/ 6,027
ALL	+100 b.p. / -100 b.p.	(292,471)/ 306,044	(292,471)/ 306,044	
Other (GBP & CHF)	+100 b.p. / -100 b.p.	(4,703)/ 3,358	1,147/(1,571)	(5,849)/ 4,930

Shift sensitivity 31 December 2015	Increase in basis points	Total	Sensitivity of Profit & Loss	Sensitivity of Equity
EUR	+100 b.p. / -100 b.p.	(291,356)/81,254	(281,490)/84,199	(9,867)/(2,945)
USD	+100 b.p. / -100 b.p.	(229,040)/255,359	(206,062)/233,459	(22,978)/21,900
ALL	+100 b.p. / -100 b.p.	(234,626)/24,6587	(234,626)/246,587	
Other (GBP & CHF)	+100 b.p. / -100 b.p.	(6,395)/7,119	1,855/(1,259)	(8,251)/8,378

II) Shift sensitivity of the Net Interest Income records the NII effects generated by the market rates movement on the renewal/re-pricing of the banking book. It quantifies the short-term impact on the net interest income of a parallel, instantaneous, permanent shock of ±50 basis points to the interest rate curve. This measure highlights the effect of variations in market rates on the interest margin generated by the portfolio that is being measured, excluding potential effects deriving from the new operations and future changes in the mix of assets and liabilities.

The Interest rate risk generated by the Bank's assets and liabilities, as measured through shift sensitivity of Net Interest Income analysis of ± 50 basis points, registered at 31 December 2016 a value of (Lek 112 million) (for -50 basis points).

4. Financial Risk Management (continued)

c) Market Risk (continued)

Exposure to Interest Rate risk

A different method used to measure Interest Rate risk is required by the Central Bank of Albania, which consists of quarterly monitoring of the interest rate risk exposure towards a parallel shock of ±200 basis points of the interest rate curve. For all the financial categories of assets and liabilities divided into either fixed or floating rate, their present value is calculated and is distributed in 14 time buckets. The total present value is then multiplied accordingly with the estimated modified duration of each time bucket. The limit for this exposure is 20% of the Bank’s regulatory capital. For the year 2016 the Bank has been within the limit with the interest rate risk exposures at 31 December 2016 being 2.7% of the Bank’s regulatory capital (31 December 2015: 0.8%).

4. Financial Risk Management (continued)

c) Market Risk (continued)

Exposure to Interest Rate risk

The tables below summarize the Bank's financial assets and liabilities analysed according to repricing periods (determined as earlier as of the remaining maturity or the contractual pricing). Included in the tables are the Bank's monetary assets and liabilities with both fixed and non-fixed interest rates:

31 December 2016	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 year	> 5 years	Total
Assets							
Cash and cash equivalents	27,269,197	-	-	-	-	-	27,269,197
Loans and advances to banks	8,628,563	5,012,202	3,466,203	-	-	-	17,106,968
Loans and advances to customers	7,793,002	2,045,060	3,154,192	3,154,192	19,696,407	6,699,298	42,542,151
Financial investments available-for-sale	6,141	628,873	1,685,921	1,194,590	2,486,351	1,249,572	7,251,448
Financial investments held to maturity	-	3,154,075	4,828,137	21,732,172	17,553,523	3,461,526	50,729,433
Other financial assets	-	46,395	57,462	75,469	-	-	179,326
Total financial assets	**43,696,903**	**10,886,605**	**13,191,915**	**26,156,423**	**39,736,281**	**11,410,396**	**145,078,523**
Liabilities							
Deposits to banks	(2,885,233)	-	-	-	-	-	(2,885,233)
Due to customers	(77,304,556)	(3,159,515)	(6,381,017)	(31,461,214)	(7,667,917)	-	(125,974,219)
Other liabilities	(217,235)	(491,892)	-	-	-	-	(709,127)
Total financial liabilities	**(80,407,024)**	**(3,651,407)**	**(6,381,017)**	**(31,461,214)**	**(7,667,917)**	**-**	**(129,568,579)**
Interest sensitivity gap	**(36,710,121)**	**7,235,198**	**6,810,898**	**(5,304,791)**	**32,068,364**	**11,410,396**	**15,509,944**

31 December 2015	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 years	>5 years	Total
Assets							
Cash and cash equivalents	16,341,358	-	-	-	-	-	16,341,358
Loans and advances to banks	12,056,374	7,003,365	4,843,198	-	-	-	23,902,937
Loans and advances to customers	7,442,333	1,953,036	3,012,260	3,012,260	18,810,111	6,397,846	40,627,846
Financial investments available-for-sale	-	-	-	142,205	3,399,744	915,479	4,457,428
Financial investments held to maturity	4,468	5,955,845	-	-	34,371,059	11,531,814	51,863,186
Other financial assets	-	57,598	57,498	96,920	-	-	212,015
Total financial assets	**35,844,533**	**14,969,844**	**7,912,956**	**3,251,385**	**56,580,914**	**18,845,139**	**137,404,771**
Liabilities							
Due to banks	(1,953,032)	-	-	-	-	-	(1,953,032)
Due to customers	(56,072,826)	(6,705,518)	(9,031,820)	(37,697,034)	(9,334,928)	-	(118,842,126)
Other liabilities	(217,235)	(491,892)	-	-	-	-	(709,127)
Total financial liabilities	**(58,243,093)**	**(7,197,410)**	**(9,031,820)**	**(37,697,034)**	**(9,334,928)**	**-**	**(121,504,285)**
Interest sensitivity gap	**(22,398,560)**	**7,772,434**	**(1,118,864)**	**(34,445,649)**	**47,245,986**	**18,845,139**	**15,900,486**

4. Financial Risk Management (continued)

d) Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. This definition includes: legal risk, or the risk of losses resulting from violations of law or regulations, from contractual or constructive liability or from other disputes; model risk, defined as the potential loss which can be suffered by an entity, resulting from decisions mainly based on the results of internal models, caused by errors occurred during their development, implementation or use; Compliance risk, defined as the risk to incur judicial or administrative penalties, relevant financial losses resulting from the violation of mandatory rules or self-regulation; ICT risk (Information and Communication Technology, or simply computer risk), defined as the risk to incur economic losses related to the use of information and communication technology. Strategic and reputational risks are excluded.

