PIRAEUS BANK S.A.

Financial Statements

31 December 2007

In accordance with the International Financial Reporting Standards

The attached financial statements have been approved by Piraeus Bank S.A. Board of Directors on February 12th, 2008 and they are available in the web site of Piraeus Bank at www.piraeusbank.gr

These financial statements have been translated from the original statutory financial statements that have been prepared in the Greek language. In the event that differences exist between this translation and the original Greek language financial statements, the Greek language financial statements will prevail over this document.

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Amounts in thousand euros (Unless otherwise stated)

INCOME STATEMENT

	Note	Year ended 31 December 2007	31 December 2006
Interest and similar income	6	2,321,512	1,480,475
Interest expense and similar charges	6	(1,616,172)	(872,839)
NET INTEREST INCOME		**705,340**	**607,636**
Fee and commission income	7	128,146	120,152
Fee and commission expense	7	(38,307)	(31,472)
NET FEE AND COMMISSION INCOME		**89,840**	**88,680**
Dividend income	8	35,482	37,640
Net trading income	9	26,010	21,498
Net income from financial instruments designated at fair value through profit or loss	10	11,616	(5,435)
Gains/ (Losses) from investment securities	11	178,491	127,503
Other operating income	12	33,868	30,621
TOTAL NET INCOME		**1,080,646**	**908,143**
Staff costs	13	(254,173)	(217,171)
Administrative expenses	14	(227,518)	(193,098)
Depreciation and amortisation	24, 25	(34,523)	(30,460)
Gains/ (Losses) from sale of property, plant and equipment		763	(1,475)
Impairment losses on loans and receivables	21	(67,097)	(59,631)
Other provisions		-	(1,922)
TOTAL OPERATING EXPENSES		**(582,547)**	**(503,757)**
PROFIT BEFORE INCOME TAX		**498,099**	**404,386**
Income tax expense	15	(74,908)	(64,302)
PROFIT FOR THE YEAR		**423,191**	**340,084**
Earnings per share (in euros):			
- Basic	16	1.45	1.23
- Diluted	16	1.45	1.22

The notes on pages 7 to 49 are integral part of these financial statements.

Amounts in thousand euros (Unless otherwise stated)

BALANCE SHEET

	Note	31 December 2007	31 December 2006
ASSETS			
Cash and balances with Central Banks	17	2,066,182	1,361,547
Loans and advances to credit institutions	18	4,296,193	2,938,923
Derivative financial instruments - assets	19	76,325	52,978
Trading securities	20	4,403,891	1,896,451
Financial instruments at fair value through profit or loss	20	508,137	56,449
Loans and advances to customers (less allowances)	21	26,762,959	18,728,736
Investment securities			
-Available for sale securities	22	1,274,431	1,111,713
Investments in subsidiaries	23	1,694,920	1,027,930
Investments in associated undertakings	23	105,011	13,976
Intangible assets	24	21,200	14,498
Property, plant and equipment	25	252,997	201,206
Investment property	26	39,562	17,384
Deferred tax assets	34	113,033	80,013
Inventories - property	27	51,734	45,733
Other assets	27	676,735	394,072
TOTAL ASSETS		**42,343,311**	**27,941,609**
LIABILITIES			
Due to banks	28	10,704,842	4,709,542
Derivative financial instruments - liabilities	19	83,609	61,069
Due to customers	29	19,030,022	14,606,019
Debt securities in issue	30	7,707,932	5,221,365
Hybrid capital and other borrowed funds	31	985,141	1,000,884
Retirement benefit obligations	35	162,193	148,724
Other provisions	33	10,360	16,481
Current income tax liabilities		60,988	32,944
Deferred tax liabilities	34	61,207	42,347
Other liabilities	32	592,732	474,139
TOTAL LIABILITIES		**39,399,025**	**26,313,514**
EQUITY			
Ordinary shares	37	1,617,977	1,288,830
Share premium	37	1,099,903	88,146
Less: Treasury shares	37	(250,860)	(97,300)
Other reserves	38	71,208	144,265
Retained earnings	38	406,057	204,154
TOTAL EQUITY		**2,944,285**	**1,628,095**
TOTAL LIABILITIES AND EQUITY		**42,343,311**	**27,941,609**

The notes on pages 7 to 49 are integral part of these financial statements.

Amounts in thousand euros (Unless otherwise stated)

STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital	Share Premium	Treasury shares	Other reserves	Retained earnings	TOTAL
Opening balance as at 1st January 2006		**1,024,932**	**330,643**	**(17,590)**	**75,886**	**45,127**	**1,458,998**
Capitalization of share premium reserve	37	256,233	(259,200)				**(2,967)**
Issue of share capital due to the exercise of share options		7,665	16,703		(4,981)		**19,387**
Purchases of treasury shares	37			(353,368)			**(353,368)**
Sales of treasury shares	37			273,658		29,119	**302,777**
Available for sale reserve	38				48,756		**48,756**
Prior year dividends						(107,435)	**(107,435)**
Interim dividend for year 2006						(85,948)	**(85,948)**
Reserve for stock option plan	13				8,360		**8,360**
Profit after tax for the year 2006	38				17,004	323,080	**340,084**
Absorption of companies and other movements					(760)	211	**(549)**
Balance as at 31st December 2006		**1,288,830**	**88,146**	**(97,300)**	**144,265**	**204,154**	**1,628,095**
Opening balance as at 1st January 2007		**1,288,830**	**88,146**	**(97,300)**	**144,265**	**204,154**	**1,628,095**
Issue of share capital by cash distribution	37	322,208	994,481				**1,316,689**
Issue of share capital due to the exercise of share options	37	6,939	17,276		(4,571)		**19,644**
Purchases of treasury shares	37			(188,639)			**(188,639)**
Sales of treasury shares and share options	37			35,079		2,973	**38,052**
Available for sale reserve	38				(96,884)		**(96,884)**
Prior year dividends						(86,462)	**(86,462)**
Interim dividend for year 2007						(117,598)	**(117,598)**
Reserve for stock option plans	13				6,791		**6,791**
Profit after tax for the year 2007	38				21,160	402,031	**423,191**
Other movements					447	958	**1,405**
Balance as at 31st December 2007		**1,617,977**	**1,099,903**	**(250,860)**	**71,208**	**406,057**	**2,944,285**

Amounts in thousand euros (unless otherwise stated)

CASH FLOW STATEMENT

	Note	Year ended 31 December 2007	Year ended 31 December 2006
Cash flows from operating activities			
Profit before tax		498,099	404,386
Adjustments to profit before tax:			
Add: impairment for loans and advances	21	67,097	59,631
Add: depreciation and amortisation charge	24, 25	34,523	30,460
Add: retirement benefits	35	31,742	21,901
(Gains)/ losses from valuation of trading securities and financial instruments at fair value through profit or loss		(1,355)	(12,149)
(Gains)/ losses from investing activities		(239,109)	(164,751)
Cash flows from operating profits before changes in operating assets and liabilities		**390,997**	**339,478**
Changes in operating assets and liabilities:			
Net (increase)/ decrease in cash and balances with Central Bank		2,702	(1,944)
Net (increase)/ decrease in trading securities and financial instruments at fair value through profit or loss		(2,633,279)	(782,235)
Net (increase)/ decrease in loans and advances to credit Institutions		(1,319,494)	79,607
Net (increase)/ decrease in loans and advances to customers		(8,077,618)	(4,526,361)
Net (increase)/ decrease in other assets		(278,056)	(123,456)
Net increase/ (decrease) in due to banks		5,995,300	1,363,641
Net increase/ (decrease) in amounts due to customers		4,424,003	3,273,273
Net increase/ (decrease) in other liabilities		119,792	233,958
Net cash flow from operating activities before income tax payment		**(1,375,653)**	**(144,039)**
Income tax paid		(30,916)	(716)
Net cash inflow/ (outflow) from operating activities		**(1,406,569)**	**(144,755)**
Cash flows from investing activities			
Purchases of property, plant and equipment	25.26	(114,217)	(81,978)
Sales of property, plant and equipment		19,508	13,025
Purchases of intangible assets	24	(14,586)	(11,197)
Purchases of available-for-sale securities	22	(937,523)	(858,619)
Disposals of available-for-sale securities	22	783,254	364,626
Acquisition of subsidiaries and participation in share capital increases		(660,377)	(77,116)
Disposals of subsidiaries	23	1,939	11
Acquisition of associates		(73,758)	(4,150)
Disposal of associates		20,003	8,507
Dividends from subsidiaries		19,385	21,535
Dividends from associates		8	144
Dividends from available for sale securities		4,717	6,217
Dividends from trading securities		2,852	1,906
Net cash inflow/ (outflow) from investing activities		**(948,795)**	**(617,089)**
Cash flows from financing activities			
Net proceeds from issue/ (repayment) of debt securities and other borrowed funds		2,470,824	1,897,253
Net proceeds from issue of share capital		1,336,333	19,732
Dividends paid and interim dividend		(204,060)	(192,090)
Purchases of treasury shares	37	(188,639)	(353,368)
Sales of treasury shares and share options		38,053	302,252
Other cash flows from financing activities		-	(3,311)
Net cash inflow/ (outflow) from financing activities		**3,452,511**	**1,670,468**
Effect of exchange rate changes on cash and cash equivalents		(7,796)	604
Net increase/ (decrease) in cash and cash equivalents		**1,089,351**	**909,228**
Cash and cash equivalents at beginning of year	40	**4,265,201**	**3,189,817**
Adjustment of opening balances of branch network in Bulgaria		-	166,156
Cash and cash equivalents at beginning of year after adjustments		**4,265,201**	**3,355,973**
Cash and cash equivalents at end of year	40	**5,354,552**	**4,265,201**

1 General Information about the Bank

Piraeus Bank S.A. is a banking institute operating in accordance with the provisions of Laws 2190/1920 on societés anonymes, 3601/2007 on credit institutions, and other relevant laws. According to article 2 of its Statute, the scope of the company is to execute, on its behalf or on behalf of third parties, any and every operation acknowledged or delegated by law to banks.

Piraeus Bank is incorporated and domiciled in Greece. The address of the registered office is 4 Amerikis st., Athens. Piraeus Bank operates in Greece and in London (U.K.). The Bank employs 4,901 people.

Apart from the ATHEX Composite Index, the Piraeus Bank share is included in a series of other indices, such as FTSE/ATHEX- 20, MSCI Greece (10.5% weight), MSCI EAFE, DJ Euro Stoxx, DJ Euro Stoxx Banks, FTSE4Good Index and Kempen SNS Smaller Europe SRI Index.

2 Summary of general accounting policies of the Bank

The principal accounting policies applied by Piraeus Bank in the preparation of the financial statements are set out below. These policies have been consistently applied to all the reporting periods presented. The financial statements of Piraeus Bank are prepared in euro.

The amounts of the Financial Statements attached are expressed in thousand Euros (unless otherwise stated).

2.1 Basis of presentation of the Bank's financial statements

These financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS).

(a) Published standards and interpretations effective 1 January 2007

- Piraeus Bank has adopted IFRS 7, "Financial Instruments: Disclosures" and a complementary amendment to IAS 1, "Presentation of Financial Statements Capital Disclosures", (effective from 1/1/2007). IFRS 7 introduces new disclosures relating to financial instruments. IFRS 7 supersedes IAS 30 and the disclosure requirements of IAS 32.

- IFRIC 7, "Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies" (effective for annual periods beginning on or after 1 March 2006). IFRIC 7 provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. IFRIC 7 is not relevant to the Bank's operations.

- IFRIC 8, "IFRS 2 Share Based Payments" (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. Piraeus Bank applies IFRIC 8 from 1 January 2007, but it does not have any impact on the Bank's accounts.

- IFRIC 9, "Reassessment of Embedded Derivatives" (effective for annual periods beginning on or after 1 June 2006). IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. IFRIC 9 does not have any impact on the Bank's accounts.

- IFRIC 10, "Interim Financial Reporting and Impairment" (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost, to be reversed at a subsequent balance sheet date. The Bank applies IFRIC 10 from 1 January 2007, but it does not have any impact on the Bank's accounts.

(b) The following new standards and interpretations have been issued, but are not effective for 2007 and have not been early adopted:

- IFRS 8, "Operating segments" (effective from 1/1/2009). IFRS 8 introduces new disclosures relating to operating segments, products, services, geographical areas in which the Bank operates and its major customers. IFRS 8 supersedes IAS 14 "Segment Reporting".

- IFRIC 11, "Group and treasury share transactions" (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 gives guidance on the accounting of share based payment arrangements involving an entity's own equity instruments and also guidance of share based payment arrangements involving equity instruments of the parent.

- IFRIC 12, "Service concession arrangements" (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 sets out general principles on recognising and measuring the obligations and related rights in services concession arrangements.

The main principle for the preparation of the financial statements is the historical cost convention, as modified by the revaluation of the available for sale portfolio, financial assets and liabilities of the trading portfolio, derivative financial instruments, as well as fixed assets held for investment. The preparation of the financial statements in conformity with IFRS requires the use of estimates, accounting policies and assumptions which affect the valuation of reported assets and liabilities, the recognition of contingent liabilities, as well as the recognition of income and expenses in the financial statements.

2.2 Foreign currencies

a) Functional and presentation currency
The financial statements are presented in euros, which is Piraeus Bank's functional and presentation currency.

b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.3 Derivative financial instruments

The Bank holds derivative financial instruments both for profit-making and hedging purposes and for the service of its clients needs. Derivative financial instruments held by Piraeus Bank include Interest Rate Swaps, Futures, Credit Derivatives, Options, Asset Swaps, Forward Rate Agreements and FX Forwards.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair values on a daily basis. Fair values are obtained from quoted market prices in active markets and option pricing models, where market prices are not available. Changes in the fair values of derivative financial instruments are included in net trading income. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

Hedge accounting

The Bank has adopted a hedge accounting policy according to the requirements of the revised IAS 39.

The following, according to the requirements of the revised IAS 39, must be met in order for a hedge relationship to qualify for hedge accounting:

- The hedge should be effective at initiation.

- Ability to calculate the hedge effectiveness during the hedge relationship.The hedge effectiveness should be between 80% - 125% at all times.

- Detailed documentation must be in place for all recognised hedging relationships.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instument, and if so, the nature of the item being hedged. The Bank designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or, (2) hedges of highly probable future cash flows attributable to a recognised asset or liability.

The Bank documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. The Bank also controls, both at hedge inception and on an ongoing basis the hedge effectiveness of the hedging transaction.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any accumulated gain or loss in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, that cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) Net investment hedge

Hedges of net investments in foreign subsidiaries are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign subsidiary is disposed of.

(d) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of such derivative instruments that does not qualify for hedge accounting are recognised immediately in the income statement.

2.4 Recognition of deferred day one profit and loss

The best evidence of fair value at initial recognition of an instrument is the transaction price (i.e. the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The Bank has entered into transactions where fair value is determined using valuation models for which not all inputs are market prices or rates. Such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as 'day one profit and loss', is not recognised immediately in profit and loss.

The timing of recognition of deferred day one profit and loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market inputs, or realised through settlement. The financial instrument is subsequently measured at fair value, adjusted for the deferred day one profit and loss. Subsequent changes in fair value are recognised immediately in the income statement without reversal of deferred day one profits and losses.

2.5 Interest income and expense

Interest income and expense is recognised on an accrual basis in the income statement for all interest bearing balance sheet items according to the effective interest rate. The effective interest rate exactly discounts any estimated future payment or receipt throughout the expected life of a financial instrument or until the next date of interest reset, in order for the present value of all future cash flows to be equal to the carrying amount of the financial instrument, including any fees or transaction costs incurred. More specifically, interest income includes interest on fixed income securities and trading securities, the accrued premium/ discount on treasury bills and other eligible bills, as well as interest income on loans and advances. Impaired loans are recorded at their recoverable amounts and therefore the interest income is recognised according to the effective interest rate applied on the carrying amount.

2.6 Fees and commission income and expense

Commission income and expense is recognised on an accrual basis when the relevant services are provided to the Bank's clients or to the Bank.

Fees, either income or expense, relating to financial instruments at amortized cost, such as loans, are deferred (together with related direct costs) and recognized in the Income Statement, as interest income, throughout the life of the instrument using the effective interest rate method.

Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank retained no part on the loan package for itself or retained part at the same effective interest rate for the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party - such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognised on completion of the underlying transaction.

2.7 Dividend income

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

2.8 Financial assets at fair value through profit or loss

This category includes two subcategories: trading portfolio securities which were acquired for the purpose of profit-making from short-term price changes as well as those financial assets designated at fair value through profit or loss at inception (e.g. asset swaps). Financial assets at fair value through profit or loss are initially recognised at fair value (and transaction costs are expensed in the income statement) and they are subsequently measured at fair value according to current market prices.

All the realised gains/ losses from the sale of trading securities as well as the non–realised gains and losses from their measurement at fair value, are included in "Net trading income". All the realised gains/ losses from the sale of financial assets designated at fair value through profit or loss as well as the non–realised gains and losses from their measurement at fair value, are included in "Net income from financial instruments designated at fair value through profit or loss".

The purchase/ sale of financial assets at fair value through profit or loss is recognised on a trade date basis, that is the date on which the Bank is committed to the purchase or sale of those securities. The Bank derecognises the financial assets when the existence of the control of the contractual rights related to these financial assets ceases. The cessation of the control of the contractual rights occurs when the financial asset is sold, expired or written-off, or when all related cash flows are transferred to a third party. Interest income from the maintenance of trading securities is recorded to Interest Income. Dividends received are included in "Dividend Income".

Financial assets are designated at fair value through profit or loss when:

- this will reduse measurement inconsistensies that would otherwise arise if the underlying financial instruments were carried at amortised cost and the related derivatives were treated as held for trading,
- equity investments are managed and evaluated on a fair value basis while they do not meet the trading portfolio criteria,
- they contain embedded derivatives that significantly affect the cash flows.

2.9 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferree has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks or customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to credit institutions or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognized in the financial statements, unless these are sold to third parties, in which case the gain or loss are included in net trading income. The obligation to return these securities is recorded at fair value as a trading liability.

2.10 Investment portfolio

The appropriate managing directions of the bank determine the classification of its securities on the date of their acquisition.

A. Held to maturity portfolio

The held to maturity portfolio is the portfolio that the Bank's Management has the positive intent and ability to hold until maturity. Held to maturity investments are initially recognized at fair value (plus any transaction costs) and subsequently carried at amortised cost using the effective interest method, less any provision for impairment. Moreover, held to maturity investments are reviewed for impairment, that is, whether their carrying amount is greater than their estimated recoverable amount. The amount for the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial asset's initial effective interest rate. Impairment losses are recognised in the Income Statement. If part of the Held to Maturity portfolio is sold or reclassified before maturity date then the entire held to maturity portfolio must be transferred to the available for sale portfolio (unless IAS 39 criteria are met) at its fair value. In such case, the Bank will not be able to classify any financial assets as held to maturity for the next two years.

