



ASPIS BANK S.A.

FINANCIAL STATEMENTS

31 December 2005

**In accordance with International Financial
Reporting Standards - IFRS**

These Financial Statements have been approved by the Board of Directors of ASPIS BANK S.A. on 27 February 2006 and are available at the following web page: www.aspisbank.gr



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Auditor's Report
(Translated from the original in Greek)

To the Shareholders of
ASPIS BANK A.T.E.

We have audited the accompanying financial statements of ASPIS BANK A.T.E. (the "Bank") which comprise the balance sheet as at 31 December 2005, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Greek Auditing Standards, which are based on the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, evaluating the overall financial statement presentation as well as assessing the consistency of the Board of Directors' Report with the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements give a true and fair view, of the Bank's financial position as of 31 December 2005, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that have been adopted by the European Union and the Board of Directors' Report is consistent with the accompanying financial statements.

Without qualifying our opinion we draw attention to note 9 to the financial statements, that explains that the tax obligations of the Bank for the years from 2003 to 2005 have not yet been audited by the tax authorities and accordingly its tax obligations for those years are not considered final. The outcome of a tax audit can not presently be determined.

Athens, 27 February 2006

KPMG Kyriacou Certified Auditors AE

Nikolaos Vouniseas
Certified Auditor Accountant
AM SOEL 18701



ASPIS BANK S.A.
Income Statement
For the year ended 31 December 2005
(In thousands of Euro)

	Note	2005	2004
Interest and similar income		86 196	77 670
Interest expense and similar charges		<u>(40 686)</u>	<u>(37 683)</u>
Net interest income	4	45 510	39 987
Fee and commission income	5	25 534	19 795
Fee and commission expense		<u>(528)</u>	<u>(609)</u>
Net fee and commission income		25 006	19 186
Dividend income		44	80
Net trading income	6	5 906	6 756
Net gain/(loss) on disposal of non-trading financial instruments		5	(480)
Other operating income		2 202	2 954
Operating expenses	7	(63 037)	(65 521)
Impairment losses on loans and advances		<u>(2 247)</u>	<u>(2 024)</u>
Profit before tax		13 389	938
Income tax expense	9	<u>(3 341)</u>	<u>(2 176)</u>
Profit/(loss) after tax		<u>10 048</u>	<u>(1 238)</u>
Basic and diluted earnings per share (euro per share)	10	0.21	(0.03)

**PRESIDENT OF THE BOARD OF
DIRECTORS AND MANAGING
DIRECTOR**

**VICE PRESIDENT OF THE BOARD
OF DIRECTORS**

**CHIEF FINANCIAL
OFFICER**

KONSTANTINOS V. KARATZAS
ID No I013419

STYLIANOS A. ARGYROS
ID No S206517

EVANGELOS V. STATHOPOULOS
ID No S045074
LICENCE No OEE 523 1ST CLASS

The attached notes on pages 8 to 48 form part of these financial statements.



ASPIS BANK S.A.
Balance Sheet
As at 31 December 2005
(In thousands of Euro)

Assets	Note	2005	2004
Cash and balances with Central Bank	11	66 319	175 869
Loans and advances to banks	12	331 182	228 297
Trading securities	13	1 820	697
Derivative financial instruments	14	134	-
Loans and advances to customers	15	1 403 632	1 159 195
Investment in subsidiaries	16	30 493	30 493
Investment securities			
- available-for-sale	17	18 873	17 307
- held-to-maturity	18	52 393	51 056
Property, plant and equipment	19	25 271	26 754
Intangible assets	20	2 242	2 269
Deferred tax assets, net	21	4 948	7 085
Other assets	22	49 743	34 468
Total assets		1 987 050	1 733 490
Liabilities			
Deposits from banks	23	190 730	15 585
Deposits from customers	24	1 573 361	1 568 300
Derivative financial instruments	14	145	82
Current income tax liability		281	1 457
Other liabilities	25	39 709	26 801
Employee benefits	26	2 194	2 326
Subordinated liabilities	27	49 613	-
Total Liabilities		1 856 033	1 614 551
Equity			
Share capital	28	143 561	143 021
Share premium		5 584	5 590
Other reserves	29	(4 019)	(5 515)
Accumulated deficit		(14 109)	(24 157)
Total equity		131 017	118 939
Total liabilities and equity		1 987 050	1 733 490

The attached notes on pages 8 to 48 form part of these financial statements.



ASPIS BANK S.A.
Statement of Cash Flows
For the year ended 31 December 2005
(In thousands of Euro)

	2005	2004
Operating activities		
Profit before taxes	13 389	938
Adjustments for non-cash items		
Depreciation and amortization	4 888	5 320
Impairment losses	2 247	2 024
Changes in provisions	563	420
Other non-cash items	(6 767)	(2 987)
Increase in fair value of trading investments	(64)	562
(Gain)/ loss on the sale of investments, property and equipment	<u>19</u>	<u>18</u>
	14 275	6 295
Changes in operating assets and liabilities		
Trading securities	(156)	480
Derivative financial instruments	(75)	82
Loans and advances to customers	(246 684)	(172 479)
Other assets	(15 275)	181 834
Deposits from banks	175 145	(11 276)
Deposits from customers	5 061	72 764
Other liabilities	<u>11 732</u>	<u>(166 078)</u>
Cash flows from operating activities	<u>(55 977)</u>	<u>(88 378)</u>
Investing activities		
Proceeds from sale of investments	254	191
Proceeds from sale of property and equipment	459	3 494
Acquisition of investments	1 882	133 398
Acquisition of property and equipment	(3 494)	(5 667)
Dividends received	<u>44</u>	<u>80</u>
Cash flows from investing activities	<u>(855)</u>	<u>131 496</u>
Financing activities		
Net proceeds from issue of subordinated liabilities	49 613	-
Proceeds from the issue of shares	<u>535</u>	<u>36 010</u>
Cash flows from financing activities	<u>50 148</u>	<u>36 010</u>
Net increase/ (decrease) in cash flows	(6 684)	79 128
Cash and cash equivalents at 1 January	404 166	325 222
Effect of exchange rate fluctuations on cash and cash equivalents	<u>19</u>	<u>(184)</u>
Cash and cash equivalents at 31 December	<u>397 501</u>	<u>404 166</u>
Cash flows from operating activities include:		
Interest received	86 196	77 670
Interest paid	40 686	37 683
Income taxes paid	1 457	907
Dividends received	44	80
Cash and cash equivalents consist of:		
Cash and balances with Central Bank	66 319	175 869
Loans and advances to banks	<u>331 182</u>	<u>228 297</u>
	<u>397 501</u>	<u>404 166</u>

The attached notes on pages 8 to 48 form part of these financial statements.



ASPIS BANK S.A.
Statement of changes in equity
For the year ended 31 December 2005
(In thousands of Euro)

	Share capital	Share premium	Reserves	Available for sale reserve	Accumulated deficit	Total
Balance at 1 January 2004	107 266	5 335	3 363	(7 638)	(22 919)	85 407
Share capital increase (net)	35 755	255	-	-	-	36 010
Valuation of available for sale securities	-	-	-	(1 240)	-	(1 240)
Loss for the year	-	-	-	-	(1 238)	(1 238)
Balance at 31 December 2004	143 021	5 590	3 363	(8 878)	(24 157)	118 939
Share capital increase (net)	540	(6)	-	-	-	534
Valuation of available for sale securities	-	-	-	1 362	-	1 362
Cash flow hedge	-	-	134	-	-	134
Profit for the year	-	-	-	-	10 048	10 048
Balance at 31 December 2005	143 561	5 584	3 497	(7 516)	(14 109)	131 017

The attached notes on pages 8 to 48 form part of these financial statements.



