ASPIS BANK A.E.

FINANCIAL STATEMENTS

31 December 2007

In accordance with International Financial Reporting Standards (IFRS) are adopted by the European Union

These financial statements have been approved by the Board of Directors of ASPIS BANK A.E. on 18 March 2008 and are available at the following web page: **www.aspisbank.gr**

Contents

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

	Note	2007	2006
Interest income		131 859	103 439
Interest expense		(82 920)	(54 566)
Net interest income	**7**	**48 939**	**48 873**
Fee and commission income	**8**	26 504	25 511
Fee and commission expense		(351)	(525)
Net fee and commission income		**26 153**	**24 986**
Net trading income	**9**	2 819	2 990
Other operating income	**10**	4 655	4 254
Operating income		**82 566**	**81 103**
Impairment losses on loans and advances	**19**	(3 050)	(2 404)
Personnel expenses	**11**	(33 623)	(31 096)
Depreciation and amortization	**23,24**	(5 316)	(5 080)
Other expenses	**12**	(29 939)	(25 414)
Profit before income tax		**10 638**	**17 109**
Income tax expense	**13**	(7 626)	(5 739)
Profit for the period		**3 012**	**11 370**
Basic and diluted earnings per share (in Euro)	**14**	0.05	0.23

The attached notes on pages 5 to 43 form part of these financial statements.

PRESIDENT OF THE BOARD OF DIRECTORS AND MANAGING DIRECTOR	VICE PRESIDENT OF THE BOARD OF DIRECTORS	THE GENERAL MANAGER OF CAPITAL MARKETS AND CHIEF FINANCIAL OFFICER	FINANCIAL MANAGER
KONSTANTINOS V. KARATZAS ID No E533458	LOUKAS M. KYRIACOPOULOS ID No A045552	DIOMIDIS H. NIKOLETOPOULOS ID No F123387	EVANGELOS V. STATHOPOULOΣ ID No S045074 LICENCE No OEE 523 1ST CLASS

ASPIS BANK A.E.
Balance Sheet
For the year ended 31 December
(In thousands of Euro)

Assets	**Note**	**2007**	**2006**
Cash and cash equivalents	**15**	93 119	74 214
Trading assets	**16**	7 756	1 245
Derivative assets	**17**	13	53
Loans and advances to banks	**18**	473 786	421 189
Loans and advances to customers	**19**	2 043 186	1 655 897
Investment in subsidiaries and associates	**20**	30 492	30 494
Investment securities			
- Available-for-sale	**21**	23 183	24 988
- Held-to-maturity	**22**	3 279	34 254
Property and equipment	**23**	47 806	27 495
Intangible assets	**24**	4 590	1 267
Deferred tax assets	**25**	-	1 608
Other assets	**26**	43 456	39 665
Total assets		**2 770 666**	**2 312 369**
Liabilities			
Derivative liabilities	**17**	-	3
Deposits from banks		201 660	83 945
Deposits from customers	**27**	2 190 797	1 944 891
Deferred tax liability	**25**	1 138	-
Subordinated liabilities and hybrid issues	**28**	139 092	49 698
Current tax liability		-	634
Employee benefits	**30**	3 456	3 014
Other liabilities	**29**	36 743	30 545
Total liabilities		**2 572 886**	**2 112 730**
Equity			
Share capital	**31**	173 614	172 029
Share premium		17 053	17 078
Reserves	**32**	2 730	(1 250)
Retained earnings		4 383	11 782
Total equity		**197 780**	**199 639**
Total liabilities and equity		**2 770 666**	**2 312 369**

The attached notes on pages 5 to 43 form part of these financial statements.

ASPIS BANK A.E.
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	Accumulated deficit/ Retained earnings	Total
Balance at 1 January 2006	**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**
Profit for the year	-	-	-	-	-	-	3 012	3 012
Change in fair value of available for sale financial assets	-	-	-	(2 565)	-	-	-	(2 565)
Effective portion of fair value changes in cash flow hedge	-	-	-	-	-	(57)	-	(57)
Recognized income and expense	-	-	-	(2 565)	-	(57)	3 012	390
Dividends	-	-	-	-	-	-	(3 809)	(3 809)
Allocation to reserves	-	-	499	-	6 103	-	(6 602)	-
Share capital increase (net)	1 585	(25)	-	-	-	-	-	1 560
Balance at 31 December 2007	**173 614**	**17 053**	**499**	**(3 959)**	**6 190**	**-**	**4 383**	**197 780**

The attached notes on pages 5 to 43 form part of these financial statements.

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

	2007	2006
Operating activities		
Profit before taxes	10 638	17 109
Adjustments for non-cash items		
Depreciation and amortization	5 316	5 080
Impairment on financial assets	3 050	2 404
Change in provisions	476	1 181
Other non-cash items	1 661	1 437
Change in fair value	(1 093)	(77)
	20 048	27 134
Change in:		
Trading assets	(6 171)	867
Derivative assets	84	13
Loans and advances to customers	(390 339)	(254 661)
Other assets	1 888	1 788
Deposits from banks	117 716	(106 785)
Deposits from customers	245 907	371 529
Other liabilities	13 700	12 655
Prior year taxes paid	(4 880)	-
Net cash flow from/(used) in operating activities	**(2 047)**	**52 540**
Cash flows from investing activities		
Proceeds from sale of investment securities	29 622	17 131
Proceeds from sale of property and equipment	36	24
Purchase of property and equipment	(28 986)	(6 389)
Dividends received	46	49
Net cash flow from investing activities	**718**	**10 815**
Cash flows from financing activities		
Increase in subordinated liabilities	89 393	(2 134)
Issue of shares	1 560	51 193
Dividends paid	(3 792)	-
Net cash flows from financing activities	**87 161**	**49 059**
Net increase in cash and cash equivalents	**85 832**	**112 414**
Cash and cash equivalents at 1 January	**495 403**	**397 501**
Effect of exchange rate fluctuations on cash held	(14 330)	(14 512)
Cash and cash equivalents at 31 December	**566 905**	**495 403**
Cash and cash equivalents consist of:		
Cash and balances with Central Bank	93 119	74 214
Loans and advances to banks	473 786	421 189
	566 905	**495 403**

The attached notes on pages 5 to 43 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 Societé 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 Societé 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 Societé 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 and 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) as adopted by the European Union.

