



ALPHA BANK

ALPHA BANK CYPRUS LTD | ANNUAL REPORT 2007



Alpha Bank owns one of the most complete collections of ancient Greek coins with more than 10,000 items from the entire ancient Greek world. In 2007, the Bank organised, for the first time since its foundation, the exhibition "Hellenic Coinage: the Alpha Bank Collection" at the Benaki Museum. In the exhibition, which was viewed by more than 11,000 visitors, 500 ancient coins were shown, minted in regions ranging from the current Great Britain to India and from Ukraine to Africa, among which many unique ones.



Aegina. Silver stater, 479-456 BC

O: Turtle.

R: Incuse square, divided into five compartments (skew pattern).

The first city-state in Greece to struck its own coins was Aegina around 560 BC. The iconographic type distinctive of the staters of Aegina, from the beginning to the end of its coinage is the turtle. On the reverse of the early Aeginetan coins is an irregular incuse square, which as time passed acquired a definite shape, divided by cross-arms into quadrants.

The schematic reverse type of these first coins in Greece has been the Alpha Bank logo since 1972.

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BOARD OF DIRECTORS AND PROFESSIONAL ADVISORS

<i>Board of Directors</i>	S. N. Filaretos Chairman
	K. M. Kokkinos Managing Director
	Gr. Th. Timplalexis General Manager
	Ch. C. Yiambanas (appointed on 11 October 2007)
	M. S. Yiannopoulos
	V. I. Karaindros (resigned on 27 June 2007)
	G. M. Michaelides
	L. A. Papagaryfallou (appointed on 11 October 2007)
	A. D. Hadjipavlou
<i>Secretary</i>	L. A. Papalambrianou
<i>Legal Advisors</i>	Chrysafinis and Polyviou
<i>Independent Auditors</i>	KPMG
<i>Registered Office</i>	Corner of Chilonos & Gladstonos Street, Stylianos Lena Square, Nicosia.
<i>Head Office</i>	Alpha Bank Building 3, Lemesos Avenue, Nicosia

BOARD OF DIRECTORS' REPORT

The Board of Directors of Alpha Bank Limited (the "Company") presents to the members its report together with the audited financial statement of the Company for the year ended 31 December 2007.

provisions in International Accounting Standard 27 "Consolidated and Separate Financial Statements" requiring the preparation of consolidated financial statements in accordance with the International Financial Reporting Standards do not apply.

PRINCIPAL ACTIVITIES

During the year 2007, the Company continued its full banking operations by offering a wide range of banking and financial services.

The Company is a wholly subsidiary company of Alpha Bank S.A., registered in Greece.

The Company is the holding company of the Group of Alpha Bank Cyprus Limited. Until 31 December 2007, the group prepared consolidated financial statements that included the financial statements of the Company and the financial statements of the subsidiaries companies Alpha Trustees Limited and Alpha Insurance Limited.

The Company is not obliged by the Cyprus Company Law Cap. 113 to prepare consolidated financial statements due to the fact that the ultimate parent company (Alpha Bank S.A) publishes consolidated financial statements according to the Generally Accepted Accounting Principles in Greece and as a result the Company does not intend to issue consolidated financial statements for the year ended 31 December 2007.

Since, Article 7 of the European Union 7th Directive allows the consolidated financial statements of such parent to be prepared in accordance with that Directive or in a manner equivalent to that Directive and since the Cyprus Companies Law, Cap. 113 permits such an exemption, than the

REVIEW OF THE COMPANY'S POSITION, DEVELOPMENT AND PERFORMANCE**Basic Financial Data**

	Change	2007	2006
	%	CY£	CY£
Profits from operation	+53	95.894.226	62.799.901
Profits before taxation	+89	47.725.677	25.272.502
Profits after taxation	+92	42.865.146	22.335.483
Earnings per share	+92	30,73 cent	16,01 cent

Basic Financial Sizes

	Change	2007	2006
	%	CY£	CY£
Loans	69	1.887.127.389	1.113.794.173
Deposits	44	1.802.099.973	1.250.308.117
Equity	31	184.991.647	141.522.599

During 2007, the Company increased its profitability by 92% compared to 2006.

The substantial increase in the profitability is the result of:

- The satisfactory increase in operations both of loans and of deposits
- The rapid increase in commissions and profits from foreign exchange transactions
- The good developments regarding non-performing loans
- The increase in productivity and the reduction of expenses against income

The gross advances to customers increased by 69%, leading to an increase in market share to 12% without taking into account the Cooperatives Societies.

Also, during 2007, the Company's Head Offices have been relocated to its own building on Limassol Avenue, in Nicosia.

FINANCIAL RESULTS

The results for the year ended 31 December 2007 are set out in the income statement on page 10 of the financial statements.

The profit for the year attributable to the shareholders amounted to C£42.865.146 (2006: C£22.335.483) all of which the Board of Directors recommends to be transferred to the revenue reserve.

DIVIDENDS

The Board of Directors does not recommend the payment of dividend (2006: C£nil).

RISK MANAGEMENT

Risk is considered any financial or other factor that creates a possibility of future changes in the Company's profitability.

The most important risks that the company is exposed due to its operations are credit risk, market risk (mainly interest rate risk and foreign exchange risk), liquidity risk, functional risk and compliance risk.

Details as to how these risks are managed are disclosed in note 34 of the financial statements.

FUTURE DEVELOPMENT

According to the Company's strategic plan it is expected that its business activity and profitability will be developed further.

SHARE CAPITAL

During the year, there were no changes in the share capital of the Company.

BRANCHES

The Company is currently comprised of a technologically advanced network of 33 branches and other specialized units which are additionally supported by alternative networks such as ATM and Internet Banking.

BOARD OF DIRECTORS

The members of the Board of Directors at the date of this report are set out below:

S.N. Filaretos, Chairman
K. M. Kokkinos, Managing Director
Gr. Th. Timplalexis, General Manager
Ch. C. Yiambanas
M. S. Yiannopoulos
G.M. Michaelides
L.A. Papagaryfallou
A.D. Hadjipavlou

The members of the Board of Directors which held their office for the whole 2007 year are set out on page 4, except from Mr V.I. Karaindros who has retired from the position of Director on 27 June 2007 and Messrs Ch.C. Yiambanas and L.A. Papagaryfallou who were appointed as new Directors on 11 October 2007.

Messrs G. M. Michaelides and A. D. Hadjipavlou are non-executing members of the Board of Directors.

In accordance with Article 95 of the Company's Articles of Association, Messrs Ch.C. Yiambanas and L.A. Papagaryfallou retire and being eligible, offer themselves for re-election.

In accordance with Article 89 of the Company's Articles of Association, Messrs Gr.Th Timplalexis and A.D. Hadjipavlou retire and being eligible, offer themselves for re-election.

POST BALANCE SHEET EVENTS

The events after the balance sheet date are presented in note 39 of the financial statements.

INDEPENDENT AUDITORS

The independent auditors of the Company, Messrs KPMG, have expressed their willingness to continue in office. A resolution authorising the Board of Directors to fix their remuneration will be submitted at the Annual General Meeting.

By order of the Board

L. A. Papalambrianou
Secretary

Nicosia, 21 February 2008

INDEPENDENT AUDITORS' REPORT

To the Members of Alpha Bank Cyprus Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the parent company Alpha Bank Cyprus Limited (the "Company") on pages 10 to 55, which comprise the balance sheet as at 31 December 2007 and the income statement, statement of recognized income and expense and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to either 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 to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, financial statements give a true and fair view of the financial position of parent company Alpha Bank Cyprus Limited 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 EU and the requirements of the Cyprus Companies Law, Cap. 113.

REPORT ON OTHER LEGAL REQUIREMENTS

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 5 to 7 is consistent with the financial statements.

OTHER MATTER

This report, including the opinion has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Companies Law, Cap. 113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Chartered Accountants

Nicosia, 21 February 2007

INCOME STATEMENT

For the year ended 31 December 2007

	Note	2007 CY£	2006 CY£
Interest income	4	143.618.197	90.403.519
Interest expense	4	(73.893.660)	(44.378.693)
Net interest income		<u>69.724.537</u>	<u>46.024.826</u>
Fees and commission income	5	18.200.208	13.086.913
Fees and commission expenses	5	(496.608)	(469.271)
Net profit from fees and expenses		<u>17.703.600</u>	<u>12.617.642</u>
Net (loss)/profit from the change in the fair value of financial instruments	6	(1.550)	10.855
Other income from operations	7	8.467.639	4.146.578
		<u>8.466.089</u>	<u>4.157.433</u>
Profit from operations		95.894.226	62.799.901
Provision for impairment of doubtful debts	16	(18.948.726)	(14.344.601)
Staff cost	8	(21.137.495)	(16.362.380)
Depreciation and amortisation	19,20	(1.759.683)	(1.763.867)
Other expenses	9	(6.322.645)	(5.056.551)
Profits for the year before taxation	10	47.725.677	25.272.502
Taxation	11	(4.860.531)	(2.937.019)
Profits for the year attributable to the shareholders		<u>42.865.146</u>	<u>22.335.483</u>
Earnings per share (cent)	12	<u>30,73</u>	<u>16,01</u>

The notes on pages 14 to 55 form an integral part of the financial statements.

BALANCE SHEET

As at 31 December 2007

		2007 CY£	2006 CY£
ASSETS			
Cash and balances with the Central Bank of Cyprus	13	178.362.087	136.714.413
Placements with credit institutions	14	1.042.160.879	620.221.043
Treasury and other bills	16	1.887.127.389	1.113.794.173
Investment available for sale	17	7.207.358	72.599.795
Investment in subsidiary companies	18	9.615.413	9.615.413
Property, plant and equipment	19	17.665.317	10.696.449
Intangible assets	20	241.369	604.281
Other assets	21	29.717.866	16.201.900
Total assets		<u>3.172.097.678</u>	<u>1.980.447.467</u>
LIABILITIES			
Derivatives held for risk management	15	16.481	-
Amounts due to credit institutions	22	1.128.715.506	549.617.064
Customer deposits	23	1.802.099.973	1.250.308.117
Taxation	24	2.676.419	1.606.447
Deferred taxation	25	241.046	213.671
Other liabilities	26	53.356.606	37.179.569
		<u>2.987.106.031</u>	<u>1.838.924.868</u>
EQUITY			
Share capital	27	69.750.000	69.750.000
Share premium	28	8.975.000	8.975.000
Reserves	29	106.266.647	62.797.599
Total equity		<u>184.991.647</u>	<u>141.522.599</u>
Total equity and liabilities		<u>3.172.097.678</u>	<u>1.980.447.467</u>
Off balance sheet items	30	<u>274.247.882</u>	<u>154.031.601</u>

The financial statements were approved by the Board of Directors on 21 February 2008.

S. N. Filaretos	K. M. Kokkinos	Gr. Th. Timplalexis	L. Skaliotis
Chairman	Managing Director	General Manager	Head Fin.I Control

The notes on pages 14 to 55 form an integral part of the financial statements.

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

For the year ended 31 December 2007

	2007	2006
	CY£	CY£
Surplus/(deficit) on revaluation of investments available for sale	603.902	(1.111.465)
Transfer of reserves from Alpha Asset Finance Limited	-	500.950
Absorption of net assets of Alpha Asset Finance Limited	-	(2.115.000)
Net income/(expenses) recognized directly in equity	603.902	(2.725.515)
Profits for the year	42.865.146	22.335.483
Total recognized income and expense for the year attributable to the shareholders	43.469.048	19.609.968

The notes on pages 14 to 55 form an integral part of the financial statements.