The Bank's Board of Directors has approved the guidelines on the overall operational risk management framework adopting a policy and an organizational process for measuring, managing and controlling operational risk. The Bank's Regulation on Guideline for Operational Risk Management is fully in compliance with the Group Guidelines on Operational Risk Management issued on December 2014.

The Bank's Operational Risk Management Committee (hereinafter as ORCO) is responsible for the management of the operational risk of the Bank in terms of reviewing operational risk governance documentation and approving changes, preparing policies, standards and methodologies regarding operational risk management. One of the tools introduced for the management of operational risk is the definition of Operational Risk Key Indicators (KRIs). Market and Operational Risk Office in collaboration with the Business Owners defined internally 15 Key Risk Indicators, which have been measured and monitored for 6 months on monthly basis. Based on the statistical data of the measurement monitoring period, the final list of KRIs and thresholds was approved in ISBA Operational Risk Committee on October 2015. Since their approval, the Internal KRIs have been monitored and reported on quarterly bases in the ORCO meetings. The Internal KRIs are subject of an annual review process in order to ensure that the they are aligned with the dynamic of the operational context and the significant risks that the Bank faces. Any amendement on KRIs policy will be submitted in ORCO and BoD for approval.

The Bank's Risk Management Division is responsible for the identification, assessment, management and mitigation of operational risks, the verification of mitigation effectiveness and reporting to the Bank Senior Management and Group Risk Management with the aim of assessing the potential economic impact of particularly serious operational events.

The Bank carries out an annual assessment campaign set up by Intesa Sanpaolo Group, Self-Diagnosis process, which consists on the operational risk identification and assessment linked to the activity of each single unit within a structure.

The objectives of the Self Diagnosis process are to identify, measure, monitor, and mitigate operational risks. The Self Diagnosis process contributes to the spread of risk - control culture within the Bank. This process is composed of phases relative to the Assessment of the Business Environment, which determines the quality of each structure's risk control profile through the analysis of the importance and the level of management of risk factors in the operating context and phases relative to Scenario Analysis, which determine the size of each structure's risk profile by collecting estimated quantitative data from Business and Operational Units Responsible.

The Bank has the same responsibilities towards the Bank of Albania, based on the regulation on management of operational risk, entered into force on January 2011. The Bank reports regularly on the key indicators and classifications of effective operational losses as per business lines according to the regulatory requirements.

4. Financial Risk Management (continued)

e) Capital Management

The Bank's lead regulator, the Central Bank of Albania, sets and monitors capital requirements for the Bank. The Bank's policy is to maintain the capital base within limits, capitalizing all activity earnings so as to sustain future development of the business recognizing the impact of the level of capital on shareholders' return. The Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Implementing the current capital requirements, the Bank of Albania requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets and off balance sheet items, at a minimum level of 12%. During financial year 2016 the Bank achieved an adequacy ratio well above the minimum required which as at 31 December 2016 is calculated at 17.57% (2015: 16.58%).

The modified capital adequacy ratio, which represents the ratio of base capital to risk-weighted assets and off balance sheet items, is another limit set by the Central Bank of Albania at a level of 6%.

Throughout the period, there were no material changes in the Bank's management of capital and all externally imposed capital requirements were complied with.

In March 2015 new regulation on Capital Adequacy Ratio entered into force. The new regulation is based on Basel II criteria and is in line with the European Directives for Financial Institutions. Regardless that the new regulation and the countercyclical measures increase the level of risk weighted assets the Capital Adequacy Ratio remained well above the minimum level required during 2016.

As of reporting period the bank capital levels, risk weighted assets and the capital adequacy ratio as per Bank of Albania regulations are as follows:

	Note	31 December 2016	31 December 2015
Tier 1 capital - CET1			
Share capital	20	5,562,518	5,562,518
Share premium	20	1,383,880	1,383,880
Legal and regulatory reserves	21	1,825,623	1,825,623
Regulatory retained earnings		6,419,968	4,782,718
		15,191,989	13,554,739
Deductions:			
Regulatory intangible assets		(692,374)	(718,191)
Total qualifying Tier 1 capital		**14,499,615**	**12,836,548**
Risk-weighted assets:			
On balance sheet		72,470,562	66,922,458
Risk assets for operational risk		10,032,850	10,485,163
Total risk-weighted assets		**82,503,412**	**77,407,621**
Tier I capital to risk- weighted asset ratio		**17.57%**	**16.58%**

5. Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Management discusses with the Group Management the development, selection and disclosure of the Bank's critical accounting policies and their application, and assumptions made relating to major estimation uncertainties. Information about assumptions and estimation uncertainties that have a significant risk of material adjustment within the next financial year and critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements are disclosed below. These disclosures supplement the commentary on financial risk management (see note 4).