The financial statements were approved by the Board of Directors on 18 March 2008.

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.

In particular information about significant areas of estimation, uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are for the calculation of impairment losses on loans, fair value of financial instruments and for the calculation of income tax.

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

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. 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 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 not integral to the measurement of the effective interest rate which are recorded based on the relevant services.

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 as well as gains less losses that were recycled from equity to the income statement.

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) Recognition

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

(b) 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.

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

The Bank enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

(c) Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Bank 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, or for gains and losses arising from a group of similar transactions.

(d) Amortised cost measurement

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

(e) Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, etc. The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments like options and interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

For more complex instruments, the bank uses proprietary models, which usually are developed from recognized valuation models.

(f) Identification and measurement of impairment

At each balance sheet date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing collective impairment the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

3.9 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. Cash and cash equivalents are carried at amortised cost in the balance sheet.

3.10 Trading assets

Trading assets are those assets and liabilities that the Bank acquires or incurs principally for the purpose of short-term profit or position taking.

Trading assets are initially recognised and subsequently measured at fair value in the balance sheet with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

3.11 Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the balance sheet. The treatment of changes in their fair value depends on their classification as explained below.

When a derivative is designated as a hedge of the change in fair value of a recognised asset or liability, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

When a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative are recognised directly in equity. The amount recognised in equity is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same income statement line item as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

3.12 Investment in subsidiaries and associates

There are carried at cost less impairment losses.

3.13 Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date, the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

For finance leases where the Bank is the lessor and the risks and rewards incident to ownership of an asset are transferred to the lessee, the present value (net investment) of lease payments is recognized as loans and advances.

3.14 Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity or available-for-sale.

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised directly in equity until the investment is sold or impaired and the balance in equity is recognised in profit or loss.

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale investments.

3.15 Property and equipment

Items of property 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 – 15 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.

3.16 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 to 15 years.

3.17 Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities that are sources of funding for the Bank are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

The Bank enters into contracts to sale and repurchase own investments at a specific date and at a specific price. Investments sold under these agreements are not derecognized and are classified and measured as trading, available-for-sale or held-to-maturity. The amount of the sale is depicted as due from financial institutions or customers.

Deposits, debt securities and subordinated liabilities are initially measured at fair value plus transaction costs and subsequently measured at the amortized cost using the effective interest method.

3.18 Provisions

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

3.19 Employee benefits

(a) Defined contribution plans

The Bank pays contributions to publicly or privated 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 it 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 a 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 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).

3.20 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) Own shares

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. Where such shares are subsequently sold or re-issued, any consideration received is included in shareholders' equity.

3.21 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.

3.22 New standards and interpretations

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these financial statements:

- IFRS 8 "Operating Segments" introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Bank's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Bank's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them.
- Revised IAS 23 "Borrowing Costs" removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.
- IFRIC 11 IFRS 2 – "Group and Treasury Share Transactions" requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained.
- IFRIC 12 "Service Concession Arrangements" provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Bank's 2008 financial statements, is not expected to have any effect on the financial statements.
- IFRIC 13 "Customer Loyalty Programmes" addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Bank's 2009 financial statements, is not expected to have any impact on the financial statements.

- IFRIC 14 IAS 19 – "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability.

4. Financial Risk Management

4.1 Introduction and overview

The Bank monitors the following risks:

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

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

The Board of Directors in order to promote stability and continue its operations has established an effective risk management operations framework, that enables the Bank to recognize and analyse all types of risks which it is exposed to.

The Board has established the Asset and Liability (ALCO) committee for the Bank and a Risk Audit Committee, which are responsible for developing and monitoring the risk management policies of the Bank in their specified areas.

The Risk Management Division, operates as an independent unit in the Bank, reporting to the Risk Audit Committee and the Board of Directors. The unit is responsible, for improving on a continual basis the existing management methods, for detecting and analyzing in an adequate format the risk that the Bank faces through quantitative methods, as well as for developing new quantitative tools, which will enhance the Bank's risk management framework.

4.2 Credit risk

Credit risk is a corner stone, in the Bank's risk management framework, in terms of the credible measurement of credit risk. Credit risk, is the risk of financial loss to the Bank, if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credits and credit limits give to individuals or corporates are the basic sources of credit risk. Credit risk may also arise from investment activities and transactions on investments and securities settlement.

Reliable credit risk measurement, contributes in maximizing the Bank's profitability, by monitoring the level of expected and unexpected financial loss. By using historical data and informational systems, the Bank develops, evaluates and implements mathematical models, in order to score loan applications. Prompt risk detection criteria, are defined, for loan portfolios, and if considered necessary, correctional actions are proposed.

For retail customer loans a scoring model exists, which classifies each customer to a certain risk category. This model, is reviewed on a regular basis, and modified, if considered necessary.

For corporate clients, a rating model is used, which classifies each client in a risk category, taking into account financial and qualitative data. Especially, for companies that are corporate or small and medium sized enterprises, the Credit Risk Tracker rating system, of Standard & Poor's is implemented.

4.2.1 Loan impairment

We consider, that a loan is impaired , when its book value is greater than the expected recoverable amount. The loss amount, that must be posted, is the difference between its book value and its recoverable amount. The recoverable amount, is calculated as the net present value of the expected future cash flows, discounted at the original effective interest rate of the loan.

If the Bank decides that there is no objective evidence of impairment for a financial asset that was tested for individually it classifies this loan in a separate portfolio with similar characteristics and tests for impairment on a portfolio basis.