Regular way purchases and sales of held to maturity securities are recognised on transaction date, the date on which the Bank commits to purchase or sale the asset.

Held to maturity investments are derecognized when either the ability to receive cash flows has ceased or the Bank has transferred substantially the risks and rewards to third parties.

B. Available for sale portfolio

Available for sale portfolio includes those investments intended to be held for an indefinite period of time and which may be sold in response to needs of liquidity or changes in interest rates, exchange rates or equity prices. The classification of investments as available for sale is not binding and as a result the subsequent reclassification to the held to maturity portfolio is permitted.

Regular way purchases and sales of available for sale securities are recognised on trasaction date - the date on which the Bank commits to purchase or sale the asset.

Securities of the available for sale portfolio are initially recognised at fair value (plus transaction costs) and subsequently are carried at fair value according to current bid prices or valuation pricing models, where the market prices are not available (in accordance with IAS 39 provisions). The non realised gains or losses arising from changes in the fair value of securities classified as available for sale are recognised directly in equity (available for sale reserve). When securities of the available for sale portfolio are disposed of, all cumulative gains/ losses previously recognised in equity are recognised in the Income Statement.

Securities of the available for sale portfolio are derecognised when the ability to receive cash flows has ceased or the Bank has transferred substantially all risks and rewards to third parties.

The Bank reviews on each reporting date whether there is an indication of permanent impairment (significant or persistent decreases in fair value) for these securities based on several pricing models. Such models include the Price-to-Book Value ratio (P/BV) where a coefficient of 2.5 is used and the Price-to-Earnings per share ratio (P/E) where a coefficient of 15 or deviation of 25% from market value is used, in case of listed securities.

When there is objective evidence that an available for sale asset is impaired, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in profit or loss. This cumulative loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale cannot be reversed through profit or loss. Impairment losses for a debt instrument classified as available for sale can be reversed in profit or loss when the increase in fair value of this debt instrument can be objectively related to an event occured after the initial recognition of impairment loss in profit or loss.

2.11 Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised in the Financial Statements initially at cost (including transaction costs).

The Asset Liability Committee (ALCO) of Piraeus Bank reviews on each reporting date whether there is an indication of permanent impairment (significant or persistent decreases in fair value) for these securities based on several pricing models. Such models include the Price-to-Book Value ratio (P/BV) where a coefficient of 2.5 is used and the Price-to-Earnings per share ratio (P/E) where a coefficient of 15 or deviation of 25% from market value is used, in case of listed securities. Apart from the above mentioned pricing models and in order to assess the fair value of investments in subsidiaries and associates for impairment test reasons, the Committee takes also into account rapid sector fluctuations and Management decisions as to disposal, discontinuance or absorption of these companies. In case where there is a permanent indication of impairment, the loss is charged to the Income Statement.

2.12 Loans and advances to customers

Loans drawn down by the Bank are initially recognized at fair value (plus any transaction costs). If there is objective evidence that the Bank will not be in a position to receive all payments due, as defined by the contract of the loan, an impairment loss is recognised. The amount of the accumulated impairment loss is the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of the loan.

A receivable is subject to impairment when its carrying amount is greater than the expected recoverable amount.

The Bank assesses at each balance sheet date whether there is objective evidence that a loan or group of loans may be impaired. If such evidence exists, the recoverable amount of the financial asset or group of financial assets is estimated and an impairment loss is recognised. The amount of the loss is recognised in the Income Statement. Objective evidence that a loan or group of loans is impaired or it is not collectable is the following events:

I. Significant financial difficulty of the issuer or the obligor.
II. A breach of contract (i.e. default or delinquency in interest or principal payments).
III. The Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider.
IV. It is becoming probable that the borrower will enter bankruptcy or financial reorganisation.
V. Data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- Adverse changes in the payment status of borrowers in the group (i.e. increase in the number of delayed payments due to sector problems), or
- National or local economic conditions that correlate with defaults on the assets in the group (i.e. increase in the unemployment rate for a geographical area of borrowers, decrease in the value of property placed as guarantee for the same geographical area, or unfavourable changes in the operating conditions of a sector, which affect the borrowers of this specific group).

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

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

Future cash flows of a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

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

When a loan is considered to be uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occuring after the impairment was recognised, such as an improvement in the debtor's credit rating, the previously recognised impairment loss is reduced and the difference is recognised in the Income Statement.

Loans and advances to customers are derecognized when either the ability to receive cash flows has ceased or the Bank has transferred substantially the risks and rewards to third parties.

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as performing loans.

2.13 Software and other intangible assets

Costs associated with the acquisition of software programs, which will probably generate economic benefits to the Bank, are recognised as intangible assets. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications or software upgrade expenses are recognised as capital improvement and they are added to the original cost of the software, as long as they can be measured reliably. Computer software is amortised over a period of 3-4 years.

An intangible asset is recognized when it is expected that it will realize from its use, future economic benefits to its holder. In the total cost of the intangible asset is considered also every directly attributable cost which is required for the full implementation, production and preparation for the asset's proper operation.

Some examples of directly attributable costs are:

- The staff cost which is possible to be directly identified and attributed to a particular intangible asset.
- Payments to outside vendors and collaborators, which are attributed in the creation of the intangible asset.
- Fixed Administration costs which based on the total hours worked are allocated to the staff employed in the production of the intangible asset.

2.14 Own property, plant and equipment

Own property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Property, plant and equipment are reviewed for impairment loss whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use.

The Bank applies the allowed alternative treatment of IAS 23 "Borrowing costs", according to which borrowing costs are capitalised as part of the cost of a qualifying asset, as long as the requirements of IAS 23 are fulfilled (the borrowing costs can be directly attributable to the acquisition, construction or production of a qualifying asset).

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they incur.

Land is not depreciated. Depreciation on own property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

• Computer hardware: 3-4 years
• Leasehold improvements: the shorter of useful life and lease term
• Furniture and other equipment: 5 years
• Means of transportation: 6-7 years
• Own Buildings: 25-50 years

The residual values and useful lives of the assets are reviewed and adjusted, if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.15 Investment property

Property that is held for long-term rental yields or for capital appreciation or both is classified as investment property.

Investment property is measured initially at cost, including related transaction costs. After initial recognition, investment property is carried at fair value, as this is estimated by an independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The fair value of investment property reflects, among other things, rental income from current leases, as well as assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land and buildings classified as investment property.

Subsequent expenditure is charged to the asset’s carrying amount only when it is probable that future economic benefits associated with the asset will flow to the Bank and the cost of the asset can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Changes in fair value are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Investment property held for sale without redevelopment is classified within non-current assets held for sale, under IFRS 5.

2.16 Assets held for sale

This category includes fixed assets that will be sold within 12 months and their carrying amount will be recovered principally through the sale transaction.

Assets held for sale, according to IFRS 5 "Non current assets held for sale and discontinued operations", are valued at the lower of their carrying amount and fair value less costs to sell. Assets held for sale are not depreciated.

Gains/ losses from sale of these assets are recognized in the income statement.

2.17 Inventories property

Inventories property include fixed assets acquired through auctions, which do not fulfill the requirements of IAS 40. These fixed assets are recognised according to the requirements of IAS 2 as inventory and they are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method, excluding any borrowing costs. Net realisable value is the estimated selling price, less any expenses necessary to conclude the sale.

2.18 Leased assets

In case the Bank is the lessee under an operating lease, the lease payments are recognised as an expense in the Income Statement of the lessee on a straight-line basis over the lease term.

In case the Bank is the lessee under a finance lease, fixed assets under the finance lease are recognised as assets and the respective obligation for the lease payments as a liability on the balance sheet. At the inception of the lease, fixed assets leased under finance leases are recognised on the balance sheet at amounts equal to the fair value of the leased property or, if lower, at the present value of the future lease payments. Leased assets are depreciated over their useful life, if it is longer than the lease term, only if it is expected that the ownership of the leased assets will pass to the Bank at the end of the lease term. Finance lease payments are apportioned between the capital element and the finance charge. The capital element is used as a reduction of the outstanding liability and the finance charge at the income statement is allocated to periods during the lease term.

2.19 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than 3 months maturity from the date of acquisition, such as: cash, cash and balances with Central Banks, treasury bills and other eligible bills, trading bonds and loans and advances to credit institutions.

2.20 Provisions

Provisions for restructuring costs and legal claims are recognised when: a) the Bank has a present legal or constructive obligation as a result of past events, b) it is more likely than not, that an outflow of resources will be required to settle the obligation, and c) the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to an item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the bank’s liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date.

These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. Any change in the liability relating to guarantees, is taken to the income statement.

2.22 Employee benefits

A. Pension obligations
The pension schemes adopted by Piraeus Bank are funded through payments to insurance companies or social security foundations.

Piraeus Bank pension obligations, relate both to defined contribution plans as well as defined benefit plans.

For defined contribution plans, the Bank pays contributions to publicly administered pension insurance funds (i.e. Social Security Foundation) and therefore the Bank has no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to pension obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such they are included in line 'staff costs' of the Income Statement.

Defined benefit plans are pension plans that define an amount of pension benefit to be provided, usually as a function of one or more factors such as years of service, age and compensation. The difference between the defined contribution plans and the defined benefit plans is that in the defined benefit plans the employer is liable for the payment of the agreed benefits to the employee in case that the insurance funds - organizations cannot undertake this obligation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. Past - service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past - service costs are amortised on a straight - line basis over the vesting period.

Actuarial gains and losses
Piraeus Bank has elected to use the "10% corridor" for gains/ losses and recognise the net cumulative actuarial gains/ losses which exceeded the greater of a) 10% of the net present value of the defined benefit obligation and b) 10% of the fair value of the plan assets.

B. Other post-retirement benefit obligations.

The Bank provides post-retirement benefits to its retirees.The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employement, using a methodology similar to that for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

C. Share based compensation

The fair value of the employee services received in exchange for the grant of the options under a share option scheme is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Bank revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received from the issue of new shares, net of any directly attributable transaction cost, increase share capital and share premium when the options are exercised.

2.23 Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from recognition of commission according to the effective interest rate, securities' valuation differences between the accounting (valuation according to the IFRS) and the tax base (valuation according to par. 5 article 28, P.D. 186/92), revaluation of certain assets (such as investment property) and retirement benefit obligations according to IAS 19. Deferred tax assets are recognised to the extend that it is probable that future taxable profit will be available.

Deferred tax that arises from the valuation of available for sale investments to fair value as well as cash flow hedges, is initially charged or credited directly to equity. Subsequently, deferred tax is recycled from the available for sale reserve to the income statement along with the deferred tax asset or liability.

Income tax payable on profits, based on the applicable tax rate, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available to carry forward are recognised as an asset, when it is probable that future taxable profits will be available so that these tax losses can be utilised against. The Bank offsets deferred tax assets and liabilities only when the relevant requirements of IAS 12 are fulfilled.

2.24 Share capital

a) Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of share capital decrase share premium.

b) Dividends on ordinary shares are recognized as a liability in the period in which they are approved by the Annual General Meeting of the Bank’s Shareholders. Interim dividends are recognised as a deduction in the Bank's equity when approved by the Board of Directors.

c) The cost of acquisition of treasury shares (including any attributable incremental transaction costs), is presented as a reduction in equity, until the treasury shares are cancelled or disposed of. The gains or losses from the sale of treasury shares are included in equity.

2.25 Borrowed funds

Liabilities from the issuance of the debt securities, hybrid capital and other borrowed funds are recognised initially, according to the requirements of IAS 39, at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Bank's borrowed funds include: euro medium term note (EMTN), euro commercial paper (ECP), ETBA bonds, securitisation of mortgage loans, hybrid capital and subordinated loans.

Preference shares, which carry a mandatory coupon, or are redeemable on a specific date at the option of the shareholder, are classified as financial liabilities and presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non - convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguised on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

If the Bank purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of a liability and the consideration paid is included in net trading income.

2.26 Related party transactions

Related parties include: a) members of the Bank's Board of Directors and key management personnel of the Bank b) close family & financially dependants (husbands, children etc) of the Board of Directors and key management personnel and c) companies having transactions with Piraeus Bank when the total cumulative participating interest in them (of members of Board of Directors and their dependants or first degree relatives) exceeds 20%. Transactions of similar nature are disclosed together. The terms of the Bank's transactions with related parties are those that prevail in arm's length transactions and according to the financial procedures and policies of the Bank.

2.27 Fiduciary activities

The Bank provides custody services to third parties for a wide range of financial instruments. These services include procedures such as safekeeping of securities, clearing and settlement of securities transactions in the Greek market and abroad, execution of corporate actions, income collection etc, on behalf of individuals and companies. Those assets and income arising thereon are not included in the Bank's financial statements.

2.28 Segment reporting

The definition of primary and secondary segments is based on the nature and origin of Piraeus Bank revenues. Therefore, business segments are defined as primary segments, while geographical segments were defined as secondary segments.

The Bank's activities relate to four main business segments: Retail Banking, Corporate Banking, Investment Banking, Asset Management & Treasury.

For the identification of reportable segments the Bank applies the 10% threshold on Bank profits or Bank assets. The Bank reportable segments account for more than 75% of total Piraeus Bank revenues.

2.29 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.30 Comparatives

Certain accounts of the previous period's financial statements have been adjusted in order to become comparable to the corresponding accounts of the current period.

3 Financial Risk Management

Financial risk management is intertwined with the Bank's business activity. Management, aiming to maintain the stability and continuity of its operations, places high priority on the goal of implementing and continuously improving an effective risk management framework to minimize potential negative effects on the Bank's financial results.

The Bank's Board of Directors has full responsibility for the development and supervision of the risk management framework. In order to coordinate and timely address all risks, a Risk Management Committee has been established at the Board level, responsible for the implementation and supervision of the financial risk management policy and principles. The Board Risk Management Committee meets on a quarterly basis and reports to the Board of Directors on its activities.

Both the principles and the existing risk management policy have been created for timely identifying and analyzing the risks assumed by the Bank, establishing the appropriate limits and control systems, as well as systematically monitoring risks and ensuring compliance with established limits. The Bank re-examines the adequacy and effectiveness of the risk management framework annually in order to ensure it keeps pace with market dynamics, changes in the banking products offered, and international best practices.

The Piraeus Bank Group Risk Management Division operates as an independent unit, entrusted with the executive responsibility for the planning and the implementation of the risk management framework, according to the directions of the Board Risk Management Committee. Its activities are supervised by Internal Audit, which evaluates the effectiveness and efficiency of the risk management procedures applied.

The Bank systematically monitors the under mentioned risks resulting from the use of financial instruments: credit risk, market risk, liquidity risk, and operational risk.

3.1 Credit risk

Banking activity and the Bank's profits are closely related to credit risk undertaking. Credit risk is the risk of financial loss for the bank that results when the debtors are in no position to fulfill their contractual/ transactional obligations. Credit risk is considered the most significant for the Bank, and its efficient monitoring and management constitutes a top priority for the Management. The Bank's overall exposure to credit risk mainly results from the approved credit limits and financing of corporate and retail credit, from the Bank's investment and transaction activities, from trading activities in the derivative markets, as well as from the settlement of financial instruments. The level of risk associated with any credit exposure depends on various factors, including the general economic and market conditions prevailing, the debtors' financial condition, the amount, the type, and duration of the exposure, as well as the presence of any collateral/security (guarantees).

Implementing a credit policy that portrays the credit risk management principles, ensures effective and uniform credit risk monitoring. Piraeus Bank applies a uniform policy and practice with respect to the credit assessment, approval, renewal and monitoring procedures. All credit limits are reviewed and/ or renewed at least once annually and the responsible approval authorities are determined, based on the size and the category of the total credit risk exposure assumed by the Bank for each debtor or group of interrelated debtors (one obligor principle).

The Bank's Board of Directors has assigned the executive responsibility for credit risk management to the Credit Risk Management Committee, which is appointed by the President and directly supervised by the Board Risk Management Committee. The Credit Risk Management Committee's objective is to support the Board Risk Management Committee with respect to the monitoring and assessment of credit risk associated with everyday activities, as well as to the supervision of the proper application and functionality of credit risk management policies. A separate Credit Control unit operates under the Bank Risk Management Division with its sole objective the continuous supervision, control and measurement of the credit risk in the Bank's exposure to entities such as enterprises, banks, central governments and individuals.

3.1.1 Credit risk measurement

Reliable credit risk measurement is of top priority within the Bank's risk management framework. The continuous development of infrastructure, systems, and methodologies aimed at quantifying and evaluating credit risk is an essential condition in order to timely and efficiently support management and the business units in relation to decision making, policy formulation and the fulfillment of supervisory requirements.

a) Loans and advances

For credit risk measurement purposes involved in the Bank's loans and advances at a counterparty level: (i) a customer's creditworthiness and the probability of defaulting on their contractual obligations is systematically assessed, (ii) the Bank's current exposure to credit risk arising from the claim is monitored and (iii) the Bank's probability of potential recovery, in the event of the debtor defaulting on its obligations is estimated, based on existing collateral and security - guarantees provided. The three credit risk measurement parameters are incorporated into the Bank's day to day operations.

(i) Systematic evaluation of the customers' creditworthiness and assessment of the probability of defaulting on their contractual obligations

The Bank assesses the creditworthiness of its borrowers by applying credit rating models appropriate for their special characteristics and features. Theses models have been developed internally and combine financial and statistical analysis together with the expert advice of responsible officers. Whenever possible, these models are tested by benchmarking them against externally available information.

According to the Bank's policy, each borrower is rated when their credit limit is initially determined and thereafter, they are systematically re-rated on at least an annual basis. The ratings are also updated in cases when there is updated available information that may have a significant impact on the level of credit risk. The bank regularly tests the predictive capability of the creditworthiness evaluation and rating models used both for Corporate and Retail Credit, thus ensuring its potential of accurately depicting any credit risk and allowing for the timely implementation of measures addressing arising problems.

Corporate Credit

As far as Corporate Credit is concerned, the credit rating models applied depend on the type of operations and size of the enterprise. For large and medium-sized enterprises, Piraeus Bank applies the Moody's Risk Advisor borrower credit rating system. Whereas for small to medium-sized enterprises an internally developed rating system, as well as scoring systems are applied. In accordance to the mandates of the new supervisory framework (Basel II), separate credit rating models have been developed and are implemented for specialized lending.

The Corporate Credit borrowers are rated in fourteen (14) grades, which correspond to the different levels of credit risk and relate to different rates of default probability, allowing for the provisioning against specific exposures. Each rating grade is associated with a specific business development/relationship policy.

Retail Credit

As far as retail credit is concerned, the Bank, focusing on the application of modern credit risk measurement methods, evaluates applicants using application scoring models, while it is shortly going to implement already developed models for the evaluation of existing customers' transactional behavior (behavior scoring) for each product.

(ii) Monitoring the Bank's current credit risk exposure

The Bank monitors the credit risk exposure of its loans and advances to customers, based on their notional amount.

