



ASPIS BANK A.E.

FINANCIAL STATEMENTS

31 December 2006

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

These financial statements have been approved by the Board of Directors of ASPIS BANK A.E. on 12 February 2007 and are available at the following web page: www.aspisbank.gr



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

	Note	2006	2005
Interest income		103 439	86 196
Interest expense		(54 566)	(40 686)
Net interest income	7	48 873	45 510
Fee and commission income	8	25 511	23 855
Fee and commission expense		(525)	(528)
Net fee and commission income		24 986	23 327
Net trading income	9	2 990	5 906
Other operating income	10	4 254	3 930
Operating income		81 103	78 673
Impairment losses on loans and advances	19	(2 404)	(2 247)
Personnel expenses	11	(31 096)	(31 956)
Depreciation and amortization	23,24	(5 080)	(4 888)
Other expenses	12	(25 414)	(26 193)
Profit before income tax		17 109	13 389
Income tax expense	13	(5 739)	(3 341)
Profit for the period		11 370	10 048
Basic and diluted earnings per share (euro)	14	0.23	0.21

The attached notes on pages 7 to 38 form part of these financial statements.

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

KONSTANTINOS V. KARATZAS
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OF DIRECTORS**

LOUKAS M. KYRIACOPOULOS
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ASPIS BANK S.A.
Balance Sheet
For the year ended 31 December
(In thousands of Euro)

Assets	Note	2006	2005
Cash and cash equivalents	15	74 214	66 319
Trading assets	16	1 245	1 820
Derivative assets	17	53	134
Loans and advances to banks	18	421 189	331 182
Loans and advances to customers	19	1 655 897	1 403 632
Investment in subsidiaries	20	30 494	30 493
Investment securities			
- available-for-sale	21	24 988	18 873
- held-to-maturity	22	34 254	52 393
Property and equipment	23	27 495	25 271
Intangible assets	24	1 267	2 242
Deferred tax assets, net	25	1 608	4 948
Other assets	26	39 665	35 345
Total assets		2 312 369	1 972 652
Liabilities			
Derivative liabilities	17	3	145
Deposits from banks		83 945	190 730
Deposits from customers	27	1 944 891	1 573 361
Subordinated liabilities	28	49 698	49 613
Current tax liability		634	281
Other liabilities	29	30 545	25 311
Employee benefits	30	3 014	2 194
Total liabilities		2 112 730	1 841 635
Equity			
Share capital	31	172 029	143 561
Share premium		17 078	5 584
Reserves	32	(1 250)	(4 019)
Retained earnings		11 782	(14 109)
Total equity		199 639	131 017
Total liabilities and equity		2 312 369	1 972 652

The attached notes on pages 7 to 38 form part of these financial statements.



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

	Share capital	Share premium	Statutory reserve	Fair value reserve	Tax-free reserve	Hedge reserve	Retained earnings	Total
Balance at 1 January 2005	143 021	5 590	2 350	(8 878)	1 013	-	(24 157)	118 939
Profit for the year	-	-	-	-	-	-	10 048	10 048
Change in fair value of available for sale financial assets	-	-	-	1 362	-	-	-	1 362
Effective portion of fair value changes in cash flow hedge	-	-	-	-	-	134	-	134
Recognized income and expense	-	-	-	1 362	-	134	10 048	11 544
Share capital increase (net)	540	(6)	-	-	-	-	-	534
Balance at 31 December 2005	143 561	5 584	2 350	(7 516)	1 013	134	(14 109)	131 017
Profit for the year	-	-	-	-	-	-	11 370	11 370
Change in fair value of available for sale financial assets	-	-	-	6 122	-	-	-	6 122
Effective portion of fair value changes in cash flow hedge	-	-	-	-	-	(77)	-	(77)
Recognized income and expense	-	-	-	6 122	-	(77)	11 370	17 415
Offset losses	(11 231)	-	(2 350)	-	(940)	-	14 521	-
Other amounts	-	-	-	-	14	-	-	14
Share capital increase (net)	39 699	11 494	-	-	-	-	-	51 193
Balance at 31 December 2006	172 029	17 078	-	(1 394)	87	57	11 782	199 639

The attached notes on pages 7 to 38 form part of these financial statements.