CASH FLOW STATEMENT

For the year ended 31 December 2007

	Note	2007	2006
		CY£	CY£
Cash flow from operating activities			
Profit for the year		42.865.146	22.335.483
Adjustments for:			
Depreciation of property, plant & equipment		1.350.634	1.354.681
Amortisations of intangible assets		409.049	409.186
Profit on disposal of property, plant and equipment		(38.481)	(3.750)
Dividends received		(218.577)	(110.723)
Write off of property plant and equipment		205.821	-
Gains on disposal of investments variable yield securities		-	(127.411)
Deficit on revaluation of investments in variable yield securities		-	4.796
Deficit/(surplus) from revaluation of derivatives		1.550	(15.651)
Provision for doubtful debts		18.948.726	14.344.601
Taxation		4.860.531	293.019
Gains on disposal of investment available for sale		-	(323.345)
Profit from operations before changes in working capital		68.384.399	38.160.886
Increase on deposits with Central Bank of Cyprus		7.305.149	(23.191.781)
Increase in placements with credit institutions		(575.272.620)	(240.174.256)
Increase in loan and advances to customer		(775.821.769)	(283.860.989)
Increase in provision for doubtful debts		(16.460.173)	(1.779.919)
Increase in other assets		(13.517.516)	(3.535.149)
Decrease/(increase) in other liabilities		16.177.037	(2.868.693)
Increase in amounts due to credit institutions		651.314.340	216.970.417
Increase in customer deposits		551.791.856	284.840.457
Cash flow from operating activities		(86.099.297)	(15.439.027)
Taxation paid		(3.763.184)	(2.094.060)
Net cash flow from operating activities		(89.862.481)	(17.533.087)
Cash flow from investing activities			
Payments less proceeds from investment available for sale		46.456.005	30.411.511
Proceeds from disposal of property, plant and equipment		38.554	4.000
Payments for the acquisition of property, plant and equipment		(8.525.396)	(518.526)
Payments for the acquisition of intangible assets		(46.137)	(88.782)
Derivatives from risk management		16.481	-
Dividend received		218.577	110.723
Net cash flow from investing activities		38.158.084	29.918.926
Net decrease in cash and cash equivalents for the year		(51.704.397)	12.385.839
Cash and cash equivalents at the beginning of the year		361.710.392	349.324.553
Cash and cash equivalents at the end of the year	33	310.005.995	361.710.392

The notes on pages 14 to 55 form an integral part of the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. INCORPORATION AND PRINCIPAL ACTIVITY

Alpha Bank Cyprus Limited (the "Company") was registered in Cyprus in 1960 as a limited liability company in accordance with the requirements of the Cyprus Companies Law, Cap. 113. On 13 September 2000, the Company converted its status to a Public Liability Company according to the Companies Law, Cap. 113. On 21 January 2003, the Company was converted from a public to a private company according to the Companies Law, Cap. 113.

On 27 of December 2006, the Company renamed from Alpha Bank Limited to Alpha Bank Cyprus Limited in accordance with the requirements of the Cyprus Company Law Cap. 113. The trade name continues to be "Alpha Bank".

The Company is the holding company of the Group of Alpha Bank Cyprus Limited. The Company considers its ultimate holding company to be Alpha Bank S.A., registered in Greece.

The Company undertakes full banking operations by offering a wide range of banking and financial services.

2. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and with the requirements of the Cyprus Company Law, Cap. 113 for the year ended 31 December 2007.

The Company financial statements are presented in Cyprus Pounds (CY£) which is the functional currency and the one that best presents the substance of its financial activities.

Since, Article 7 of the European Union 7th Directive allows the consolidated financial statements of such parent to be prepared in accordance with that

Directive or in a manner equivalent to that Directive and since the Cyprus Companies Law, Cap. 113 permits such an exemption, than the provisions in International Accounting Standard 27 "Consolidated and Separate Financial Statements" requiring the preparation of consolidated financial statements in accordance with the International Financial Reporting Standards do not apply.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation

The financial statements have been prepared under the historical cost convention as amended to include the fair values of leasehold premises, the investments in shares and other securities and derivatives.

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

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

New International Financial Reporting Standards

During 2007, the Company adopted all new standards and interpretations related to its business and were applicable to the annual period commencing 1 January 2007.

New Standards and Interpretations applicable from 1 January 2007

IFRS 7 "Financial Instruments Disclosures" and additional information of IAS 1 "Presentation of financial statement. "Capital Disclosures" (effective for annual periods beginning on or after 1 January 2007).

IFRS 7 requires further notification of qualitative and quantitative information with regards to the exposure to risk deriving from financial means. It designates especially the minimum required notifications with regards to credit risk, liquidity risk and market risk. IFRS 7 replaces IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and the requirements of the notifications of IAS 32 "Financial Instruments: Disclosures and Presentation". The relevant amendments of IAS 1 relates to notifications concerning the capital and its management by the business.

New Standards and Interpretations not yet adopted

On the approval date of these financial statements the following Standards and Interpretations were issued by the IASB but were not yet effective.

(a) Standards and Interpretations adopted by the EU

- IFRS 8: "Operating Segments" (effective for annual periods beginning on or after 1 January 2009).
- IFRIC: "IFRS 2: Group and Treasury Share Transactions" (effective for annual periods beginning on or after 1 March 2007).

(b) Standards and Interpretations not yet adopted by the EU

- IAS 1 (Amendment): "Presentation of Financial statements - Capital Disclosures" (effective for annual periods beginning on or after 1 January 2007).
- IAS 23 (revised): "Borrowing costs" (effective for annual period beginning on or after 1 January 2009).
- IFRIC 12: "Service Concession Arrangements" (effective for annual periods beginning on or after 1 January 2009).
- IFRIC 13: "Customer Loyalty Programmes" (effective for annual periods beginning on or after 1 July 2008).
- IFRIC 14 IAS 19: "The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction" (effective for annual periods on or after 1 January 2008).

The Company's Board of Directors anticipate that the adoption of these Standards and Interpretations in the future periods will not have any significant influence on the Company's financial statements.

Foreign Currencies

Transactions denominated in foreign currencies are translated to Cyprus pounds and are recorded at the rate ruling on the date of the transaction. Other assets and liabilities denominated in foreign currencies are translated into Cyprus pounds at the exchange rate ruling at the year end. Exchange differences from the above are dealt with in the income statement.

Non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Interest Receivable

Interest Receivable is recognized on an accruals basis. Interest Receivable includes interest receivable from loans and advances and from investments available for sale.

According to the Regulations of the Central Bank of Cyprus interest receivable on non-performing credit facilities is suspended and is not recognized in the income statement.

“Non-performing credit facilities” are considered to be loans and advances that exceed their limit or are in arrear in the settlement of capital or interest or other income for a period more than 3 months. A loan or an advance is not classified as a non-performing credit facility in cases of fully secured credit facilities.

Income is not recognized in cases of “non-performing credit facilities”. In these cases the recognition of income is suspended until the amounts involved are received and consequently it is not shown in the income statement, but is transferred to a provisional account of suspension of income.

Interest Expense

Interest expense is recognized on an accrual basis.

Income and Expenses from Fees and Commission

Income from fees and commissions is recognized depending on the degree of completion of the transaction so as to relate to the cost of the service provided.

Fees and commissions are recognized on an accrual basis in the accounting period the services are provided.

Dividend Income

Dividend income is recognized in the income statement when it is received.

Expenses on Improvements, Repairs and Maintenance

The expenses on the alteration or improvement of buildings or improvements on leasehold premises are capitalized and depreciated based on the number of years indicated on the note of property, plant and equipment.

The cost on repairs and maintenance of buildings and other plant and equipment is charged in the income statement of the year in which it is incurred.

Segment Analysis

Due to the fact that the Company operates only in Cyprus, it is not feasible to disclose any information relating to geographical segment, beyond that which is already disclosed.

Loans and Advances

Loans and advances, originated by providing cash directly to the borrowers are measured initially at fair value including arrangement costs. Loans and advances are subsequently measured at amortised cost using the effective yield method. Loans and advances to customers are stated net of impairments for bad and doubtful debts. Loans and advances are written off to the extent that there is no realistic prospect of recovery.

The collectability of individually significant loans and advances is evaluated based on the customer's overall financial condition, resources and payment record, the prospect of support from any creditworthy guarantors and the realisable value of any collateral.

A loan is considered impaired when management determines that it is possible that the Company will not be able to collect all amounts due according to the original contractual terms, unless such loans are secured or other factors exist where the Company expects that all amounts due will be received.

When a loan has been classified as impaired, the carrying amount of the loan is reduced to the estimated recoverable amount, being the present value of expected future cash flows including amounts recoverable from guarantees and collaterals, discounted at the original effective interest rate of the loan.

For certain homogeneous loan portfolios, such as consumer loans, provisions are calculated based on a collective assessment of the whole portfolio. During the assessment of the portfolio a number of factors, such as the level of watch list or potential problem debts, the time period for which amounts are overdue, the prevailing economic conditions and prior period loss rates are taken into consideration.

Non-performing loans are monitored continuously and are reviewed for provision purposes every three months. Any subsequent changes to the estimated recoverable amounts and timing of the expected future cash flows, are compared to the prior estimates and any difference arising results in a corresponding charge/credit in the income statement. A provision for an impaired loan is reversed only when the credit quality of the customer has improved to such an extent that there is reasonable assurance that all principal and interest according to the original terms of the loan will be collected timely.

Financial Instruments**Recognition date**

Purchasing and selling of financial assets required to be delivered within the time limit as prescribed in the regulations and standard rules of the relevant market, is recognized on the date of transaction, that is on the date when the Company is bound to purchase or sell such assets. Derivatives are recognized on the date of the transaction. Amounts due to credit institutions, customers deposits, placements with credit institutions and loans and advances to customers are recognized as soon as the Company has received or granted cash to the contracting parties, unless a financial asset or liability is not measured at fair value through profit and loss.

Initial recognition of financial instruments

The classification of the financial instruments during the initial recognition depends on the acquisition objectives and their characteristics. All financial instruments are initially measured at fair value plus transaction expenses directly incurred during the acquisition or the issuance of such financial asset or liability, unless a financial asset or liability is measured at fair value through profit and loss.

Derivatives to be classified at fair value through profit or loss

The Company uses derivative financial instruments such as currency and interest rate swaps and forward rate agreements to compensate for the market price risks arising from its operating financial and investment activities. Derivatives not fulfilling the requirements for hedging purposes are considered to be trading instruments.

Derivatives are initially recognized at their acquisition price. Subsequently the derivatives are adjusted at their fair value. The fair value of a currency and interest rate swap is considered to be the estimated price to be received or paid by the Company to terminate the currency and interest rate swap on the balance sheet date taking into account the current creditworthiness of the contracting parties. The fair value of the forward rate agreements is the market price on the balance sheet date. Any adjustment of the fair value is recognized in the income statement. Derivatives are stated as other assets in case of positive fair values and as other liabilities in case of negative fair values.

Hedging

For Derivates fulfilling the relevant hedging criteria, the surplus or deficit from the instrument is recognized in the Net (loss)/profit from the change in fair value of the financial instrument in the income statement. The accounting value of the hedged asset or liability is adjusted through the income statement that relates to the risk being hedged. When the hedged asset or liability is sold, terminated or exercised, then the hedging no longer fulfills the relevant criteria and hedge accounting is terminated.

Loans and advances

Loans and advances are financial assets with constant and prescribed payments not having a stock exchange price in an active market. Such financial assets have not been acquired for the direct sale thereof and they are not classified as investments available for sale. This accounting policy relates to the categories stated in the balance sheet as placements with credit institutions and loans and advances to customers. Following the initial recognition, loans and advances are calculated at depreciated cost using the effective interest rate method less provisions for impairment. Loss from the impairment of such loans and advances is recognized in the provision for impairment of loans and advances in the income statement.

Investments for sale

Investments available for sale are investments which may be sold for liquidity purposes or due to market risk changes and include shares, treasury bonds and government bonds.

Following the initial recognition, investments available for sale are calculated at fair value. Profit or loss from the change in fair value is recognized directly in shareholders' equity in the investments revaluation reserve. When the investment is sold, then the overall profit or loss previously recognized in the investments revaluation reserve is transferred to the income statement. When the Company holds more than one investment upon the same security, it is considered that such investments are sold on the basis of the weighted average cost of capital method. Interest on government bonds which are held as available for sale is recognized as interest receivable using the effective interest rate method. Dividends received on available for sale shares are recognized in income from operations in the income statement as soon as the right to receive is deemed final. Loss incurred from the impairment of such investments is recognized in the net loss from the change in fair value of financial instruments in the income statement.

In the case of disposal of investments, the difference between the net receivables and the accounting value stated in the financial statements is transferred to the income statement along with any amount from the investments revaluation reserve in relation to the investment being disposed.

Impairment of Assets

The Company assesses at each balance sheet date the carrying value of its assets in order to find out whether there is any objective evidence that an asset may be impaired. If any such evidence exists, the Company estimates the recoverable amount of that asset. The recoverable amount of an asset is the higher of an asset's net selling price and value in use. Net selling price is defined as the higher value between the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties, and value in use as the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. The impairment is recognized in the consolidated income statement as an expense.

Investments in Subsidiary Companies

Investments in subsidiary companies are initially recognized at cost and subsequently re-measured at fair value. Profits and losses arising from changes in the fair value of investments in subsidiary companies are recognized in the revaluation reserve. Control of a subsidiary company is exercised by the Company.

Property, Plant and Equipment

Land and buildings are stated at fair value less depreciation on buildings. Property, plant and equipment are stated at cost less accumulated depreciation. The historic cost includes expenses directly associated with the acquisition of property and equipment. The costs of important renovations and other expenses are included in the accounting value of asset or are recognized as separate asset when it is believed that they will result to future economic and benefit in the Company.