(iii) Possible recovery based on the existing associated collateral, security, and guarantees

Along with the rating of the counterparties' creditworthiness, the Bank estimates during the setting/review of credit limits, the recovery rate related to the exposure, in the event the debtors default on their contractual obligations. The estimation of the recovery rate is based on the type of credit and the existence and quality of any collateral / security. In general, the worse the credit rating of a borrower, the larger the probability of them defaulting on their obligations to the Bank, and therefore the collateral, security and guarantees required should be correspondingly of better quality in order to ensure the highest possible recovery rate.

b) Securities and other bills

For the measurement and evaluation of credit risk entailed in debt securities and other bills, external ratings from rating agencies are used, such as Moody's, Standard & Poor's or other similar organizations. The amount of the Bank's exposure to credit risk from debt securities and other bills is measured based on the market value of on or off balance sheet exposures and/or positions. Investments in debt securities and other bills provide means of diversification of credit risk and also ensure a reliable and quick source of funding for the Bank.

(c) Stress Testing

Stress testing exercises constitute an integral part of the Bank's credit risk measurement and quantification, providing estimates of the size of financial losses that could occur under extreme financial/ market conditions. Piraeus Bank systematically runs credit risk stress testing exercises, in accordance with the instructions issued by the Bank of Greece (Governor of the Bank of Greece's Decree/ 2577/ 9.3.2006), the results of which are presented to and evaluated by the Board Risk Management Committee.

The stress tests are performed by the Bank Risk Management Division and primarily make use of the sensitivity analysis technique. In the context of these exercises claims such as Bank's loans and advances to customers in Greece and abroad as well as its credit exposure to the bond market are examined.

3.1.2 Credit limits management and risk mitigation techniques

Piraeus Bank applies credit limits in order to manage and control its credit risk exposure and concentration. Credit limits define the maximum acceptable risk per counterparty, per product, per activity sector and per country. Additionally, limits are set and applied against exposures to financial institutions. The Bank's total exposure to borrower credit risk, including financial institutions, is further controlled by the application of sub-limits that address on and off-balance sheet exposures, as well as daily positions of the trading book in financial instruments, such as foreign exchange forward contracts.

In order to set customer limits, the Bank takes into consideration any collateral or security which reduce the level of risk assumed. The Bank categorizes the risk of credits into risk classes, based on the type of collateral / security associated and their potential liquidation. The maximum credit limits that may be approved per risk class are determined by the Board of Directors. In Piraeus Bank, no credit is approved by one sole person, since the procedure regularly requires the approval of a minimum of three authorized officers, with the exception of consumer loans and credit cards. Approval authorities are designated based on the level of risk exposure in and their role in contributing to the quality of the Bank's total credit portfolio is particularly significant.

Credit limits are set with an effective duration of up to twelve months and they are subject to annual or more frequent review. The responsible approval authorities may, in special circumstances, set a shorter duration than twelve months. The outstanding balances along with their corresponding limits are monitored on a daily basis, and any limit excesses are timely reported and dealt with accordingly.

The following paragraphs describe further techniques applied by the Bank for credit risk control and mitigation.

a) Collateral / Security

The Bank obtains collateral/ security against its credit to customers, minimizing thus the overall credit risk and ensuring the timely repayment of its debt claims. To this end, the Bank has established categories of acceptable collateral and has incorporated them in its credit policy, the main types being the following:

- Pledged deposits and cheques
- Bank letters of guarantee
- Pledged financial instruments such as stocks or bonds or mutual fund shares
- Mortgages on real estate property

The collateral/ security associated with a credit is initially evaluated during the credit approval process, based on their current or fair value, and re-evaluated at regular intervals. In general, no collateral/security is required against exposures to financial institutions, unless it has to do with resale agreements (reverse repos) or other similar bond activities. The Bank generally does not take collateral /security against debt security investments.

b) Derivatives

The Bank systematically monitors and controls the exposure and duration of its net open positions in the derivative markets. On any given moment, the overall credit risk exposure of the Bank to derivative products corresponds to the positive market value of its open positions, which nevertheless, corresponds only to a small percentage of the contracts' overall nominal value. Credit exposures from positions in the derivative markets are part of the overall credit limits set for any counterparty and are taken into consideration during the approval procedure. Usually, no guarantees or securities are taken against exposures in derivative products, except when the Bank demands the application of a safety margin from a counterparty.

Credit risk arises also from the settlement of trades in derivative products. Piraeus Bank has established and systematically monitors, daily settlement limits for derivative products transactions, which are included in the overall credit limit of any counterparty.

(c) Netting arrangements

In cases where there is the legal right and the expressed intention to net the amounts owed to the Bank by a counterparty, the Bank is entitled to proceed in netting a claim along with an associated obligation and record the net amount on the Balance Sheet.

(d) Credit - related commitments

The Bank uses credit-related commitments to provide customers with funds as required. These credit-related commitments entail the same risk as the Bank's loans and advances and mainly concern letters of credit and letters of guarantee. The remaining duration of credit-related commitments is systematically analyzed and monitored, since in general, commitments with longer duration entail greater risk compared to those with shorter duration.

3.1.3 Impairment and provisioning policy

Piraeus Bank systematically examines whether there is solid and objective evidence that a claim's value has been impaired. To this end, as of the date of each published financial statement, it conducts an impairment test concerning the value of its loans, according to the general principles and methodology described in the International Accounting Standards, and proceeds with assuming the respective provisions.

A claim is considered impaired when its book value exceeds its anticipated recoverable amount. The recoverable amount is estimated by the sum of the present value of future cash flows from anticipated repayments and the present value of the liquidation of any collateral/ guarantess in case the borrower fails to service the loan. In the event that there are indications that the Bank will not be able to receive all payments due, a specific provision is made for the impaired amount associated with the loan. The amount of the provision is set as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate of the loan.

The Bank, according to its IAS 39, considers the criteria stated in section 2.12 as reliable and objective evidence that a loan or group of loans has been impaired.

The estimation concerning the existence of impairment and any resulting provisioning is conducted individually at loan level (for both retail and corporate portfolios) for those considered by the Bank as significant, and collectively on a loan group level for those considered less significant. The estimation of impairment is conducted collectively for claims (portfolios of claims) with common risk characteristics, which are not considered significant on an individual basis. Also collective assessment includes loans that have been tested individually for impairment but no impairment has occured.

For impairment estimation on a collective basis, financial assets are grouped according to their similar credit risk characteristics (e.g. according to assessment criteria of the Bank which take into consideration the nature of each asset, the sector where it belongs, the geographical area, the type of security and other such factors). These characteristics are correlated to the estimation of future cash flow for such groups of assets, indicating the debtor's ability to pay amounts due, according to the contractual terms of the financial assets under evaluation.

Amounts in thousand euros (Unless otherwise stated)

Future cash flows in a group of loas that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reduced and the difference is recognised in the Income Statement.

Write-offs

The Bank proceeds with write-offs of impaired loans against their respective provisions, after all necessary judicial and other procedures have been exhausted and once it is highly expected that these loans will not be collected. The Board of Directors of the Bank and its subsidiaries takes the decision for the write - offs. The Bank continuous the monitoring of the written off loans, following their write off, in case that they may become collectable.

3.1.4 Maximum credit risk exposure before collateral held or other credit enhancements

The following table presents the Bank's maximum credit risk exposure on 31/12/2007 and 31/12/2006, without including collateral held or other credit enhancements. For on-balance sheet items, credit exposures are based on their carrying amounts as reported on the balance sheet.

	Maximum exposure	
Credit risk exposures relating to on-balance sheet assets	**31 December 2007**	**31 December 2006**
Loans and advances to credit institutions	4,296,193	2,938,923
Derivative financial instruments - assets	76,325	52,978
Trading securities		
-Bonds	4,279,705	1,797,546
-Treasury bills and other eligible bills	14,915	29,749
Financial instruments at fair value through Profit or Loss	508,137	56,449
Loans and advances to customers (net of provisions)		
Loans to individuals:		
-Mortgages	5,306,194	4,206,037
-Consumer/ personal loans	2,309,790	1,832,552
-Credit cards	551,999	393,015
Loans to corporate entities		
-Small/ medium entities	10,977,667	6,997,670
-Large corporate entities	7,617,309	5,299,462
Available for sale securities		
-Bonds	1,004,573	515,097
Other assets	676,735	394,072
Credit risk exposures relating to off-balance sheet assets		
Letters of guarantee	2,317,635	1,839,005
Letters of credit	171,176	116,457
Commitments to extent credit	12,365,397	8,311,270
As at 31 December	**52,473,750**	**34,780,282**

The amount of unused credit limits includes limits that may be unconditionally cancelled at any time and without prior notice, allowing for automatic cancellation in the case of deterioration in the debtor's creditworthiness (uncommitted) as well as limits that may not be cancelled (committed). The percentage of uncommitted limits represents 85% of total unused credit limits, whereas the committed limits represent 15%.

3.1.5 Loans and advances

Loans and advances to customers and to credit institutions are summarised as follows:

	31 December 2007		31 December 2006	
	Loans and advances to customers	Loans and advances to credit institutions	Loans and advances to customers	Loans and advances to credit institutions
Loans without impairment	23,212,174	4,296,193	16,236,180	2,938,923
Past due above 1 day but not impaired	3,364,736	-	2,299,329	-
Impaired	503,207	-	506,118	-
Gross	**27,080,117**	**4,296,193**	**19,041,626**	**2,938,923**
Less: allowance for impairment	(317,158)	-	(312,890)	-
Net	**26,762,959**	**4,296,193**	**18,728,736**	**2,938,923**

Amounts in thousand euros (Unless otherwise stated)

a) Loans without impairment:

Loans and advances to customers

31 December 2007		**Loans to individuals**		**Loans to corporate entities**		
Grades	Credit cards	Consumer/ personal loans	Mortgages	Small/ medium entities	Large corporate entities	**Total loans and advances to customers**
Standard monitoring	469,907	1,778,298	4,462,552	8,627,533	7,145,609	22,483,899
Special monitoring	-	-	-	549,617	178,658	728,275
Total	**469,907**	**1,778,298**	**4,462,552**	**9,177,150**	**7,324,267**	**23,212,174**

31 December 2006		**Loans to individuals**		**Loans to corporate entities**		
Grades	Credit cards	Consumer/ personal loans	Mortgages	Small/ medium entities	Large corporate entities	**Total loans and advances to customers**
Standard monitoring	342,832	1,482,630	3,627,300	5,146,898	4,999,978	15,599,638
Special monitoring	-	-	-	519,699	116,842	636,541
Total	**342,832**	**1,482,630**	**3,627,300**	**5,666,597**	**5,116,820**	**16,236,179**

Loans and advances include renegotiated loans and advances which are analyzed in the following table:

	2007	**2006**
Loans to individuals	5,436	-
Loans to corporate entities	83,440	86,362
	88,876	**86,362**

Renegotiated loans and advances include loans and advances that had been overdue or partially overdue. Had these loans not been renegotiated they would have been included in loans and advances past due above one day but not impaired or in impaired loans. One year after the renegotiation date and provided that the loan is performing regularly, the loan is transfered to the performing portfolio and treated exactly like the rest of the performing loans and advances.

Loans and advances to credit institutions

Grades	**31 December 2007**	**31 December 2006**
Investment grade	1,754,962	2,384,730
Standard monitoring	2,539,168	554,193
Special monitoring	2,063	-
Total	**4,296,193**	**2,938,923**

b) Loans and advances past due above 1 day but not impaired:

31 December 2007		**Loans to individuals**		**Loans to corporate entities**		
	Credit cards	Consumer/ personal loans	Mortgages	Small/ medium entities	Large corporate entities	**Total loans and advances**
Past due 1 - 90 days	60,704	456,838	767,512	1,536,681	215,847	3,037,582
Past due 91 - 180 days	8,111	29,223	25,640	78,831	1,156	142,961
Past due > 180 days	-	1,462	23,919	98,256	60,556	184,193
Total	**68,815**	**487,523**	**817,071**	**1,713,768**	**277,559**	**3,364,736**
Fair value of collateral	**-**	**47,214**	**732,623**	**755,965**	**49,052**	**1,584,854**

With respect to mortgage loans the reported fair value of collateral takes into account only properties on which the Bank holds a first lien mortgage. In cases where the property value exceeds the remaining balance of the loan the reported fair value of collateral takes into account the property value up to the amount of the remaining balance of the loan.

31 December 2006		**Loans to individuals**		**Loans to corporate entities**		
	Credit cards	Consumer/ personal loans	Mortgages	Small/ medium entities	Large corporate entities	**Total loans and advances**
Past due 1 - 90 days	33,410	284,292	521,023	960,396	188,920	1,988,040
Past due 91 - 180 days	6,122	24,898	32,985	121,642	38,900	224,547
Past due > 180 days	28	526	14,057	62,847	9,284	86,741
Total	**39,559**	**309,715**	**568,065**	**1,144,885**	**237,104**	**2,299,329**

c) Loans and advances impaired:

31 December 2007		**Loans to individuals**		**Loans to corporate entities**		
	Credit cards	Consumer/ personal loans	Mortgages	Small/ medium entities	Large corporate entities	**Total loans and advances to customers**
Impaired loans	37,063	120,454	37,029	201,504	107,157	**503,207**
Fair value of collateral	-	2,809	26,351	102,566	18,525	**150,251**

The amount of loans with impairment as of 31/12/2007 includes loans of € 25 million which are not past due. The respective amount as of 31/12/2006 is € 70 million.

Amounts in thousand euros (Unless otherwise stated)

31 December 2006	**Loans to individuals**			**Loans to corporate entities**		
	Credit cards	Consumer/ personal loans	Mortgages	Small/ medium entities	Large corporate entities	**Total loans and advances to customers**
Impaired loans	23,439	115,413	19,263	191,445	156,558	**506,118**

3.1.6 Debt securities, treasury bills and other eligible bills

The table below presents an analysis of trading portfolio and investment securities by rating as at 31 December 2007, based on Standard & Poor's ratings or their equivalent:

	Trading securities	**Financial instruments at fair value through Profit or Loss**	**Investment securities**	**Total**
AAA	109,478	-	-	109,478
AA- to AA+	92,492	-	-	92,492
A- to A+	4,075,356	471,994	879,457	5,426,807
Lower than A-	6,086	-	109,617	115,703
Unrated	11,208	36,143	15,499	62,850
Total	**4,294,620**	**508,137**	**1,004,573**	**5,807,330**

3.1.7 Repossessed collateral

During the year 2007, the Bank obtained assets after taking possession of collateral held as security for its receivables:

Nature of assets	**31 December 2007**
Property	21,274
	21,274

Assets acquired from an auction process are held by the Bank temporarily for liquidation, for in full or partial repayment of related loans from customers. These assets are included in balance sheet in "Inventories - property".

3.1.8 Concentration of risks of financial assets with credit risk exposure

a) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by geographical region as at 31 December 2007.

	Greece	**United Kingdom**	**Total**
Loans and advances to credit institutions	4,246,869	49,324	4,296,193
Derivative financial instruments - assets	75,709	616	76,325
Trading securities			
-Bonds	4,279,705	-	4,279,705
-Treasury bills and other eligible bills	14,915	-	14,915
Financial instruments at fair value through profit or loss	508,137	-	508,137
Loans and advances to customers (net of provisions)	24,586,340	2,176,619	26,762,959
Loans to individuals			
- Mortgages	5,262,039	44,155	5,306,194
- Consumer - personal loans	2,219,249	90,541	2,309,790
- Credit cards	551,999	-	551,999
Loans to corporate entities	16,553,053	2,041,923	18,594,976
Available for sale securities			
-Bonds	819,543	185,030	1,004,573
Other assets	667,383	9,352	676,735
As at 31 December 2007	**35,198,601**	**2,420,941**	**37,619,542**
As at 31 December 2006	**23,371,808**	**1,141,742**	**24,513,550**

Amounts in thousand euros (Unless otherwise stated)

b) Industry sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by industrial sector as at 31 December 2007. The Bank has allocated exposures to sectors based on the industry sector of our counterparties.

	Financial institutions	Manufacturing	Construction & Real Estate	Wholesale and retail trade	Shipping	Public sector	Tourism	Energy & Transportation	Other industries	Individuals	Total
Loans and advances to credit institutions	4.296.193										4.296.193
Derivative financial instruments - assets	76.325										76.325
Trading securities											
- Bonds	253.241	17.125				4.005.815			3.524		4.279.705
-Treasury bills and other eligible bills						14.915					14.915
Financial instruments at fair value through profit or loss						508.137					508.137
Loans and advances to customers (net of provisions)											
Loans to individuals											
- Mortgages										5.306.194	5.306.194
- Consumer - personal loans										2.309.790	2.309.790
- Credit cards										551.999	551.999
Loans to corporate entities	1.587.354	4.338.255	2.478.332	3.350.835	1.378.215	237.201	1.307.898	347.197	3.569.689	0	18.594.976
Available for sale securities											
-Bonds	136.712	5.049				824.309			38.503		1.004.573
Other assets									676.735		676.735
As at 31 December 2007	**6.349.825**	**4.360.429**	**2.478.332**	**3.350.835**	**1.378.215**	**5.590.377**	**1.307.898**	**347.197**	**4.288.451**	**8.167.983**	**37.619.542**
As at 31 December 2006	**4.553.938**	**2.728.537**	**1.337.249**	**2.178.795**	**706.117**	**2.425.830**	**738.255**	**877.199**	**2.536.026**	**6.431.604**	**24.513.550**

3.2 Market risk

Market risk is the risk of loss due to adverse changes in the level or the volatility of market prices and rates, including interest rates, equity prices and foreign exchange rates. Piraeus Bank applies up to date, generally accepted techniques for the measurement of market risk, such as Value-at-Risk (VaR), Earnings at Risk and Sensitivity Indicators.

The Board of the Directors of the bank has approved a market risk management policy that applies to the bank since the beginning of 2003. This policy outlines the basic definitions of market risk management and defines the roles and the responsibilities of the units and executives involved. Every risk taking unit of Piraeus Bank has been assigned specific market risk limits, which are monitored on a consistent basis. Limits are established for items both in the trading and the banking book. Limits are set on the Value-at-Risk and Earnings-at-Risk level, and on Sensitivity Indicators. Piraeus Bank monitors Value-at-Risk also for the total portfolio, at which level risk management for the trading and banking portfolio is carried out. In addition, Value-at-Risk is calculated also for the trading portfolio which relates to the financial instruments valued at market values.The Value-at-Risk estimate for the total portfolio (trading and banking book combined) on 31/12/2007 for Piraeus Bank, was € 14.63 million.

The Value-at-Risk measure is an estimate of the potential loss in the net present value of a portfolio, over a specified period and with a specified confidence level. Piraeus Bank implements the RiskMetrics parametric Value-at-Risk methodology, assuming a one-day holding period and utilising a 99% confidence level. As the Value-at-Risk methodology does not evaluate risk attributable to extraordinary financial, or other occurrences, the risk assessment process includes a number of stress scenarios. The stress scenarios are based on the primary risk factors that can change the value of the balance sheet's figures.

