ANNUAL FINANCIAL REPORT

For the period from 1st January to 31st December 2012

According to the Law 3556/ 2007

March 2013

The information contained in this Annual Financial Report has been translated from the original Annual Financial Report that has been prepared in the Greek language. In the event that differences exist between this translation and the original Greek language Annual Financial Report, the Greek language Annual Financial Report will prevail over this document.

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BOARD OF DIRECTORS MANAGEMENT REPORT

International Environment and Developments in the Eurozone

During 2012, concerns about fiscal deficits in Europe heightened, while relevant issues were found at the center of economic and political developments in the United States. Fiscal consolidation in the Eurozone and the United States is expected to be the main factor to influence the course of the global economy, whereas the effort to restructure the Chinese economy through a turn to domestic demand and the targeted change of Japanese economic policy, constitute other important parameters. More specifically, for 2013 a slight deceleration is expected in the growth rate of US economy to 1.9% from 2.2% in 2012 (source: European Commission, Feb'13), due to the required fiscal measures about to be implemented in order to achieve the deficit reduction.

In the Eurozone, developments in 2012 have been marked by the increase of uncertainty, with the crisis in Greece and in other countries of the Eurozone periphery (Italy, Spain, Portugal and Cyprus) at the center of attention. In the Eurozone, a milder contraction of -0.3% is expected for 2013 from -0.6% in 2012 (source: European Commission, Feb'13), since fiscal consolidation will have a smaller impact on domestic demand.

However, the recent particularly negative developments in Cyprus indicate that the debt crisis in the Eurozone periphery is far from over and very careful handling is needed in order for a permanent and sustainable condition to emerge. On March 25, 2013, the Eurogroup agreed with the Cypriot authorities on the basic elements of a future programme for macroeconomic adjustment. The financial support for Cyprus from the EU and the IMF amounts to €10 bn. The programme also includes privatizations and structural reforms, while actions to reduce the size of the Cypriot banking sector up to 2018 are planned. More specifically, regarding the restructuring of the two largest banks in Cyprus, Cyprus Popular Bank will be put under liquidation framework with full participation of shareholders, bondholders and uninsured depositors, according to the provisions of the relevant decision by the Central Bank of Cyprus. Cyprus Popular Bank will be split into a "good" and a "bad" bank, with the former being absorbed by Bank of Cyprus, whereas the ECB is committed to provide the necessary liquidity. The recapitalization procedure involves the participation of uninsured deposits, shareholders and bondholders. All insured deposits in Cypriot banks up to €100,000 will be protected, as provided by the respective European legislation.

Developments in the Greek Economy and the Greek Banking System

The year 2012 was characterized by intense political, social interactions and most importantly by the economic developments in Greece. The Greek economy remained in deep recession. The annual GDP in 2012 contracted for the fifth consecutive year, this time by 6.4%, with a major decline of 8.2% in final consumption (domestic demand: -9.7%), while the average unemployment rate reached 24% for the year (source: Hellenic Statistical Authority). Inflation decelerated in 2012, as the consumer price index increased 1.5% compared to 3.3% in 2011. It should be noted that the main factor for inflationary pressures remains the price increase of energy goods due to the indirect taxes. At the same time, the current account deficit in 2012 was significantly decreased compared to 2011 (€5.6 bn in 2012 vs. €20.6 bn in 2011), since on the one hand the trade deficit declined, primarily due to the drop in imports and secondarily due to the increase in exports, and on the other hand the income balance deficit was contained due to public debt interest payment reduction. Moreover, the important reduction in unit labor cost has contributed in the recovery of about 75% from the cost competitiveness that was lost in Greece during the past decade.

The fiscal budget deficit for 2012 amounted to €15.7 bn compared to €22.8 bn in 2011, whereas the primary deficit in 2012 stood at €3.5 bn from €6.4 bn the year before. It is worth noting, that the general government deficit for the period 2009-2012 was reduced by about 9 percentage points of GDP to 6.7% from 15.6% (source: Hellenic Statistical Authority, IMF), whereas for 2013 the goal is to achieve at least a balanced budget on a primary level.

During the course of 2012, two programmes were implemented by the Greek government that aimed to recover the viability of Greek public debt, the bond exchange programme (PSI) in the spring of 2012 and the offer for the repurchase of new Greek government bonds at the end of the year. In parallel, implementation commenced on the second economic adjustment programme for Greece. The goal of the new programme is to provide the needed time for the required fiscal adjustment, the implementation of structural reforms and the gradual further strengthening of competitiveness, in order for the negative course of economic activity to be reversed. The political uncertainty caused after two successive elections within the year and the more intense than anticipated recession of the Greek economy, both led to the reevaluation of the programme terms. Following intense negotiations on a national and international level, on November 27 2012 the basic terms and actions were defined, and they are expected to lead to the viability of Greek public debt from the level of 178% of GDP in 2013 (source: IMF) to 124% in 2020 and even lower than 110% by 2022, while furthermore the extension of the programme was approved, through the transfer from 2014 to 2016 of the goal for a primary surplus of 4.5% of GDP. The proper implementation of the 2nd economic adjustment programme during the period 2012-2014 will permit the disbursement of about €145 bn from the EFSF, with IMF's contribution for the time period, under the EFSF mechanism, will be around €19 bn as part of a four year loan amounting to €28 bn (final installment at the beginning of 2016).

Moreover, a basic pillar of the new programme is the recapitalization of the Greek banking system, since Greek banks, following the implementation of the PSI programme, suffered serious capital losses. The Greek banking system decisively contributed both in the PSI implementation and in the new Greek government bond repurchase offer in December 2012.

At the end of December 2012, the Bank of Greece published the Report on the Recapitalization and Restructuring of the Greek Banking Sector, and the capital needs of all Greek banks were calculated at €40.5 bn for the period up to 2014, of which €27.5 bn involve the 4 systemic banks (NBG, Eurobank, Alpha Bank, Piraeus Bank). In this report, the Bank of Greece considers the total reserved amount of €50 bn to be adequate to cover the Greek banking sector's recapitalization and restructuring costs.

The recapitalization of the Greek systemic banks is being implemented in three phases, within the framework of Law 3864/2010 and according to the provisions of the Cabinet Act 38/9.11.12 (Government Gazette A' 223/2012): the first, concluded at the end of December 2012, involved the provision of additional capital advance and commitment letter from the Hellenic Financial Stability Fund (HFSF) to the four largest banks, in order for the Core Tier I ratio to reach a level of at least 9%. The second phase, involves the issue of contingent convertible bonds to be covered entirely by the HFSF. Finally, the third phase involves the completion of the rights issues with common shares, expected to be completed in the second quarter of 2013. The minimum participation threshold of the private sector in the common share rights issues is 10%, whereas unsubscribed shares will be undertaken by the HFSF. Moreover, private investors will be granted warrants in order to purchase the common shares acquired by the HFSF, if the 10% minimum private sector participation threshold is achieved.

Regarding the Greek market basic figures, it should be noted that the deposit reduction during the first half of 2012 (-13%), was offset after the June 2012 elections and the formation of government, with an increase of 9% in deposits taking place during the second half of the year (total annual change of Greek market deposits for 2012 at -5%). Loans in the Greek market declined also in 2012, with an annual fall of -4% (source: Bank of Greece). At the end of 2012 Eurosystem financing for Greek banks amounted to €121 bn, of which only €19 bn through ECB financing. The conditions of restricted liquidity and the use of the Emergency Liquidity Assistance (ELA) mechanism by the Greek banks have contributed to a significant rise in their funding cost, while deposits cost remained at a particularly elevated level.

Amid these conditions, the Greek banks are going through an important consolidation phase. Since the beginning of the crisis, 7 credit institutions have been placed under liquidation (Proton, T-bank, Hellenic Postbank, ATEbank and three cooperative banks), of which:

- Proton, T-bank, and the Hellenic Postbank have been separated in “good” and “bad” parts, with the HFSF undertaking the “good” part (the assumption of T-bank by the Hellenic Postbank preceded)
- ATEbank followed a similar course, with its “good” part being undertaken by Piraeus Bank
- The three cooperative banks have been absorbed by NBG

Furthermore, Emporiki Bank and Geniki Bank, both subsidiaries of European banking groups, were acquired by Greek banks (Alpha Bank and Piraeus Bank respectively) within 2012, while NBG acquired an 84% stake of the share capital of Eurobank through a public offer, with the legal merger through absorption of the latter by the former expected to be implemented within the current year.

Finally, Piraeus Bank acquired on March 26, 2013 the banking operations in Greece of Bank of Cyprus, Cyprus Popular Bank and Hellenic Bank, therefore securing their depositors, customers and employees in Greece, following the recent uncertainty in Cyprus.

Piraeus Bank Group Developments

Amid the aforementioned environment, Piraeus Bank plays a major role in the restructuring of the Greek banking system. On a corporate level, the most important events for Piraeus Bank Group during 2012 were the following:

- On March 7, 2012 the Board of Directors of Piraeus Bank unanimously decided the participation in the exchange program for Greek government bonds (GGBs) and other eligible securities under Law 4046/2012 (PSI). Piraeus Bank Group participated in the PSI bond exchange with all eligible Greek Government Bonds and loans in its portfolio, with the face value at € 7.7 bn. In this context, the total impairment recognized in the full year 2011 and associated with the Group's participation in the PSI reached € 5.9 bn before tax.

- On June 14, 2012 Piraeus Bank agreed to transfer its 98.5% participation in Marathon Banking Corporation in New York to Investors Bancorp Inc. The cash consideration from the transfer of its holdings was USD 133 mn. The conclusion of the aforementioned transaction took place at the end of September 2012.

- On July 27, 2012 Piraeus Bank acquired by absorption the “good” part (selected assets and liabilities) of the under special liquidation credit institution Agricultural Bank of Greece SA, following the relevant decision of the Resolution Measures Committee of BoG (meeting 4/27.07.12, Government Gazette 2209/27.07.12), for a cash consideration of €95 mn. The eventual €7.5 bn funding gap between the valued transferred assets and liabilities was covered by the HFSF, according to the law provisions (finalization of the perimeter and the funding gap was concluded by BoG at the end of January 2013 - Resolution Measures Committee decisions 9/1/28.01.13 and 8/1/24.1.13, Government Gazette 112/24.01.13, following the financial and legal due diligence conducted by auditor).

- On July 31, 2012 Piraeus Bank announced the termination of the sale process for its subsidiary Piraeus Bank Egypt. Piraeus Bank focuses on providing full support to its banking operations in Egypt.

- On October 19, 2012 Piraeus Bank signed a definitive agreement with Société Générale regarding the acquisition of Société Générale’s total stake (99.08%) in Geniki Bank. The aggregate cash consideration for the acquisition was agreed at €1 mn. The transaction was consummated on December 14, 2012 after receiving all necessary regulatory approvals.

- Piraeus Bank announced that on the December 7, 2012 meeting of the BoD, Mr. Anthimos Thomopoulos was elected as new Executive Member of the BoD, in succession of the resigned member Mr. Alexander Manos in order for Mr. Manos to assume the role of CEO at Geniki Bank. Mr. Thomopoulos will act as Deputy CEO at Piraeus Bank Group.

- Piraeus Bank, following the decision on December 7, 2012 of its BoD, participated in the exchange offer for Hellenic Government bonds, targeting the reduction of Greek government debt, with its total portfolio of eligible bonds, in response to the relevant invitation of the Hellenic Ministry of Finance of December 3, 2012. Within this framework, bonds designated on September 30, 2012 in the available for sale portfolio (of face value of around €1.7 bn) and in the held to maturity portfolio (of face value of around €2.6 bn), with book value at the date of transaction clearance of around €1.7 bn, were exchanged with EFSF issued bonds.

In 2012, the HFSF provided Capital Advances amounting to €4.7 bn in May and €1.5 bn in December and a Commitment Letter of €1.1 bn for its participation in the recapitalization programme of Piraeus Bank (Share Capital Increase and Contingent Convertible Securities issue). Hence, the total Capital Advances and the Commitment Letter that the HFSF has provided to Piraeus Bank amount to €7.3 bn, corresponding to the Bank’s total capital needs as defined by the BoG. In addition to that, Piraeus Bank has received a Commitment Letter of €570 mn for the undertaking of the “good” part of ATEbank.

Moreover, the Second Iterative General Meeting of common shareholders held on January 31, 2013, has approved the issue of contingent convertible securities up to the amount of €2 bn through waiver of preemption rights of existing shareholders.

Finally, on March 26, 2013 Piraeus Bank signed an agreement to acquire all of the Greek deposits, loans and branches of Bank of Cyprus, Cyprus Popular Bank and Hellenic Bank, including loans and deposits of their Greek subsidiaries (leasing, factoring and the Investment Bank of Greece), for a total consideration of €524mn. The agreement followed the proposal of Piraeus Bank to acquire the branch network and operations of the 3 Cypriot banks in Greece, as part of the relevant invitation addressed to Greek banks by the Greek Government, the BoG and the HFSF. The transaction ensures the stability of the Greek banking system, provides assistance to Cyprus to confront the crisis and ensures depositors, customers and employees of the 3 Cypriot banks in Greece following the recent developments.

With the absorption of these operations (312 branches, 5,268 employees, €24 bn gross loans, €15 bn deposits), Piraeus Bank Group forms an extended network of 1,650 branches, (1,201 in Greece) and employs a total of 23,865 employees (17,633 in Greece).

Evolution of Piraeus Group Volumes and Results in 2012

Balance sheet figures of December 31, 2012 for Piraeus Bank Group have incorporated the assets and liabilities of the “good” ATEbank and Geniki Bank. Financial results include the contributions of the “good” ATEbank from July 27, 2012 up to December 31, 2012 and of Geniki Bank from December 14, 2012 up to December 31, 2012.

Moreover, it should be noted that the operations of ATE Insurance and its subsidiary ATE Insurance Romania have been classified as discontinued, for both the balance sheet and P&L, and the financial result stemming from Marathon Bank (operating profit until disposal date and disposal gain for third quarter of 2012).

Regarding Piraeus Group’s financial performance in the year 2012, total assets at the end of December 2012 amounted to €70.4 bn or to €79.1 bn pro-forma, if the €8.7 bn of advances and commitments by the HFSF is also included.

The Group’s total deposits and retail bonds amounted to €37.0 bn on December 31, 2012. At the end of December 2012, the Group’s deposits in Greece amounted to €32.4 bn, representing a 19% share of the total domestic deposit market. Deposits of the Group’s international operations stood at €4.6 bn, incorporating, as a result of the undertaking of ATEbank, its subsidiary ATEbank Romania and the operations of the Frankfurt branch.

The Group’s gross loans at end December 2012, amounted to €50.6 bn. Total loans in Greece were €43.2 bn, of which around €2.1 bn involved the disbursement of a seasonal loan to OPEKEPE (Greek Payment and Control Agency for Guidance and Guarantee Community Aid) for the payment of EU agricultural support to 700 thousand Greek farmers (the amount has currently been repaid). Loans stemming from international operations amounted to €7.3 bn. Regarding loans’ customer category breakdown at end December 2012, total Group business loan portfolio stood at €32.6 bn, representing 64% of the total, whereas retail loans amounted to €18.0 bn or 36% of the total loan portfolio. Net loans amounted to €44.6 bn, with Piraeus Group’s loans to deposits ratio having improved significantly to 121% from 156% in 2011, and if the seasonal loan to OPEKEPE is excluded the ratio reaches 116%.

The Group’s loans in arrears over 90 days (NPLs) ratio reached 23% of gross loans at the end of December 2012 compared to 14% in 2011, incorporating in 2012 the “good” ATEbank and

Geniki Bank. In Greece the respective NPL ratio reached 23% at the end of 2012 from 13% at the end of 2011. It is estimated, that the NPL ratio for the total Greek market at end December 2012 stood at 24.5%. The NPLs>90 days coverage by cumulative provisions ratio for the Group stood at 51% at the end of 2012. It is worth mentioning, that the cumulative provisions to gross loans ratio for the Group amounted to 12% at end December 2012.

Due to the prolonged economic recession, and given the downturn in demand for banking products and services, the Group's net interest income stood at €1.0 bn in 2012 from €1.2 bn the previous year. It should be noted that the increased funding costs for both deposits and the Eurosystem (mainly Emergency Liquidity Assistance mechanism) has significantly burdened the net interest result for 2012. It should be noted, that since mid January 2013 the Greek banking system has regained access to funding through the ECB and that is expected to contribute to a reduction in the cost of funding.

Net commission income amounted to €0.2 bn in 2012, of which 91% contributed from commercial banking operations. Net revenues for 2012 stood at €2.2 bn, with positive contributions of €0.3 bn from the buy-back of Piraeus Bank debt securities, of €0.4 bn from the participation in the Greek government new bond repurchase offer, and of €0.35 bn from the negative goodwill due to the acquisition of Geniki Bank.

The Group's operating costs for 2012 amounted to €0.9 bn, including operating costs of ATEbank since 27 July, 2012 and those of Geniki Bank since 14 December, 2012. Excluding the operating costs of ATEbank and Geniki Bank and other one-off costs (e.g. the unamortized cost of branches that ceased operation in 2012 which amounted to €12 mn), the Group's operating costs on a like for like basis stood 9% lower, hence achieving the goal set for the year 2012.

As a result, Group pre-tax and provision profit for 2012 stood at €1.3 bn. However, 2012 results were burdened by increased impairment losses for loans and receivables amounting to €2.2 bn, due to the significant deterioration of the macroeconomic environment especially in Greece.

Moreover, the Group re-determined the fair value of the new securities received from the Greek bond exchange (PSI), based on their market value at the dates these securities were exchanged. Due to the redetermination of the fair value, an additional loss of €0.3 bn was accounted for in the first quarter of 2012 and therefore burdened 2012 consolidated results.

2012 Group pre-tax results amounted to a loss of €1.2 bn, while after tax results attributable to shareholders from continuing operations amounted to a loss of €513 mn, with discontinued operations earning a profit of €13 mn.

The Group's total equity at the end of December 2012 amounted to €5.6 bn, including the capital advances of €7.9 bn from the HFSF. The total capital adequacy ratio at the end of December 2012 stood at 12.2% and the Core Tier I EBA ratio was 11.7% (pro-forma), including the capital advances of €7.9 bn from the HFSF.

The Group's branch network comprised 1,338 branches at the end of December 2012, 889 of which were in Greece and 449 in 9 other countries. On 31 December, 2012 the Group employed 18,597 people, 12,365 in Greece and 6,232 abroad.

At the end of December 2012, the Group's international operations comprised 12% of its total assets, and 34% of both the total branch network and human resources.

Related Party Transactions

With reference to the transactions of Piraeus Bank with related parties, such as members of the Board of Directors and the management of the Bank and its subsidiaries, these were not of significant importance during 2012, while in any case they are included in the Group's financial statements.

Share Capital

The share capital of Piraeus Bank on 31.12.12 amounted to €1,092,997,968.18, divided into 1,143,326,564 ordinary registered voting shares with a nominal value of €0.30 each and a) 77,568,134 non-voting preferential shares, having a nominal value of €4.77 each and b) 1,266,666,666 non-voting preferential shares, with a nominal value of €0.30 each. The ordinary shares of Piraeus Bank are dematerialised and traded on the Athens Stock Exchange. At the end of 2012, Piraeus Bank had no treasury shares.

Description of Major Risks and Uncertainties for 2013

The Risk Management Framework of the Group is presented analytically in the Group's consolidated financial statements as at December 31, 2012 (note 3).

During 2012, the major initiatives aimed at upgrading the Group's Risk Management Framework were the following:

- migration to a centralized system of capital management/ capital adequacy calculation (Fermat) for the credit and market risks, at Bank and Group level
- analysis of the Group's regulatory capital allocation per business segment
- reduction of limits of subsidiaries market risks
- adoption of mitigating techniques for foreign exchange risks and liquidity risks for FX loans
- quantification of Group's operational risks
- improvement of Group's internal models for collective provisions
- development for Piraeus Bank of a new credit assessment model for companies with "B" class accounting books.
- development of a new business loans pricing methodology based on credit risk
- development of a methodology for the setting of credit limits per sector of business activity for the business portfolio
- completion of projects for the integration of risk data of former ATEbank and of Geniki Bank to the Group and
- project planning for the preparation to implement the regulatory framework of "Basel III" by the Group

Piraeus Bank Group is affected by the ongoing economic variability and the increased volatility of the global financial markets and is exposed to risks that could potentially arise in other financial institutions, mainly due to the debt crisis in peripheral Eurozone countries (e.g. Cyprus, Italy, Spain).

The economic situation in Greece, though improving fiscally, still remains the main risk factor for the Greek banking sector in general and for Piraeus Bank in particular. Negative developments in this area significantly affect the Bank's liquidity, the quality of its loan portfolio, its profitability, and ultimately, its capital adequacy. The voting in the Greek parliament in November 2012 of additional structural and financial measures amounting to €13 bn for the period 2013-2016, of which €9 bn pertaining to the current year, although in the short term will prolong the recession, constitutes an important step in order to achieve primary surplus as of 2013, implement structural reforms, improve competitiveness and enable the Greek economy to recover in general.

Greece’s public debt sustainability consists an additional risk factor for the Greek banking system, while the Eurogroup’s decisions of December 2012 aimed at significantly reducing it. Moreover, the country’s economic adjustment programme continues to entail a significant execution risk. At the same time, both the risks of a deceleration in the global economic growth and of the debt crisis in other peripheral European economies are also added to the external factors of uncertainty.

Especially for Cyprus, the recent unexpected adverse developments constitute an additional non negligible risk, particularly with respect to liquidity and to the aggravation in general of the debt crisis in Southern Europe..

The Group’s total exposure in Cyprus, in balance sheet terms, amounted to €1.6 bn on December 31,2012, which represents 2.0% of the Group’s total assets taking into consideration €7.3 bn capital-commitment, €0.6 bn commitment for ATEbank and €0.8 bn of the additional funding gap of ATEbank (all amounts provided by HFSF), The aforementioned exposure refers to a) the 100% of the assets of the Group’s subsidiary Piraeus Bank Cyprus and the remaining of its participations in Cyprus amounting to €1,3 bn b) approximately €0.3 bn of loans as well as c) an investment in a bond issued by Bank of Cyprus London amounting to €2.2 mn. Additionally, on December 31, 2012 there are contingent liabilities amounting to € 0.1 bn. Finally, it should be noted that net revenues of the Group’s activities in Cyprus for the full year 2012 represents 1.4% of the Group’s net revenues.

Finally, as a result of the consolidation moves in the banking sector, Piraeus Bank, together with the other systemic banks in Greece, are being faced with a project of operating and technological integration of major importance, that involves consolidation in systems and operations. Especially with respect to that, the Bank emphasizes on utilizing special project groups and specific action plans for the smooth and unhindered unification of all operations added.

Estimates for the Development of Piraeus Group’s activities in 2013

Following the acquisition of selected assets and liabilities of ATEbank, of Geniki Bank and of the Greek operations of Cypriot banks in Greece, Piraeus Bank improves its funding sources, while it strengthens its marketing position in the under formation new Greek banking landscape.

The realization of the estimated significant synergies between Piraeus Bank, ATEbank, Geniki Bank and the Greek operations of the three Cypriot banks is deemed achievable based on the track record of operational mergers by Piraeus Bank, while they will enhance the Group's profitability and capital adequacy.

The acceleration of privatizations and the development of public property, plus the utilization of EU support funds, will constitute important factors towards the restarting of investment activity in Greece.

In the coming months the Greek banking system will undergo a process of major developments, that will determine the day after and will lay the foundations for its smooth continuity. The implementation of the recapitalization plan of the Greek banks is expected to be completed in the second quarter of 2013 and therefore Piraeus Bank's capital position is expected to be safeguarded.

Piraeus Bank, despite having been adversely affected by the international and Greek economic crisis, has proceeded during the last year in a series of important business moves that have established it not just as a viable and systemic Bank, but also as a credit institution able to overcome particularly adverse economic conditions and emerge stronger. A major concern for Piraeus Bank will continue being the support of the recovery of the Greek economy in favour of all stakeholders (customers, employees, shareholders and the society in general).

Michalis G. Sallas

Chairman of the Board of Directors

EXPLANATORY REPORT

This Board of Directors of Piraeus Bank explanatory report of 31/12/2012 addressed to the Ordinary General Meeting of its shareholders contains detailed information, regarding paragraph 7 of article 4 of Law 3556/2007.

1) Information regarding Piraeus Bank's share capital structure.

On 31/12/2012 Piraeus Bank's share capital amounted to 1,092,997,968.18 Euro, divided into 1,143,326,564 ordinary registered voting shares with a nominal value of 0.30 Euro each and a) 77,568,134 non-voting preferential shares, with a nominal value of 4.77 Euro each and b) 1,266,666,666 non-voting preferential shares, with a nominal value of 0.30 Euro each. The ordinary shares of Piraeus Bank are dematerialised and traded on the Athens Exchange.

Each ordinary share of Piraeus Bank grands the shareholder with rights provided by law and the Articles of Association' in particular:

- The right to vote and participate to the General Meeting.
- The right to dividend from the Banks' profits. After deducting regular reserves, a percentage of 35% of the net profit is distributed from the returns of each fiscal year to the shareholders as the initial dividend while the distribution of any additional dividend is decided by the General Meeting. For the period that the Greek State holds the Bank's preferential shares, subject to Law 3723/2008, the total dividend distribution cannot exceed the aforementioned percentage. Ordinary General Meeting decides the date upon which shareholders are eligible to receive dividend.Dividend is paid to the shareholder within approximately seven business days from identification date, as more specifically announced through the Press. The right to receive payment of the dividend is subject to a time limitation. The State becomes beneficiary of the respective unclaimed amount upon the lapse of 5 years from the end of the year during which the General Meeting approved the distribution of the said dividend.
- The right to claim the liquidaation product or the liquidation of the share capital, relating to the share, if resolved by the General Meeting. The General Meeting of the shareholders retains all of its rights during the liquidation procedure.
- A peferential right in every increase of the Banks' share capital through cash payment and issuance of new shares, provided that the General Meeting resolves upon it.
- The right to hold copies of the financial statements, the auditors' and the Board of Directors reports.

Prefential Shares, governed by Law 3723/2008

The aforementioned Bank's preferential shares are all held by the Greek State and were issued pursuant to a) the Extraordinary Shareholders' Meeting resolutions dated 23.01.2009 for the increase of the Bank's share capital by the amount of € 369,999,999.18, covered in full by the Greek State by contributing its bonds of equal value and b) the Extraordinary Shareholders' Meeting resolutions dated 23.12.2011 for the increase of the Bank's share capital by the amount of € 379,999,999.80, covered in full by the Greek State by contributing its bonds of equal value. The preferential shares, governed by Law 3723/2008 grant the Greek State with the following privileges:

- The right to collect fixed interest of ten percent (10%) on the price of issuance of each preferential share held by the Greek State. The interest is collected before the divident's payment and is distributed in accordance with Art.1, para. 3, Law 3723/2008, before the ordinary registered shares divident's distribution , thus independently from the distribution of dividend amounts to other Bank's shareholders, provided that after the distribution the Bank's capital adequacy ratios on an individual and consolidated basis,comply with the minimum indexes set by the Bank of Greece. The fixed interest is calculated on an annual basis, and accordingly to the period of time while the Greek State is a preferred shareholder. It is payable within the first month from the approval of annual financial statements of each fiscal year by the Ordinary Shareholders' Meeting.
- The right to vote at the the preffered shareholders' General Meeting as provided by Codified Law 2190/20, (i.e. paragraph 5 of article 3, paragraph 5 of article 4, paragraph 12 of article 13, paragraph 5 of article 15a and paragraph 2 of article 72 of Codified Law 2190/1920).

- The right to attend the Bank's Board of Directors meetings through a Greek State's representative, who may be appointed as additional member of the Board of Directors.
- The Greek State's representative right to veto: (a) on any resolution regarding the dividents distribution, the Chairmans', the Managing Director's, and the rest of members of the Board of Directors remuneration policy, including the general directors and their deputies, pursuant to the relevant Minister of Economy and Finance decision ; (b) in the event the representative decides that a resolution can put at risk the Bank's depositors interests;or (c) that it can affect the Bank's creditworthiness and efficient operation.
- The right to attend the Bank's ordinary General Shareholders' Meeting and the State representative's right to veto on the abovementioned issues.
- The State representative's free access to the Bank's books and records for the purposes of Law 3723/2008.
- The Greek State's right to preferential reimbursement, before every other shareholder, in the event of liquidation.

These privileges do not offend either the bearers' of Tier I hybrids rights, or of any other shareholders-with the exception of common shares' holders, that are calculated to the Bank's regulatory funds.

The Bank's shareholders' liablity is limited to the nominal value of their shares.

2) Piraeus Bank's ordinary shares are transferred in accordance with Law, and its Articles of Association do not include any restrictions in respect thereof.

According to law 3723/2008 the Greek State's preferential shares cannot be transferred to third parties, or listed on a stock exchange market.

3) Major direct and indirect shareholdings within the meaning of Law 3556/2007

On 31/12/2012 no individual shareholder (natural person or legal entity) held 5% or more of Piraeus Bank ordinary shares.

4) On 31/12/2012 there were not any ordinary shares of Piraeus Bank offering their holders special control rights.

5) The Bank's Articles of Association do not restrict by any means voting rights arrising in connection with its ordinary shares.

6) The Bank is not aware of any of its shareholders agreements regarding ordinary shares' transfer restrictions or affecting voting rights

7) Regulations regarding appointment and replacement of Board members and amendments to the Articles of Association

According to the Bank's Articles of Association in the event that a Board member resigns is deceased or forfeits his office for any reason whatsoever, or is deemed forfeited by a resolution of the Board of Directors due to his unjustifiable absence from meetings for three consecutive months, the Board of Directors may continue managing and representing the Bank without replacing the departed member as long as the remaining members number at least nine (9). In the event the members of the Board of Directors are less than nine (9), the Board is obliged to elect temporary members for the rest of the departed members' term, in order to complete the minimum number of nine (9) members. This resolution of election must be published according to the provisions of article 7b of C.L. 2190/1920 and is announced by the Board to the next General Meeting of Shareholders, which can replace the elected directors even if it is not on the Agenda. In every case, the acts of a member of the Board of Directors elected in such manner are deemed valid, even if such election is not approved by the General Meeting.

The regulations provided in the Bank's Articles of Association regarding members' appointment and replacement as well as amendment of the respective provisions, comply with the provisions of Cod. Law 2190/1920.

The Greek State's representative is appointed and replaced by the Minister of Finance.

The Greek Financial Stability Fund appoints up to two (2) representatives to the Board, pursuant to Law 3864/2010 art. 6 paragraph 9.

8) The 2nd Repeated Ordinary General Assembly of the Bank's Shareholders dated 03/05/2007, as modified by the 2nd Repeated Extraordinary General Assembly of the Bank's Shareholders dated 20/12/2010, decided that the Board of Directors is authorized to resolve with a majority of 2/3 the increase of the Bank's share capital in a single instalment or gradually, always with pre-emption rights of the existing shareholders, for the amount of up to Euro 1.288.830.297,87 with the issue of new shares at the nominal value of that date and at a subscription price decided by the Board of Directors. According to art.13, para 1, indent b) of Cod. Law 2190/1920, this authorization was valid for a period of 5 years.

9) According to article 28, of Law 3756/2009 (Gov. Gazette A' 53/31.3.2009) the Bank shall not proceed to any acquisition of treasury shares for the period it remains subject to Law 3723/2008.

10) No agreements become enforceable, are amended or terminated upon a change of the Bank's control that follows a public offer.

11) No agreements between the Bank and its Board of Directors' members or its employees provide compensation for the latter in the event of their resignation following a public take over bid.

Michalis G. Sallas

Board of Directors' Chairman.

CORPORATE GOVERNANCE STATEMENT

This report on corporate governance by Piraeus Bank to the Annual General Meeting of its shareholders contains information regarding the matters in paragraph 3 passage d of article 43a of Codified Law 2190/1920.

APPLYING INSTITUTIONAL RULES & CORPORATE GOVERNANCE AND OPERATING PROCEDURES

As a company listed on the Athens Stock Exchange, Piraeus Bank applies the provisions on corporate governance of listed companies contained in Law 3016/2002. In addition, as a financial institution supervised by the Bank of Greece, the Bank applies the more stringent special provisions of Bank of Greece Governor's Directive (BGGD) number 2577/9.3.2006 regarding principles of operation of credit institutions and the criteria for evaluating their Internal Audit Systems.

Furthermore, Piraeus Bank has established and applies Corporate Governance and Operating Procedures ("the Procedures"), which are an internal document of the Bank complementary to the provisions of its Articles of Association, which are its hierarchically superior operating procedures. The Corporate Governance and Operating Procedures incorporate the regulations arising from the mandatory statutory framework (Law 3016/2002, Bank of Greece Governor's Directive (BGGD) number 2577/9.3.2006, Capital Market Commission Resolution No. 5/204/14.11.2000, the provisions of the Athens Stock Exchange Regulations, etc.) and the best international corporate governance practices have been adopted , including the OECD Principles of Corporate Governance. Both the Bank's Articles and its Corporate Governance and Operating Procedures, which have been submitted to the Capital Market Commission in writing, are posted on the Bank's website, www.piraeusbankgroup.com.