The Bank classifies loans and advances to customers based on impairment loss in the following four categories based on impairment loss calculation:

a) Individually impaired

These are loans and advances to customers which the Bank has proceeded in legal actions and determines that it is probable, that it will be unable to collect in total or partially all principal and interest due according to the contractual terms of the loan agreements. These loans are examined for impairment, on an individual basis.

b) Collectively impaired

These are loans and advances to customers which the Bank has proceeded in legal actions and determines that it is probable, that it will be unable to collect in total or partially all principal and interest due according to the contractual terms of the loan agreements. These loans are examined for impairment, on a collective basis. The portfolio are based on the time period that the loan was denounced from the first year.

c) Past due and tested for impairment

These are loans that are overdue for 30 days and above in terms of contractual interest or principal payments. The overdue loans are tested for impairment based on probability of default coefficients (PD) and loss given default rates (LGD) per loan.

d) Neither past due and tested for impairment

These are customer loans, that are not considered overdue or are overdue less than 30 days. These loans are tested for impairment based on probability of default and loss given default rates per loan.

The table that follows is an analysis of the Bank's loans by types of risk in accordance with the impairment calculation method used by the Bank. Each category is separated into risk categories based on the credit rating and days in delay for each customer taken into account the security coverage for the customer.

The following table also shows the evaluation of the Bank's credit risk for amounts due from credit institutions and for investment securities.

The following exposures, are based in their book value, exactly as they appear in the Bank's balance sheet.

(Amounts in thousand of Euro)

	Loans and advances to customers		Loans and advances to credit institutions		Investment securities	
31 December	2007	2006	2007	2006	2007	2006
	2 043 186	**1 655 897**	**473 786**	**421 189**	**26 462**	**59 242**
Individually impaired						
Grade 6	898	64	-	-	-	-
Grade 7	20 652	14 426	-	-	-	-
Grade 8	3 058	16 626	-	-	-	-
Grade 9	15 510	14 900	-	-	-	-
Grade 10	12 368	9 828	-	-	-	-
Gross amount	52 486	55 844	-	-	-	-
Impairment loss	(18 202)	(16 980)	-	-	-	-
Carrying amount	34 284	38 864	-	-	-	-
Collectively impaired						
Grade 7	2 255	1 538	-	-	-	-
Grade 8	5 388	8 460	-	-	-	-
Grade 9	5 859	1 839	-	-	-	-
Grade 10	9 056	7 495	-	-	-	-
Gross amount	22 558	19 332	-	-	-	-
Impairment loss	(12 198)	(11 124)	-	-	-	-
Carrying amount	10 360	8 208	-	-	-	-
Past due and tested for impairment						
Grade 2	62 604	3 103	-	-	-	-
Grade 3	36 840	13 652	-	-	-	-
Grade 4	26 208	29 249	-	-	-	-
Grade 5	5 845	26 583	-	-	-	-
Grade 6	5 359	10 168	-	-	-	-
Grade 7	551	5 217	-	-	-	-
Grade 8	-	495	-	-	-	-
Grade 9	-	201	-	-	-	-
Grade 10	-	44	-	-	-	-
Gross amount	137 407	88 712	-	-	-	-
Impairment loss	(578)	(508)	-	-	-	-
Carrying amount	136 829	88 204	-	-	-	-

31 December	Loans and advances to customers 2007	2006	Loans and advances to credit institutions 2007	2006	Investment securities 2007	2006
Past due comprises:						
30-90 days	78 458	57 750	-	-	-	-
90-180 days	42 475	29 743	-	-	-	-
180 days +	15 896	711	-	-	-	-
Carrying amount	136 829	88 204	-	-	-	-
Neither past due and tested for impairment						
Grade 1	847 406	670 605	473 786	421 189	26 462	59 242
Grade 2	415 267	149 778	-	-	-	-
Grade 3	206 933	272 809	-	-	-	-
Grade 4	113 077	106 335	-	-	-	-
Grade 5	154 926	141 016	-	-	-	-
Grade 6	130 530	186 251	-	-	-	-
Gross amount	1 868 139	1 526 794	473 786	421 189	26 462	59 242
Impairment loss	(6 426)	(6 173)	-	-	-	-
Carrying amount	1 861 713	1 520 621	473 786	421 189	26 462	59 242
Total carrying amount	**2 043 186**	**1 655 897**	**473 786**	**421 189**	**26 462**	**59 242**

Set out below is an analysis of the gross and net of allowance for impairment amounts of 31 December 2007 and 2006 by risk grade.

31 December 2007

(Amounts in thousand of Euro)

	Loans and advances to customers Gross	Net	Loans and advances to credit institutions Gross	Net	Investment securities Gross	Net
	2 080 589	**2 043 186**	**473 786**	**473 786**	**26 462**	**26 462**
Individually impaired						
Grade 6	898	807	-	-	-	-
Grade 7	20 652	19 358	-	-	-	-
Grade 8	3 058	3 058	-	-	-	-
Grade 9	15 510	9 682	-	-	-	-
Grade 10	12 367	1 379	-	-	-	-
Total	52 485	34 284	-	-	-	-

	Loans and advances to customers		Loans and advances to credit institutions		Investment securities	
	Gross	Net	Gross	Net	Gross	Net
Collectively impaired						
Grade 7	2 255	1 447	-	-	-	-
Grade 8	5 388	3 501	-	-	-	-
Grade 9	5 859	2 600	-	-	-	-
Grade 10	9 056	2 812	-	-	-	-
Total	22 558	10 360	-	-	-	-
Past due and tested for impairment						
Grade 2	62 604	62 552	-	-	-	-
Grade 3	36 840	36 794	-	-	-	-
Grade 4	26 208	25 970	-	-	-	-
Grade 5	5 845	5 818	-	-	-	-
Grade 6	5 359	5 285	-	-	-	-
Grade 7	551	410	-	-	-	-
Total	137 407	136 829	-	-	-	-
Past due comprises:						
30-90 days	78 754	78 458	-	-	-	-
90-180 days	42 596	42 475	-	-	-	-
180 days +	16 057	15 896	-	-	-	-
Total	137 407	136 829	-	-	-	-
Neither past due and tested for impairment						
Grade 1	847 406	845 545	473 786	473 786	26 462	26 462
Grade 2	415 267	413 537	-	-	-	-
Grade 3	206 933	205 965	-	-	-	-
Grade 4	113 077	112 548	-	-	-	-
Grade 5	154 926	154 201	-	-	-	-
Grade 6	130 530	129 917	-	-	-	-
Total	1 868 139	1 861 713	473 786	473 786	26 462	26 462
Total	**2 080 589**	**2 043 186**	**473 786**	**473 786**	**26 462**	**26 462**