(a) Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Loans and advances that have been assessed individually and found not to be impaired, and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from loan portfolio (such as credit quality, levels of arrears, credit utilization, etc.) and other concentrations of risks and economic data. The impairment losses on loans and advances are disclosed in more details in note 11.

(b) Net realizable value of inventory

The Bank has established a policy with respect to the fair values of repossessed assets which are being measured at the lower of cost and net realizable value. The fair value measurement includes the use of external independent property valuers that have appropriate recognized statutory professional qualifications, which is subsequently reviewed from the Bank Management for significant unobservable inputs and any required write down adjustments.

(c) Held-to-maturity investments

The Bank follows the guidance of International Accounting Standard 39 Financial Instruments: Recognition and Measurement on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity.

(d) Determination of control over investees

Management applies its judgement to determine whether the Bank controls investees. In assessing whether the Bank controls the investees, the Bank performs the power analysis and takes into consideration purpose and design of the investee, the evidence of practical ability to direct the relevant activities of the investees etc.

As a result, the Bank concluded that it does not control and therefore should not consolidate its special purpose vehicles and entities with receivables in default, as the Bank does not have power over the relevant activities of those entities.

5. Use of estimates and judgments (continued)

(e) Fair value of financial instruments

Where the fair values of financial assets and liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data when possible, and if they are not available, judgment is required to establish fair values. For financial instruments that are traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The valuation of financial instruments is disclosed in more detail in note 6. The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The analysis of financial instruments recorded at fair value by hierarchy level is presented below:

31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial investments Available-for-sale				
Quoted investments				
Government debt securities	4,099,821	-	-	**4,099,821**
Other debt securities	2,426,419	-	-	**2,426,419**
Unquoted investments	-	-	725,208	**725,208**
Total	**6,526,240**	**-**	**725,208**	**7,251,448**

31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial investments Available-for-sale				
Quoted investments				
Government debt securities	1,708,643	-	-	**1,708,643**
Other debt securities	1,437,390	1,069,226	-	**2,506,616**
Unquoted investments	-	-	242,169	**242,169**
Total	**3,146,033**	**1,069,226**	**242,169**	**4,457,428**

Available-for-sale and Held-to-maturity Albanian Government securities are fixed and floating rate bonds. The floating rate bond is given as the average yield of the last three Treasury Bill auctions with the maturity of one year plus the spread. The measurement of the fair value for these securities is performed using the mark-to-market model valuation technique, by discounting all future cash flows deriving from such instruments. The rest of the Available-for-sale and Held-to-maturity foreign securities denominated in foreign currencies represent Banks and Financial Institutions' securities. Their fair value is provided from either Bloomberg or State Street depending on where the custody of the bond is, or in the case of Austria Republic (EUR) and Italian Government International bonds (GBP), since prices are not found within State Street, values are taken from Bloomberg.

During the year there were no transfers between the categories, as there were no changes in the methodology used in determining the levels of fair value hierarchy nor changes in market activities of financial instruments.

5. Use of estimates and judgments (continued)

(f) Deferred tax assets

Deferred tax assets arising from tax losses and temporary differences are recognized as an asset when it is probable that future taxable income would be sufficient to allow the benefit of the loss to be realized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits and future tax planning strategies. Refer to notes 3 (e) and 17 for more details.

(g) Litigation risk

The Bank Management has established an internal process with respect to recognition and measurement of provisions and contingencies due to actual or threatened litigations. Key assumptions about the likelihood and magnitude of an outflow of resources are based on the internal and external legal advice following the respective successful defense strategies against resulting actions. Each action and corresponding risk is assessed on its merits and the underlying constructive or legal obligation, and the estimate of cash outflows considered payable are independently approved from the Bank's CEO. Management believes, that existing or potential future litigation are remote, however due to causes beyond legal background and framework further risks might be triggered.

6. Financial Assets and Liabilities

Accounting classification and fair values of financial assets and liabilities not carried at fair value:

		Carrying Amount				Fair Value			
	Note	Held-to-Maturity	Loans and advances to banks	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
31 December 2016									
Loans and advances to banks	7	-	17,106,968	-	17,106,968	-	-	17,106,968	17,106,968
HTM Investment securities	10	50,729,433	-	-	50,729,433	4,666,485	404,875	46,695,062	51,766,422
Total		**50,729,433**	**17,106,968**	**-**	**67,836,401**	**4,666,485**	**404,875**	**63,802,030**	**68,873,390**
Deposits from customers	16	-	-	125,974,220	125,974,220	-	-	-	126,033,512
Total		**-**	**-**	**125,974,220**	**125,974,220**	**-**	**-**	**-**	**126,033,512**

The major part of portfolio of loans and advances to customers is based on floating interest rates and it is re-priced on a quarterly, semiannually or yearly basis.

Management considers it impracticable to perform a calculation of the fair value of loans and advances to banks, loans and advances to customers and deposits from banks and it believes that the fair values approximate the carrying amount. Expected future losses are not taken into account.