The main objectives of the Procedures:

i) to ensure transparency, integrity, functionality and efficiency of the existing system of the Bank's corporate governance and internal audit;
ii) to enhance confidence in the Bank for domestic and foreign investors, shareholders, employees and customers;
iii) to ensure the Bank's continued compliance with the laws and regulations governing its organization and operation and its activities;
iv) to develop a self-regulating framework within the Bank by establishing rules for its administration, management and staff, which complement the provisions of the existing regulatory framework and are being established with a view to enhancing the Bank's sound and responsible management and operations.

The organizational structure of the Bank complies with the current principles of the institutional framework governing the operation of financial institutions and it is structured in such a way that it meets the needs of the key business sectors in which it operates. Ensuring an effective organizational structure and a clear definition of the competence and area of accountability of each administrative unit of the Bank constitutes the basis for the Bank's functioning and operations. Particular emphasis is given to designing a clear organizational structure with distinct, transparent and consistent lines of responsibility;

to establishing efficient detailed procedures for conducting the Bank's operations and to implement adequate mechanisms for auditing them; and to identifying, managing, monitoring and reporting risks, which the Bank assumes or may undertake within the framework of its activities.

A main concern of the Bank is also developing and continuously improving the internal audit system, both on an individual as well as on a Group level. These are well-documented, detailed audit mechanisms and procedures, incorporating the best principles of corporate governance and on a continuous basis they cover every activity and transaction of the Bank, contributing to its efficient and safe operation.

The Corporate Governance and Operating Procedures refer in detail to the area of competence and responsibility and to the functioning of key bodies of the Bank, in particular to the Board of Directors, the Audit Committee, the Risk Management Committee, the Remuneration and Management Assessment Committee, the Board of Directors Succession and Replacement Committee, the Strategic Planning Committee, the Group Executive Committee and also to the Risk Management and the Regulatory Compliance Units.

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of the Shareholders of Piraeus Bank is the supreme body of the Bank and inter alia is responsible for electing the members of the Board of Directors. The procedures and rules for convoking a General Meeting, for attending it and for taking resolution, as well as its powers are regulated in detail by the Bank's articles of association and by Codified Law 2190/1920.

The Bank ensures equal treatment of all its shareholders who have the same status. Each ordinary share of Piraeus Bank provides the holder thereof with all rights prescribed under the law and its Articles, particularly:

- The right to participate and vote in the General Meeting;
- The right to a dividend from the Bank's profits. After deduction only of the statutory reserve, 35% of net profits are distributed from each year's profits to shareholders as the first dividend, and the General Meeting resolves on distribution of an additional dividend. By the way of exception, as long as the Greek State holds preferred shares of the Bank, Law 3723/2008 stipulates that the total distribution cannot exceed the above-mentioned first dividend. The record date for shareholder cum dividend registration is announced at the Annual General Meeting. The dividend is paid to shareholders within approximately seven working days after the record date and is specifically announced in the press. Entitlement to the dividend lapses and the corresponding amount devolves to the State five years after the end of the year in which the General Meeting approved the distribution.
- The right to the proceeds of liquidation or, respectively, of capital decrease pro rata to share, if the General Meeting so resolves. The General Meeting of Shareholders of the Bank shall retain all its rights during the liquidation.
- The pre-emption right to participate in any increase of share capital made in cash and issue of new shares, unless the General Meeting resolving on the increase resolves otherwise.

- The right to receive a copy of the financial statements and the reports of auditors and the Board of Directors.

Minority rights are governed by the provisions of Article 39 ff of codified law 2190/1920.

MANAGEMENT, ADMINISTRATIVE AND SUPERVISORY BODIES AND COMMITTEES

1. The Board of Directors

The term of office of the members of the Bank's current Board of Directors extends for three years and shall expire on 29.06.2015?, to be extended until the next Annual General Meeting to be held following the expiry of their term.

In accordance with article 8 of its current articles, the Bank is managed by a Board of Directors consisting of nine to nineteen members. At the election of Board members the General Meeting also may elect as members persons who are not shareholders of the Bank.

If a Board member resigns, passes away or is removed from his/her office in any way, or is removed from office by resolution of the Board of Directors due to unjustified absence from meetings for three consecutive months, the Board may continue to manage and represent the Bank without replacing the missing members if the remaining members are at least nine (9). If the members of the Board fall below nine (9) the Board shall elect a replacement for the remainder of the term of the member being replaced to make up the minimum number of nine (9). The decision of the election shall be published as per article 7b of codified law 2190/1920, as applicable, and the Board of Directors shall announce it at the next General Meeting.

Immediately after its election, the Board shall convene as a body and shall elect a Chairman and one or more Vice-Chairmen and Managing or Executive Directors from amongst its members.

1.1 Composition

In the context of the Bank's entry under the first pillar of capital enhancement of the Liquidity Enhancement Plan as per article 1 of Law 3723/2008 on "Enhancing the liquidity of the economy and addressing the impact of the global financial crisis", also by decision of the Minister of Finance (number 26320 / B 1278) Mr. Athanasios Tsoumas was appointed to the Board of Directors of the Bank as the representative of the Greek State and his duties are defined by Law 3723/2008. Additionally, Mr Berahas and Mrs Beritsi were appointed representatives of the Greek Financial Stability Fund to the Board of Directors pursuant to Law 3864/2010

The following is the current composition of the Board of Directors of PIRAEUS BANK S.A., elected by the Annual General Meeting of 29.06.2012, as this has resulted after changes (resignations, replacements, reconvening as a body):

1. Sallas Michail, Chairman of the Board, Non-Executive Member
2. Georganas Iakovos, 1st Vice-Chairman, Non-Executive Member

3. Roumeliotis Panagiotis, Vice-Chairman, Non-Executive Member
4. Lekkakos Stavros, Managing Director and CEO, Executive Member
5. Anthimos Thomopoulos, Managing Director & Deputy CEO, Executive Member
6. Alexandridis Georgios, Independent Non-Executive Member
7. Antoniadis Christodoulos , Deputy Managing Director, Executive Member
8. Apalagaki Charikleia, Non-Executive Member
9. Vassilakis Eftichios , Non-Executive Member
10. Golemis Stylianos, Independent Non-Executive Member
12. Milis Ilias, Deputy Managing Director, Executive Member
12. Mylonas Theodoros , Independent Non-Executive Member
13. Papaspyrou Spyridon, Deputy Managing Director, Executive Member
14. Fourlis Vasileios, Non-Executive Member
15. Jiri Smejc, Non-Executive Member
16. Konstantin Yanakov, Non-Executive Member

The Bank's Board of Directors includes 11 non-executive members, of whom Messrs. Georgios Alexandridis, Theodoros Mylonas and Stylianos Golemis are independent non-executive members in accordance with the provisions of Law 3016/2002 on corporate governance.

1.2 Operation

Under Article 15 of the Bank's Articles of Incorporation, the Board of Directors represents the Bank and is qualified to resolve, without restriction, on any issue relating to the Bank's management, administration of its property and the pursuit of its business in general. The Board of Directors may not resolve on issues which, in accordance with the law and the articles, fall into the exclusive competence of the General Meeting.

Under Article 16 of the Bank's Articles of Incorporation, the Bank is represented by its Board of Directors, which may resolve in writing to delegate representation of the Bank and also the exercise of all or some of its powers or responsibilities, except those requiring collective action, to one or more persons whether members of the Board of Directors or not, setting out the extent of the powers conferred upon them. Under the above provisions of the articles, the Board determines the system for representing the Bank and the limits within which the authorised representatives can act.

The Bank's Corporate Governance and Operating Procedures state that the prime obligation and duty of the board members is the continuous pursuit of enhancing the Bank's long-term economic value and the protection of the general corporate interests. It is also stated that the Board of Directors is responsible for drawing up and adopting a detailed Business Strategy extending for at least one year defining clear business objectives, both for the Bank itself and for the Group.

2. Committees

In the on-going effort of improving the Bank's and the Group's organizational structure, specific issues have been assigned to the following major committees and councils of the Bank:

2.1 Board Committees

2.1.1 Audit Committee

The Committee comprises of four members and is chaired by an independent non-executive director of the Bank. Two members are non-executive directors, one of whom is independent, and the third member is a representative of the Greek Financial Stability Fund. It is assisted by an executive secretary and its operation is governed by the Bank of Greece Governor's Directive number 2577/2006. It holds its meetings at least four times per annum.

The main duties of the Audit Committee are:

- monitoring and annual evaluation of the adequacy and effectiveness of the Internal Audit System on individual basis and Group level, based on the data and information of the Group Internal Audit Division;
- supervision and evaluation of the drafting processes of the published annual and interim financial statements of the Group, the Bank and its subsidiaries;
- supervision of the assessment of the Group's annual financial statements conducted by the regular certified public accountants - auditors and cooperation with them on a regular basis;
- proposing to the Board a selection of regular public accountants - auditors. Whenever it deems appropriate, the Committee shall also make their replacement or rotation proposal;
- ensuring the independence of auditors in accordance with applicable law;
- Identify weaknesses, make solutions’ proposals and monitor the implementation of measures decided by the Board of Directors;
- proposing measures for specific areas requiring further investigation by internal or external auditors;
- evaluating the work of the Group Internal Audit Division, focusing on issues related to the degree of its independence, the quality and scope of inspections it carries out, the priorities determined by changes in the economic environment, its systems and in the level of risks and the overall efficiency of its operation, and
- determining the examination areas and selecting and appointing chartered public auditors, to assess the adequacy of the Internal Audit System, periodically, and at least every three years

The composition of the Audit Committee, appointed by the Annual General Meeting of Shareholders of 29.06.2012 in accordance with the provisions of article 37 of Law 3693/2008, has as follows:

Chairman	Mylonas Theodoros
Members	Alexandridis Georgios
	Apalagaki Charikleia

Beritsi Aikaterini

2.1.2 Risk Management Committee

The Risk Management Committee is appointed by the Board of Directors complying with the Bank of Greece Governor's Directive (BGGD) number 2577/2006 provisions, as applicable, and consists of members of the Board of Directors with sufficient knowledge and experience in risk management. It is a nine-member Committee, chaired by the Non-Executive Vice-Chairman and its members are the 1st Non-Executive Vice-Chairman, the Managing Director & CEO, the Managing Director & Deputy CEO, three Deputy Managing Directors, a non-executive (independent) member of the Board of Directors and one of the representatives of Greek Financial Stability Fund. The Committee is assisted by an executive secretary. It has powers provided for by the BGGD number 2577/2006 and as assigned by the Board of Directors, effectively to cover all forms of risk, including operational risk and to ensure unified control and specialized management over risk and provide the required coordination on an individual and consolidated basis.

The Board of Directors designates the number of the committee members which cannot be less than two, of whom at least one member is an executive and another non-executive. The Board of Directors appoints the committee members for a term which may not exceed the Board of Directors' term of office. Committee members are rotated if they complete two consecutive three-year mandates (namely equal to two full terms of the Board of Directors) as members of the committee. Subsequent reappointments are not excluded.

Composition of the Risk Management Committee:

Chairman	Roumeliotis Panagiotis
Members	Georganas Iakovos
	Lekkakos Stavros
	Thomopoulos Anthimos
	Antoniadis Christodoulos
	Milis Ilias
	Mylonas Theodoros
	Berahas Solomon
	Papaspyrou Spyridon

On the recommendation of the Risk Management Committee, the Board of Directors shall appoint its Executive Secretary, who may be either a member of the Board of Directors or a senior officer of the Bank with a high level of knowledge and relevant experience. .Such appointment or replacement should be notified to the Bank of Greece. The Executive Secretary of the Committee is the Chief Risk Officer (CRO) of the Group. In addition to his/her other duties he/she also heads the Risk Management Unit, with duties under the current regulatory framework (currently BGDD number 2577/2006). In the exercise of these duties he/she shall report directly to the committee and is subject to the control of the Internal Audit Unit.

2.1.3 Remuneration Committee

The Remuneration Committee was initially established by resolution of the Board of Directors on 15.12.2004 as Remuneration Committee & Evaluation of Management. On 15.02.2012 the Committee was renamed to Remuneration committee, according to the provisions of the Bank of Greece Governor's Directive (BGGD) number 2650/19.01.2012. It is chaired by an independent Non-Executive Member of the Board of Directors of the Bank and consists of four members in total, two non-executive members, one of which is independent, and one of the representatives of Greek Financial Stability Fund and. is assisted by an Executive Secretary. Inter alia the Committee is responsible for designing, monitoring and periodically reviewing the remuneration policy of the Bank.

The Chairman convenes the Committee as often as it is deemed necessary to carry out its duties, but no less than once per calendar year.

Composition of the Remuneration Committee:

Chairman	Golemis Stylianos
Members	Beritsi Aikaterini
	Mylonas Theodoros
	Fourlis Vasileios

2.1.4 Board of Directors Members' Succession and Replacement Committee

Depending on the specific occurrence, the Committee has a dual role, either as a Succession Committee (for Chairman of the Board of Directors or Managing Director) or as a Replacement Committee for replacing directors. It is chaired by the Chairman of the Board of Directors and the members of the Replacement Committee are the Chairman of the Audit Committee, the two most senior non-executive members of the Board of Directors and one of the representatives of Greek Financial Stability Fund. The members of the Succession Committee are the non-executive Vice Chairmen of the Board of Directors, the Chairman of the Audit Committee and the three most senior non-executive members of the Board of Directors. It meets ad hoc as a Succession Committee when the need arises for it to select and recommend to the Board replacements for the position of Chairman of the Board or of Managing Director. It is convened as a Replacement Committee whenever the need arises for it to select and recommend to the Board replacements for the other members of the Board.

Composition of the Succession and Replacement Committee:

Chairman	Sallas Michael
Members	Georganas Iakovos
	Berahas Solomon
	Mylonas Theodoros
	Fourlis Vassilios

2.2 Executive and Administrative Committees

2.2.1 Strategic Planning Committee

The Strategic Planning Committee consists of the Chairman of the Board of Directors, the Non-Executive Vice-Chairman, the Managing Directors & CEO, the Managing Director & Deputy CEO and two General Managers. The Strategic Planning Committee regularly follows up, analyses and deliberates over strategic choices (i.e. share capital increase and decrease, acquisitions, mergers, investments or liquidation of participations, strategic alliances, etc), draws the frame of Business Plan within the Group Executive Committee drafts the yearly budget to be approves by the Board of Directors. It furthermore introduces the aforementioned issues to the agenda of the Board of Directors or the General Assembly and, in general, follows up, introduces and decides over strategic Group choices. The competency of the Strategic Planning Committee covers the Bank as well as the Group subsidiaries.

Composition of the Strategic Planning Committee:

Chairman	Sallas Michael
Members	Roumeliotis Panayotis
	Lekkakos Stavros
	Thomopoulos Anthimos
	Arvanitis Athanasios
	Poulopoulos Georgios

2.2.2 Group Executive Committee

The Group Executive Committee consists of the Managing Director and CEO, the Managing Director & Deputy CEO, executive directors of the Board of Directors of Piraeus Bank, the General Manager – CFO, the General Manager of Technology and Organization Group and Central Operations and the Head of Group Corp. Development. The General Manager of Corporate Affairs is the Executive Secretary of the Committee. The Committee's responsibilities cover both Piraeus Bank and its consolidated subsidiaries. Authorised by Piraeus Bank Board of Directors, the Group Executive Committee has approval powers, which may delegate to administrative committees, other Committee members and/or Bank officers. The Group Executive Committee monitors the implementation of the Groups' and the Banks' both Business Plan and Restructuring Plan, is responsible for the decision making regarding the Groups' targets and proposes the Annual Budget to the Board of Directors.

The Group Executive Committee holds regularly weekly meetings and extraordinary meetings whenever convened by the Chairman or his Deputy.

The Group Executive Committee may establish committees from the Bank's officers or other employees to assist it in the conduct of its duties, for which however remains overall accountable.

Composition of the Group Executive Committee:

Chairman	Lekkakos Stavros
Deputy Chairman	Thomopoulos Anthimos
Members	Antoniadis Christodoulos
	Loizides Constantinos
	Milis Ilias
	Papaspyrou Spyridon
	Poulopoulos Georgios
	Sgourovasilakis John

It should be noted that members of the above committees are not remunerated.

3. Internal audit system (IAuS)

The Group monitors the adequacy and effectiveness of the existing Internal Audit System (IAuS) systematically and implements immediately any actions required for a sustained response to and reduction of Operating Risk. At the same time, with appropriate early warning systems, the Group controls the consistent application of the IAuS in the Units, as well as the full compliance of all concerned with the principles and objectives of the IAuS.

A fundamental concern for the Bank is that continuously, both at individual and at Group level, it develop and improve the IAuS, which constitutes a totality of detailed audit mechanisms and processes which track continuously every activity and transaction of the Bank, contributing to its effective and safe operation.

The Bank has established a strong Internal Audit System to safeguard its assets, to ring-fence and maintain in a detailed manner and safeguard its clients' assets and to safeguard the interests of its shareholders. The members of the Board of Directors have the ultimate responsibility for maintaining the System and for monitoring and evaluating its adequacy and effective implementation. The Internal Audit System is designed to address effectively the risks to the Bank a/as not necessarily to eliminate them.

Under the current institutional framework, the Bank's Internal Audit System is supported by an integrated communications and Management Information System (MIS), also by intercomplementary mechanisms, forming an integrated system for controlling and auditing both the Bank's organizational structure and activities and also the Procedures.

The following are responsible for implementing the Internal Audit System:

- the Internal Auditor
- the Audit Committee
- the Internal Audit Service (Internal Audit Division)

The members of the Board of Directors evaluate the System's adequacy and effectiveness annually and they draw the strategy for its improvement based on a report the Bank's management submits to them, containing the Audit Committee's remarks. Periodically and at least every three years, upon recommendation of the Audit Committee, separate chartered public auditors, other than the regular ones, are appointed to assess the adequacy of the Internal Audit System at Bank and Group level. The relevant evaluation report shall be communicated to the Bank of Greece within the first half of the year following the expiration of the three years.

Internal Auditor

In performing his duties, as an instrument of internal audit provided by the provisions of Law 3016/2002 "regarding Corporate Governance", the Internal Auditor is independent, not subordinate to any organizational unit of the Bank and is supervised by one to three non-executive members appointed by the Board of Directors (currently the members, who participate in the Audit Committee). The Board of Directors appoints the Internal Auditor and he cannot be a member of the Bank's Board of Directors nor a manager nor related by blood or marriage to any member of the Board of Directors to the second degree. The same applies in the event that there are more than one internal auditors. The Internal Auditor oversees the Internal Audit Service (Internal Audit Division).

In performing his duties, the Internal Auditor is entitled to inspect any book, document, record, bank account and portfolio of the Bank and to have access to any Bank operation. To facilitate the work of the Internal Auditor, the members of the Board of Directors must cooperate and provide him with all necessary information, and the management of the Bank shall provide him all necessary means to that end.

The Bank is obliged to inform the Capital Markets Commission of any changes in the leadership of the Internal Audit function also of any changes in the leadership of Sectors and Teams or of any changes in the organization of the Internal Audit Division, within ten working days of the change. The change of Internal Auditor also is reported directly to the Athens Stock Exchange and to the Bank of Greece.

4. Regulatory Compliance

The Group Compliance Division was established in the context of complying with the rules of the Basel II supervisory framework and the provisions of the Bank of Greece Governor's Directive (BGGD) number 2577/9.3.2006 as an independent administrative unit that is responsible for implementing the policy adopted by the Bank's Board of Directors to comply with the relevant current legal and regulatory framework. The Group Compliance Division is part of the Corporate and Legal Affairs Division, it has unrestricted access to all data and information necessary to carry out its duties and is managed by a person selected to be the Chief Compliance Officer possessing sufficient knowledge of banking and investment activities.

The main responsibilities of the Group Regulatory Compliance Division are:

- to establish and implement appropriate procedures and to prepare an annual Regulatory Compliance Programme in order to achieve the timely and continued compliance of the Bank and Group with the current regulatory framework and the provisions of the Group Regulatory Compliance Policy, which the Bank has established and at all times to show a complete picture of the degree of achievement of this goal;

- to ensure that Piraeus Bank and its Group comply with the applicable legal and regulatory framework that governs preventing the use of the financial system for money laundering and terrorist financing. To this end, it confirms that the Bank's organizational units comply with the obligations under said framework, and also with the Group Regulatory Compliance Policy which the Bank has adopted to create an environment appropriate for the early detection, prevention, investigation and reporting of such transactions;

- to inform the Bank's Management and Board of Directors on regulatory compliance issues through its annual reports; in particular to inform it of any significant violation observed of the applicable regulatory framework or any major deficiencies in meeting the obligations it imposes;

- in the case of amendments to the relevant current regulatory framework, to provide, with the assistance of the Bank's legal services and/or with that of the legal advisors of foreign subsidiaries, appropriate instructions for adjusting internal procedures and the internal regulatory framework which are implemented by the Bank's departments, branches and domestic and foreign subsidiaries as appropriate;

- through appropriate procedures, to ensure meeting the deadlines for fulfilling obligations under the existing regulatory framework and for this purpose to provide written assurance to the Board through its annual reports;

- to ensure that the staff is kept continuously informed of developments related to the regulatory framework related to their duties, by establishing appropriate procedures, updates and training programs in collaboration with the competent unit of the Group Human Resources Sector;

- to coordinate the work of the compliance officers of the Group companies so that all the Group companies comply fully with the applicable relevant provisions and with the provisions of Law 2656/1998 on combating corruption of foreign public officials in international business transactions;

- to submit to the Bank of Greece a report on the matters of its competence until the end of the first half of each calendar year .

The Bank shall inform the Bank of Greece and the Capital Market Commission of any change to the head of the Regulatory Compliance Unit within ten working days of such change. Similarly, this change also must be communicated immediately to the Athens Stock Exchange.

5. Risk Management

The Bank places particular emphasis on the effective monitoring and management of risk, at individual and group level, with a view to maintaining stability and continuity of its operations. In this context, the competent organs of the Bank regularly record and reassess its Business Strategy as regards assuming, monitoring and managing risk and distinguishing transactions and customers by level of risk; they determine appropriate maximum acceptable limits of risk-taking overall by each type of risk, refining each of these limits, they also establish limits for discontinuing loss-making activities and take other corrective actions.

The Bank also proceeds with establishing reliable, effective and comprehensive policies and procedures to assess and maintain on an ongoing basis the amounts, composition and distribution of its equity, which the Bank's management each time deems adequate for covering the nature and level of risk the Bank undertakes or may undertake. These policies and procedures are subject to regular internal review and assessment by the Group Risk Management Division in order to ensure that they remain comprehensive, adequate and proportionate to the nature, extent and complexity of the Bank's current activities.

The following organizational units are involved in the process of planning, monitoring and management of risk and of assessment of capital adequacy in relation to the amount and type of risks undertaken:

- The Risk Management Committee, which the Board of Directors has entrusted with the responsibilities related to risk management in accordance with the provisions of the Bank of Greece Governor's Directive (BGGD) number 2577/9.3.2006 so as to cover effectively all forms of risk throughout the entire range of the Bank activities, and to ensure their consolidated audit, their specialized handling and the necessary coordination at Bank and Group level;

- The Group Risk Management Division, which is responsible for the design, specification and implementation of the Bank's policy on risk management and capital adequacy in accordance with the directions of the Board of Directors, which covers the full range of Bank activities for all types of risk.

- The Group Credit Division, which is the second-level assessment threshold to responsible for establishing and updating Credit Policy.

The Assets/Liabilities Management Committee (ALCO), which is responsible for implementing the strategic development of Group assets and liabilities, depending on the specific qualitative and quantitative data and developments in the business environment, to ensure high competitiveness and profitability, while maintaining the business risks undertaken at predetermined levels. The main responsibilities of the Assets/Liabilities Management Committee (ALCO) are detailed in Appendix 03 "Executive & Administrative Committees and Councils" of the Procedures.

The Group Risk Management Division is an independent administrative unit in relation to other units of the Bank, which have executive authority or authority for making or recording transactions and it supervises the duties of the Risk Management Unit under the provisions of Bank of Greece Governor's Directive (BGGD) number 2577/9.3.2006, and of the Credit Risk Control Unit in accordance with the Bank of Greece Governor's Directive (BGGD) number 2589/20.8.2007 and the Bank of Greece Governor's Directive (BGGD) number 2594/20.8.2007 respectively. The Group Chief Risk Officer supervises the Group Risk Management Division; for issues within his area of responsibility he refers to Management and to the Risk Management Committee and / or through it to the Board of Directors.

The Group Risk Management Division is subject to review by the Group Internal Audit Division as to the adequacy and effectiveness of risk management procedures.

In order to conduct its duties effectively, the competent officers of the Group Risk Management Division have access to all the activities and units of the Bank, and to all information and records of the Bank and its Group companies, which are necessary for performing their duties.

The Board of Directors appoints the head of the Group Risk Management Division upon recommendation of the Risk Management Committee, and notifies such appointment or replacement to the Bank of Greece.

INFORMATIONAL DATA REGARDING THE TAKE OVER BID FOR THE ACQUISITION OF GENIKI BANK S.A.

The Bank launched a Mandatory Take Over Bid towards every stockholder of Geniki Bank S.A., a company listed on the Athens Stock Exchange since January, 1963. The abovementioned Take Over Bid is operated lawfully and under the provisions contained in the Information Memorandum hereby attached, available on the Banks' website [www.piraeusbankgroup.com].

Michalis G. Sallas

Chairman of the Board of Directors

STATEMENT (article 4 par. 2 of L. 3556/2007)

To the best of our knowledge, the Full Year 2012 Financial Statements that have been prepared in accordance with the applicable accounting standards give a fair and true view of the assets, liabilities, equity and income statement of Piraeus Bank and the group of companies included in the consolidated accounts. In addition, the Board of Director's annual report for 2012 gives a fair and true view of the evolution, performance and position of Piraeus Bank and the group of companies included in the consolidated accounts, including the description of the main risks and uncertainties that they have to deal with.

Michalis G. Sallas	Stavros M. Lekkakos	Anthimos K. Thomopoulos
Chairman of BoD	Managing Director & CEO	Managing Director & Deputy CEO

AVAILABILITY OF ANNUAL FINANCIAL REPORT 2012

The Annual Financial Report for the year 2012 which includes:

• The Board of Directors' Management Report
• The Explanatory Report
• The Corporate Governance Statement
• The Statement (article 4 par 2 of L. 3556/2007)
• The Independent Auditor's Report of Piraeus Bank S.A. and Piraeus Bank Group
• The Annual Financial Statements of Piraeus Bank S.A and Piraeus Bank Group
• The Financial statements information for the year ended 31/12/2012
• The Information according to article 10, Law 3401/ 2005

is available in the Bank's internet site http://www.piraeusbankgroup.com/el/investors/financials/financial-statements

[Translation from the original text in Greek]

Independent Auditor's Report

To the Shareholders of Piraeus Bank S.A.

Report on the Separate and Consolidated Financial Statements

We have audited the accompanying separate and consolidated financial statements of "Piraeus Bank S.A." and its subsidiaries which comprise the separate and consolidated statement of financial position as of 31 December 2012 and the separate and consolidated income statement and statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these separate and consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate and consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate and consolidated 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 separate and consolidated 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 separate and consolidated financial statements.

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

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Opinion

In our opinion, the separate and consolidated financial statements present fairly, in all material respects, the financial position of the “Piraeus Bank S.A.” and its subsidiaries as at December 31, 2012, and its/their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Emphasis of matter

Without qualifying our opinion, we draw attention to the disclosures made in note 2.1 to the financial statements, which refer to the impact of the impairment losses resulting from the Greek sovereign debt restructuring on the Bank and Group’s regulatory capital, the current and planned actions to restore the capital adequacy and the existing uncertainties that could adversely affect the going concern assumption until the completion of the recapitalisation process.

Reference on Other Legal and Regulatory Matters

a) Included in the Board of Directors’ Report is the corporate governance statement that contains the information that is required by paragraph 3d of article 43a of Codified Law 2190/1920.

b) We verified the conformity and consistency of the information given in the Board of Directors’ report with the accompanying separate and consolidated financial statements in accordance with the requirements of articles 43a, 108 and 37 of Codified Law 2190/1920.

Athens, 29 March 2013

THE CERTIFIED AUDITOR

PricewaterhouseCoopers S.A.
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Dimitris Sourbis
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PIRAEUS BANK GROUP

Consolidated Financial Statements

31 December 2012

In accordance with the International Financial Reporting Standards

The attached financial statements have been approved by Piraeus Bank S.A. Board of Directors on 27th of March 2013 and they are available on the web site of Piraeus Bank at www.piraeusbankgroup.com

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)

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2012	Year ended 31 December 2011
Interest and similar income	6	2,905,242	2,913,131
Interest expense and similar charges	6	(1,877,722)	(1,740,515)
NET INTEREST INCOME		**1,027,520**	**1,172,615**
Fee and commission income	7	249,015	232,996
Fee and commission expense	7	(31,426)	(35,218)
NET FEE AND COMMISSION INCOME		**217,589**	**197,778**
Dividend income	8	7,295	4,752
Net trading income	9	189,133	(101,745)
Net income from financial instruments designated at fair value through profit or loss	10	3,388	(6,419)
Results from investment securities	11	442,970	(556)
Other operating income	12	329,446	(44,207)
TOTAL NET INCOME		**2,217,339**	**1,222,220**
Staff costs	13	(423,966)	(389,584)
Administrative expenses	14	(379,273)	(336,596)
Depreciation and amortisation	29,30	(105,388)	(96,720)
Gains/ (Losses) from sale of assets		(850)	(515)
TOTAL OPERATING EXPENSES BEFORE PROVISIONS		**(909,477)**	**(823,416)**
PROFIT BEFORE PROVISIONS, IMPAIRMENT AND INCOME TAX		**1,307,862**	**398,805**
Impairment losses on loans, debt securities and other receivables	24	(2,057,154)	(3,828,073)
Impairment on investment securities	25, 45	(391,113)	(3,964,724)
Other provisions and impairment	29, 30, 32, 40	(59,628)	(90,850)
Share of profit of associates	27	14,666	(31,308)
PROFIT/ (LOSS) BEFORE INCOME TAX		**(1,185,367)**	**(7,516,151)**
Income Tax Expense	16	663,104	894,125
PROFIT/ (LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**(522,264)**	**(6,622,026)**
Profit/ (loss) after income tax from discontinued operations		13,022	3,907
PROFIT/ (LOSS) AFTER TAX		**(509,242)**	**(6,618,119)**
From continuing operations			
Profit/ (Loss) for the year attributable to equity holders of the parent entity		(513,279)	(6,617,196)
Non controlling interest		(8,985)	(4,830)
From discontinued operations			
Profit/ (Loss) for the year attributable to equity holders of the parent entity	15	12,976	3,817
Non controlling interest	15	46	90
Earnings/ (Losses) per share attributable to equity holders of the parent entity (in euros):			
From continuing operations			
- Basic and Diluted	17	(0.4491)	(6.1160)
From discontinued operations			
- Basic and Diluted	17	0.0114	0.0035

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

		Year ended 31 December	Year ended 31 December
CONTINUING OPERATIONS			
Profit/ (loss) after tax for the year (A)		**(522,264)**	**(6,622,026)**
Other comprehensive income, net of tax:			
Net change in available for sale reserve	18	114,444	270,218
Change in currency translation reserve	18	3,640	(6,423)
Other comprehensive income for the year, net of tax (B)		**118,084**	**263,795**
Total comprehensive income for the year, net of tax (A+B)		**(404,178)**	**(6,358,231)**
- Attributable to equity holders of the parent entity		(395,068)	(6,353,412)
- Non controlling interest		(9,110)	(4,819)
DISCONTINUED OPERATIONS			
Profit / (loss) after tax for the year (C)		**13,022**	**3,907**
Net change in available for sale reserve	18	9,775	(473)
Change in currency translation reserve	18	3,287	1,301
Other comprehensive income for the year, net of tax (D)		**13,062**	**828**
Total comprehensive income for the year, net of tax (C+D)		**26,084**	**4,735**
- Attributable to equity holders of the parent entity		26,040	4,608
- Non controlling interest		44	127

Amounts in thousand euros (Unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2012	31 December 2011
ASSETS			
Cash and balances with Central Banks	19	3,307,503	2,552,717
Loans and advances to credit institutions	20	380,384	316,136
Derivative financial instruments - assets	21	441,317	379,238
Trading securities	22	362,868	464,313
Financial instruments at fair value through profit or loss	22	7,833	9,922
Reverse repos with customers	23	35,924	57,395
Loans and advances to customers (net of provisions)	24	44,612,686	34,005,619
Debt securities - receivables	24	8,015,997	1,628,176
Investment securities			
- Available for sale securities	25	4,836,475	2,745,065
- Held to maturity	25	74,006	1,249,849
Investments in associated undertakings	27	301,696	214,642
Intangible assets	29	409,755	325,454
Property, plant and equipment	30	1,324,491	896,756
Investment property	31	1,078,513	877,511
Assets held for sale	32	15,537	14,021
Deferred tax assets	41	1,895,124	1,177,992
Inventories property	33	332,057	264,891
Other assets	33	2,596,810	1,015,395
Assets from discontinued operations	28	377,184	1,157,214
TOTAL ASSETS		**70,406,161**	**49,352,308**
LIABILITIES			
Due to credit institutions	34	32,561,322	25,413,598
Liabilities at fair value through profit or loss	35	21,953	18,475
Derivative financial instruments - liabilities	21	423,519	389,728
Due to customers	36	36,971,208	21,795,677
Debt securities in issue	37	533,702	1,268,045
Hybrid capital and other borrowed funds	38	324,141	498,968
Retirement benefit obligations	42	172,065	172,856
Other provisions	40	22,136	18,302
Current income tax liabilities		12,996	13,742
Deferred tax liabilities	41	37,100	46,640
Other liabilities	39	1,035,700	648,774
Liabilities from discontinued operations	28	605,824	1,007,341
TOTAL LIABILITIES		**72,721,666**	**51,292,146**
EQUITY			
Share capital	44	1,092,998	1,092,998
Share premium	44	2,953,356	2,953,356
Less: Treasury shares	44	(36)	(192)
Other reserves	45	(4,655)	(131,058)
Amounts recognized directly in equity relating to non-current assets			
from discontinued operations	45	9,301	(14,529)
Retained earnings	45	(6,494,933)	(5,975,642)
Capital and reserves attributable to equity holders of the parent entity		**(2,443,969)**	**(2,075,067)**
Non controlling interest		128,464	135,228
TOTAL EQUITY		**(2,315,505)**	**(1,939,838)**
TOTAL LIABILITIES AND EQUITY		**70,406,161**	**49,352,308**

The notes on pages 7 to 75 are integral part of these consolidated financial statements.