1. General Information

ASPIS BANK S.A. (previously ASPIS MORTGAGE BANK S.A.) was founded by Pavlos D.Psomiadis and the AEGON BV insurance company, under the name “ASPIS BANK”, as a Banking Société Anonyme in 1992 and received its license by the Bank of Greece (decision no. 487/2.12.91 of the Currency and Credit Commission), and the Ministerial Council (no. 5/8, GG 1/13.1.92, issue 1) Act according to law. According to this license, the Bank operated in accordance with mortgage banks laws until 3 August 2001. The Bank of Greece (PDBG 2478/3-8-2001) abolished the special legal framework for mortgage banks. On 3 September 2001, the Currency and Credit Commission of the Bank of Greece approved the modification of the Articles of Association of ASPIS BANK, which from thereafter engages in all banking operations defined by law. The Ministry of Development, as per decision no. K2-13660/26-10-2001, approved the modification of the Bank’s Articles of Association regarding its name, and received its current name of ASPIS BANK S.A. The Regular Shareholders’ Meeting on 1 June 2001 had already approved the aforementioned modifications of articles 1 (regarding the name) and 4 (regarding the purpose) of the Bank’s Articles of Association. ASPIS BANK maintains a Head Office in the Municipality of Athens, at 4 Othonos St., 105 57 Athens, and is registered in the Société Anonyme Registry under no. 26699/06/B/92/12. The Bank was established for a term of ninety-nine (99) years from the date it was registered in the Société Anonyme Registry.

According to article 4 of the Bank’s Articles of Association its exclusive purpose is to carry out on its behalf or on the behalf of third parties all banking activities allowed under current legislation. The following are the main activities that Bank may perform:

- ❑ Accepting, with or without interest, all types of deposits or other returnable funds denominated in euros, foreign currency.
- ❑ Issuing loans and credit of all types, providing guarantees and acquiring or transferring claims, as well as intermediating in the financing of business enterprises or in business collaborations.
- ❑ Assuming debt, credit or guarantees and issuing debt securities in order to draw funds.
- ❑ Providing bill payment, fund transfer and export trade financing facilities.
- ❑ Safekeeping, management and administration of all types of securities, bonds, financial products and assets in general, including asset portfolios, transacting trades of these assets on behalf of the Bank or of third parties, as well as providing related financial and consulting services.
- ❑ The establishment or participation in domestic or foreign companies of any type engaged in the money market, capital market and the broader banking and investment sector in general.



- ❑ The issuance and management of means of payment (credit and debit cards, travel and bank cheques, etc.)
- ❑ Underwriting services, participation in the issuance and sale of securities, the coverage of issues and the provision of related services.
- ❑ Providing consulting services to business enterprises regarding their capital structure and business strategy, as well as services regarding mergers, spin-offs and acquisitions, and related issues.
- ❑ Providing reorganization and financial restructuring services.
- ❑ Factoring corporate receivables.
- ❑ Providing business-related information, including credit rating services.
- ❑ Providing safe-deposit box services.
- ❑ Representing third parties that have or pursue objectives similar to those mentioned above and in general engaging in any type of action, transaction, work or activity pursuant to the above or contributing to the advancement of the objectives of the Bank, as stated in the Articles of Association.
- ❑ Actively participating, as a member, in organized stock markets, having received a relevant license from the Bank of Greece.

To achieve its objectives, the Bank may cooperate with other legal entities, business enterprises or individuals, including those that pursue similar objectives, as well as participate in the aforementioned legal entities and business enterprises, in compliance with the provisions of banking legislation or any other applicable laws.

Fitch Ratings recently gave ASPIS BANK a BB+ rating while certifying its risk management systems.

The Board of Directors approved the annual financial statements on 27 February 2006.

2. Significant Accounting Principles

The accounting principles applied for the preparation of the financial statements are as follows:

2.1 *Statement of compliance*

The financial statements for the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by International Standards Board (IASB) as adopted by the European Union. These are the Bank's first financial statements and IFRS 1 has been applied. An explanation of the how the transition to IFRS has affected the reported financial position and financial performance of Bank is provided in note 34.



2.2 *Basis of preparation*

The financial statements are presented in euro, rounded to the nearest thousand. They are prepared on the historical cost basis except for the following assets and liabilities are stated at their fair value: financial instruments held for trading, financial instruments classified as available-for-sale, and derivative financial instruments.

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

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

2.3 *Investments in subsidiaries and associates*

Investments in subsidiaries and associates are stated at cost which includes transaction costs, less impairment loss where considered necessary.

2.4 *Foreign currency transactions*

Transactions in foreign currencies are translated to euro at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised to the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies, that are stated at fair value are translated to euro at the foreign exchange rates ruling at the dates that the values were determined.

2.5 *Financial instruments*

(a) *Classification*

Instruments at fair value through profit or loss. This category has two sub categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. These include derivative contracts that are not designated and effective hedging instruments.

Loans and receivables are loans and receivables created by the Bank providing money to a debtor other than those created with the intention of short-term profit taking.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Bank has the intent and ability to hold to maturity. These include certain purchased loans and advances to banks and customers, and certain debt investments.

Available-for-sale assets are financial assets that are not held for trading purposes, loans and receivables, or held to maturity. Available-for-sale include certain debt and equity investments.



(b) Recognition

The Bank recognises financial assets held for trading, available-for-sale and held-to-maturity, on the date it commits to purchase the assets. From this date any gains and losses arising from changes in fair value of the assets are recognised. Loans and receivables are recognised when cost is advanced to the borrowers.

(c) Measurement

Financial instruments are measured initially at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Subsequent to initial recognition all trading instruments and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(d) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimate and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and current creditworthiness of the counterparties.

(e) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised directly in equity. When the financial assets are sold, collected or otherwise disposed of the cumulative gain or loss recognised in equity is transferred to the income statement.

Gains and losses arising from a change in the fair value of instruments at fair value through profit or loss are recognised in the income statement.

(f) Hedge accounting

Where there is a hedging relationship between a derivative instrument and a related item being hedged, the hedging instrument is measured at fair value. The treatment of any resultant gains and losses is set out below.

A hedging relationship exists where:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;



- the hedge is highly effective throughout the reporting period; and
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect net profit or loss.

The fair value of derivative hedging instruments is calculated in the same way as the fair value of trading instruments (refer accounting policy 2.5d).

When a derivative financial instrument hedges the exposures to changes in the fair value of a recognised asset or liability, the hedged item is at fair value in respect of the risk being hedged. Gains and losses on remeasurement of both the hedging instrument and the hedged items are recognised in the income statement. These amount are included in gains less losses from non-trading instruments.

Where a derivative financial instrument hedges the exposure to variability in the cash flow of recognised assets or liabilities or anticipated transactions or firm commitments, the effective part of any gain or loss on remeasurement of the hedging instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised in the income statement.

2.6 Repurchase agreements

The Bank enters into agreements for the purchases (sales) of investments and to resell (repurchase) substantially the identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans to either banks or customers. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for either assets held for trading or available-for-sale as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or customers.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest.

2.7 Property, plant and equipment

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes expenditure that is attributable to the acquisition of the items.

Land and buildings that had been revalued to fair value on 1 January 2004, the date of transition to IFRS are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

Own property	50 years
Leasehold improvements	12 years
Furniture and equipment	7 – 8 years

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.



Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is higher of the assets fair value less costs to sell and value in use.