The bank tests the validity of the Value-at-Risk estimates, by conducting a back-testing program for the trading book VaR of the bank. The Value-at-Risk estimate is compared on a daily basis against the actual change in the value of the portfolio, due to the changes in market prices. In 2007 there were two cases, where the actual change in the value of the portfolio, was larger than the Value-at-Risk estimate, while in 2006 and 2005 four and three instances have been observed, respectively.

The Bank trading book includes positions in bonds, stocks, exchange traded and over the counter derivatives.

The Value-at-Risk estimate for 31/12/2007 was € 6.49 million for the total trading book of the Bank. This estimate consists of € 1.08 million interest rate risk, € 6.69 million equity risk and € 0.18 million foreign exchange risk. There is a reduction in the Value-at-Risk estimate of € 1.46 million due to the diversification effect of the portfolio. During 2007 there has been an increase in the trading book VaR due to the increase in the trading book and in the available for sale equity portfolio (listed shares in the available for sale portfolio are included in the bank's trading book for the scope of VaR calculation).

The Value-at-Risk estimate for 29/12/2006 was € 2.25 million for the total trading book of the Bank. This estimate consists of € 0.22 million interest rate risk, € 0.74 million equity risk and € 2.09 million foreign exchange risk. There is a reduction in the Value-at-Risk estimate of € 0.81 million due to the diversification effect of the portfolio.

The above are summarized as follows:

	Bank Trading Book Total VAR	VAR-Interest Rate Risk	VAR Equity Risk	VAR Foreign Exchange Risk	Diversification Effect
2007	6.49	1.08	6.69	0.18	-1.46
2006	2.25	0.22	0.74	2.09	-0.81

Amounts in thousand euros (Unless otherwise stated)

3.3 Currency risk

The Bank is exposed to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Management sets limits on the level of exposure by currency, which are monitored daily. The table below summarises the Bank's exposure to foreign currency exchange rate risk as at 31/12/2007. Included in the table, are the Bank's assets and liabilities at carrying amounts categorised by currency:

	EUR	USD	GBP	JPY	CHF	Other currencies	Total
At 31 December 2007							
Foreign exchange risk of assets							
Cash and balances with central Banks	2,039,424	11,035	3,265	1,238	2,718	8,503	2,066,182
Loans and advances to credit institutions	3,223,298	642,901	68	800	152,039	277,087	4,296,193
Derivative financial instruments - assets	(36,918)	23,525	3	83,967	5,748	-	76,325
Trading securities	4,400,234	3,657	-	-	-	-	4,403,891
Financial instruments at fair value through Profit or Loss	491,839	-	-	16,298	-	-	508,137
Loans and advances to customers (net of provisions)	23,698,584	1,316,933	62,302	81,126	1,603,734	280	26,762,959
Investment securities							
- Available for sale securities	1,138,012	136,419	-	-	-	-	1,274,431
Other assets	525,302	34,931	3,910	809	2,139	852	567,943
Total financial assets (A)	**35,479,775**	**2,169,401**	**69,549**	**184,238**	**1,766,378**	**286,722**	**39,956,061**
Foreign exchange risk of liabilities							
Due to banks	8,807,582	1,662,842	94,186	18,211	85,805	36,217	10,704,842
Derivative financial instruments - liabilities	(24,294)	26,519	-	76,093	5,242	49	83,609
Due to customers	16,372,068	1,484,476	151,160	950,146	8,226	63,946	19,030,022
Debt securities in issue	7,335,015	233,454	50,257	68,418	20,788	-	7,707,932
Hybrid capital and other borrowed funds	985,141	-	-	-	-	-	985,141
Other liabilities	259,842	36,433	28,337	8,259	13,355	246,506	592,732
Total financial liabilities (B)	**33,735,354**	**3,443,723**	**323,940**	**1,121,127**	**133,416**	**346,717**	**39,104,278**
Net on-balance sheet financial position (A-B)	**1,744,420**	**(1,274,322)**	**(254,392)**	**(936,889)**	**1,632,962**	**(59,995)**	**851,783**

At 31 December 2006	**EUR**	**USD**	**GBP**	**JPY**	**CHF**	**Other currencies**	**Total**
Total financial assets	24,599,105	1,458,641	73,658	141,209	443,666	71,654	26,787,933
Total financial liabiities	21,698,811	2,761,145	368,646	1,046,613	150,367	147,980	26,173,562
Net on-balance sheet financial position	**2,900,294**	**(1,302,504)**	**(294,988)**	**(905,404)**	**293,299**	**(76,326)**	**614,371**

The Bank uses foreign exchange derivatives to manage the currency risk arising from the foreign exchange positions.

3.4 Interest rate risk

Interest rate risk is the risk of loss to the bank due to adverse movements in interest rates. Changes in interest rates affect the bank's earnings by changing its net interest income and the level of other interest-sensitive income and operating expenses. Changes in interest rates also affect the underlying value of the bank's assets and liabilities because the present value of future cash flows (and in some cases, the cash flows themselves) changes when interest rates change.

Piraeus Bank applies an Interest Rate Risk Management Policy, which provides for a variety of techniques such as calculations that rely on simple maturity and repricing schedules (Interest Rate Gap analysis), or sophisticated dynamic modeling techniques (Dynamic Simulation) that results in useful conclusions about the development of the Organization’s profitability in response to changes in interest rates.

Interest Rate Gap, the simplest technique for measuring the bank's interest rate risk exposure, is a maturity/repricing schedule that distributes interest-sensitive assets and liabilities, into a certain number of predefined time bands, according to their maturity (fixed-rate instruments) or time remaining to their next repricing (floating-rate instruments).

The table below summarises the Bank’s exposure to interest rate risk according to an Interest Rate Gap. Those assets and liabilities lacking definitive repricing intervals (e.g. sight deposits or savings accounts) or actual maturities (e.g. Open Accounts) are assigned to the time band up to one month.

In particular, the sight deposits, savings and current accounts assigned to the time band up to one month, are at € 7.5 billion (2006: € 6.7 billion) and represent 49% (2006: 57%) of the total “Due to customers”, which have been assigned in this particular time band.

The positive fair value of derivative financial instruments is included in “Other Assets” under the heading “Non interest Bearing”, while the negative fair value of derivative financial instruments is included in “Other Liabilities”.

In the table, assets and liabilities in foreign currency are converted into EUR using spot FX rates.

Amounts in thousand euros (Unless otherwise stated)

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non interest bearing	Total
At 31 December 2007							
Assets							
Cash and balances with central Banks	2,066,182	-	-	-	-	-	2,066,182
Loans and advances to credit institutions	3,129,820	876,638	289,735	-	-	-	4,296,193
Trading securities	4,364,382	121,671	(401,769)	617,946	100,527	109,271	4,912,028
Financial instruments at fair value through Profit or Loss	-	-	-	397,769	110,368	-	508,137
Loans and advances to customers (net of provisions)	16,990,034	5,375,866	2,130,869	2,423,366	159,983	(317,158)	26,762,959
Investment securities							
-Available for sale securities	572,245	18,239	295,959	84,561	33,569	269,858	1,274,431
Other assets	-	-	-	-	-	753,060	753,060
Total financial assets	**27,122,663**	**6,392,414**	**2,314,794**	**3,523,642**	**404,447**	**815,031**	**40,572,990**
Liabilities							
Due to banks	7,587,612	2,640,163	477,067	-	-	-	10,704,842
Due to customers	15,354,558	2,615,650	910,408	39,660	-	109,747	19,030,022
Debt securities in issue	2,661,517	3,812,215	880,874	353,326	-	-	7,707,932
Hybrid capital and other borrowed funds	590,011	395,130	-	-	-	-	985,141
Other liabilities	-	-	-	-	-	676,341	676,341
Total financial liabilities	**26,193,698**	**9,463,157**	**2,268,350**	**392,985**	**0**	**786,088**	**39,104,278**
Net notional amounts of derivative financial instruments	102,362	1,018,532	(245,089)	(661,145)	(113,937)	-	100,724
Total interest rate gap	**1,031,326**	**(2,052,211)**	**(198,644)**	**2,469,512**	**290,510**	**28,943**	**1,569,435**

The off balance sheet derivatives line that appears at the bottom of the table, includes the gap that arises from derivative transactions that are held for trading or hedging purposes without necessarily using hedge accounting.

The negative amount which is stated in line "Trading securities", concerns sales and purchases of Greek government bonds with settlement date after 31/12/2007.

The table below presents comparative figures:

At 31 December 2006	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non interest bearing	Total
Total financial assets	13,833,267	8,681,626	2,111,638	935,566	180,669	745,125	26,487,891
Total financial liabiities	17,349,246	5,488,682	2,102,492	481,127	323	590,079	26,011,949
Total interest rate gap	**(3,515,979)**	**3,192,944**	**9,146**	**454,439**	**180,346**	**155,046**	**475,942**

Interest Rate Gap analysis enables the evaluation of interest rate risk using the ‘Earnings-at-Risk’ measure, which denotes the negative effect on the expected annual interest income, as a result of a parallel shift in interest rates for all currencies considered.

In addition, Piraeus Bank calculates the change in the net present value of balance-sheet items in response to a change in interest rates, assuming parallel yield curve shifts.

In particular, a parallel shift of 100bp in yield curves would reduce the Bank’s net present value by € 48 million (2006: € 60 million) .

Piraeus Bank also evaluates potential losses under stressful market conditions. Possible stress scenarios include abrupt changes in the level of interest rates, changes in the slope and the shape of the yield curves, or changes in the volatility of market rates.

These scenarios, where changes in the factors take place instantaneously, may be interpreted as a special case of “Dynamic Scenarios”.

“Dynamic Scenarios” are used in the implementation of “Dynamic Simulation”, which assesses the sensitivity of the net interest income stream to movements in the yield curves and include several time intervals and market factors change for each of them. The “Dynamic Simulation” approach includes not only possible market developments, but also the planned future actions of the Bank.

Amounts in thousand euros (Unless otherwise stated)

3.5 Liquidity risk

Piraeus Bank acknowledges that, in order to be able to meet liabilities promptly and without losses, it is essential to effectively manage Liquidity Risk.

Liquidity Risk is the risk that a financial institution that will not be able to meet its obligations as they become due, because of a lack of the required liquidity.

A Liquidity Risk Management Policy has been applied in all Bank units since the end of 2003. This policy is adjusted to internationally applied practices and regulatory environments and adapted to the specific activities and organisational structure of Piraeus Bank.

The policy specifies the principal liquidity risk assessment definitions and methods, defines the roles and responsibilities of the units and staff involved and sets out the guidelines for liquidity crisis management. The policy is focused on the liquidity needs expected to emerge, in a week's or month's time, on the basis of hypothetical liquidity crisis scenarios.

Furthermore, the Policy defines a contingency funding plan to be used in the case of a liquidity crisis. Such a crisis can take place either due to a Piraeus Bank specific event or a general market event. Triggers and warning signals serve as indicators of when the contingency plan should be put into operation.

In addition, Piraeus Bank calculates and monitors the Liquidity ratios, “Liquid Assets/Total Liabilities” and “Net Current Assets/Total Liabilities”, as they are defined in the Bank of Greece directive, which refers to the control framework of banks’ liquidity adequacy by the Bank of Greece.

The levels of these particular ratios are daily communicated to the responsible business units, and comments as well as respective assessments, are included in the reporting package to the members of Asset-Liability Committee.

The Liquidity Ratios are also calculated at the end of the year, taking into account the budget of the following year and are communicated to the Bank of Greece.

In addition, Piraeus Bank applies liquidity crisis scenarios and estimates their impact on the Liquidity Ratios.

The maintenance of liquid securities portfolios, expansion of "large diversion" deposit accounts (savings accounts), enrichment of time deposit products of over one month, expansion of alternative financing sources (European Commercial Paper) and prolongation of Liabilities’ maturity through the issues of bonded loans (issue of Euro Medium Term Notes, issue of Subordinated notes Tier II, issue of Hybrid Capital Tier I) are measures, which are taken to minimize liquidity risk. Finally, during 2007 the second securitisation program based on mortgage pools with nominal amount of € 1.25 billion has increased the liquidity benefits of the securitisation process derive from the conversion of illiquid assets into liquid funds.

In general, liquidity management is a matter of balancing cash flows within forward rolling time bands, so that under normal conditions, the Bank is comfortably placed to meet all its payment obligations as they fall due. Liquidity Gap Analysis provides an overview of the expected cash flows, which arise from all balance sheet items. The cash flows are assigned and aggregated to time-bands according to when they occur.

The assumptions made are that scheduled payments to the Bank are honoured in full and on time and in addition, all contractual payments are discharged in full – e.g. that depositors will withdraw their money rather than roll it over on maturity. Those assets and liabilities lacking actual maturities (e.g. open accounts, sight deposits, or savings accounts) are assigned to the time band up to one month.

a) Non derivative cash flows

The table below presents, at the balance sheet date, the cash flows payable by the Bank under non-derivative financial liabilities by the remaining contractual maturities. The amounts input are the contractual undiscounted cash flows based on the contract. The Bank manages liquidity risk according to the estimated undiscounted cash flows. Liabilities in foreign currency have been translated into euro based on the prevailing foreign currency exchange rates.

At 31 December 2007

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Liabilities liquidity						
Due to banks	7,603,247	2,924,758	514,982	552,642	-	11,595,628
Due to customers	14,762,219	2,652,479	935,080	39,899	-	18,389,677
Debt securities in issue	1,640,254	1,086,021	1,146,097	3,317,397	1,688,123	8,877,892
Other borrowed funds	5,448	5,485	32,008	159,975	908,370	1,111,286
Hybrid capital	2,997	-	9,080	45,615	217,357	275,048
Other liabilities	-	-	-	-	592,274	592,274
Total liabilities (contractual maturiy dates)	**24,014,164**	**6,668,743**	**2,637,247**	**4,115,528**	**3,406,123**	**40,841,805**
Total assets (expected maturiy dates)	**17,892,798**	**3,123,832**	**1,876,461**	**11,274,487**	**14,685,159**	**48,852,737**

Amounts in thousand euros (Unless otherwise stated)

At 31 December 2006

Liabilities liquidity						
Due to banks	3,150,771	577,284	538,385	574,115	-	4,840,555
Due to customers	11,925,085	1,535,906	1,155,414	56,703	-	14,673,108
Debt securities in issue	330,619	1,409,890	917,103	2,931,328	150,101	5,739,041
Other borrowed funds	4,192	4,385	27,363	148,357	943,674	1,127,971
Hybrid capital	2,447	-	7,819	42,709	232,600	285,575
Other liabilities	-	-	-	-	473,108	473,108
Total liabilities (contractual maturiy dates)	**15,413,114**	**3,527,465**	**2,646,084**	**3,753,212**	**1,799,483**	**27,139,358**
Total assets (expected maturiy dates)	**10,088,598**	**1,873,556**	**2,824,584**	**7,286,691**	**9,715,229**	**31,788,658**

b) Derivative cash flows

bi) Derivatives settled on a net basis

The Bank's derivatives that will be settled on a net basis include: a) foreign exchange derivatives: over-the-counter (OTC) currency options, currency futures, exchange traded currency options; and b) interest rate derivatives: interest rate swaps, forward rate agreements, OTC interest rate options, other interest rate contracts, exchange traded interest rate futures and exchange traded interest rate options.

The table below analyses, at the balance sheet date, the contractual undiscounted cash flows of derivative financial assets and liabilities of the Bank that will be settled on a net basis, based on their remaining period according to the contract. The amount disclosed in the table are the contractual undiscounted amounts.

At 31 December 2007

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Derivatives held for trading						
-Interest rate derivatives	551	(3,308)	(2,745)	(12,581)	5,445	(12,639)
Derivatives held for fair value hedging						
-Interest rate derivatives	109	510	(1,720)	(4,020)	(104)	(5,225)
Total	**660**	**(2,798)**	**(4,465)**	**(16,601)**	**5,341**	**(17,863)**

At 31 December 2006

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Derivatives held for trading						
-Interest rate derivatives	1,717	791	2,875	(13,643)	(1,782)	(10,042)
Derivatives held for fair value hedging						
-Interest rate derivatives	-	(35)	(14)	43	-	(6)
Total	**1,717**	**756**	**2,861**	**(13,600)**	**(1,782)**	**(10,048)**

bii) Derivatives settled on a gross basis

The Bank's derivatives that are settled on a gross basis include: a) foreign exchange derivatives: currency forward, currency swaps and b) interest rate derivatives: cross currency interest rate swaps.

The table below analyses, at balance sheet date, the derivative financial instruments (both derivative assets and derivative liabilities) that will be settled on a gross basis based on their remaining period according to the contract.

The total pay leg (outflow) and receive leg (inflow) and for each type of derivative and for each maturity group are disclosed at their contractual undiscounted amounts.

At 31 December 2007

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Derivatives held for trading						
-Foreign exchange derivatives						
Outflow	(3,797,342)	(1,357,391)	(1,396,472)	(91,039)	-	**(6,642,244)**
Inflow	3,789,156	1,360,924	1,494,293	95,934	-	**6,740,307**

At 31 December 2006

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Derivatives held for trading						
-Foreign exchange derivatives						
Outflow	(1,883,576)	(1,994,092)	(1,703,036)	(31,396)	(16,703)	**(5,628,803)**
Inflow	1,859,226	2,014,483	1,679,185	31,800	12,999	**5,597,693**

Amounts in thousand euros (Unless otherwise stated)

3.6 Fair values of financial assets and liabilities

The following table summarises the fair values and the carrying amounts of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	Carrying amounts		Fair value	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Financial assets				
Loans and advances to Credit Institutions	4,296,193	2,938,923	4,317,474	2,939,286
Loans and advances to customers (less allowances)	26,762,959	18,728,736	27,462,259	19,336,375
-Loans to individuals	8,167,983	6,431,604	8,381,331	6,640,272
-Loans to corporate entities	18,594,976	12,297,132	19,080,928	12,696,103
Financial liabilities				
Due to banks	10,704,842	4,709,542	10,708,652	4,714,497
Due to customers	19,030,022	14,606,019	19,027,783	14,598,775
-Current and sight deposits	4,009,760	3,260,662	4,009,760	3,259,045
-Savings account	3,347,160	3,440,952	3,347,160	3,439,245
-Term deposits	10,599,282	7,630,739	10,596,954	7,626,954
-Other accounts	203,726	168,167	203,726	168,084
-Repurchase agreements	870,093	105,499	870,182	105,447
Debt securities in issue	7,707,932	5,221,365	7,690,226	5,251,375
Hybrid capital and other borrowed funds	985,141	1,000,884	970,621	1,008,765

a) The fair value of loans and advances to credit institutions and due to banks is based on discounting cash flows using money market rates for debts with similar remaining maturity.

b) The fair value of loans and advances to customers is estimated by discounting expected future cash flows using suitable interest rates for instruments with similar credit risk and maturity.

c) The estimated fair value of amounts due to customers is based on discounted cash flows using appropriate interest rates (money market) for instruments with similar maturity.

d) The fair value of debt securities in issue is calculated based on quoted prices. Where quoted market prices are not available, the estimated fair value is based on other debt securities with similar credit, yield and maturity characteristics or by discounting cash flows.

e) The fair value of other borrowed funds and hybrid capital is based on quoted market prices. When quoted market prices are not reliable, the fair value is estimated by discounting cash flows with appropriate yield curves.