6. Financial Assets and Liabilities (continued)

		Carrying Amount				Fair Value			
	Note	Held-to-Maturity	Loans and advances to banks	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
31 December 2015									
Loans and advances to banks	7	-	23,902,937	-	23,902,937	-	-	23,902,937	**23,902,937**
Investment securities HTM	10	51,863,186	-	-	51,863,186	5,392,184	410,991	47,515,131	**53,318,306**
Total		**51,863,186**	**23,902,937**	**-**	**75,766,123**	**5,392,184**	**410,991**	**71,418,068**	**77,221,243**
Deposits from customers	16	-	-	118,842,126	118,842,126	-	-	119,100,186	119,100,186
Total		**-**	**-**	**118,842,126**	**118,842,126**	**-**	**-**	**119,100,186**	**119,100,186**

7. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2016 and 31 December 2015 are detailed as follows:

	31 December 2016	31 December 2015
Cash on hand	1,300,348	1,100,087
Current accounts with banks	12,413,055	8,640,132
Unrestricted balances with central bank	738,403	244,147
Money market placements	12,817,391	6,356,992
Total	**27,269,197**	**16,341,358**

8. Loans and advances to banks

Loans and advances to banks as at 31 December 2016 and 31 December 2015 are composed as follows:

	31 December 2016	31 December 2015
Compulsory reserve with central bank	11,496,885	10,877,063
Deposits with correspondent banks	5,610,083	13,025,874
Total	**17,106,968**	**23,902,937**

In accordance with the Bank of Albania requirements, the Bank should maintain a minimum of 10% of amounts due to customers with original maturities up to two years as a compulsory reserve with the Central Bank. Such reserves are maintained in currencies that match the related due to customers balances. The amount required to be deposited is calculated monthly in arrears. According to the Bank of Albania regulation 40% of this reserve in Lek is available for daily use by the Bank.

The obligatory reserve rate denominated in Lek is 70% of repurchase agreements rate and theremuneration interest rate of the obligatory reserve in EUR is equal to the European Central Bank base rate The reserve had an interest rate of 0.875% for Lek and (0.40%) for EUR for 31 December 2016 (31 December 2015: 1.23% for Lek and nil for EUR).

Deposits with banks comprise money market placements with an original maturity of over three months.

9. Financial investments available for sale

Financial investments available-for-sale as at 31 December 2016 and 31 December 2015 can be detailed as follows:

	31 December 2016	31 December 2015
Corporate issuers		
Bank issuers	**1,789,549**	**2,506,679**
Listed	1,427,022	1,437,453
Unlisted	362,527	1,069,226
Sovereign issuers		
Albanian Government:	**1,113,620**	**242,169**
Unlisted	1,113,620	242,169
EU member states	**3,711,409**	**1,708,580**
Listed	3,711,409	1,708,580
Other Financial Institutions	**636,870**	-
Listed	636,870	-
Total	**7,251,448**	**4,457,428**

The Bank reviews its debt securities classified as availablefor-sale investments at each reporting date to assess whether there is any objective evidence that they are impaired.

10. Financial investments held to maturity

Financial investments held to maturity as at 31 December 2016 and 31 December 2015 can be detailed as follows:

	31 December 2016	31 December 2015
Corporate issuers		**550,477**
Bank issuers	**-**	**550,477**
Listed	-	550,477
Sovereign issuers	**50,729,433**	**51,312,709**
Republic of Albania	**47,769,533**	**48,371,561**
Unlisted	47,769,533	48,371,561
US and EU member states	**2,959,900**	**2,941,148**
Listed	2,959,900	2,941,148
Total	**50,729,433**	**51,863,186**

11. Loans and advances to customers

Loans and advances to customers are composed as follows:

	31 December 2016	31 December 2015
Loans	31,493,287	29,515,687
Overdrafts	13,858,107	15,589,425
Deferred disbursement fees	(111,431)	(105,111)
Gross amount	**45,239,963**	**45,000,001**
Allowance for impairment	(2,697,812)	(4,372,155)
Total net amount	**42,542,151**	**40,627,846**

Movement in the allowance for impairment losses on loans and advances to customers is as follows:

	2016	2015
Specific allowance for impairment		
Balance at 1 January	**4,000,730**	**6,381,418**
Charge for the year	1,703,658	4,283,376
Recoveries	(2,121,069)	(3,553,505)
	(417,411)	**729,871**
Effect of movements in foreign exchange	(40,514)	28,581
Write-offs	(1,231,963)	(3,139,140)
Balance at 31 December	**2,310,842**	**4,000,730**
Collective allowance for impairment		
Balance at 1 January	**371,425**	**465,425**
Charge for the year	25,325	-
Recoveries	(6,627)	(92,338)
	18,698	**(92,338)**
Effect of movements in foreign exchange	(3,153)	(1,662)
Balance at 31 December	**386,970**	**371,425**
Total allowance for impairment	**2,697,812**	**4,372,155**
Total (reversal)/charge for the year	**(398,713)**	**637,533**

12. Property and Equipment

Property and Equipment as at 31 December 2016 and 31 December 2015 is as follows:

	Land and Building	IT and Electrical Equipment	Furniture and Fine Art Works	Other non-Electrical Assets	Assets acquired not put into use	Total
Cost						
Balance as at 1 January 2015	**1,631,770**	**1,217,419**	**184,544**	**259,166**	**158,258**	**3,451,157**
Additions	11,752	92,715	3,761	12,418	-	**120,646**
Disposals	-	(37,302)	(6,331)	(25,449)	(78,674)	**(147,756)**
Balance as at 31 December 2015	**1,643,522**	**1,272,832**	**181,974**	**246,135**	**79,584**	**3,424,047**
Additions	-	28,451	12,083	6,460	113,984	**160,978**
Disposals	-	(10,537)	(15,404)	(4,642)	-	**(30,583)**
Balance as at 31 December 2016	**1,643,522**	**1,290,746**	**178,653**	**247,953**	**193,568**	**3,554,442**
Accumulated Depreciation						
Balance as at 1 January 2015	734,152	922,695	162,043	233,830	-	**2,052,720**
Depreciation for the year	80,226	140,824	6,648	10,362	-	**238,060**
Disposals	-	(37,230)	(6,331)	(25,441)	-	**(69,002)**
Balance as at 31 December 2015	**814,378**	**1,026,289**	**162,360**	**218,751**	**-**	**2,221,778**
Depreciation for the year	78,033	97,004	5,529	10,382	-	**190,948**
Disposals	-	(10,500)	(15,402)	(4,625)	-	**(30,527)**
Balance as at 31 December 2016	**892,411**	**1,112,793**	**152,487**	**224,508**	**-**	**2,382,199**
Carrying amount						
At 1 January 2015	**897,618**	**294,724**	**22,501**	**25,336**	**158,258**	**1,398,437**
At 31 December 2015	**829,144**	**246,543**	**19,614**	**27,384**	**79,584**	**1,202,269**
At 31 December 2016	**751,111**	**177,953**	**26,166**	**23,445**	**193,568**	**1,172,243**