Depreciation is calculated on a straight line basis in such a way that the cost less the estimated residual value is being depreciated over the expected useful economic life of the assets. Annual depreciation rates are as follows:

Premises and improvements	
on leasehold premises	5-50 years
Leasehold premises	10 years
Installations and equipment	3-10 years

No depreciation is provided on land.

Amortisation on leasehold premises is calculated so as to write off the revalued amount of the lease hold by equal annual instalments over the period of the lease.

The residual value and the remaining useful economic life is reevaluated at each balance sheet date if it is considered necessary.

On disposal of property, plant and equipment the difference between the net receipts and the net carrying value is debited or credited to the income statement.

Intangible Assets**Computer application software**

Computer application software programs are stated at cost less accumulated amortization. Amortization is calculated on a straight line basis in such a way that the cost less the estimated residual value of the intangible assets is being amortized over the expected useful economic life of the assets. The annual amortization rate for computer application software is 33% with exception the Company's main system whose annual amortization rate is 20%.

Expenses incurred for the maintenance of computer application software programs are charged in the income statement of the year in which they incur.

Employees' Retirement Benefits

The Company runs a retirement benefits scheme for its employees as described in note 8 of the financial statements.

The cost of non-contributory defined benefits scheme is charged in the income statement on a yearly basis in accordance with independent professional actuarial valuation in order to accumulate adequate reserves over the years of service of employees to meet payment entitlement at their retirement.

The obligation for the retirement benefits scheme for its employees is calculated according with the current value of expected future payments that is required for the arrangement of obligation that arose by the services of worker at present and previous periods.

Actuarial profits or losses that exceed the 10% of current value of obligation or the fair value of asset, anyone are biggest, depreciated in the internal of expected time of remaining working life of employee that participate in the retirement benefits scheme.

Taxation

Taxation on income is provided for in accordance with the tax legislation and tax rates which apply in Cyprus where the Group carries on its operations and is recognized as an expense in the period in which the income arises.

Deferred Taxation

Provision for deferred taxation is made on all temporary differences between the carrying values of assets and liabilities for financial reporting purposes and their tax base. Deferred tax is calculated at the tax rates applying at the year end. Any deferred tax assets arising from deductible temporary differences are recognized to the extent that it is expected that taxable profits will be available in the future.

Any adjustment in deferred taxation, which is due to changes of tax rates, is shown in the income statement or in the reserves according to where the original debit or credit for the deferred tax was initially recorded.

Financial Guarantee Contracts

Financial guarantee contracts (except for those considered to be insurance contracts) are contracts that require the issuer to make specified payments to reimburse the holder for a loss when it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Such financial guarantees are granted to banks, financial institutions and other organisations on behalf of customers for the granting of loans and other bank facilities.

Financial guarantees are initially recognized at fair value on the date of the granting there of and subsequently they are evaluated on the basis of the biggest amount out of:

- The amount of initial recognition less, if any, the amount of accumulated depreciation recognized; and
- The best cost estimation required for the settlement of the relevant commitment on the balance sheet date. These estimations are based on the experience with similar transactions and previous loss reports and they are supplemented by the evaluations of the Management.

Any increase of the liability related to such guarantees is recognized in the income statement. The Company has not recognized any amounts relating to financial guarantee contracts in the income statement.

Cash and Cash Equivalents

For the purposes of the cash flows statement, cash and cash equivalents consist of cash and placements with banks and other securities, the maturity of which does not exceed three months from their acquisition date. In this category, balances with the Central Bank of Cyprus as part of the minimum reserve requirement on deposits are included.

Share Capital

The ordinary shares are classified as shareholders' equity.

Comparative Amounts

The comparative amounts included in the financial statements are adjusted when it is considered necessary in order to comply with the current year's presentation.

4. NET INTEREST INCOME

		2007	2006
	Note	CY£	CY£
Interest Income			
Placements with credit institutions	14	46.201.483	26.095.597
Loans and advances to customers	16	96.404.208	61.796.179
Treasury bills	17	616.995	851.814
Government bonds	17	6.692	1.286.804
Corporate bonds	17	388.819	373.125
Total interest income		<u>143.618.197</u>	<u>90.403.519</u>
Interest Expense			
Amounts due to credit institutions	22	24.459.291	9.718.396
Customers deposits	23	49.434.369	34.660.297
Total interest expense		<u>73.893.660</u>	<u>44.378.693</u>
Net interest income		<u>69.724.537</u>	<u>46.024.826</u>

Loan and Advances from customers are shown after the suspension of interest and the recoveries from suspension of interest and are analysed as followed:

		2007	2006
	Note	CY£	CY£
Advances to customers		90.902.609	64.053.943
Suspension of interest	16	(5.315.668)	(7.706.369)
Recoveries from suspension of interest	16	10.817.267	5.448.605
		<u>96.404.208</u>	<u>61.796.179</u>

5. NET INCOME FROM FEES AND COMMISSIONS

	2007 CY£	2006 CY£
Fees and Commission Income		
Commissions receivable	12,552,992	7,973,456
Fees and charges	2,324,271	2,688,615
Study fees	3,322,945	2,424,842
Total income from fees and commission	<u>18,200,208</u>	<u>13,086,913</u>
Fees and Commission Expenses		
Fees and Charges Commissions payable	492,026	465,728
Total expenses from fees and commissions	<u>496,608</u>	<u>469,271</u>
Net profit from fees and commissions	<u>17,703,600</u>	<u>12,617,642</u>

6. NET (LOSS)/PROFIT FROM THE CHANGE OF FINANCIAL INSTRUMENT AT FAIR VALUE

	2007 CY£	2006 CY£
Derivatives for risk management	11,812	-
Deficit from revaluation of investments held for trading	-	(4,796)
(Deficit)/Surplus from the revaluation of derivatives held for trading	<u>(13,362)</u>	<u>15,651</u>
	<u>(1,550)</u>	<u>10,855</u>

7. OTHER INCOME FROM OPERATIONS

	2007 CY£	2006 CY£
<i>Gains on disposal of investments held for trading</i>		
Listed securities	-	127,411
<i>Gains on disposal of investments available for sale</i>		
Bonds	-	22,619
Listed securities	-	300,726
Income from foreign exchange transaction	8,143,055	3,581,349
Unrealized foreign currency gains	67,526	-
Dividend received	218,577	110,723
Profit on disposals of property, plant and equipment	<u>38,481</u>	<u>3,750</u>
	<u>8,467,639</u>	<u>4,146,578</u>

8. STAFF COSTS

	Note	2007 CY£	2006 CY£
Salaries and employer's contribution		16,084,902	13,353,836
Other staff cost		160,442	132,653
Compensation on early retirement		1,600,000	-
Cost of retirement benefits	26	<u>3,292,151</u>	<u>2,875,891</u>
		<u>21,137,495</u>	<u>16,362,380</u>

The number of staff of the Company as at 31 December 2007 amounted to 704 persons (2006:708 persons).

The Company operates a non – contributory, defined benefits scheme for which provisions are made in the financial statements in order to accumulate sufficient reserves to meet the entitlement payment at retirement of employees. The amount of the provision is determined in accordance with valuation by independent professional actuaries which takes into account, inter alia, the employees' remuneration, age and years of service, and after making assumptions as to future salary increases and the annual return on the relevant funds.

Full actuarial valuation of the Company's liabilities for the provision of retirement benefits is carried out at least every two years by independent professional actuaries. The latest independent actuarial valuation was carried out in December 2007.

9. OTHER EXPENSES

	2007 CY£	2006 CY£
Expenses of computer Hardware	401,872	382,995
Advertising and promotion	1,229,836	1,357,832
Rent payable	1,182,026	1,111,255
Maintenance and repairs	406,662	272,278
Other	<u>3,102,249</u>	<u>1,932,191</u>
	<u>6,322,645</u>	<u>5,056,551</u>

10. PROFIT FOR THE YEAR BEFORE TAXATION

Profits for the year before taxation are stated after charging/(crediting) the following:

	Note	2007 CY£	2006 CY£
Directors' emoluments:			
Executive Directors	38	370,498	218,275
Directors	38	20,000	9,000
Auditors' remuneration		26,000	21,700
Depreciation of property, plant and equipment	19	1,350,634	1,354,681
Amortisation of intangible assets	20	409,049	409,186
Rents payable	9	1,182,026	1,111,255
Profit on disposal of property, plant and equipment	7	<u>(38,481)</u>	<u>(3,750)</u>

11. TAXATION

	2007 CY£	2006 CY£
Corporation tax for the year	4.833.156	2.430.739
Taxes relating to previous years	-	540.475
Deferred tax charge/(credit)	27.375	(34.195)
Charge for the year	<u>4.860.531</u>	<u>2.937.019</u>

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

Furthermore, tax losses from the year 1997 and onwards, can be carried forward to subsequent years until such losses are eliminated. Companies of the same group can set off tax losses with taxable profits arising in the current year.

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

	2007 CY£	2006 CY£
Accounting profits of the Company before taxation	<u>47.725.677</u>	<u>25.272.502</u>
Taxation at current tax rates	4.772.568	2.527.250
Tax disallowed expenses	177.042	189.812
Non-taxable income	(89.079)	(320.518)
Taxes of previous years	-	540.475
Taxation as per income statement	<u>4.860.531</u>	<u>2.937.019</u>

12. EARNINGS PER SHARE

	2007	2006
Profits attributable to the shareholders (CY£)	<u>42.865.146</u>	<u>22.335.483</u>
Weighted average number of shares in issue during the year	<u>139.500.000</u>	<u>139.500.000</u>
Earnings per share (cent)	<u>30,73</u>	<u>16,01</u>

13. CASH AND BALANCES WITH THE CENTRAL BANK OF CYPRUS

	2007 CY£	2006 CY£
Cash and cash equivalent	126.106.553	52.910.179
Deposits with the Central Bank of Cyprus	<u>52.255.534</u>	<u>83.804.234</u>
	<u>178.362.087</u>	<u>136.714.413</u>

Balances with the Central Bank of Cyprus include the minimum reserve requirement on deposits amounting to C£20.143.134 (C£35.492.169).

The analysis of the above assets by maturity date and by currency are presented in note 34 of the financial statements. The deposits carry interest based on the interbank rate of the relevant time period and currency.

14. PLACEMENTS WITH CREDIT INSTITUTIONS

	2007 CY£	2006 CY£
Placements with Alpha Bank Group companies	1.000.156.934	614.558.986
Placements with other credit institutions	<u>42.003.945</u>	<u>5.662.057</u>
	<u>1.042.160.879</u>	<u>620.221.043</u>

The analysis of the above deposits by maturity date is presented in note 34 of the financial statements.

15. DERIVATIVES FOR RISK MANAGEMENT

	Nominal value CY£	Fair value CY£
Derivatives held for risk management		
- Liabilities	<u>21.655.138</u>	<u>16.481</u>

The company hedges the interest rate risk that results from the negative change in the fair value deposits with fixed interest rates, using interest rate swaps with nominal value of CY£21.655.138 (deposits).

The change in the fair value of the hedged instruments was a deficit of CY£28.293 (see Note 23 of the financial statements).

The derivatives used are the following:

Forward contracts: agreements to buy or sell foreign currency on a specified future date and at an agreed rate.

Currency swaps: agreements for the exchange of two currencies at the current market rate and the commitment to re-exchange them at a specified rate on the maturity date of the swap.

16. LOANS AND ADVANCES FROM CUSTOMERS

	2007 CY£	2006 CY£
Loans and advances from customers	1.964.931.747	1.195.298.427
Provisions for impairment of doubtful/debts and suspension of interest	<u>(77.804.358)</u>	<u>(81.504.254)</u>
	<u>1.887.127.389</u>	<u>1.113.794.173</u>

The fair value of loans and advances to customer is about equal to the amount presented in the balance sheet after the deduction of the impairments and the suspension of interest.