Amounts in thousand euros (Unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the parent entity						
	Note	**Share Capital**	**Share Premium**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Non controlling interest**	**TOTAL**
Opening balance as at 1 January 2011		**470,882**	**2,430,877**	**(8,790)**	**(432,845)**	**672,687**	**140,920**	**3,273,732**
Other comprehensive income for the year, net of tax	18, 45				264,574		50	264,623
Results after tax for the year 2011	45					(6,613,379)	(4,740)	(6,618,119)
Total recognised income for the year 2011		**0**	**0**	**0**	**264,574**	**(6,613,379)**	**(4,691)**	**(6,353,497)**
Prior year dividends of ordinary shares							(30)	(30)
Increase of share capital through cash payment	45	242,116	522,478					764,594
Issue of preference shares	44, 45	380,000				(4,180)		375,820
(Purchases)/ sales of treasury shares and preemption rights	44, 45			8,598		(7,534)		1,064
Transfer between other reserves and retained earnings	45				22,596	(22,596)		0
Acquisitions, disposals, liquidation and movement in participating interest	45				88	(454)	(970)	(1,336)
Other movements	45					(185)		(185)
Balance as at 31 December 2011		**1,092,998**	**2,953,355**	**(192)**	**(145,587)**	**(5,975,641)**	**135,230**	**(1,939,837)**
Opening balance as at 1 January 2012		**1,092,998**	**2,953,355**	**(192)**	**(145,587)**	**(5,975,641)**	**135,230**	**(1,939,837)**
Other comprehensive income for the year, net of tax	18, 45				131,274		(127)	131,147
Results after tax for the year 2012	45					(500,303)	(8,939)	(509,242)
Total recognised income for the year 2012		**0**	**0**	**0**	**131,274**	**(500,303)**	**(9,066)**	**(378,094)**
Prior year dividends of ordinary shares							(250)	(250)
Issue of preference shares	44, 45					(23)		(23)
(Purchases)/ sales of treasury shares	44, 45			156		215		372
Transfer between other reserves and retained earnings	45				19,427	(19,427)		0
Acquisitions, disposals, absorbtions, liquidation and movement in participating interest	45				(467)	245	2,551	2,329
Balance as at 31 December 2012		**1,092,998**	**2,953,355**	**(36)**	**4,647**	**(6,494,932)**	**128,465**	**(2,315,504)**

Amounts in thousand euros (Unless otherwise stated)

CONSOLIDATED CASH FLOW STATEMENT

	Note	From January 1st to 31 December 2012	31 December 2011
Cash flows from operating activities from continuing operations			
Profit/ (Loss) before tax		(1,185,367)	(7,516,151)
Adjustments to profit/ (loss) before tax:			
Add: provisions and impairment	24,40	2,522,126	7,883,647
Add: depreciation and amortisation charge	29, 30	105,388	96,720
Add: retirement benefits	42	20,369	34,925
(Gains)/ losses from valuation of trading securities and financial instruments at fair value through profit or loss		(141,182)	195,472
(Gains)/ losses from investing activities		(744,539)	124,766
Cash flows from operating profits before changes in operating assets and liabilities		**576,796**	**819,380**
Changes in operating assets and liabilities:			
Net (increase)/ decrease in cash and balances with Central Banks		(698,826)	(81,375)
Net (increase)/ decrease in trading securities and financial instruments at fair value through profit or loss		(129,873)	(22,781)
Net (increase)/ decrease in debt securities - receivables		288,725	(989,120)
Net (increase)/ decrease in loans and advances to credit institutions		17,584	6,269
Net (increase)/ decrease in loans and advances to customers		(103,875)	1,116,962
Net (increase)/ decrease in reverse repos with customers		21,471	898,005
Net (increase)/ decrease in other assets		(75,819)	(133,291)
Net increase/ (decrease) in amounts due to credit institutions		104,018	5,532,488
Net increase/ (decrease) in liabilities at fair value through profit or loss		3,478	(290,389)
Net increase/ (decrease) in amounts due to customers		(2,101,866)	(6,796,295)
Net increase/ (decrease) in other liabilities		146,697	(256,712)
Net cash from operating activities before income tax payment		(1,951,491)	(196,857)
Income tax paid (including tax contribution)		(16,865)	(62,328)
Net cash inflow/ (outflow) from continuing operating activities		**(1,968,356)**	**(259,185)**
Cash flows from investing activities of continuing operations			
Purchases of property, plant and equipment	30, 31	(193,703)	(186,529)
Sales of property, plant and equipment		31,561	46,264
Purchases of intangible assets	29	(128,608)	(24,730)
Purchases of assets held for sale	32	(4,484)	(10,362)
Sales of assets held for sale		4,136	6,841
Purchases of investment securities		(9,914,442)	(5,487,416)
Disposals/ maturity of investment securities		11,303,779	4,814,694
Acquisition of subsidiaries (net of cash & cash equivalents acquired)	49	515,637	(3,818)
Disposals of subsidiaries (net of cash & cash equivalents disposed)		(84,427)	45
Acquisition and participation in share capital increases of associates	49	(1,453)	(46,156)
Disposal of associates	49	-	698
Dividends received		6,513	4,329
Net cash inflow/ (outflow) from continuing investing activities		**1,534,509**	**(886,141)**
Cash flows from financing activities of continuing operations			
Net proceeds from issue/ (repayment) of debt securities and other borrowed funds		(660,587)	(1,403,173)
Increase of share capital through cash payment		-	753,980
Net proceeds from issue of preference shares		-	375,820
Payment of prior year dividends		(252)	(1)
(Purchases)/ sales of treasury shares and preemption rights		289	1,064
Other cash flows from financing activities		17,388	19,354
Net cash inflow/ (outflow) from continuing financing activities		**(643,162)**	**(252,956)**
Effect of exchange rate changes on cash and cash equivalents		(6,103)	9,883
Net increase/ (decrease) in cash and cash equivalents of the year from continuing activities (A)		**(1,083,113)**	**(1,388,400)**
Net cash flows from discontinued operating activities		(6,018)	17,835
Net cash flows from discontinued investing activities		16,983	16,643
Net cash flows from discontinued financing activities		85	126
Effect of exhange rate changes on cash and cash equivalents		265	-
Net incease/ (decrease) in cash and cash equivalents of the year from discontinued activities (B)		**11,315**	**34,605**
Cash and cash equivalents at the beginning of the year (C)	47	**2,681,134**	**4,034,929**
Cash and cash equivalents at the acquisition date, of assets and liabilities of former ATEbank S.A. and its subsidiaries (D)		**863,748**	**-**
Cash and cash equivalents at the end of the year (A)+(B)+(C)+(D)	47	**2,473,084**	**2,681,134**

1. General information about the Group

Piraeus Bank S.A. is a banking institute operating in accordance with the provisions of Law 2190/1920 on societés anonymes, Law 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 (parent company) is incorporated and domiciled in Greece. The address of its registered office is 4 Amerikis st., Athens. Piraeus Bank and its subsidiaries (hereinafter "the Group") provide services in the Southeastern Europe, Egypt as well as Western Europe. The Group employs in total 18,872 people of which 275 people, refer to discontinued operations (ATE Insurance S.A., ATE Insurance Romania S.A.).

Apart from the ATHEX Composite Index, Piraeus Bank's share is a constituent of other indices as well, such as FTSE/ATHEX (Banks, Large Cap), FTSE/ATHEX-CSE Banking Index, FTSE (Greece Small Cap, RAFI All World 3000 & Developed Small, Med 100), MSCI (World Small Cap, Europe Small Cap, Greece Small Cap), Euro Stoxx (All Europe, TMI, Sustainability) and S&P (Global BMI, Europe Developed BMI).

2. General accounting policies of the Group

The accounting policies applied by Piraeus Bank Group in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all annual periods presented.

2.1 Basis of preparation of the consolidated financial statements

The attached consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB, as adopted by the European Union and in particular with those IFRS standards and IFRIC interpretations issued and effective as at the time of preparing these statements.

The financial statements of Piraeus Bank Group are prepared in euro. The amounts of the attached consolidated financial statements are expressed in thousand euros (unless otherwise stated) and roundings are performed in the nearest thousand. It shall be noted that, the amounts of the year 2012 are not comparable with the figures of the year 2011, as Piraeus Bank Group, during the year 2012, acquired: a) healthy assets and liabilities of the former ATEbank S.A. and its subsidiaries and b) the Geniki Bank Group S.A.

The main principle for the preparation of the consolidated 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 investment property. The preparation of the financial statements in conformity with IFRS requires the use of estimates, accounting policies and assumptions which affect the reported assets and liabilities, the recognition of contingent liabilities, as well as the recognition of income and expenses in the consolidated financial statements.

The Group has incurred substantial impairment losses as a result of the Hellenic Republic's debt restructuring ("PSI"). Such losses had a respective impact on the accounting and regulatory capital of the Group as at 31 December 2012, as explained in note 4 "Critical accounting estimates and judgements of the Group".

The Hellenic Financial Stability Fund's (HFSF) commitment of 20 April 2012, after the relevant application submitted by the Bank, for its participation in the planned share capital increase, began to be implemented on 28 May 2012 in the form of an advance that took place through the transfer of EFSF bonds from the HFSF of total nominal value € 4.7 billion. Furthermore, on December 21st 2012, the HFSF provided an additional Capital Advance of € 1.5 billion and a Commitment Letter of € 1.1 billion for its participation in the recapitalisation program of Piraeus Bank (Share Capital Increase and Convertible Bonds). Hence, the total Capital Advances and the Commitment Letter that HFSF has provided to Piraeus Bank amount to € 7.3 billion, which corresponds to the Bank's total capital needs, as they were defined by the Bank of Greece (plus € 570 million for ATEbank S.A.).

Piraeus Bank Group is affected by the ongoing economic variability and the increased volatility of the global financial markets and is exposed to risks that could potentially arise in other financial institutions, mainly due to the debt crisis in peripheral Eurozone countries.

The economic situation in Greece, though improving fiscally, still remains the main risk factor for the Greek banking sector in general. Negative developments in this area may significantly affect the Bank's liquidity, the quality of its loan portfolio, its profitability, and ultimately, its capital adequacy.

Greece's public debt sustainability consists an additional risk factor for the Greek banking system, while the Eurogroup's decisions of December 2012 aimed at significantly reducing it. Moreover, the country's economic adjustment programme continues to entail a significant execution risk. At the same time, both the risks of a deceleration in the global economic growth and of the debt crisis in other peripheral European economies are also added to the external factors of uncertainty.

Despite the uncertainties and the risks existing in the Greek banking system, the following factors provide support to the economy and the Greek banking sector and shall therefore be taken into consideration:

• The participation of the HFSF and the Bank of Greece in the recapitalisation program and in the restructuring of the Greek banking sector.
• The availability of additional capital, in case that is required for the further recapitalisation of the greek banks.
• The financial support mechanism from the International Monetary Fund as well as from the European Union.
• The capability to raise liquidity through the Eurosystem.
• The intention of Greek Authorities to strengthen the greek economy.
• The strengthening of the Group' s position in the banking sector and the enhancement of its funding access, through the acquisition of selected assets and liabilities of ATEbank, the acquisition of Geniki Bank and of the acquisition of the acquisition of the Greek operations of Cypriot banks in Greece.

Taking into consideration the above factors, Piraeus Bank's Management estimates that: a) the recapitalisation process will be succefully completed during the second quarter of 2013 and within the timetable that will be agreed again between the Bank, the Bank of Greece and the HFSF and b) that the Group will continue in operational existence for the foreseeable future. Accordingly, the annual consolidated financial statements have been prepared on a going concern basis.

(A) The following amendments to IFRSs that have been issued by the International Accounting Standards Board, have been endorsed by the E.U. and they are effective from 1.1.2012:

- **IFRS 7 (Amendment), "Financial Instruments: Disclosures – Transfers of Financial Assets" (effective for annual periods beginning on or after 1 July 2011).** The amendment enhances existing required disclosures for transferred financial assets that are not derecognized in their entirety and requires additional disclosures on the entity's continuing involvement in derecognized assets. The application of this amendment does not have an effect on the annual consolidated financial statements**.**

- **IFRS 1 (Amendment), "Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters" (effective for annual periods beginning on or after 1 July 2011).** The amendment enables first time adopters of IFRSs to measure all assets and liabilities held before the functional currency normalization date, at fair value on the date of transition to IFRSs, and use that fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. The application of this amendment does not have an effect on the annual consolidated financial statements**.**

(B) The following new IFRSs, interpretations and amendments have been issued by the International Accounting Standards Board and have been endorsed by the E.U. up to the end of 2012. They are not effective in 2012 and they have not been early adopted by the Group:

- **IAS 12 (Amendment), "Income Taxes" (effective for annual periods beginning on or after 1 January 2013).** Amendments to IAS 12 were issued to provide guidance namely to the measurement of deferred tax on: a) investment property measured at fair value and b) property, plant and equipment measured using the revaluation model in IAS 16. In both cases, deferred tax is required to be measured using the rebuttable presumption that the carrying amount of the underlying asset will be recovered through sale.

- **IAS 19 (Amendment), "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).** The amendment removes the corridor mechanism and the concept of expected returns on plan assets. Actuarial gains and losses will be recognized in other comprehensive income as they occur. Plan assets will produce a credit to income based on corporate bond yields irrespective of the actual composition of assets held.

- **IAS 1 (Amendment), "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 July 2012).** The amendment requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. If the items are presented before tax, then the tax related to the two groups of other comprehensive income items (those that might be reclassified and those that will not be reclassified) must be shown separately.

- **IAS 27 (Amendment), "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2014).** Following the issue of IFRS 10 that replaced all the guidance on control and consolidation in IAS 27, IAS 27 was renamed "Separate Financial Statements" and contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

- **IAS 28 (Amendment), "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2014).** IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

- **IFRS 10, "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2014).** IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities.

- **IFRS 11, "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2014).** IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. Joint arrangements are either classified as joint operations or joint ventures. Equity accounting is mandatory for participants in joint ventures.

- **IFRS 12, "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2014).** IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 requires entities to disclose information that enables users of financial statements to evaluate the nature and risks associated with the entity's interests in other entities and the effects of those interests in the entity's financial statements.

- **IFRS 13, "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).** IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements.

- **IFRIC Interpretation 20, "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).** This interpretation provides guidance for the accounting of waste removal costs that are incurred in surface mining activity during the production phase of a mine ("production stripping costs").

- **IAS 32 (Amendment), "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).** The amendment was issued in December 2011 to provide application guidance in IAS 32 to clarify the meaning of the criterion "currently has a legally enforceable right to set off". The amendment shall be applied retrospectively.

- **IFRS 7 (Amendment), "Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities " (effective for annual periods beginning on or after 1 January 2013).** Amendments to IFRS 7 were issued in December 2011 to require additional disclosures that will enable users of financial statements to evaluate the effect of netting arrangements.

(C) The following new IFRSs and amendments have been issued by the International Accounting Standards Board but they have not been endorsed by the E.U. up to the end of 2012 and they have not been adopted by the Group:

- **IFRS 9, "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015).** IFRS 9 was published in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets.

- **IFRS 9 (Amendment), "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015).** Amendments to IFRS 9 were issued to address financial liabilities.

- **IFRS 9 and IFRS 7 (Amendments), "Mandatory Effective Date and Transition Disclosures" (effective for annual periods beginning on or after 1 January 2015).** The amendment to IFRS 9 **r**equires entities to apply IFRS 9 for annual periods beginning on or after 1 January 2015. The amendment to IFRS 7 requires additional disclosures on the transition from IAS 39 to IFRS 9.

- **IFRS 1 (Amendments), "Government Loans" (effective for annual periods beginning on or after 1 January 2013).** The amendment issued in March 2012, adds an exception to the retrospective application of IFRSs to require that first-time adopters apply the requirements in IFRS 9 and IAS 20 prospectively to government loans existing at the date of transition to IFRSs. Earlier application is permitted.

- **IFRS 10, IFRS 11 and IFRS 12 (Amendment), "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance" (effective for annual periods beginning on or after 1 January 2013).** The amendment in IFRS 10, 11 and 12 clarifies the transition guidance in IFRS 10 and provides relief from the presentation or adjustment of comparative periods prior to the immediately preceding period.

- **IFRS 10, IFRS 12 and IAS 27 (Amendments), "Investment Entities" (effective for annual periods beginning on or after 1 January 2014).** The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities, as well as new disclosure requirements for investment entities in IFRS 12 and IAS 27.

<u>Improvements to IFRSs (May 2012)</u>

- **IFRS 1 (Amendment), "First Time Adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after 1 January 2013).** The amendment clarifies the accounting for re-application of IFRS for entities that have stopped applying IFRS in the past and choose or are required to apply IFRS again.

- **IAS 1 (Amendment), "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2013).** The amendment requires notes to the financial statements when additional comparative periods are voluntarily presented.

- **IAS 16 (Amendment), "Property, Plant and Equipment" (effective for annual periods beginning on or after 1 January 2013).** The amendment provides guidance for the classification of major spare parts and servicing equipment as property, plant and equipment.

- **IAS 32 (Amendment), "Financial Instruments: Presentation" (effective for annual periods beginning on or after 1 January 2013).** The amendment clarifies that taxes arising from distributions to holders of equity instruments are accounted for in accordance with IAS 12 “Income Taxes”.

- **IAS 34 (Amendment), "Interim Financial Reporting" (effective for annual periods beginning on or after 1 January 2013).** The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities to enhance consistency with IFRS 8 “Operating Segments” and to ensure that interim disclosures are aligned with annual disclosures.

2.2 Consolidation

The consolidated financial statements include the parent company, its subsidiaries and its associates.

A. Investments in Subsidiaries

Subsidiaries are all entities over which the parent company has control directly or indirectly through other Group subsidiaries by holding more than 50% of the voting rights. Control also exists when the parent company owns half or less of the voting power of an entity when there is:

(a) power over more than half of the voting rights by virtue of an agreement with other investors;
(b) power to govern the financial and operating policies of the entity under a statute or an agreement;
(c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or
(d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

The existence and effect of potential voting rights that are currently exercisable or convertible are also considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are de-consolidated from the date that control ceases. The Group reassesses consolidation status at least at every quarterly reporting date.

Special purpose entities controlled by the Group are consolidated. Even if there is no shareholder relationship, special purpose entities (SPEs) are consolidated in accordance with SIC Interpretation 12, if the Group controls them from an economic perspective. When assessing whether the Group controls a SPE in addition to the criteria in IAS 27 it evaluates a range of factors, including whether:

(a) the activities of the SPE are being conducted on the Group’s behalf according to its specific business needs so that the Group obtains the benefits from the SPEs operations;
(b) the Group has the decision making power to obtain the majority of the benefits of the activities of the company, or the Group has delegated these decision-making power by setting up an “autopilot” mechanism, or
(c) the Group obtains the majority of the benefits of the SPE’s activities and therefore may be exposed to risks arising from SPE’s activities.
(d) the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain the benefits from its activities.

The Group reassesses its treatment of SPEs for consolidation when there is an overall change in the SPEs arrangements or when there has been a significant change in the relationship between the Group and the SPE. The trigger events that would indicate the need for such reassessment include the following:

- significant changes in the ownership of the SPE,
- changes in the contractual arrangements of the SPE,
- changes in the financing structure of the SPE.

All acquisitions are accounted for using the acquisition method as per IFRS 3 from the date the Group effectively obtains control. For business combinations, the Group recognises and measures goodwill as the difference of (a) over (b) below:

(a) the aggregate of:
  i. the consideration transferred measured at fair value and the value of any non-controlling interest in the acquiree; and
  ii. in a business combination achieved in stages, the acquisition-date fair value of the acquirer’s previously held equity interest in the acquiree.

(b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured at their acquisition date fair values.

Non controlling interests are measured on the date of acquisition either at their proportionate interest in their identifiable assets or at fair value.

In case of a bargain purchase, that is when the aggregate of the consideration as defined in (a) above is less than the fair value of the net identifiable assets as defined in (b) above, the Group recognizes the resulting gain in profit or loss on the acquisition date.

The Group accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, Acquisition related costs are the costs the acquirer incurs to effect a business combination. These costs may include advisory, legal, accounting, valuation, other professional or consulting fees, costs of registering and issuing debt and equity securities.

When control is lost, any investment retained by the Group in the former subsidiary shall be accounted for in accordance with other IFRSs from the date. The fair value of the investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of a financial asset in accordance with IAS 39. The Group also discloses the gain or loss attributable to the recognition of an investment at its fair value.

Intercompany transactions, intercompany balances as well as unrealized gains/ losses on transactions between Group companies are eliminated in full on consolidation.

Assets held in an agency or fiduciary capacity are not assets of the Group and are not included in the Group's consolidated balance sheet.

The Group subsidiaries follow the same accounting policies adopted by the Group.

B. Transactions and minority interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). Any difference between the amount by which minority interest is adjusted and the fair value of the consideration paid or received, is recognised directly in equity attributable to shareholders.

However, when these transactions result in loss of control of a subsidiary, the Group recognises a gain or loss on disposal in profit or loss.

C. Investments in associates

Associates are all entities over which the Group has significant influence (according to IAS 28) but not a controlling interest. Significant influence is generally presumed when the Group holds between 20% and 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group has significant influence

Investments in associates are consolidated using the equity method of accounting. Associates are initially recognised in the Statement of Financial Position at cost and the carrying amount is increased or decreased to recognize the Group's share of profit or loss of the investee after the date of acquisition. They represent the fair value of the Group's share in the associates' net assets, which includes goodwill identified on acquisition (net of any accumulated impairment loss). The Group assesses, at each reporting date, whether trigger for impairment exists for an investment in associate. If any such trigger exists, the recoverable amount of the investment is estimated. Where the carrying amount (goodwill is included) of the investment exceeds its recoverable amount, then the carrying amount is written down to its recoverable amount.

The Group's share of its associates' post acquisition financial results is recognised in the income statement, and the share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment in associates. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Profits and losses from ''upstream'' and ''downstream'' transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

Associates' accounting policies have been changed where necessary to conform to the accounting policies adopted by the Group.

Gains and losses arising on partial disposals of investments in associates are recognised in the income statement. On loss of significant influence of an associate, the Group measures at fair value any retained investment. The difference between the carrying amount of the investment and its fair value at the date of loss of significant influence shall be recognized in profit or loss. The fair value of the investment when it ceases to be an associate shall be regarded as its fair value on initial recognition as a financial asset with IAS 39.

2.3 Foreign Currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in euro, 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. Non monetary items in foreign currencies, except for those valued at fair values, are measured in terms of historical cost and are translated into the functional currency using the exchange rate at the date of the transaction.

(c) Group companies

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation as follows: profit and loss items are translated into euro according to the average year exchange rates of the measurement currencies against the euro, while assets and liabilities of the foreign subsidiaries are translated according to the exchange rate prevailing on the balance sheet date of the consolidated financial statements. The net assets of the foreign subsidiary are translated according to the historical rate.

Exchange differences resulting from the translation of the foreign subsidiaries financial statements, such as differences arising from translating income and expenses at average rates for the period and assets and liabilities at closing rates as well as differences arising from the translation of opening net assets at a closing rate that differs from the previous closing rate, are transferred directly to equity in the currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are recorded in shareholders' equity. When a foreign subsidiary is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments both for profit-making, hedging purposes as well as the service of its clients needs. Derivative financial instruments held by the Group include Swaps, Forwards, Futures and Options.

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 Bank'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).

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into (trade date) and are subsequently remeasured at fair values on a daily basis. At initiation, the fair value is usually small or nil. 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. Derivatives are presented in assets when fair value is positive and in liabilities when fair value is negative.

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 Group 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. The hedge effectiveness should be between 80% -125% at all times. Hedge effectiveness is calculated in all cases; even when the terms of the hedging instrument and the hedged item are matched.

- Detailed documentation must be in place for all recognised hedging relationships (hedging instrument, hedged item, hedging strategy and scope of hedging relationship).

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

The Group 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 Group also controls both at hedge inception and on an ongoing basis the hedge effectiveness of the hedging transaction.

(i) 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 is recorded in profit and loss accounts at its disposal.

(ii) 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 during which the hedged item affects 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 expected transaction is ultimately recognised in the income statement. When a future transaction is no longer expected to occur, the accumulated gain or loss in equity is immediately transferred to the income statement.

(iii) 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.

(iv) 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 are recognised immediately in the income statement.

2.5 Recognition of deferred day one profit and loss

The best evidence of fair value at initial recognition of a financial instrument is the transaction price (i.e. the fair value of the consideration paid or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions for the same instrument or based on a valuation technique whose variables include only data from observable markets.

The Group has entered into transactions where fair value is determined using valuation models including variables not all of which are prices or interest rates of the market. 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”.

2.6 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 proceeds throughout the 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.

Impaired loans are recorded at their recoverable amounts and therefore, interest income is recognised according to the effective interest rate used for the discounting of the cash flows for the impairment exercise.

2.7 Fees and commission income and expense

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

Fees, either income or expense, relating to financial instruments at amortized cost, such as loans, are deferred and recognized in the Income Statement as interest income or expense 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 Group retains no part on the loan package for itself or retains part at the same effective interest rate as well as 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.

2.8 Dividend income

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

2.9 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss category comprise of:

(a) Trading securities which include financial instruments that are acquired for the purpose of selling in the near term or they form part of a portfolio of financial instruments that are managed together and for which there is evidence of short term profit making pattern and

(b) Financial assets designated at fair value through profit or loss at inception (e.g. asset swaps) when:

- this will reduce measurement inconsistencies that would otherwise arise if the underlying financial instruments were carried at amortised cost and the related derivatives were treated as held for trading or,
- the financial assets are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis or,
- they contain embedded derivatives that significantly affect the cash flows.

Financial assets at fair value through profit or loss are initially recognised at fair value and they are subsequently measured at fair value according to current market prices. Any transaction costs are expensed in the income statement.

All 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 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".

Purchases and sales of financial assets at fair value through profit or loss are recognized on a trade date basis, which is the date on which the Group is committed to the purchase or sale of those securities. The Group 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 and similar income". Dividends received are included in "Dividend Income".

2.10 Sale and repurchase agreements and securities lending

Securities sold subject to repurchase agreements (repos) are reclassified in the financial statements as pledged assets when the transferee has the right by contract to sell or repledge the collateral; the counterparty liability is included in amounts “Due to credit institutions” or “Due to customers”, as appropriate.

Securities purchased under agreements to resell (reverse repos) are recorded as “Reverse repos with customers”. “Reverse repos with customers” are carried at amortised cost using the effective interest rate method.

The difference between sale and purchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities transferred to counterparties by the Group are presented in the Group’s financial statements as assets, in the case that the Group retains substantially all the risks and rewards of ownership of these securities.

Securities transferred to the Group by counterparties are not recognized in the Group’s financial statements, unless these securities can be sold by the Group to third parties. In that case, the gain or loss is included in net trading income. The obligation to return these securities is recorded at fair value.

2.11 Investment portfolio

A. Held to maturity portfolio

The held to maturity portfolio is the portfolio that the Group 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 are carried at amortised cost using the effective interest rate 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. The objective evidence that a held to maturity investment has been impaired or it is non collectable is stated in section 2.13.

If part of the held to maturity portfolio is sold or reclassified before maturity date, then the entire held to maturity portfolio must be reclassified to the available for sale portfolio (unless IAS 39 criteria are met) at its fair value. On such reclassification, the difference between the carrying amount and fair value shall be recorded in the available for sale reserve. In addition, the Group will not be able to classify any financial assets as held to maturity for the next two years.

Under regular circumstances, purchases and sales of held to maturity securities are recognised on the transaction date, which is the date that the Group 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 Group 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 at the transaction date, meaning the date on which the Group commits to purchase or sale the asset.

Securities of the available for sale portfolio are initially recognised at fair value (plus transaction costs directly attributable to the acquisition of the financial asset) and subsequently carried at fair value according to current bid prices or valuation pricing models, in case 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 the aforementioned securities are recognised directly in equity (available for sale reserve). When securities of the available for sale portfolio are disposed of, all cumulative gains or 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 Group has transferred substantially all risks and rewards to third parties.

The Group reviews at each reporting date whether there is an indication of permanent impairment (significant or prolonged decreases in fair value) for the available for sale securities based on several pricing models. For the shares of the available for sale portfolio, these models include the Price-to-Book Value ratio (P/BV), the Price-to-Earnings per share ratio (P/E) or the deviation from market value for listed shares. In case that there is an indication of impairment, the Group thoroughly examines the ability to recover the acquisition cost of the shares based on the historic volatility of each individual share.

When there is objective evidence that an available for sale asset is impaired, the cumulative loss that has been recognised directly in equity is recycled to 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 that is 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 that occurred after the initial recognition of the impairment loss in profit or loss.

2.12 Reclassification of financial assets

Reclassification of non-derivative financial assets out of the “Held for trading” category to investments “Held to maturity” category or “Available-for-sale” category is permitted only in rare circumstances, provided that the financial assets meet the definition of this category at the date of reclassification and the financial assets are no longer held for sale in the foreseeable future.

Reclassification of financial assets out of the “Held for trading” category or “Available-for-sale” category to “Loans and receivables” category is permitted, provided that the financial assets meet the definition of this category at the date of reclassification and the Group has the intention and ability to hold the financial assets for the foreseeable future or until maturity. The Group has established the following guideline for what constitutes foreseeable future at the time of reclassification:

- the business plan should not be to profit from short term movements in prices,
- there should be no intent to dispose the asset within six months and
- there must be no internal or external restriction on the Group’s ability to hold the asset.

Reclassification of financial assets out of the “Available-for-sale” category to the “Held to maturity” category is permitted, provided that the financial assets meet the definition of this category at the date of reclassification and the Group has the intention and ability to hold the financial assets until maturity.

For financial assets reclassified as described above (with the exception of the reclassification of financial assets out of the “Held for trading” category to “Available-for-sale” category), the fair value at the date of reclassification becomes the new amortized cost at that date. Any gain or loss recognised in profit or loss or the available-for-sale reserve until the date of reclassification shall not be reversed. The new effective interest rate of the financial assets reclassified to “Loans and receivables” category and “held to maturity” category is calculated based on the expected cash flows at the date of the reclassification.

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held to maturity, it shall be reclassified as available for sale and remeasured at fair value, and the difference between its carrying amount and fair value shall be recorded in the available for sale reserve.

2.13 Loans and advances to customers

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

i. financial assets which are classified as held for trading, and those designated upon initial recognition as at fair value through profit or loss;
ii. financial assets that the Group upon initial recognition designates as available for sale;
iii. financial assets for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans drown down by the Group are initially recognized at fair value (plus any transaction costs) and measured subsequently at amortized cost using the effective interest rate method. Interest on loans is included in the consolidated income statement and is reported as “Interest and similar income”.

If there is objective evidence that the Group 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 term "receivable" includes loans and advances, letters of guarantee and letters of credit.

The Group 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 loan or group of loans 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 Group 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. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- Adverse changes in the payment status of borrowers in the group (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 Group first assesses whether objective evidence of impairment exists individually for loans that are individually significant and collectively for loans that are not individually significant. If the Group 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.

For the purpose of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group’s grading process that considers asset type, industry, geographical location, collateral type, and other relevant factors). These 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 in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets of the Group and historical loss experience for assets with credit risk characteristics similar to those of 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.

Estimates of changes in future cash flows for groups of loans reflect and are 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 for the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group. When a loan is considered to be uncollectible, 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 occurring after the impairment was recognised (such as an improvement of the debtor's credit rating), the previously recognized impairment loss is reduced and the difference is recognised in the Income Statement.

Loans and customer receivables are derecognized when either the ability to receive cash flows has ceased or the Group has transferred substantially the risks and rewards to third parties.

Loans, whose terms have been renegotiated, are no longer considered to be past due and they are treated as performing loans for impairment test purposes.

2.14 Debt securities receivables

Debt securities receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(a) those that the Group classifies as trading portfolio and those that the entity upon initial recognition designates at fair value through profit or loss;
(b) those that the Group upon initial recognition designates as available for sale; and
(c) those for which the holder may not recover substantially all of its initial investment for reasons other than credit deterioration.

Debt securities receivables are measured at amortised cost and tested for impairment.