13. Intangible Assets

Intangible assets as at 31 December 2016 and 31 December 2015 are as follows:

	Software and Licenses	Advances for Software	Total
Cost			
Balance as at 1 January 2015	**1,188,153**	**238,828**	**1,426,981**
Additions during period	-	146,455	**146,455**
Transfers	286,538	(286,538)	**-**
Balance as at 31 December 2015	**1,474,691**	**98,745**	**1,573,436**
Additions during period	109,596	25,052	**134,648**
Transfers	-	-	**-**
Balance as at 31 December 2016	**1,584,287**	**123,797**	**1,708,084**
Amortisation and Impairment Losses			
Balance as at 1 January 2015	**872,346**	**-**	**872,346**
Amortisation charge for the year	110,527	-	**110,527**
Disposals	-	-	**-**
Balance as at 31 December 2015	**982,873**	-	**982,873**
Amortisation charge for the year	133,309	-	**133,309**
Disposals	-	-	**-**
Balance as at 31 December 2016	**1,116,182**	**-**	**1,116,182**
Carrying amount			
At 1 January 2015	**315,807**	**238,828**	**554,635**
At 31 December 2015	**491,818**	**98,745**	**590,563**
At 31 December 2016	**468,105**	**123,797**	**591,902**

14. Inventory and other assets

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

	31 December 2016	31 December 2015
Inventory	2,298,654	1,837,084
Sundry debtors	57,462	57,498
ATM & POS transactions	31,743	48,264
Leasehold improvements	22,398	28,598
Prepayments	46,395	57,598
Cheques for collection	8,377	11,458
Others	35,349	37,198
Total	**2,500,378**	**2,077,698**

Inventory represents repossessed assets acquired in the process of collection of defaulted loans.

The movement of “repossessed assets” item during the reporting period is presented as follows:

	2016	2015
At beginning of the period	**1,837,084**	**2,111,434**
Additions during period	1,076,525	517,947
Disposals of the period	(306,733)	(584,459)
Write down to net realizable value	(293,553)	(167,221)
Effect of movements in foreign exchange	(14,669)	(40,617)
At end of the period	**2,298,654**	**1,837,084**

The movement of leasehold improvements during the reporting period is presented as follows:

	31 December 2016	31 December 2015
At beginning of the period	**28,598**	**28,924**
Additions during period	1,551	8,080
Amortization of the period	(7,751)	(8,406)
At end of the period	**22,398**	**28,598**

15. Due to banks

Due to banks as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Correspondent banks		
Current accounts	**999,095**	**82,958**
Resident	888,890	1,197
Non-resident	110,205	81,761
Deposits	**1,886,138**	**1,870,074**
Resident	1,886,138	1,870,074
Non-resident	-	-
Total	**2,885,233**	**1,953,032**

16. Due to customers

Due to customers as at 31 December 2016 and 31 December 2015 are composed as follows:

	31 December 2016			31 December 2015		
Current accounts	**Local Currency**	**Foreign Currency**	**Total**	**Local Currency**	**Foreign Currency**	**Total**
Retail	6,774,797	12,844,916	19,619,713	4,797,296	10,519,154	**15,316,450**
Corporate	9,993,204	23,587,330	33,580,534	9,417,355	19,131,669	**28,549,024**
	16,768,001	**36,432,246**	**53,200,247**	**14,214,651**	**29,650,823**	**43,865,474**
Deposits						
Retail	30,335,152	38,208,519	68,543,671	32,170,499	37,965,346	**70,135,845**
Corporate	796,230	3,434,072	4,230,302	896,993	3,943,814	**4,840,807**
	31,131,382	**41,642,591**	**72,773,973**	**33,067,492**	**41,909,160**	**74,976,652**
Total	**47,899,383**	**78,074,837**	**125,974,220**	**47,282,143**	**71,559,983**	**118,842,126**

Balances due to customers by maturity and currency type are as follows:

	31 December 2016			31 December 2015		
	Local Currency	**Foreign Currency**	**Total**	**Local Currency**	**Foreign Currency**	**Total**
Current Accounts	**16,768,001**	**36,432,246**	**53,200,247**	**14,214,651**	**29,650,823**	**43,865,474**
Deposits						
On demand	3,183,356	13,285,724	16,469,080	2,786,679	9,421,436	12,208,115
One month	965,784	448,121	1,413,905	1,953,263	816,407	2,769,670
Three months	928,928	2,230,587	3,159,515	1,128,779	2,806,483	3,935,262
Six months	2,657,242	3,723,775	6,381,017	3,183,337	5,849,099	9,032,436
Nine months	2,282	7,442	9,724	39,655	5,079	44,734
Twelve months	12,514,768	18,936,722	31,451,490	17,850,819	19,803,251	37,654,070
Twenty four months	5,985,458	1,682,463	7,667,921	4,092,080	1,794,639	5,886,719
Other	4,893,564	1,327,757	6,221,321	2,032,880	1,412,766	3,445,646
	31,131,382	**41,642,591**	**72,773,973**	**33,067,492**	**41,909,160**	**74,976,652**
Total	**47,899,383**	**78,074,837**	**125,974,220**	**47,282,143**	**71,559,983**	**118,842,126**