2007
CY£

2006
CY£

By economic sector

Industry	57.806.292	47.356.058
Tourism	78.490.410	69.058.730
Trade	90.586.976	85.184.349
Construction	821.533.869	383.433.715
Personal and professional	827.660.003	486.016.593
Other sectors	<u>88.854.197</u>	<u>124.248.982</u>
	<u>1.964.931.747</u>	<u>1.195.298.427</u>

By geographical sector

Greece	2.319.755	3.822.698
Cyprus	1.538.814.176	1.028.232.276
Other countries	<u>423.797.815</u>	<u>163.243.453</u>
	<u>1.964.931.746</u>	<u>1.195.298.427</u>

Provision for impairment as per the income statement

	2007 CY£	2006 CY£
Charge for the year	32.365.785	22.948.998
Recoveries and readjustments	(28.774.523)	(11.857.253)
Write offs	<u>15.357.464</u>	<u>3.252.856</u>
	<u>18.948.726</u>	<u>14.344.601</u>

	Specific provisions	Suspension of interest for account	Total
	CY£	CY£	CY£
2007			
1 January	58,837,987	22,666,267	81,504,254
Debit/(credit) in the income statement	18,948,726	(5,501,599)	13,447,127
Recoveries and readjustments	(16,460,173)	(686,850)	(17,147,023)
31 December	<u>61,326,540</u>	<u>16,477,818</u>	<u>77,804,358</u>
2006			
1 January	46,050,553	22,889,019	68,939,572
Charge in the income statement	14,344,601	2,257,764	16,602,365
Transfer from Alpha Asset Finance	6,155,733	269,991	6,425,724
Recoveries and readjustments	(7,712,900)	(2,750,507)	(10,463,407)
31 December	<u>58,837,987</u>	<u>22,666,267</u>	<u>81,504,254</u>

17. INVESTMENTS AVAILABLE FOR SALE

	2007	2006
	CY£	CY£
Items available for sale		
Treasury Bills	-	45,852,103
Government Bonds	-	19,540,334
Cyprus listed Corporate Bonds	7,000,000	7,000,000
Shares in Cyprus Companies	207,358	207,358
	<u>7,207,358</u>	<u>72,599,795</u>
Listed on the Cyprus Stock Exchange	7,000,000	72,392,437
Unlisted	207,358	207,358
	<u>7,207,358</u>	<u>72,599,795</u>
Geographical analysis based on the residency of the issuer	Cyprus	Cyprus

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

	Treasury Bills	Government Bonds	Shares	Cyprus Listed Corporate Bonds	Total
	CY£	CY£	CY£	CY£	CY£
2007					
1 January	45,852,103	7,000,000	207,358	19,540,336	72,599,795
Disposals	(45,852,103)	-	-	(19,540,336)	(65,392,437)
31 December	<u>-</u>	<u>7,000,000</u>	<u>207,358</u>	<u>-</u>	<u>7,207,358</u>
2006					
1 January	-	7,000,000	1,069,367	32,347,799	40,417,166
Additions	83,262,043	-	-	-	83,262,043
Disposals	(36,050,548)	-	(1,660,784)	(12,256,617)	(49,967,949)
(Loss)/profit from the change in fair value	(1,359,394)	-	798,775	(550,846)	(1,111,465)
31 December	<u>45,852,101</u>	<u>7,000,000</u>	<u>207,358</u>	<u>19,540,336</u>	<u>72,599,795</u>

Analysis of the above assets by maturity is presented in note 34 of the financial statements.

18. INVESTMENTS IN SUBSIDIARY COMPANIES

	2007 CY£	2006 CY£
Cost of Investments		
Alpha Trustees Limited	50.000	50.000
Alpha Insurance Limited	9.565.413	9.565.413
	<u>9.615.413</u>	<u>9.615.413</u>

The movement in the Investment in subsidiary Companies is analysed as follows:

1 January	9.615.413	11.830.413
Transfer of Alpha Asset Finance Limited	-	(2.215.000)
31 December	<u>9.615.413</u>	<u>9.615.413</u>

On 12 December 2006, Alpha Asset Finance Limited a wholly owned subsidiary company merged its business activities with Alpha Bank Cyprus Limited according to the Income Tax Law. As a result, Alpha Asset Finance Limited transferred its total assets and total liabilities (including the reserves) to the Company. At that date the Company cancelled its investment in Alpha Asset Finance Limited.

The subsidiary companies and their activities are the following:

	Shareholding		Activities
	2007	2006	
	(%)	(%)	
Alpha Trustees Limited	100	100	Trustee services
Alpha Insurance Limited	82,05	82,05	Provision of insurance services in the areas of life and general insurance

The Company and the subsidiary companies are registered and operate in Cyprus.

19. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvements on leasehold buildings	Lease premium	Installations & equipment	Total
	CY£	CY£	CY£	CY£	CY£
Cost					
1 January 2006	1.819.284	9.717.403	128.500	8.514.773	20.179.960
Transfers – Alpha Asset Finance Limited	-	592.402	-	70.777	663.179
Additions	-	119.418	-	399.108	518.526
Disposals	-	-	-	(51.810)	(51.810)
31 December 2006	<u>1.819.284</u>	<u>10.429.223</u>	<u>128.500</u>	<u>8.932.848</u>	<u>21.309.855</u>
1 January 2007	1.819.284	10.429.223	128.500	8.932.848	21.309.855
Additions	1.500.000	6.131.982	-	893.414	8.525.396
Write offs	-	(313.325)	-	(297.455)	(610.780)
On disposals	-	-	-	(190.511)	(190.511)
31 December 2007	<u>3.319.284</u>	<u>16.247.880</u>	<u>128.500</u>	<u>9.338.296</u>	<u>29.033.960</u>
Depreciation					
1 January 2006	-	2.858.982	111.633	5.957.467	8.928.082
Transfer – Alpha Asset Finance Limited	-	311.425	-	70.777	382.202
Charge for the year	-	511.417	2.904	840.361	1.354.682
On disposals	-	-	-	(51.560)	(51.560)
31 December 2006	<u>-</u>	<u>3.681.824</u>	<u>114.537</u>	<u>6.817.045</u>	<u>10.613.406</u>
1 January 2007	-	3.681.824	114.537	6.817.045	10.613.406
Charge for the year	-	561.342	2.901	786.391	1.350.634
On disposals	-	-	-	(190.444)	(190.444)
On write offs	-	(136.091)	-	(268.862)	(404.953)
31 December 2007	<u>-</u>	<u>4.107.075</u>	<u>117.438</u>	<u>7.144.130</u>	<u>11.368.643</u>
Net book value					
1 January 2006	<u>1.819.284</u>	<u>6.858.421</u>	<u>16.867</u>	<u>2.557.306</u>	<u>11.251.878</u>
31 December 2006	<u>1.819.284</u>	<u>6.747.399</u>	<u>13.963</u>	<u>2.115.803</u>	<u>10.696.449</u>
31 December 2007	<u>3.319.284</u>	<u>12.140.805</u>	<u>11.062</u>	<u>2.194.166</u>	<u>17.665.317</u>

20. INTANGIBLE ASSETS

	Application software CY£	
Cost		
1 January 2006	2.948.362	
Additions	88.782	
31 December 2006	<u>3.037.144</u>	
1 January 2007	3.037.144	
Additions	46.137	
31 December 2007	<u>3.083.281</u>	
Amortisation		
1 January 2006	2.023.676	
Charge for the year	409.187	
31 December 2006	<u>2.432.863</u>	
1 January 2007	2.432.863	
Charge for the year	409.049	
31 December 2007	<u>2.841.912</u>	
Net book value		
1 January 2006	<u>924.686</u>	
31 December 2006	<u>604.281</u>	
31 December 2007	<u>241.369</u>	
	2007	2006
	CY£	CY£
Accrued interest, fees and commissions	22.761.900	9.597.530
Tax receivable	459.480	397.559
Debtors and prepaid expenses	1.365.851	1.062.735
Building under construction	600.000	4.723.160
Interest prepayment	4.449.579	379.672
Derivatives held for trading (i)	<u>81.056</u>	<u>41.244</u>
	<u>29.717.866</u>	<u>16.201.900</u>
	Nominal Value	Fair Value
	CY£	CY£
(i) Derivatives held for trading		
Foreign Exchange derivatives		
Forward contracts	<u>1.414.900</u>	<u>81.056</u>

22. AMOUNTS DUE TO CREDIT INSTITUTIONS

	2007 CY£	2006 CY£
Amount due to Alpha Bank Group companies	998.283.023	361.039.547
Amounts due to other credit institutions	<u>130.432.483</u>	<u>188.577.517</u>
	<u>1.128.715.506</u>	<u>549.617.064</u>

The analysis of the above deposits by maturity is presented in note 34 of the financial statements.

23. CUSTOMER DEPOSITS

	2007 CY£	2006 CY£
Demand Savings	306.639.239	192.450.969
Fixed term or notice deposits	4.405.318	5.149.452
Revaluation of hedged items at fair value	1.491.083.709	1.052.707.696
	<u>(28.293)</u>	<u>-</u>
	<u>1.802.099.973</u>	<u>1.250.308.117</u>

24. TAXATION

	2007 CY£	2006 CY£
Corporation tax	<u>2.676.419</u>	<u>1.606.447</u>
The movement in Corporation tax is analysed as follows:		
	2007	2006
	CY£	CY£
1 January	1.606.447	1.052.938
Charge for the year	4.833.156	2.430.739
Taxes for previous years	-	540.475
Payments	<u>(3.763.186)</u>	<u>(2.417.705)</u>
31 December	<u>2.676.417</u>	<u>1.606.447</u>

25. DEFERRED TAXATION

	2007 CY£	2006 CY£
1 January	213.671	242.181
Debit/(credit) in the income statement	27.375	(34.195)
Transfer from Alpha Asset Finance Limited	-	5.685
31 December	<u>241.046</u>	<u>213.671</u>

Deferred taxation is made on all temporary differences between depreciation and the capital allowances for tax purposes.

26. OTHER LIABILITIES

	2007 CY£	2006 CY£
Accrued interest, fees and commissions	9.957.467	7.994.257
Defined benefit scheme liability (note (i))	19.501.365	18.086.727
Deferred income	7.484.804	2.127.569
Accrued expenses	3.003.772	1.166.525
Building creditors accounts	600.000	-
Provisions for legal disputes (note. (ii))	916.329	173.283
Other payables	11.869.304	7.631.208
Derivatives held for trading (iii)	<u>23.565</u>	<u>-</u>
	<u>53.356.606</u>	<u>37.179.569</u>

(i) Defined Benefit Scheme Liability

	2007 CY£	2006 CY£
Present value of obligations	24.802.703	21.925.218
Unrecognized actuarial deficit	<u>(5.301.338)</u>	<u>(3.838.491)</u>
	<u>19.501.365</u>	<u>18.086.727</u>

**2007
CY£**

**2006
CY£**

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

	2007 CY£	2006 CY£
1 January	18.086.727	15.261.494
Charge in the income statement	3.292.151	2.875.891
Payments to members who retired	<u>(1.877.513)</u>	<u>(50.658)</u>
31 December	<u>19.501.365</u>	<u>18.086.727</u>

The charge in the income statement is analysed as follows:

	2007 CY£	2006 CY£
Current service cost	2.011.123	1.837.653
Interest cost	1.089.526	949.346
Amortization of past service cost	118.655	-
Amortization of Unrecognized Net (Gain)/Loss	72.847	88.892
	<u>3.292.151</u>	<u>2.875.891</u>

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

	2007	2006
Discount rate	5,25%	5,0%
Future salary increase	6,5%	6,1%
Future rate of inflation	2,5%	2,5%

(ii) Provisions for Legal disputes

	2007 CY£	2006 CY£
1 January	173.283	165.052
Provisions for year	<u>743.046</u>	<u>8.231</u>
31 December	<u>916.329</u>	<u>173.283</u>

**Nominal value
CY£**

**Fair value
CY£**

(iii) Derivatives held for trading

	2007 CY£	2006 CY£
Interest rate Derivatives		
Interest rate swaps	<u>7.593.494</u>	<u>23.565</u>

27. SHARE CAPITAL

	2007 CY£	2006 CY£
<i>Authorised</i> 600,000,000 ordinary shares CY£0.50 each	<u>300,000,000</u>	<u>300,000,000</u>
<i>Issued and fully paid</i> 139,500,000 ordinary shares CY£0.50 each	<u>69,750,000</u>	<u>69,750,000</u>
1 January and 31 December	<u>69,750,000</u>	<u>69,750,000</u>

28. SHARE PREMIUM

	2007 CY£	2006 CY£
1 January and 31 December	<u>8,975,000</u>	<u>8,975,000</u>

The share premium reserve arising from the issue of shares at a premium is not available for distribution as dividend.

29. RESERVES

	2007 CY£	2006 CY£
<i>Revenue Reserve</i>		
1 January	63,401,501	42,680,068
Profits for the year	42,865,146	22,335,483
Absorption of net assets of Alpha Asset Finance Limited	-	(2,115,000)
Transfer of reserves from Alpha Asset Finance Limited	-	500,950
31 December	<u>106,266,647</u>	<u>63,401,501</u>
<i>Investments Revaluation Reserve</i>		
1 January	(603,902)	830,903
Recognition of income from disposal of investments available for sale	-	(323,340)
Surplus/(deficit) from revaluation of investments available for sale	<u>603,902</u>	<u>(1,111,465)</u>
31 December	<u>-</u>	<u>(603,902)</u>
Total Reserves	<u>106,266,647</u>	<u>62,797,599</u>

The revenue reserve is distributable according to the requirements of the Company Law, Cap. 113.