2.15 Intangible assets

2.15.1 Goodwill

For business combinations, goodwill is measured as the difference of (a) and (b) below:

(a) The aggregate of:
    i. the consideration transferred measured at fair value and the amount of any non-controlling interest in the acquiree; and

ii. in a business combination achieved in stages, the acquisition-date fair value of the acquirer’s previously held equity interest in the acquiree.

(b) The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured at their acquisition date fair values.

In case of a bargain purchase, that is when the aggregate of the consideration as defined in (a) above is less than the fair value of the net identifiable assets as defined in (b) above, the Group recognizes the resulting gain in profit or loss on the acquisition date. Before however recognising a gain on a bargain purchase, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and recognises any additional assets or liabilities that are identified in that review.

Goodwill on business combinations is recognized at cost as an intangible asset and it is reviewed for impairment on each balance sheet date. Gains and losses on the loss of control of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

For the purpose of impairment testing, goodwill acquired is allocated to each of the acquirer’s cash generating units. When an impairment loss is recognized for a cash generating unit, this loss first reduces the carrying amount of goodwill allocated to this cash generating unit and subsequently reduces pro rata the carrying value of the assets in that cash generating unit. An impairment loss recognized for goodwill is not reversed in a subsequent period, according to the requirements of IAS 36. Cash generating units are presented at the business segment note.

2.15.2 Software

Costs associated with the acquisition of software programs, which will probably generate economic benefits to the Group for more than one year, are recognised as intangible assets. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

On the contrary, expenditure which enhances or extends the performance of computer software programmes beyond their original specifications or software upgrade expenses are added to the original cost of the software, as long as they can be measured reliably.

Computer software is amortised in most cases over a period of 3-4 years, except from software of core IT applications, for which the useful lives are examined on an individual basis. The useful lives of software are reviewed and adjusted, if appropriate, at each balance sheet date.

Software is reviewed for impairment loss whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Whenever the recoverable amount is less than the carrying amount, software is impaired to its recoverable amount.

2.15.3 Other intangible assets

An intangible asset is recognized when it is expected that future economic benefits will be realized from its use.

The cost of the intangible asset also includes every directly attributable cost which is required for the full implementation, production and asset's proper operation. Some examples of directly attributable costs are:

- The staff cost which is directly identified and attributed to a particular intangible asset,
- Payments to outside vendors and collaborators, which are attributed to the intangible asset.

Other intangible assets also include intangible assets recognised through the purchase price allocation exercise for acquisitions of subsidiaries. Other intangible assets can include customer relationships, branch network, trademarks.

Other intangible assets are amortised in a period of 5-10 years, depending on the useful life of each asset. The useful lives of the other intangible assets are reviewed and adjusted, if appropriate, at each financial year-end.

Other intangible assets are reviewed for impairment loss whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Whenever the recoverable amount is less than their carrying amount, other intangible assets are impaired to their recoverable amount.

2.16 Property, plant and equipment

The Group holds property, plant and equipment for use in the supply of services or for administrative purposes. Property, plant and equipment includes: land, own-use buildings, leasehold improvements, furniture and other equipment, and transportation means.

Property, plant and equipment are measured 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 Group applies 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. Specifically, the requirements of IAS 23 state that: a) the borrowing costs can be directly attributable to the acquisition, construction or production of a qualifying asset and b) the borrowing costs would have been avoided if the expenditure on the qualifying asset had not been made.

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 Group 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: 3-5 years
- Leasehold improvements: the shorter of useful life and lease term
- Furniture and other equipment: 5-10 years
- Means of transportation: 6-9 years
- Own-use buildings: 25-50 years

Depreciation of an asset begins when it is available for use and ceases when the asset is derecognised. In the case where the asset is idle or retired from active use, it continues to be depreciated unless it has been fully depreciated.

The useful lives and the residual values of the tangible assets are reviewed and adjusted, if appropriate, at each financial year-end. Gains and losses on disposals are determined by comparing proceeds with carrying amount and they are included in the income statement.

2.17 Investment property

Property that is held for long-term rental yields or for capital appreciation or both and is not occupied by the Bank or Group subsidiaries is classified as investment property. Investment property includes freehold land, freehold buildings or parts of buildings, land and buildings held under operating lease as well as buildings held under finance lease.

A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property if and only if the definition of investment property is met.

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 or is adjusted, if necessary, for any difference in the nature, location and condition of the specific asset. If this information is not available, the following valuation methods are used:

i. Comparables method: According to this method, the value of the property to be evaluated is defined by comparing properties with similar characteristics.

ii. Residual value: This method is applied mainly for the estimation of the value of bare land which is to be developed or property requiring renovation. All the costs of achieving the completed development as well as the expected profit are deducted from an estimate of the value of that completed development to arrive at the value of the site. The result of this deduction is the residual value of the property. Finally, the present value derives by applying the discounting factor to the residual value of the estimated property.

iii. Depreciated replacement cost method: Valuations based on Depreciated Replacement Cost Method are based on an estimate of the market value for the existing use of the land and the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation. The two estimates, that are the one for the market value of land and the one for the reproduction cost less allowances for physical deterioration, are summed-up, resulting in the current value of the property under valuation.

iv. Profit method: The purpose of this method is to estimate the annual income to which an investor is entitled and then capitalise it by using an appropriate unit rate.

These valuations are reviewed annually by external independent valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value. The fair value of investment property reflects, among other things, rental income from current leases and 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 Group 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 year in which they are incurred.

Changes in fair value are recognized 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 new cost.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

Investment property held for sale without redevelopment is classified as non-current assets held for sale according to IFRS 5.

2.18 Assets held for sale and Discontinued operations

Assets held for sale include non current assets that: a) are available for immediate sale at their present condition, b) their sale is highly probable, c) the appropriate level of management must be committed to a plan to sell and d) their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The sale of these non current assets must be completed within 12 months from their categorization in the "Non current assets held for sale and discontinued operations".

Assets held for sale 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.

A discontinued operation is a component of the Group, that either has been disposed of or is classified as held for sale, and
(a) represents a separate major line of business or geographical area of operations,
(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
(c) is a subsidiary acquired exclusively with a view to resale.

Assets and liabilities from discontinued operations are presented in a separate line in the consolidated balance sheet and they are not offset. Profit or loss after tax from discontinued operations is also presented in a separate line in the consolidated profit or loss statement. Comparatives in the consolidated profit or loss statement and in the consolidated cash flow statement are represented.

2.19 Inventories property

Inventories property includes land and buildings acquired by the Bank through auctions for the full or partial recovery of its receivables (if the requirements of IAS 40 are not fulfilled), as well as property owned by the Bank's subsidiaries that are sold in the normal course of business. These properties are accounted according to IAS 2 as inventory and are measured at the lower of cost and net realisable value. The cost of the property is determined using the weighted average cost method. The net realisable value is the estimated selling price, less any expenses necessary to conclude the sale.

2.20 Leases

A. The Group is the Lessee

<u>Operating leases</u>
Leases of fixed assets under which the lessor retains a significant portion of risks and rewards related to the leased assets, are recognised as operating leases. The Group does not recognise the leased asset in its financial statements.

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

<u>Finance leases</u>
Leases where the Group has substantially all the risks and rewards related to the asset are recognised as finance leases.

In case that the Group is the lessee under a finance lease, fixed assets are recognised as assets (in the respective category) and the respective obligation for the lease payments to the lessor as a liability on the balance sheet.

At the inception of the lease, leased fixed assets 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 Group 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.

B. The Group is the Lessor

<u>Operating leases</u>
In case that the Group is the lessor under an operating lease, the leased assets are stated and carried in the financial statements like the other –non leased assets- of similar nature. Lease income of the Group is recognised over the term of the lease.

<u>Finance leases</u>
In case that the Group is the lessor under a finance lease, the present value of the lease payments is recognised as a receivable in the balance sheet. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Rental receipts reduce the balance of the lease receivable and the interest income is recognised on an accrual basis.

C. Sale and leaseback transactions

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The accounting treatment of a sale and leaseback transaction depends upon the type of the lease involved.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount of the asset is not immediately recognized as income by the seller-lessee but is deferred and amortized over the lease term.

If a sale and leaseback transaction results in an operating lease and it is clear that the transaction is established at fair value, any profit or loss is recognized immediately. If the sale price of the asset is different than its fair value, any profit or loss is recognized immediately. Exceptions to the rule include cases where the future lease payments are differentiated. So, if the resulting loss is compensated by lower future lease payments compared to market prices, then the loss is amortised over the period the asset is expected to be used. If the sale price is above fair value, the excess over fair value (profit) is deferred and amortized over the period the asset is expected to be used.

2.21 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition such as: cash, cash and balances with Central Banks, trading securities and loans and advances to credit institutions. Mandatory reserves with the Central Bank are not available for everyday use by the Group; therefore they are not included in balances with less than three months maturity.

2.22 Provisions

Provisions are recognised when: a) the Group 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 of the obligation can be reliably estimated. If these conditions are not met, no provision is recognised.

When 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 any one 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 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 expense in the consolidated income statement.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation as of the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. The amount of the provisions raised is reassessed at each reporting date.

2.23 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss that incurs because a specified debtor failed to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given by 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: a) the initial measurement, less amortisation calculated to recognise in the income statement the accrued fee income earned on a straight line basis over the life of the guarantee and b) 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.

2.24 Employee benefits

A. Funded post employment benefit plans

The pension schemes adopted by the Group are funded through payments to insurance companies or social security foundations.

The Group's pension obligations relate both to defined contribution plans as well as defined benefit plans.

For defined contribution plans, the Group pays contributions to publicly administered pension insurance funds (i.e. Social Security Foundation) and insurance companies; therefore the Group has no legal or constructive obligation to pay further contributions if the fund or the insurance companies do not hold sufficient assets to pay all employees the related benefits. The regular employee's 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 benefits 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 can not undertake this obligation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the obligation at the balance sheet date less the fair value of plan assets, together with adjustments for possible unrecognised actuarial gains or losses and past service costs that have not been recognised yet.

The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method.

Actuarial gains and losses

The Group uses the "10% corridor" approach for gains/ losses and recognises 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. Actuarial gains and losses are debited or credited at the income statement based on the average remaining working lives of employees.

Past service costs

The Group chose to debit/credit the past service cost in the income statement during the average period until the benefits become vested.

B. Non funded post employment benefit plans

The Group provides non funded benefit plans 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 employment, using a methodology similar to that for funded 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 Group revises its estimates of the number of options that are expected to become exercisable. The impact of the revision of original estimates is recognised, 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.

2.25 Income tax and deferred tax

Income tax payable on profits, based on the applicable tax rate, is recognised as an expense in the period in which profits arise. Deferred tax on carried forward tax losses is recognised as an asset, when it is probable that future taxable profits will be available so that these tax losses can be utilised against.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their corresponding 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 depreciation of property, plant and equipment, recognition of commission according to the effective interest rate, securities' valuation differences between the accounting and the tax base, revaluation of certain assets (such as investment property), impairment of receivables and securities, and retirement benefit obligations. Deferred tax assets are recognised for all deductible temporary differences when it is probable that the temporary difference will reverse in the foreseeable future and when also taxable income will be available in the future against which the temporary difference can be utilised.

Deferred tax related to fair value remeasurement of: a) available-for-sale investments and b) cash flow hedges, is credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

The Group offsets deferred tax assets against deferred tax liabilities only when the relevant requirements of IAS 12 are fulfilled. Specifically, deferred tax assets and deferred tax liabilities are offset if, and only if: a) the Group subsidiaries have a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

2.26 Debt securities in issue, hybrid capital and other borrowed funds

Liabilities from the issuance of the debt securities, hybrid capital and other borrowed funds are recognised initially 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 rate method. Group's borrowed funds include: euro medium term note (EMTN), ETBA bonds, securitisation of mortgage, consumer and corporate loans, hybrid capital, subordinated loans and other securities.

Preference shares, which carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholder, are classified as financial liabilities and they are 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 into shares 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 extinguished 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 Group 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.

2.27 Other financial liabilities measured at amortised cost

Other financial liabilities which are measured at fair value upon initial recognition are subsequently measured at amortised cost and include deposits from banks and from customers.

2.28 Securitisation

The Group securitises financial assets. These assets are purchased by special purpose entities which in turn issue bonds to investors. The Group consolidates special purpose entities when it controls these entities. In such case, the bonds issued under the securitisation of financial assets are presented on balance sheet at their unamortized cost.

2.29 Share capital

Incremental costs directly attributable to the issue of share capital decrease equity.

Dividends on ordinary shares are recognized as a liability during 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 Group's equity when approved by the Board of Directors.

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 charged directly in equity. The number of treasury shares held by the Group does not reduce the number of shares issued. Treasury shares held by the Bank are not eligible to receive cash dividends.

Non-voting preference shares, issued according to article 1 of Law 3723/2008 for the "Reinforcement of the Greek economy's liquidity", were recognized in equity based on the issuance terms and the requirements of IAS 32. The distribution of dividend to holders of preference shares is recognized as a liability when the dividend becomes payable.

2.30 Related party transactions

Related parties include: a) members of the Bank's Board of Directors and key management personnel of the Bank, b) members of the Board of Directors / key management personnel of the most important Group Subsidiaries, c) close family and financially dependants (husbands, wives, children etc) of the Board of Directors members and key management personnel and d) companies having transactions with the Group, when the total cumulative participating interest in them (of members of Board of Directors, key Management personnel and their dependants/close family) 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.

2.31 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to Executive Committee which is the Group’s operating decision-maker, allocates resources to and assesses the performance of the operating segments.

All transactions between business segments are conducted on an arm’s length basis, with intra-segment revenue and costs being eliminated at a consolidated level.

The Group operates in four main business segments: Retail Banking, Corporate Banking, Investment Banking, and Asset Management & Treasury. Income and expenses directly associated with each segment are included in determining business segment performance.

2.32 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the Statement of Financial Position when, and only when, the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.33 Comparatives and roundings

Where necessary, the comparative figures of the previous year's consolidated financial statements have been adjusted in order to become comparable to the corresponding figures of the current year (see note 50).

Any differences, between the amounts of the consolidated financial statements and the relevant amounts presented in the notes, are due to roundings.

3 Financial Risk Management

Financial risk management is intertwined with the Group'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 Group'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 convenes at least 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 Group, establishing the appropriate limits and control systems, as well as systematically monitoring risks and ensuring compliance with established limits. The Group 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.

In Piraeus Bank Group, the Group Risk Management Division is 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. The Group Risk Management consists of the Group Credit Risk Division, the Capital Management Division as well as of the Group Market Risk & Operational Risk Management Division. Its activities are supervised by Group Internal Audit, which evaluates the effectiveness and efficiency of the risk management procedures applied.

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

3.1 Credit risk

3.1.1 Credit Risk Management Strategies & Procedures

Banking activity and the Group's profits are closely related to credit risk undertaking. Credit risk is the risk of financial loss for the Group that results when the debtors are in no position to fulfil their contractual/ transactional obligations. Credit risk is considered the most significant for the Group, and its efficient monitoring and management constitutes a top priority for Management. The Group's overall exposure to credit risk mainly results from approved credit limits and financing of corporate and retail credit, from the Group's investment and transaction activities, from trading activities in the derivative markets, as well as from the settlement of transactions. 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).

The implementation of the credit policy that describes the principles of credit risk management at the Group, ensures effective and uniform credit risk monitoring and control. Piraeus Bank Group 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 Group 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 Board's Group Risk Management Committee that monitors and evaluates the credit risk arising from the Group's everyday activities, while supervising the proper application and functionality of credit risk management policies. Under the Group Risk Management Division, a separate Credit Risk Management Division operates with its mission the continuous monitoring, measurement and control of the Group's credit risk exposures against enterprises, individuals, banks and central governments.

3.1.2 Credit risk measurement and reporting systems

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

a) Loans and advances

For credit risk measurement purposes involved in the Group's loans and advances at the counterparty level: (i) a customer's creditworthiness and the probability of defaulting on their contractual obligations is systematically assessed, (ii) the Group's exposure to credit risk arising from the claim is monitored and (iii) the Group'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. All these three credit risk measurement parameters are incorporated into the Group's day to day operations.

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

The Group assesses the creditworthiness of its borrowers and estimates the probability of defaulting on their obligations by applying credit rating models appropriate for their special characteristics and features. These 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 Group'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 Group 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 potential 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. Piraeus Bank Group applies the Moody's Risk Advisor (MRA) borrower credit rating system for the assessment of credit risk that arises from loans to medium and large-sized enterprises. It should be noted that the MRA system has been used in domestic financial subsidiaries in Greece since 2005, while from 2006 its application has been extended to include the Group's major bank subsidiaries abroad (ESM-English Standard Model). The Bank has optimized the existing GSM (Greek Standard Model) version MRA credit rating model applicable to the corporate portfolio that concerns borrowers keeping class C accounting books with a turnover in excess of €2.5 mn. Furthermore, in the context of validating the existing MRA model (GSM) the Bank has also applied a new model for the corporate portfolio that concerns borrowers keeping class C accounting books with a turnover of up to €2.5 mn. Regarding small-sized enterprises, internally developed (in-house) rating systems, as well as scoring systems, are applied. The evaluation ability of all models applied is validated at least every six months In accordance with the regulatory framework for credit institutions (Basel II), the Bank has developed and applies a distinct credit rating model for specialized lending that concerns sea-going shipping (object finance) that is currently under optimization.

All Corporate Credit customers are assigned to credit rating grades, which correspond to different levels of credit risk and relate to different default probabilities. Each rating grade is associated with a specific customer relationship policy.

Retail Credit

As far as retail credit is concerned, the Group, focusing on the application of modern credit risk measurement methods, evaluates applicants using application scoring models. The target of the group is to implement models for the evaluation of existing customers' transactional behaviour (behaviour scoring) for each product but also at the borrower level (Behaviour models have already been implemented at the Bank level).

In addition in Piraeus Bank, the credit bureau scoring model of Teiresias S.A. is used, that takes into account the total of borrower exposures in the Greek market. The usage of the particular model has improved the performance of the existing models. All credit scoring models are validated at least semiannually.

(ii) Monitoring credit risk exposure

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

(iii) Recovery based on existing collateral, security and guarantees

Along with the rating of the counterparties' creditworthiness, the Group 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. According to standard practice, the lower the rating of a borrower, the greater the collateral / security required, so that the recovery rate is as high as possible in case of borrower's default on their contractual obligations to the Group.

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 Fitch. The amount of the Group's exposure to credit risk from debt securities and other bills is monitored according to the relevant IFRS provisions per portfolio category.

In 2011, the Group participated successfully in the pan-European stress test (2011 EU Wide Stress Testing Exercise of European Banks), which was conducted by the European Banking Authority (EBA), in cooperation with the Bank of Greece, the European Central Bank (ECB), the European Commission (EC) and the European Systemic Risk Board (ESRB).

3.1.3 Credit limits management and risk mitigation techniques

Piraeus Bank Group 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 group of counterparties, per credit rating, per product, per sector of economic activity and per country. Additionally, limits are set and applied against exposures to financial institutions. The Group'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.

In order to set customer limits, the Group takes into consideration any collateral or security which reduces the level of risk assumed. The Group 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 Group, 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, if the criteria that are set under the credit policy are met. Approval authorities are designated based on the level of risk exposure and their role in contributing to the quality of the Group's total credit portfolio is particularly significant.

Credit limits of the Group 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 Group for credit risk control and mitigation.

a) Collateral / Security

The Group 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 Group 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
- Greek government guarantees
- Guarantees by the Credit Guarantee Fund for Small and Very Small Enterprises (TEMPME)
- Pledged financial instruments such as stocks, bonds, bills or mutual fund shares
- Mortgages on real estate property
- Ship mortgages
- Receivables

The collateral/ security associated with a credit is initially evaluated during the credit approval process, based on their current or fair value, and reevaluated 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.

b) Derivatives

The Group 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 Group to derivative products corresponds to the positive market value of its open positions, add any potential future exposure. Credit exposures arising from derivatives transactions 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 Group demands the application of a safety margin from a counterparty.

Piraeus Bank Group sets and systematically monitors for every counterparty, daily settlement limits.

c) Netting arrangements

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

d) Credit - related commitments

The Group uses credit-related commitments to provide customers with funds as required. These credit-related commitments entail the same risk as the Group'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.

3.1.4 Impairment and provisioning policy

Piraeus Bank Group 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/ guarantees in case the borrower fails to service the loan. In the event that there are indications that the Group 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 Group, according to its IAS 39, considers the criteria stated in section 2.13 as reliable and objective evidence that a loan or group of loans has been impaired.

Amounts in thousand euros (Unless otherwise stated)

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 Group 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 occurred.

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 Group 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 customer’s ability to pay amounts due, according to the contractual terms of the financial assets under evaluation.

Future cash flows in 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 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 Group, by resolution of the Board of Directors (or its authorised committees) of the Bank or its subsidiaries, proceeds with write-offs of non performing loans and bad debts against their respective provisions, after all potential collection processes have been exhausted and, thus, it is highly expected that the aforementioned will not be collected. The Group continues monitoring loans written off in case that they may become collectable.

3.1.5 Loans and advances

Loans and advances to customers and to credit institutions as long as debt securities - receivables are summarised as follows:

	31 December 2012			31 December 2011		
	Loans and advances to customers	Loans and advances to credit institutions	Reverse repos with customers	Loans and advances to customers	Loans and advances to credit institutions	Reverse repos with customers
Loans neither past due or impaired	26,956,387	380,384	35,924	21,990,548	316,131	57,395
Past due but not impaired	12,767,537	-	-	8,742,311	6	-
Impaired	10,849,385	-	-	6,325,160	-	-
Gross	**50,573,309**	**380,384**	**35,924**	**37,058,018**	**316,136**	**57,395**
Less: Allowance for impairment for loan and advances	(3,832,964)	-	-	(3,052,399)	-	-
Less: Adjustments of opening balances at acquisition date	(2,127,659)	-	-	-	-	-
Net	**44,612,686**	**380,384**	**35,924**	**34,005,619**	**316,136**	**57,395**
Debt securities-receivables	8,039,843	-	-	3,324,665	-	-
Less: Allowance for impairment for debt securities - receivables	(23,846)	-	-	(1,696,489)	-	-
	8,015,997	**0**	**0**	**1,628,176**	**0**	**0**

Related to the debt securities - receivables rating is note 3.1.6.

‘Adjustment for opening balances at acquisition date’ relates to allowance for impairment for loans of companies of former ATEbank and Geniki Bank Group at the acquisition date by Piraeus Bank Group. The aforementioned allowance for impairment has been included in the adjustment of loans and advances to customers to fair value according to the provisions of IFRS 3. It is noted that in note 24 ‘Loans and advances to customers and debt securities – receivables’ the adjustment has decreased the balance of loans and advances to customers before provisions and it is not included in the allowance for impairment on loans and advances to customers. However for purposes of monitoring credit risk and for disclosure purposes according to I.F.R.S. 7, the aforementioned adjustment does not affect the balances of loans and advances before provisions, as the Group has not stopped monitoring the adjustment as part of the provisions.

An analysis of the adjustment per category of loans is provided below:

Loans and advances to customers	**(704,610)**
Mortgages	(242,059)
Consumer/ personal loans	(275,559)
Credit cards	(186,991)
Corporate loans	**(1,423,049)**
Total adjustment	**(2,127,659)**

As at 31/12/2012, the Group examined the requirements of the amended IFRS 7 "Financial Instruments: Disclosures – Transfers of Financial Assets". Since at this date there are no transferred financial assets that are not derecognized partially or in their entirety, the relevant required disclosures of IFRS 7 are not applicable in the annual consolidated financial statements of the year 2012.

a) Loans neither past due or impaired:

Amounts in thousand euros (Unless otherwise stated)

Loans and advances to customers

31 December 2012

Grades	Credit cards (Loans to individuals)	Consumer/ personal loans (Loans to individuals)	Mortgages (Loans to individuals)	Loans to corporate entities	**Total loans and advances to customers**
Standard monitoring	582,527	1,973,919	8,162,269	11,326,193	22,044,909
Special monitoring	-	-	-	4,911,478	4,911,478
Total	**582,527**	**1,973,919**	**8,162,269**	**16,237,671**	**26,956,387**

31 December 2011

Grades	Credit cards (Loans to individuals)	Consumer/ personal loans (Loans to individuals)	Mortgages (Loans to individuals)	Loans to corporate entities	**Total loans and advances to customers**
Standard monitoring	457,564	1,757,700	4,389,183	10,173,250	16,777,697
Special monitoring	-	-	-	5,212,850	5,212,850
Total	**457,564**	**1,757,700**	**4,389,183**	**15,386,100**	**21,990,547**

Loans and advances to credit institutions

Grades	**31 December 2012**	**31 December 2011**
Investment grade	27,615	-
Standard monitoring	350,215	185,460
Special monitoring	2,554	130,671
Total	**380,384**	**316,131**

Reverse repos with customers

Grades	**31 December 2012**	**31 December 2011**
Standard monitoring	35,924	57,395
Total	**35,924**	**57,395**

b) Loans and advances past due but not impaired:

31 December 2012

	Credit cards (Loans to individuals)	Consumer/ personal loans (Loans to individuals)	Mortgages (Loans to individuals)	Loans to corporate entities	**Total**
Past due 1 - 90 days	111,909	671,810	2,250,900	5,408,221	8,442,841
Past due 91 - 180 days	35,885	138,968	501,909	593,336	1,270,098
Past due > 180 days	-	-	846,795	2,207,804	3,054,599
Total	**147,794**	**810,778**	**3,599,604**	**8,209,361**	**12,767,537**
Fair value of collateral	64	221,521	3,324,745	4,376,616	**7,922,946**

The fair value of physical collaterals reflects the liquidation value of these collaterals, after the application of the haircuts provided in the Group credit policy.

In the case of the mortgage loans of the Bank, it should be noted that the reported fair value of collateral takes into account only properties on which the Bank holds a first line mortgage. In cases that 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 2011

	Credit cards (Loans to individuals)	Consumer/ personal loans (Loans to individuals)	Mortgages (Loans to individuals)	Loans to corporate entities	**Total**
Past due 1 - 90 days	59,101	574,438	1,415,246	4,727,798	6,776,584
Past due 91 - 180 days	26,951	101,819	244,482	225,638	598,890
Past due > 180 days	-	-	364,861	1,001,975	1,366,837
Total	**86,053**	**676,257**	**2,024,589**	**5,955,412**	**8,742,311**
Fair value of collateral	-	167,263	1,884,410	3,729,252	**5,780,925**

c) Loans and advances impaired:

31 December 2012

	Credit cards (Loans to individuals)	Consumer/ personal loans (Loans to individuals)	Mortgages (Loans to individuals)	Loans to corporate entities	**Total loans and advances to customers**
Impaired loans	477,665	1,287,919	951,583	8,132,218	**10,849,385**
Fair value of collateral	120	123,096	740,507	3,192,402	**4,056,124**

31 December 2011

	Credit cards (Loans to individuals)	Consumer/ personal loans (Loans to individuals)	Mortgages (Loans to individuals)	Loans to corporate entities	**Total loans and advances to customers**
Impaired loans	207,313	738,943	394,861	4,984,043	**6,325,160**
Fair value of collateral	-	83,309	308,919	1,815,200	**2,207,428**

Distressed Restructuring - Rescheduling

With regards to the restructuring of loans and its designation as rescheduling or distressed restructuring, Piraeus Bank Group follows the guidelines of the BoG that were communicated to the management of credit institutions through the circular 13 that was issued by the Governor of BoG as at 30/7/2009.

This designation remains for one year provided that the amended terms of the loan apply. After one year, or earlier, if delays arise in servicing the debt, they fall in the respective loan category.

There are specific chapters, in the respective manuals of the Bank's Credit Policy, relating to Corporate and Retail Credit, which describe in detail the procedures for the approval and management of rescheduled and distressed restructured loans as well as the relevant approval bodies and the units that approve and manage those loans.

Specifically:

A. Corporate Credit:

Units managing customers of specialized lending

i. Corporate loans within the responsibility of business centers which are downgraded to the categories "Special Mention" and "Distressed Restructuring", are jointly managed by Loan Restructuring Division.

ii. Corporate loans within the responsibility of Large Corporates & Group Structured Finance and Ship Financing divisions which have been downgraded to the aforementioned categories, are managed by the special teams Capital Recovery Large Corporate and Capital Recovery Shipping.

iii. Corporate loans in the Permanent Delay (legal) category are solely managed by Workouts Division.

Approval Process of Rescheduling – Distressed Restructuring

i. For the approval of rescheduling of loans with designation "Standard", approval from the relevant approval level is required.

ii. For the approval of rescheduling and distressed restructuring of loans with designation "Special Mention", in addition to the approval from the relevant approval level, the approval from the Workouts Committee or its sub-committees is required.

iii. For the approval of distressed restructuring of loans with designation "Doubtful/Loss", the approval from the Workouts Committee or its sub-committees is only required.

B. Retail Credit:

The approvals from the rescheduling and distressed restructuring of retail loans are given by the specialized unit of Retail Loans Restructuring.

Distressed restructured and rescheduled loans are tested for impairment in accordance with the impairment and provisioning policy as described in note 3.1.4.

On 31/12/2012 the carrying value of the distressed restructured and rescheduled loans of the Group amounts to € 5.9 billion, while the total amount of provisions is € 410 million.

	Group			
	31/12/2012		31/12/2011	
Amounts in million €	Balance	Provision	Balance	Provision
Distressed Restructured	**1,862**	**198**	**1,264**	**75**
Retail	525	41	411	30
Corporate	1,337	157	853	45
Rescheduled	**4,050**	**212**	**2,790**	**154**
Retail	1,939	16	828	8
Corporate	2,111	196	1,962	146
Total	**5,911**	**410**	**4,054**	**229**

It is noted that the amounts of rescheduled loans relate to Piraeus Bank only.

3.1.6 Debt securities and other eligible bills

The table below presents an analysis of trading portfolio, debt securities - receivables, investment securities and financial instruments at fair value through profit or loss by rating as at 31 December 2012, based on Standard & Poor's ratings or their equivalent:

Amounts in thousand euros (Unless otherwise stated)

31 December 2012	Trading securities	Debt securities - receivables	Investment securities	Total
AAA	54,324	6,513,882	524,940	7,093,146
AA- to AA+	-	-	259,960	259,960
A- to A+	-	-	87,810	87,810
BBB- to BBB+	7,242	-	43,151	50,394
BB- to BB+	262,117	-	8,915	271,032
Lower than BB-	26,886	1,502,115	3,313,125	4,842,126
Unrated	-	-	175,843	175,843
Total	**350,568**	**8,015,997**	**4,413,745**	**12,780,310**

3.1.7 Repossessed collateral

During the year 2012, the Group obtained assets after taking possession of collateral held as security for its receivables:

Nature of assets	2012	2011
Property	121,554	82,204
	121,554	**82,204**

Assets acquired from an auction process are held by the Group temporarily for liquidation, for in full or partial repayment of related loan from customers.

3.1.8 Concentration of risks of financial assets with credit risk exposure

a) Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region as at 31 December 2012. The credit risk exposure is based on the country of domicile of the Group's companies.

	Greece	Rest of Europe	Egypt	Total
Loans and advances to credit institutions	26,062	164,928	189,394	380,384
Derivative financial instruments - assets	425,189	16,128	-	441,317
Bonds & Treasury Bills of trading portfolio	81,209	269,359	-	350,568
Loans and advances to customers (net of provisions)	37,580,023	6,613,302	419,360	44,612,686
Loans to individuals	14,528,100	1,538,572	52,016	16,118,688
- Mortgages	11,602,191	676,260	2,773	12,281,225
- Consumer - personal loans	2,143,782	824,759	38,723	3,007,265
- Credit cards	782,126	37,552	10,520	830,199
Loans to corporate entities	23,051,924	5,074,730	367,344	28,493,998
Debt securities - receivables	7,928,884	4,740	82,372	8,015,997
Bonds & Treasury Bills of investment portfolio	3,994,076	373,430	46,239	4,413,745
Revesre repos with customers	35,388	537	0	35,924
Other assets	2,419,857	142,900	14,498	2,577,255
As at 31 December 2012	**52,490,689**	**7,585,324**	**751,864**	**60,827,877**
As at 31 December 2011	**32,833,298**	**8,233,860**	**473,236**	**41,540,394**

b) Industry sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by industrial sector as at 31 December 2012. The Group has allocated exposures to sectors based on the industry sector of our counterparties.