16. Due to customers (continued)

For current accounts (for which is paid interest) and time deposits, the annual published interest rates applicable for the various fixed terms were:

2016	ALL (%)	USD (%)	EUR (%)
Current accounts and demand deposits	0.01 – 2.07	0.01 – 0.53	0.002 – 0.997
Time deposits – 1 month	0.40 – 0.90	0.05 – 0.05	0.002 – 0.030
Time deposits – 3 months	0.40 – 1.20	0.10 – 0.20	0.000 – 0.050
Time deposits – 6 months	0.45 – 1.50	0.15 – 0.25	0.000 – 0.050
Time deposits – 9 months	0.40 – 1.10		0.006 – 0.070
Time deposits – 12 months	0.60 – 1.90	0.20 – 0.30	0.000 – 0.100
Time deposits – 24 months	1.15 – 2.15	0.20 – 0.30	0.020 – 0.100
Time deposits – 36 months	1.20 – 2.40		0.070 – 0.100
Time deposits – 60 months	2.38 – 2.56		
Time deposits – 84 months	3.41 – 3.60		

2015	ALL (%)	USD (%)	EUR (%)
Current accounts and demand deposits	0.09 – 2.72	0.01 – 0.50	0.001 – 1.00
Time deposits – 1 month	0.60 – 0.90	0.05 – 0.05	0.03 – 0.05
Time deposits – 3 months	0.50 – 1.55	0.10 – 0.20	0.05 – 0.20
Time deposits – 6 months	0.50 – 2.10	0.10 – 0.25	0.05 – 0.35
Time deposits – 9 months	1.10 – 1.55	-	0.07 – 0.15
Time deposits – 12 months	0.50 – 2.30	0.10 – 0.30	0.06 – 0.40
Time deposits – 24 months	1.80 – 2.75	0.20 – 0.30	0.07 – 0.30
Time deposits – 36 months	2.20 – 3.05	-	007 – 0.40

All individual customer deposits, in accordance with the Law No. 52, dated 25.05.2014 “On the Insurance of Deposits”, are protected without any cost for customers, up to the amount of Lek 2,500,000 (or in Lek equivalent if in foreign currency) with the Deposit Insurance Agency (DIA). During 2016, DIA enlarged the deposit insurance scheme with corporate customers.

17. Deferred Tax

Recognized deferred tax assets and liabilities are attributable to the following:

	31 December 2016			31 December 2015		
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Financial assets available-for-sale	-	290	(290)	-	46	(46)
Equipment and intangible assets	82,092	-	82,092	82,103	-	82,103
Net deferred tax assets	**82,092**	**290**	**81,802**	**82,103**	**46**	**82,057**

Movements in temporary differences during the year are as follows:

31 December 2016	**Opening balance**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Closing balance**
Financial assets available-for-sale	(46)	-	(244)	**(290)**
Equipment and intangible assets	82,103	(11)	-	**82,092**
Total	**82,057**	**(11)**	**(244)**	**81,802**
31 December 2015				
Financial assets available-for-sale	-	-	(46)	**(46)**
Property and equipment and intangible assets	76,962	5,141	-	**82,103**
Total	**76,962**	**5,141**	**(46)**	**82,057**

18. Provisions

Movements in provisions during the year are as follows:

	Tax Litigation	**Other Litigations**	**Off-Bsh Provision**	**Total**
Balance at 1 January 2016	213,441	124,870	41,497	**379,808**
Provisions made during the year	64,653	-	25,463	**90,116**
Provisions reversed and reclassified during the year	-	(92,543)	(12,930)	**(105,473)**
Provisions used during the year	-	(11,761)	-	**(11,761)**
Effect of movements in foreign exchange	-	(1,470)	(841)	**(2,311)**
Balance at 31 December 2016	**278,094**	**19,096**	**53,189**	**350,379**

The provisions amounting to Lek 64,653 thousand made during the year related to an ongoing tax litigation related to former-BIA. During 2016, provisions reversed of Lek 92,543 thousand include an amount of Lek 86,382 thousand been reclassified as an inventory writte down. The provision was set up in previous years and related to dispute with respect of foreclosed assets. Given that the Bank in 2016 lost the dispute, the provision was released and the asset derecognized.

19. Other liabilities

Other liabilities as at 31 December 2016 and 31 December 2015 are composed as follows:

	31 December 2016	31 December 2015
Accrued expenses	542,032	491,891
Sundry creditors	151,123	33,676
Suspense accounts	17,749	71,472
Bank cheques issued and payments in transit	24,039	44,288
Other tax liabilities	33,759	37,541
Due to third parties	17,091	16,653
Other accrued expenses	771	13,606
Total	**786,564**	**709,127**

20. Share capital and premium

The issued share capital comprises one class of shares as follows:

	Number of Shares (In number)	Nominal Value (In Lek)	Total Shares Value (In Lek)
Share Capital at 31 December 2016	**15,581,282**	**357**	**5,562,517,674**

Intesa Sanpaolo S.p.A is the sole shareholder at 31 December 2016 and 31 December 2015.