(Amounts in thousand of Euro)

31 December 2006	Loans and advances to customers		Loans and advances to credit institutions		Investment securities	
	Gross	Net	Gross	Net	Gross	Net
	1 690 682	**1 655 897**	**421 189**	**421 189**	**59 242**	**59 242**
Individually impaired						
Grade 6	64	45	-	-	-	-
Grade 7	14 426	14 122	-	-	-	-
Grade 8	16 626	15 355	-	-	-	-
Grade 9	14 900	9 342	-	-	-	-
Grade 10	9 828	-	-	-	-	-
Total	55 844	38 864	-	-	-	-
Collectively impaired						
Grade 7	1 538	601	-	-	-	-
Grade 8	8 460	4 112	-	-	-	-
Grade 9	1 839	719	-	-	-	-
Grade 10	7 495	2 776	-	-	-	-
Total	19 332	8 208	-	-	-	-
Past due and tested for impairment						
Grade 2	3 103	3 103	-	-	-	-
Grade 3	13 652	13 622	-	-	-	-
Grade 4	29 249	29 068	-	-	-	-
Grade 5	26 583	26 460	-	-	-	-
Grade 6	10 168	10 118	-	-	-	-
Grade 7	5 217	5 172	-	-	-	-
Grade 8	495	449	-	-	-	-
Grade 9	201	188	-	-	-	-
Grade 10	44	24	-	-	-	-
Total	88 712	88 204	-	-	-	-
Past due comprises:						
30-90 days	58 103	57 750	-	-	-	-
90-180 days	29 869	29 743	-	-	-	-
180 days +	740	711	-	-	-	-
Total	88 712	88 204	-	-	-	-

	Loans and advances to customers		Loans and advances to credit institutions		Investment securities	
	Gross	Net	Gross	Net	Gross	Net
Neither past due and tested for impairment						
Grade 1	670 605	669 053	421 189	421 189	59 242	59 242
Grade 2	149 778	147 697	-	-	-	-
Grade 3	272 809	271 874	-	-	-	-
Grade 4	106 335	105 944	-	-	-	-
Grade 5	141 016	140 509	-	-	-	-
Grade 6	186 251	185 544	-	-	-	-
Total	1 526 794	1 520 621	421 189	421 189	59 242	59 242
Grand total	**1 690 682**	**1 655 897**	**421 189**	**421 189**	**59 242**	**59 242**

4.2.2 Collateral

The Bank as part of its risk management policy receives collateral in order to protect its receivables. The major categories of collateral against loans and advances to customers are in the form of cheques, prenotices over property and other guarantees, such as cash collateral. The table below shows collateral held for the Bank's credit risk.

(Amounts in thousand of Euro)

	2007	2006
Loans and advances to customers		
Retail customers:		
Mortgages	957 978	815 534
Credit cards	44 402	36 349
Other consumer loans	66 432	56 887
	1 068 812	908 770
Corporate clients:		
Subsidiaries	6 501	10 603
Subsidiaries – Corporate bonds	54 874	40 000
Corporate and shipping loans	799 443	638 688
Corporate bonds	102 003	46 700
Other	20 161	18 454
	982 982	754 445
Amounts for securities transaction	28 795	27 467
	2 080 589	1 690 682
Impairment loss	(37 403)	(34 785)
Loans and advances after provisions	**2 043 186**	**1 655 897**
Collaterals		
Retail clients:	1 210 901	968 044
Corporate clients:	1 387 830	1 021 928
Total collateral amount	**2 598 731**	**1 989 972**

Loans to retail customers, in their majority, are collateralized in the form of mortgage interests over property. As far as, loans to corporate clients are concerned, their collaterals, are in the form of cheques, mortgage interests over property, and other collateral types, such as cash, securities and machinery.

The following table describes the collaterals held against corporate clients, expressed in thousands of Euro and per collateral type.

2007		2006	
Cheques	265 037	Cheques	456 172
Property	221 553	Property	159 235
Others	901 240	Others	406 521
	1 387 830		**1 021 928**

4.2.3 Write-off policy

The Bank writes off loans when the Bank determines, that the loans are uncollectible. This is done, after considering information, such as the occurrence of significant changes in the borrower's financial position, in a manner that the borrower can no longer pay the obligation.

4.3 Market Risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates is concerned.

For market risk, the Bank, elaborates, develops and carries out risk methods, that are based on Value-at-Risk (VaR) models. VaR measures, the worst expected loss, over a given horizon, under normal market conditions, at a given confidence level. As this model is not used for losses arising from extreme events the Bank applies stress tests on its securities portfolio. Specifically, the Bank uses extreme value theory for concluding on changes in Bank's securities portfolio when extreme events occur. The VaR model used by the Bank, is based upon a 99 percent confidence level and assumes a 10-day holding period. In addition, the Bank, uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual portfolios and the Bank's overall position. As at 31 December 2007, VaR for securities portfolio was Euro 1,68 million and Euro 19,6 thousands for the Bank's foreign exchange position. The Bank, as at 31 December 2007, held a short position of Euro 448 thousands, against several currencies.

With respect to 29 December 2006, VaR was equal to Euro 2,77 millions for the securities portfolio, and Euro 7,3 thousands for the Bank's foreign exchange position. The Bank, as at 29 December 2006, held a long position of Euro 570 thousands, against several currencies.

All the above, are summarized in the following tables:

Investment risk (in millions of Euro)	2007	2006
Securities' value	27,14	58,18
VaR	1,68	2,77

Currency risk (in thousands of Euro)	2007	2006
Foreign exchange position	-448	+570
VaR	19,6	7,3

The large difference of securities' value, between years 2006 and 2007, arises from the fact, that during 2007, the Bank liquidated some of the bonds, while other bonds matured.

4.4 Liquidity risk

Liquidity risk arises with respect to 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's philosophy is to manage its liquidity to ensure at all possible means that there are enough means to cover its obligations under normal or abnormal circumstances without affecting its reputation.