	Financial institutions	Manufactoring/ Handicraft	Construction	Real Estate Companies	Project Finance	Wholesale and retail trade	Public sector	Shipping Companies	Hotels	Agriculture	Energy, Transports & Logistics	Other industries	Individuals	Total
Loans and advances to credit institutions	380,384													**380,384**
Derivative financial instruments - assets	316,738	4,172	-	2,544	100,114	429	-	13,740	-	-	-	3,580	-	**441,317**
Bonds of Trading portfolio	56	-	-	-	-	-	296,093	-	-	-	-	54,419		**350,568**
Loans and advances to customers (net of provisions)	701,688	4,591,453	2,795,577	2,360,754	1,210,481	3,996,251	2,468,845	1,387,490	1,848,314	1,598,420	1,833,604	3,701,121	16,118,688	**44,612,686**
Loans to individuals (retail customers)													16,118,688	**16,118,688**
- Mortgages													12,281,225	**12,281,225**
- Consumer - personal loans													3,007,265	**3,007,265**
- Credit cards													830,199	**830,199**
Loans to corporate entities	701,688	4,591,453	2,795,577	2,360,754	1,210,481	3,996,251	2,468,845	1,387,490	1,848,314	1,598,420	1,833,604	3,701,121	-	**28,493,998**
Debt securities-receivables	-	4,740	-	-	-	-	1,497,375	-	-	-	-	6,513,882	-	**8,015,997**
Reverse repos with customers	-	-	-	-	34,084	-	-		-	-	-	-	1,840	**35,924**
Bonds of Investment portfolio	521,799	-	-	21	-	-	3,849,840	-	-	-	-	42,085		**4,413,745**
Other assets	36,885	36,032	18,587	4,540	5	81,126	556,405	76	377	196	1,978	1,636,631	204,417	**2,577,255**
Balance at 31st December 2012	**1,957,551**	**4,636,397**	**2,814,165**	**2,367,860**	**1,344,685**	**4,077,805**	**8,668,557**	**1,401,305**	**1,848,691**	**1,598,615**	**1,835,582**	**11,951,718**	**16,324,945**	**60,827,877**
Balance at 31st December 2011	**1,326,831**	**4,056,864**	**2,849,315**	**2,339,561**	**1,959,510**	**3,682,455**	**6,233,120**	**1,415,897**	**1,553,285**	**458,109**	**1,411,118**	**4,257,017**	**9,997,313**	**41,540,394**

The amount of € 255 million in the category "Public Sector" of "Corporate Loans" relates to loans given to local authorities and the amount of € 2.1 billion relates to receivables from the "Payment and Control Agency for Guidance and Guarantee Community Aid" in the framework of managing the reinforcements of community funds for the funding of agricultural expenditures of the community budget.

The amount of € 1.4 billion in the category "Public Sector" of "Debt Securities Receivables" relates to securities issued under the framework of Law 3723/2008 "Economy Reinforcement Plan".

The amount of € 54 million of "Bonds of Trading portfolio" and the amount of € 6.5 billion of "Debt Securities Receivables" in the category "Other Industries" relates to bonds issued by the Hellenic Financial Stability Fund (HFSF) received by the Bank as a result of the acquisition of selected assets and liabilities of former ATEbank S.A..

Finally the category of "Other Industries" of "Other Assets" includes the amount of € 795 million which relates to receivables of the Financial Stability Facility due to the difference of the value of transferred assets and liabilities of former ATEbank S.A subtracting the amount of € 6,676 million already covered.

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.

The Board Risk Committee of the bank has approved a market risk management policy that applies to the Group and outlines the basic definitions of market risk management and defines the roles and responsibilities of the units and executives involved.

Piraeus Bank Group applies up to date, generally accepted techniques for the measurement of market risk. Specifically, sensitivity indicators such as PV100 (adverse impact to the net present value of all balance sheet items for a 100 basis points parallel move in the yield curve for all currencies) as well as Value-at-Risk (VaR incorporates all risk factors) are calculated.

For every activity that bears market risk, Piraeus Bank Group has assigned adequate market risk limits, and these are monitored systematically. Market risk management is not confined to trading book activities, but covers the balance sheet as a whole.

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 Group implements the following three methods for the calculation of Value at Risk:

a) the parametric Value-at-Risk methodology, assuming a one-day holding period and utilizing a 99% confidence level, with historic observations of two years and equal weighting between observations,

b) the parametric Value-at-Risk methodology, using market data that give more weight to recent observations (exponentially weighted moving average volatilities and correlations) and

c) the parametric Value-at-Risk methodology using volatilities and correlations gathered during a crisis period (Stressed Value-at-Risk), while the estimate is assessed on current positions.

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 Group tests the validity of the Value-at-Risk estimates, by conducting a back-testing program on the Piraeus Bank trading book VaR. 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.

The Value-at-Risk estimate for the Group's Trading Book at 31/12/2012, was € 1.32 million. This estimate consists of € 0.46 million for interest rate risk, € 0.01 million for equity risk, € 1.13 million for foreign exchange risk and € 0.1 million for commodities risk. There is a reduction in the Value-at-Risk estimate of € 0.38 million due to the diversification effect in the portfolio.

The Value-at-Risk estimate for the Group's Trading Book at 31/12/2011, was € 8.81 million. This estimate consists of € 8.06 million for interest rate risk, € 0.04 million for equity risk, € 2.41 million for foreign exchange risk and € 0.21 million for commodities risk. There is a reduction in the Value-at-Risk estimate of € 1.91 million due to the diversification effect in the portfolio. During 2012 there was a decrease in the Group's Trading Book VaR due to a reduction in Greek Government Bond positions.

The above are summarized as follows (amounts in million euro):

million €	Piraeus Bank Trading Book Group - Total VaR	VaR - Interest Rate Risk	VaR - Equity Risk	VaR - Foreign Exchange Risk	VaR - Commodities Risk	Diversification Effect
2012	1.32	0.46	0.01	1.13	0.10	-0.38
2011	8.81	8.06	0.04	2.41	0.21	-1.91

Amounts in thousand euros (Unless otherwise stated)

3.3 Currency risk

The Group is exposed to 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 Group's exposure to foreign currency exchange rate risk as at 31/12/2012. The table includes, the Group's assets and liabilities at carrying amounts categorised by currency and the positions in derivatives which reduce significantly the undertaken risk:

At 31 December 2012	**EUR**	**USD**	**GBP**	**JPY**	**CHF**	**Other currencies**	**Total**
Foreign exchange risk of assets							
Cash and balances with central Banks	2,520,764	289,610	29,018	14,865	15,953	437,293	3,307,503
Loans and advances to credit institutions	89,029	245,032	7,423	-	67	38,833	380,384
Derivative financial instruments - assets	411,325	14,085	8	0	0	15,899	441,317
Trading securities	123,506	3,050	-	-	-	236,311	362,868
Financial instruments at fair value through Profit or Loss	7,833	-	-	0	-	-	7,833
Reverse repos with customers	35,388	-	-	-	-	537	35,924
Loans and advances to customers (net of provisions)	38,694,286	2,158,613	105,776	144,594	2,494,688	1,014,729	44,612,686
Debt securities - receivables	7,928,884	10,723	0	0	0	76,390	8,015,997
Investment securities	4,706,329	12,376	-	-	-	191,775	4,910,481
Other assets	2,461,016	12,845	305	967	2,401	99,721	2,577,255
Total financial assets	**56,978,360**	**2,746,334**	**142,530**	**160,426**	**2,513,109**	**2,111,488**	**64,652,248**
Foreign exchange risk of liabilities							
Due to credit institutions	32,421,612	44,535	2,775	-	684	91,716	32,561,322
Liabilities at fair value through profit or loss	21,953	-	-	-	-	-	21,953
Derivative financial instruments - liabilities	347,257	63,633	-	0	10,924	1,704	423,519
Due to customers	32,636,697	1,952,548	112,472	204,316	34,432	2,030,744	36,971,208
Debt securities in issue	533,702	(1)	-	-	-	-	533,702
Hybrid capital and other borrowed funds	324,141	0	-	-	-	-	324,141
Other liabilities	929,954	20,055	1,710	1,428	550	55,309	1,009,007
Total financial liabilities	**67,215,317**	**2,080,771**	**116,956**	**205,744**	**46,590**	**2,179,473**	**71,844,852**
Net on-balance sheet financial position	**(10,236,957)**	**665,563**	**25,573**	**(45,317)**	**2,466,519**	**(67,986)**	**(7,192,605)**
Net position of non financial assets - liabilities	**6,577,715**	**103,850**	**(790)**	**0**	**11,163**	**475,484**	**7,167,422**
Off balance sheet items	**3,643,508**	**(1,101,186)**	**(26,797)**	**45,241**	**(2,504,161)**	**108,472**	**165,077**
Currency position	**(15,734)**	**(331,773)**	**(2,014)**	**(76)**	**(26,479)**	**515,970**	**139,894**
At 31 December 2011							
Total financial assets	36,894,569	2,974,862	124,011	197,728	2,633,301	1,572,693	44,397,163
Total financial liabiities	45,020,070	2,824,922	116,550	399,889	20,125	1,613,987	49,995,542
Net on-balance sheet financial position	**(8,125,501)**	**149,940**	**7,461**	**(202,161)**	**2,613,176**	**(41,294)**	**-5,598,379**
Net position of non financial assets - liabilities	**4,898,841**	**194,828**	**(2,074)**	**3,438**	**(4)**	**293,744**	**5,388,774**
Off balance sheet items	**2,928,880**	**(656,645)**	**(7,804)**	**193,238**	**(2,597,720)**	**85,575**	**(54,475)**
Currency position	**(297,780)**	**(311,877)**	**(2,417)**	**(5,485)**	**15,452**	**338,025**	**-264,083**

3.4 Interest rate risk

Interest rate risk is the risk of a negative impact on the Group's financial condition due to its exposure to interest rates. Accepting this risk is a normal part of banking and can be an important source of profitability and shareholder value.

Changes in interest rates affect the Group'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 Group'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. Accordingly, an effective risk management process that assesses, monitors and help maintain interest rate risk within prudent levels (through effective hedging, where relevant), is essential to the safety and soundness of the Group.

Piraeus Bank Group applies an Interest Rate Risk Management Policy, which provides for a variety of valuation techniques that rely on maturity and repricing schedules (Interest Rate Gap analysis).

Interest rate gap 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 Group’s exposure to interest rate risk according to an Interest Rate Gap Analysis. Those assets and liabilities lacking actual maturities (e.g. open accounts) or definitive repricing intervals (e.g. sight deposits or savings accounts) are assigned to the time band up to one month.

In the table, assets and liabilities in foreign currency are converted into EUR using the FX rates as of 31/12/2012.

Amounts in thousand euros (Unless otherwise stated)

At 31 December 2012	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non interest bearing	Total
Assets							
Cash and balances with central banks	2,742,949	29,524	0	0	0	535,030	3,307,503
Loans and advances to credit institutions	351,333	28,111	209	219	0	512	380,384
Trading securities	4,459	24,407	146,978	173,793	932	12,299	362,868
Reverse repos with customers	35,482	442	0	0	0	(0)	35,924
Financial instruments at fair value through Profit or Loss	0	0	0	0	0	7,833	7,833
Loans and advances to customers (net of provisions)	32,790,907	7,538,018	2,476,286	1,231,121	708,811	(132,458)	44,612,686
Debt securities - receivables	24	7,929,665	81,516	4,793	0	0	8,015,997
Investment securities	1,739,895	866,921	1,095,190	676,222	35,517	496,736	4,910,481
Other assets	14,630	2,880	29,018	46,817	9,290	2,474,619	2,577,255
Total financial assets	**37,679,679**	**16,419,968**	**3,829,197**	**2,132,965**	**754,549**	**3,394,572**	**64,210,930**
Liabilities							
Due to credit institutions	32,274,118	193,351	87,129	6,723	1	0	32,561,322
Due to customers	24,190,418	5,658,597	6,156,785	690,108	756	274,544	36,971,208
Liabilities at fair value through profit or loss	9,221	171	11,676	0	885	0	21,953
Debt securities in issue	301,917	231,093	202	489	0	0	533,702
Hybrid capital and other borrowed funds	324,141	0	0	0	0	0	324,141
Other liabilities	17,170	4,770	73,811	79,031	176,398	684,520	1,035,700
Total financial liabilities	**57,116,984**	**6,087,983**	**6,329,603**	**776,351**	**178,040**	**959,064**	**71,448,026**
Net notional amount of derivative financial instruments	**(15,263)**	**237,351**	**(44,635)**	**9,539**	**(60,201)**	**-**	**126,790**
Total interest rate gap	**(19,452,568)**	**10,569,336**	**(2,545,042)**	**1,366,152**	**516,307**	**2,435,507**	**(7,110,306)**

The following table includes figures of the comparative year.

At 31 December 2011	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non interest bearing	Total
Total financial assets	25,258,429	8,176,171	4,442,289	2,473,096	2,445,853	1,222,086	44,017,925
Total financial liabiities	39,166,375	5,671,366	2,895,469	1,060,535	274,138	575,653	49,643,536
Net notional amount of derivative financial instruments	132,225	705,460	(119,115)	(477,998)	(264,334)	-	(23,761)
Total interest rate gap	**(13,775,721)**	**3,210,266**	**1,427,705**	**934,563**	**1,907,382**	**646,433**	**(5,649,372)**

In addition, the Group 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 (PV100).

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.

For Earnings-at-Risk and PV100 the Group has assigned adequate limits, which are monitored on a regular basis.

The Bank also assesses on a regular basis, the impact of a change in the credit spread, for issuers of government and corporate debt, for the group’s bond portfolio.

The Group also evaluates potential financial 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.

3.5 Liquidity risk

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

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

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 Group specific event or a general market event. Triggers and warning signals serve as indicators of when the contingency plan should be put into operation.

Amounts in thousand euros (Unless otherwise stated)

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 Governor's Act 2614/ 07.04.2009, which refers to the supervision framework of banks’ liquidity adequacy by the Bank of Greece.

The Liquidity ratios are calculated on a solo, as well as, on a consolidated basis. Consolidation includes only the credit institutions of the Group.

The levels of these particular ratios are daily communicated to the responsible business units, and comments as well as respective assessments of the Group Market & Operational Risk Management Division, are included in the reporting package to the members of Asset – Liability Committee (ALCO). The levels of the ratios are also disclosed, on a monthly basis, to the Financial Services Authority (F.S.A) of Great Britain.

Means as the maintenance of liquid securities portfolios, the expansion of diversified core deposits (i.e saving accounts) and competitive term deposits, were taken in order to mitigate liquidity risk.

Through acquiring ATE Bank, Piraeus Bank greatly improved the combination of funding sources, while at the same time its deposits base was further extended and diversified. Furthermore, the Bank acquired Liquidity through EFSF Bonds amounting to € 7,300 million in order to cover the funding gap of the acquisition of ATE Bank.

Finally, in accordance with the provisions of law 3723/2008 "providing enhanced liquidity to the economy to address the consequences of the international financial crisis", the Bank has issued preferred stocks (Pillar I),received Guarantees (Pillar II) and Special Bonds (Pillar III) from the Greek State amounting to € 12,380 million.

Under recapitalization framework, Piraeus Bank, has received in advance EFSF Bonds of €6,253 million.

In general, liquidity management is a matter of balancing cash flows within forward rolling time bands, so that under normal conditions, the Group is comfortably placed to meet all its payment obligations as they fall due. For this purpose the Group uses the liquidity gap analysis which provides an overview of the expected cash flows, arising from all balance sheet items. The cash flows are assigned and aggregated into timebands according to when they occur.

The assumptions made are that scheduled payments to the Group are honoured in full and on time and in addition, all contractual payments are discharged in full, e.g. 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 Group under non-derivative financial liabilities by the remaining contractual maturities. The amounts mentioned are the contractual undiscounted cash flows. The Group manages liquidity risk according to the estimated undiscounted cash flows. Liabilities in foreign currency have been translated into euro based on the current foreign currency exchange rates.

At 31 December 2012	**Up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
Liabilities liquidity						
Due to credit institutions	32,083,776	72,839	18,476	388,798	22,514	32,586,403
Due to customers	24,497,774	5,790,229	6,310,608	717,860	3,476	37,319,946
Liabilities at fair value through profit or loss	9,239	173	11,929	0	1,772	23,113
Debt securities in issue	726	15,931	3,350	521,213	0	541,219
Other borrowed funds	400	-	4,751	281,396	-	286,547
Hybrid capital	222	-	794	5,002	100,280 -	106,298
Other liabilities	100,569	47,559	116,195	118,028	891,894	1,274,245
Total liabilities (contractual maturity dates)	**56,692,707**	**5,926,731**	**6,466,103**	**2,032,297**	**1,019,935**	**72,137,772**
Total assets (expected maturity dates)	**19,186,051**	**5,424,808**	**7,172,588**	**15,056,470**	**23,302,744**	**70,142,661**

At 31 December 2011	**Up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
Liabilities liquidity						
Due to credit institutions	24,436,637	287,497	29,669	734,788	24,296	25,512,886
Due to customers	14,276,140	4,647,044	2,565,235	506,083	5,751	22,000,253
Liabilities at fair value through profit or loss	3,317	7,081	6,929	88	1,060	18,475
Debt securities in issue	3,869	47,117	401,166	861,682	16	1,313,851
Other borrowed funds	3,047	-	13,573	380,116	-	396,735
Hybrid capital	1,183	-	3,819	167,258	-	172,260
Other liabilities	94,429	57,118	294,919	37,073	241,722	725,261
Total liabilities (contractual maturity dates)	**38,818,622**	**5,045,857**	**3,315,310**	**2,687,088**	**272,845**	**50,139,722**
Total assets (expected maturity dates)	**10,036,422**	**3,380,373**	**7,684,134**	**14,314,482**	**19,177,450**	**54,592,861**

b) Derivative cash flows

bi) Derivatives settled on a net basis

The Group’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.

Amounts in thousand euros (Unless otherwise stated)

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

At 31 December 2012	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Derivatives held for trading						
-Foreign exchange derivatives	72	91	64 -	-	-	227
-Interest rate derivatives	1,412	2,332	(4,460)	3,889	13,138	16,311
-Other derivatives	0	11	0	0	0	11
Derivatives held for fair value hedging						
-Foreign exchange derivatives	1,385	454	0	0	0	1,840
-Interest rate derivatives	1,388	476	(178)	0	0	1,686
Total	**4,257**	**3,364**	**(4,574)**	**3,889**	**13,138**	**20,075**

At 31 December 2011	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Derivatives held for trading						
-Foreign exchange derivatives	2	-	-	-	-	2
-Interest rate derivatives	571	9,883	(28,814)	(49,001)	13,485	(53,877)
Derivatives held for fair value hedging						
-Interest rate derivatives	-	-	(1,750)	(8,346)	(2,722)	(12,818)
Total	**573**	**9,883**	**(30,565)**	**(57,347)**	**10,763**	**(66,693)**

bii) Derivatives settled on a gross basis

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

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 2012	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	(2,251,373)	(1,188,198)	(13,337)	(1,454,668)	(373,011)	(5,280,587)
Inflow	2,253,845	1,190,099	13,421	1,423,075	371,385	5,251,824

At 31 December 2011	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	(5,807,498)	(60,098)	(27,567)	(840,825)	-	(6,735,989)
Inflow	5,797,820	57,815	33,245	801,458	-	6,690,338

On 31 December 2012, Piraeus Bank Group's total raised liquidity against acceptable collateral from the Eurosystem - European Central Bank (ECB) and the Bank of Greece (BoG) amounted to € 31.6 billion (2011: € 22.3 billion). The increase of the amount mainly reflects the acquisition of the "good" part of ATEbank, with a major part of assets acquired in the form of illiquid HFSF bonds (€ 6.5 billion), as well as the decreased overall liquidity within the Greek banking system. The latter was attributed to the outflow of deposits especially during the first semester of 2012, a trend that was partially reversed following the elections in June 2012 resulting in the stabilisation of deposits in Greece.

3.6 Fair values of financial assets and liabilities

a) Financial assets and liabilities not held at fair value:

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

	Carrying Value		Fair Value	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Financial assets				
Loans and advances to credit institutions	380,384	316,136	380,384	316,136
Loans and advances to customers (net of provisions)	44,612,686	34,005,619	44,566,217	34,067,095
-Loans to individuals	16,118,688	9,873,207	16,102,893	9,873,207
-Loans to corporate entities	28,493,998	24,132,412	28,463,324	24,193,887
Debt securities - receivables	8,015,997	1,628,176	7,664,643	1,165,849
Reverse repos with customers	35,924	57,395	35,917	57,292
Held to maturity investment securities	74,006	1,249,849	74,006	1,374,786

Amounts in thousand euros (Unless otherwise stated)

	Carrying Value		Fair Value	
Financial liabilities	**31 December 2012**	**31 December 2011**	**31 December 2012**	**31 December 2011**
Due to credit institutions	32,561,322	25,413,598	32,562,806	25,416,684
Due to customers	36,971,208	21,795,677	36,970,560	21,789,085
Debt securities in issue	533,702	1,268,045	389,228	901,881
Hybrid capital and other borrowed funds	324,141	498,968	154,826	232,877

The fair value for the year 2012 of loans and advances to credit institutions, loans and advances to customers (net of provisions), repurchase agreements, due to credit institutions and due to customers which are measured at amortized cost, are not materially different from the respective carrying values since they bear mainly floating interest rates and as a result being re-priced at regular time periods.

Fair value from held to maturity investment securities and debt securities-receivables is estimated using quoted market prices. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics, or by discounting cash flows.

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.

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.

b) Financial assets and liabilities held at fair value:

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources. Unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

• Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed shares and bonds on exchanges and exchanges traded derivatives like futures.

• Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes OTC derivatives, bonds and treasury bills. Input parameters are based on yield curves or data from reliable sources (Bloomberg, Reuters).

• Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes shares and bonds with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The following tables present financial assets and liabilities measured at fair value, categorized in the three levels mentioned above, reconciliation of level 3 items for the year 2012 and sensitivity analysis:

Financial Assets & Liabilities measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
Derivative financial instruments - assets	353	440,965	-	441,317
Trading portfolio				
-Trading bonds	254,156	75,094	-	329,250
-Trading treasury bills	21,318	0	-	21,318
-Shares & other variable income securities	12,211	88	-	12,299
Financial Assets at FV through PL				
-Shares & other variable income securities	7,833	-	-	7,833
Available for Sale Securities				
-Trading bonds	1,042,419	291,086	-	1,333,505
-Shares & other variable income securities	222,715	4,646	269,375	496,736
-Treasury bills	2,593,123	413,111	-	3,006,234
Financial Liabilities				
-Liabilities at fair value through profit or loss	21,953	0	-	21,953
-Derivative financial instruments - liabilities	1,073	422,446	-	423,519

Amounts in thousand euros (Unless otherwise stated)

Reconciliation of Level 3 items	**Shares & Other variable Income securities**
Opening balance	348,760
Profit/ (loss) of the year	1,831
Purchases and share capital increases	197
Impairment	(70,176)
Disposals	(9,221)
FX differences	(501)
Other income	(695)
Tranfers	(820)
Total	**269,375**

Sensitivity Analysis of Level 3 measurements to alternative assumptions, reflected in:	**Favourable changes**	**Unfavourable changes**
Income Statement		
Available for sale securities	0	(58,611)
Equity Statement		
Available for sale securities	8,710	0

3.7 Fiduciary activities

The Group provides custody services to third parties for a wide range of financial instruments. These services include 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, companies and institutional investors. Those assets and income arising for 3d parties thereon are not included in the Group's financial statements as they do not constitute property of the Group. The above mentioned services give rise only to operational risk. As the Group does not guarantee these investments, is not exposed to any credit risk relating to such assets.

3.8 Capital adequacy

Being compliant with the Greek law (3601/2007), Piraeus Bank Group has implemented the regulatory framework Basel II since January 2008. The aforementioned regulatory framework introduced capital requirements for operational risk as well as significant changes to the calculation of capital requirements against credit risk.

As the importance to maintain and enhance the capital base has been acknowledged for the Group's growth, capital adequacy is frequently monitored by the Bank's responsible department and submitted in a quarterly basis to the supervisory authority, Bank of Greece.

Bank of Greece requires from each Banking Institution to maintain a minimum level of regulatory capital related to the undertaken risks.

Capital Adequacy Ratio is specified as the regulatory capital to the total risk weighted assets and off balance sheet items. The existing legislative and regulatory capital framework defines that capital adequacy ratio should be above 8%.

The main Piraeus Bank Group objectives related to the capital adequacy management are the following:

- To comply with the regulatory requirements against the undertaken risks according to the regulatory framework.
- Preserve the Group's ability to continue unhindered its operations, thus to continue providing returns and benefits to its shareholders.
- To retain a sound and stable capital base in order to support the Bank's management business plans.

The regulatory capital of the Group, as defined by Bank of Greece is comprised of Tier I and Tier II capital.

For the calculation of regulatory capital, 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 2012**	**31 December 2011**
Ordinary shares	342,998	342,998
Share premium	2,953,356	2,953,356
FSF Capital Advance	6,844,711	-
One off contribution Law 4093/12	(98,445)	-
Preference shares	750,000	750,000
Less: treasury shares	(36)	(192)
Minority Interest	128,463	135,228
Available for sale reserve	51,252	(72,922)
Legal reserve and other reserves	(46,606)	(72,665)
Retained earnings	(6,494,933)	(5,975,642)
Hybrid capital	59,916	159,601
Less: intangible assets	(410,644)	(348,934)
Total regulatory adjustments on Tier I capital	(63,163)	58,334
Total Tier I capital	**4,016,869**	**(2,070,838)**
Tier II Capital		
Subordinated debt	198,169	335,383
Total regulatory adjustments on Tier II capital	(9,404)	(9,412)
Total Tier II capital	**188,765**	**325,971**

Amounts in thousand euros (Unless otherwise stated)

	31 December 2012	31 December 2011
Regulatory capital	**4,205,634**	**(1,744,867)**
Total risk weighted assets (on and off-balance sheet items)	**43,175,453**	**34,722,311**
Tier I ratio	**9.3%**	**(6.0%)**
Total Capital Adequacy ratio	**9.7%**	**(5.0%)**

It should be noted that the disclosure, as regulatory requirement, regarding capital adequacy and risk management information, imposed by Bank of Greece Directive 2592/20.8.2007 in relation to Pillar III, will be released at the Bank's website.

Maintaining a solid capital base is a major element of Piraeus Bank Group's strategy. Following the recapitalization of the Greek banking sector, capital adequacy ratios are restored and Piraeus Bank Group, following the recent additions of ATEbank and Geniki Bank, is in a better position to support the restoration of growth in the Greek economy.

In the context of the recapitalization process of the Greek banking system, Piraeus Bank Group's capital needs have been fully safeguarded through the Financial Stability Fund (FSF) capital support of € 7,34 bn for the participation on the capital reinforcement programme of Piraeus Bank, € 0.57 bn for ATE Bank. More specifically:

• On 28/05/2012, FSF has provided a capital advance of € 4,7 bn.

• On 21/12/2012, FSF has provided an additional advance of € 1,55 bn, and a commitment letter to provide further capital support of € 1,65 bn, of which € 0,57 bn aim to cover the capital needs of ATE Bank, as identified by Bank of Greece. From this commitment letter (€ 1,65 bn), only the amount of € 0,57 bn has been taken into account in the afore-mentioned capital adequacy table, that concerns ATEbank.

It is noted that the FSF capital advance has not been accounted for in Total Equity as at 31/12/2012.

The recapitalization of Piraeus Bank Group and other systemic Greek banks will be implemented in three phases under the Greek Act L.3864/2010 and the conditions of the Council of Ministers Act No. 38/9.11.12. The first phase that was completed at the end of 2012, involved the provision of additional capital advances to the banks, so that their Core Tier 1 capital ratio reached 9%. The second phase, relates to the issuance of contingent convertible bonds that will be covered entirely by HFSF. Finally, the third phase involves the completion of the Share Capital Increase with common shares, with any unsubscribed shares to be covered by HFSF.

4. Critical accounting estimates and judgements of the Group

a. Impairment of Greek Government Bonds (GGBs)

The discussions and negotiations for the specification of the agreed measures on 21 July 2011 and on 26 October 2011 namely to the revised private sector involvement programme (PSI), were completed on 21 February 2012. The finalisation of the revised private sector involvement programme (PSI) was taken into account in the annual consolidated financial statements as at 31.12.2011, and so the consolidated profit or loss was charged with the additional loss that resulted, compared to the initial loss that was recognized in the consolidated interim condensed financial information for June and for September 2011.

As the Group considered that the exchange of bonds and loans constitutes discontinuation of the existing relationship between the Bank and the debtor, the Group proceeded in the first quarter of 2012 to the full derecognition of the old securities and loans and the recognition of the new securities received from the exchange at a value initially derived by a valuation model (mark to model), in accordance with the special rules set out in the International Financial Reporting Standards (IAS 39), whereas any differences arising from the initial classification of the new securities affected the consolidated profit or loss for the first quarter of 2012.

From the new securities received under the private sector involvement programme (PSI), the Greek Government bonds were classified in the held to maturity portfolio and the EFSF bonds were classified in the available for sale portfolio.

Within the second quarter of 2012, the Group redetermined the fair value of the new securities received from the exchange, based on their market value (mark to market) at the dates these securities were exchanged, that is 12/3/2012, 11/4/2012 and 25/4/2012. Due to the redetermination of the fair value, an additional loss was accounted for in the first quarter of 2012 and therefore the before and after tax consolidated profit or loss for the first quarter was charged with an amount of €311 million and €251 million respectively.

The Group, in the context of the private sector involvement programme (PSI), charged the before tax results for the years 2012 and 2011 with a total amount of approximately € 6.2 billion.

Piraeus Bank, following the December 7th 2012 decision of the Board of Directors of the Bank, participated in the buy back program of the Greek Government bonds, in order to reduce Greek Government's debt, with the total (100%) of the eligible bonds that the Bank owned, in response to the relevant invitation of the Hellenic Ministry of Finance dated 3/12/2012. In this context, bonds of nominal value €4.3 billion approximately and of a carrying value at the exchange date of €1.7 billion approximately, were exchanged with EFSF bonds, with a benefit in the after tax results and equity of €0.3 billion approximately.

The Group does not have exposure in bonds and debt of other European countries, which face increased problems relating to the servicing of their debt.

b. Other critical accounting estimates and judgements in the application of the accounting policies

The Group, for the preparation of the consolidated financial statements, makes accounting estimates and judgements for the future status of certain assets and liabilities that affect the presentation of those assets and liabilities in the consolidatedfinancial statements. Accounting estimates and judgements are continually evaluated based on historical experience as well as on expectations of future events.

The most important areas where the Group uses accounting estimates and judgements, in applying the Group's accounting policies, are as follows:

b.1. Impairment losses on loans and other receivables

The Group examines, at every reporting period, whether trigger for impairment exists for its loans or loan 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 income statement. The estimates, methodology and assumptions used are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

b.2. Fair value of derivative financial instruments

The fair values of derivative 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's estimates. Assumptions and estimates that affect the reported fair values of financial instruments are examined regularly.

b.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. Impairment of available for sale investments in shares and bonds exists when the decline in the fair value below cost is significant or prolonged in the case of shares or there are reasonable grounds for the issuer's inability to meet its future obligations in the case of bonds. Then, the available for sale reserve is recycled to the consolidated income statement of the period. The assessment of the decline in fair value as significant or prolonged requires judgement. Judgement is also required for the estimation of the fair value of investments that are not traded in an active market. For these investments, the fair value computation through financial models takes also into account evidence of deterioration in the financial performance of the investee, as well as industry and sector economical performance and changes in technology.

b.4. Securitisations and special purpose entities

The Group sponsors the formation of special purpose financing entities (SPEs) for various purposes including asset securitisation. The Group does not consolidate SPEs that it does not control. As it can sometimes be difficult to determine whether the Group does control an SPE, it makes judgements about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question. In many instances, elements may indicate control or lack of control over an SPE when considered in isolation, but when considered together make it difficult to reach a clear conclusion. In such cases, the SPE is consolidated.

b.5. Held to maturity investments

The Group 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 Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for specific circumstances -for example, selling an insignificant amount close to maturity- it will be required to reclassify the entire class to the available for sale portfolio. The investments would therefore be remeasured at fair value.

b.6. Investment property

Investment property is carried at fair value, as this is estimated by an independent valuer. Fair value is based on active market prices or is adjusted, if necessary, for any difference in the nature, location and condition of the specific investment property. If this information is not available, valuation methods are used. The fair value of investment property reflects rental income from current leases as well as assumptions about future rentals, taking into consideration current market conditions.

b.7. Income taxes

The Group 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 initially recorded, differences will impact the income tax and deferred tax assets/ liabilities in the period in which the tax computation is finalised.

Especially, for the recognition of deferred tax asset, Management considers the best estimates for the future evolution of the Group´s tax profits in the visible future, in combination with the nature of the losses and their recoverability based on the Greek Tax Law in force, at the end of the closing year.

b.8. Goodwill/negative goodwill

The acquisition method is used by the Group to account for the acquisition of subsidiaries. The Group, for the estimation of the fair values of identifiable assets and liabilities and contingent liabilities of the newly acquired subsidiaries, uses the method of purchase price allocation (PPA), according to the requirements of IFRS 3 “Business Combination”. For this purpose, the Group uses estimates to determine the fair value of the acquired business´s net assets. Note 49 is relevant to the recognition of goodwill and negative goodwill from the acquisition of selected assets and liabilities of former ATEbank S.A. and the acquisition of Geniki Bank S.A., respectively in the year 2012.

Amounts in thousand euros (Unless otherwise stated)

5 Segment analysis

a) By business segment

Piraeus Bank Group has defined the following business segments:

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

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

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

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

Other – Includes other facilities of the Bank and its subsidiaries that are not included in the above segments (Bank's administration, real estate activities, IT activities etc.).

According to IFRS 8, the identification of business segments results from the internal reports that are regularly reviewed by the Executive Board in order to monitor and assess each segment's performance. Significant elements are the evolution of figures and results per segment.