21. Legal and regulatory reserves

As at 31 December 2016 and 31 December 2015, the reserves were:

	31 December 2016	31 December 2015
Regulatory reserve	1,130,983	1,130,983
Legal reserve	694,640	694,640
Total	**1,825,623**	**1,825,623**

The regulatory reserve was established according to the Bank of Albania regulation “On the Bank’s Regulatory Capital”, no.69, dated 18 December 2014. Banks and branches of foreign banks are required to create reserves of 1.25% to 2% of total risk-weighted assets, by appropriating one fifth of the profit after taxes and before payment of dividends, until the balance on this measure reaches at least 1.25% of total risk-weighted assets. At 31 December 2016, the regulatory reserve represented 1.45% of total risk-weighted assets (2015: 1.5%).

The provisions of the Commercial Law require the creation of reserves of 5% of the Bank’s net income after deduction of accumulated losses from previous years, until the balance of this reserve reaches 10% of the Bank’s share capital. At 31 December 2016, the balance represented 10% of the Bank’s share capital (2015: 10%). This threshold is not mandatory, when the existing reserves are not less than one tenth of the Bank’s share capital.

22. Other reserves

Other comprehensive items

Other comprehensive items represent the differences arising from the conversion of the Bank's share capital from USD to Lek. Out of this balance, the amount of Lek 297,666 thousand was received as at 1 January 2008 from the merger with former BIA, as raised by the same denomination currency change of the share capital.

Other reserve

Other reserves represent the fair value reserve which comprises the cumulative net change in the fair value of available-for-sale financial assets, until the assets are derecognised or impaired. The changes during the financial year ended 31 December 2016 amounted to an increase of Lek 1,384 thousand (2015: decrease Lek 88,233 thousand).

23. Net Interest income

Interest income	**2016**	**2015**
Loans and advances to customers	2,284,667	2,436,734
Financial investments held to maturity	2,367,719	2,968,744
Loans and advances to banks	100,535	183,999
Financial investments-available-for-sale	73,045	114,842
Total interest income	**4,825,966**	**5,704,319**
Interest expenses		
Demand and time deposits	696,612	958,554
Deposits from banks	66,480	79,348
Current accounts of customers	54,258	120,691
Total interest expenses	**817,350**	**1,158,593**
Net interest income	**4,008,616**	**4,545,726**

24. Net fee and commission income

	2016	**2015**
Collection and payment services	436,714	486,308
Active current accounts	205,513	198,089
ATMs and POSs	214,865	208,409
Guarantees given	15,424	16,816
Unused/advanced liquidated credit lines	24,922	30,341
Arrangement fees and others	12,705	13,559
Fee and commission income	**910,143**	**953,522**
ATMs and POSs	191,957	157,745
Banking services-foreign branches	9,553	10,513
Collection and payment services	1,990	574
Guarantees received	994	718
Fee and commission expenses	**204,494**	**169,550**
Net fee and commission income	**705,649**	**783,972**

Fee and commissions do not include fees received for loans and advances to customers (transaction costs), which are adjusted on initial recognition for the carrying value of these financial assets as per effective interest rate method.

25. Net other income

	2016	2015
Foreign exchange gains	366,033	443,889
Other	309	125,184
Total	**366,342**	**569,073**

26. Other operating expenses, net

	2016	2015
Premium on deposits insurance	241,636	235,431
Loss/(gain) on sale of fixed assets	100,866	(3,573)
(Gain)/loss on sundry net operational	(64,479)	12,053
Total	**278,023**	**243,911**

27. Personnel expenses

	2016	2015
Salaries	861,642	875,128
Personnel on secondment	59,175	94,175
Social Insurance	94,747	80,888
Training & similar	5,240	-
Termination indemnities and others	27,405	19,099
Total	**1,048,209**	**1,069,290**

28. Other expenses

	2016	2015
Software maintenance	182,305	187,173
Telephone and electricity	82,214	89,724
Advertising and publications	30,627	47,201
Maintenance and repair	51,823	56,561
Stationery	35,695	39,279
Consulting, legal and professional fees	56,247	49,985
Security	38,237	32,825
Transport and security services	25,717	27,628
Travel and business trips	9,844	8,209
Insurance	23,052	20,992
Other	78,639	24,661
Total	**614,400**	**584,238**

29. Income tax expenses

The components of income tax expense for the year ended 31 December 2016 and 2016 are:

	2016	2015
Current year	480,842	463,017
Adjustment for prior years	-	-
Over provided in prior years	-	-
Current tax expense	**480,842**	**463,017**
Origination and reversal of temporary differences	11	(5,141)
Deferred tax expenses/(income)	**11**	**(5,141)**
Income tax expense	**480,853**	**457,876**

Reconciliation of the income tax expense with the accounting profit for the year ended 31 December 2016 and 2015 is presented as follows:

	2016		2015	
Accounting Profit before tax		**2,763,858**		**2,668,971**
Income tax at domestic corporate tax rate	15.00%	414,579	15.00%	400,346
Non-deductible expenses	2.40%	66,263	2.35%	62,671
Origination and reversal of temporary differences	0.00%	11	(0.19%)	(5,141)
Income tax Expense	**17.37%**	**480,853**	**17.16%**	**457,876**

Non-deductible expenses are detailed as follows:

	2016	2015
Depreciation and Amortization	9,720	44,919
Sundry operational losses	11,593	3,343
Office expenses	8,262	5,057
Rent apartments	2,384	6,101
Personnel costs	103	6,928
Representation	1,151	3,938
Losses on unrecoverable loans and overdrafts	158,686	151,712
Impairment of assets acquired through legal process	293,553	167,221
Prior year adjustment	(139,083)	-
Litigation	64,653	12,296
Others	30,731	16,294
Total	**441,753**	**417,809**
At 15%	**66,263**	**62,671**

Following a tax audit during 2016, the Bank, provided during 2016 a prior year adjustment related to restatement of the 2013 tax return. The Bank 2016 prepaid income tax is in the amount of Lek 455,583, thousand (2015: Lek 352,341 thousand).