The investments revaluation reserve arose from the revaluation of investments available for sale. The investments revaluation reserve is not distributable but in case of disposal of revalued investments, any balance of the surplus on revaluation which belongs to the disposed investments which is included in the investments revaluation reserve, is transferred to the revenue reserve.

As at 1 January 2003, companies which do not distribute 70% of their profits after taxation, as determined by the Special Defence contribution Law, during the two years after the end of taxable year that the profits are reported, it will be considered that they have distributed this amount as dividend. Special defence contribution of 15% will be payable on the dividend distribution at the extent which shareholders (individuals and companies) at the end of the two year period after the end of taxable year that the profits are reported, are taxable Cyprus residents. The amount of distribution of dividends is reduced by any realised dividend that has already been distributed for the year during which the profits are reported. The special defence contribution is paid by the company for the shareholders account.

The above requirements of the Company Law are not applied the case of the Company due to the fact that its shareholders are not residents in Cyprus for tax purposes.

30. OFF BALANCE SHEET ITEMS

	2007 CY£	2006 CY£
Contingent liabilities		
Bank guarantees	<u>80,859,478</u>	<u>67,875,680</u>
Commitments		
Import letters of credit and confirmed export letters of credit	8,670,138	3,147,490
Loan and facility limits already approved but not utilized	<u>184,718,266</u>	<u>83,008,431</u>
	<u>193,388,404</u>	<u>86,155,921</u>
Total off Balance sheet items	<u>274,247,882</u>	<u>154,031,601</u>

Documentary Credits and letters of guarantee are usually compensated through respective third party liabilities.

30. OFF BALANCE SHEET ITEMS (cont.)**Nature of Financial Instruments**

Bank guarantees are usually in the form of letters of guarantee, and represent irrevocable liabilities based on which the Company is required to meet certain obligations to the beneficiary, in the event of a contractual default.

Documentary credits which are in the form of letters of credit relating to imports/exports commit the Company to make payments to third parties on production of documents and provided that the terms of the documentary credit are satisfied. The repayment by the customer is due immediately or within up to six months.

Loan and facility limits that have been approved and not utilized by clients represent a contractual obligation. These limits are granted for a specific time period and may be cancelled by the Company at any time by giving notice to the customer.

	Financial Services Sector	Industry	Building & Construct.	Trading	Public Sector	Tourism	Other	Individual & Consumer	Total
2007	CYP£	CYP£	CYP£	CYP£	CYP£	CYP£	CYP£	CYP£	CYP£
Credit risk exposure relating to off Balance sheet items:									
Letters of Guarantee and Documentary Credits	239,800	12,423,897	1,443,747	160,155	1,167,625	17,208	74,073,884	3,300	89,529,616
Unutilized credit limits	<u>3,053,380</u>	<u>8,645,939</u>	<u>85,690,172</u>	<u>11,016,618</u>	<u>174</u>	<u>5,355,626</u>	<u>8,658,470</u>	<u>62,297,887</u>	<u>184,718,266</u>
Total	<u>3,293,180</u>	<u>21,069,836</u>	<u>87,133,918</u>	<u>11,176,772</u>	<u>1,167,799</u>	<u>5,372,835</u>	<u>82,732,354</u>	<u>62,301,187</u>	<u>274,247,882</u>
2006	CYP£	CYP£	CYP£	CYP£	CYP£	CYP£	CYP£	CYP£	CYP£
Credit risk exposure relating to off Balance sheet items:									
Letters of Guarantee and Documentary Credits	190,297	9,859,177	1,145,708	127,093	926,587	13,656	58,758,035	2,617	71,023,170
Unutilized credit limits	<u>1,372,124</u>	<u>3,885,300</u>	<u>38,507,329</u>	<u>4,950,632</u>	<u>78</u>	<u>2,406,704</u>	<u>3,890,927</u>	<u>27,995,337</u>	<u>83,008,431</u>
Total	<u>1,562,421</u>	<u>13,744,477</u>	<u>39,653,037</u>	<u>5,077,725</u>	<u>926,665</u>	<u>2,420,360</u>	<u>62,648,962</u>	<u>27,997,954</u>	<u>154,031,601</u>

31. OTHER CONTINGENT LIABILITIES

Lease Commitments

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

	2007 CY£	2006 CY£
Within one year	943.079	1.087.314
Between one to five years	3.192.454	3.310.018
More than five years	5.352.518	4.937.263
	<u>9.488.051</u>	<u>9.334.595</u>

Litigation

As at 31 December 2007, there were pending litigations against the Company in relation to its activities. Following legal advice, the Board of Directors proceeded to a provision for same cases in the financial statements, where the Company anticipated financial loss.

Apart from the above there are no pending litigations, claims or assessments against the Company or court decisions where the outcome of which would have a *material effect* on the financial statements apart from those provided for (Note 26 to the financial statements).

32. CAPITAL COMMITMENTS

As at 31 December 2007, the Company's commitments for capital expenditure for which no provision has been made in the financial statements amounted to C£3.569.078 (2006: C£5.961.009) and related to the acquisition of the new Head Office building and the cost of refurbishment of new branches.

33. CASH AND CASH EQUIVALENTS

Cash and cash equivalents that appear in the cash flow statement consist of the following balance sheet elements:

	2007 CY£	2006 CY£
Cash and balances with the Central Bank of Cyprus	162.475.455	113.522.632
Investments available for sale	-	19.540.334
Placements with credit institutions	166.051.208	319.383.992
Amount due to credit institutions	<u>(18.520.668)</u>	<u>(90.736.566)</u>
	<u>310.005.995</u>	<u>361.710.392</u>

34. RISK MANAGEMENT

Alpha Bank Cyprus Ltd, as a member of the Alpha Bank Group is adhering to the provisions of Basel II, as these are adopted in the "Capital Requirements Directive" of the Central Bank of Cyprus. Additionally, the implementation of the "Corporate Governance Directive" of the Central Bank of Cyprus has been a significant development in the area of Risk Management.

The structure of the Risk Management function is based on the Risk Management Policy framework that the Group has developed and aims at:

- Compliance with the instructions of the Central Bank of Cyprus with regards to setting a policy for the acceptance, follow up and management of every risk.
- Improvement in the handling of the action taken to prevent and minimize risks.
- Effective capital planning in order to cover the risks undertaken.

Within that context the Company has set up an independent Risk Management Unit, of which the main responsibility is to implement effective methods of recognizing, quantifying and managing the risks that the Company undertakes.

The Unit has the following departments:

- Risk Management
 1. Credit risk
 2. Operational risk
 3. Market risk
 4. Liquidity risk
- Regulatory Compliance
- Data protection

I. Credit Risk

Credit Risk refers to the potential risk that a creditor or contracting parties have in meeting their repayment obligations in time, or even to fully repay their debts as per the agreed terms of each contract.

The Company minimizes credit risk with the diversification of the lending portfolio to different sectors of the economy. This is achieved through an analysis of the economic conditions prevailing in the market. Through compliance with the internal procedures of the Company and through the adoption of systems for the approval and control of the loans the losses arising from credit risk are minimized to the greatest extent possible.

The procedures followed include among others, the evaluation of the customers' repayment ability, the laying out of the stages that have to be followed from the preparation and submission of the customer's application to the appropriate approval authority to the stage of final approval and implementation. The close following up of the customer accounts after the loan is drawn is also laid out in the above procedures.

The loan approvals are sectioned only from loan committees, whose authority is determined based on the amount, the type and grade of the customer, the particular product and the collateral being offered.

Important tools that are being used for the loan approval process as well as the credit quality classification of the loan portfolio are the credit grading and scoring systems. The Company is already using various evaluation techniques and is currently in the process of implementing new systems that will cover an even greater part of the portfolio.

The mitigation of credit risk is enhanced through the securing of collateral from customers against their loans.

In addition to the above, the Company monitors continuously loans in default as well as non performing loans and takes all the necessary measures for their minimisation.

The Company maintains impairment allowances so as to meet losses from bad debts.

34. RISK MANAGEMENT (cont.)

i. Loans and Investments with Credit Risk Rating

2007	Loans and advances to Individuals					Total CYP£
	Neither past due nor impaired	Past due but not impaired	Individually Impaired	Collectively Impaired	CYP£	
	CYP£	CYP£	CYP£	CYP£		
With no grade	697.336.417	72.940.705	34.824.589	22.558.292	827.660.002	
Total before impairment	697.336.417	72.940.705	34.824.589	22.558.292	827.660.002	
Impairment Provision	0	0	24.152.814	15.705.974	39.858.787	
Book Value (A)	697.336.417	72.940.705	10.671.775	6.852.318	787.801.215	

	Loans and advances to Companies					Total CYP£
	Neither past due nor impaired	Past due but not impaired	Individually Impaired	Collectively Impaired	CYP£	
	CYP£	CYP£	CYP£	CYP£		
AA	241.240.103	370.737	0	0	241.610.839	
A	270.703.795	22.912.770	458.471	95.671	294.170.707	
BB	308.266.705	17.114.839	2.071.711	149.166	327.602.421	
B	164.110.019	8.206.628	0	587.893	172.904.540	
CC	17.733.503	639.185	3.596.898	160.961	22.130.548	
C	1.818.112	161.815	16.346.392	30.044	18.356.363	
D	3.345.383	1.191.918	44.737.664	4.979.972	54.254.938	
With no grade	6.229.208	7.474	0	4.706	6.241.388	
Total before impairment	1.013.446.828	50.605.367	67.211.136	6.008.413	1.137.271.744	
Impairment Provision			33.216.261	4.729.309	37.945.570	
Book Value (B)	1.013.446.828	50.605.367	33.994.875	1.279.104	1.099.326.174	
Total (A+B)	1.710.783.245	123.546.071	44.666.651	8.131.422	1.887.127.389	

i. Loans and Investments with Credit Risk Rating (cont.)

2006	Loans and advances to Individuals					Total CYP£
	Neither past due nor impaired	Past due but not impaired	Individually Impaired	Collectively Impaired	CYP£	
	CYP£	CYP£	CYP£	CYP£		
With no grade	350.992.074	69.538.040	41.861.681	22.623.385	485.015.181	
Total before impairment	350.992.074	69.538.040	41.861.681	22.623.385	485.015.181	
Impairment provision	0	0	30.185.952	18.508.579	48.694.531	
Book value (A)	350.992.074	69.538.040	11.675.729	4.114.806	436.320.649	

	Loans and advances to Companies					Total CYP£
	Neither past due nor impaired	Past due but not impaired	Individually Impaired	Collectively Impaired	CYP£	
	CYP£	CYP£	CYP£	CYP£		
AA	113.743.327	7.546.646	0	0	121.289.972	
A	144.401.633	2.429.687	0	37.538	146.868.858	
BB	130.907.249	9.881.785	941.494	84.919	141.815.448	
B	128.639.632	11.394.495	0	351.569	140.385.695	
CC	27.172.376	2.065.094	2.584.260	244.501	32.066.232	
C	6.645.965	31.547.763	1.748.663	101.286	40.043.677	
D	12.170.255	12.918.526	38.784.272	7.772.098	71.645.151	
With no grade	16.144.882	21.747	0	1.583	16.168.212	
Total before impairment	579.825.318	77.805.744	44.058.690	8.593.495	710.283.246	
Impairment provision	0	0	25.903.983	6.905.740	32.809.722	
Book value (B)	579.825.318	77.805.744	18.154.707	1.687.755	677.473.524	
Total (A+B)	930.817.392	147.343.784	9.830.436	5.802.561	1.113.794.173	

ii. Loans and Advances with Repayment

2007	Loans and advances to Individuals				
	Neither past due nor impaired	Past due but not impaired	Individually Impaired	Collectively Impaired	Total
	CYP£	CYP£	CYP£	CYP£	CYP£
Not past due	697.336.417	0	9.266.917	2.771.389	709.374.722
Past due up to 30 days	0	42.709.198	392.607	623.769	43.725.574
Past due 30 - 60 days	0	17.953.911	168.682	142.696	18.265.290
Past due 60 - 90 days	0	8.504.127	147.063	85.159	8.736.349
Past due 90 – 180 days	0	3.030.812	1.291.578	2.368.569	6.690.959
Past due 180 - 270 days	0	119.137	865.653	1.235.103	2.219.893
Past due 270 - 360 days	0	18.389	426.287	712.283	1.156.960
Past due over 360 days	0	142	393.050	1.476.448	1.869.640
Legal Action	0	604.988	21.872.752	13.142.876	35.620.616
Total before impairment (A)	697.336.417	72.940.705	34.824.589	22.558.292	827.660.002

	Loans and advances to Companies				
	Neither past due nor impaired	Past due but not impaired	Individually Impaired	Collectively Impaired	Total
	CYP£	CYP£	CYP£	CYP£	CYP£
Not past due	1.013.446.910	0	3.951.884	135.164	1.017.533.958
Past due up to 30 days	0	40.033.323	16.100.014	31.620	56.164.956
Past due 30 - 60 days	0	7.497.814	0	14.766	7.512.580
Past due 60 - 90 days	0	1.162.400	242.623	0	1.405.023
Past due 90 – 180 days	0	1.131.643	303.400	184.361	1.619.404
Past due 180 - 270 days	0	204	0	105.500	105.705
Past due 270 - 360 days	0	33	0	148.390	148.424
Past due over 360 days	0	171	873.763	241.480	1.115.414
Legal Action	0	779.780	45.739.370	5.147.131	51.666.282
Total before impairment (B)	1.013.446.910	50.605.368	67.211.054	6.008.413	1.137.271.745
Total (A+B)	1.710.783.327	123.546.072	102.035.644	28.566.704	1.964.931.747

ii. Loans and Advances with Repayment (cont.)