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

	2006	2005
Operating activities		
Profit before taxes	17 109	13 389
Adjustments for non-cash items:		
Depreciation and amortization	5 080	4 888
Impairment on financial assets	2 404	2 247
Change in provisions	1 181	563
Other non-cash items	1 437	(6 767)
Change in fair value	(77)	(64)
Proceeds from the sale of investments	<u>-</u>	<u>19</u>
	27 134	14 275
Change in:		
Trading assets	867	(156)
Derivative assets	13	(75)
Loans and advances to customers	(254 661)	(246 684)
Other assets	1 788	(15 275)
Deposits from banks	(106 785)	175 145
Deposits from customers	371 529	5 061
Other liabilities	<u>12 655</u>	<u>11 732</u>
Net cash flow from/(used) in operating activities	<u>52 540</u>	<u>(55 977)</u>
Cash flows from investing activities		
Proceeds from sale of investment securities	17 131	254
Proceeds from sale of property and equipment	24	459
Change in investments	-	1 882
Purchase of property and equipment	(6 389)	(3 494)
Dividends received	<u>49</u>	<u>44</u>
Net cash flow from/(used) in investing activities	<u>10 815</u>	<u>(855)</u>
Cash flows from financing activities		
Increase in subordinated liabilities	(2 134)	49 613
Issue of shares	<u>51 193</u>	<u>535</u>
Net cash flows from financing activities	<u>49 059</u>	<u>50 148</u>
Net increase/ (decrease) in cash and cash equivalents	112 414	(6 684)
Cash and cash equivalents at 1 January	397 501	404 166
Effect of exchange rate fluctuations on cash held	<u>(14 512)</u>	<u>19</u>
Cash and cash equivalents at 31 December	<u>495 403</u>	<u>397 501</u>
Cash and cash equivalents consist of:		
Cash and balances with Central Bank	74 214	66 319
Loans and advances to banks	<u>421 189</u>	<u>331 182</u>
	<u>495 403</u>	<u>397 501</u>

The attached notes on pages 7 to 38 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.

2. Basis of preparation

2.1 *Statement of compliance*

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

The financial statements were approved by the Board of Directors on 12 February 2007.



2.2 *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for the following:

- trading instruments are measured at fair value
- available-for-sale financial assets are measured at fair value
- derivative financial instruments are measured at fair value

2.3 *Functional and presentation currency*

These financial statements are presented in euro, which is the Bank's functional currency. Except as indicated, financial information presented in Euro has been rounded to the nearest thousand.

2.4 *Use of estimates and judgments*

The preparation of financial statements 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 recognised in the period in which the estimate is revised and in any future periods affected.

The most significant effect on the amount recognised in the financial statements are the calculation of impairment loss.

3. **Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements:

3.1 *Foreign currency*

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

3.2 *Interest*

Interest income and expense are recognised in the income statement using the effective interest method. 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 is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate.



3.3 Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

3.4 Net trading income

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

3.5 Dividends

Dividend income is recognised when the right to receive income is established.

3.6 Lease payments made

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

3.7 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively 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 method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting 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 reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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



3.8 *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 Group providing money, goods or services 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 Group 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 Group 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) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by Bank is recognised as a separate asset or liability.

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

(g) Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards.

(h) 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.

The fair value of derivative hedging instruments is calculated in the same way as the fair value of trading instruments.

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.

3.9 Investment in subsidiaries and associates

There are carried at cost less impairment losses.



3.10 Impairment

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.

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.

3.11 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months including treasury bills. Cash and cash equivalents are carried at amortised cost in the balance sheet.

3.12 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.



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.

3.13 Intangible assets

Intangible assets consists of software that has been acquired by the Bank and stated at cost less accumulated amortisation and impairment losses.

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.

3.14 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.

3.15 Provisions

A provision is recognised in the balance sheet when the Group 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.

3.16 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.

3.17 Segment reporting

A segment is a distinguishable component of the Group 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.