3.7 Fiduciary activities

The Bank provides custody services to third parties for a wide range of financial instruments. These services include procedures such as safekeeping of securities, clearing and settlement of securities transactions in the Greek market and abroad, execution of corporate actions, income collection etc, on behalf of individuals and companies. Those assets and income arising thereon are not included in the Bank's financial statements. The above mentioned services give rise only to operational risk. At the balance sheet date, the Bank had custody accounts amounting to approximately € 8.3 billion (2006: € 6.87 billion).

3.8 Capital adequacy

Capital adequacy and the use of regulatory capital of Piraeus Bank is on a regular basis monitored by the responsible department of the Bank and is filed, in a quarterly basis, with the supervisory authorities namely the Bank of Greece.

The supervisory authority requires each bank to hold a minimum level of the regulatory capital according to the sum of risk which the institution undertakes. The institution should maintain the ratio of total regulatory capital to the risk weighted assets at or above the internationally agreed minimum of 8%.

Those financial institutions of Piraeus Bank which are not incorporated in the European Union are supervised directly by their local supervisory authorities, which may differ among countries.

The main Piraeus Bank's objectives which determine the use of the regulatory capital are:

- To comply with the regulatory requirements which are defined and set by the supervisory authorities of the country where the Bank operates.

- The preservation of the Bank's ability to continue unhindered its operations, thus to continue to provide returns and benefits to its shareholders.

- To retain a vigorous and stable capital base in order to be able to support the Bank's management business plans.

The regulatory capital of the Bank, as defined by the Bank of Greece can be differentiated into two tiers, Tier I and Tier II capital.

Amounts in thousand euros (Unless otherwise stated)

In order for the regulatory capital to be determined, own share capital must undergo some regulatory adjustments, such as the deduction of intangible assets and goodwill, the deduction of the revaluation gain of investment property, the deduction of part of the available of sale reserve, the deduction of the proposed distribution of dividend etc.

Tier I capital	**31 December 2007**	**31 December 2006**
Share capital	1,617,977	1,288,830
Share premium	1,099,903	88,146
Less: treasury shares	(250,860)	(97,300)
Available for sale reserve	14,145	111,029
Legal reserve and other reserves	57,063	33,236
Retained earnings	406,057	204,154
Less: intangible assets	(21,200)	(14,498)
Less: Total regulatory adjustments on Tier I capital	(124,682)	(152,889)
Total	**2,798,403**	**1,460,708**
Tier II Capital		
Subordinated debt	985,141	931,517
Total regulatory adjustments on Tier II capital	(23,020)	2,524
Total	**962,121**	**934,041**
	31 December 2007	**31 December 2006**
Less: Adjustments on Tier II capital	(34,974)	(3,750)
Regulatory adjustments on Tier II capital	**3,725,550**	**2,390,999**
Risk - weighted assets:		
On - balance sheet	26,061,372	18,750,547
Off - balance sheet	2,499,014	1,345,797
Total risk - weighted assets:	**28,560,386**	**20,096,344**
Capital Adequacy ratio (Basel I)	**13.04%**	**11.90%**

4 Critical accounting estimates and judgements

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

1. Impairment losses on loans and advances

The Bank examines, at every reporting period, whether trigger for impairment exists for its loans or loans portfolios. If such triggers exist, the recoverable amount of the loan portfolio is calculated and the relevant provision for this impairment is raised. The provision is recorded in the profit or loss statement. In determining whether an impairment loss should be recorded in the profit or loss statement the Bank has set a methodology (described in note 2.12). The estimates, methodology and assumptions used are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

2. Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. All models use observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Assumptions that affect the reported fair values of financial instruments are examined regularly.

3. Impairment of Available for-sale portfolio

The available for sale portfolio is recorded at fair value and any changes in fair value are recorded in the available for sale reserve. Available for sale investments are impaired when there is significant or prolonged decline (judgement is required) in the fair value below cost. When this occurs, the relevant portion of the available for sale reserve is recycled to the income statement of the period. Judgement is also required for the estimation of the fair value of investments that are not traded in a market. For these investments, the fair value computation through financial models takes also into account evidence of deterioration in the financial health of the investee, industry and sector performance and changes in technology.

4. Held to maturity investments

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available for sale. The investments would therefore be remeasured at fair value.

5*. Income taxes*

The Bank is subject to income taxes in the countries in which it operates. This requires estimates in determining the provision for income taxes and therefore the final income tax determination is uncertain during the fiscal year. Where the final income tax expense is different from the amounts that were initially recorded, differences will impact the income tax and deferred tax provisions in the period in which the tax computation is finalised.

Amounts in thousand euros (Unless otherwise stated)

5 Segment analysis

a) By Business segment

Piraeus Bank has defined the following business segments:

Retail Banking - This segment includes the retail banking facilities of the Bank, which are addressed to retail customers as well as to small - medium companies (deposits, loans, working capital, imports – exports, letters of guarantees, etc.)

Corporate Banking - This segment includes facilities related to retail banking addressed to large and maritime companies, which due to their specific needs are serviced by the headquarters (deposits, loans, syndicated loans, project financing, working capital, imports – exports, letters of guarantees, etc.).

Investment Banking - This segment includes activities related to investment banking facilities of the Bank (investment and advisory services, underwriting services and public listings, stock exchange services etc.).

Asset Management and Treasury – This segment includes asset management facilities for clients and for the Bank (wealth management facilities, mutual funds management, treasury).

Other – Includes other facilities of the Bank that are not included in the above segments (Bank's administration etc.).

An analysis of income and other financial figures per business segment of the Bank is presented below:

1/1-31/12/2007	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Treasury	Other business segments	Total
Revenues	1,209,027	369,039	29,582	830,612	296,865	2,735,125
Net revenues	668,265	100,236	29,496	60,623	222,026	1,080,646
Segment results	237,439	22,377	27,521	34,029	176,733	498,099
Profit before tax						**498,099**
Income tax expense						(74,908)
Profit after tax						**423,191**
Other segment items						
Capital expenditure	32,888	295	16	840	94,764	128,803
Depreciation and amortisation	16,192	235	5	724	17,367	34,523
Impairment charge - loans	45,966	17,403	-	-	3,728	67,097

1/1-31/12/2006	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Treasury	Other business segments	Total
Revenues	894,499	258,348	14,356	409,645	235,606	1,812,454
Net revenues	584,269	91,302	13,549	37,004	182,019	908,143
Segment results	217,587	31,004	12,419	14,076	129,300	404,386
Profit before tax						**404,386**
Income tax expense						(64,302)
Profit after tax						**340,084**
Other segment items						
Capital expenditure	24,817	42	174	215	59,388	84,636
Depreciation and amortisation	12,835	280	3	723	16,619	30,460
Impairment charge - loans	43,314	16,150	-	-	167	59,631
At 31 December 2007						
Segment assets	19,292,593	7,941,566	15	11,329,757	3,779,380	**42,343,311**
Segment liabilities	18,400,876	806,487	-	19,217,004	974,658	**39,399,025**
At 31 December 2006						
Segment assets	13,157,489	5,214,103	-	6,209,986	3,360,031	**27,941,609**
Segment liabilities	14,261,838	534,826	-	10,984,566	532,284	**26,313,514**

Capital expenditure includes additions of intangible and tangible assets that took place in the year by each business segment.

Revenues and net revenues from other business segments include revenues and net revenues derived from transactions between business segments.

Amounts in thousand euros (Unless otherwise stated)

b) By Geographical segment

The following table incorporates geographical concentrations (secondary segment analysis) of assets, revenues and capital expenditure of the Bank, as required by IAS 14.

As at 31 December 2007

	Total assets	Revenues	Net Revenues	Capital expenditure
Greece	39,921,192	2,625,565	1,347,865	128,676
United Kindom	2,422,119	109,560	(267,219)	127
Total	**42,343,311**	**2,735,125**	**1,080,646**	**128,803**

As at 31 December 2006

	Total assets	Revenues	Net Revenues	Capital expenditure
Greece	26,799,124	1,760,089	1,052,631	73,434
United Kindom	1,142,485	52,365	(144,488)	5
Total	**27,941,609**	**1,812,454**	**908,143**	**73,439**

The negative net result in the geografical segment "United Kindom" derives from the cost of issuing debt securities (ECP, EMTN), subordinated loans (TIER II) and hybrid capital (TIER I). Without taking into consideration the aformentioned cost, the net revenues of the specific geographical segment would amount to € 19.1 million for the year 2007 (2006: € 12.5 million).

The Bank operates in 4 main business segments and in 2 countries. Greece is the main country of operations of Piraeus Bank. In Greece the areas of operation include all the primary business segments, while in the United Kingdom, the main business segments of operation are Corporate Banking, Investment Banking and Asset Management and Treasury.

6 Net Interest income

	1/1-31/12/2007	1/1-31/12/2006
Interest income		
Interest on fixed income securities	347,428	152,419
Interest income on loans and advances	1,286,357	977,844
Interest on loans and advances to credit institutions	221,348	132,675
Interest rate swaps	445,596	202,867
Other interest income	20,782	14,670
Total interest income	**2,321,512**	**1,480,475**
Interest expense		
Interest on customer deposits and repos	(533,968)	(278,821)
Interest on debt securities in issue and on other borrowed funds	(342,091)	(195,668)
Interest on due to Banks	(202,144)	(121,838)
Interest rate swaps	(429,407)	(208,349)
Other interest expense	(108,562)	(68,163)
Total interest expense	**(1,616,172)**	**(872,839)**
Net Interest Income	**705,340**	**607,636**

Accrued interest for impaired loans is € 28,220 thousand (2006: € 12,492 thousand).

7 Net fees and commission income

	1/1-31/12/2007	1/1-31/12/2006
Fees and commission income		
Commercial banking	91,844	87,078
Investment banking	22,030	16,985
Asset management	14,272	16,089
Total fees and commission income	**128,146**	**120,152**
Fees and commission expense		
Commercial banking	(27,735)	(22,734)
Investment banking	(2,588)	(3,109)
Asset management	(7,983)	(5,629)
Total fees and commission expense	**(38,306)**	**(31,472)**
Net fees and commission income	**89,839**	**88,680**

8 Dividend income

	1/1-31/12/2007	1/1-31/12/2006
Dividend from subsidiaries	27,788	21,535
Dividend from associates	8	144
Dividend from AFS securities	4,834	14,055
Dividend from trading securities	2,852	1,906
	35,482	**37,640**

Amounts in thousand euros (Unless otherwise stated)

9 Net trading income

	1/1-31/12/2007	1/1-31/12/2006
Gains less losses on FX dealing	7,564	7,815
Gains less losses on shares and mutual funds transactions	3,273	2,363
Gains less losses on derivatives transactions	(9,950)	(3,283)
Gains less losses on bonds transactions	5,563	248
Gains less losses on FX valuation	17,853	(617)
Gains less losses on shares and mutual funds valuation	11,542	9,352
Gains less losses on derivatives valuation	779	7,411
Gains less losses on bonds valuation	(10,613)	(1,791)
	26,010	**21,498**

10 Net income from financial instruments designated at fair value through profit or loss

	1/1-31/12/2007	1/1-31/12/2006
Gains less losses from sale of financial assets at fair value through Profit or Loss	11,968	(2,612)
Gains less losses from valuation of financial assets at fair value through Profit or Loss	(352)	(2,823)
	11,616	**(5,435)**

11 Gains less losses from investment securities

	1/1-31/12/2007	1/1-31/12/2006
Gains less losses on AFS - shares and mutual funds (note 38)	161,162	133,980
Gains less losses on AFS - bonds (note 38)	643	(9)
Gains less losses from sales of subsidiaries and associates	17,239	631
Impairment of shares and mutual funds (available for sale portfolio) (note 22)	(553)	-
Impairment on subsidiaries	-	(7,099)
	178,491	**127,503**

During the year 2007, Piraeus Bank sold its participation in Bank of Cyprus (8.08%). The profit before tax from the above transaction was € 159.3 milion.

During the year 2006, Piraeus Bank's participation in ING Groep N.V. was liquidated through a series of moderated sales. The profit before tax from the above transaction was € 129.8 million.

12 Other operating income

	1/1-31/12/2007	1/1-31/12/2006
Rental income	1,298	1,308
Receipt of written off loans	-	6,133
Income from services to Group subsidiaries	689	2,032
Gains/ (losses) from valuation of investment property	14,334	3,004
Return of taxes - contributions	-	5,785
Other income from banking operations	-	178
Other operating income	17,547	12,181
	33,868	**30,621**

13 Staff costs

	1/1-31/12/2007	1/1-31/12/2006
Wages & salaries	(175,848)	(153,080)
Social insurance contributions	(35,899)	(32,863)
Other staff costs	(10,684)	(9,327)
Retirement benefit charges (note 35)	(31,742)	(21,901)
	(254,173)	**(217,171)**

Wages and salaries include amount of € 6,792 thousand which relates to the total cost for the stock option plans for the year 2007. The respective amount for the year 2006 is € 8,360 thousand. The total cost for the stock option plans includes the cost of the share options granted to the members of the Board of Directors and key management personnel (note 41).

The number of staff employed by Piraeus Bank as at 31 December 2007 was 4,901 compared to 4,596 at the end of 2006. The average number of staff employed by the Bank during the year 2007 is 4,749.

14 Administrative expenses

	1/1-31/12/2007	1/1-31/12/2006
Rental expense	(36,571)	(35,674)
Taxes & duties	(33,880)	(27,633)
Promotion and advertising expenses	(28,828)	(23,086)
Servicing - promotion of banking products	(42,143)	(39,025)
Fees and third parties expenses	(28,981)	(20,106)
Other administrative expenses	(57,115)	(47,574)
	(227,518)	**(193,098)**

Amounts in thousand euros (Unless otherwise stated)

15 Income tax expense

	1/1-31/12/2007	1/1-31/12/2006
Current Tax	(29,024)	(33,716)
Deferred Tax (note 34)	(15,384)	(30,586)
Tax provisions	(30,500)	-
	(74,908)	**(64,302)**

Tax authorities have audited Piraeus Bank's tax position for the years up to and including 2003. For the unaudited tax years, a provision has been raised according to International Financial Reporting Standards (IFRS).

The tax rate for Greek legal entities, in accordance with the provisions in force of article 109, par. 1 of Law 2238/94, amounts to 25% for the year 2007 and to 29% for the year 2006. However, upon completion of the merger with the Hellenic Investment Company within 2005, the Bank used the provisions of article 9, par 2 and 3 of Law 2992/ 2002 in order to determine the tax rate for 2006 at 24%, that is the applicable tax rate on its taxable profits redused by five percent (29% - 5%).

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Bank as follows:

	1/1-31/12/2007	1/1-31/12/2006
Profit before tax	498,099	404,386
Tax calculated (25% and 24% respectively)	(124,525)	(97,053)
Income not subject to tax (corresponding tax)	50,022	33,024
Non deductible expenses (corresponding tax)	(347)	(234)
Supplementary tax 3% on real estate income	(58)	(39)
Income Tax	**(74,908)**	**(64,302)**

Line "Income not subject to tax" includes the permanent differences between the accounting and tax base as well as taxes related to Piraeus Bank's share capital increase expenses of amount € 34.3 million, which for tax purposes are tax deductible but according to the IFRS they reduce the share premium.

16 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of shares in issue during the year, excluding the average number of ordinary shares purchased by Piraeus Bank and held as treasury shares. For the calculation of the diluted earnings per share, all the dillutive potential ordinary shares are taken into consideration. The two share option schemes currently in force (note 37) is the only case of dilutive potential ordinary shares for the Bank. Specifically, on the weighted average number of ordinary shares used for the calculation of the basic earnings per share is added the difference in the number of shares that arises from the comparison of a) the number of shares that would have been issued at fair value based on the consideration received from the exercise of the share options and b) the number of shares issued due to the exercise of the share options.

	1/1-31/12/2007	1/1-31/12/2006
Basic earnings per share		
Profit after tax	423,191	340,084
Weighted average number of shares in issue	291,171,883	276,738,319
Basic earnings per share (in euros)	1.45	1.23

	1/1-31/12/2007	1/1-31/12/2006
Diluted earnings per share		
Profit after tax	423,191	340,084
Weighted average number of shares in issue	291,171,883	276,738,319
Adjustment for share options	1,330,833	1,542,248
Weighted average number of shares in issue for the diluted earnings per share calculation	292,502,716	278,280,567
Diluted earnings per share (in euros)	1.45	1.22

According to the requirements of IAS 33, the weighted average number of shares has been adjusted for the year 2006 by a 1.0552 factor, in order to adjust earnings per share (basic and diluted) for the discount price of the rights issue share capital increase (note 37).

17 Cash and balances with the Central Bank

	31 December 2007	31 December 2006
Cash in hand	274,892	254,381
Nostros and sight accounts with other banks	57,779	50,562
Balances with Central Bank	1,248,426	679,272
Cheques clearing system - Central Bank	483,885	373,430
Included in cash and cash equivalents less than 90 days (note 40)	**2,064,982**	**1,357,645**
Mandatory reserves with Central Bank	1,200	3,902
	2,066,182	**1,361,547**

Mandatory reserves with the Central Bank are not available for everyday use by Piraeus Bank. The interest rates for nostros and sight accounts are floating.

Amounts in thousand euros (Unless otherwise stated)

18 Loans and advances to credit institutions

	31 December 2007	31 December 2006
Placements with banks	2,940,047	2,902,271
Included in cash and cash equivalents less than 90 days (note 40)	**2,940,047**	**2,902,271**
Placements with banks (above 90 days)	561,201	36,652
Reverse repurchase agreements	794,945	-
	4,296,193	**2,938,923**
Current loans and advances to credit institutions	4,222,400	2,927,305
Non current loans and advances to credit institutions	73,793	11,618
	4,296,193	**2,938,923**

The interest rates for the total of loans and advances to credit institutions are floating.

19 Derivative financial instruments

Derivative financial instruments held by the Bank include Currency Forwards, Interest Rate Futures, Interest rate or/and Currency Swaps, Call / Put Options on interest and/or currency, which are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured on a daily basis at their fair value. Fair values are obtained from quoted markets prices in active markets and option pricing models as appropriate. Derivative financial instruments with positive fair values are recognised as assets and derivative financial instruments with negative fair values are recognised as liabilities.

Swaps are contractual agreements between two parties (over the counter) to exchange cash flows due to movements in interest rates, foreign exchange, equity indices, commodity prices (e.g. fuel prices) and in the case of credit default swaps to make payments with respect to defined credit events based on notional amounts.

Forwards are contractual agreements between two parties (Over the Counter) to purchase a currency against another or to exchange interest rate cash flows at a specified price and date in the future.