2006	Loans and advances to Individuals				
	Neither past due nor impaired	Past due but not impaired	Individually Impaired	Collectively Impaired	Total
	CYP£	CYP£	CYP£	CYP£	CYP£
Not past due	350.992.074	0	1.342.660	821.252	353.155.986
Past due up to 30 days	0	36.558.439	0	236.603	36.795.041
Past due 30 - 60 days	0	14.863.247	11.515	171.168	15.045.930
Past due 60 - 90 days	0	6.024.035	0	110.966	6.135.001
Past due 90 – 180 days	0	1.409.797	226.258	1.135.069	2.771.124
Past due 180 - 270 days	0	581.320	10.662	446.455	1.038.438
Past due 270 - 360 days	0	186.520	0	133.435	319.955
Past due over 360 days	0	603.938	214.430	2.675.817	3.494.184
Legal Action	0	9.310.745	40.056.156	16.892.620	66.259.522
Total before impairment (A)	350.992.074	69.538.040	41.861.681	22.623.385	485.015.181

	Loans and advances to Companies				
	Neither past due nor impaired	Past due but not impaired	Individually Impaired	Collectively Impaired	Total
	CYP£	CYP£	CYP£	CYP£	CYP£
Not past due	579.825.318	0	2.897.615	299.395	583.022.327
Past due up to 30 days	0	24.256.761	177.486	10.451	24.444.699
Past due 30 - 60 days	0	8.827.292	150.109	27.652	9.005.053
Past due 60 - 90 days	0	10.016.581	220.192	48.192	10.284.965
Past due 90 – 180 days	0	2.326.669	274.384	106.766	2.707.820
Past due 180 - 270 days	0	5.030.451	0	65.000	5.095.451
Past due 270 - 360 days	0	363.905	0	110.093	473.998
Past due over 360 days	0	14.933.034	0	317.014	15.250.048
Legal Action	0	12.051.049	40.338.904	7.608.930	59.998.884
Total before impairment (B)	579.825.318	77.805.744	44.058.690	8.593.495	710.283.246
Total (A+B)	930.817.392	147.343.784	85.920.371	31.216.880	1.195.298.426

iii. Loans and Advances that are Past Due but Not Impaired

2007	Loans and advances to Individuals				
	Housing Loans	Consumer Loans	Credit Cards	Other	Total
	CYP£	CYP£	CYP£	CYP£	CYP£
Past due to 30 days	34.148.085	8.132.683	428.431	0	42.709.199
Past due up 30 - 60 days	13.021.075	4.773.585	159.251	0	17.953.911
Past due 60 - 90 days	6.402.867	2.025.268	75.992	0	8.504.127
Past due over 90 days	2.322.619	787.875	57.986	0	3.168.480
Legal action	0	604.988	0	0	604.988
Total before impairment	55.894.646	16.324.399	721.659	0	72.940.705
Fair value of collaterals					
Cash	231.884	514.673	4.732	0	751.289
Residential Property	26.536.690	2.534.239	52.954	0	29.123.883
Commercial Property	289.614	543.574	0	0	833.188
Other Real Estate	5.639.054	5.583.174	26.608	0	11.248.836
Bank guarantees	167.227	0	0	0	167.227
Total	32.864.469	9.175.660	84.294	0	42.124.423

	Loans and advances to Companies				
	Housing Loans	Consumer Loans	Credit Cards	Other	Total
	CYP£	CYP£	CYP£	CYP£	CYP£
Past due up to 30 days	40.033.323	0	0	0	40.033.323
Past due 30 - 60 days	7.497.814	0	0	0	7.497.814
Past due 60 - 90 days	1.162.400	0	0	0	1.162.400
Past due over 90 days	1.132.051	0	0	0	1.132.051
Legal actions	779.779	0	0	0	779.779
Total before impairment	50.605.368	0	0	0	50.605.368
Fair value of collaterals					
Cash	530.642	0	0	0	530.642
Residential Property	3.015.121	0	0	0	3.015.121
Commercial Property	3.001.756	0	0	0	3.001.756
Other Real Estate	31.142.973	0	0	0	31.142.973
Bank guarantees	555.097	0	0	0	555.097
Total	38.245.589	0	0	0	38.245.589

iii. Loans and Advances that are Past Due but Not Impaired (cont.)

2006	Loans and advances to Individuals				
	Housing Loans	Consumer Loans	Credit Cards	Other	Total
	CYP£	CYP£	CYP£	CYP£	CYP£
Past due up to 30 days	25.179.306	11.016.316	362.817	0	36.558.439
Past due 30 - 60 days	9.631.983	5.073.310	157.954	0	14.863.247
Past due 60 - 90 days	3.400.955	2.526.162	96.917	0	6.024.035
Past due over 90 days	1.926.451	791.839	63.286	0	2.781.575
Legal action	1.571.218	7.720.082	19.444	0	9.310.745
Total before impairment	41.709.912	27.127.709	700.419	0	69.538.040
Fair value of collaterals					
Cash	140.539	777.623	5.433	0	923.595
Residential Property	27.679.439	4.783.828	40.497	0	32.503.764
Commercial Property	573.837	1.111.378	2.840	0	1.688.055
Other Real Estate	3.918.091	8.850.912	14.734	0	12.783.737
Bank guarantees	159.420	1.002	0	0	160.422
Total	32.471.326	15.524.743	63.504	0	48.059.573

	Loans and advances to Companies				
	Housing Loans	Consumer Loans	Credit Cards	Other	Total
	CYP£	CYP£	CYP£	CYP£	CYP£
Past due up to 30 days	24.256.761	0	0	0	24.256.761
Past due 30 - 60 days	8.827.293	0	0	0	8.827.293
Past due 60 - 90 days	10.016.581	0	0	0	10.016.581
Past due over 90 days	22.654.060	0	0	0	22.654.060
Legal actions	12.051.049	0	0	0	12.051.049
Total before impairment	77.805.744	0	0	0	77.805.744
Fair value of collaterals					
Cash	1.085.578	0	0	0	1.085.578
Residential Property	4.049.395	0	0	0	4.049.395
Commercial Property	6.254.412	0	0	0	6.254.412
Other Real Estate	32.577.056	0	0	0	32.577.056
Bank guarantees	0	0	0	0	0
Total	43.966.441	0	0	0	43.966.441

iv. Loans and Advances that are Past Due or Impaired Per Grade and Loan Type

2007	Loans and advances to Individuals				Total CYP£
	Housing Loans	Consumer Loans	Credit Cards	Other	
	CYP£	CYP£	CYP£	CYP£	
With no grade	572.764.099	116.539.771	8.032.547	0	697.336.417
Total before Impairment (A)	572.764.099	116.539.771	8.032.547	0	697.336.417

	Loans and advances to Companies				Total CYP£
	Housing Loans	Consumer Loans	Credit Cards	Other	
	CYP£	CYP£	CYP£	CYP£	
AA	241.240.103	0	0	0	241.240.103
A	270.703.796	0	0	0	270.703.796
BB	308.266.705	0	0	0	308.266.705
B	164.110.019	0	0	0	164.110.019
CC	17.733.503	0	0	0	17.733.503
C	1.818.112	0	0	0	1.818.112
D	3.345.383	0	0	0	3.345.383
With no grade	6.229.290	0	0	0	6.229.290
Total before Impairment (B)	1.013.446.910	0	0	0	1.013.446.910
Total (A+B)	1.586.211.009	116.539.771	8.032.547	0	1.710.783.327

2006	Loans and advances to Individuals				Total CYP£
	Housing Loans	Consumer Loans	Credit Cards	Other	
	CYP£	CYP£	CYP£	CYP£	
With no grade	259.198.784	84.801.126	6.992.164	0	350.992.074
Total before Impairment (A)	259.198.784	84.801.126	6.992.164	0	350.992.074

	Loans and advances to Companies				Total CYP£
	Housing Loans	Consumer Loans	Credit Cards	Other	
	CYP£	CYP£	CYP£	CYP£	
AA	113.743.452	0	0	0	113.743.452
A	144.401.792	0	0	0	144.401.792
BB	130.907.394	0	0	0	130.907.394
B	128.639.774	0	0	0	128.639.774
CC	27.172.406	0	0	0	27.172.406
C	6.645.972	0	0	0	6.645.972
D	12.169.627	0	0	0	12.169.627
With no grade	16.144.900	0	0	0	16.144.900
Total before Impairment (B)	579.825.318	0	0	0	579.825.318
Total (A+B)	839.024.102	84.801.126	6.992.164	0	930.817.392

v. Loans and Advances - Impairment on an Individual Basis in Relation to Collaterals

2007	Loans and Advances to Individuals				Total CYP£
	Housing Loans	Consumer Loans	Credit Cards	Other	
	CYP£	CYP£	CYP£	CYP£	
Balance	5.789.576	29.031.643	3.369	0	34.824.589
Provision for Impairment	-1.237.958	-22.911.286	-3.570	0	-24.152.814
Book Value	4.551.619	6.120.357	-201	0	10.671.775
Fair Value of Collateral					
Residential Property	2.570.992	1.366.410	1.287	0	3.938.689
Commercial Property	225.643	566.040	0	0	791.683
Other Real Estate	438.178	4.199.647	132	0	4.637.957
Total	3.234.813	6.132.097	1.419	0	9.368.329

	Loans and Advances to Companies				Total CYP£
	Housing Loans	Consumer Loans	Credit Cards	Other	
	CYP£	CYP£	CYP£	CYP£	
Balance	67.211.054	0	0	0	67.211.054
Provision for Impairment	-33.216.261	0	0	0	-33.216.261
Book Value	33.994.793	0	0	0	33.994.793
Fair Value of Collateral					
Cash	67.287	0	0	0	67.287
Residential Property	2.029.611	0	0	0	2.029.611
Commercial Property	4.703.687	0	0	0	4.703.687
Other Real Estate	26.109.058	0	0	0	26.109.058
Total	32.909.643	0	0	0	32.909.643

v. Loans and Advances - Impairment on an Individual Basis in Relation to Collaterals (cont.)

2006	Loans and Advances to Individuals				Total CYP£
	Housing Loans	Consumer Loans	Credit Cards	Other	
	CYP£	CYP£	CYP£	CYP£	
Balance	1.700.491	40.159.931	1.259	0	41.861.681
Provision for Impairment	-196.148	-29.987.891	-1.912	0	-30.185.952
Book value	1.504.342	10.172.040	-654	0	11.675.728
Fair value collateral					
Residential Property	417.216	839.292	407	0	1.256.915
Commercial Property	203.949	1.052.554	0	0	1.256.503
Other Real Estate	321.382	4.950.871	0	0	5.272.253
Total Collateral	942.547	6.842.717	407	0	7.785.671

2006	Loans and Advances to Companies				Total CYP£
	Housing Loans	Consumer Loans	Credit Cards	Other	
	CYP£	CYP£	CYP£	CYP£	
Balance	44.058.690	0	0	0	44.058.690
Provision for Impairment	-25.903.984	0	0	0	-25.903.984
Book Value	18.154.706	0	0	0	18.154.706
Fair value collateral					
Residential Property	1.361.863	0	0	0	1.361.863
Commercial Property	1.411.900	0	0	0	1.411.900
Other Real Estate	16.641.870	0	0	0	16.641.870
Total Collateral	19.415.633	0	0	0	19.415.633

vi. Other Claims

2007	Balances with Credit Institutions CYP£	Derivates CYP£	Investments available for sale CYP£	Total CYP£
AA- to AA+	1.016.734	0	0	1.016.734
A- to A+	2.744.441	0	7.207.358	9.951.799
below A-	1.021.360.914	16.068	0	1.021.376.982
With no grade	17.038.790	0	0	17.038.790
Neither past due nor impaired	1.042.160.879	16.068	7.207.358	1.049.384.305

2006	Balances with Credit Institutions CYP£	Derivates CYP£	Investments available for sale CYP£	Total CYP£
AA- to AA+	816.561	0	65.599.795	66.416.356
A- to A+	3.247.118	0	7.000.000	10.247.118
below A-	616.110.921	0	0	616.110.921
With no grade	46.443	0	0	46.443
Neither past due nor impaired	620.221.043	0	72.599.795	692.820.838

II. Operational Risk

Operational risk is defined as the risk of direct or indirect losses arising either from internal inadequate procedures and systems, human behavior or other external factors.