An analysis of the results and other financial figures per business segment of the Group is presented below:

1/1-31/12/2012	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Treasury	Other business segments	Eliminations	Group	Discontinued operations	Group (Continuing operations)
Net interest income	916,059	314,600	(207)	36,781	(232,818)	12,592	**1,047,008**	19,488	1,027,520
Net fee and commision income	164,556	29,045	3,266	4,150	22,737	(5,280)	**218,474**	885	217,589
Net revenues	1,126,392	341,795	15,357	312,129	520,929	(44,409)	**2,272,192**	54,853	2,217,339
Segment results	(960,972)	(62,490)	(1,298)	(42,875)	(112,692)	-	**(1,180,326)**	19,707	(1,200,034)
Share of results of associates							**14,666**	0	14,666
Results before tax							**(1,165,660)**	**19,707**	**(1,185,367)**
Income tax							**656,418**	(6,686)	663,104
Results after tax							**(509,242)**	**13,022**	**(522,264)**
Other segment items at 31 December 2012									
Capital expenditure	100,884	13,711	122	2,082	205,744	-	**322,543**	232	322,311
Depreciation and amortisation	51,969	9,202	374	1,033	44,601	-	**107,181**	1,792	105,388
Provisions and impairment	1,556,574	320,272	4,521	296,798	340,806	-	**2,518,970**	11,075	2,507,895
Segment assets	37,310,303	9,235,262	78,497	16,912,222	6,869,877	-	**70,406,161**	377,184	70,028,977
Segment liabilities	32,924,871	2,656,822	366,317	33,601,345	3,172,311	-	**72,721,666**	605,824	72,115,842

1/1-31/12/2011	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Treasury	Other business segments	Eliminations	Group	Discontinued operations	Group (Continuing operations)
Net interest income	888,589	283,102	(1,228)	181,006	(181,787)	24,220	**1,193,901**	21,286	1,172,615
Net fee and commision income	139,683	30,837	7,116	3,812	17,529	(171)	**198,806**	1,028	197,778
Net revenues	1,122,730	321,778	16,546	(2,597)	(159,711)	(53,592)	**1,245,154**	22,933	1,222,220
Segment results	(1,506,083)	(300,501)	(30,398)	(5,461,005)	(180,593)	-	**(7,478,581)**	6,261	-7,484,842
Share of results of associates							**(31,308)**	0	(31,308)
Results before tax							**(7,509,889)**	**6,261**	**(7,516,151)**
Income tax							**891,770**	(2,355)	894,125
Results after tax							**(6,618,119)**	**3,907**	**(6,622,026)**
Other segment items at 31 December 2011									
Capital expenditure	110,838	11,973	205	1,917	88,475	-	**213,408**	2,148	211,259
Depreciation and amortisation	52,852	8,997	519	948	34,856	-	**98,172**	1,452	96,720
Provisions and impairment	1,579,641	380,036	32,520	5,400,299	491,492	-	**7,883,988**	341	7,883,647
Segment assets	26,489,193	8,478,297	78,312	12,796,510	1,509,996	-	**49,352,308**	1,157,214	48,195,094
Segment liabilities	19,888,754	1,153,997	358,798	27,517,254	2,373,343	-	**51,292,146**	1,007,341	50,284,806

Regarding results before tax of other business segments for 2012, there is not any sector that contributes more than 10%.

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

The intercompany transactions among the bussiness segments are realised under normal commercial terms.

b) By geographical segment

The Group operates in 4 main business segments and in 4 main geographical areas. Greece is the home country of Piraeus Bank. In Greece, the areas of operation include all the primary business segments.

In Rest of Europe, the countries in which the Group operates include Albania, Bulgaria, Romania, Serbia, Ukraine, Cyprus, United Kingdom and Luxemburg. The main business segments of operation in these countries are Retail Banking, Corporate Banking, Investment Banking and Asset Management & Treasury.

Amounts in thousand euros (Unless otherwise stated)

The following table incorporates geographical concentrations of net revenues and non current assets of the Group, as required by IFRS 8. The allocation is based on the location of the subsidiaries.

As at 31 December 2012	Net Revenues	Non current assets
Greece	1,740,235	2,309,404
Rest of Europe	431,269	415,483
Egypt	45,836	87,872
Total	**2,217,339**	**2,812,759**
Continuing Operations	**2,217,339**	**2,812,759**
Discontinued Operations	**54,853**	**57,477**

As at 31 December 2011	Net Revenues	Non current assets
Greece	657,756	1,638,121
Rest of Europe	531,956	424,823
Egypt	32,508	-
U.S.A.	-	36,777
Total	**1,222,220**	**2,099,721**
Continuing Operations	**1,222,220**	**2,099,721**
Discontinued Operations (Marathon Banking Corporation)	**22,933**	-
Discontinued Operations (Egypt companies)	-	**60,929**

The cost of issuing debt securities, loans securitisation, subordinated loans and hybrid capital is included in the net revenues of Greece.

Concerning discontinued operations, the year of 2011 include the results of Marathon Banking Corporation, whereas the non current assets as at 31/12/2011 concern Piraeus Bank Egypt Group.

6 Net interest income

	1/1-31/12/2012	1/1-31/12/2011
Interest income		
Interest on fixed income securities	574,857	367,784
Interest income on loans and advances to customers and repos	2,211,195	2,340,242
Interest on loans and advances to credit institutions	99,327	171,745
Other interest income	19,862	33,360
Total interest income	**2,905,242**	**2,913,131**
Interest expense		
Interest on customer deposits and repos	(836,894)	(895,876)
Interest on debt securities in issue and on other borrowed funds	(25,198)	(64,800)
Interest on due to credit institutions	(915,196)	(612,902)
Other interest expense	(100,434)	(166,938)
Total interest expense	**(1,877,722)**	**(1,740,515)**
Net interest income	**1,027,520**	**1,172,615**

“Other interest expense” for 2012 includes mainly the contribution of Law 128 (€ 89 million), whereas for 2011, apart from the aforementioned contribution (€ 86 million), it also includes interest expense of open short positions for Greek Government bonds and treasury bills, amounting to € 50 million.

7 Net fee and commission income

	1/1-31/12/2012	1/1-31/12/2011
Fee and commission income		
Commercial banking	225,182	205,542
Investment banking	12,749	19,298
Asset management	11,084	8,157
Total fee and commission income	**249,015**	**232,996**
Fee and commission expense		
Commercial banking	(28,171)	(30,433)
Investment banking	(2,652)	(4,180)
Asset management	(603)	(606)
Total fee and commission expense	**(31,426)**	**(35,218)**
Net fee and commission income	**217,589**	**197,778**

8 Dividend income

	1/1-31/12/2012	1/1-31/12/2011
Dividend from AFS securities	7,258	4,396
Dividend from trading securities	37	356

Amounts in thousand euros (Unless otherwise stated)

9 Net trading income

	1/1-31/12/2012	1/1-31/12/2011
Gains less losses on FX	5,256	1,080
Gains less losses on shares and mutual funds	11,559	90
Gains less losses on derivatives	(23,893)	52,413
Gains less losses on bonds	196,210	(155,328)
	189,133	**(101,745)**

During 2012 “Gains less losses on bonds” includes a gain of approximately € 282 million from repurchase of Hybrid Capital (Tier 1), Subordinated Debt (Lower Tier 2) and securitized loans. In the same line, a loss of approximately € 86 million from other bonds and guarantees provided is also included.

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

	1/1-31/12/2012	1/1-31/12/2011
Gains less losses on shares	1,954	2,257
Gains less losses on other financial instruments	1,434	(8,676)
	3,388	**(6,419)**

11 Results from investment securities

	1/1-31/12/2012	1/1-31/12/2011
Gains less losses on AFS - shares and mutual funds	32,981	598
Gains less losses on AFS - bonds	409,909	(490)
Gains less losses on sale of subsidiaries and associates	80	(664)
	442,970	**(556)**

Impairment of investment securities is included in “Impairment on investment securities” in the consolidated income statement (note 25). In addition, the gains less losses on bonds for 2012 include a gain of € 394 million from the participation of the Bank in the Greek Government Bond buyback program for the reduction of the sovereign debt.

12 Other operating income

	1/1-31/12/2012	1/1-31/12/2011
Income/ expense from real estate (rental income and result from the valuation of investment property)	(73,750)	(98,553)
Income from the operations of ETVA Industrial Parks S.A.	2,508	5,687
Income from IT activities	725	557
Income from operating leasing	35,113	43,428
Other operating income	13,922	4,675
Goodwill of Geniki Bank Group	350,928	-
	329,446	**(44,207)**

The amount of € 351 million which is included at Other operating income, concerns negative goodwill from the acquisition of Geniki Bank and its subsidiaries. The relevant note is note 49.

“Income/ Expense from real estate” includes mainly the valuation results of investment property which amount to a loss of € 70.8 million for the year 2012, of which the largest amount relates to the Citylink property (€ 54.3 million).

Receivables from operating leases are as follows:

Receivables from operating leases	31 December 2012	31 December 2011
Up to 1 year	25,770	37,216
From 1 to 5 years	91,105	147,433
More than 5 years	1,285,759	2,572,022
	1,402,633	**2,756,671**

Receivables from operating leases mainly relate to future receivables from rental income of Picar S.A., from the operation of the Citylink building.

13 Staff costs

	1/1-31/12/2012	1/1-31/12/2011
Wages & salaries	(311,767)	(275,713)
Social insurance contributions	(76,839)	(61,182)
Other staff costs	(14,990)	(17,764)
Retirement benefit charges (note 42)	(20,369)	(34,925)
	(423,966)	**(389,584)**

The number of persons employed by the Group during 2012 was 18,872 (2011: 12,806).

14 Administrative expenses

	1/1-31/12/2012	1/1-31/12/2011
Rental expense	(65,582)	(68,095)
Taxes and duties	(54,026)	(49,415)
Promotion and advertising expenses	(26,704)	(27,208)
Servicing - promotion of banking products	(32,277)	(34,124)
Fees and third parties expenses	(57,596)	(35,358)
Security and maintenance of fixed assets	(34,773)	(29,970)
Telecommunication and electricity expenses	(28,554)	(23,103)
Other administrative expenses	(79,761)	(69,323)
	(379,273)	**(336,596)**

Amounts in thousand euros (Unless otherwise stated)

Other administrative expenses include contributions, insurances, donations, travel expenses, consumables and subscriptions.

15 Profit/ (Loss) after income tax from discontinued operations

The year of 2012 include the results of ATE Insurance S.A., ATE Insurance Romania S.A., as well as the results of Marathon Banking Corporation until the date of its sale (30/9/2012). The year of 2011 include the results of Marathon Banking Corporation.

	1/1-31/12/2012	1/1-31/12/2011
Net interest income	19,488	21,286
Net fee and commission income	885	1,028
Dividend income	120	112
Net trading income	4,330	-
Results from investment securities	(57)	-
Other operating income/ (expense)	20,689	507
Total net income	**45,456**	**22,933**
Staff costs	(13,058)	(8,038)
Administrative expenses	(9,220)	(6,841)
Depreciation and amortization	(1,792)	(1,452)
Total operating expenses before provisions	**(24,071)**	**(16,331)**
Impairment losses on loans, debt securities and other receivables	(2,239)	10
Impairment of investment portfolio	-	(351)
Other provisions and impairment	(8,836)	-
Profit/ (loss) before income tax	**10,311**	**6,261**
Income tax	(6,686)	(2,355)
Profit/ (loss) after income tax from discontinued operations	**3,625**	**3,907**
Profit/ (loss) from disposal of discontinued operations	9,397	-
Profit/ (loss) from discontinued operations	**13,022**	**3,907**

16 Income tax expense

	1/1-31/12/2012	1/1-31/12/2011
Current tax	(12,547)	(39,769)
Deferred tax (note 41)	678,451	939,145
Provisions for tax differences	(2,800)	(5,251)
	663,104	**894,125**

By virtue of law 3943/2011 (Government Gazette A' 66/31.3.2011), the corporate income tax rate of legal entities in Greece is 20% and the withholding tax imposed on distributed profits is 25%. For the subsidiaries operating abroad, the tax has been calculated according to the respective nominal tax rates that were imposed in the fiscal years of 2011 and 2012 (Bulgaria: 10%, Romania: 16%, Egypt: 20%, Serbia: 10%, Ukraine: 21% for 2012 and 23% for 2011, Cyprus: 10%, Albania: 10% and United Kingdom: 24%).

In accordance with the regulations of the Law 4110/23.1.2013, the income tax rate for legal entities increased (from 20% to 26%) whereas the tax rate for dividends distribution decreased (from 25% to 10%) for the years from 1/1/2013 and thereon. The Group will assess the effect of the change of the tax rate in 2013.

Piraeus Bank has been audited by the tax authorities and all the unaudited fiscal years until 2009 have been finalized. The unaudited tax years are included in note 16. In respect of the unaudited tax years, a relevant provision has been raised according to International Financial Reporting Standards (IFRS).

For the year 2011, the tax audit of the Bank conducted by PricewaterhouseCoopers S.A. has been completed and a non qualified Tax Compliance Report has been issued. Namely to the subsidiaries and associates of Piraeus Bank Group that are incorporated in Greece and which must be audited according to the applicable law in force, the tax audit of these entities for the year 2011 has been completed and the relevant Tax Compliance Reports have been issued.

It is noted that year 2011 will be considered as final, for tax audit purposes, eighteen months after the submission of the Tax Compliance Report to the Ministry of Finance.

The deferred tax for the year 2012, is mainly due to the additional tax losses for this year, as well as to the recognition of income in the profit or loss account, arising from the additional deferred tax that related to bonds in the context of PSI program, which had not been recognized in the financial statements as at 31/12/2011. The recognition of the deferred tax was based on the change in the tax law (extending the period in which relevant tax losses can be offset from 5 years to the duration of the new bonds) that took place in the first quarter of 2012, in combination with the best estimates of the Management for the future evolution of the Bank's tax results which were based on the restructuring plan. The Bank has recognised deferred tax for the total amount of its tax losses, based on the best estimates of the Management, according to which there will be adequate profit s during the five year period to offset these losses.

Also, it shall be noted that in accordance with the regulations of the Law 4110/23.1.2013, the losses of legal entities, arising from the exchange of Greek Government bonds or corporate bonds guaranteed by the Hellenic Republic, under application of the program for participation in the restructuring of Greek debt, are deductible from gross income in 30 equal annual installments commencing from the year that exchange of securities took place.

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

Amounts in thousand euros (Unless otherwise stated)

	2012	2011
Results before tax	(1,185,367)	(7,516,149)
Tax calculated	237,073	1,503,230
Income not subject to tax (corresponding tax)	143,257	12,077
Non deductible expenses (corresponding tax) and provisions for unaudited fiscal years	(108,280)	(142,286)
Effect of different tax rates applied abroad	1,035	8,623
Impact on deferred tax from the future legally approved change of tax rate	(602)	(26,320)
Effect of results of investment in associates	2,933	(6,261)
Deferred tax on Impairment of securities	-	12,508
Effect of deferred tax that is estimated not to be offset	(19,436)	(467,445)
Effect of change in tax law for previous year's PSI losses	407,123	-
Income Tax	**663,104**	**894,125**

Audit Tax certificate

From the 2011 financial year and onwards, all Greek Societe Anonyme and Limited Liability Companies that are required to prepare audited statutory financial statements must in addition obtain an “Annual Tax Certificate” as provided for by paragraph 5 of Article 82 of L.2238/1994. This “Annual Tax Certificate” must be issued by the same statutory auditor or audit firm that issues the audit opinion on the statutory financial statements. Upon completion of the tax audit, the statutory auditor or audit firm must issue to the entity a "Tax Compliance Report" which will subsequently be submitted electronically to the Ministry of Finance, by the statutory auditor or audit firm. This "Tax Compliance Report" must be submitted to the Ministry of Finance, within ten days of the date of approval of the financial statements by the General Meeting of Shareholders. The Ministry of Finance will subsequently select a sample of at least 9% of all companies for which a "Tax Compliance Report" has been submitted for the performance of a tax audit by the relevant auditors from the Ministry of Finance. The audit by the Ministry of Finance must be completed within a period of eighteen months from the date when the "Tax Compliance Report" was submitted to the Ministry of Finance.

Unaudited tax years

Piraeus Bank S.A. has not been audited by tax authorities for the fiscal years ended in 2010 and 2011.

For the fiscal year of 2012, the tax audit is being performed by PricewaterhouseCoopers S.A. The Company's management does not expect that additional tax liabilities will arise, in excess of those already recorded and presented in the financial statements, upon the completion of the tax audit.

As regards the Company’s subsidiaries and affiliates, they have not been audited by the tax authorities for the financial years which are included in Note 27 of the Consolidated Financial Statements and therefore their tax liabilities for these years have not been finalized.

For the unaudited years, there might be a possibility to arise additional taxes and charges at the time they will be audited and closed.

When considered appropriate, a provision is booked on a company by company basis, to cover possible additional taxes, based on the findings of the tax audits of prior years.

17 Earnings/ (Losses) per share

Basic earnings/ (losses) per share is calculated by dividing the net profit/ (loss) after tax attributable to ordinary shareholders of the parent entity by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares. There is no potential dilution on basic earnings/ (losses) per share.

Basic and diluted earnings/ (losses) per share from continuing operations	**1/1-31/12/2012**	**1/1-31/12/2011**
Net profit/ (loss) attributable to ordinary shareholders of the parent entity from continuing activities	(513,279)	(6,617,196)
Weighted average number of ordinary shares in issue	1,142,930,123	1,081,944,334
Basic and diluted earnings/ (losses) per share (in euros) from continuing operations	(0.4491)	(6.1160)

Basic and diluted earnings/ (losses) per share from discontinued operations	**1/1-31/12/2012**	**1/1-31/12/2011**
Net profit/ (loss) attributable to ordinary shareholders of the parent entity from discontinued operations	12,976	3,817
Weighted average number of ordinary shares in issue	1,142,930,123	1,081,944,334
Basic and diluted earnings/ (losses) per share (in euros) from discontinued operations	0.0114	0.0035

18 Analysis of other comprehensive income

Continuing operations

1/1 - 31/12/2012	**Before-Tax amount**	**Tax**	**Net-of-Tax amount**
Net change in available for sale reserve	146,802	(32,358)	114,444
Change in currency translation reserve	3,640	-	3,640
Other Comprehensive Income from continuing operations	**150,442**	**(32,358)**	**118,084**

Amounts in thousand euros (Unless otherwise stated)

1/1 - 31/12/2011	Before-Tax amount	Tax	Net-of-Tax amount
Net change in available for sale reserve	347,026	(76,807)	270,219
Change in currency translation reserve	(6,423)	-	(6,423)
Other Comprehensive Income from continuing operations	**340,603**	**(76,807)**	**263,796**

Discontinued operations

1/1 - 31/12/2012	Before-Tax amount	Tax	Net-of-Tax amount
Net change in available for sale reserve	9,775	-	9,775
Change in currency translation reserve	3,287	-	3,287
Other Comprehensive Income from discontinued operations	**13,062**	**0**	**13,062**

1/1 - 31/12/2011	Before-Tax amount	Tax	Net-of-Tax amount
Net change in available for sale reserve	(922)	448	(474)
Change in currency translation reserve	1,301	-	1,301
Other Comprehensive Income from discontinued operations	**379**	**448**	**827**

19 Cash and balances with the Central Banks

	31 December 2012	31 December 2011
Cash in hand	779,859	302,565
Nostros and sight accounts with other banks	481,423	733,887
Balances with central bank	725,588	930,324
Cheques clearing system - Central Banks	103,000	158,362
Included in cash and cash equivalents less than 90 days (note 47)	**2,089,870**	**2,125,138**
Blocked Deposits	769,779	-
Mandatory reserves with Central Banks	447,854	427,580
	3,307,503	**2,552,717**

Mandatory reserves with the Central Banks and blocked deposits are not available for everyday use by the Group. The interest rates for nostros and sight accounts are floating.

20 Loans and advances to credit institutions

	31 December 2012	31 December 2011
Placements with banks	361,428	160,259
Cheques receivables	857	2,858
Reverse repurchase agreements	8,214	128,493
Included in cash and cash equivalents less than 90 days (Note 47)	**370,499**	**291,610**
Placements with banks	9,886	21,952
Cheques receivables	-	2,574
Loan and advances to credit institutions above 90 days	**9,886**	**24,527**
Total loans and advances to credit institutions	**380,384**	**316,136**

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

	31 December 2012	31 December 2011
Current loans and advances to credit institutions (up to 1 year)	376,827	298,267
Non current loans and advances to credit institutions (more than 1 year)	3,557	17,869
	380,384	**316,136**

21 Derivative financial instruments

Derivative financial instruments held by the Group include Currency Forwards, Interest Rate Futures, Interest rate or/and Currency Swaps, Call / Put Options on interest or/and currency or/and shares.

The notional amounts and fair values of derivative instruments held as at year end are set out below:

At 31 December 2012	Notional amounts	Fair values	
		Assets	Liabilities
Derivatives held for trading			
Futures	1,132,300	-	-
Interest rate swaps	4,761,110	424,773	418,740
Currency swaps	3,225,074	15,318	964
FX forwards	174,292	134	2,670
Options and other derivative instruments	4,328	1,020	710
Cross Currency Interest Rate Swaps	1,744,331	-	-
		441,245	**423,084**

Amounts in thousand euros (Unless otherwise stated)

	Notional amounts	Fair values	
		Assets	Liabilities
Embedded equity derivatives			
Customer deposits/ loans linked to options	34,861	72	43
Derivatives held for fair value hedging			
Interest rate swaps	6,584	-	392
Total recognised derivative assets/ liabilities		**441,317**	**423,519**

At 31 December 2011	Notional amounts	Fair values	
		Assets	Liabilities
Derivatives held for trading			
Futures	20,000	-	-
Asset swaps	10,915	266	3,438
Interest rate swaps	6,518,607	339,534	364,997
Currency swaps	7,272,580	2,450	8,242
FX forwards	135,116	866	165
Options and other derivative instruments	2,418,800	36,081	5
		379,197	**376,846**
Embedded equity derivatives			
Customer deposits/ loans linked to options	29,868	41	15
Derivatives held for fair value hedging			
Interest rate swaps	102,676	-	12,866
Total recognised derivative assets/ liabilities		**379,238**	**389,728**

Interest rate swaps held for trading purposes mainly include interest rate swaps with customers and their opposite contracts with other banks in order to reduce the Bank's exposure (back to back contracts).

The Group uses derivatives for hedging purposes in order to reduce its exposure to market risk. This is achieved by hedging specific financial instruments or portfolios. The hedging practices and accounting treatment are disclosed in note 2.4. The Group hedges part of its interest rate risk, which results from potential decrease in the fair value of fixed rate bonds included in "Debt securities - receivables". Hedging is achieved by using interest rate swaps.

The net fair value of these interest rate swaps as at 31/12/2012 was € 0.4 million liability (2011: € 12.9 million liability). The losses on the hedging instruments were € 0.6 million (2011: € 0.7 million loss). The gains on the hedged item attributable to the hedged risk were € 0.6 million (2011: € 0.7 million gain).

22 Financial assets at fair value through profit or loss

Trading securities	31 December 2012	31 December 2011
Treasury bills	4,459	-
Foreign government bonds	6,935	-
Foreign government treasury bills	-	39,944
Included in cash and cash equivalents less than 90 days (note 47)	**11,393**	**39,944**
Greek government bonds	5,416	107,367
Foreign government bonds	316,748	280,585
Corporate entities bonds	95	9,538
Bank bonds	56	56
Greek government treasury bills	16,859	8,144
Foreign government treasury bills	-	8,247
	339,175	**413,938**
Athens stock exchange listed shares	11,628	9,204
Foreign stock exchanges listed shares	6	5
Mutual funds	666	1,221
	12,299	**10,431**
Total trading securities	**362,868**	**464,313**
Other financial assets at fair value through profit or loss	**7,833**	**9,922**

From the above mentioned trading securities as at 31/12/2012, amount of € 287 million relates to fixed income securities (2011: € 393 million), amount of € 5 million relates to floating rate securities (2012: € 12 million) and amount of € 59 million relates to zero coupon bonds (2011: € 49 million).

The change in the value of Greek Government Bonds is due to the completion of the revised private sector involvement program (PSI), for which reference is made in note 4.

Securities pledged are presented in note 43.

Amounts in thousand euros (Unless otherwise stated)

23 Reverse repos with customers

The Group enters into agreements for the resale of securities (reverse repos), either with retail clients or corporate entities, collateralised mainly with securities issued by the Greek State.

	31 December 2012	31 December 2011
Reverse repos with customers - individuals	1,840	30,096
Reverse repos with customers - corporate entities	34,084	27,299
Total reverse repos with customers	**35,924**	**57,395**

24 Loans and advances to customers and debt securities - receivables

	31 December 2012	31 December 2011
A) Loan and advances to customers		
Mortgages	12,471,397	6,808,633
Consumer/ personal and other loans	3,797,057	3,172,900
Credit cards	1,020,994	750,929
Loans to individuals	**17,289,448**	**10,732,463**
Loans to corporate entities	31,156,201	26,325,555
Total loans and advances to customers	**48,445,650**	**37,058,018**
Less: Allowance for impairment on loans and advances to customers	(3,832,964)	(3,052,399)
Loans and advances to customers (net of provisions)	**44,612,686**	**34,005,619**
Current loans and advances to customers (up to 1 year)	22,253,679	13,927,088
Non current loans and advances to customers (more than 1 year)	22,359,007	20,078,531
	44,612,686	**34,005,619**

Out of the total loans and advances to customers (before allowances for losses), fixed rate loans amount to € 4,519 million (2011: € 1,444 million) and floating rate loans amount to € 43,927 million (2011: € 35,614 million).

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

	Loans to individuals					
	Credit cards	**Consumer/ personal loans**	**Mortgages**	**Total of loans to individuals**	**Loans to corporate entities/ Public sector**	**Total**
Opening balance at 1/1/2011	**158,893**	**439,244**	**84,212**	**682,349**	**750,729**	**1,433,077**
Charge for the year	**24,792**	**234,572**	**41,533**	**300,897**	**1,737,717**	**2,038,614**
-From continuing operations	**24,792**	**234,572**	**41,533**	**300,897**	1,738,176	**2,039,073**
-From discontinued operations	-	-	-	**0**	(459)	**(459)**
Loans written-off	**(25,828)**	**(82,695)**	**(4)**	**(108,527)**	**(235,468)**	**(343,994)**
-From continuing operations	(25,828)	(82,695)	-	**(108,523)**	(235,468)	**(343,990)**
-From discontinued operations	-	-	(4)	**(4)**	-	**(4)**
Foreign exchange differences	**50**	**2,053**	**306**	**2,408**	**10,359**	**12,767**
-From continuing operations	50	2,050	261	**2,361**	10,094	**12,454**
-From discontinued operations	0	3	44	**47**	265	**312**
Closing balance for Egypt companies (discontinued operations for the year 2011)	(4,674)	(13,185)	(13)	**(17,872)**	(70,193)	**(88,065)**
Closing balance at 31/12/2011	**153,232**	**579,989**	**126,034**	**859,256**	**2,193,144**	**3,052,399**

	Loans to individuals					
	Credit cards	Consumer/ personal loans	Mortgages	**Loans to individuals**	**Loans to corporate entities/ Public sector**	**Total**
Opening balance at 1/1/2012	153,232	579,989	126,034	**859,256**	**2,193,144**	**3,052,399**
Opening balance for Egypt companies (discontinued operations for the year 2011)	4,674	13,185	13	**17,872**	70,193	88,065
Opening balance for discontinued operations	0	(10)	(538)	**(547)**	(6,603)	(7,150)
Charge for the year from continuing operations	46,338	233,038	73,573	**352,948**	1,603,921	1,956,869
Writte offs of loans from continuing operations	(12,999)	(33,617)	(8,942)	**(55,557)**	(1,180,782)	(1,236,339)
Foreign exchange differences from continuing operations	(449)	(2,790)	29	**(3,211)**	(7,335)	(10,546)
Other movements from continuing operations	-	-	-	**0**	(10,335)	(10,335)
Closing balance at 31/12/2012	**190,796**	**789,796**	**190,168**	**1,170,760**	**2,662,203**	**3,832,964**

Amounts in thousand euros (Unless otherwise stated)

“Other Movements” include: a) a transfer of an amount of € 10.6 million from “Other provisions”, b) a transfer of an impairment of € 4 million to “property, plant and equipment” and c) a transfer of € 17 million to “other assets”. It is noted that the respective receivables accounts are included in the aforementioned lines.

‘'Impairment losses on loans, debt securities and other receivables'' in the Income Statement for the year 2012 includes an amount of € 83.9 million that relates to impairment losses on other receivables, an amount of € 16.8 million that relates to loans written-off directly in the income statement and an amount of € 14.2 million that relates to income from repossesion of corporate loans collaterals.

Allowance for loans and advances to customers	**31 December 2012**	**31 December 2011**
Individually impaired	2,506,068	2,065,635
Collective allowance	1,326,896	986,765
Total	**3,832,964**	**3,052,399**

Loans and advances to customers include finance lease receivables:

Gross investments in finance leases	**31 December 2012**	**31 December 2011**
Up to 1 year	380,478	353,483
From 1 to 5 years	498,679	552,817
More than 5 years	688,307	800,442
	1,567,465	**1,706,741**
Unearned future finance income	**(263,553)**	**(399,396)**
Net investments in finance leases	**1,303,912**	**1,307,345**

Net investments in finance leases are analysed as follows:

	31 December 2012	**31 December 2011**
Up to 1 year	344,260	298,611
From 1 to 5 years	392,205	399,218
More than 5 years	567,448	609,516
	1,303,912	**1,307,345**

B) Debt securities - receivables	**31 December 2012**	**31 December 2011**
Corporate entities debt securities - receivables	4,740	4,834
Bank debt securities - receivables	23,846	23,178
Greek government bonds debt securities - receivables	1,415,002	3,098,629
Foreign government bonds debt securities - receivables	6,596,255	198,024
Total debt securities - receivables	**8,039,843**	**3,324,665**
Less: Allowance for impairment on debt securities - receivables	**(23,846)**	**(1,696,489)**
Debt securities - receivables (net of provisions)	**8,015,997**	**1,628,176**
Current loans of debt securities receivables (up to 1 year)	82,372	245,346
Non current loans of debt securities receivables (more than 1 year)	7,933,625	1,382,830
	8,015,997	**1,628,176**

The change in the value of Greek Government Bonds is mainly due to the completion of the revised private sector involvement program (PSI), for which reference is made in note 4, and due to acquisition of Greek Government Bonds under the transfer agreement of selected assets and liabilities of ex ATEbank.

Debt securities - receivables as at 31/12/2012 include Greek Government Bonds of nominal value € 1,457 million, which were issued according to the requirements of Law 3723/2008 “Enhancement of the Greek economy’s liquidity”. From these, debt securities with nominal value of € 782 million were transferred to Piraeus Bank in order to cover the issuance of Piraeus Bank's preference shares to the Greek State of amount € 370 million in 2009 and € 380 million in 2011. Additionally, debt securities with nominal value of € 675 million were acquired by Piraeus Bank under the transfer agreement of selected assets and liabilities of ex ATEbank. The book value of the above mentioned debt securities, which were excluded from the PSI, amounts to € 1,415 million as at 31/12/2012 and was based on recent estimates of the fair value, by independent specialized auditors.

Foreign Government Bonds refer to EFSF Bonds which the Bank received under the transfer agreement of selected assets and liabilities of ex ATEbank.

Amounts in thousand euros (Unless otherwise stated)

Movement in allowance (impairment) on debt securities - receivables	**Debt securities - receivables**
Opening balance at 1/1/2011	**0**
Charge for the year	**1,696,489**
-From continuing operations	1,696,489
-From discontinued operations	-
Closing balance at 31/12/2011	**1,696,489**
Opening balance at 1/1/2012	**1,696,489**
Charge for the year from continuing operations	13,846
Exchange on debt securities - receivables from continuing operations	(1,686,489)
Closing balance at 31/12/2012	**23,846**

25 Investment securities

Available for sale securities

	31 December 2012	**31 December 2011**
Bonds and other fixed income securities		
Greek government bonds	70,544	154,756
Foreign government bonds and EFSF bonds	826,495	286,642
Corporate entities bonds	339,503	42,901
Bank bonds	96,963	9,398
Greek government treasury bills	2,871,679	1,909,471
Foreign government treasury bills	134,555	54,156
Total (A)	**4,339,739**	**2,457,324**
Shares and other variable income securities		
Athens stock exchange listed shares	150,429	29,177
Foreign stock exchanges listed shares	26,008	18,298
Unlisted shares	237,942	155,074
Mutual funds	52,593	85,193
Other variable income securities	29,763	-
Total (B)	**496,736**	**287,741**
Total available for sale securities (A) + (B)	**4,836,475**	**2,745,065**

The change in the value of Greek Government Bonds is mainly due to the completion of the revised private sector involvement program (PSI), for which reference is made in note 4, due to acquisition of Greek Government Bonds under the transfer agreement of selected assets and liabilities of ex ATEbank and due to the completion of the buy back program of Greek Government bonds. Furthermore, the increase in shares and bank bonds is mainly due to the acquisition of shares and bank bonds of ex ATEbank .

As at 31/12/2012, amount of € 976 million relates to investment portfolio bonds and treasury bills with fixed rates (2011: € 501.4 million), amount of € 420 million relates to floating rate bonds (2011: € 40.8 million) and amount of € 2,944 million relates to zero coupon bonds (2011: € 1,915.1 million).