Gains and losses on disposal are determined by comparing proceeds with carrying amounts. These are included in the income statement.

Certain items of property that had been revalued at fair value prior to 1 January 2004, the date of transition to IFRSs, are measured on the basis of deemed cost being the revalued amount at the date of that revaluation.

2.8 Intangible assets

Intangible assets consists of software that has been acquired by the Bank and stated at cost less accumulated amortisation and impairment losses (see accounting policy 2.9).

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the software which is between 4-10 years.

2.9 Impairment

(a) Assets carried at amortised cost

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

- (i) significant financial difficulty of the issuer or obligator;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- (iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (v) the disappearance of an active market for that financial asset because of financial difficulties; or
- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group; or
 - national or local economic conditions that correlate defaults on the assets in the groups.



The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

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

When a loan is uncollectible, it is written-off against the related provision for loan impairment. Such loans are written-off after all necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written-off decrease the amount of the provision for loan impairment in the income statement.



If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

(b) Assets carried at fair value

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise of cash balances on hand, cash deposited with central banks and short-term highly liquid investments with maturities of three months or less when purchased, including treasury bills and other bills eligible for rediscounting with the central bank.

2.11 Employee benefits

(a) Defined contribution plans

The Bank pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Bank has no further payment adjustments once the contributions have been paid. The obligations for contributions are recognized as an expense in the income statement as incurred.

(b) Defined benefit plans

The Bank has a defined benefit plan whereby it is required, by law, to pay to retiring employees a lump sum. The amount of the payment varies depending upon the employee's length of service and salary on the date of retirement. The Bank's obligation in respect of this defined benefit plan is measured by estimating the present value amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on Greek State bonds that have maturity dates approximating the terms of the Bank's obligations. The calculation is performed by an independent qualified actuary using the projected unit method, less the fair value of any plan assets and adjusted for unrecognised gains or losses and past service costs. The calculation is performed annually by a qualified actuary using the projected unit credit method. The discount rate is the yield at the balance sheet date on Government bonds that have maturity dates that match the employment term of the pension liability.



All actuarial gains and losses as at 1 January 2004, the date of transition to IFRSs, were recognised. In respect of actuarial gains and losses that arise subsequent to 1 January 2004 in calculating the Bank's obligation in respect of the plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of the plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

The amount recognized in the income statement by the Bank for defined benefit pension plans include:

- the increase in the present value of the defined benefit obligation resulting from employee service in the current period (service cost)
- the increase in the present value of the defined benefit obligation which arises as the benefits are one year closer to settlement (interest cost).

All actuarial gains and losses are recognised in the income statement using the corridor method amortising any amounts based on the term of the pension liability.

2.12 Provisions

A provision is recognised in the balance sheet when the Bank has a present legal obligation or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate has been made. If the effect is material, 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.

2.13 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off recognised amounts and the transactions are intended to be settled on a net basis.

2.14 Derecognition

A financial instrument is derecognised when the Bank loses control on contractual rights that comprise the asset. This occurs when the rights are realised, expire or surrendered. A financial liability is derecognised when it is extinguished.

2.15 Interest income and expense

Interest income and expense is recognised in the income statement as it accrues, taking into account the effective yield of the instrument or an applicable floating rate. Interest income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period.

The effective interest rate is the rate that exactly discounts the future cash payments or receipts through the expected life of the financial instrument.

Interest income from loans is not accrued when the balance is six months overdue.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.



2.16 *Fee and commission income*

Fees and commissions are recognised in the income statement on an accrual basis when the period that the service has been provided.

2.17 *Income tax*

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which cash it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable differences. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets or liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

2.18 *Share capital*

(a) *Share issue costs*

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax from the proceeds.

(b) *Dividends on ordinary shares*

Dividends on ordinary shares are recognised as a liability in the period in which they are approved by the Bank's shareholders.

(c) *Repurchase of share capital*

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity. Where such shares are subsequently sold or re-issued, any consideration received is included in shareholders' equity.

2.19 *Net trading income*

Net trading income includes gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading.

2.20 *Dividend income*

Dividend income is recognised in the income statement on the date that the dividend is approved.



2.21 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.



3. Business segments

(In thousands of euro)

The Bank is organized into three business segments:

- 1) Corporate banking
- 2) Retail banking
- 3) Brokerage transactions

At 31 December 2005

	<u>Corporate</u>	<u>Retail</u>	<u>Brokerage</u>	<u>Total</u>
External revenues	9 435	63 423	5 815	78 673
Profit before tax	4 029	6 345	3 015	13 389
Profit after tax	3 024	4 760	2 264	10 048
Total assets	202 587	1 760 057	24 406	1 987 050
Total liabilities	50 210	1 797 912	7 911	1 856 033
Capital expenditure	4	3 402	88	3 494
Depreciation	6	4 676	206	4 888
Impairment loss	1 665	361	221	2 247

At 31 December 2004

	<u>Corporate</u>	<u>Retail</u>	<u>Brokerage</u>	<u>Total</u>
External revenues	8 125	56 439	3 919	68 483
Profit/(loss) before tax	2 183	569	(1 814)	938
Profit/(loss) after tax	4 957	(4 941)	(1 254)	(1 238)
Total assets	202 867	1 501 813	28 810	1 733 490
Total liabilities	32 630	1 576 974	4 947	1 614 551
Capital expenditure	8	5 528	131	5 667
Depreciation	4	4 865	451	5 320
Impairment loss	950	973	101	2 024



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4. Net interest income	2005	2004
(In thousands of euro)		
Interest and similar income		
Loans and advances	76 554	68 043
Trading instruments	10	3 425
Debt instruments	1 819	778
Money market deals	7 813	5 424
	<u>86 196</u>	<u>77 670</u>
Interest expense and similar charges		
Deposits from banks and customers	(38 990)	(37 683)
Subordinated liabilities	(1 696)	-
	<u>(40 686)</u>	<u>(37 683)</u>
Net interest income	<u>45 510</u>	<u>39 987</u>
5. Fee and commission income	2005	2004
(In thousands of euro)		
Fund transfers	1 333	1 444
Imports-exports	1 291	1 155
Management and custodian fees	2 623	1 748
Brokerage transactions	3 484	2 840
Credit cards	1 481	1 603
Loans and letters of guarantees	10 991	7 368
Deposits	766	967
Property	531	364
Other	3 034	2 306
	<u>25 534</u>	<u>19 795</u>
6. Net trading income	2005	2004
(In thousands of euro)		
Foreign exchange	1 247	758
Equity instruments	349	228
Debt instruments	21	(388)
Derivatives	4 289	6 158
	<u>5 906</u>	<u>6 756</u>



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7. Operating expenses	2005	2004
(In thousands of euro)		
Staff costs (Note 8)	31 956	33 496
Depreciation and amortization (Notes 19, 20)	4 888	5 320
(Profit)/loss on sale of property and equipment	(154)	2
Operating lease rentals	6 803	6 771
Lawyers, engineers and other professionals	6 271	6 171
Utilities postage and similar charges	2 035	2 500
Other taxes	1 428	1 338
Contributions	1 793	1 794
Other	8 017	8 129
	63 037	65 521

8. Staff costs	2005	2004
(In thousands of euro)		
Wages and salaries	23 519	25 311
Social security costs	5 174	5 079
Defined benefit plan expense	563	420
Defined contribution plans	2 700	2 686
	31 956	33 496

The average number of persons employed by the Bank during 2005 was 899 (2004: 910).