The Company is in the process of implementing a framework for managing Operational risk as this is laid out in the relevant Group Policy. The basic pillars of this policy are listed below.

The organizational structure of managing operational risk.

The collecting and collating of data relating to operational risk events.

The evaluation of the risk and the determination of risk mitigation action.

Within the above framework and always in cooperation with the Group, an "Operational Risk Management System" has been introduced which has operated in a testing environment in 2007. It will accept data on Operational risk that will be classified in the relevant banking activity category as well as in the relevant operational risk category outlined in Basel II.

III. Market Risk

Market risk is the risk of loss that arises from unfavourable developments in the price or volatility that is observed in interest rates, exchange rates, shares or bonds.

The management policy to be followed for Market risk as well as limits which are set are defined by the Asset and Liability committee (ALCO), within which the Treasury Division operates.

Interest Rate Risk

Interest rate risk arises from the different reprising dates in the interest bearing assets and liabilities of the company. The Company analyses the interest rate gaps for each time period for each currency for all the interest bearing elements and uses this analysis for measuring the effects of a change in interest rates in its revenues.

The above analysis enables the Company to measure the effects of an interest rate change to its Economic value, enabling the Company to monitor effectively interest rate risk.

Exchange Rate Risk

Exchange rate risk arises from maintaining an open position in one or more foreign currencies. These open positions are monitored closely within approval limits set by the both Central Bank of Cyprus and the Assets and Liability Committee.

Sensitivity Analysis Relating to Interest Rate Risk on 31 December 2007

Currency - USD (\$)	Total	Book Value	Up to 7 days	8-30 days	1 up to 3 months	4 up to 6 months	7 up to 12 months	1 up to 5 years	Up to 5 years	Non interest bearing position
	CYP€000	CYP€000	CYP€000	CYP€000	CYP€000	CYP€000	CYP€000	CYP€000	CYP€000	CYP€000
CASH	383	0	0	0	0	0	0	0	0	383
BALANCES WITH CREDIT INSTITUTIONS	437.999	0	80.753	70.211	107.405	179.008	0	0	0	0
LOANS AND ADVANCES TO COMPANIES	4.421	0	2.436	49	1.191	709	37	0	0	0
LOANS AND ADVANCES TO INDIVIDUALS	2.454	0	0	131	925	876	476	47	0	0
OTHER	5.072	0	0	0	0	0	0	0	0	5.072
TOTAL ASSETS	450.330	0	83.188	70.391	109.520	180.593	513	47	0	5.455
DEPOSITS FROM CREDIT INSTITUTIONS	9.301	0	0	9.301	0	0	0	0	0	0
CUSTOMER DEPOSITS	439.694	0	321.000	82.478	15.203	17.353	3.537	123	0	0
OTHER LIABILITIES	886	0	0	0	0	0	0	0	0	886
TOTAL LIABILITIES	449.881	0	321.000	91.779	15.203	17.353	3.537	123	0	886
NET POSITION IN USD	449	0	-237.812	-21.388	94.317	163.240	-3.024	-77	0	4.569

Currency - EURO (€)	Total	Book Value	Up to 7 days	8-30 days	1 up to 3 months	4 up to 6 months	7 up to 12 months	1 up to 5 years	Up to 5 years	Non interest bearing position
	CYP€000	CYP€000	CYP€000	CYP€000	CYP€000	CYP€000	CYP€000	CYP€000	CYP€000	CYP€000
CASH	2.376	0	193	0	0	0	0	0	0	2.183
BALANCES WITH CREDIT INSTITUTIONS	352.138	0	106.756	165.997	43.310	32.190	76	0	0	0
LOANS AND ADVANCES TO COMPANIES	285.968	0	9.089	160.431	76.405	29.876	3.144	7.023	0	0
LOANS AND ADVANCES TO INDIVIDUALS	81.054	0	5.593	31.723	32.669	8.996	2.073	0	0	0
OTHER ASSETS	7.548	0	0	0	0	0	0	0	0	7.548
TOTAL ASSETS	729.084	0	121.632	358.151	152.384	71.062	5.292	7.023	0	9.731
DEPOSITS FROM CREDIT INSTITUTIONS	389.173	0	14.632	242.620	124.897	0	7.023	0	0	0
CUSTOMER DEPOSITS	338.462	0	208.052	69.888	29.959	17.002	8.578	4.983	0	0
OTHER LIABILITIES	4.909	0	0	0	0	0	0	0	0	4.909
TOTAL LIABILITIES	732.544	0	222.684	312.509	154.856	17.002	15.602	4.983	0	4.909
NET POSITION IN EURO	-3.460	0	-101.052	45.642	-2.472	54.059	-10.309	2.041	0	4.822

Sensitivity Analysis Relating to Interest Rate Risk on 31 December 2007 (cont.)

Currency - CYP (£)	Total Book Value	Up to 7 days	8-30 days	1 up to 3 months	4 up to 6 months	7 up to 12 months	1 up to 5 years	Up to 5 years	Non interest bearing position	
	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	
CASH	133.893	0	127.943	0	0	0	0	0	5.950	
BALANCES WITH CREDIT INSTITUTIONS	144.057	0	16.200	90.600	0	20.000	0	0	0	
INVESTMENTS AVAILABLE FOR SALE	16.822	0	0	0	5.207	0	2.000	0	9.615	
LOANS AND ADVANCES TO COMPANIES	672.293	0	0	672.293	0	0	0	0	0	
LOANS AND ADVANCES TO INDIVIDUALS	218.894	0	9.325	209.444	2	7	117	0	0	
PROPERTY, PLANT AND EQUIPMENT	17.907	0	0	0	0	0	0	0	17.907	
OTHER ASSETS	22.862	0	0	0	0	0	0	0	22.862	
TOTAL ASSETS	1.226.728	0	153.468	972.337	5.209	20.007	117	2.000	56.334	
DEPOSITS FROM CREDIT INSTITUTIONS	114.635	0	0	87.635	7.000	20.000	0	0	0	
CUSTOMER DEPOSITS	877.873	0	459.837	36.860	91.864	89.311	139.765	60.236	0	
OTHER LIABILITIES	47.428	0	0	0	0	0	0	0	47.428	
OWN FUNDS	184.992	0	0	0	0	0	0	0	184.992	
OTHER LIABILITIES	1.224.928	0	459.837	124.494	98.864	109.311	139.765	60.236	232.420	
NET POSITIONS IN CYPRIUS POUNDS	1.800	0	-306.369	847.843	-93.655	-89.304	-139.648	-58.236	0	-176.087

CURRENCY - SWITZERLAND FRANCS (CHF)	Total Book Value	Up to 7 days	8-30 days	1 up to 3 months	4 up to 6 months	7 up to 12 months	1 up to 5 years	Up to 5 years	Non interest bearing position	
	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	
CASH	14	0	0	0	0	0	0	0	14	
LOANS ADVANCES TO COMPANIES	189.836	0	8.834	39.840	98.033	42.767	362	0	0	
LOANS AND ADVANCES TO INDIVIDUALS	333.213	0	15.180	193.534	95.312	25.973	3.067	147	0	
OTHER ASSETS	2.453	0	0	0	0	0	0	0	2.453	
TOTAL ASSETS	525.516	0	24.014	233.374	193.345	68.740	3.430	147	2.467	
DEPOSITS FROM CREDIT INSTITUTIONS	523.091	0	0	232.085	252.451	35.385	3.169	0	0	
CUSTOMER DEPOSITS	625	0	385	15	0	0	225	0	0	
OTHER LIABILITIES	1.766	0	0	0	0	0	0	0	1.766	
TOTAL LIABILITIES	525.483	0	385	232.100	252.451	35.385	3.394	0	1.766	
NET POSITIONS IN SWITZERLAND FRANCS	33	0	23.629	1.274	-59.106	33.354	35	147	0	701

Sensitivity Analysis Relating to Interest Rate Risk on 31 December 2006

Currency - USD (\$)	Total Book Value	Up to 7 days	8-30 days	1 up to 3 months	4 up to 6 months	7 up to 12 months	1 up to 5 years	Up to 5 years	Non interest bearing position	
	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	
CASH	291	0	0	0	0	0	0	0	291	
BALANCES WITH CREDIT INSTITUTIONS	402.204	0	28.123	70.531	129.455	174.095	0	0	0	
LOANS ADVANCES TO COMPANIES	5.816	0	1.827	1.789	1.383	742	76	0	0	
LOANS AND ADVANCES TO INDIVIDUALS	2.569	0	0	56	597	1.175	679	62	0	
OTHER ASSETS	3.244	0	0	0	0	0	0	0	3.244	
TOTAL ASSETS	414.125	0	29.950	72.376	131.435	176.012	755	62	3.535	
DEPOSITS FROM CREDIT INSTITUTIONS	33.229	0	0	33.229	0	0	0	0	0	
CUSTOMER DEPOSITS	379.564	0	280.506	63.114	14.032	17.152	4.761	0	0	
OTHER LIABILITIES	840	0	0	0	0	0	0	0	840	
TOTAL LIABILITIES	413.632	0	280.506	96.342	14.032	17.152	4.761	0	840	
NET POSITION IN USD	492	0	-250.556	-23.966	117.403	158.860	-4.005	62	0	2.695

Currency - EURO (€)	Total Book Value	Up to 7 days	8-30 days	1 up to 3 months	4 up to 6 months	7 up to 12 months	1 up to 5 years	Up to 5 years	Non interest bearing position	
	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	
CASH	505	0	40	0	0	0	0	0	465	
BALANCES WITH CREDIT INSTITUTIONS	86.679	0	38.173	5.873	29.951	9.984	76	0	0	
LOANS ADVANCES TO COMPANIES	166.786	0	9.161	26.453	82.831	29.687	18.653	0	0	
LOANS AND ADVANCES TO INDIVIDUALS	53.010	0	3.372	13.770	23.966	9.908	1.993	0	0	
OTHER ASSETS	3.509	0	0	0	0	0	0	0	3.509	
TOTAL ASSETS	310.490	0	50.746	46.096	136.749	49.579	20.723	0	3.975	
DEPOSITS FROM CREDIT INSTITUTIONS	126.660	0	0	55.072	36.998	22.845	11.745	0	0	
CUSTOMER DEPOSITS	182.304	0	147.950	15.304	6.215	9.123	3.713	0	0	
OTHER LIABILITIES	929	0	0	0	0	0	0	0	929	
TOTAL LIABILITIES	309.893	0	147.950	70.375	43.213	31.968	15.458	0	929	
NET POSITION IN EURO	597	0	-97.204	-24.279	93.536	17.612	5.264	0	0	3.046

Sensitivity Analysis Relating to Interest Rate Risk on 31 December 2006 (cont.)