3.18 *New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2006, and have not been applied in preparing these consolidated financial statements:

- IFRS 7 *Financial Instruments Disclosures* will become mandatory for the Bank's 2007 financial statements and will not effect the net asset of the Bank.
- IFRS 8 *Operating Segments* which is effective for annual periods beginning on or after 1 January 2009 and supplements IAS 14 *Segment Reporting* and will not effect the net asset of the Bank.
- IFRS 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* which is effective from 1 March 2006.
- IFRS 8 *Scope of IFRS 2 Share-based Payment* which is effective from 1 May 2006 and will not effect the net asset of the Bank.
- IFRIC 9 *Reassessment of Embedded Derivatives* which is effective from 1 June 2006 and will not effect the net position of the Bank.
- IFRIC 10 *Interim Financial Reporting and Impairment* will become mandatory for the Bank's 2007 financial statements, and will not effect the net asset of the Bank.
- IFRIC 11 – IFRS 2 *Group and Treasury Share Transactions* addresses the classification of a share based payment transaction in the financial statements of the entity receiving the services. It will be applied in the Bank's 2007 financial statements. The Bank has not yet determined the potential effect of the interpretation.
- IFRIC 12 – *Service Concession Arrangements* which is effective for unusual period beginning on or after 1 January 2008. The Bank has not yet determined the potential effect of the interpretation.

4. **Financial risk management**

This note presents information of the exposures 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. Most important risks from the use of financial instruments are credit risk, liquidity risk and market risk. Market risk is defined as currency risk, interest risk and price risk.

4.1 *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.

4.2 *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 of: (the amounts are expressed in thousands of Euro)



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At 31 December 2006	Up to 1 month	1-3 months	3-6 months	6-12 months	1 to 5 years	More than 5 years	Total
Assets							
Cash and balances with Central Bank	74 214	-	-	-	-	-	74 214
Trading securities	-	-	-	-	1 245	-	1 245
Derivative financial instruments	53	-	-	-	-	-	53
Loans and advances to banks	420 291	898	-	-	-	-	421 189
Loans and advances to customers	284 025	191 770	299 137	59 160	374 571	447 234	1 655 897
Investment in subsidiaries Available-for-sale investments	-	-	-	-	-	30 494	30 494
Held-to-maturity investments	-	-	-	-	24 988	-	24 988
Property and equipment and intangible assets	-	23 306	7 603	-	3 345	-	34 254
Other assets	-	-	-	-	28 762	-	28 762
	<u>-</u>	<u>-</u>	<u>9 548</u>	<u>-</u>	<u>31 725</u>	<u>-</u>	<u>41 273</u>
Total assets	<u>778 583</u>	<u>215 974</u>	<u>316 288</u>	<u>59 160</u>	<u>464 636</u>	<u>477 728</u>	<u>2 312 369</u>
Liabilities							
Derivative financial instruments	3	-	-	-	-	-	3
Deposits from banks	83 945	-	-	-	-	-	83 945
Due to customers	664 527	619 157	118 985	95 381	446 841	-	1 944 891
Subordinated liabilities Other liabilities and provisions	-	-	-	-	49 698	-	49 698
	<u>23 526</u>	<u>7 653</u>	<u>-</u>	<u>-</u>	<u>3 014</u>	<u>-</u>	<u>34 193</u>
Total liabilities	<u>772 001</u>	<u>626 810</u>	<u>118 985</u>	<u>95 381</u>	<u>499 553</u>	<u>-</u>	<u>2 112 730</u>
Net liquidity gap	<u>6 582</u>	<u>(410 836)</u>	<u>197 303</u>	<u>(36 221)</u>	<u>(34 917)</u>	<u>477 728</u>	<u>199 639</u>
At 31 December 2005							
Total assets	598 065	198 751	281 223	51 885	196 146	646 582	1 972 652
Total liabilities	<u>704 459</u>	<u>450 001</u>	<u>105 128</u>	<u>78 989</u>	<u>451 251</u>	<u>51 807</u>	<u>1 841 635</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>