9. Income tax expense	2005	2004
(In thousands of euro)		
Current tax	1 204	1 588
Deferred tax	2 137	588
	3 341	2 176

Further information about deferred income tax is provided in note 21. The reconciliation of the effective tax rate is as follows (in thousands of euro):

	2005	2004
Profit before tax	13 389	938
Income tax at rate	32% 4 285	35% 328
Non-deductible expenses	4% 510	145% 1 359
Tax exempt revenues	(11%) (1 540)	(55%) (513)
Other differences	- 86	107% 1 002
	25% 3 341	232% 2 176



In Greece the results reported to the tax authorities by an entity are provisional and subject to revision until such time as the tax authorities examine the books and records of the entity and the related tax returns as accepted as final. Therefore, entities remain contingently liable for additional taxes and penalties, which may be assessed upon such examination. The tax authorities have audited and the Bank has settled all obligations up to the year ended 31 December 2002. Because of the method under which the tax obligations are ultimately concluded in Greece, the Bank remains contingently liable for additional taxes and penalties for its open tax years.

10. Earnings per share

Basic earnings per share at 31 December 2005 was based on the profit/(loss) after tax for the years attributable to the equity holders of EUR 10 048 thousand (2004: EUR (1 238) thousand) with a weighted average number of ordinary shares outstanding, during the year ended 31 December 2005 of 48 646 667 (2004: 36 485 000).

11. Cash and balances with Central Bank	2005	2004
<i>(In thousands of euro)</i>		
Cash in hand	16 405	15 883
Mandatory reserve deposits	21 720	27 134
Other placements with Central Bank	28 194	132 852
	<u>66 319</u>	<u>175 869</u>

12. Loans and advances to banks	2005	2004
<i>(In thousands of euro)</i>		
Current accounts	7 255	6 779
Other placements	320 169	220 707
Items in course of collection	3 758	811
	<u>331 182</u>	<u>228 297</u>

13. Trading securities	2005	2004
<i>(In thousands of euro)</i>		
Debt securities	1 734	1
Equity securities	86	696
	<u>1 820</u>	<u>697</u>

14. Derivative financial instruments

(In thousands of euro)

	2005			2004		
	<u>Notional amount</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Notional amount</u>	<u>Fair Value</u>	
					<u>Assets</u>	<u>Liabilities</u>
Forward - currency	833	-	105	-	-	-
Futures - bonds	1 300	-	17	-	-	-
Interest rate swaps	4 315	134	23	1 531	-	82
		<u>134</u>	<u>145</u>		<u>-</u>	<u>82</u>



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The notional amount of certain types derivative financial instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, to the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

15. Loans and advances to customers	2005	2004
(In thousands of euro)		
Retail customers:		
Housing	614 355	523 053
Credit cards	35 548	37 954
Other consumer	58 776	54 826
Corporate customers:		
Subsidiaries	75 882	73 871
Manufacturing	165 577	131 986
Wholesale and commerce	294 351	245 072
Other	176 154	102 841
Amounts due relating to brokerage transactions	24 989	29 391
	<u>1 445 632</u>	<u>1 198 994</u>
Less: allowance for uncollectibility	<u>(42 000)</u>	<u>(39 799)</u>
Net loans and advances to customers	<u><u>1 403 632</u></u>	<u><u>1 159 195</u></u>

Allowance for uncollectibility

Movement in the allowance for uncollectibility:

	2005	2004
Balance at 1 January	39 799	37 833
Provision for loan impairment	2 247	2 024
Loans written-off during the years as uncollectible	<u>(46)</u>	<u>(58)</u>
At 31 December	<u><u>42 000</u></u>	<u><u>39 799</u></u>



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16. Investments in subsidiaries	2005	2004
(In thousands of euro)		
Aspis Leasing	21 693	21 693
Aspis AE Insurance Brokerage	616	616
Aspis International AEDAK	8 166	8 166
Aspis Finance plc	18	18
	30 493	30 493
17. Available-for-sale securities	2005	2004
(In thousands of euro)		
Greek government bonds	-	1 237
Mutual fund units	9 771	8 118
Listed equity securities	5 927	3 108
Other debt securities	2 541	4 005
Other non-listed equity securities	634	839
	18 873	17 307
18. Held-to-maturity securities	2005	2004
(In thousands of euro)		
Greek government bonds	35 088	35 918
Non Greek government bonds	17 305	15 138
	52 393	51 056



19. Property, plant and equipment

(In thousands of euro)

	<u>Land and buildings</u>	<u>Leasehold improvements</u>	<u>Furniture and equipment</u>	<u>Total</u>
Cost				
Balance at 1 January 2004	6 821	22 210	13 050	42 081
Additions	41	637	3 919	4 597
Disposals	<u>(330)</u>	<u>-</u>	<u>(334)</u>	<u>(664)</u>
Balance at 31 December 2004	<u>6 532</u>	<u>22 847</u>	<u>16 635</u>	<u>46 014</u>
Balance at 1 January 2005	6 532	22 847	16 635	46 014
Acquisitions	-	1 229	1 246	2 475
Disposals	<u>(48)</u>	<u>(84)</u>	<u>(327)</u>	<u>(459)</u>
Balance at 31 December 2005	<u>6 484</u>	<u>23 992</u>	<u>17 554</u>	<u>48 030</u>
Depreciation				
Balance 1 January 2004	399	5 882	9 456	15 737
Depreciation charge for the year	258	1 868	1 896	4 022
Disposals	<u>(330)</u>	<u>-</u>	<u>(169)</u>	<u>(499)</u>
Balance at 31 December 2004	<u>327</u>	<u>7 750</u>	<u>11 183</u>	<u>19 260</u>
Balance 1 January 2005	327	7 750	11 183	19 260
Depreciation charge for the year	93	1 934	1 815	3 842
Disposals	<u>(2)</u>	<u>(17)</u>	<u>(324)</u>	<u>(343)</u>
Balance at 31 December 2005	<u>418</u>	<u>9 667</u>	<u>12 674</u>	<u>22 759</u>
Carrying amounts				
At 1 January 2004	<u>6 422</u>	<u>16 328</u>	<u>3 594</u>	<u>26 344</u>
At 31 December 2004	<u>6 205</u>	<u>15 097</u>	<u>5 452</u>	<u>26 754</u>
At 1 January 2005	<u>6 205</u>	<u>15 097</u>	<u>5 452</u>	<u>26 754</u>
At 31 December 2005	<u>6 066</u>	<u>14 325</u>	<u>4 880</u>	<u>25 271</u>



20. Intangible assets

(In thousands of euro)

Cost

Balance at 1 January 2004	8 754
Additions	1 070
Disposals	<u>(2 810)</u>
Balance at 31 December 2004	<u>7 014</u>
Balance at 1 January 2005	7 014
Additions	1 019
Disposals	<u>-</u>
Balance at 31 December 2005	<u>8 033</u>

Amortisation

Balance as at 1 January 2004	4 346
Amortisation for the year	1 298
Disposals	<u>(899)</u>
Balance at 31 December 2004	<u>4 745</u>
Balance 1 January 2005	4 745
Amortisation for the year	1 046
Disposals	<u>-</u>
Balance at 31 December 2005	<u>5 791</u>

Carrying amounts

At 1 January 2004	4 408
At 31 December 2004	<u>2 269</u>
At 1 January 2005	2 269
At 31 December 2005	<u>2 242</u>



21. Deferred tax assets, net

(In thousands of euro)