Amounts in thousand euros (Unless otherwise stated)

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

	31 December 2012	31 December 2011
Opening balance	**2,745,065**	**2,051,103**
Opening balance for Egypt companies (discontinued operations for the year 2011)	77,371	-
Opening balance from discontinued operations	(31,106)	(45,417)
Balance of ATEbank and its subsidiaries at acquitition date	1,133,380	-
Opening balance of subsidiaries companies that sold	-	(953)
Opening balance from new companies	109,142	-
Additions	9,687,204	5,319,270
Transfer from associates (note 27)	-	15,151
Disposals/ maturities	(10,490,527)	(4,165,375)
Changes in fair value	563,372	(363,002)
Transfers to associates (note 27)	(820)	(7,130)
Impairment charge	(70,561)	(56,540)
Derecognition of Greek Government bonds due to PSI	(153,688)	-
Recognition of EFSF bonds due to PSI	1,274,735	
Foreign exchange differences	(7,092)	(2,040)
Balance at the end of the year	**4,836,474**	**2,745,065**

Held to maturity	31 December 2012	31 December 2011
Greek government bonds	-	1,198,239
Foreign government bonds	66,505	50,043
Corporate entities bonds	7,501	1,567
Total held to maturity	**74,006**	**1,249,849**

As at 31/12/2012, held to maturity securities relates to fixed rates with an amount of € 74 million (2011: € 1,200 million).

Movement of the held to maturity securities	31 December 2012	31 December 2011
Opening balance	1,249,849	5,056,820
Opening balance for Egypt companies (discontinued operations for the year 2011)	11,181	-
Opening balance from discontinued operations	(11,275)	(14,459)
Balance of ATEbank and its subsidiaries at acquitition date	32,582	-
Additions	126,115	104,407
Sale/ maturity of securities	(1,026,560)	(634,225)
Impairment of Greek Government bonds	(306,850)	(3,261,866)
Coupon receipts	-	(1,750)
Foreign exchange differences	(1,036)	921
Balance at the end of the year	**74,006**	**1,249,849**

During 2012, “Sale/ Maturity of securities” mainly includes sales of GGBs in the context of Piraeus Bank’s participation in the buyback program in order to reduce Greek Government’s debt. This event is an isolated event that could not have been anticipated when securities were acquired and initially classified, beyond the Bank’s control and non – recurring, altering the Bank’s strategy and sold these bonds. Therefore, these sales meet IAS 39 rules and there is no need to apply the tainting provisions.

	31 December 2012	31 December 2011
Current investments securities (up to 1 year)	3,563,595	2,251,846
Non current investments securities (more than 1 year)	850,150	1,455,327
Total of investments securities	**4,413,745**	**3,707,173**

26 Reclassification of financial assets

The Investment portfolio as at 31/12/2012 includes shares and mutual funds, which have been reclassified during the financial year 2008 from the “Trading securities” portfolio. Specifically, the “Available for sale securities” portfolio as at 31/12/2012 includes shares and mutual funds with fair value of € 10.7 million. The revaluation profit of € 1.0 million for 2012 has been recognized in the “Available for Sale reserve”. In the Income Statement of the year, there have been recognized a profit of € 3.7 million from the sale of reclassified shares and an impairment loss of € 2.5 million of the above mentioned shares. Also, during the year, reclassified bonds with nominal value of € 23.2 million were sold from the “Available for Sale securities” portfolio. A loss of € 10.9 million from the sale of reclassified bonds has been recognized in the Income Statement of the year.

“Debt securities – receivables” portfolio as at 31/12/2012 includes bonds with fair value of € 3.1 million (amortized cost of € 4.7 million) which have been reclassified from the “Available for sale securities” portfolio during the financial years 2008 and 2010. “Loans and advances to credit institutions” portfolio includes bank bonds with fair value of € 5.9 million (amortized cost € 5.7 million), which have been reclassified from the “Available for sale securities” portfolio during the financial year 2008. If these bonds had not been reclassified, a revaluation loss of € 0.6 million would have been recognized in the “Available for sale reserve” of 31/12/2012. No gains or losses from the sale of reclassified bonds have been recognized in the Income Statement of the year 2012.

During the year, all reclassified Greek Government bonds were derecognized under the revised Private Sector Involvement program (PSI).

Amounts in thousand euros (Unless otherwise stated)

27 Investments in subsidiaries and associate companies

The investments of Piraeus Bank in subsidiaries and associates from continuing and discontinued operations are analysed below:

A) Subsidiaries companies (full consolidation method)

a/a	Name of Company	Activity	% holding	Country	Unaudited tax years
1.	Tirana Bank I.B.C. S.A.	Banking activities	98.48%	Albania	2012
2.	Piraeus Bank Romania S.A.	Banking activities	100.00%	Romania	2007-2012
3.	Piraeus Bank Beograd A.D.	Banking activities	100.00%	Serbia	2006-2012
4.	Piraeus Bank Bulgaria A.D.	Banking activities	99.98%	Bulgaria	2010-2012
5.	Piraeus Bank Egypt S.A.E.	Banking activities	98.30%	Egypt	2003-2012
6.	JSC Piraeus Bank ICB	Banking activities	99.99%	Ukraine	2011-2012
7.	Piraeus Bank Cyprus LTD	Banking activities	100.00%	Cyprus	2007-2012
8.	Piraeus Asset Management Europe S.A.	Mutual funds management	100.00%	Luxemburg	-
9.	Piraeus Leasing Romania S.R.L.	Finance leases	100.00%	Romania	2003-2012
10.	Piraeus Insurance and Reinsurance Brokerage S.A.	Insurance and reinsurance brokerage	100.00%	Greece	2010-2012
11.	Tirana Leasing S.A.	Finance leases	100.00%	Albania	2012
12.	Piraeus Securities S.A.	Stock exchange operations	100.00%	Greece	2010-2012
13.	Piraeus Group Capital LTD	Debt securities issue	100.00%	United Kingdom	-
14.	Piraeus Leasing Bulgaria EAD	Finance leases	100.00%	Bulgaria	2008-2012
15.	Piraeus Group Finance P.L.C.	Debt securities issue	100.00%	United Kingdom	2011-2012
16.	Piraeus Factoring S.A.	Corporate factoring	100.00%	Greece	2010-2012
17.	Picar S.A.	City Link areas management	100.00%	Greece	2010-2012
18.	Bulfina S.A.	Property management	100.00%	Bulgaria	2008-2012
19.	General Construction and Development Co. S.A.	Property development/ holding company	66.67%	Greece	2010-2012
20.	Pireaus Direct Services S.A.	Call center services	100.00%	Greece	2010-2012
21.	Komotini Real Estate Development S.A.	Property management	100.00%	Greece	2010-2012
22.	Piraeus Real Estate S.A.	Construction company	100.00%	Greece	2011-2012
23.	ND Development S.A.	Property management	100.00%	Greece	2010-2012
24.	Property Horizon S.A.	Property management	100.00%	Greece	2010-2012
25.	ETVA Industrial Parks S.A.	Development/ management of industrial areas	65.00%	Greece	2010-2012
26.	Piraeus Development S.A.	Property management	100.00%	Greece	2010-2012
27.	Piraeus Asset Management S.A.	Mutual funds management	100.00%	Greece	2010-2012
28.	Piraeus Buildings S.A.	Property development	100.00%	Greece	2010-2012
29.	Estia Mortgage Finance PLC	SPE for securitization of mortgage loans	-	United Kingdom	-
30.	Euroinvestment & Finance Public LTD	Asset management, real estate operations	90.89%	Cyprus	2006-2012
31.	Lakkos Mikelli Real Estate LTD	Property management	50.66%	Cyprus	2009-2012
32.	Philoktimatiki Public LTD	Land and property development	53.31%	Cyprus	2009-2012
33.	Philoktimatiki Ergoliptiki LTD	Construction company	53.31%	Cyprus	2008-2012
34.	New Evolution S.A.	Property, tourism & development company	100.00%	Greece	2010-2012
35.	Imperial Stockbrokers Limited	Stock exchange operations	100.00%	Cyprus	2007-2012
36.	Imperial Eurobrokers Limited	Stock exchange operations	100.00%	Cyprus	2008-2012
37.	EMF Investors Limited	Investment company	100.00%	Cyprus	2008-2012
38.	Euroinvestment Mutual Funds Limited	Mutual funds management	100.00%	Cyprus	2007-2012
39.	Bull Fund Limited	Investment company	100.00%	Cyprus	2008-2012
40.	Piraeus Green Investments S.A.	Holding company	100.00%	Greece	2011-2012
41.	New Up Dating Development Real Estate and Tourism S.A.	Property, tourism & development company	100.00%	Greece	2005-2012
42.	Sunholdings Properties Company LTD	Land and property development	26.66%	Cyprus	2008-2012
43.	Polytropon Properties Limited	Land and property development	39.98%	Cyprus	2008-2012
44.	Capital Investments & Finance S.A.	Investment company	100.00%	Liberia	-
45.	Vitria Investments S.A.	Investment company	100.00%	Panama	-
46.	Piraeus Insurance Brokerage EOOD	Insurance brokerage	99.98%	Bulgaria	2007-2012
47.	Trieris Real Estate Management LTD	Management of Trieris Real Estate Ltd	100.00%	British Virgin Islands	-
48.	Piraeus Egypt Leasing Co.	Finance leases	98.30%	Egypt	2007-2012
49.	Piraeus - Egypt Asset Management Co.	Property administration	98.30%	Egypt	2005-2012
50.	Piraeus Egypt for Securities Brokerage Co.	Stock exchange operations	98.30%	Egypt	2007-2012
51.	Piraeus Insurance Reinsurance Broker Romania S.R.L.	Insurance and reinsurance brokerage	100.00%	Romania	2009-2012
52.	Piraeus Real Estate Consultants S.R.L.	Construction company	100.00%	Romania	2007-2012
53.	Piraeus Leases S.A.	Finance leases	100.00%	Greece	2007-2012
54.	Orion Energy Photovoltaics S.A.	PV Solar projects development	65.00%	Greece	2007-2012
55.	Astraios Energy Photovoltaics S.A.	PV Solar projects development	65.00%	Greece	2007-2012
56.	Multicollection S.A.	Assessment and collection of commercial debts	51.00%	Greece	2009-2012
57.	Olympic Commercial & Tourist Enterprises S.A.	Operating leases- Rent-a-Car and long term rental of vehicles	94.98%	Greece	2009-2012
58.	Piraeus Rent Doo Beograd	Operating Leases	100.00%	Serbia	2007-2012
59.	Estia Mortgage Finance II PLC	SPE for securitization of mortgage loans	-	United Kingdom	-
60.	Piraeus Leasing Doo Beograd	Finance leases	100.00%	Serbia	2007-2012
61.	Piraeus Real Estate Consultants Doo	Construction company	100.00%	Serbia	2008-2012
62.	Piraeus Real Estate Bulgaria EOOD	Construction company	100.00%	Bulgaria	2007-2012
63.	Piraeus Real Estate Egypt LLC	Property management	100.00%	Egypt	2007-2012

Amounts in thousand euros (Unless otherwise stated)

a/a	Name of Company	Activity	% holding	Country	Unaudited tax years
64.	Piraeus Bank Egypt Investment Company	Investment company	98.28%	Egypt	2007-2012
65.	Piraeus Insurance Agency S.A.	Insurance - agency	100.00%	Greece	2008-2012
66.	Piraeus Capital Management S.A.	Venture capital fund	100.00%	Greece	2010-2012
67.	Piraeus Insurance Brokerage Egypt	Insurance brokerage	96.33%	Egypt	2008-2012
68.	Integrated Services Systems Co.	Warehouse & mail distribution management	97.31%	Egypt	2004-2012
69.	Axia Finance PLC	SPE for securitization of corporate loans	-	United Kingdom	-
70.	Piraeus Wealth Management A.E.P.E.Y.	Wealth management	65.00%	Greece	2010-2012
71.	Praxis Finance PLC	SPE for securitization of consumer loans	-	United Kingdom	-
72.	Axia Finance III PLC	SPE for securitization of corporate loans	-	United Kingdom	-
73.	Praxis II Finance PLC	SPE for securitization of consumer loans	-	United Kingdom	-
74.	Axia III APC LIMITED	SPE for securitization of corporate loans	-	United Kingdom	-
75.	Praxis II APC LIMITED	SPE for securitization of consumer loans	-	United Kingdom	-
76.	PROSPECT N.E.P.A.	Yachting management	100.00%	Greece	-
77.	R.E Anodus LTD	Consultancy serv. for real estate develop. and inv.	100.00%	Cyprus	2009-2012
78.	Pleiades Estate S.A.	Property management	100.00%	Greece	2010-2012
79.	Solum Ltd Liability Co.	Property management	99.00%	Ukraine	2009-2012
80.	Piraeus (Cyprus) Insurance Brokerage Ltd	Insurance brokerage	100.00%	Cyprus	2009-2012
81.	O.F. Investments Ltd	Investment company	100.00%	Cyprus	2010-2012
82.	DI.VI.PA.KA S.A.	Administrative and managerial body of the Kastoria industrial park	57.53%	Greece	2010-2012
83.	Piraeus Equity Partners Ltd.	Holding company	100.00%	Cyprus	2011-2012
84.	Piraeus Equity Advisors Ltd.	Investment advise	100.00%	Cyprus	2009-2012
85.	Achaia Clauss Estate S.A.	Property management	74.47%	Greece	2010-2012
86.	Piraeus Equity Investment Management Ltd	Investment management	100.00%	Cyprus	2009-2012
87.	Piraeus FI Holding Ltd	Holding company	100.00%	British Virgin Islands	-
88.	Piraeus Master GP Holding Ltd	Investment advice	100.00%	British Virgin Islands	-
89.	Piraeus Clean Energy GP Ltd	General partner of Piraeus Clean Energy LP	100.00%	Cyprus	2009-2012
90.	Curdart Holding Ltd	Holding company	100.00%	Cyprus	2009-2012
91.	Piraeus Clean Energy LP	Renewable Energy Investment Fund	100.00%	United Kingdom	2010-2012
92.	Piraeus Clean Energy Holdings LTD	Holding Company	100.00%	Cyprus	2010-2012
93.	Visa Rent A Car A.E.	Rent A Car company	94.98%	Greece	2010-2012
94.	Adflikton Investments LTD	Property Management	100.00%	Cyprus	2009-2012
95.	Cospleon Investments LTD	Property Management	100.00%	Cyprus	2010-2012
96.	Cutsofiar Enterprises LTD	Property Management	100.00%	Cyprus	2010-2012
97.	Gravieron Company LTD	Property Management	100.00%	Cyprus	2008-2012
98.	Kaihur Investments LTD	Property Management	100.00%	Cyprus	2007-2012
99.	Pertanam Enterprises LTD	Property Management	100.00%	Cyprus	2007-2012
100.	Rockory Enterprises LTD	Property Management	100.00%	Cyprus	2010-2012
101.	Topuni Investments LTD	Property Management	100.00%	Cyprus	2007-2012
102.	Albalate Company LTD	Property Management	100.00%	Cyprus	2011-2012
103.	Akimoria Enterprises LTD	Property Management	100.00%	Cyprus	2011-2012
104.	Alarconarco Enterprises LTD	Property Management	100.00%	Cyprus	2011-2012
105.	Kosmopolis A' Shopping Centers S.A.	Shopping Center's Management	100.00%	Greece	2010-2012
106.	Parking Kosmopolis S.A.	Parking Management	100.00%	Greece	2010-2012
107.	Zibeno Investments Ltd	Holding Company	83.00%	Cyprus	2011-2012
108.	Bulfinace E.A.D.	Property Management	100.00%	Bulgaria	2008-2012
109.	Zibeno I Energy S.A.	Energy generation through renewable energy resources	83.00%	Greece	2012
110.	Asset Management Bulgaria EOOD	Travel - rental services and property management	100.00%	Bulgaria	2012
111.	Arigeo Energy Holdings Ltd	Holding Company in Renewable Energy	100.00%	Cyprus	2012
112.	Exus Software Ltd.	IT products Retailer	50.10%	United Kingdom	2012
113.	Proiect Season Residence SRL	Real Estate Development	100.00%	Romania	2012
114.	Piraeus Jeremie Technology Catalyst Management S.A.	Management of Venture Capital Fund	100.00%	Greece	2012
115.	ATE Bank Romania S.A.	Banking activities	93.27%	Romania	2005-2012
116.	ABG Mutual Funds Management Company S.A.	Mutual funds management	100.00%	Greece	2010-2012
117.	KPM Energy S.A.	Energy generation and exploitation through renewable energy resources	80.00%	Greece	2012
118.	Geniki Bank S.A.	Banking activities	99.08%	Greece	2005-2012
119.	Geniki Leasing S.A.	Finance leases	99.08%	Greece	2008-2012
120.	Geniki Financial & Consulting Services S.A.	Financial & Consulting Services	99.08%	Greece	2010-2012
121.	Geniki Insurance Agency S.A.	Insurance Agency	99.08%	Greece	2010-2012
122.	Geniki Information S.A.	Assessment and collection of commercial debts	99.08%	Greece	2010-2012
123.	Solum Enterprise LLC	Property management	99.00%	Ukraine	2012

Companies numbered 29, 59, 69, και 71-75 are special purpose vehicles for securitization of loans and issuance of debt securities. Companies numbered 42 and 43 although presenting less than 50% holding percentage, are included in the Group's subsidiaries' portfolio due to existence of control.

Also, as at 31/12/2012 the companies numbered 28, 44, 45, 56 and 61 were under liquidation.

Amounts in thousand euros (Unless otherwise stated)

B) Associate companies (equity accounting method)

a/a	Name of Company	Activity	% holding	Country	Unaudited tax years
1.	Crete Scient. & Tech. Park Manag. & Dev. Co. S.A.	Scientific and technology park management	30.45%	Greece	2010-2012
2.	Evros' Development Company S.A.	European community programs management	30.00%	Greece	2010-2012
3.	Project on Line S.A.	Information technology & software	40.00%	Greece	2010-2012
4.	Alexandria for Development & Investment	Investment company	21.63%	Egypt	2008-2012
5.	Nile Shoes Company	Footwear seller- manufacturer	38.67%	Egypt	2003-2012
6.	APE Commercial Property Real Estate Tourist and Development S.A.	Holding Company	27.80%	Greece	2010-2012
7.	APE Fixed Assets Real Estate Tourist and Development S.A.	Real estate, development/ tourist services	27.80%	Greece	2010-2012
8.	Trieris Real Estate LTD	Property management	22.94%	British Virgin Islands	-
9.	European Reliance Gen. Insurance Co. S.A.	General and life insurance and reinsurance	30.23%	Greece	2010-2012
10.	APE Investment Property S.A.	Real estate, development/ tourist services	27.20%	Greece	2010-2012
11.	Sciens International Investments & Holding S.A.	Holding company	28.10%	Greece	2010-2012
12.	Trastor Real Estate Investment Company	Real estate investment property	33.80%	Greece	2006-2012
13.	Euroterra S.A.	Property management	39.22%	Greece	2010-2012
14.	Rebikat S.A.	Property management	40.00%	Greece	2010-2012
15.	Abies S.A.	Property management	40.00%	Greece	2010-2012
16.	ACT Services S.A.	Accounting and tax consulting	49.00%	Greece	2010-2012
17.	Exodus S.A.	Information technology & software	50.10%	Greece	2010-2012
18.	Good Works Energy Photovoltaics S.A.	Construction & operation PV solar projects	33.15%	Greece	2006-2012
19.	Entropia Ktimatiki S.A.	Property Management	33.30%	Greece	2010-2012
20.	Piraeus - TANEO Capital Fund	Venture capital fund	50.01%	Greece	-
21.	AIK Banka	Banking activities	20.86%	Serbia	2006-2012
22.	Teiresias S.A.	Inter banking company. Development, operation and management of information systems	22.28%	Greece	2008-2012
23.	PJ Tech Catalyst Fund	Management of Venture Capital Fund closed type	30.00%	Greece	-
24.	Pyrrichos S.A.	Property management	50.62%	Greece	2009-2012

The company numbered 17 is included in the associate companies' portfolio, as Piraeus Bank Group owns 40.10% of the voting rights. The company numbered 20 is included in the associate companies' portfolio, due to the fact that Piraeus Bank Group exercises significant influence on the investment committee of the fund, which takes the investment decisions. The company numbered 24 is included in the associate companies´ portfolio since the Group has significant influence and not control. Changes in the portfolio of subsidiaries and associates are analysed in note 49.

C) Subsidiaries from discontinued operations

Piraeus Bank Group subsidiary companies ATE Insurance S.A. and ATE Insurance Romania S.A., that are included in discontinued operations, are analyzed below.

a/a	Name of Company	Activity	% holding	Country	Unaudited tax years
1.	ATE Insurance S.A.	Insurance	100.00%	Greece	2008-2012
2.	ATE Insurance Romania S.A.	Insurance	99.47%	Romania	2007-2012

D) Movement on investment in associates

	31 December 2012	31 December 2011
Opening balance	214,641	211,796
Opening balance for Egypt companies (discontinued operations for the year 2011)	1,406	(1,559)
Opening balance from new companies	69,644	-
Additions	1,453	46,156
Disposals	(18)	(1,377)
Share of profit/ (loss) after tax	14,666	(31,341)
Transfers from available for sale portfolio (note 25)	821	7,130
Transfers to available for sale portfolio (note 25)	-	(15,151)
Transfers from the portfolio of the subsidiary companies	-	265
Share in dividends paid	(2,271)	(2,987)
Impairment	(596)	-
Foreign exchange differences and other adjustments	1,949	1,709
Balance at the end of the year	**301,696**	**214,642**

Basic Financial data of Associates

Company	Country	31 December 2012 Participation %	Profit/ (Loss) before tax	Total revenues	Total assets	Total liabilities
CRETE SCIENT. & TECH. PARK MANAG. & DEV. CO. S.A.	Greece	30.45%	3	35	188	5
"EVROS" DEVELOPMENT COMPANY S.A.	Greece	30.00%	4	1,354	1,666	1,600
PROJECT ON LINE S.A.	Greece	40.00%	(39)	497	19	579
APE COMMERCIAL PROPERTY REAL ESTATE TOURIST AND DEVELOPMENT S.A.	Greece	27.80%	(2,099)	388	66,285	1,449
APE FIXED ASSETS REAL ESTATE TOURIST AND DEVELOPMENT S.A	Greece	27.80%	(181)	5	71,971	240
TRIERIS REAL ESTATE LTD	British Virgin Islands	22.94%	(1,182)	1,994	47,296	17,135

Amounts in thousand euros (Unless otherwise stated)

		31 December 2012				
		Participation %	**Profit/ (Loss) before tax**	**Total revenues**	**Total assets**	**Total liabilities**
EUROPEAN RELIANCE GEN. INSURANCE CO. S.A.	Greece	30.23%	*	*	*	*
APE INVESTMENT PROPERTY S.A.	Greece	27.20%	(14,722)	14	151,855	151,855
SCIENS INTERNATIONAL INVESTMENTS & HOLDING S.A.	Greece	28.10%	2,727	12,543	236,295	115,908
TRASTOR REAL ESTATE INVESTMENT COMPANY	Greece	33.80%	(3,762)	(1,574)	94,476	8,655
EUROTERRA S.A.	Greece	39.22%	(433)	463	129,274	12,372
REBIKAT S.A.	Greece	40.00%	(26)	-	18,264	68
ABIES S.A.	Greece	40.00%	(39)	44	2,264	8
ACT SERVICES S.A. (former PIRAEUS ATFS S.A.)	Greece	49.00%	97	2,751	927	552
EXODUS S.A.	Greece	50.10%	(1,877)	6,427	9,178	7,337
GOOD WORKS ENERGY PHOTOVOLTAICS S.A.	Greece	33.15%	(6)	0	214	19
ENTROPIA KTIMATIKI S.A.	Greece	33.30%	(71)	0	30,253	7,108
PIRAEUS-TANEO CAPITAL FUND	Greece	50.01%	*	*	*	*
ALEXANDRIA FOR DEVELOPMENT & INVESTMENT	Egypt	21.63%	162	288	8,718	3,475
NILE SHOES COMPANY	Egypt	38.67%	17	1,161	1,376	0
AIK BANKA	Serbia	20.86%	*	*	*	*
TEIRESIAS S.A.	Greece	22.28%	(183)	3,874	7,058	3,620
PIRAEUS JEREMIE TECH CATALYST FUND	Greece	30.00%	(450)	0	0	0
PYRRICHOS S.A.	Greece	50.62%	(13)	87	16,011	18,096

(*) At the date of approval of the Bank's consolidated financial statements, the listed associate companies 'European Reliance Gen. Insurance Co. S.A.', Trastor Real Estate Investment Company and AIKBANKA, haven't published their annual financial statements for the year 2012. In case that the financial statements of associate companies are approved at a later date than the date the Group's consolidated financial statements are approved, draft financial data of these associate companies is consolidated under the equity method of accounting. According to stock market prices of 31/12/2012, the fair value of the Bank's shareholding to associate listed companies is as follows: European Reliance Gen. Insurance Co. S.A. € 8.1 million, Trastor Real Estate Investment Company € 11.6 million. The fair value of AIKBANKA according to the stock market prices of the non convertible preference and common shares as at 31/12/2012, amounts to € 27.2 million.

		31 December 2011				
Company	**Country**	**Participation %**	**Profit / (Loss) before tax**	**Total revenues**	**Total assets**	**Total liabilities**
CRETE SCIENT. & TECH. PARK MANAG. & DEV. CO. S.A.	Greece	30.45%	1	35	186	4
"EVROS" DEVELOPMENT COMPANY S.A.	Greece	30.00%	(87)	2,117	2,188	2,127
PROJECT ON LINE S.A.	Greece	40.00%	(47)	1,074	155	676
APE COMMERCIAL PROPERTY REAL ESTATE TOURIST AND DEVELOPMENT S.A.	Greece	27.80%	2,944	162	70,712	5
APE FIXED ASSETS REAL ESTATE TOURIST AND DEVELOPMENT S.A	Greece	27.80%	27,786	8	72,148	235
TRIERIS REAL ESTATE LTD	British Virgin Islands	22.94%	(1,311)	682	51,278	19,992
EUROPEAN RELIANCE GEN. INSURANCE CO. S.A.	Greece	30.23%	4,051	141,164	256,704	217,045
APE INVESTMENT PROPERTY S.A.	Greece	27.20%	(4,689)	17	152,013	137,291
SCIENS INTERNATIONAL INVESTMENTS & HOLDING S.A.	Greece	28.10%	(95,275)	(86,412)	230,875	112,454
EKATHARISEIS AKTOPLOIAS S.A.	Greece	49.00%	0	-	40	3
TRASTOR REAL ESTATE INVESTMENT COMPANY	Greece	33.80%	(131)	2,683	103,926	8,457
EUROTERRA S.A.	Greece	39.22%	9,164	351	127,658	10,323
REBIKAT S.A.	Greece	40.00%	(3,519)	-	18,222	0
ABIES S.A.	Greece	40.00%	(26)	67	2,314	19
ACT SERVICES S.A. (former PIRAEUS ATFS S.A.)	Greece	49.00%	89	2,568	1,141	812
EXODUS S.A.	Greece	50.10%	838	7,205	10,102	5,894
GOOD WORKS ENERGY PHOTOVOLTAICS S.A.	Greece	33.15%	(58)	0	278	69
ENTROPIA KTIMATIKI S.A.	Greece	33.30%	(20)	0	29,657	7,004
PIRAEUS-TANEO CAPITAL FUND	Greece	50.01%	0	0	15,915	1,001
ALEXANDRIA FOR DEVELOPMENT & INVESTMENT	Egypt	21.57%	137	259	9,257	4,444
NILE SHOES COMPANY	Egypt	38.56%	27	1,040	1,349	52

Amounts in thousand euros (Unless otherwise stated)

28 Balance sheet - Discontinued operations

The assets and liabilities as at 31/12/2012 concern the companies ATE Insurance S.A. and ATE Insurance Romania S.A., while assets and liabilities as at 31/12/2011 concern Piraeus Bank Egypt Group.

ASSETS	31 December 2012	31 December 2011
Cash and balances with Central Banks	1,305	113,092
Loans and advances to credit institutions	17	203,351
Trading securities	5,058	2,339
Loans and advances to customers (net of provisions)	0	493,255
Debt securities - receivables	0	176,792
Available for sale securities	109,980	77,371
Held to maturity	29,376	11,181
Investments in associated undertakings	0	1,406
Intangible assets	889	23,481
Property, plant and equipment	54,342	37,448
Investment property	2,246	0
Assets held for sale	0	1,091
Deferred tax assets	50,877	0
Other assets	123,094	16,409
Total Assets	**377,184**	**1,157,214**

LIABILITIES	31 December 2012	31 December 2011
Due to credit institutions	0	49,159
Due to customers	0	930,172
Retirement benefit obligations	4,259	5,805
Other provisions	560,386	1,486
Current income tax liabilities	50	799
Deferred tax liabilities	15	3
Other liabilities	41,114	19,917
Total Liabilities	**605,824**	**1,007,341**

29 Intangible assets

2011

Cost	Goodwill	Software	Other intangible	Total
Opening balance as at 1 January 2011	223,374	231,728	98,327	553,429
Opening balance from discontinued operations	(13,289)	(15,184)	-	(28,473)
Balance of subsidiaries companies that sold, dispoded or changed portfolio	20	-	-	20
Opening balance of new subsidiaries on the date of acquisition	-	30	-	30
Additions	22,146	22,183	2,115	46,443
Transfers	-	19,582	16,969	36,550
Write - offs/ disposals	(1)	(1,135)	(5)	(1,141)
Impairment of goodwill	(83,267)	-	-	(83,267)
Foreign exchange differences	466	(88)	257	635
Cost as at 31 December 2011	**149,448**	**257,116**	**117,663**	**524,226**

Accumulated depreciation	Goodwill	Software	Other intangible	Total
Opening balance as at 1 January 2011	-	(112,416)	(56,705)	(169,121)
Opening balance from discontinued operations	-	4,052	(994)	3,058
Opening balance of new subsidiaries on the date of acquisition	-	(27)	-	(27)
Charge for the year	-	(24,550)	(9,179)	(33,729)
Write - offs/ disposals	-	1,105	5	1,110
Foreign exchange differences	-	145	(209)	(64)
Accumulated depreciation as at 31 December 2011	**0**	**(131,692)**	**(67,082)**	**(198,773)**
Net book value as at 31 December 2011	**149,448**	**125,424**	**50,581**	**325,453**

2012

Cost	Goodwill	Software	Other intangible	Total
Opening balance as at 1 January 2012	149,448	257,116	117,663	524,226
Opening balance for Egypt companies (discontinued operations for the year 2011)	13,289	15,775	0	29,064
Opening balance from discontinued operations	(18,195)	(309)	(7,336)	(25,840)
Balance of ATEbank and its subsidiaries at acquitition date	0	5,757	0	5,757
Opening balance of new subsidiaries at acquitition date	0	42,224	11,178	53,402
Additions	97,272	31,608	2,000	130,880
Transfers	-	21,977	75	22,052
Write -offs	0	(3,179)	(1,982)	(5,161)
Impairment	(26,382)	0	(18,155)	(44,537)
Foreign exchange differences	(0)	(2,118)	(218)	(2,336)
Cost as at 31 December 2012	**215,431**	**368,851**	**103,224**	**687,506**

Amounts in thousand euros (Unless otherwise stated)

Accumulated depreciation	Goodwill	Software	Other intangible	Total
Opening balance as at 1 January 2012	0	(131,692)	(67,082)	(198,773)
Opening balance for Egypt companies (discontinued operations for the year 2011)	-	(5,583)	0	(5,583)
Opening balance from discontinued operations	-	256	5,907	6,163
Balance of ATEbank and its subsidiaries at acquitition date	-	(1,838)	0	(1,838)
Opening balance of new subsidiaries at acquitition date	-	(38,823)	(8,937)	(47,760)
Charge for the year	-	(31,582)	(6,536)	(38,118)
Transfers	-	467	1,230	1,697
Write -offs	-	3,113	1,982	5,096
Foreign exchange differences	-	1,279	87	1,365
Accumulated depreciation as at 31 December 2012	**0**	**(204,402)**	**(73,349)**	**(277,751)**
Net book value as at 31 December 2012	**215,431**	**164,449**	**29,875**	**409,755**

Of the total additions of goodwill of 2012, an amount of € 95 mil. arose as a result of the acquisition of assets and liabilities of former ATEbank S.A.

Goodwill is assessed for impairment on an annual basis or more frequently in case there is indication of impairment. During 2012, following the impairment testing process, a loss of €26.4 million arose, that regards the following: a) impairment of € 8 million of the goodwill that was recognised in total assets of Piraeus Bank Cyprus LTD following the acquisition of the activities of the branch of ArabBank, b) impairment of €12.1 million of the goodwill of the company Piraeus Cards S.A. that was absorbed by Piraeus Bank S.A. during 2012, c) impairment of €2.8 million of the goodwill of the subsidiary company General Construction and Development Co. S.A.and d) impairment of goodwill of other companies of amount € 3.5 million. This impairment loss is mainly attributed to the general economic climate and more specifically to the fact that the recoverable amounts of the aforementioned companies are lower than the respective carrying values due to expected reduced cash flows.

During 2012, the Group made transfers of an amount of € 23.8 million from “assets under construction” to intangible assets due to commencement of operational use.