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 two mandatory indices, set by the Bank of Greece, the Net Liquid Assets index and the Assets minus Liabilities index, are monitored on a daily basis.

The Net Liquid Assets index, was as follows:

	2007	2006
At 31 December	**24,16%**	**24,99%**
Average for the period	22,23%	21,42%
Maximum for the period	24,16%	24,99%
Minimum for the period	18,16%	18,71%

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)

At 31 December 2007	Up to 1 month	1-3 months	3-6 months	6-12 months	1 to 5 years	Over 5 years	Total
Assets							
Cash and balances with Central Bank	93 119	-	-	-	-	-	93 119
Trading securities	1 233	-	-	-	1 707	4 816	7 756
Derivative financial instruments	13	-	-	-	-	-	13
Loans and advances to banks	473 786	-	-	-	-	-	473 786
Loans and advances to customers	515 753	238	485 824	35 102	65 079	941 190	2 043 186
Investment in subsidiaries	-	-	-	-	-	30 492	30 492
Available-for-sale investments	-	-	-	2 556	-	20 627	23 183
Held-to-maturity investments	-	-	-	-	-	3 279	3 279
Property and equipment and intangible assets	-	-	-	-	28 666	23 730	52 396
Other assets	9 257	9 773	-	4 310	12 082	8 034	43 456
Total assets	1 093 161	10 011	485 824	41 968	107 534	1 032 168	2 770 666
Liabilities							
Derivative financial instruments							
Deposits from banks	201 660	-	-	-	-	-	201 660
Due to customers	1 160 493	393 771	90 294	62 912	483 327	-	2 190 797
Subordinated liabilities and hybrid issues	-	-	-	-	99 563	39 529	139 092
Other liabilities and provisions	20 028	11 507	-	507	44	9 251	41 337
Total liabilities	1 382 181	405 278	90 294	63 419	582 934	48 780	2 572 886
Net liquidity gap	(289 020)	(395 267)	395 530	(21 451)	(475 400)	983 388	197 780
Total assets	778 583	215 974	316 288	59 160	464 636	477 728	2 312 369
Total liabilities	772 001	626 810	118 985	95 381	499 553	-	2 112 730
Net liquidity gap	6 582	(410 836)	197 303	(36 221)	(34 917)	477 728	199 639

4.5 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 2007. 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).

	EURO	USD	Other	Total
Assets				
Cash and balances with Central Bank	92 414	453	252	93 119
Trading securities	7 632	124	-	7 756
Derivative financial instruments	13	-	-	13
Loans and advances to banks	279 309	174 054	20 423	473 786
Loans and advances to customers	1 976 167	50 843	16 176	2 043 186
Investment in subsidiaries and associates	30 492	-	-	30 492
Available-for-sale investments	22 430	-	753	23 183
Held-to-maturity investments	3 279	-	-	3 279
Property and equipment	47 806	-	-	47 806
Intangible assets	4 590	-	-	4 590
Other assets	38 561	4 741	154	43 456
Total assets	2 502 693	230 215	37 758	2 770 666
Liabilities				
Derivative financial instruments				
Deposits from banks	201 660	-	-	201 660
Due to customers	1 925 520	227 334	37 943	2 190 797
Subordinated liabilities and hybrid issues	139 092	-	-	139 092
Other liabilities	40 240	918	179	41 337
Total liabilities	2 306 512	228 252	38 122	2 572 886
Net on-balance sheet position	196 181	1 963	(364)	197 780
Net off-balance sheet position	1 431	(932)	(499)	-
At 31 December 2006				
Total assets	2 096 140	173 638	42 591	2 312 369
Total liabilities	1 901 936	170 690	40 104	2 112 730
Net on-balance position	194 204	2 948	2 487	199 639
Net off-balance position	2 030	(2 041)	11	-

4.6 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.

A parallel shift in the yield curves more than 1% is expected to reduce the Bank's profits in one year by an amount of EUR 1.35 million. On the other hand a decrease of rates by 1% will lead to an increase in the Bank's profits in one year by an amount of EUR 1.35 million.

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):

31 December 2007	Effective Interest rate	Floating	1-3 months	3-12 months	1 to 2 years	Over 2 years	Non-interest	Total
Assets								
Cash and balances with Central Bank	2.72%	-	65 479	-	-	-	27 640	93 119
Trading securities	3.73%	-	4 892	1 631	-	-	1 233	7 756
Derivative financial instruments		-	-	-	-	-	13	13
Loans and advances to banks	4.41%	-	461 895	-	-	-	11 891	473 786
Loans and advances to customers	5.92%	1 440 744	66 391	52 483	113 352	370 216	-	2 043 186
Investment in subsidiaries		-	-	-	-	-	30 492	30 492
Available for sale Investments	9.25%	-	2 556	-	-	-	20 627	23 183
Held to maturity Investments	2.86%	-	-	3 279	-	-	-	3 279
Other assets	5.03%	-	-	1 404	-	-	94 448	95 852
Total assets		1 440 744	601 213	58 797	113 352	370 216	186 344	2 770 666
Liabilities								
Deposits from banks	3.19%	-	201 660	-	-	-	-	201 660
Deposits from Customers	3.34%	-	1 937 172	247 291	6 303	31	-	2 190 797
Subordinated liabilities and hybrid issues	6.58%	-	139 092	-	-	-	-	139 092
Other liabilities		-	-	-	-	-	41 337	41 337
Total liabilities		-	2 277 924	247 291	6 303	31	41 337	2 572 886
Interest sensitivity Gap		1 440 744	(1 676 711)	(188 494)	107 049	370 185	145 007	197 780
31 December 2006								
		585 370	987 759	214 812	55 908	323 241	145 279	2 312 369
Total assets		-	1 417 327	118 985	95 381	446 841	34 196	2 112 730
Total liabilities		585 370	(429 568)	95 827	(39 473)	(123 600)	111 083	199 639

4.7 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Through continuous reports, regarding the Bank's exposure to operational risk, the Board, is informed of this type of risk, and decides about the strategy that must be adopted, in order to prevent any financial losses, that arise from operational events.