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2005	2004
Deferred tax asset		
Customer loans impairment	3 828	5 332
Employee benefits	550	588
Commission income	<u>977</u>	<u>1 401</u>
	<u>5 355</u>	<u>7 321</u>
Deferred tax liability:		
Property, plant and equipment	(387)	(209)
Commission expense	<u>(20)</u>	<u>(27)</u>
	<u>(407)</u>	<u>(236)</u>
Net deferred tax asset	<u>4 948</u>	<u>7 085</u>

Movement in temporary differences during the year

	Balance 1 January 2004	Recognized in income	Recognized in equity	Balance 31 December 2004
Customer loans impairment	6 001	(669)	-	5 332
Employee benefits	695	(107)	-	588
Commission income	1 234	167	-	1 401
Property, plant and equipment	(257)	48	-	(209)
Commission expense	-	(27)	-	(27)
	<u>7 673</u>	<u>(588)</u>	-	<u>7 085</u>



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	Balance 1 January 2005	Recognized in income	Recognized in equity	Balance 31 December 2005
Customer loans impairment	5 332	(1 504)	-	3 828
Employee benefits	588	(38)	-	550
Commission income	1 401	(424)	-	977
Property, plant and equipment	(209)	(178)	-	(387)
Commission expense	(27)	7	-	(20)
	7 085	(2 137)	-	4 948

22. Other assets	2005	2004
(In thousands of euro)		
Guarantees and participations to other funds	10 009	7 411
Advances	4 801	3 907
Receivables from Greek State and other public organizations	1 466	2 935
Accrued interest income	3 779	3 559
Other receivables	29 688	16 656
	49 743	34 468

23. Deposits from banks	2005	2004
(In thousands of euro)		
Term deposits	190 730	15 585
	190 730	15 585

24. Deposits from customers	2005	2004
(In thousands of euro)		
Sight and current accounts	221 769	246 884
Savings accounts	326 773	297 719
Term deposits	1 024 819	1 023 697
	1 573 361	1 568 300



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Included in term deposits are funds that the Bank has raised by selling Greek Government bonds, under agreements to repay the funds by repurchasing the bonds at future dates of the same price plus interest at a pre-determined rate. At 31 December 2005 the funds received amounted to EUR 0 thousand (2004: EUR 57 thousand). The majority of the repurchase agreements expiry within one month of the balance sheet date and the total interest expense on repurchase agreements for 2005 was EUR 176 thousand (2004: EUR 1 815 thousand).

25. Other liabilities	2005	2004
(In thousands of euro)		
Tax and duties	853	1 606
Amounts and cheques payable	9 879	8 642
Accrued interest expense	3 749	8 973
Other liabilities	25 228	7 580
	<u>39 709</u>	<u>26 801</u>

26. Employee benefits

(In thousands of euro)

	2005	2004
Present value of unfunded obligations	2 803	2 939
Unrecognised actuarial gains and (losses)	<u>(659)</u>	<u>(713)</u>
Recognized liability for defined benefit obligations	2 144	2 226
Vacation not taken	<u>50</u>	<u>100</u>
	<u>2 194</u>	<u>2 326</u>

The movement in the net liability for defined benefit obligations recognized in the balance sheet is as follows (the amounts are expressed in thousands of euro):

	2005	2004
Net liability for defined benefit obligations at 1 January	2 226	1 886
Expense recognized in the income statement	563	420
Benefits paid	<u>(645)</u>	<u>(80)</u>
	<u>2 144</u>	<u>2 226</u>

The expense recognized in the income statement consists of:

	2005	2004
Current service costs	408	299
Interest on obligation	131	94
Amortization of actuarial loss	<u>24</u>	<u>27</u>
	<u>563</u>	<u>420</u>



The principal actuarial assumptions used for 2005 and 2004 were as follows.

	2005	2004
Discount rate	4.5%	4.5%
Future salary increases	5.0%	5.0%

27. Subordinated liabilities

The subordinated liability represents the proceeds from the issuance of subordinated floating rate notes by the Bank's subsidiary Aspis Finance plc. The proceeds of these notes are loaned to the Bank.

The loan was granted on 10 February 2005 for EUR 50 million due in 2015. The loan carries interest a Euribor plus 0.12% which is paid quarterly.

The liability is carried at amortized cost. The costs relating to the loan are amortized as interest expense using the effective interest method over the period of the placements.

28. Share Capital

At 31 December 2005, the share capital comprised 48 830 310 ordinary shares with a par value of EUR 2.94 per share.

In December 2005, certain members of management exercised a stock option that was granted in 2002. As a result the number of shares increased by 183 643 shares. The exercise price was equal to par value.

In 2004, the shareholders in general meeting decided to increase share capital by EUR 36 million approximately by issuing 12 161 667 shares for EUR 3.00 contributed in cash. The difference between the par value and the exercise price of EUR 3 per share was recorded to the share premium.

29. Other reserves

(In thousands of euro)

	2005	2004
Statutory reserve	2 350	2 350
Untaxed reserves	801	801
Revaluation reserve available-for-sale investments	(7 516)	(8 878)
Other reserves	<u>346</u>	<u>212</u>
	<u>(4 019)</u>	<u>(5 515)</u>

Statutory reserve: Under the provisions of Greek corporate law, entities are required to transfer 5% of their annual profits to a statutory reserve until the reserve equals one third of the issued capital. This reserve is not available for distribution but may be applied to cover losses.

Untaxed reserves: In accordance with Greek tax law certain types of income and profits are not taxed if retained and recorded to a specific reserve account. In the event that the reserves are distributed they will be taxed at the rate applicable on the date of distribution.



30. Related-party transactions

The Bank defines related parties as subsidiaries and members of the Board of Directors (amounts in thousands of euro).

(a) Board of Directors

	2005	2004
Staff costs	1 571	1 302
Loans and advances to customers	1 626	1 976
Deposits from customers	11 324	16 341

(b) Balances and transaction with subsidiaries:

	2005	2004
Available-for-sale securities	2 500	2 500
Loans and advances to customers	75 882	73 571
Other assets	4 541	5 087
Deposits from customers	3 040	1 997
Subordinated liabilities	49 613	-
Interest income	1 948	2 124
Interest expense	1 725	36
Commission income	1 884	1 498
Other income	80	21

(c) Balances and transaction with other related parties:

	2005	2004
Loans and advances to customers	3 707	3 856
Other assets	644	540
Amounts due from customers	28 604	33 059
Other liabilities	197	289
Net interest income	103	238
Net commission income	1 277	1 278
Other operating expenses	3 463	3 424



31. Contingent liabilities and commitments

31.1 Litigation

The Bank is a defendant in certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the financial condition of the Bank.

31.2 Credit commitments

The contractual amounts of the Bank's off-balance sheet financial instruments that commit to extend credit to customers are as follows (amounts in thousands of euro):

	2005	2004
Letters of guarantee	197 226	167 780
Letters of credit	12 393	10 731

31.3 Operating leases

The Bank's commitments from lease contracts refer mainly to buildings used for its branches and other operating units. The future minimum lease payments under operating leases are as follows (amounts in thousands of euro):

Up to 1 year	6 000
From 1 to 5 years	5 600
Over 5 years	<u>2 700</u>
	<u>14 300</u>

32. Risk management

This note provides details of the Bank's exposures to risks and describes the methods used by management to control risk. The most important types of financial risk to which the Bank is exposed are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and equity price risk.

32.1 Credit risk

The Bank takes an exposure to credit risk, which is the risk that a counterparty will be unable to pay an amount in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Significant changes in the economy or in the health of a particular industry segment that represents a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product and industry sector are approved by the Board of Directors.