Futures are contractual obligations to receive or pay a net amount based on changes in the price/ rate of the underlying financial instrument. Futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash margin requirements.

Options are contractual agreements that convey the right but not the obligation for the purchaser to buy or sell a specified amount of a financial instrument or a currency, at a fixed price or rate, at a future date. Options can be either exchange traded or over the counter (OTC).

The notional amounts of derivative financial instruments do not necessarily indicate the amounts of future cash flows involved or the current fair value of the underlying instruments and therefore do not indicate the Group's exposure to credit, market or liquidity risk. The notional amount is the amount of the derivative's underlying instrument and is the basis for the measurement of derivative fair values. Fair value changes are determined by fluctuations in the price or the rate of the underlying instrument and reflect the amount to be paid (liability) or received (asset). The notional amounts and fair values of derivative instruments held as at year end are set out below.

At 31 December 2007		**Fair values**	
	Contract/Notional Amount	**Assets**	**Liabilities**
Derivatives held for trading			
Futures	86,700	-	-
Asset swaps	490,915	6,528	13,069
Interest rate swaps	10,454,326	58,969	55,674
Currency swaps	6,316,240	-	-
FX forwards	405,971	-	1,469
Forward rate agreements	475,511	366	-
Other derivative instruments	3,118,784	170	(36)
		66,034	**70,176**
Embedded equity derivatives			
Customer deposits/ loans linked to options	188,873	9,731	9,346
Derivatives held for fair value hedging			
Interest rate swaps	156,034	560	4,087
Total recognised derivative assets / liabilities		**76,325**	**83,609**

Amounts in thousand euros (Unless otherwise stated)

At 31 December 2006	**Contract/Notional Amount**	**Fair values**	
		Assets	**Liabilities**
Derivatives held for trading			
Futures	23,200	-	-
Asset swaps	100,915	-	8,796
Interest rate swaps	8,583,769	42,250	42,176
FX forwards	136,889	919	-
Forward rate agreements	6,000,000	1,104	-
Other derivative instruments	118,983	343	1,001
		44,616	**51,973**
Embedded equity derivatives			
Customer deposits/ loans linked to options	273,644	8,085	7,936
Derivatives held for fair value hedging			
Interest rate swaps	129,122	277	1,160
Total recognised derivative assets / liabilities		**52,978**	**61,069**

Piraeus Bank undertakes most of its transactions in foreign exchange and interest rate contracts with other financial institutions. Specifically for interest rate swaps, approximately 92% of its transactions are with financial institutions (notional amount). These transactions are taken with a diversified portfolio of counterparties. The top three counterparties account for 77% of the total outstanding notional amount of interest rate swaps. The remaining 23% is executed through a number of counterparties. The ratio of the fair value of all derivatives (assets) to loans and advances to credit institutions is 1.53%.

20 Financial assets at fair value through Profit or Loss

Trading securities	**31 December 2007**	**31 December 2006**
Greek Government bonds	349,523	-
Corporate entities bonds	-	5,285
Included in cash and cash equivalents less than 90 days (note 40)	**349,523**	**5,285**
Greek Government bonds	3,639,911	1,749,419
Greek Government treasury bills	14,915	29,749
Foreign Government bonds	10,198	13,972
Corporate entities bonds	280,073	28,870
	3,945,097	**1,822,010**
Athens stock exchange listed shares	103,053	69,156
Mutual Funds	6,218	0
Total trading securities	**4,403,891**	**1,896,451**
Other financial assets at fair value through profit or loss	**508,137**	**56,449**

From the above mentioned bonds of trading securities as at 31/12/2007, amount of € 2,124 million relates to fixed income securities, amount of € 1,787 million relates to floating rate securities and finally amount of € 384 million relates to zero-coupons. The respective amounts as at 31/12/2006 are € 1,680 million, € 184 million and € 20 million (zero-coupon).

Other financial assets at fair value through profit or loss include asset swap bonds. The interest rates for other financial assets at fair value through profit or loss are fixed and include accrued interest of amount € 12 million.

Securities pledged to third parties are € 3,057 million (2006: € 188 million).

21 Loans and advances to customers

	31 December 2007	**31 December 2006**
Loans to individuals		
Mortgages	5,316,653	4,214,628
Consumer/ personal loans	2,386,274	1,907,758
Credit cards	575,786	405,831
	8,278,713	**6,528,217**
Loans to corporate entities	**18,801,404**	**12,513,409**
Total loans and advances to customers	**27,080,117**	**19,041,626**
Less: Allowance for losses (impairment) on loans and advances to customers	(317,158)	(312,890)
Total loans and advances to customers (after allowance for losses)	**26,762,959**	**18,728,736**
Current loans and advances to customers	11,497,972	8,082,111
Non current loans and advances to customers	15,264,987	10,646,625
	26,762,959	**18,728,736**

Amounts in thousand euros (Unless otherwise stated)

Fixed rate loans amount to € 2,799 million (2006: € 1,652 million) and floating rate loans amount to € 24,281 million (2006: € 17,390 million).

Movement in allowance (impairment) for losses on loans and advances to customers:

a) Loans to individuals

	Mortgages	Consumer/ personal loans	Credit cards	Total
Balance at 1 January 2006	**15,207**	**68,549**	**33,245**	**117,001**
Less: opening balance of branch network in Bulgaria	-	(448)	-	(448)
Charge for the year	2,404	11,075	5,256	18,735
Loans written-off	(9,020)	(3,969)	(25,686)	(38,675)
Balance at 31 December 2006	**8,591**	**75,207**	**12,815**	**96,613**
Balance at 1 January 2007	**8,591**	**75,207**	**12,815**	**96,613**
Charge for the year	1,868	21,984	11,378	35,230
Loans written-off	-	(20,707)	(406)	(21,113)
Balance at 31 December 2007	**10,459**	**76,484**	**23,787**	**110,730**

b) Loans to corporate entities

Balance at 1 January 2006	**244,467**
Less: opening balance of branch network in Bulgaria	(548)
Charge for the year	40,896
Loans written-off	(68,016)
Foreign exchange differences	(522)
Balance at 31 December 2006	**216,277**
Balance at 1 January 2007	**216,277**
Charge for the year	28,866
Loans written-off	(38,085)
Foreign exchange differences	(630)
Balance at 31 December 2007	**206,428**

Piraeus Bank branch network in Bulgaria was absorbed on 24/3/2006 by Piraeus Bank's subsidiary, Piraeus Bank Bulgaria A.D.

The charge for the year 2007 (€ 67,097 thousand) in the income statement includes amount of € 3,000 thousand which relates to impairment of other assets.

Reversals of loan impairment for the year 2007 amount to € 76,755 th. (2006: € 57,892 th.).

22 Investment securities

	31 December 2007	31 December 2006
Available for sale securities		
Bonds and other fixed income securities		
Greek Government bonds	816,532	355,826
Corporate entities bonds	137,711	121,976
Bank bonds	50,329	37,295
	1,004,573	**515,097**
Shares and other variable income securities		
Listed shares	150,718	472,457
Unlisted shares	119,141	124,159
	269,858	**596,616**
Total available for sale securities	**1,274,431**	**1,111,713**

As at 31/12/2007, amount of € 168 million elates to investment portfolio bonds with fixed rates and amount of € 837 million relates to floating rate bonds. The respective amounts for 31/12/2006 are € 139 million (fixed) and € 376 million (FRN).

Note 11 is related to the sale of Bank of Cyprus and ING GROEP N.V. shares.

The movement for the available for sale portfolio is as follows:

Opening balance (1/1/2007 and 1/1/2006 respectively)	**1,111,713**	**415,790**
Additions	937,523	863,649
Transfers from associates (note 23)	7,255	-
Transfers from subsidiaries (note 23)	-	4,915
Disposals	(783,254)	(364,626)
Transfers to associates (note 23)	(14,358)	-
Transformation of other assets into securities	11,227	-
Recognition of loans according to IAS 39	(25,000)	-
Changes in fair value (note 38)	33,465	197,325
Impairment charge (note 11)	(553)	-
Foreign exchange differences	(3,587)	(5,340)
Closing balance (31/12/2007 and 31/12/2006 respectively)	**1,274,431**	**1,111,713**

Amounts in thousand euros (Unless otherwise stated)

23 Investments in subsidiaries and associates

The investments of Piraeus Bank in subsidiaries and associates are:

	Company	Activity	% holding	Country
	A. Subsidiaries			
1	MARATHON BANKING CORPORATION	Banking Activities	86.64%	USA
2	TIRANA BANK I.B.C.	Banking Activities	90.72%	Albania
3	PIRAEUS BANK ROMANIA S.A.	Banking Activities	100.00%	Romania
4	PIRAEUS BANK BEOGRAD A.D.	Banking Activities	100.00%	Serbia
5	PIRAEUS BANK BULGARIA A.D.	Banking Activities	99.98%	Bulgaria
6	PIRAEUS BANK EGYPT S.A.E.	Banking Activities	95.36%	Egypt
7	INTERNATIONAL COMMERCE BANK JSC	Banking Activities	99.95%	Ukraine
8	PIRAEUS ASSET MANAGEMENT EUROPE S.A.	Mutual Funds Management	99.94%	Luxemburg
9	PIRAEUS LEASING S.A.	Finance Leasing	87.55%	Greece
10	PIRAEUS LEASING ROMANIA S.R.L.	Finance Leasing	99.80%	Romania
11	PIRAEUS INSURANCE AND REINSURANCE BROKERAGE S.A.	Insurance and Reinsurance Brokerage	100.00%	Greece
12	TIRANA LEASING S.A.	Finance Leasing	100.00%	Albania
13	PIRAEUS SECURITIES S.A.	Stock Exchange Operations	100.00%	Greece
14	PIRAEUS CARDS S.A.	Financial services and consultancy	59.16%	Greece
15	PIRAEUS GROUP CAPITAL LTD	Debt Securities Issue	100.00%	United Kingdom
16	PIRAEUS LEASING BULGARIA S.A.	Finance Leasing	100.00%	Bulgaria
17	PIRAEUS GROUP FINANCE P.L.C.	Debt Securities Issue	100.00%	United Kingdom
18	MULTI COLLECTION S.A.	Assessment and collection of commercial debts	51.00%	Greece
19	PIRAEUS FACTORING S.A.	Corporate factoring	100.00%	Greece
20	PIRAEUS MULTIFIN S.A.	Financing for motor vehicles	100.00%	Greece
21	ETBA FINANCE S.A.	Special liquidations	100.00%	Greece
22	PICAR S.A.	City Link Areas Management	100.00%	Greece
23	PIRAEUS REAL ESTATE INVESTMENT PROPERTY S.A.	Real estate investment property	38.69%	Greece
24	BULFINA S.A.	Property Management	100.00%	Bulgaria
25	PIRAEUS ATFS S.A.	Accounting and tax consulting	100.00%	Greece
26	GENERAL CONSTRUCTION AND DEVELOPMENT CO.SA	Property development / holding company	66.67%	Greece
27	PIRAEUS DIRECT SERVICES S.A.	Call center services	100.00%	Greece
28	KOMOTINI REAL ESTATE DEVELOPMENT S.A.	Property Management	100.00%	Greece
29	PIRAEUS REAL ESTATE S.A.	Construction company	100.00%	Greece
30	ND DEVELOPMENT S.A.	Property Management	100.00%	Greece
31	PROPERTY HORIZON S.A.	Property Management	100.00%	Greece
32	ETBA INDUSTRIAL ESTATES S.A.	Development / Management of Industrial Areas	65.00%	Greece
33	PIRAEUS PROPERTY S.A.	Property Management	100.00%	Greece
34	PIRAEUS DEVELOPMENT S.A.	Property Management	100.00%	Greece
35	PIRAEUS ASSET MANAGEMENT S.A.	Mutual Funds Management	100.00%	Greece
36	PIRAEUS DEVELOPER S.A.	Property Management	100.00%	Greece
37	EUROINVESTMENT & FINANCE PUBLIC LTD	Banking, Asset Management, real estate operations	90.67%	Cyprus
38	LAKKOS MIKELLI REAL ESTATE LTD	Property Management	40.00%	Cyprus
39	PHILOKTIMATIKI PUBLIC LTD	Land and property development	6.39%	Cyprus
40	CAPITAL INVESTMENTS & FINANCE S.A.	Investment company	100.00%	Liberia
41	MAPLES INVEST & HOLDING S.A.	Investment company	100.00%	British Virgin Islands
42	MARGETSON INVEST & FINANCE S.A.	Investment company	100.00%	British Virgin Islands
43	VITRIA INVESTMENTS S.A.	Investment company	100.00%	Panama
44	ESTIA MORTAGE FINANCE PLC	Special purpose entity for securitisation of mortage loans	-	United Kingdom
45	SSIE PIRAEUS SECURITIES ROMANIA S.A. (former EUROPEAN SECURITIES S.A.)	Stock Exchange Operations	79.46%	Romania
46	EXODUS S.A.	Information technology & software	50.10%	Greece
47	PIRAEUS INSURANCE-REINSURANCE BROKER ROMANIA S.R.L.	Insurance and Reinsurance Brokerage	95.00%	Romania
48	TRIERIS REAL ESTATE MANAGEMENT LTD	Management of Trieris Real Estate Ltd	100.00%	British Virgin Islands
49	PIRAEUS GREEN INVESTMENTS S.A. (former NEW FLEXIBLE S.A.)	Holding Company	100.00%	Greece
50	NEW EVOLUTION S.A.	Investment company	100.00%	Greece
51	PHENILLION ENTERPRISERS LTD	Banking Activities	100.00%	Cyprus
52	OLYMPIC COMMERCIAL & TOURIST ENTERPRISES S.A.	Operating Leasing	94.00%	Greece
53	PIRAEUS RENT DOO BEOGRAD	Operating Leasing	100.00%	Serbia
54	PIRAEUS LEASING DOO BEOGRAD	Financial Leasing	100.00%	Serbia
55	ESTIA MORTGAGE FINANCE II PLC	Special purpose entity for securitisation of mortage loans	-	United Kingdom

Amounts in thousand euros (Unless otherwise stated)

	B. Associates	Activity	% holding	Country
1	CRETE SCIENTIFIC AND TECHNOLOGICAL PARK MANAGEMENT & DEVELOPMENT COMPANY S.A.	Scientific and technology park management	30.45%	Greece
2	ETANAL S.A.	Management of Fish Trading Center	25.00%	Greece
3	STALKO S.A.	Electrical equipment production	25.00%	Greece
4	'EVROS" DEVELOPMENT COMPANY S.A.	European community programs management	30.00%	Greece
5	PROJECT ON LINE S.A.	Information technology & software	40.00%	Greece
6	APE COMMERCIAL PROPERTY REAL ESTATE TOURIST AND DEVELOPMENT S.A	Real estate, development/ tourist services	27.80%	Greece
7	APE FIXED ASSETS REAL ESTATE TOURIST AND DEVELOPMENT S.A.	Real estate, development/ tourist services	27.80%	Greece
8	TRIERIS REAL ESTATE LTD	Property Management	22.80%	British Virgin Islands
9	EUROPEAN RELIANCE GEN. INSURANCE CO. S.A.	General and life insurance and reinsurance	30.00%	Greece
10	HELLENIC STEEL COMPANY S.A.	Manufacturing and trading of steel products	30.83%	Greece
11	APE INVESTMENT PROPERTY S.A.	Real estate, development/ tourist services	27.20%	Greece
12	SCIENS INTERNAT. INVESTM. & HOLD S.A.	Holding Company	29.80%	Greece

The movement for investments in subsidiaries is analysed as follows:

	31 December 2007	31 December 2006
Opening Balance	1,027,930	959,450
Additions	98,121	14,762
Participation in share capital increases of subsidiaries	569,498	62,354
Absorptions	-	5,444
Transfers to available for sale portfolio (note 22)	-	(4,915)
Disposals	(1,939)	(11)
Impairment charge	(553)	(7,098)
Foreign exchange differences	1,863	(2,056)
Closing balance	**1,694,920**	**1,027,930**

The movement for investments in associates is analysed as follows:

	31 December 2007	31 December 2006
Opening Balance	13,976	46,426
Additions	73,758	4,150
Addition of associate company due to absorption of subsidiary	-	726
Transfers from the available for sale portfolio (note 22)	14,358	-
Disposals	(2,761)	(7,888)
Recognition of loans according to IAS 39	(6,300)	-
Transfers to trading portfolio due to loss of significant influence	-	(29,438)
Transfers to available for sale portfolio (note 22)	(7,255)	-
Transfers from trading portfolio due to gain of significant influence	19,235	-
Closing balance	**105,011**	**13,976**

24 Intangible assets

2006	**Software**	**Other intangible**	**Total**
Cost			
At 1 January 2006	48,540	2,047	50,587
Less: Opening balance of Piraeus Bank branch network in Bulgaria	(1,011)	(433)	(1,444)
Additions	11,183	14	11,197
Write - offs	(9)	-	(9)
At 31 December 2006	**58,703**	**1,628**	**60,331**
Accumulated depreciation at 1st January 2006			
Opening balance	(38,880)	(1,533)	(40,413)
Opening balance of Piraeus Bank branch network in Bulgaria	755	72	827
Charge for the year	(6,198)	(56)	(6,254)
Write - offs	7	-	7
Accumulated depreciation at 31 December 2006	**(44,316)**	**(1,517)**	**(45,833)**
Net book value at 31 December 2006	**14,387**	**111**	**14,498**

Amounts in thousand euros (Unless otherwise stated)

2007	Software	Other intangible	Total
Cost			
At 1 January 2007	58,703	1,628	60,331
Additions	14,571	15	14,586
Write - offs	(6)	-	(6)
At 31 December 2007	**73,268**	**1,643**	**74,911**

Accumulated depreciation at 1st January 2007	Software	Other intangible	Total
Opening balance	(44,316)	(1,517)	(45,833)
Charge for the year	(7,825)	(59)	(7,884)
Write - offs	6	-	6
Accumulated depreciation at 31 December 2007	**(52,135)**	**(1,576)**	**(53,711)**
Net book value at 31 December 2007	**21,133**	**67**	**21,200**

25 Property, plant and equipment

2006	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
Cost						
As at 1 January 2006	61,251	146,734	14,674	6,784	101,578	331,021
Opening balance of Piraeus Bank branch network in Bulgaria	-	(2,404)	(535)	(475)	(1,651)	(5,065)
Additions	11,871	19,978	19,759	159	21,672	73,439
Transfers	13,133	1,738	(20,830)	-	7,303	1,344
Disposals	(8,386)	(1,658)	-	(152)	(209)	(10,405)
Write - offs	-	-	-	(31)	(3,869)	(3,900)
As at 31 December 2006	**77,869**	**164,388**	**13,068**	**6,285**	**124,824**	**386,434**
Accumulated depreciation as at 1st January 2006						
Opening balance	(2,663)	(111,412)	0	(5,675)	(47,718)	(167,468)
Opening balance of Piraeus Bank branch network in Bulgaria	-	994	-	147	649	1,790
Charge for the year	(1,822)	(14,213)	-	(354)	(7,816)	(24,205)
Transfers	299	-	-	-	-	299
Disposals	439	1,658	-	153	91	2,341
Write - offs	-	-	-	31	1,984	2,015
Accumulated depreciation as at 31 December 2006	**(3,747)**	**(122,973)**	**0**	**(5,698)**	**(52,810)**	**(185,228)**
Net book value as at 31 December 2006	**74,122**	**41,415**	**13,068**	**587**	**72,014**	**201,206**

2007	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
Cost						
As at 1 January 2007	77,869	164,388	13,068	6,285	124,824	386,434
Additions	2,354	24,820	36,819	210	22,987	87,190
Transfers	350	882	(10,327)	-	8,540	(555)
Disposals	(5,528)	(90)	-	(64)	-	(5,682)
Write - offs/ impairment	-	-	(3,000)	(2)	(504)	(3,506)
As at 31 December 2007	**75,045**	**190,000**	**36,560**	**6,429**	**155,847**	**463,881**
Accumulated depreciation as at 1st January 2007						
Opening balance	(3,747)	(122,973)	0	(5,698)	(52,810)	(185,228)
Charge for the year	(1,836)	(15,560)	-	(204)	(9,039)	(26,639)
Transfers	10	38	-	14	-	62
Disposals	467	87	-	61	-	615
Write - offs	-	-	-	-	306	306
Accumulated depreciation as at 31 December 2007	**(5,106)**	**(138,408)**	**0**	**(5,827)**	**(61,543)**	**(210,884)**
Net book value as at 31 December 2007	**69,939**	**51,592**	**36,560**	**602**	**94,304**	**252,997**

Amounts in thousand euros (Unless otherwise stated)

26 Investment property

	31 December 2007	31 December 2006
Opening balance	17,384	29,362
Additions	27,027	8,539
Revaluation	14,925	3,004
Transfers	(9,295)	(19,238)
Disposals	(10,479)	(4,283)
As at 31 December	**39,562**	**17,384**

Line "Additions" includes the valuations of investment property at fair value, from which amount of € 95.6 million is attributable to the shareholders of the Bank. Taking into account the interest expense from finance leases of Citylink of € 20.2 million, the above amount is € 75.4 million.