In this framework, the Bank, is in the process, of developing a loss database for operational risk, which is a necessary assumption for implementing the Standardized Approach. Nevertheless, in the present stage, the Bank, is going to implement, the Basic Indicator method, for the computation of its operational risk charge.

4.8 Stress testing

The Bank implements, several stress testing scenarios, in order to assess the impact of extreme financial events, to the Bank's portfolio value.

The Bank, runs stress tests, on a regular basis, with scenarios that concern the various types of risk, that the Bank is being exposed (credit risk, market risk, liquidity risk). The Risk Management Division, analyses the results of these tests, and proposes appropriate policies.

4.9 Capital adequacy

The capital adequacy of the Bank, is monitored on a monthly basis, and is submitted to the Bank of Greece, ever three months.

The Bank applies the rules set by the Bank of Greece, regarding the adequacy of its capital. The regulation framework, that applies to the Greek Banking system, is the same as in the European Union. The Bank of Greece, as a regulator, requires the Bank to maintain a prescribed ratio of regulatory capital to total risk-weighted assets of at least 8%.

The capital adequacy ratio is the ratio of total capital to total weighted assets and other off balance sheet items and the imputed amount arising from total capital requirements for the coverage of market risk.

Regulatory capital must be covered by at least half of Tier I capital and then rest must be covered by Tier II capital.

Capital Adequacy Directive *(amounts in thousand of Euro)*	**2007**	**2006**
Upper Tier I	197 460	199 639
Lower Tier I	-	-
Deductions	(11 917)	(5 495)
Total Tier 1	**185 543**	**194 144**
Upper Tier II	-	-
Lower Tier II	136 217	67 492
Deductions	(7 328)	(17 794)
Total Tier II	**128 889**	**49 698**
Regulatory capital	**314 432**	**226 048**
Risk-weighted assets		
On and off balance sheet items	1 828 859	1 557 316
Market risk	14 021	6 550
Total risk-weighted assets	**1 842 880**	**1 563 867**
Indices (in %)		
Tier 1 CAD	10.06	12.47
Total CAD	17.06	14.52

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).

	Carrying amount		**Fair value**	
	2007	**2006**	**2007**	**2006**
Financial assets				
Loans and advances to banks	473 786	421 189	473 786	421 189
Loans and advances to customers	2 043 186	1 655 897	2 030 236	1 504 559
Investment securities held-to-maturity	3 279	34 254	3 113	33 961
Investment in subsidiaries	30 492	30 494	30 492	30 494
Financial liabilities				
Deposits from banks	201 660	83 945	201 660	83 945
Deposits from customers	2 190 797	1 944 891	2 188 600	1 949 999
Subordinated liabilities and hybrid instruments	139 092	49 698	139 092	49 698

6. Segment reporting

The Bank operates in Greece and is organized into three business segments:

1) Corporate banking

2) Brokerage transactions

3) Retail banking

At 31 December 2007
(In thousands of Euro)

	Corporate	Brokerage	Retail	Total
Operating revenue	11 851	5 029	65 686	82 566
Profit before income tax	3 335	344	6 959	10 638
Profit for the year	943	97	1 972	3 012
Total assets	255 789	30 922	2 483 955	2 770 666
Total liabilities	73 142	11 905	2 487 839	2 572 886
Capital expenditure	13	168	28 805	28 986
Depreciation and amortization	13	54	5 249	5 316
Impairment loss	1 088	8	1 954	3 050

At 31 December 2006
(In thousands of Euro)

	Corporate	Brokerage	Retail	Total
Operating revenue	9 663	5 440	66 000	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 and amortization	14	88	4 978	5 080
Impairment loss	346	-	2 058	2 404

7. Net interest income

(In thousands of Euro)	2007	2006
Interest income		
Loans and advances to customers	113 030	90 402
Money market	15 372	11 695
Investment securities	3 186	1 191
Trading securities	271	151
	131 859	103 439
Interest expense		
Deposits from banks and customers	(75 163)	(52 256)
Subordinated liabilities	(7 757)	(2 310)
	(82 920)	(54 566)
Net interest income	**48 939**	**48 873**

8. Fee and commission income

(In thousands of Euro)	2007	2006
Loans and letters of guarantees	12 317	10 763
Brokerage transactions	4 016	4 363
Transfers and similar	1 974	1 443
Imports-exports	1 254	1 388
Management and custodian fees	2 511	2 795
Credit cards	1 671	1 385
Deposits	500	604
Property	302	786
Other	1 959	1 984
	26 504	**25 511**

9. Net trading income

(In thousands of Euro)	2007	2006
Foreign exchange	1 151	1 190
Trading portfolio	(154)	(82)
Securitized loans	1 676	1 889
Derivatives	146	(7)
	2 819	**2 990**

10. Other operating income

(In thousands of Euro)	2007	2006
Dividend income	46	49
Services	4 609	4 205
	4 655	**4 254**

11. Personnel expenses

(In thousands of Euro)	2007	2006
Wages and salaries	23 795	21 562
Social security obligations	6 807	5 665
Contribution to defined contribution plans	2 545	2 688
Contribution to defined benefit plans	476	1 181
	33 623	**31 096**

The average number of employees during 2007 was 987 (2006: 955).

12. Other expenses

(In thousands of Euro)	2007	2006
Operating lease payments	6 915	6 862
Lawyers, engineers and other professionals	6 041	5 426
Utilities, postage and similar charges	2 065	1 591
Other taxes	2 359	1 772
Contributions	2 161	2 157
Other	10 398	7 606
	29 939	**25 414**

13. Income tax expense

(In thousands of Euro)	2007	2006
Current year	-	1 562
Prior year taxes	4 880	-
Tax on reserves	-	837
Deferred tax expense	2 746	3 340
	7 626	**5 739**

Reconciliation of effective tax rate

(In thousands of Euro)

		2007		2006
Profit before income tax		10 638		17 109
Income tax using corporate tax rate	25%	2 660	29%	4 961
Non-deductible expenses	2%	223	3%	458
Tax exempt income	-	-	(-)	(57)
Prior year taxes	46%	4 880	-	-
Tax on reserves	-	-	5%	837
Other differences	(1%)	(137)	(3%)	(460)
	72%	**7 626**	**34%**	**5 739**

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 2004. In 2007, the tax authorities completed their audit for financial periods ended 2003 and 2004 and an amount of EUR 4 880 thousand was assessed. 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 (2005 to 2007).