The exposure to any one borrower including banks is further restricted by sub-limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a significant portion of the Bank's exposures related to personal lending where no such facilities can be obtained.

32.2 Liquidity risk

Liquidity risk arises in the general funding of the Bank's activities and in the management of positions. It includes both the risks of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, debt securities and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Bank strategy.

The following table provides an analysis of the Bank's assets and liabilities into relevant maturity groupings based on the remaining periods to repayment (the amounts are expressed in thousands of euro):



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Maturities of assets and liabilities
At 31 December 2005

	<u>Up to 1 month</u>	<u>1-3 months</u>	<u>3-6 months</u>	<u>6-12 months</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Assets							
Cash and balances with Central Bank	64 617	-	1 702	-	-	-	66 319
Loans and advances to banks	325 118	6 064	-	-	-	-	331 182
Trading securities	1 820	-	-	-	-	-	1 820
Derivative financial instruments	134	-	-	-	-	-	134
Loans and advances to customers	206 242	168 218	279 521	51 885	83 411	614 355	1 403 632
Investment in subsidiaries	-	-	-	-	-	30 493	30 493
Available-for-sale investments	-	-	-	-	18 873	-	18 873
Held-to-maturity investments	-	15 998	-	-	36 395	-	52 393
Property, plant and equipment	-	-	-	-	23 537	1 734	25 271
Intangible assets	-	-	-	-	2 242	-	2 242
Deferred tax assets	-	-	-	-	4 948	-	4 948
Other assets	<u>134</u>	<u>8 471</u>	<u>-</u>	<u>-</u>	<u>41 138</u>	<u>-</u>	<u>49 743</u>
Total assets	<u>598 065</u>	<u>198 751</u>	<u>281 223</u>	<u>51 885</u>	<u>210 544</u>	<u>646 582</u>	<u>1 987 050</u>
Liabilities							
Deposits from banks	185 277	5 453	-	-	-	-	190 730
Due to customers	503 717	444 267	101 508	78 989	444 880	-	1 573 361
Derivative financial instruments	145	-	-	-	-	-	145
Current income tax liability	-	281	-	-	-	-	281
Other liabilities	15 320	-	3 620	-	20 769	-	39 709
Employee benefits	-	-	-	-	-	2 194	2 194
Subordinated liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49 613</u>	<u>49 613</u>
Total liabilities	<u>704 459</u>	<u>450 001</u>	<u>105 128</u>	<u>78 989</u>	<u>465 649</u>	<u>51 807</u>	<u>1 856 033</u>
Net liquidity gap	<u>(106 394)</u>	<u>(251 250)</u>	<u>176 095</u>	<u>(27 104)</u>	<u>(255 105)</u>	<u>594 775</u>	<u>131 017</u>

At 31 December 2004

Total assets	436 669	225 981	180 762	178 579	118 553	592 946	1 733 490
Total liabilities	<u>684 562</u>	<u>463 830</u>	<u>143 648</u>	<u>67 593</u>	<u>254 918</u>	<u>-</u>	<u>1 614 551</u>
Net liquidity gap	<u>(247 893)</u>	<u>(237 849)</u>	<u>37 114</u>	<u>110 986</u>	<u>(136 365)</u>	<u>592 946</u>	<u>118 939</u>



32.3 Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing exchange rates on its financial position and cash flows. The Board of Directors set limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarizes the Bank's exposure to foreign currency exchange risk at 31 December. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by currency (the amounts are expressed in thousands of euro).

	<u>EURO</u>	<u>USD</u>	<u>Other</u>	<u>Total</u>
Assets				
Cash and balances with Central Bank	1 199	45 848	19 272	66 319
Loans and advances to banks	226 286	102 800	2 096	331 182
Trading securities	1 669	151	-	1 820
Derivative financial instruments	134	-	-	134
Loans and advances to customers	1 336 379	26 042	41 211	1 403 632
Investment in subsidiaries	30 475	-	18	30 493
Available-for-sale investments	18 873	-	-	18 873
Held-to-maturity investments	35 088	17 305	-	52 393
Property, plant and equipment	25 271	-	-	25 271
Intangible assets	2 242	-	-	2 242
Deferred tax assets	4 948	-	-	4 948
Other assets	<u>24 239</u>	<u>4 715</u>	<u>20 789</u>	<u>49 743</u>
Total assets	<u>1 706 803</u>	<u>196 861</u>	<u>83 386</u>	<u>1 987 050</u>
Liabilities				
Deposits from banks	157 897	16 954	15 879	190 730
Due to customers	1 364 788	178 704	29 869	1 573 361
Derivative financial instruments	40	-	105	145
Current tax liability	281	-	-	281
Other liabilities	39 709	-	-	39 709
Employee benefits	2 194	-	-	2 194
Subordinated liabilities	<u>49 613</u>	<u>-</u>	<u>-</u>	<u>49 613</u>
Total liabilities	<u>1 614 522</u>	<u>195 658</u>	<u>45 853</u>	<u>1 856 033</u>
Net on-balance sheet position	92 281	1 203	37 533	131 017
Net off-balance sheet position	(4 992)	(717)	5 709	-
At 31 December 2004				
Total assets	<u>1 557 750</u>	<u>160 911</u>	<u>14 829</u>	<u>1 733 490</u>
Total liabilities	<u>1 412 403</u>	<u>160 911</u>	<u>41 237</u>	<u>1 614 551</u>
Net on-balance position	<u>145 347</u>	<u>-</u>	<u>(26 408)</u>	<u>118 939</u>
Net off-balance position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



32.4 Interest rate risk

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities the Bank is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices.

Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Bank's business strategies.

The table below summarises the Bank's exposure to interest rate risks. Included in the table the Bank's assets and liabilities at carrying amounts, categorized by the earlier or contractual repricing or maturity dates (the amounts are expressed in thousands of euro):



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31 December 2005	Interest rate	Floating	1-3 months	3-6 months	6-12 months	1 to 5 years	Over 5 years	Non-interest	Total
Assets									
Cash and balances with Central Bank	1.24%	-	45 146	-	-	-	-	21 173	66 319
Loans and advances to banks	3.58%	-	320 168	-	-	-	-	11 014	331 182
Trading securities	6.10%	-	1 733	-	-	-	-	87	1 820
Derivative financial instruments	-	-	-	-	-	-	-	134	134
Loans and advances to customers	5.10%	164 032	469 566	523 316	-	178 970	109 748	(42 000)	1 403 632
Investment in subsidiaries	-	-	-	-	-	-	-	30 493	30 493
Available for sale investments	7.18%	-	2 500	-	-	-	-	16 373	18 873
Held to maturity investments	2.61%	-	33 602	18 791	-	-	-	-	52 393
Other assets	-	-	-	-	-	-	-	82 204	82 204
Total assets		164 032	872 715	542 107	-	178 970	109 748	119 478	1 987 050
Liabilities									
Deposits from banks	2.39%	-	190 730	-	-	-	-	-	190 730
Deposits from customers	2.12%	554 361	819 756	185 616	-	13 628	-	-	1 573 361
Derivative financial instruments	-	-	-	-	-	-	-	145	145
Subordinated liabilities	3.97%	-	-	49 613	-	-	-	-	49 613
Other liabilities	-	-	-	-	-	-	-	42 184	42 184
Total liabilities		554 361	1 010 486	235 229	-	13 628	-	42 329	1 856 033
Interest sensitivity gap		(390 329)	(137 771)	306 878	-	165 342	109 748	77 149	131 017
31 December 2004									
Total assets		308 100	785 760	437 687	-	15 504	29 340	157 099	1 733 490
Total liabilities		543 501	375 931	648 319	-	15 031	-	31 769	1 614 551
Interest sensitivity gap		(235 401)	409 829	(210 632)	-	473	29 340	125 330	118 939



33. Fair values of financial assets and liabilities

The following table summarises the carrying amounts and fair value of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value (the amounts are expressed in thousands of euro).