4.3 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 summarises 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	73 671	356	187	74 214
Trading securities	1 109	136	-	1 245
Derivative financial instruments	53	-	-	53
Loans and advances to banks	272 523	124 779	23 887	421 189
Loans and advances to customers	1 611 354	29 317	15 226	1 655 897
Investment in subsidiaries and associates	30 476	-	18	30 494
Available-for-sale investments	24 988	-	-	24 988
Held-to-maturity investments	18 914	15 340	-	34 254
Property, plant and equipment	27 495	-	-	27 495
Intangible assets	1 267	-	-	1 267
Deferred tax assets	1 608	-	-	1 608
Other assets	<u>32 682</u>	<u>3 710</u>	<u>3 273</u>	<u>39 665</u>
Total assets	<u>2 096 140</u>	<u>173 638</u>	<u>42 591</u>	<u>2 312 369</u>
Liabilities				
Derivative financial instruments	3	-	-	3
Deposits from banks	68 342	-	15 603	83 945
Due to customers	1 750 022	170 388	24 481	1 944 891
Subordinated liabilities	49 698	-	-	49 698
Other liabilities	<u>33 871</u>	<u>302</u>	<u>20</u>	<u>34 193</u>
Total liabilities	<u>1 901 936</u>	<u>170 690</u>	<u>40 104</u>	<u>2 112 730</u>
Net on-balance sheet position	<u>194 204</u>	<u>2 948</u>	<u>2 487</u>	<u>199 639</u>
Net off-balance sheet position	<u>2 030</u>	<u>(2 041)</u>	<u>11</u>	<u>-</u>
At 31 December 2005				
Total assets	<u>1 692 405</u>	<u>196 861</u>	<u>83 386</u>	<u>1 972 652</u>
Total liabilities	<u>1 600 124</u>	<u>195 658</u>	<u>45 853</u>	<u>1 841 635</u>
Net on-balance position	<u>92 281</u>	<u>1 203</u>	<u>37 533</u>	<u>131 017</u>
Net off-balance position	<u>(4 992)</u>	<u>(717)</u>	<u>5 709</u>	<u>-</u>



4.4 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 2006	Interest rate	Floating	1-3 months	3-12 months	1 to 5 years	Over 5 years	Non-interest	Total
Assets								
Cash and balances with Central Bank	2.39%	-	66 384	-	-	-	7 830	74 214
Trading securities	3.7%	-	1 174	-	-	10	61	1 245
Derivative financial instruments	-	-	-	-	-	-	53	53
Loans and advances to banks	3.8%	-	406 823	-	-	-	14 366	421 189
Loans and advances to customers	5.75%	260 184	496 179	399 433	64 703	435 398	-	1 655 897
Investment in subsidiaries	-	-	-	-	-	-	30 494	30 494
Available for sale investments	2.98%	-	2 548	-	-	-	22 440	24 988
Held to maturity investments	2.64%	-	7 736	26 518	-	-	-	34 254
Other assets	-	-	-	-	-	-	70 035	70 035
Total assets		260 184	980 844	425 951	64 703	435 408	145 279	2 312 369
Liabilities								
Derivative financial instruments	-	-	-	-	-	-	3	3
Deposits from banks	3.67%	-	83 945	-	-	-	-	83 945
Deposits from customers	2.71%	-	1 283 684	118 985	95 381	446 841	-	1 944 891
Subordinated liabilities	4.14%	-	49 698	-	-	-	-	49 698
Other liabilities	-	-	-	-	-	-	34 193	34 193
Total liabilities		-	1 417 327	118 985	95 381	446 841	34 196	2 112 730
Interest sensitivity gap		260 184	(436 483)	306 966	(30 678)	(11 433)	111 083	199 639
31 December 2005								
Total assets		164 032	872 715	542 107	178 970	109 748	105 080	1 972 652
Total liabilities		554 361	1 010 486	235 329	13 628	-	27 831	1 841 635
Interest sensitivity gap		(390 329)	(137 771)	306 778	165 342	109 748	77 249	131 017



5. 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>	
	2006	2005	2006	2005
Financial assets				
Loans and advances to banks	421 189	331 182	421 189	331 182
Loans and advances to customers	1 655 897	1 403 632	1 504 559	1 436 356
Investment securities held-to-maturity	34 254	52 393	33 961	50 444
Investment in subsidiaries	30 494	30 493	30 494	30 493
Financial liabilities				
Deposits from banks	83 945	190 730	83 945	190 730
Deposits from customers	1 944 891	1 573 361	1 949 999	1 568 600
Subordinated liabilities	49 698	49 613	52 103	49 613

6. Segment reporting

The Bank is organized into three business segments:

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



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At 31 December 2006

(In thousands of euro)

	<u>Corporate</u>	<u>Brokerage</u>	<u>Retail</u>	<u>Total</u>
Operating revenue	6 710	4 852	69 541	81 103
Profit before income tax	4 866	1 300	10 943	17 109
Profit for the year	3 234	864	7 272	11 370
Total assets	180 209	31 319	2 100 841	2 312 369
Total liabilities	63 547	13 030	2 036 153	2 112 730
Capital expenditure	1	4	6 384	6 389
Depreciation	14	88	4 978	5 080
Impairment loss	346	-	2 058	2 404