30. Commitments and contingencies

Commitments and contingencies as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Contingent Assets	**121,076,950**	**119,795,402**
Guarantees received from credit customers	109,250,300	107,337,280
Guarantees received from Government	5,200,000	5,200,000
Un-drawn credit facilities	4,977,785	5,804,593
Letters of credit	355,827	279,391
Money market future dated deals	241,793	568,612
Forward foreign exchange contracts	1,025,360	601,278
Other	25,885	4,248
Contingent Liabilities	**4,664,841**	**5,230,505**
Guarantees in favor of customers	4,664,841	5,230,505

Guarantees are mainly represented by bid and performance bonds. Guarantees and letters of credit are collateralized by cash and deposits. The Bank issues guarantees to its customers. These instruments bear a credit risk similar to that of loans granted.

Contingent assets, like letters of credit and un-drawn credit facilities, are off-balance sheet items representing future commitments where the Bank acts as the beneficiary. Forward foreign exchange contracts are off- balance sheet items used to offset currency fluctuations and the effect on the income statement is reflected on the maturity date when the contract is executed.

Litigation

The Bank is defending an action related to a partial payment of a bank guarantee amounting EUR 4,830 thousand. The guarantee was issued in favour of an Albanian entity upon the request of its parent company Intesa SanPaolo S.P.A. The Bank has successfully defended itself in a legal process, in which both the First Instance Court and Court of Appeal judged in favour of the Bank. The plaintiff has appealed to the Supreme Court during the year. The Supreme Court has not yet issued its decision. Management does not consider that there are any legal grounds for the existing judgements in its favour to be overturned. Nevertheless, given the complexity of the case, involving also the Italian Jurisdiction, and taking into consideration no other cases of that kind have been ever judged in the Albanian courts, some operational risks may occur.

The Bank has ongoing legal proceedings, claims, and litigation that arise in the ordinary course of business. Management believes that any existing or potential future litigation are remote and will not have a material adverse effect on Bank's financial position, results of operations, or cash flows.

31. Lease commitments and operating lease expenses

The Bank's operating lease commitments as lessee as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Less than one year	125,193	152,482
Between one and five years	229,081	321,072
More than five years	11,918	25,482
Total	**366,192**	**499,036**

The Bank has rental agreements with renewal options for its offices in Albania. During 2016, the amount of Lek 164,626 thousand was recognized as expense in respect of lease rentals (2015: Lek 173,946 thousand). Operating lease contracts are cancellable, if notified for a period of 180 days in advance.

32. Related parties

The Bank's immediate parent is Intesa Sanpaolo S.p.A, which ultimately holds a 100% interest. The Bank, therefore, considers that it has a related-party relationship, in accordance with International Accounting Standard 24 Related Party Disclosures ("IAS 24") with the following:
Shareholders and parties related to shareholders:

- Intesa Sanpaolo S.p.A and its subsidiaries and associates

Key management personnel and parties related to key management personnel:

- Supervisory Board members, Management Board members and other key management personnel defined as persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any director (whether executive or otherwise) of the Bank, collectively "key management personnel", close family members of key management personnel, and companies and un-incorporated businesses controlled, or jointly controlled by key management personnel and/or their close family members.

The following transactions have taken place during the year ended 31 December 2016 and 31 December 2015:

	ISP Group companies		Key management personnel and Other related parties	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
Assets at end of year	**12,197,494**	**10,108,151**	**155,476**	**177,589**
Loans and advances to credit institutions	12,152,936	10,080,859	-	-
Loans and advances to customers	-	-	155,476	177,589
Other assets	44,558	27,292	-	-
Liabilities at end of year	**61,242**	**16,391**	**403,570**	**300,249**
Loans and advances from credit institutions	44,170	3,263	-	-
Customer deposits	-	4,766	403,570	300,249
Invoices to be received	17,072	8,362	-	
Off balance sheet	**2,843,263**	**2,689,533**	**-**	**-**
Letter of credit/Letter of Guarantees given	424,707	889,669	-	-
Letter of credit/Letter of Guarantees received	1,219,078	1,073,625	-	-
Foreign currency contracts	1,199,478	726,239	-	-
Collaterals	-	-	-	-
Income for year ending	**90,457**	**228,585**	**4,002**	**6,870**
Interest income	40,799	85,130	3,533	6,549
Commission Income	49,658	143,455	469	321
Expenses for the year ending	**71,579**	**101,441**	**1,099**	**2,020**
Interest expense	10,007	-	1,099	2,020
Commission expense and others	19,276	51,407	-	-
Other Administrative Costs	42,296	50,034	-	-
Compensation of Key Managers			**136,797**	**154,944**
Net Salary			79,766	82,144
Net Bonus paid			20,652	21,021
Social & Health Insurance			4,254	4,431
Other expenses (Lecoip)			13,859	27,284
Other expenses			18,266	20,064

33. Subsequent events

The management of the Bank is not aware of any subsequent events that would require either adjustments or additional disclosures in the financial statements.