	<u>Carrying value</u>		<u>Fair value</u>	
	2005	2004	2005	2004
Financial assets				
Loans and advances to banks	331 182	228 297	331 182	228 297
Loans and advances to customers	1 403 632	1 159 195	1 436 356	1 223 132
Investment securities held-to-maturity	52 393	51 056	50 444	49 388
Investment in subsidiaries	30 493	30 493	30 493	30 493
Financial liabilities				
Deposits from banks	190 730	15 585	190 730	15 585
Deposits from customers	1 573 361	1 568 300	1 568 600	1 571 785
Subordinated liabilities	49 613	-	49 613	-

34. Explanation of transition to IFRS

As stated in note 2, these are the Bank's first financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the year ended 31 December 2004 and in the preparation of an opening IFRS balance sheet at 1 January 2004. In preparing its opening IFRS balance sheet, the Bank has adjusted amounts reported previously in financial statements prepared in accordance with Greek generally accepted accounting principles (Greek GAAP). An explanation of how the transition from Greek GAAP to IFRSs has affected the Bank's financial position and financial performance is set out in the following tables and the notes that accompany the tables.



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	<u>1 January 2004</u>			<u>31 December 2004</u>		
	<u>Greek GAAP</u>	<u>Effect of IFRS transition</u>	<u>IFRS</u>	<u>Greek GAAP</u>	<u>Effect of IFRS transition</u>	<u>IFRS</u>
Assets						
Cash and balances with Central Bank	136 671	-	136 671	175 872	(3)	175 869
Loans and advances to banks	188 551	-	188 551	227 907	390	228 297
Trading securities	-	-	-	-	697	697
Loans and advances to customers	1 003 862	(17 147)	986 715	1 142 361	16 834	1 159 195
Investment in subsidiaries	26 907	-	26 907	31 220	(727)	30 493
Investment securities:						
- available-for-sale	207 806	(16 070)	191 736	87 301	(69 994)	17 307
- held-to-maturity	-	16 069	16 069	-	51 056	51 056
Property, plant and equipment	25 359	985	26 344	26 265	489	26 754
Intangible assets	42 313	(37 904)	4 409	5 466	(3 197)	2 269
Deferred tax assets	-	7 673	7 673	-	7 085	7 085
Other assets	<u>216 229</u>	<u>3 537</u>	<u>219 766</u>	<u>204 100</u>	<u>(169 632)</u>	<u>34 468</u>
Total assets	<u>1 847 698</u>	<u>(42 857)</u>	<u>1 804 841</u>	<u>1 900 492</u>	<u>(167 002)</u>	<u>1 733 490</u>
Liabilities						
Deposits from banks	26 861	-	26 861	15 585	-	15 585
Deposits from customers	1 495 536	-	1 495 536	1 570 715	(2 415)	1 568 300
Derivative financial instruments	-	-	-	-	82	82
Other liabilities	190 809	3 526	194 335	178 909	(152 108)	26 801
Current income tax liability	-	-	-	-	1 457	1 457
Other provisions	222	495	717	-	-	-
Employee benefits	-	<u>1 986</u>	<u>1 986</u>	-	<u>2 326</u>	<u>2 326</u>
Total liabilities	<u>1 713 428</u>	<u>6 007</u>	<u>1 719 435</u>	<u>1 765 209</u>	<u>(150 658)</u>	<u>1 614 551</u>
Equity						
Share capital	107 266	-	107 266	143 021	-	143 021
Share premium	39 629	(34 294)	5 335	6 064	(474)	5 590
Other reserves	(12 209)	7 933	(4 276)	(13 885)	8 370	(5 515)
Accumulated deficit	<u>(416)</u>	<u>(22 503)</u>	<u>(22 919)</u>	<u>83</u>	<u>(24 240)</u>	<u>(24 157)</u>
Total equity	<u>134 270</u>	<u>(48 864)</u>	<u>85 406</u>	<u>135 283</u>	<u>(16 344)</u>	<u>118 939</u>
Total liabilities and equity	<u>1 847 698</u>	<u>(42 857)</u>	<u>1 804 841</u>	<u>1 900 492</u>	<u>(167 002)</u>	<u>1 733 490</u>



Notes to the reconciliation of equity as at 1 January 2004

Loans and advances to customers

Balance in accordance with Greek GAAP	1 003 862
Additional impairment that was not recorded under Greek GAAP	(17 147)
	<u>986 715</u>

Available-for-sale securities

Balance in accordance with Greek GAAP	207 806
Reclassification to "Held-to-maturity investments"	(16 070)
	<u>191 736</u>

Held to maturity

Balance in accordance with Greek GAAP	-
Reclassification from "Available-for-sale securities"	16 069
	<u>16 069</u>

Property, plant and equipment

Balance in accordance with Greek GAAP	25 359
Reclassification of advances to purchase fixed assets to "Other assets"	(3 537)
Revaluation of fixed assets to deemed cost	175
Adjustment to accumulated depreciation from the change in useful life of certain items of property and equipment	4 347
	<u>26 344</u>

Intangible assets

Balance in accordance with Greek GAAP	42 313
Goodwill write-off	(34 294)
Write-off of amounts recorded under Greek GAAP that do not meet the definition of intangible assets in accordance with IFRS	(3 610)
	<u>4 409</u>

Deferred tax asset

Balance in accordance with Greek GAAP	-
Recognition of deferred tax on temporary differences not permitted under Greek GAAP	7 673
	<u>7 673</u>

Other assets

Balance in accordance with Greek GAAP	216 229
Reclassification of advances to purchase fixed assets from "Property, plant and equipment"	3 537
	<u>219 766</u>



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Other liabilities

Balance in accordance with Greek GAAP	190 809
Deferred of recognition of commission income on loans using the effective interest rate	3 526
	<u>194 335</u>

Employee benefits

Balance in accordance with Greek GAAP	-
Recognition of defined benefit obligation	1 886
Recognition of provision of vacation not taken	100
	<u>1 986</u>

Other provisions

Balance in accordance with Greek GAAP	222
Recognition of provision for open tax years	495
	<u>717</u>

Other reserves

Balance in accordance with Greek GAAP	(12 209)
Transfer to accumulated deficit	7 758
Recognition of reserve for fixed assets	175
	<u>(4 276)</u>

Share premium

Balance in accordance with Greek GAAP	39 629
Transfer from "Accumulated deficit"	(34 294)
	<u>5 335</u>

Accumulated deficit

Balance in accordance with Greek GAAP	(416)
Transfer from "other reserves"	(7 758)
Transfer to "Share premium"	34 294
Effect from IFRS adjustments:	
Accumulated depreciation	4 347
Goodwill write off	(34 294)
Intangible assets write off	(3 610)
Provision for vacation not taken	(100)
Defined benefit obligation	(1 886)
Deferred tax	7 673
Effective interest rate adjustment	(3 526)
Provision for open tax years	(495)
Other	(1)
Impairment of customer loans	(17 147)
	<u>(22 919)</u>



Reconciliation of equity as at 31 December 2004

Cash and balances with Central Bank

Balance in accordance with Greek GAAP	175 872
Reclassification to "Loans and advances to banks"	(3)
	<u>175 869</u>