At 31 December 2005

	<u>Corporate</u>	<u>Brokerage</u>	<u>Retail</u>	<u>Total</u>
Operating revenue	9 435	5 815	63 423	78 673
Profit before income tax	4 029	1 218	8 142	13 389
Profit for the year	3 024	916	6 108	10 048
Total assets	202 587	24 406	1 745 659	1 972 652
Total liabilities	50 210	7 911	1 783 514	1 841 635
Capital expenditure	4	88	3 402	3 494
Depreciation	6	206	4 676	4 888
Impairment loss	1 665	221	361	2 247

7. Net interest income

(In thousands of euro)

Interest income

Loans and advances to customers	90 402	76 554
Loans and advances	11 695	7 813
Investment securities	1 191	1 819
Trading securities	151	10
	<u>103 439</u>	<u>86 196</u>

Interest expense

Deposits from banks and customers	(52 256)	(38 990)
Subordinated liabilities	(2 310)	(1 696)
	<u>(54 566)</u>	<u>(40 686)</u>

Net interest income

	<u><u>48 873</u></u>	<u><u>45 510</u></u>
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8. Fee and commission income	2006	2005
<i>(In thousands of euro)</i>		
Loans and letters of guarantees	10 763	10 086
Working capital	1 443	1 333
Imports-exports	1 388	1 292
Management and custodian fees	2 795	2 623
Brokerage transactions	4 363	3 484
Credit cards	1 385	1 481
Deposits	604	766
Property	786	531
Other	1 984	2 259
	25 511	23 855
9. Net trading income	2006	2005
<i>(In thousands of euro)</i>		
Foreign exchange	1 190	1 247
Equity instruments	(87)	349
Debt instruments	5	21
Derivatives	1 882	4 289
	2 990	5 906
10. Other operating income	2006	2005
<i>(In thousands of euro)</i>		
Dividend income	49	44
Net result from sale of non-trading investments	-	5
Sale of services	4 205	3 881
	4 254	3 930
11. Personnel expenses	2006	2005
<i>(In thousands of euro)</i>		
Wages and salaries	21 562	23 519
Social security obligations	5 665	5 174
Contribution to defined benefit plans	1 181	563
Contribution to defined contribution plans	2 688	2 700
	31 096	31 956

The average number of employees during 2006 was 955 (2005: 899).



12. Other expenses	2006	2005
<i>(In thousands of euro)</i>		
(Profit)/loss on sale of property and equipment	-	(154)
Operating lease payments	6 862	6 803
Lawyers, engineers and other professionals	5 426	6 271
Utilities postage and similar charges	1 591	2 035
Other taxes	1 772	1 428
Contributions	2 157	1 793
Other	7 606	8 017
	25 414	26 193

13. Income tax expense	2006	2005
<i>(In thousands of euro)</i>		
Current year	1 562	1 204
Tax on reserves	837	
Deferred tax expense	3 340	2 137
	5 739	3 341

Reconciliation of effective tax rate

(In thousands of euro)

	2006	2005
Profit before income tax	<u>17 109</u>	<u>13 389</u>
Income tax using corporate tax rate	29% 4 961	32% 4 285
Non-deductible expenses	3% 458	4% 510
Tax exempt income	(-) (57)	(11%) (1 540)
Tax on reserves	5% 837	- -
Other differences	(3)% (460)	- 86
	34% 5 739	25% 3 341

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.

During the year as a result of legislation the Bank paid an amount of EUR 837 thousand as tax on tax-free reserves of EUR 5 580 thousand.



14. Earnings per share

The calculation of basic earnings per share at 31 December 2006 was based on the profit after tax for the years attributable to ordinary shareholders of EUR 11 371 thousand (2005: EUR 10 048 thousand) and a weighted average number of ordinary shares outstanding, during the year ended 31 December 2006 of 5 051 068 (2005: 48 646 667). The increase in weighted average number of ordinary shares is from the effect of share capital increase of 1,404,401 towards the end of 2006.