Investment property rental income for the year 2007 is € 1,294 thousand (2006: € 1,301 thousand).

Out of the total transfers during the year 2007, amount € 9,850 thousand (2006: € 17,329 thousand) was transferred from "Investment property" to "Inventories property" and relates to property that does not meet any more the IFRS investment property requirements due to change in its use.

Investment property is presented at fair value, as this is estimated by a certified independent valuer (Lambert Smith Hampton) on an annual basis. Fair value is determined by the market prices or if market prices are not available, valuation models are used.

27 Other assets

	31 December 2007	31 December 2006
Inventory property	51,734	45,733
Prepaid expenses and accrued income	225,527	151,780
Prepaid taxes & taxes withheld	72,137	36,820
Claims from tax authorities and the Greek State	26,186	51,426
Dividends receivable	2,552	-
Credit cards	69,236	54,422
Shares transactions	6,687	6,405
Receivables from subsidiaries	33,605	7,680
Receivables from third parties	49,687	25,912
Other items	191,118	59,627
	728,468	**439,805**
Current other assets	583,566	-
Non current other assets	144,902	439,805
	728,468	**439,805**

Other items mainly comprise of other accounts that relate to the ordinary activity of the Bank.

28 Due to Banks

	31 December 2007	31 December 2006
Due to the Central Bank	1,400,464	-
Deposits from other banks	5,667,850	4,057,737
Repurchase agreement - credit institutions	1,377,621	-
Other obligations to banks	2,258,909	651,805
	10,704,842	**4,709,542**
Current due to banks	10,202,910	4,206,709
Non current due to banks	501,932	502,833
	10,704,842	**4,709,542**

Balances due to banks bear floating rates.

Other obligations to Banks include the balance of the Schuldschein loan. The outstanding balance of the Schuildschein as at 31/12/2007 amounts to € 500 million against € 650 million as at 31/12/2006.

29 Due to customers

	31 December 2007	31 December 2006
Current and sight deposits	4,009,760	3,260,662
Savings account	3,347,160	3,440,952
Term deposits	10,599,282	7,630,739
Other accounts	203,726	168,167
Repurchase agreements	870,093	105,499
	19,030,022	**14,606,019**

Amounts in thousand euros (Unless otherwise stated)

	31 December 2007	31 December 2006
Current due to customers	18,990,363	14,551,744
Non current due to customers	39,659	54,275
	19,030,022	**14,606,019**

Due to customers include blocked deposits of € 56,382 million (2006: 37,017 million). Other accounts include cheques payable of € 110 million (2006: € 116 million).

Customer deposits (corporate and retail) with floating rates are € 17,079 million (2006: € 13,323 million) and with fixed rate are € 971 million (2006: € 1,062 million).

30 Debt securities in issue

		Average interest rate (%)			
	Currency	2007	2006	31 December 2007	31 December 2006
ETBA bonds	EUR	3.30%	2.87%	**793,972**	**791,606**
Euro Commercial Paper (short term securities)	EUR	4.20%	3.00%	2,559,822	1,558,883
	USD	5.40%	5.13%	206,206	227,783
	GBP	5.75%	4.75%	50,257	89,061
	CHF	2.64%	-	20,788	-
	JPY	1.00%	0.39%	68,418	10,193
				2,905,491	**1,885,920**

Euro Medium Term Note (medium/longterm securities)	**Interest rate (%)**	**31 December 2007**	**31 December 2006**
€ 18 m. floating rate notes due 2007	Euribor + 0.10	-	17,961
€ 350 m. floating rate notes due 2007	Euribor + 0.30	-	270,827
€ 32.5 m. floating rate notes due 2010	Variable	738	705
€ 21.65 m. floating rate notes due 2010	Variable	1,350	1,350
€ 18 m. floating rate notes due 2007	Euribor + 0.10	-	17,982
€ 2.45 m. floating rate notes due 2007	Variable	-	2,450
€ 500 m. floating rate notes due 2010	Euribor + 0.30	488,811	497,895
€ 2.15 m. floating rate notes due 2008	Variable	2,150	2,150
€ 3.43 m. floating rate notes due 2009	Variable	3,025	3,425
USD 15 m. floating rate notes due 2009	Libor + 0.10	8,458	8,928
USD 20 m. floating rate notes due 2009	Libor + 0.20	9,659	8,334
USD 15 m. floating rate notes due 2008	Libor + 0.05	8,937	10,092
€ 500 m. floating rate notes due 2009	Euribor + 0.20	491,928	491,639
€ 25 m. floating rate notes due 2008	Euribor + 0.15	24,995	24,995
€ 60 m. floating rate notes due 2015	Variable	59,965	60,000
€ 20 m. floating rate notes due 2008	Euribor + 0.10	12,892	19,069
€ 10 m. floating rate notes due 2013	Euribor + 0.30	9,987	9,987
€ 500 m. floating rate notes due 2011	Euribor + 0.25	454,877	484,549
€ 10 m. floating rate notes due 2013	Euribor + 0.15	-	10,000
€ 20 m. floating rate notes due 2008	Euribor + 0.05	11,024	13,115
€ 5.05 m. floating rate notes due 2011	Variable	5,050	5,050
€ 50 m. floating rate notes due 2010	Euribor + 0.225	50,000	-
€ 750 m. floating rate notes due 2010	Euribor + 0.20	711,389	-
€ 53 m. floating rate notes due 2008	Euribor + 0.08	53,000	-
€ 60 m. floating rate notes due 2008	Euribor + 0.05	60,000	-
€ 20 m. floating rate notes due 2012	Euribor + 0.20	19,964	-
€ 30 m. floating rate notes due 2008	Euribor + 0.05	29,979	-
€ 20 m. floating rate notes due 2008	Euribor + 0.05	19,982	-
€ 20 m. floating rate notes due 2008	Euribor + 0.05	19,982	-
€ 20 m. floating rate notes due 2008	Euribor + 0.05	19,982	-
€ 10 m. fixed rate notes due 2009	Fixed	10,000	-
€ 10 m. fixed rate notes due 2009	Fixed	10,000	-
Accrued interest and other expenses		10,947	7,402
		2,609,071	**1,967,905**
Securitisation of mortgage loans			
€ 750 m. floating rate notes due 2040	Euribor + 0,18	423,146	575,934
€ 1,250 m. floating rate notes due 2054	Euribor + 0,18	976,252	-
		1,399,398	**575,934**
Total debt securities in issue		**7,707,932**	**5,221,365**
Current debt securities in issue		3,529,560	2,493,942
Non current debt securities in issue		4,178,372	2,727,423
		7,707,932	**5,221,365**

Amounts in thousand euros (Unless otherwise stated)

Issues under Euro Commercial Paper and Euro Medium Term Note programs are undertaken through the subsidiary Piraeus Group Finance PLC.

The Euro Commercial Paper (ECP) short term securities in issue, during the year 2007, amounted to € 2.5 billion with minor increases in the level of average maturity and in the interest rate spread.

Securities issuance activity through the Euro Medium Term Note Program (EMTN), from the beginning of 2007, included investors through private placements.

The issue of the new 3 year senior bond of € 750 million was concluded in March 2007. The bond was issued under Piraeus Bank's Euro Medium Term Note (EMTN) programme. The new 3 year bond is a floating rate note (FRN) with a coupon of 3 month Euribor plus 20 basis points.

In 2005, the issue of bonds for the Residential Mortgage Backed Securitisation (RMBS) of € 750 million was undertaken through UK based Estia Mortgage Finance PLC. The bonds are callable by the issuer after 9 years and have an average cost of 3 month Euribor plus 18 basis points.

The new issue of bonds by securitization of part of Piraeus Bank residential mortgage portfolio was concluded in July 2007. The issuer of the bonds is Estia Mortgage Finance II PLC, a special purpose entity established in the United Kingdom. The bonds (€ 1.25 billion) are callable by the issuer after 7 years and have an average cost of 3 month Euribor plus 18 basis points.

31 Hybrid capital and other borrowed funds

Hybrid Capital (TIER I)	**Interest rate (%)**	**31 December 2007**	**31 December 2006**
€ 200 m. floating rate notes	Euribor + 1.25	191,632	199,958
Accrued interest and other expenses		1,774	1,205
		193,406	**201,163**
Subordinated debt (TIER II)			
€ 400 m. floating rate notes due 2014	Euribor + 0.60	393,159	398,149
€ 400 m. floating rate notes due 2016	Euribor + 0.55	395,651	399,080
Accrued interest and other expenses		2,925	2,492
		791,735	**799,721**
Total hybrid capital and other borrowed funds		**985,141**	**1,000,884**
Current hybrid capital and other borrowed funds		-	-
Non current hybrid capital and other borrowed funds		985,141	1,000,884
		985,141	**1,000,884**

Hybrid capital (TIER I) has beed issued by Piraeus Group Capital LTD on 27/10/2004. Tier I has a call option within 10 years. The nominal coupon is 3 month Euribor increased by 125 basis points.

Subordinated debt (TIER II) has been issued by Piraeus Group Finance PLC. Initially, on 29/9/2004, an amount of € 400 million was issued, with a 10 year maturity, which is callable by the issuer after 5 years and bears a 3 month Euribor nominal coupon increased by 60 basis points. Subsequently, on 20/7/2006, an amount of € 400 million was issued, with a 10 year maturity, which is callable after 5 years and bears a 3 month Euribor nominal coupon increased by 55 basis points.

Accrued interest on hybrid capital and other borrowed funds is included in the respective amounts of hybrid capital and other borrowed funds. The Bank has not any defaults of principal, interest or redemption amounts of hybrid capital and other borrowed funds during the period.

32 Other liabilities

	31 December 2007	**31 December 2006**
Prepaid income and accrued expenses	243,582	139,893
Witheld tax and contributions	30,004	25,837
Transactions with Interbank Systems (DIAS)	210,852	189,493
Creditors	53,998	49,822
Other liability accounts	54,296	69,094
	592,732	**474,139**
Current other liabilities	592,732	-
Non current other liabilities	-	474,139
	592,732	**474,139**

Other liability accounts include credit balances that result from the daily transactions of the Bank.

As at 31/12/2007 and 31/12/2006, there are no obligations arising from finance leasing.

Amounts in thousand euros (Unless otherwise stated)

33 Other provisions

	31 December 2007	31 December 2006
Opening balance	16,481	24,087
P&L charge for the year	-	1,922
Utilization of provisions	-	(9,528)
Transfers of provisions for tax differences to current income tax liabilities	(6,121)	-
Closing balance	**10,360**	**16,481**

34 Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using the effective for Piraeus Bank nominal tax rate. For the year 2007, deferred income taxes were calculated using the effective for Piraeus Bank nominal tax rate of 2007 (25%).

Deferred income tax assets and liabilites are attributable to the following items:

Deferred tax liabilities	**31 December 2007**	**31 December 2006**
Adjustment for depreciation of property, plant and equipment	2,367	1,750
Derivative financial instruments valuation	15,115	3,928
Impairment of loans	1,781	-
Securities valuation	29,126	34,699
Recognition of commision according to effective interest rate calculation	1,481	953
Valuation of investment property	4,207	1,017
Intangible assets	6,540	-
Other deferred tax liabilities	590	-
	61,207	**42,347**

Deferred tax assets	**31 December 2007**	**31 December 2006**
Pensions and other post retirement benefits	34,648	38,173
Intangible assets derecognition	1,045	1,376
Derivative financial instruments valuation	17,186	4,814
Securities valuation	48,256	10,639
Impairment of securities portfolio	-	13,620
Recognition of commision according to effective interest rate calculation	10,449	9,300
Other deferred tax assets	1,449	2,091
	113,033	**80,013**
Net deferred tax asset	**51,826**	**37,666**

The movement of the net deferred tax asset is as follows:

	2007	**2006**
Net deferred tax asset as at 1 January	**37,666**	**83,349**
Effect of deferred tax in profit or loss	(15,384)	(30,586)
Sale/ valuation of the available for sale portfolio securities	29,544	(15,097)
Net deferred tax asset as at 31 December	**51,826**	**37,666**

The deferred tax charge in the Income Statement is analysed as follows:

Deferred tax (Income Statement)	**1/1-31/12/2007**	**1/1-31/12/2006**
Pensions and other post retirement benefits	(3,525)	(2,673)
Loan impairment	(1,781)	1,936
Recognition of commision according to effective interest rate calculation	621	(770)
Derivative financial instruments valuation	1,184	(1,098)
Adjustment of depreciation of property, plant and equipment	(617)	(437)
Valuation of investment property	(3,191)	(790)
Intangible assets	(6,871)	(2,142)
Impairment of securities	(13,619)	1,901
Deferred tax on the profit realized from the sale of ING GROEP N.V.	-	(32,452)
Securities valuation	13,645	393
Other deferred tax charges	(1,230)	5,546
	(15,384)	**(30,586)**

During the year 2007, deferred tax of amount € 29,544 thousand relating to sales and valuation of the available for sale securities did not affect the profit and loss for the year, but instead increased the available for sale reserve (note 38) according to the relevant IFRS regulations.

Amounts in thousand euros (Unless otherwise stated)

35 Retirement benefit obligations

The defined benefit obligation is calculated based on legal advisors opinions and independent actuaries using the 'projected unit credit method', according to which, the charge for pension plans to the Income Statement is allocated over the service lives of the related employees. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of high quality corporate bonds which have terms to maturity approximating the terms of the related liability.

An actuarial study has been carried out as at 31/12/2007. The estimation of the liability at this date is based on the results of this study and is as follows:

Amounts recognised in the balance sheet	31 December 2007	31 December 2006
Pension schemes-funded	68,615	70,226
Other post retirement benefits - not funded	92,391	76,634
	161,006	**146,860**
Provision for outstanding annual leaves	1,187	1,864
Total obligation	**162,193**	**148,724**

Income statement	1/1-31/12/2007	1/1-31/12/2006
Pension schemes-funded	(7,151)	(3,270)
Other post retirement benefits - not funded	(24,591)	(18,631)
	(31,742)	**(21,901)**

A) Pension schemes - funded

The amounts recognised in the balance sheet are determined as follows:

	31 December 2007	31 December 2006
Present value of funded obligations	88,095	91,441
Fair value of plan assets	(13,763)	(12,061)
	74,332	**79,380**
Unrecognised actuarial (losses)/ gains	(5,717)	(9,154)
Liability in the balance sheet	**68,615**	**70,226**

The Bank made use of the provisions of Law 3371/05 in order to transfer the insured and the retired of TEAPETE into the Special Auxiliary Pension Fund for the Salaried (ETEAM) and the Pension Fund for Bank Employees (ETAT). The total cost amounts to € 59.6 million (€ 9.7 million shall be paid to ETEAM and € 49.9 million shall be paid to ETAT). Such cost was specified on the basis of a special financial study stipulated by law, was ratified by the Parliament with Law 3455/2006, article 26, and was published in the Official Gazette 84, bulletin A (18/4/2006). This amount shall be paid in 10 equal instalments of € 7.1 million each. Out of these instalments, the 3 instalments of total amount € 21.3 million were paid during 2007. On April 1, 2006 the current value of these instalments amounted to € 58.6 million. On April 1, 2006, the accumulated provision of the Bank for TEAPETE benefits amounted to € 66.2 million. Due to the above estimation of the liability, the difference on the provision amount was recorded in the profit or loss for the year. Although TEAPETE is no longer among funded benefits, it is featured as part of funded benefits on 31/12/2007 and on 31/12/2006.

The amounts recognised in the income statement are as follows:

Pension schemes - Income statement	1/1-31/12/2007	1/1-31/12/2006
Current service cost	(3,696)	(4,091)
Interest cost	(3,784)	(4,533)
Expected return on plan assets	459	561
Net actuarial gains/ (losses) recognised in year	25	(38,009)
Additional gains/ (cost)	(155)	42,802
Total, included in staff costs	**(7,151)**	**(3,270)**

The movement in the defined benefit obligation for the year 2007 is analysed as follows:

	31 December 2007	31 December 2006
Beginning of year	**91,441**	**161,644**
Current service cost	3,696	4,091
Interest cost	3,784	4,532
Contributions by plan participants	1,366	1,932
Benefits paid from the fund	(1,543)	(1,693)
Benefits paid directly by the employer	(7,124)	(14,268)
Expenses	(49)	(43)
Additional (gains)/ cost	(1)	(67,579)
Net actuarial (gains)/ losses recognised in year	(3,475)	2,825
End of year	**88,095**	**91,441**

Amounts in thousand euros (Unless otherwise stated)

The movement in the fair value of plan assets of the years 2007 and 2006 is analysed as follows:

	2007	2006
Opening balance	**12,061**	**34,382**
Expected return on plan assets	459	561
Employer contributions	1,638	1,856
Employee contributions	1,366	1,932
Benefits paid	(1,543)	(1,693)
Expenses	(49)	(43)
Assets gains/ (losses)	(169)	(198)
Additional gains/ (cost)	-	(24,736)
End of year	**13,763**	**12,061**

The pension funds in which the Bank's personnel is insured in, apart from TAPILTAT which is of union nature, are public legal entities and are supervised by the Ministry of Employment and Social Security. The responsibility of managing their assets is on their Board of Directors and their structure is determined by Laws 2976/99, 2992/02 and 8849/78 (23% in real estate and shares, 77% in cash deposited to Bank of Greece, as well as Greek and foreign bank bonds).