14. Earnings per share

The calculation of basic earnings per share at 31 December 2007 was based on the profit after tax for the years attributable to ordinary shareholders of EUR 3 012 thousand (2006: EUR 11 370 thousand) and a weighted average number of ordinary shares outstanding, during the year ended 31 December 2007 of 63 487 261 (2006: 50 051 068). The increase in weighted average number of ordinary shares is from the effect of share capital increase of towards the end of 2006.

15. Cash and cash equivalents

(In thousands of Euro)

	2007	2006
Cash in hand	25 835	23 025
Reserves with Central Bank	67 284	51 189
	93 119	**74 214**

16. Trading assets

(In thousands of Euro)

	2007	2006
Bonds	6 843	1 185
Equities	913	60
	7 756	**1 245**

17. Derivative assets/ liabilities

(In thousands of Euro)

	2007 Fair Value		2006 Fair Value	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward contracts – currency	-	-	(4)	-
Futures – bonds	13	-	-	3
Interest rate swaps	-	-	57	-
	13	**-**	**53**	**3**

18. Loans and advances to banks

(In thousands of Euro)	**2007**	**2006**
Current accounts	11 649	11 628
Money market placements	461 894	406 822
Items in course of collection	243	2 739
	473 786	**421 189**

19. Loans and advances to customers

(In thousands of Euro)	**2007**	**2006**
Retail customers:		
Housing	957 978	815 534
Credit cards	44 402	36 349
Other consumer	66 432	56 887
	1 068 812	908 770
Corporate customers:		
Subsidiaries	6 501	10 603
Corporate bonds – subsidiaries	54 874	40 000
Corporate loans	741 488	612 727
Corporate bonds	102 003	46 700
Shipping	57 955	25 961
Other	20 161	18 454
	982 982	754 445
Amounts due relating to brokerage transactions	28 795	27 467
	2 080 589	1 690 682
Impairment allowance	(37 403)	(34 785)
Loans and advances to customers net of impairment	**2 043 186**	**1 655 897**

Allowance for impairment

(In thousands of Euro)

	2007	2006
Balance at 1 January	34 785	42 000
Impairment loss for the year	3 050	2 404
Write-offs	(432)	(9 619)
Balance at 31 December	**37 403**	**34 785**

20. Investments in subsidiaries and associates

(In thousands of Euro)

	Country of incorporation	2007	Ownership interest	2006
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	United Kingdom	17	100%	19
Aspis Jersey plc	Jersey Islands	-	100%	-
		30 492		**30 494**

21. Available-for-sale investments

(In thousands of Euro)

	2007	2006
Mutual fund units	10 740	10 527
Listed equities	9 041	11 819
Corporate bonds	2 556	2 548
Non-listed equities	846	94
	23 183	**24 988**

22. Held-to-maturity securities

(In thousands of Euro)

	2007	2006
Greek Government bonds	3 279	18 914
Other bonds	-	15 340
	3 279	**34 254**

23. Property and equipment

(In thousands of Euro)

	Property and buildings	Leasehold improvements	Furniture and equipment	Total
Cost				
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	-	(53)	(851)	(904)
Balance at 31 December 2006	6 985	25 329	26 507	58 821
Balance at 1 January 2007	6 985	25 329	26 507	58 821
Acquisitions	-	953	24 106	25 059
Write-offs	-	(30)	(644)	(674)
Balance at 31 December 2007	6 985	26 252	49 969	83 206
Depreciation				
Balance at 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	-	-	4 827	4 827
Transfers	204	(204)	-	-
Disposals	-	(19)	-	(19)
Write-offs	-	-	(850)	(850)
Balance at 31 December 2006	755	11 462	19 109	31 326
Balance at 1 January 2007	755	11 462	19 109	31 326
Depreciations for the year	138	2 011	2 563	4 712
Write-offs	-	(11)	(627)	(638)
Balance at 31 December 2007	893	13 462	21 045	35 400
Carrying amounts				
Balance at 1 January 2006	6 066	14 325	4 880	25 271
Balance at 31 December 2006	**6 230**	**13 867**	**7 398**	**27 495**
Balance at 1 January 2007	6 230	13 867	7 398	27 495
Balance at 31 December 2007	**6 092**	**12 790**	**28 924**	**47 806**

24. Intangible assets

(In thousands of Euro)

	Purchased software
Cost	
Balance at 1 January 2006	8 033
Acquisitions	1 114
Transfer to property and equipment	(6 444)
Balance at 31 December 2006	2 703
Balance at 1 January 2007	2 703
Acquisitions	3 927
Balance at 31 December 2007	6 630
Amortization	
Balance at 1 January 2006	5 791
Amortization for the year	472
Transfer to property and equipment	(4 827)
Balance at 31 December 2006	1 436
Balance at 1 January 2007	1 436
Amortization for the year	604
Balance at 31 December 2007	2 040
Carrying amounts	
Balance at 1 January 2006	2 242
Balance at 31 December 2006	**1 267**
Balance at 1 January 2007	1 267
Balance at 31 December 2007	**4 590**

25. Deferred tax assets/(liabilities)

(In thousands of Euro)

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2007	2006
Deferred tax assets		
Impairment for customer loans	1 910	2 259
Employee benefits	852	741
Commission income	817	890
Tax loss	882	-
	4 461	3 890
Deferred tax liabilities		
Property and equipment	(4 923)	(2 262)
Commission expense	(18)	(20)
Loans	(658)	-
	(5 599)	(2 282)
Net deferred tax asset/(liability)	**(1 138)**	**1 608**

Movement in temporary differences during the year

(In thousands of Euro)