15. Cash and cash equivalents

(In thousands of euro)

	2006	2005
Cash in hand	23 025	16 405
Reserves with Central Bank	51 189	49 914
	74 214	66 319

16. Trading assets

(In thousands of euro)

	2006	2005
Bonds	1 185	1 734
Equities	60	86
	1 245	1 820

17. Derivative assets

(In thousands of euro)

	2006		2005	
	<u>Fair Value</u>		<u>Fair Value</u>	
	Assets	Liabilities	Assets	Liabilities
Forward – currency	(4)	-	-	105
Futures – bonds	-	3	-	17
Interest rate swaps	57	-	134	23
	53	3	134	145

18. Loans and advances to banks

(In thousands of euro)

	2006	2005
Current accounts	11 628	7 255
Other placements	406 822	320 169
Items in course of collection	2 739	3 758
	421 189	331 182



19. Loans and advances to customers	2006	2005
<i>(In thousands of euro)</i>		
Retail customers:		
Housing	844 039	657 703
Credit cards	36 349	35 548
Other consumer	56 887	58 776
Corporate customers:		
Subsidiaries	69 046	75 882
Manufacturing	165 469	165 577
Wholesale and commerce	361 841	294 351
Other	129 584	132 806
Amounts due relating to brokerage transactions	27 467	24 989
	<u>1 690 682</u>	<u>1 445 632</u>
Impairment allowance	<u>(34 785)</u>	<u>(42 000)</u>
Loans and advances to customers net of impairment	<u>1 655 897</u>	<u>1 403 632</u>

Allowance for impairment

(In thousands of euro)

	2006	2005
Balance at 1 January	42 000	39 799
Impairment loss for the year	2 404	2 247
Write-offs	<u>(9 619)</u>	<u>(46)</u>
Balance at 31 December	<u>34 785</u>	<u>42 000</u>

20. Investments in subsidiaries and associates	Country of incorporation	2006	Ownership interest	2005
<i>(In thousands of euro)</i>				
Aspis Leasing	Greece	21 693	100%	21 693
Aspis AE Insurance Brokerage	Greece	616	100%	616
Aspis International AEDAK	Greece	8 166	55%	8 166
Aspis Finance plc	England	19	100%	18
		<u>30 494</u>		<u>30 493</u>



21. Available-for-sale investment securities	2006	2005
<i>(In thousands of euro)</i>		
Mutual fund units	10 527	9 771
Listed equities	11 819	5 927
Other debt securities	2 548	2 541
Non-listed equities	94	634
	24 988	18 873

22. Held-to-maturity securities	2006	2005
<i>(In thousands of euro)</i>		
Greek Government bonds	18 914	35 088
Other Government bonds	15 340	17 305
	34 254	52 393



23. Property and equipment

(In thousands of euro)

	Land and buildings	Leasehold improvements	Furniture and equipment	Total
Cost				
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>
Balance at 1 January 2006	6 484	23 992	17 554	48 030
Acquisitions	-	1 903	3 372	5 275
Disposals	-	(12)	(12)	(24)
Transfer from intangible assets	-	-	6 444	6 444
Disposals	501	(501)	-	-
Write-offs	<u>-</u>	<u>(53)</u>	<u>(851)</u>	<u>(904)</u>
Balance at 31 December 2006	<u>6 985</u>	<u>25 329</u>	<u>26 507</u>	<u>58 821</u>
Depreciation				
Balance 1 January 2005	327	7 750	11 183	19 260
Depreciation 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>
Balance 1 January 2006	418	9 667	12 674	22 759
Depreciation for the year	133	2 018	2 458	4 609
Transfer from intangible assets	-	-	4 828	4 828
Transfers	204	(204)	-	-
Disposals	-	(19)	-	(19)
Write-offs	<u>-</u>	<u>-</u>	<u>(851)</u>	<u>(851)</u>
Balance 31 December 2006	<u>755</u>	<u>11 462</u>	<u>19 109</u>	<u>31 326</u>
Carrying amounts				
Balance at 1 January 2005	<u>6 205</u>	<u>15 097</u>	<u>5 452</u>	<u>26 754</u>
Balance at 31 December 2005	<u>6 066</u>	<u>14 325</u>	<u>4 880</u>	<u>25 271</u>
Balance at 1 January 2006	<u>6 066</u>	<u>14 325</u>	<u>4 880</u>	<u>25 271</u>
Balance at 31 December 2006	<u>6 230</u>	<u>13 867</u>	<u>7 398</u>	<u>27 495</u>