Currency) - CYP (£)	Total Book Value	Up to 7 days	8-30 days	1 up to 3 months	4 up to 6 months	7 up to 12 months	1 up to 5 years	Up to 5 years	Non interest bearing position	
	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	
CASH	98.659	0	95.143	0	0	0	0	0	3.516	
BALANCES WITH CREDIT INSTITUTIONS	109.727	0	304	1.518	0	0	107.905	0	0	
INVESTMENTS AVAILABLE FOR SALE	82.215	0	19.540	0	7.086	14.325	24.650	7.000	9.615	
LOANS AND ADVANCES TO COMPANIES	477.882	0	1.681	470.024	127	210	877	4.768	194	
LOANS AND ADVANCES TO INDIVIDUALS	152.903	0	9.161	143.743	0	0	0	0	0	
PROPERTY, PLANT AND EQUIPMENT	11.300	0	0	0	0	0	0	0	11.300	
OTHER ASSETS	14.729	0	0	0	0	0	0	0	14.729	
TOTAL ASSETS	947.416	0	125.829	615.285	7.213	14.535	25.526	119.673	194	39.160
DEPOSITS FROM CREDIT INSTITUTIONS	127.880	0	0	60.059	7.086	10.122	0	50.612	0	0
CUSTOMER DEPOSITS	642.648	0	317.453	26.805	83.362	79.746	122.602	12.681	0	0
OTHER LIABILITIES	36.673	0	0	0	0	0	0	0	0	36.673
OWN FUNDS	141.523	0	0	0	0	0	0	0	0	141.523
TOTAL LIABILITIES	948.724	0	317.453	86.864	90.447	89.869	122.602	63.293	0	178.196
NET POSITIONS CYP	-1.308	0	-191.624	528.421	-83.234	-75.334	-97.076	56.380	194	-139.036

CURRENCY – SWITZERLAND FRANCS (CHF)	Total Book Value	Up to 7 days	8-30 days	1 up to 3 months	4 up to 6 months	7 up to 12 months	1 up to 5 years	Up to 5 years	Non interest bearing position	
	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	
CASH	12	0	0	0	0	0	0	0	12	
LOANS ADVANCES TO COMPANIES	155.445	0	17.026	36.932	64.761	36.219	507	0	0	
LOANS AND ADVANCES TO INDIVIDUALS	103.610	0	4.156	21.277	54.890	20.825	2.010	452	0	
OTHER ASSETS	1.377	0	0	0	0	0	0	0	1.377	
TOTAL ASSETS	260.443	0	21.182	58.209	119.650	57.044	2.517	452	0	1.388
DEPOSITS FROM CREDIT INSTITUTIONS	258.760	0	0	78.803	123.618	54.151	2.188	0	0	0
CUSTOMER DEPOSITS	888	0	656	2	0	230	0	0	0	0
OTHER LIABILITIES	764	0	0	0	0	0	0	0	0	764
TOTAL LIABILITIES	260.412	0	656	78.805	123.618	54.381	2.188	0	0	764
NET POSITION IN SWITZERLAND FRANCS	32	0	20.526	-20.596	-3.968	2.663	329	452	0	624

IV. Liquidity Risk

Liquidity Risk arises from the potential difficulty in finding adequate liquid funds to cover the obligations of the Company; that is the replacement of the existing funds as they come due or withdrawn, or the meeting of customer needs for further advances.

The Company monitors closely the maturity of the assets and liabilities and in particular those with a short – term duration and it takes the necessary measures for the minimisation of Liquidity risk while at the same time ensures that the Liquidity ratios set by the Central Bank of Cyprus are met.

2007	Without expiration date	On demand	Between three		Between one		More than five years	Total
			months	months and one year	year and five years	five years		
Assets	CYP£	CYP£	CYP£	CYP£	CYP£	CYP£	CYP£	CYP£
Cash and balances with the Central Bank of Cyprus	-	127.753.740	34.721.715	2.053.323	13.833.309	-	-	178.362.087
Placements with credit institutions	-	166.051.208	616.992.904	129.082.651	130.034.116	-	-	1.042.160.879
Loans and advances to customers	-	309.686.339	21.086.624	114.094.168	824.168.201	695.896.415	-	1.964.931.747
Provision for impairment of doubtful debts	(77.804.358)	-	-	-	-	-	-	(77.804.358)
Investments available for sale	-	-	-	5.207.358	2.000.000	-	-	7.207.358
Investments in subsidiaries	9.615.413	-	-	-	-	-	-	9.615.413
Property, plant and equipment	17.665.317	-	-	-	-	-	-	17.665.317
Intangible assets	241.369	-	-	-	-	-	-	241.369
Other assets	-	-	-	25.252.219	4.465.647	-	-	29.717.866
Total assets	(50.282.259)	603.491.287	672.801.243	275.689.719	974.501.273	695.896.415	3.172.097.678	
Liabilities								
Derivatives for risk management	-	-	-	-	16.481	-	-	16.481
Amounts due to credit institutions	-	18.520.608	189.969.767	20.000.000	900.225.131	-	-	1.128.715.506
Customers deposits	-	522.912.655	714.796.978	245.679.357	318.710.983	-	-	1.802.099.973
Taxation	-	-	-	2.676.419	-	-	-	2.676.419
Deferred taxation	-	-	-	-	-	241.046	-	241.046
Other liabilities	19.501.365	-	-	33.855.241	-	-	-	53.356.606
Total liabilities	19.501.365	514.433.263	904.766.745	302.211.017	1.218.952.595	241.046	2.987.106.031	
Net position	(69.783.624)	62.058.024	(231.965.502)	(26.521.298)	(244.451.322)	695.655.369	184.991.647	

2006	Without expiration date	On demand	Between three		Between one	More than five years	Total
			Within three months	months and one year	year and five years		
	CYP£	CYP£	CYP£	CYP£	CYP£	CYP£	CYP£
Assets							
Cash and balances with the Central Bank of Cyprus	-	56.808.150	56.714.482	5.943.497	17.248.284	-	136.714.413
Placements with credit institutions	-	75.949.493	243.434.499	194.161.885	106.675.166	-	620.221.043
Loans and requirements to customers	-	286.737.377	18.966.052	71.568.791	472.878.088	345.148.119	1.195.298.427
Provision for impairment of doubtful debts	(81.504.254)	-	-	-	-	-	(81.504.254)
Investments available for sale	-	-	19.540.334	46.059.461	7.000.000	-	72.599.795
Investments in subsidiaries	9.615.413	-	-	-	-	-	9.615.413
Property, plant and equipment	10.696.449	-	-	-	-	-	10.696.449
Intangible assets	604.281	-	-	-	-	-	604.281
Other assets	-	-	-	379.672	15.822.228	-	16.201.900
Total assets	(60.588.111)	419.495.020	338.655.367	318.113.306	619.623.766	345.148.119	1.980.447.467
Liabilities							
Amounts due to credit institutions	-	90.736.566	40.537.650	13.469.170	404.873.678	-	549.617.064
Customers deposits	-	393.620.420	499.966.258	194.296.276	162.425.163	-	1.250.308.117
Taxation	-	-	-	1.606.447	-	-	1.606.447
Deferred taxation	-	-	-	-	-	213.671	213.671
Other liabilities	18.086.827	-	-	19.092.742	-	-	37.179.569
Total liabilities	18.086.827	484.356.986	540.503.908	228.464.635	567.298.841	213.671	1.838.924.868
Net position	(78.674.938)	(64.861.966)	(201.848.541)	89.648.671	52.324.925	344.934.448	141.522.599

Analysis of Maturity of Financial Liabilities which shows the Contractual Obligations that remain

2007	Book value	Up to 1 month	Over 1 month up to 3 months	Over 3 months up to 1 year	Over one year	Total
	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000
Liabilities not involving derivatives						
Deposits with Group Companies	1.003.583	32.412	77.750	27.054	1.010.347	1.147.563
Deposits with other credit liabilities	132.624	76.961	35.464	20.354	-	132.779
Customer deposits	1.822.040	687.998	179.846	317.900	658.039	1.843.783
Other Liabilities	38.809	19.066	-	-	19.743	38.809
Liabilities including derivatives						
Cash Inflow	40	-	275	997	1.612	2.884
Cash Outflow	-	-	-	(1.151)	(1.482)	(2.633)
Off Balance Sheet items						
Bank guarantees	80.859	9.456	7.004	29.024	35.375	80.859
Unutilized credit limits	184.718	184.718	-	-	-	184.718
2006						
	Book value	Up to 1 month	Over 1 month up to 3 months	Over 3 months up to 1 year	Over one year	Total
	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000	CYP£000
Liabilities not involving derivatives						
Deposits with Group Companies	366.926	3.475	1.442	11.117	382.577	398.611
Deposits with other credit liabilities	191.529	89.115	41.104	11.172	52.815	194.206
Customer deposits	1.280.217	705.516	134.538	221.451	228.688	1.290.193
Other Liabilities	22.749	4.224	-	-	18.525	22.749
Liabilities including derivatives						
Cash Inflow	-	-	-	-	-	-
Cash Outflow	-	-	-	-	-	-
Off Balance Sheet items						
Bank guarantees	68.707	21.253	7.647	22.676	17.131	68.707
Unutilized credit limits	84.024	84.024	-	-	-	84.024

Regulatory Compliance

The Company enacts and implements suitable procedures in order to achieve the timely and continuous compliance with the Regulatory and Supervisory framework that may exist from time to time.

The Company takes measures so as to be comply with the Regulatory Framework that relates to the prevention of legalizing earnings from money laundering and the fighting on terrorism.

On 13/12/2007 the Cyprus House of Representatives approved the Law regarding the prevention and fighting of the legalisation of earnings from illegal activities. The Law was enacted as from 01/01/2008 which brings the Cyprus Republic in harmonisation with the 3rd Directive of the European Union. The Central Bank of Cyprus has revised its "Money Laundering Directive" which was published in 2004 so as to be in line with the above Law.

Data Protection

The Company has adopted the Information Security Framework of the Group.

The Information Security Framework refers to the administrative, technical and physical measures which ensure the integrity of data and information systems of the Company. Specifically, with the above framework the safeguarding of the following attributes that characterise all kinds of data or information systems is ensured.

Confidentiality – it ensures that only entitled entities can have access on specific data or information systems.

Integrity – it protects data and information systems from non authorized or negligent modification.

Availability - it ensures the availability of data and information systems to authorized entities whenever they need them.

35. FAIR VALUE

Fair value represents the amount for which an asset could be exchanged or a liability settled in an arm's length transaction. The fair value of most of the financial assets and liabilities are similar to the amounts disclosed in the balance sheet.

The fair value for loans and advances to customers is approximately equal to their book value as disclosed in the Balance Sheet, net of the provisions for bad and doubtful accounts.

The investments in subsidiary companies are presented at the acquisition price as modified by periodical reassessments, based on the Company's share of net assets of these companies. This is considered the best practice method for valuation of their fair value.

The Management is of the opinion that the fair value of the assets and liabilities of the Company that are not stated at their estimated, fair value, approximates their carrying value.

36. ANALYSIS OF ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

	2007 CY£	2006 CY£
ASSETS		
Cyprus pounds	1.227.300.678	940.101.467
Foreign currencies	1.944.797.000	1.040.346.000
	<u>3.172.097.678</u>	<u>1.980.447.467</u>
LIABILITIES		
Cyprus pounds	1.248.654.678	937.125.467
Foreign currencies	1.923.443.000	1.043.322.000
	<u>3.172.097.678</u>	<u>1.980.447.467</u>

37. CAPITAL ADEQUACY

Capital protects from unpredictable/unexpected losses since expected losses are covered by provisions made, e.g. impairment for bad/doubtful debts. In order to cover these unexpected losses the supervisory authorities require the maintaining of adequate capital by defining what is capital, a minimum capital ratio and how to measure it.

During 2007, the Company fully complied with the Regulations of the Central Bank of Cyprus, which set 10% as the minimum percentage of capital adequacy.

As from 1st January 2008, in accordance with to the new regulations set by the Central Bank of Cyprus in compliance with the relevant European Directive, the Company will submit a report regarding the Internal Capital Adequacy Assessment Process (ICCAD).

38. RELATED PARTY TRANSACTIONS**(i) Transactions with members of the Board of Directors their connected persons**

Connected persons include spouses, minor children and companies in which the Director holds directly or indirectly, at least 20% of the voting rights in a General Meetings. All transactions with members of the Board of Directors and their connected persons are taking place under normal trading terms. Credit facilities granted to key management staff are under the same terms as those applicable to the rest of the Company's staff.

Loan balances and other advances to Members of the Board of Directors and connected persons:

	Number of Directors	Total CY£000
Less than 1% of the net assets of the Company, per Director	<u>2</u>	<u>386</u>
	2007 CY£	2006 CY£
<i>Non-executive Directors</i>		
Fees as members of the Board	<u>20.000</u>	<u>9.000</u>
<i>Executive Directors</i>		
Salaries and benefits	<u>370.498</u>	<u>218.275</u>

(ii) Transactions with parent company

During the year, the parent company Alpha Bank S.A. has granted bank guarantees totaling CY£256.675.000 (2006: CY£87.400.000) in relation to loans and advances given to specific clients.

39. POST BALANCE SHEET EVENTS

There were no material post balance sheet events which affect the position of the Company as at 31 December 2007 except:

With the introduction of the Euro as the official currency of the Republic of Cyprus as from 1st January 2008, the operating currency of the Company has switched from Cyprus Pounds (CY£) to Euro (€). As a result, the financial statements of the Company on 1st January 2008 have been translated using the official fixing of the exchange rate €1=£0,585274.

The financial statements were approved and authorised for issue by the Board of Directors on 29 February 2008.



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