Loans and advances to banks

Balance in accordance with Greek GAAP	227 907
Reclassification from "Cash and balances with Central Bank"	3
Reclassification from "Other assets"	387
	<u>228 297</u>

Trading securities

Balance in accordance with Greek GAAP	-
Reclassification from the "Available-for-sale securities"	697
	<u>697</u>

Loans and advances to customers

Balance in accordance with Greek GAAP	1 142 361
Additional impairment that was not recorded under Greek GAAP	(17 147)
Reclassification from "Other assets"	14 845
Reclassification from available-for-sale securities	19 136
	<u>1 159 195</u>

Investment in subsidiaries

Balance in accordance with Greek GAAP	31 220
Reclassification to "Available-for-sale securities"	(727)
	<u>30 493</u>

Available-for-sale securities

Balance in accordance with Greek GAAP	87 301
Reclassification to "Trading securities"	(697)
Reclassification from "Investment in subsidiaries"	727
Reclassification to "Loans and advances to customers"	(19 136)
Reversal of valuation loss recognized in Greek GAAP	168
Reclassification to "Held-to-maturity securities"	(51 056)
	<u>17 307</u>

Held-to-maturity securities

Balance in accordance with Greek GAAP	-
Reclassification from "Available-for sale securities"	51 056
	<u>51 056</u>



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Property, plant and equipment

Balance in accordance with Greek GAAP	26 265
Adjustment to depreciation from the change in useful life of certain items of property and equipment	3 790
Reclassification of advances for acquisition of fixed assets to "Other assets"	(3 364)
Recognition of assets under financial leases	67
Other	(4)
	<u>26 754</u>

Intangible assets

Balance in accordance with Greek GAAP	5 466
Write down of amounts recorded under Greek GAAP that do not meet the definition of intangible assets	(3 129)
Reclassification to "Other assets" amounts paid for issue of debt securities	(68)
	<u>2 269</u>

Deferred tax asset

Balance in accordance with Greek GAAP	-
Recognition of amount not allowed under Greek GAAP	7 085
	<u>7 085</u>

Other assets

Balance in accordance with Greek GAAP	204 100
Reclassification of advances for acquisition of fixed assets from "Property, plant and equipment"	3 364
Reclassification to "Due from banks"	(387)
Reclassification to "Loans to customers"	(14 845)
Reclassification to offset internal accounts in "Other liabilities"	(160 780)
Reclassification of income tax advance to "Current tax liability"	(142)
Reclassification of included amounts in "Other liabilities"	3 062
Other	96
	<u>34 468</u>

Deposits from customers

Balance in accordance with Greek GAAP	1 570 715
Reclassification to "Other liabilities"	(7 362)
Reclassification from "Other liabilities" for equity sales by customers	4 947
	<u>1 568 300</u>

Derivative financial instruments

Balance in accordance with Greek GAAP	-
Recognition of derivatives at fair value	82
	<u>82</u>



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Other liabilities

Balance in accordance with Greek GAAP	178 909
Reclassification from "Due from customers"	7 362
Reclassification from "Other assets" to offset internal accounts	(160 780)
Recognition of deferred income from loans that was calculated under a cash basis in Greek GAAP and recorded as an effective interest adjustment	4 292
Correction of accrued interest that was incorrectly calculated under Greek GAAP	382
Reclassification of "Current tax liability"	(1 599)
Reclassification to "Deposits from customers" for equity sales by customers	(4 947)
Reclassification to "Other assets"	3 062
Recognition of financial lease liability	67
Other	53
	<u>26 801</u>

Current income tax liability

Balance in accordance with Greek GAAP	-
Reclassification from "Other liabilities"	1 599
Reclassification from "Other assets"	(142)
	<u>1 457</u>

Employee benefits

Balance in accordance with Greek GAAP	-
Recognition of defined benefit obligation	2 276
Recognition of provision for vacation not taken	50
	<u>2 326</u>

Share premium reserve

Balance in accordance with Greek GAAP	6 064
Reversal of amounts expensed under Greek GAAP relating to the share capital increase	(474)
	<u>5 590</u>

Other reserves

Balance in accordance with Greek GAAP	(13 885)
Reclassification to "Accumulated deficit"	8 370
	<u>(5 515)</u>



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Accumulated deficit

Balance in accordance with Greek GAAP	83
Reclassification from "Other reserves"	(8 370)
Effect of IFRS adjustments:	
Depreciation expense due to change in useful life	3 790
Write down of intangible assets	(3 129)
Defined benefit obligation	(2 326)
Deferred tax	7 085
Effective interest rate adjustment	(4 292)
Additional impairment for customer loans	(17 147)
Other	149
	<u>(24 157)</u>



	<u>Greek GAAP</u>	<u>Effect of IFRS transition</u>	<u>IFRS</u>
Reconciliation of profit/(loss) for 2004			
Interest and similar income	82 075	(4 405)	77 670
Interest expense and similar charges	(37 835)	152	(37 683)
Net interest income	44 240	(4 253)	39 987
Fee and commission income	20 561	(766)	19 795
Fee and commission expense	(609)	-	(609)
Net fee and commission income	19 952	(766)	19 186
Dividend income	80	-	80
Net trading income	4 407	2 349	6 756
Net gain on disposal of non-trading instruments	-	(480)	(480)
Other operating income	2 255	699	2 954
Operating expenses	(65 580)	59	(65 521)
Impairment losses on loans and advances	(2 024)	-	(2 024)
Extraordinary results	696	(696)	-
Profit before tax	4 026	(3 088)	938
Income tax expense	(1 599)	(577)	(2 176)
Profit/(loss) after tax	2 427	(3 665)	(1 238)



Reconciliation of income statement as at 31 December 2004

Interest and similar income

Balance in accordance with Greek GAAP	82 075
Amortization of held to maturity instruments with the effective interest rate method	(839)
Correction of accrued interest incorrectly calculated under Greek GAAP	(381)
Reclassification of Securitization fee to "Net trading income"	(3 185)
	<u>77 670</u>

Interest expense and similar charges

Balance in accordance with Greek GAAP	37 835
Reclassification to "Net trading income"	(152)
	<u>37 683</u>

Fees and commission income

Balance in accordance with Greek GAAP	20 561
Recognition of deferred income from loans that was calculated under a cash basis in Greek GAAP and recorded as an effective interest adjustment	(766)
	<u>19 795</u>

Net trading income and net gain on disposal

Balance in accordance with Greek GAAP	4 407
Revaluation of derivatives	(82)
Net effect from valuation of trading portfolio that was recorded directly to equity under Greek GAAP	(1 082)
Reclassification from "Interest and similar expense"	(152)
Reclassification from "Interest and similar income"	3 185
	<u>6 276</u>

Other operating income

Balance in accordance with Greek GAAP	2 255
Reclassification of amounts recorded in Greek GAAP as "Extraordinary results"	699
	<u>2 954</u>

Operating expenses

Balance in accordance with Greek GAAP	(65 580)
Reclassification of amounts recorded under Greek GAAP as "Extraordinary results"	(3)
Additions to intangibles written-off	(176)
Depreciation adjustment	102
Reversal of share capital expenses to equity	475
Defined benefit obligation expense	(319)
Other	(20)
	<u>(65 521)</u>



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Extraordinary results

Balance in accordance with Greek GAAP	696
Reclassification to other income	(729)
Reclassification to operating expenses	33
	<u>-</u>
	<u>-</u>

Income tax

Balance in accordance with Greek GAAP	(1 599)
Recognition of deferred tax	(588)
Tax discount	11
	<u>(2 176)</u>