24. Intangible assets

(In thousands of euro)

Cost	Purchased software
Balance at 1 January 2005	7 014
Acquisitions	<u>1 019</u>
Balance at 31 December 2005	<u>8 033</u>
Balance at 1 January 2006	8 033
Acquisitions	1 114
Transfer to property and equipment	<u>(6 444)</u>
Balance at 31 December 2006	<u>2 703</u>
Amortisation	
Balance as at 1 January 2005	4 745
Amortisation for the year	1 046
Disposals	<u>-</u>
Balance at 31 December 2005	<u>5 791</u>
Balance 1 January 2006	5 791
Amortisation for the year	472
Transfer to property and equipment	<u>(4 827)</u>
Balance at 31 December 2006	<u>1 436</u>
Carrying amounts	
Balance at 1 January 2005	<u>2 269</u>
Balance at 31 December 2005	<u>2 242</u>
Balance at 1 January 2006	<u>2 242</u>
Balance at 31 December 2006	<u>1 267</u>



25. Deferred tax assets, net

(In thousands of euro)

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2006	2005
Deferred tax asset		
Impairment for customer loans	2 259	3 828
Employee benefits	741	550
Commission income	<u>890</u>	<u>977</u>
	<u>3 890</u>	<u>5 355</u>
Deferred tax liabilities		
Property and equipment	(2 262)	(387)
Commission expense	<u>(20)</u>	<u>(20)</u>
	<u>(2 282)</u>	<u>(407)</u>
Net deferred tax asset	<u>1 608</u>	<u>4 948</u>

Movement in temporary differences during the year

(In thousands of euro)

2006	Opening balance	Recognized in income	Closing balance
Customer loans impairment	3 828	(1 569)	2 259
Employee benefits	550	191	741
Commission income	977	(87)	890
Property, plant and equipment	(387)	(1 875)	(2 262)
Commission expense	<u>(20)</u>	<u>-</u>	<u>(20)</u>
	<u>4 948</u>	<u>(3 340)</u>	<u>1 608</u>
2005	Opening balance	Recognized in income	Closing balance
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	<u>(27)</u>	<u>7</u>	<u>(20)</u>
	<u>7 085</u>	<u>(2 137)</u>	<u>4 948</u>



26. Other assets	2006	2005
<i>(In thousands of euro)</i>		
Guarantees and participations to other funds	7 987	10 009
Advances	13 520	4 801
Receivables from Greek State and other public organizations	2 252	1 466
Accrued income	8 390	3 779
Other	7 516	15 290
	<u>39 665</u>	<u>35 345</u>

27. Deposits from customers	2006	2005
<i>(In thousands of euro)</i>		
Sight and current accounts	206 364	221 769
Savings accounts	320 008	326 773
Term deposits	1 418 519	1 024 819
	<u>1 944 891</u>	<u>1 573 361</u>

28. 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.

29. Other liabilities	2006	2005
<i>(In thousands of euro)</i>		
Tax and duties	1 503	853
Amounts and cheques payable	12 071	9 879
Accrued interest expense	6 131	3 749
Other liabilities	<u>10 840</u>	<u>10 830</u>
	<u>30 545</u>	<u>25 311</u>



30. Employee benefits

Employee benefits consist of:

(In thousands of euro)

	2006	2005
Recognized liability for defined benefit obligations	2 964	2 144
Vacation not taken	<u>50</u>	<u>50</u>
	<u>3 014</u>	<u>2 194</u>

Defined benefit obligations

(In thousands of euro)

	2006	2005
Present value of unfunded obligations	3 585	2 803
Unrecognised actuarial gains and losses	<u>(621)</u>	<u>(659)</u>
Recognized liability for defined benefit obligations	<u>2 964</u>	<u>2 144</u>

Movement in the liability for defined benefit obligations

(In thousands of euro)

	2006	2005
Liability for defined benefit obligations at 1 January	2 144	2 226
Expense recognized in profit or loss (see below)	1 181	563
Benefits paid	<u>(361)</u>	<u>(645)</u>
	<u>2 964</u>	<u>2 144</u>

Expense recognized in profit or loss

(In thousands of euro)

	2006	2005
Current service costs	468	408
Interest on obligation	145	131
Amortization of actuarial loss	38	24
Past service cost	<u>530</u>	<u>-</u>
	<u>1 181</u>	<u>563</u>

Actuarial assumptions

	2006	2005
Discount rate	4.5%	4.5%
Future salary increases	5.0%	5.0%



31. Share capital

At 31 December 2006, the share capital comprised 63 474 403 ordinary shares with a par value of EUR 2.71 per share after the share capital increase of EUR 39 699 thousand in cash by issuing 14 644 093 shares and an amount of EUR 11 231 thousand was offset against losses carried forward.