2007	**Opening balance**	**Recognized in income**	**Closing balance**
Customer loans impairment	2 259	(349)	1 910
Employee benefits	741	111	852
Commission income	890	(73)	817
Property, plant and equipment	(2 262)	(2 661)	(4 923)
Commission expense	(20)	2	(18)
Loans	-	(658)	(658)
Tax loss	-	882	882
Total	**1 608**	**(2 746)**	**(1 138)**

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	(20)	-	(20)
	4 948	**(3 340)**	**1 608**

26. Other assets

(In thousands of Euro)	2007	2006
Guarantees and participations to other funds	7 351	7 987
Advances	1 657	13 520
Receivables from Greek State and other public organizations	4 790	2 252
Accrued income	12 370	8 390
Other	17 288	7 516
	43 456	**39 665**

27. Deposits from customers

(In thousands of Euro)	2007	2006
On demand and current accounts	364 037	206 364
Savings accounts	229 766	320 008
Term deposits	1 596 994	1 418 519
	2 190 797	**1 944 891**

28. Subordinated liabilities and hybrid issues

This account relates to the subordinated liability from the proceeds from the issuance of subordinated floating rate notes by the Bank's subsidiary Aspis Finance plc. and hybrid securities issued by Aspis Jersey plc. The proceeds of these notes are loaned to the Bank:

(In thousands of Euro)	2007	2006
Hybrid issues	40 000	-
Subordinated loans	100 250	50 000
Direct expenses	(1 158)	(302)
	139 092	**49 698**

a) Hybrid notes

1. Aspis Jersey plc. Issued in April 2007 an amount of EUR 15 000 thousand at Euribor three month plus a spread of 3.95% which if recalled on April 2017 will be 4.95%.

2. Aspis Jersey plc. Issued in April 2007 an amount of EUR 25 000 thousand at Euribor three month plus a spread of 4.50% which if recalled on April 2017 will be 5.50%.

The issuer has the option not to pay interest. The issuer can recall.

b) Subordinated loans

1. Aspis Jersey plc. Issued in April 2007 an amount of EUR 50 250 thousand with recall date April 2012 at Euribor plus 1.24% which if recalled on April 2017 will be increased by 1.30%.

2. Aspis Finance plc. Issue in February 2005 an amount of EUR 50 million due in 2015 with recall date February 2010 and maturity February 2015. Interest rate is Euribor 3 month plus 1.35% spread which if recalled increases by 1.30%.

All amounts are 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

(In thousands of Euro)	**2007**	**2006**
Tax and duties	1 854	1 503
Amounts and cheques payable	6 959	12 071
Accrued interest expense	11 768	6 131
Other liabilities	16 162	10 840
	36 743	**30 545**

30. Employee benefits

Employee benefits consist of:

(In thousands of Euro)

	2007	**2006**
Recognized liability for defined benefit obligations	3 406	2 964
Vacation not taken	50	50
	3 456	**3 014**

Defined benefit obligations

(In thousands of Euro)

	2007	**2006**
Present value of unfunded obligations	3 737	3 311
Unrecognised actuarial gains and losses	(331)	(347)
Recognized liability for defined benefit obligations	**3 406**	**2 964**

Movement in the liability for defined benefit obligations

(In thousands of Euro)

	2007	**2006**
Liability for defined benefit obligations at 1 January	2 964	2 144
Expense recognized in profit or loss (see below)	476	1 181
Benefits paid	(34)	(361)
	3 406	**2 964**

Expense recognized in profit or loss

(In thousands of Euro)

	2007	2006
Current service costs	335	468
Interest on obligation	140	145
Amortization of actuarial loss	1	38
Past service cost	-	530
	476	1 181

Actuarial assumptions

	2007	2006
Discount rate	4.3%	4.3%
Future salary increases	5.0%	5.0%

31. Share capital

At 31 December 2007, the share capital comprised 64 064 054 (2006: 63 474 403) ordinary shares with a par value of EUR 2.71 per share after the share capital increase of EUR 1 585 thousand.

32. Reserves

(In thousands of Euro)

	2007	2006
Statutory reserve	499	-
Untaxed reserves	1 908	-
Fair value reserve	(3 959)	(1 394)
Other reserves	4 282	144
	2 730	(1 250)

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.

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.

In case tax free reserves are distributed a tax of EUR 477 thousand will be paid.

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 2007 amount to EUR 150 180 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

	2007	2006
Loans and advances to customers	15 934	7 645
Deposits from customers	10 184	13 524
Other liabilities	48	92
Income		
Net interest income	284	(90)
Net commission income	64	74
Expenses		
Staff costs	3 044	2 823
Other operating expenses	341	46

(b) Balances and transaction with subsidiaries:

	2007	2006
Available-for-sale securities	2 500	2 500
Loans and advances to customers	79 943	69 058
Other assets	3 408	3 375
Deposits from customers	28 883	6 860
Subordinated liabilities and hybrid issues	140 250	50 000
Other liabilities	2 142	370
Income		
Interest income	3 692	4 075
Commission income	2 143	2 164
Net trading results	1 676	1 889
Other income	85	94
Expenses		
Interest expense	7 787	2 336
Other expense	337	221

(c) Other key management personnel and other parties:

	2007	2006
Loans and advances to customers	18 071	18 020
Other assets	-	415
Amounts due from customers	46 912	95 500
Other liabilities	78	382
Income		
Net interest income	(528)	(1 160)
Net commission income	194	649
Expenses		
Other operating expenses	2 782	3 615

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):

	2007	2006
Letters of guarantee	210 182	214 809
Letters of credit	10 118	23 517

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):

	2007	2006
Up to 1 year	6 396	6 684
From 1 to 5 years	16 332	18 282
Over 5 years	6 767	7 703

Independent Auditors' Report
(Translated from the original in Greek)

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 2007, 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 the 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 misstatement, 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 harmonized with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view, of the financial position of the Bank as of 31 December 2007, 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.

Emphsis of Matter

Without qualifying our opinion we draw attention to note 13 of the financial statements, that explains that the tax obligations of the Bank have not 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, 19 March 2008

KPMG Certified Auditors AE

Nick Vouniseas
Certified Auditor Accountant
AM SOEL 18701