The movement in the liability recognized in the balance sheet is analysed as follows:

	31 December 2007	31 December 2006
Opening balance	**70,226**	**83,080**
Movement for the year	7,151	3,270
Contributions paid by the employer	(1,638)	(1,856)
Benefits paid directly by the employer	(7,124)	(14,268)
Closing balance	**68,615**	**70,226**

B) Other post retirement benefits - not funded

The amounts recognised in the balance sheet are as follows:

	31 December 2007	31 December 2006
Present value of unfunded obligations	128,965	91,819
Unrecognised actuarial (losses)/ gains	(3,928)	(13,262)
Unrecognized past service cost	(32,646)	(1,923)
Liability in the balance sheet	**92,391**	**76,634**

In accordance with the resolution dated 12/4/2006 of the Annual General Meeting, the Bank decided that the amount of compensations to senior executives shall be determined on the basis of their vested pension rights.

The movement in the defined benefit obligation for the years 2007 and 2006 is analysed as follows:

	31 December 2007	31 December 2006
Beginning of year	**91,819**	**79,152**
Current service cost	8,902	4,413
Interest cost	4,475	2,816
Benefits paid by the employer	(8,834)	(3,755)
Additional (gains)/ cost	(634)	(3,720)
Past service cost	41,554	12,147
Actuarial (gains)/ losses recognised in year	(8,317)	766
End of year	**128,965**	**91,819**

The amounts recognised in the income statements of 2007 and 2006 are as follows:

Income statement	**1/1-31/12/2007**	**1/1-31/12/2006**
Current service cost	(8,902)	(4,413)
Interest cost	(4,475)	(2,816)
Net actuarial gains/ (losses) recognised in year	(765)	(3,935)
Past service cost recognized	(10,831)	(10,224)
Additional gains/ (cost)	382	2,757
Total included in staff costs	**(24,591)**	**(18,631)**

The movement in the liability recognised in the balance sheet is as follows:

Opening balance as at 1/1/2006	**61,758**
Movement for the year	18,631
Benefits paid by the employer	(3,755)
Closing balance as at 31/12/2006	**76,634**
Opening balance as at 1/1/2007	**76,634**
Movement for the year	24,591
Benefits paid by the employer	(8,834)
Closing balance as at 31/12/2007	**92,391**

Amounts in thousand euros (Unless otherwise stated)

The main actuarial assumptions used are as follows:

	31 December 2007	31 December 2006
Discount rate	5.50%	4.50%
Expected return on plan assets	4.50%	4.00%
Future increase of salaries	4.00%	4.00%
Future increase of pensions	2.50%	2.50%

36 Contingent liabilities and commitments

A) Legal procedures
For the legal proceedings outstanding against the Bank as at 31/12/2007, no provision has been made, as according to the opinion of the Bank's legal affairs division, no significant loss will arise.

B) Credit commitments
As at 31/12/2007 the Bank had the following capital commitments:

	31 December 2007	31 December 2006
Letters of guarantee	2,317,635	1,839,005
Letters of credit	171,176	116,457
Commitments to extent credit	12,365,397	8,311,270
	14,854,208	**10,266,732**

C) Assets pledged

	31 December 2007	31 December 2006
Trading securities	3,056,772	188,016

37 Share capital

	Ordinary shares	Share premium	Treasury shares	Total
At 1 January 2006	**1,024,932**	**330,643**	**(17,590)**	**1,337,985**
Capitalization of share premium	256,233	(259,200)	-	(2,967)
Issue of share capital from the exercise of share options of the 2nd and 3rd share option plans	7,665	16,703	-	24,368
Purchases of treasury shares	-	-	(353,368)	(353,368)
Sales of treasury shares	-	-	273,658	273,658
At 31 December 2006	**1,288,830**	**88,146**	**(97,300)**	**1,279,676**

	Ordinary shares	Share premium	Treasury shares	Total
At 1 January 2007	**1,288,830**	**88,146**	**(97,300)**	**1,279,676**
Issue of share capital by cash contribution	322,208	994,481	-	1,316,689
Share capital issue from the exercise of share options of the 2nd and 3rd share option plans	6,939	17,276	-	24,215
Purchases of treasury shares	-	-	(188,639)	(188,639)
Sales of treasury shares	-	-	24,417	24,417
Sale of pre-emption rights from treasury shares	-	-	10,662	10,662
At 31 December 2007	**1,617,977**	**1,099,903**	**(250,860)**	**2,467,020**

Changes to the number of Bank's shares are analysed to the table below:

	Number of shares		
	Issued shares	Treasury shares	Net number of shares
Opening balance at 1st January 2006	**214,870,434**	**(1,021,461)**	**213,848,973**
Issue of shares due to distribution of free shares	53,717,609	(1,158,257)	52,559,352
Issue of shares due to the exercise of share options	1,606,988	-	1,606,988
Purchases of treasury shares	-	(16,578,359)	(16,578,359)
Sales of treasury shares	-	14,000,000	14,000,000
Balance at 31st December 2006	**270,195,031**	**(4,758,077)**	**265,436,954**

	Number of shares		
	Issued shares	Treasury shares	Net number of shares
Opening balance at 1st January 2007	**270,195,031**	**(4,758,077)**	**265,436,954**
Issue of share capital	67,548,758	-	67,548,758
Issue of shares due to the exercise of share options	1,454,798	-	1,454,798
Purchases of treasury shares	-	(7,323,853)	(7,323,853)
Sales of treasury shares	-	1,000,000	1,000,000
Sale of pre-emption rights from treasury shares	-	-	-
Balance at 31st December 2007	**339,198,587**	**(11,081,930)**	**328,116,657**

Amounts in thousand euros (Unless otherwise stated)

The share capital is fully paid-in. During the Annual General Meeting of shareholders of the Bank at 3/4/2007 it was decided, according to the article 16 par. 5 -14 of codified Law 2190/1920, the purchase of treasury shares in order to support the Bank's share price at the stock exchange, up to a total number of 27,019,503 shares, which is 10% of the total number of the Bank's issued shares. The minimum and maximum purchase price for the shares is between € 5 and € 40, while the purchase must take place the latest by 3/4/2008. If these shares are not sold within the period of three years or not distributed to staff, they must be cancelled according to the special procedure provided by Law 2190 and the decisions made by the Athens Stock Exchange.

In the Board of Directors' meeting on 6/7/2007 it was decided to proceed to an increase in the Bank's share capital by € 322,207,575.66 issuing 67,548,758 new registered shares at a par value of € 4.77 each and exercise price € 20.00 per share. The share premium reserve increased by € 994,480,902.75 and redused by the expenses for the share capital increase.

In the Board of Directors' meeting on 10/12/2007 it was decided to proceed to an increase in the Bank's share capital by € 6,939,386.46 issuing 1,454,798 new registered voting shares at a par value of € 4.77. The above increase was paid in cash by the holders of the 2nd and 3rd stock option plans, who exercised their stock options, according to the relevant decisions of the General Meeting of Shareholders and the executing resolutions issued by the Board of Directors. The amount payable by the holders for the purchase of the shares amounts to € 19,777,680.08 in total, of which € 6,939,386.46 accounts for the share capital and the remaining € 12,705,197.58 accounts for the above par value after the deduction from the share premium reserve of the expenses for the share capital increase.

In addition, amount € 4,570,879.52 that relates to the cost of the exercised share options was transferred to the share premium from the reserve for share option plans, according to the IFRS regulations.

Following the above increase, the Bank's total share capital rises to € 1,617,977,259.99 divided into 339,198,587 registered voting shares, each at a par value of € 4.77.

Share option plans

2nd share option plan

The 2nd Iterative General Meeting of Piraeus Bank shareholders that took place on 16/5/2005 decided upon the initiation of a 4 year share option plan for the Board members and the executives and senior management of the Bank and its related (according to the article 42e of Law 2190/1920) companies. The above plan is in force and being already implemented since 2005 and expires in December of the year 2008. According to the above plan no more than 2,000,000 new ordinary shares of the Bank can be issued, which corresponds to less than 1% of the total number of Piraeus Bank shares at the time the decision was taken, according to the article 13 par. 9 of Law 2190/1920.

On the 30th of November of each year, 1/4 of the total number of granted share options vests, and each holder is able to exercise in total or in part the vested share options, beginning from December 2006, provided that the percentage increase of the share price of the Bank for the period January 1st - November 30th for each of the years of the stock option plan is not lower than the percentage increase of the Athens Stock Exchange Bank Index for the equivalent period. The excercise price is € 12.20 per share.

Share options obtained but not exercised in a previous year will be exercisable in a following year along with the share options vested at that time, until the expiry date of the plan in December 2008.

The 2nd Iterative General Meeting of the Bank's Shareholders, which was held on 15/5/2006, resolved the related adjustment of the above mentioned share option plan. Specifically, it was decided a) the total number of shares issued according to the above mentioned share option plan increased from 2,000,000 to 2,500,000 so that their percentage over the Bank's total shares remains stable following the adjustment of the percentage due to the resolved share capital increase by the same General Meeting and b) the corresponding adjustment of the exercise price for each share from € 12.20 to € 9.76.

The adjusted data of the above mentioned share option plan is presented below:

Exercise date	Exercise price	Fair value of options	Number of share options
30/11/2006	9.76	2.98	1,250,000
30/11/2007	9.76	2.88	625,000
30/11/2008	9.76	2.76	625,000
			2,500,000

The fair value of options granted, at each exercise date, has been determined using the Black-Scholes valuation model. The significant inputs into the model are: share price at the grant date (€ 15.98), exercise price (€ 9.76), dividend yield, discount interest rate and volatility of the share price (17.5%).

In December 2007, 709,958 share options of the 2nd share option scheme were exercised. The total amount paid by the holders of the share options for the exercise of the options was € 6,929,190.08.

3rd share option plan

Also, the same General Meeting (15/5/2006) resolved, in accordance with article 13, par. 9, Law 2190/1920, to establish a five-year share option plan for the Directors and executives of the Bank and its affiliated companies for maximum 4,028,820 new shares, corresponding to 1.5% of the Bank's total shares, after the share capital increase resolved by the same General Meeting, namely 0.3% for every year of the Plan and at an issue price of € 17.25. The above price resulted from the average share market price of the six-month period prior to the General Meeting, i.e. € 21.56, adjusted to the resolution of the same General Meeting to distribute the free shares.

This share option plan is already being implemented since 2006 and expires in December of the year 2010, parallel and independently from the plan resolved by the General Meeting of Piraeus Bank's shareholders on 16/5/2005. On the 30th of November of each year that the plan will be in force, 1/5 of the total number of granted share options will vest and each holder will be able to exercise the vested options. Share options obtained but not exercised in a previous year will be exercisable in a following year along with the share options vested at that time, until the expiry date of the plan in December 2010.

Amounts in thousand euros (Unless otherwise stated)

The adjusted data of the 3rd plan of distribution of shares is presented below:

Exercise date	Exercise price	Fair value of options	Number of share options
30/11/2006	17.25	3.33	805,764
30/11/2007	17.25	3.33	805,764
30/11/2008	17.25	3.33	805,764
30/11/2009	17.25	3.32	805,764
30/11/2010	17.25	3.24	805,764
			4,028,820

The fair value of options granted has been determined using the Black-Scholes valuation model. The significant inputs into the model are: share price at the grant date (€ 17.26), exercise price (€ 17.25), dividend yield (annual increase 20%), discount interest rate (3.63%) and volatility of the share price (25%).

In December 2007, 744,840 share options of the 3rd share option scheme were exercised. The total amount paid by the holders of the share options for the exercise of the options was € 12,848,490.00.

38 Other reserves and retained earnings

	31 December 2007	31 December 2006
Legal reserve	51,263	30,103
Available for sale reserve	14,145	111,029
Other reserves	5,800	3,133
Retained earnings	406,057	204,154
Total other reserves and retained earnings	**477,265**	**348,419**

Movements in reserves for the year were as follows:

Legal reserve	31 December 2007	31 December 2006
Opening balance	30,103	13,080
Transfer from retained earnings	21,160	17,004
Absorption of companies and other movements	-	19
Closing balance	**51,263**	**30,103**

Legal reserve of the Bank is formed in accordance with Law 2190/1920 and the Bank's articles of association.

Available for sale reserve	31 December 2007	31 December 2006
Opening balance	111,029	62,273
Gains/ (losses) from the valuation of AFS bonds (note 22)	(8,162)	(438)
Gains/ (losses) from the valuation of AFS shares (note 22)	41,627	197,763
Deferred income taxes (note 34)	29,544	(15,097)
Recycling of the accumulated valuation for AFS securities (note 11)	(161,805)	(133,971)
Foreign exchange differences and other adjustments	1,912	499
Closing balance	**14,145**	**111,029**

Retained earnings	31 December 2007	31 December 2006
Opening balance	204,154	45,128
Profit after tax for the year	423,191	340,084
Transfer to legal reserve	(21,160)	(17,004)
Dividend for prior year	(86,462)	(107,435)
Interim dividend	(117,598)	(85,948)
Profit/ (losses) from sales of treasury shares	2,973	29,118
Mergers - cancellation of treasury shares	-	211
Other movements	958	-
Closing balance	**406,057**	**204,154**

39 Dividend per share

The Board of Directors, after taking into account the regulations of article 16, par. 8b, Law 2190/ 1920 according to which the dividend corresponding to the treasury shares increases the dividend for the other shareholders, decided and will propose, at the General Meeting of Piraeus Bank that will be held on April 3, 2008, € 0.72 dividend per share for the year 2007 in comparison to € 0.64 for the year 2006 (that is € 0.51 per share adjusted for the outstanding number of shares of the Bank). Out of the total amount of dividend per share (€ 0.72), an interim dividend of € 0.36 per share was paid in December 2007 in accordance with the decision of the Board of Directors of 31/10/2007. The interim dividend (€ 0.36 per share) was recognised as a deduction in the Bank's equity during 2007.

Amounts in thousand euros (Unless otherwise stated)

40 Cash and cash equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise of the following balances with less than 90 days maturity from the date of their acquisition.

	31 December 2007	31 December 2006
Cash and balances with Central Banks (Note 17)	2,064,982	1,357,645
Loans and advances to credit institutions (Note 18)	2,940,047	2,902,271
Financial assets at fair value through profit or loss (Note 20)	349,523	5,285
	5,354,552	**4,265,201**

41 Related parties transactions

Related parties include a) Members of the Bank Board of Directors and key management personnel of the Bank b) close family and financially dependants (husbands, wives, children etc) of Board of Directors members and key management personnel c) companies having transactions with Piraeus Bank, when the total cumulative participating interest in them (of members of Board of Directors, key management personnel and their dependants / close family) exceeds 20%.

	Board of Directors members and key management personnel	
	31 December 2007	31 December 2006
Loans	173,664	82,536
Deposits	28,169	56,048

Letters of guarantee and letters of credit to the members of the board of directors and to the key management personnel as at 31/12/2007 are € 11 million (2006: € 9.5 million). Letters of guarantee to subsidiaries as at 31/12/2007 are € 93.9 million (2006: € 121.2 million). The total income and expense on loans and deposits to/ from members of the board of directors and the key management personnel for the year 2007 is € 5.8 million (2006: € 3.7 million) and € 0.9 million (2006: € 0.4 million) respectively.

Loans and letters of guarantee issued to related parties represent an insignificant part of total loans and letters of guarantee issued by the Bank, respectively. Loans and letters of guarantee have been issued to related parties in the normal course of business, within the approved credit policies and Bank procedures, adequately collateralized.

Director's remuneration

	31 December 2007	31 December 2006
Salaries and other remuneration	19,104	11,310
Termination benefits	4,354	-
	23,458	**11,310**

The total cost for the share options granted to members of the Board of Directors and key management personnel is € 3 million (2006: € 3.3 million) (note 13). The total amount of provisions raised for Board of Directors members and key management personnel is € 32.7 million as at 31/12/2007 (2006: € 31.5 million). This amount has been included in retirement benefit obligation (note 35).

Bank's balances from transactions to subsidiaries and associates and the relevant results are as follows:

I. Subsidiaries	31 December 2007	31 December 2006
Assets		
Cash and Balances with Central Bank	1,012	1,728
Loans and advances to credit institutions	1,903,584	489,982
Loans and advances to customers	2,357,742	1,758,666
Other assets	41,587	41,187
Total	**4,303,924**	**2,291,563**
Liabilities	**31 December 2007**	**31 December 2006**
Due to banks	313,772	144,713
Due to customers	312,668	195,651
Debt securities in issue	6,915,125	4,432,996
Other borrowed funds	990,548	1,002,412
Other liabilities	29,292	23,271
Total	**8,561,405**	**5,799,043**
Revenues	**31 December 2007**	**31 December 2006**
Interest and similar income	143,370	81,963
Fee and commission income	22,761	20,082
Other operating income	1,728	2,691
Total	**167,859**	**104,736**
Expenses	**31 December 2007**	**31 December 2006**
Interest expense and similar charges	(330,147)	(186,613)
Fee and commission expense	(24,974)	(17,593)
Administrative expenses	(44,633)	(43,523)
Total	**(399,754)**	**(247,729)**

Amounts in thousand euros (Unless otherwise stated)

II. Associates

	31 December 2007	**31 December 2006**
Deposits	41,947	21,624
Loans	301	4,252
Interest / expense	(1,075)	(205)
Interest / income	16	227

42 Post Balance Sheet events

On February 12, 2008 the international agency Standard & Poor's upgraded the credit rating outlook of Piraeus Bank to 'positive' from 'stable', affirming the Bank's BBB+ rating.

Athens, February 12th, 2008

CHAIRMAN OF THE BOARD OF DIRECTORS	VICE-CHAIRMAN OF THE BOARD OF DIRECTORS AND MANAGING DIRECTOR	DEPUTY GENERAL MANAGER
MICHALIS G. SALLAS	GEORGIOS A. PROVOPOULOS	CONSTANTINOS I. LIAPIS

Independent auditor's report

To the Shareholders of "Piraeus Bank S.A"

Report on the Financial Statements

We have audited the accompanying financial statements of "Piraeus Bank S.A." (the "Bank"), which comprise the balance sheet as of 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Greek Auditing Standards which are harmonized with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial reporting Standards, as endorsed by the European Union.

PRICEWATERHOUSECOOPERS

Athens, February 14th, 2008
The Certified Auditor Accountant

268 Kifissias Avenue
152 32 Chalandri
Soel Reg No 113

Vassilios Goutis
SOEL Reg No 10411

The auditor's report has been translated to the English language from the Greek Language original.