32. Reserves

(In thousands of euro)

	2006	2005
Statutory reserve	-	2 350
Untaxed reserves	-	801
Fair value reserve	(1 394)	(7 516)
Other reserves	<u>144</u>	<u>346</u>
	<u>(1 250)</u>	<u>(4 019)</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. In 2006 the Bank offset losses of EUR 2 350 thousand. In 2007, the shareholders in their annual meeting will decide on the distribution of such reserves.

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. During the year the Bank paid an amount of EUR 837 thousand for special tax on tax-free reserves.

Fair value reserve: The fair value reserve includes the cumulative net charge in the fair value of available-for-sale investments until the investment is derecognised or impaired.

Other reserves: Other reserves comprises the cash flow hedge reserve and amounts that have been taxed and are free for distribution.

33. Securitisations

The Bank has transferred housing loans securitized to Byzantium Finance plc, a special purpose vehicle of an amount of EUR 250 million in November 2003. These loans as at 31 December 2006 amount to EUR 175 559 thousand.



34. Related-party transactions

(In thousands of euro)

The Bank defines its subsidiaries and the Board of Directors as related parties.

(a) Board of Directors

	2006	2005
Loans and advances to customers	7 645	1 870
Deposits from customers	13 524	11 277
Other liabilities	92	-
Income		
Net interest income	(90)	53
Net commission income	74	20
Expenses		
Staff costs	2 823	3 506
Other operating expenses	46	-

(b) Balances and transaction with subsidiaries:

	2006	2005
Available-for-sale securities	2 500	2 500
Loans and advances to customers	69 058	76 387
Other assets	3 375	4 541
Deposits from customers	6 860	3 040
Subordinated liabilities	50 000	49 613
Other liabilities	370	210
Income		
Interest income	4 075	1 948
Commission income	2 164	1 884
Net trading results	1 889	4 382
Other income	94	80
Expenses		
Interest expense	2 336	1 725
Other expense	221	29



(c) Other key management personnel and other parties:

	2006	2005
Loans and advances to customers	18 020	22 288
Other assets	415	755
Amounts due from customers	95 500	39 813
Other liabilities	382	92
Income		
Net interest income	(1 160)	459
Net commission income	649	952
Expenses		
Other operating expenses	3 615	2 697

35. Contingent liabilities and commitments

35.1 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.

35.2 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):

	2006	2005
Letters of guarantee	214 809	197 226
Letters of credit	23 517	12 393

35.3 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	6 684
From 1 to 5 years	18 282
Over 5 years	7 703



36. Changes in comparative figures

- (a) An amount of EUR 1 679 thousand which related to loan expenses was transferred to "Commission income " from "Other income" for comparative purposes.
- (b) The Bank offset broker transactions by EUR 14 398 thousand that affected "Other assets" and "Other liabilities".

37. Post balance sheet events

In February 2007, the Bank agreed to acquire 51% of the share capital of FBB. This decision is subject to approval from the local authorities and will be completed during the 2nd trimester of 2007.

INDEPENDENT AUDITOR'S REPORT (Translation from Greek to English)

To the Shareholders of
ASPIS BANK A.E

Report on the Financial Statements

We have audited the accompanying financial statements of ASPIS BANK A.E (the Bank), which comprise the balance sheet as at 31 December 2006, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of ASPIS BANK A.E. as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion we draw attention to note 13 to the financial statements, that explains that the tax obligations of the Bank 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.

Report on Other Legal and Regulatory Requirements

The content of the Report of the Board of Directors is consistent with the accompanying financial statements.

Athens, 27 February 2007

KPMG Kyriacou Certified Auditors A.E.

Nick Vouniseas
Certified Auditor Accountant
AM SOEL 18701