30 Property, plant and equipment

2011	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
Cost						
Opening balance as at 1 January 2011	341,821	358,871	80,467	471,003	311,772	1,563,933
Opening balance from discontinued operations	(37,447)	(15,887)	(2,347)	(1,194)	(13,428)	(70,303)
Balance of subsidiaries companies that sold, dispoded or changed portfolio	-	-	(69)	-	-	(69)
Opening balance of new subsidiaries on the date of acquisition	780	255	-	2,401	51	3,487
Additions	26,911	16,682	35,031	72,881	8,625	160,129
Transfers	1,877	1,837	(39,513)	(17,625)	(5,817)	(59,242)
Disposals	(1,181)	(2,569)	(317)	(68,813)	(3,805)	(76,684)
Write - offs/ impairment	0	(3,300)	(973)	(1,899)	(10,703)	(16,875)
Foreign exchange differences	(132)	194	687	(266)	(99)	384
Cost as at 31 December 2011	**332,629**	**356,082**	**72,966**	**456,488**	**286,595**	**1,504,760**

2011	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
Accumulated depreciation						
Opening balance as at 1 January 2011	(47,734)	(256,531)	-	(167,614)	(125,034)	(596,912)
Opening balance from discontinued operations	6,169	10,998	-	668	8,445	26,281
Opening balance of new subsidiaries on the date of acquisition	(19)	(173)	-	(744)	(9)	(945)
Charge for the year	(6,294)	(24,993)	-	(52,257)	(19,688)	(103,232)
Transfers	(910)	(168)	-	10,571	3,285	12,778
Disposals	169	415	-	34,984	3,291	38,859
Write - offs	-	3,206	-	730	10,317	14,253
Foreign exchange differences	44	767	-	148	(45)	913
Accumulated depreciation as at 31 December 2011	**(48,574)**	**(266,479)**	**0**	**(173,514)**	**(119,438)**	**(608,004)**
Net book value as at 31 December 2011	**284,055**	**89,603**	**72,966**	**282,974**	**167,157**	**896,756**

During 2011, impairment of fixed assets amounting to € 0.7 million was conducted.

The above total depreciation charge for the year 2011 (€ 103,232 thousand) for tangible assets includes depreciation of Olympic Commercial & Tourist Enterprises of € 48,379 thousand which is included in "Other operating income" of the Consolidated Income Statement.

Amounts in thousand euros (Unless otherwise stated)

2012	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
Cost						
Opening balance as at 1 January 2012	332,629	356,082	72,966	456,488	286,595	1,504,760
Opening balance for Egypt companies (discontinued operations for the year 2011)	36,990	16,714	2,118	1,300	13,901	71,022
Opening balance from discontinued operations	(900)	(5,572)	-	-	(8,315)	(14,788)
Balance of ATEbank and its subsidiaries at acquitition date	319,898	24,854	456	586	10,759	356,553
Opening balance of new subsidiaries at acquitition date	98,888	46,041	32	-	35,652	180,613
Impairment	(3,140)	(6)	-	(1,426)	-	(4,572)
Additions	5,246	9,371	74,816	68,323	3,198	160,954
Transfers	2,514	1,250	(27,110)	(15,876)	394	(38,827)
Disposals	(2,470)	(3,938)	(92)	(45,782)	(6,199)	(58,480)
Write - offs	(236)	(6,781)	(4,140)	(1,303)	(19,614)	(32,075)
Foreign exchange differences	(2,599)	(4,163)	(299)	(140)	(2,319)	(9,520)
Cost as at 31 December 2012	**786,819**	**433,851**	**118,748**	**462,171**	**314,052**	**2,115,641**

Accumulated depreciation

	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
Opening balance as at 1 January 2012	(48,574)	(266,479)	-	(173,514)	(119,438)	(608,004)
Opening balance for Egypt companies (discontinued operations for the year 2011)	(8,951)	(13,419)	-	(777)	(10,427)	(33,574)
Opening balance from discontinued operations	150	4,654	-	-	4,895	9,699
Balance of ATEbank and its subsidiaries at acquitition date	(4,494)	(3,251)	-	(256)	(57)	(8,058)
Opening balance of new subsidiaries at acquitition date	(37,586)	(41,913)	-	-	(29,316)	(108,815)
Charge for the year	(11,084)	(27,266)	-	(53,645)	(25,579)	(117,575)
Transfers	(345)	490	-	12,132	227	12,504
Disposals	161	3,787	-	22,463	6,142	32,552
Write - offs/ impairment	0	6,510	-	689	19,493	26,693
Foreign exchange differences	754	1,069	-	155	1,448	3,427
Accumulated depreciation as at 31 December 2012	**(109,968)**	**(335,817)**	**0**	**(192,753)**	**(152,613)**	**(791,151)**
Net book value as at 31 December 2012	**676,851**	**98,034**	**118,748**	**269,418**	**161,439**	**1,324,491**

During 2012, impairment of fixed assets amounting to € 23.2 million was conducted.

The above total depreciation charge for the year 2012 (€ 117,575 thousand) for tangible assets includes depreciation of Olympic Commercial & Tourist Enterprises of € 50,305 thousand which is included in "Other operating income" of the Consolidated Income Statement.

During 2012, the Bank made a) transfers from “investment property” of € 3.9 million, due to commencement of owner-occupation, b) transfers to “intangible assets” of € 23.8 million due to commencement of operational use, c) tranfers to “Assets Held for sale“of € 1.8 million and d) tranfers to ”Inventories cars” of € 4.6 million.

31 Investment property

	2012	2011
Opening balance	877,512	927,129
Balance of ATEbank and its subsidiaries at acquitition date	238,597	-
Opening balance of new subsidiaries on the date of acquisition	-	22,150
Revaluation of investment property	(70,836)	(91,432)
Additions	32,749	26,769
Transfers	1,986	(1,736)
Disposals	(1,018)	(5,962)
Other adjustments	(477)	593
Balance at the end of the year	**1,078,513**	**877,512**

Investment property is presented at fair value, as this is estimated by certified independent valuers on an annual basis. Fair value is determined by the market prices or if market prices are not available, valuation models are used as described in section 2.17. The total fair value of investment property under finance leases as at 31/12/2012 is € 340.3 million (2011: € 394.5 million).

Rental income from investment property amounts to € 18,673 thousand (2011: € 27,187 thousand). Operating expenses of investment property that is rented to third parties equal to € 1,905 thousand (2011: € 2,251 thousand).

During 2012, the Bank made transfers a) of €1.8 million to “inventories property” due to termination of lease b) of € 3.9 million to owner occupied “Land and buildings”, c) of € 9.6 million from “inventories property”, due to lease of the property and d) of € 1.9 million to “other assets”.

Amounts in thousand euros (Unless otherwise stated)

32 Assets Held for sale

Opening balance as at 1/1/2011	**23,242**
Opening balance from discontinued operations	(884)
Additions	9,834
Transfers to subsidiaries	(2,440)
Tranfers to inventories property	(8,063)
Tranfers from investment properties	377
Disposals	(7,292)
Impairment	(828)
Currency translation differences	75
Balance as at 31/12/2011	**14,021**
Opening balance as at 1/1/2012	**14,021**
Opening balance for Egypt companies (discontinued operations for the year 2011)	1,091
Additions	4,484
Transfers from Property plant and equipment	1,784
Disposals	(3,891)
Impairment	(1,441)
Currency translation differences	(510)
Balance as at 31/12/2012	**15,537**

During 2012, the loss from the sale of assets was € 245.3 thousand (2011: loss € 475 thousand) which was included in the profit and loss statement in line "Gains/ (Losses) from sale of held for sale".

As at 31/12/2012, assets held for sale include mainly properties of subsidiaries in Bulgaria, Romania, Serbia and Ukraine, for which sale procedure is lengthy and it is expected to be finalised in 2013.

33 Other assets

	31 December 2012	31 December 2011
Inventories - property	332,057	264,891
Inventories - property	**332,057**	**264,891**
Prepaid expenses and accrued income	239,975	113,560
Prepaid taxes and taxes withheld	81,704	136,175
Claims from tax authorities and the State	468,703	174,485
Inventories - cars	19,555	26,664
Credit cards	128,565	54,079
Receivables from third parties	132,479	109,827
Receivables from Hellenic Financial Stability Fund	794,825	-
Other items	731,003	400,605
Other receivables	**2,596,810**	**1,015,395**
Other assets	**2,928,867**	**1,280,286**
Current other assets (up to 1 year)	1,955,636	696,771
Non current other assets (more than 1 year)	973,231	583,515
Total	**2,928,867**	**1,280,286**

Inventories property as at 31/12/2012 include property of ETVA Industrial Parks S.A. of amount € 114 million (2011: € 115.7 million) and property acquired by the Bank or by Group subsidiaries through auctions of amount € 212 million (2011: € 144.3 million), as well as inventories property of real estate subsidiaries of total amount of € 6 million (2011: € 4.9 million).

According to L.4093/12.11.2012, credit institutions that participate in the recapitalization program according to the terms of L.3723/2008, are required to pay to the HFSF an once off total amount of € 555.6 million, of which approximately € 133 million relate to Piraeus Bank’s portion. This amount has already been paid and did not affect the result for the year. It has been included in line “Prepaid expenses and accrued income” in order to be netted against the impending capital increase.

Line “Other items” primarily includes balances of various accounts that relate to daily activities of the Group and the movement in the balance is mainly due to the acquisition of relevant items from former ATEbank S.A. in the context of the transfer agreement of selected assets and liabilities. Additionally they include an amount of € 238 million that relates to the participation of Piraeus Bank and Geniki Bank, in the Hellenic Deposit & Investment Guarantee Fund (H.D.I.G.F.) after the deduction of the term deposits that H.D.I.G.F. maintains in the prementioned banks.

The Bank has timely filed a recourse for the years 2008 and 2009 before the competent administrative courts, the arguments of which are adequately strong and legitimate (taking also into consideration the relevant opinion of the Legal Advisor), against the negative view of the Greek Tax Authorities for the utilization of or the return of credit balances (€ 28.4 million and € 52.6 million respectively) which arose from specially taxed income (interest on bonds etc) issued domestically or abroad.

The receivable from the Hellenic Financial Stability Fund regards the difference between the value of the transferred assets of former ATEbank and the already paid amount of six billion six hundred seventy five million eight hundred and ninety thousand euros (€ 6,675,890,000).

Amounts in thousand euros (Unless otherwise stated)

34 Due to credit institutions

	31 December 2012	31 December 2011
Amounts due to central banks	31,640,708	22,301,703
Deposits from other banks	195,509	482,466
Repurchase agreement - credit institutions	618,475	2,446,281
Other obligations to banks	106,630	183,149
	32,561,322	**25,413,598**
Current due to banks (up to 1 year)	32,156,543	24,684,872
Non current due to banks (more than 1 year)	404,779	728,726
	32,561,322	**25,413,598**

Balances due to credit institutions bear floating rates.

"Due to credit institutions" includes refinancing operations through repo transactions within the eurosystem amounting to € 31.6 billion (31/12/2011: € 22.3 billion). The increase of the raised liquidity of the Group from the eurosystem during the year of 2012, took place through the available refinancing operations with collaterals with the use of a) the advance of € 4.7 billion in the form of EFSF bonds that the Group received from HFSF and b) bonds of nominal value of € 6.5 billion given to the Group by the HFSF, in the context of the acquisition of former ATEbank S.A.

35 Liabilities at fair value through profit or loss

As at 31/12/2012, the open short positions for Greek Government bonds and treasury bills & other eligible bills, amounted to € 21.95 million (2011: € 18.47 million). These amounts are of a short term nature and result from the trading activity in the secondary market within the scope of managing the Group’s positions.

36 Due to customers

	31 December 2012	31 December 2011
Current and sight deposits	6,061,609	4,168,540
Savings account	10,714,775	2,866,294
Term deposits	19,850,104	14,382,454
Other accounts (checks, remittances and blocked deposits)	340,771	187,810
Repurchase agreements	3,949	190,579
	36,971,208	**21,795,677**
Current due to customers (up to 1 year)	36,270,878	21,176,955
Non current due to customers (more than 1 year)	700,331	618,722
	36,971,208	**21,795,677**

The increase in "Due to customers" is mainly due to customer deposits acquired from former ATEbank S.A. as well as to the acquisition of Geniki Bank S.A.

Other accounts include cheques payable of € 201 million (2011: € 77.1 million). Customer deposits (excluding cheques payable and repos) with floating rates are € 16,542 million (2011: € 6,777.2 million) and with fixed rate are € 20,224 million (2011: € 14,750.8 million).

37 Debt securities in issue

		31 December 2012	31 December 2011
ETBA bonds (A)		**965**	**4,015**
Euro Medium Term Note (Medium/ long term securities)	**Interest rate (%)**		
€ 60 m. floating rate notes due 2015	Variable	60,000	60,000
€ 20 m. floating rate notes due 2012	Euribor + 0.20%	-	19,996
€ 500 m. fixed rate notes due 2012	Fixed 4.0%	-	355,576
€ 50.3 m. fixed rate notes due 2012	Fixed 4.0%	-	38,228
€ 25.5 m. fixed rate notes due 2013	Fixed 4.5%	14,555	19,977
Accrued interest and other expenses		613	4,914
Total (B)		**75,168**	**498,691**
Securitisation of mortgage loans	**Average Interest rate (%)**		
€ 750 m. floating rate notes due 2040	Euribor + 0.18%	71,266	190,867
€ 1,250 m. floating rate notes due 2054	Euribor + 0.18%	215,915	574,471
Total (C)		**287,181**	**765,338**
Bonds convertible to shares (D)		170,388	-
Total debt securities in issue (A)+(B)+ (C)+(D)		**533,702**	**1,268,045**
Current debt securities in issue (up to 1 year)		15,644	417,695
Non current debt securities in issue (more than 1 year)		518,058	850,349
Total debt securities in issue		**533,702**	**1,268,045**

Amounts in thousand euros (Unless otherwise stated)

It should be noted that the first and third securitisation of corporate loans in the amount of € 1,750 million and € 2,352 million respectively as well as the first and second consumer loan backed securitisation of € 725 million and € 558 million respectively, continue to be retained by Piraeus Bank.

Issuance under the Euro Medium Term Note program is undertaken through Piraeus Group Finance PLC, a subsidiary of Piraeus Bank Group. Information concerning the new issues of debt securities during the year of 2012, which have been retained by the Bank, are presented below:

In February 2012 and in March 2012 Piraeus Bank issued three 3-month floating rate senior bonds in the total amount of € 5,337 million. In May 2012 and June 2012 Piraeus Bank issued two 3-month foating rate senior bonds in the amount of € 3,587 million. The bonds were issued with the unconditional guarantee of the Hellenic Republic under Art. 2 of Law 3723/2008 through Piraeus Bank's Euro Medium Term Note (EMTN) programme. The bonds pay a floating rate coupon of 3M Euribor plus 1200bps. All bonds have been retained by Piraeus Bank.

Piraeus Bank, during 2012, proceeded to the buy back of bonds of securitised loans of total nominal value € 428 million.

During the 4th quarter of 2012, Piraeus Bank issued bonds of € 170 million that were covered by Societe Generale (SG). These bonds will provide access either to share capital increases leading to the acquisition of 0.5% of the total number of common shares of Piraeus Bank by SG, or else, if the recapitalization process is not concluded by mid-2014, it will automatically be transformed into Tier 1 capital bonds with a permanent write-down mechanism.

38 Hybrid capital and other borrowed funds

Hybrid capital (Tier I)	Interest rate (%)	31 December 2012	31 December 2011
€ 200 m. floating rate notes due 2034	Euribor + 1.25%	59,916	158,636
Accrued interest and other expenses		(0)	965
		59,916	**159,601**
Subordinated debt (Tier II)			
€ 400 m. floating rate notes due 2016	Euribor + 0.55%	263,136	333,038
Accrued interest and other expenses		1,089	2,345
		264,225	**335,383**
Other borrowed funds (USD)		**0**	**3,984**
Total hybrid capital and other borrowed funds		**324,141**	**498,968**

On 2 March 2012, Piraeus Bank announced a Tender Offer to purchase existing securities for cash. This Tender Offer referred to subordinated (€ 330 million) and hybrid (€ 159 million) securities of € 489 million total amount. On 12 March 2012, Piraeus Bank announced that it accepted offers of € 144 million, out of which € 60 million subordinated securities and € 84 million hybrid securities.

Accrued interest on hybrid capital and other borrowed funds is included in the respective balances of hybrid capital and other borrowed funds.

The Group is not in default of any payments of principal and interest of the subordinated debt. In the second semester of 2012, it has been decided that the interest return on hybrid capital will not be paid, taking into account the special terms and conditions that rule out the related payments.

39 Other liabilities

	31 December 2012	31 December 2011
Prepaid income and accrued expenses	87,404	89,147
Obligations under finance leases	292,961	266,687
Transactions with Interbank Systems (DIAS)	140,307	22,470
Withholding taxes and contributions	59,613	40,216
Creditors	143,454	85,061
Other liability accounts	311,961	145,193
	1,035,700	**648,774**
Current other liabilities (up to 1 year)	689,881	324,528
Non current other liabilities (more than 1 year)	345,819	324,246
	1,035,700	**648,774**

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

The liability arising from the finance lease of the Group is analyzed as follows:

Gross liabilities from finance leases	31 December 2012	31 December 2011
Up to 1 year	9,010	10,854
From 1 to 5 years	86,497	56,682
More than 5 years	2,161,315	2,190,674
	2,256,822	**2,258,210**
Finance expense	(1,963,861)	(1,991,523)
Net liabilities from finance leases	**292,961**	**266,687**

Amounts in thousand euros (Unless otherwise stated)

Net liabilities from finance leases may be analyzed as follows:

	31 December 2012	31 December 2011
Up to 1 year	26,185	20,362
From 1 to 5 years	86,262	83,879
More than 5 years	180,514	162,446
	292,961	**266,687**

Obligations under finance leases mainly consist of the liability (€ 270.5 million) arising from the finance lease agreement for the Citylink building by the Group subsidiary Picar SA, of total duration fifty two years.

40 Other provisions

	31 December 2012	31 December 2011
Opening balance	18,303	19,817
Opening balance for Egypt companies (discontinued operations for the year 2011)	1,486	-
Opening balance from discontinued operations	0	(766)
Balance of ATEbank and its subsidiaries at acquitition date	345	-
Opening balance for new companies	5,789	-
Charge for the year	8,584	2,759
Usage of provisions	(367)	(283)
Foreign exchange differences	(1,338)	(3,225)
Other movements	(10,665)	0
Balance at the end of the year	**22,137**	**18,303**

Other movements relate to tranfers of provisions on 'Loans and advances to customers”. The relative receivables are included in this line.

41 Deferred tax

Deferred income taxes for the Group are calculated on all temporary differences under the liability method. The nominal tax rates of Group subsidiaries are different compared to the nominal tax rate of the Bank (note 16).

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

Deferred tax liabilities	31 December 2012	31 December 2011
Pensions and other post retirement benefits	(271)	(226)
Impairment of loans and receivables	(552)	12,956
Other provisions	(1,024)	204
Securities valuation	1,206	(104)
Recognition of commision according to effective interest rate calculation	(1,684)	(2,068)
Investment property valuation	12,092	9,656
Depreciation of property, plant and equipment	21,390	18,805
Intangible assets	(72)	(167)
Adjustment of nominal tax rates	(36)	(36)
Recognition of tax losses	(775)	(1,099)
Impairment of securities	(42)	(44)
Deferred tax liability of purchase price allocation exercise	891	1,129
Other deferred tax items	5,977	7,634
	37,100	**46,640**
Deferred tax assets		
Pensions and other post retirement benefits	23,728	25,581
Impairment of loans and receivables	679,149	322,918
Other provisions	5,929	7,408
Securities valuation	32,528	140,958
Derivative financial instruments valuation	(829)	(3,495)
Recognition of commision according to effective interest rate calculation	8,548	9,632
Investment property valuation	(9,184)	(10,943)
Depreciation of property, plant and equipment	(17,018)	(17,523)
Intangible assets	(18,790)	(30,608)
Adjustment of nominal tax rates	3,484	3,483
Recognition of tax losses	169,872	90,152
Impairment of Greek government bonds	1,018,960	654,066
Impairment of securities	(779)	(638)
Other deferred tax items	(473)	(12,999)
	1,895,124	**1,177,992**
Net deferred tax asset	**1,858,025**	**1,131,352**

Amounts in thousand euros (Unless otherwise stated)

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

	2012	2011
Net deferred tax asset as at 1 January	**1,131,352**	**255,972**
Opening balance of deferred tax liability for Egypt companies (discontinued operations for the year 2011)	(3)	-
Opening balance of deferred tax asset for discontinued operations	(5,454)	-
Net deferred tax asset/ (liability) due to changes in the portfolio of subsidiaries	85,665	1,186
Effect of deferred tax on profit or loss		
-From continuing operations	678,450	939,145
-From discontinued operations	-	(30)
Available for sale portfolio securities		
-From continuing operations	(32,140)	(76,809)
-From discontinued operations	-	544
Deferred tax on expenses of share capital increase	-	10,615
Currency translation effect		
-From continuing operations	156	573
-From discontinued operations	-	154
Closing balance for Piraeus Bank Egypt Group (discontinued operations of 2011)	-	(3)
Net deferred tax asset as at 31 December	**1,858,025**	**1,131,352**

The deferred tax charge in the Income Statement (note 16) is analysed as follows:

Deferred tax (Income Statement)	**1/1-31/12/2012**	**1/1-31/12/2011**
Pensions and other post retirement benefits	(4,533)	(10,122)
Impairment of loans and receivables	290,607	213,366
Other provisions	1,446	3,344
Securities valuation	(76,504)	21,020
Derivative financial instruments valuation	2,666	(14,166)
Recognition of commision according to effective interest rate calculation	(1,468)	1,453
Investment property valuation	(677)	21,773
Depreciation of property, plant and equipment	109	(7,046)
Intangible assets	11,716	(9,079)
Adjustment of nominal tax rates	1	3,519
Recognition of tax losses	79,395	59,042
Impairment of Greek government bonds	364,893	654,066
Impairment of securities	(2)	(1,245)
Deferred tax of purchase price allocation exercise	238	698
Other deferred tax items	10,563	2,523
	678,450	**939,145**

During the year 2012, deferred tax of amount € 32,140 thousand relating to valuation of the available for sale securities did not affect the profit and loss for the year, but instead was recorded under the available for sale reserve according to the relevant IFRS regulations. Deferred tax movement was also affected by the deferred tax asset at acquisition date of Geniki Bank Group and former ATEbank Group amounting to € 85,665 thousand, by the opening balance of deferred tax asset of discontinued operations amounting to € 5,454 thousand, as well as by the foreign exchange differences amounting to € 156 thousand. The movement between 2011 and 2012 of the subcategories of deferred tax assets and deferred tax liabilities in relation to the respective deferred tax income statement subcategories for 2012, has been affected by the fact that the Piraeus Bank Egypt Group was classified as discontinued operations in 2011, whereas in 2012 it is classified as continued operations.

The foregoing affected deferred tax on categories "pensions and other post retirement benefits", “impairment of loans and receivables”, “other provisions”, “securities valuation”, “available for sale portfolio securities”, “depreciation of property, plant and equipment”, “intangible assets”, “impairment of securities”, and "other deferred tax items".

Deferred tax assets due to tax losses are recognized only when it is probable that taxable profits will be available, against which these tax losses can be utilized.

DTA on PSI and tax losses has been calculated and recognized based on the best estimates of the management of the Bank, regarding the evolution of its tax profit based on the restructuring plan, along with the nature and the ability to recover these losses according to the greek tax regime at the end of 2012 (note 15).

42 Retirement benefit obligations

The total liability of Piraeus Bank Group relating to retirement benefit obligations and the relevant charge in profit and loss for the years 2011 and 2010 are presented below:

	2012	2011
Retirement benefit obligations as at 1 January	**172,855**	**209,489**
Opening balance for Egypt companies (discontinued operations for the year 2011)	5,805	-
Balance of the subsidiaries of ATEbank at acquitition date	514	-
Opening balance of new subsidiaries on the date of acquisition and of subsidiaries that sold, dispoded or changed portfolio	12,852	30
Movement for the year (note 13)	20,369	28,035
Contributions paid	(39,252)	(64,351)
Currency translation differences and provision for outstanding annual leaves	(1,079)	(348)
Retirement benefit obligations as at 31 December	**172,065**	**172,855**

Amounts in thousand euros (Unless otherwise stated)

1) Piraeus Bank

The defined benefit obligation is calculated based on actuary studied from independent actuary 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 defined benefit obligation is determined by the present value of cash outflows using interest rates of high quality corporate bonds which have terms to maturity approximating the terms of the related liability.

Amounts recognised in the balance sheet	31 December 2012	31 December 2011
Pension schemes-funded	49,798	57,142
Other post retirement benefits - not funded	68,515	81,759
	118,313	**138,901**
Benefits due to mergers	159	159
Total obligation	**118,472**	**139,060**

	1/1-31/12/2012	1/1-31/12/2011
Income statement		
Pension schemes-funded	(12,167)	(13,210)
Other post retirement benefits - not funded	(3,569)	(11,535)
	(15,736)	**(24,745)**

A) Pension schemes - funded

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

	31 December 2012	31 December 2011
Present value of funded obligations	103,806	90,156
Fair value of plan assets	(40,127)	(35,846)
	63,679	**54,310**
Unrecognised actuarial (losses)/ gains	(14,311)	3,936
Unrecognised past service cost	430	(1,104)
Liability in the balance sheet	**49,798**	**57,142**

Although, TEAPETE is no longer among funded benefits since 2006, it is featured as part of funded benefits for comparison purposes. The Bank applied Law 3371/2005 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 was initially specified at € 59.6 million (€ 9.7 million to ETEAM and € 49.9 million to ETAT) on the basis of a special financial study stipulated by law and was ratified by the Parliament with Law 3455/2006, article 26 (Official Gazette 84, bulletin A' 18/4/2006). This amount was agreed to be paid in 10 equal instalments of € 7.1 million each. Out of these instalments, the 8 installments were paid until 31/12/2012. The obligation, which is the present value of the other 2 instalments, amounts to € 12.6 million as at 31/12/2012.

In the context of reducing operating expenses, the Bank decided to terminate early one of the defined benefit plans and to convert another arrangement into a fully funded plan, through an insurance contract.

The amounts recognised in the income statement are as follows:

Pension schemes - Income statement	1/1-31/12/2012	1/1-31/12/2011
Current service cost	(3,688)	(4,460)
Interest cost	(5,185)	(6,454)
Expected return on plan assets	637	616
Recognition of actuarial (losses)/ gains	(52)	(444)
Past- Services Cost	(6,856)	(5,130)
Settlement/ Curtailment/ Termination Loss/ (Gain)	2,976	2,662
Total, included in staff costs	**(12,167)**	**(13,210)**

The movement of the defined benefit obligation for the years 2012 and 2011 is analysed as follows:

	31 December 2012	31 December 2011
Opening balance	**90,156**	**72,362**
Opening balance including new Loyalty Plan	13,820	**52,375**
Current service cost	3,688	4,460
Interest cost	5,185	6,454
Contributions by plan participants	1,257	1,483
Benefits paid from the fund	(19,898)	(20,015)
Benefits paid directly by the employer	(7,871)	(7,615)
Settlement/ Curtailment/ Termination Loss/ (Gain)	4,510	(1,663)
Past- Services Cost	399	(5,091)
Net actuarial (gains)/ losses recognised for the year	12,560	(12,594)
Closing balance	**103,806**	**90,156**

Amounts in thousand euros (Unless otherwise stated)

The movement of the fair value of plan assets of the years 2012 and 2011 is analysed as follows:

	31 December 2012	31 December 2011
Opening balance	**35,846**	**13,059**
Expected return on plan assets	637	616
Employer contributions	21,724	42,738
Employee contributions	1,257	1,483
Benefits paid from the fund	(19,898)	(20,015)
Assets gains/ (losses)	561	(2,036)
Closing balance	**40,127**	**35,846**

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

	31 December 2012	31 December 2011
Opening balance	**57,142**	**58,948**
Opening balance including new Loyalty Plan	10,084	35,337
Movement for the year	12,167	13,210
Contributions paid by the employer	(21,724)	(42,738)
Benefits paid directly by the employer	(7,871)	(7,615)
Closing balance	**49,798**	**57,142**

B) Other post retirement benefits - not funded

The amounts recognised in the balance sheet are as follows:

	31 December 2012	31 December 2011
Present value of unfunded obligations	67,641	67,102
Unrecognised actuarial (losses)/ gains	(1,257)	16,786
Unrecognized past service cost	2,131	(2,128)
Liability in the balance sheet	**68,515**	**81,759**

The Bank's policy on retirement indemnity under Law 2112/12 was harmonized with the provisions of Law 4093/12. This change resulted in a curtailment gain of € 2 million, which was recognized in the income statement of 2012.

The movement in the defined benefit obligation for the years 2012 and 2011 is analysed as follows:

	31 December 2012	31 December 2011
Opening balance	**67,102**	**137,545**
Opening balance including new Loyalty Plan	(13,820)	(52,374)
Current service cost	2,386	3,748
Interest cost	1,804	3,056
Restatement	192	-
Benefits paid by the employer	(6,921)	(13,067)
Settlement/ Curtailment/ Termination Loss/ (Gain)	(188)	3,523
Past service cost	2,013	(4,309)
Actuarial (gains)/ losses recognised fot the year	15,073	(11,019)
End of year	**67,641**	**67,102**

The amounts recognised in the income statements of 2012 and 2011 are as follows:

Income Statement	**1/1-31/12/2012**	**1/1-31/12/2011**
Current service cost	(2,386)	(3,748)
Interest cost	(1,804)	(3,056)
Recognition of actuarial (losses)/ gains	678	285
Past service cost recognized	(1,350)	(2,166)
Settlement/ Curtailment/ Termination Loss/ (Gain)	1,293	(2,850)
Total, included in staff costs	**(3,569)**	**(11,535)**

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

	31 December 2012	31 December 2011
Opening balance	**81,759**	**118,628**
Opening balance including new Loyalty Plan	(10,084)	(35,337)
Opening balance due to mergers	192	
Movement for the year	3,569	11,535
Benefits paid by the employer	(6,921)	(13,067)
Closing balance	**68,516**	**81,759**

The pricipal actuarial assumptions used for the funded and not funded benefits were as follows:

	31 December 2012	31 December 2011
Discount rate	3.20%	5.00%
Expected return on plan assets	3.20%	5.00%
Future increase of salaries	2.00%	2.00%

Amounts in thousand euros (Unless otherwise stated)

The Group has not early adopted the revised standard IAS 19 “Employee Benefits”, which is effective for annual periods beginning on January 1st, 2013. The Group will apply revised IAS 19 retrospectively, according to the transition guidance and the relevant regulations of IAS 8, from 1/1/2012. Due to the retrospective application of the standard, the Group estimates that the balance of “Retirement Benefit Obligations” as at 31/12/2012 will increase by approximately € 11 million with an equal corresponding charge to consolidated equity.

2) Subsidiaries

For the estimation of the liability relating to defined benefit obligation plans of Group’s subsidiaries an actuarial study has been carried out. The total amount of the liability from continuing operations related to the Group subsidiaries is € 53,593 thousand (2011: € 33,797 thousand). The total charge in profit and loss for the year 2012 resulting from the defined benefit obligation plans of the Bank, is € 15,736 thousand (2011: € 24,745 thousand) and the continuing operations of the Group subsidiaries is € 4,633 thousand (2011: € 10,180 thousand).

The change of a retirement benefit plan of the Group subsidiary in Cyprus, from defined benefit plan to defined contribution plan, was decided in 2012. This decision was taken after the agreement between the involved parties for the amendment of the characteristics of the plan. On 31/12/2012 the liability of the plan remains in the balance sheet as technical details are still pending and for this reason, an amount of € 4.7 million was not reversed in the income statement.

43 Contingent liabilites and commitments

A) Legal procedures

According to the opinion of the legal affairs division of the Bank and its subsidiaries, the legal proceedings outstanding against the Group as at 31/12/2012 are not expected to have any significant impact on the financial statements of the Group. The Group’s provision for outstanding litigations amounts to € 10.12 million from continuing operations and € 2.2 million from discontinued operations.

B) Credit commitments

As at 31/12/2012 the Group had the following commitments:

	31 December 2012	31 December 2011
Letters of guarantee	3,109,938	2,571,736
Letters of credit	44,229	53,841
Commitments to extent credit	1,229,350	1,737,346
	4,383,517	**4,362,923**

C) Assets pledged

	31 December 2012	31 December 2011
Cash and balances with central banks	770,285	567
Trading securities	100,352	385,626
Investment securities	962,680	3,013,094
Debt securities held by the Group own issue	11,578,512	14,702,402
Loans and advances to customers and debt securities receivables	16,421,644	12,485,612
	29,833,474	**30,587,302**

In the “Debt securities issued and held by the Group own issue” category, an amount of € 10,000 million refers to securities that had been issued with the unconditional guarantee of the Hellenic Republic and an amount of € 328 million refers to securities issued under the securitization of mortgage loans and an amount of € 1,250 million refers to Bank’s issuance of covered bonds. The prementioned securities are not included in assets. The amount in category "Cash and balances with central banks" relates to blocked deposits in nostros and sight accounts with other banks.

D) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are analysed as follows:

	31 December 2012	31 December 2011
Up to 1 year	65,312	44,767
From 1 to 5 years	255,639	174,827
More than 5 years	447,632	329,636
	768,584	**549,230**

44 Share capital

	Share Capital	Share Premium	Treasury Shares	Total
Opening balance at 1st January 2011	**470,882**	**2,430,877**	**(8,790)**	**2,892,969**
Increase of share capital through cash payment	242,116	522,478	-	764,594
Issue of preference shares	380,000	-	-	380,000
(Purchases)/ sales of treasury shares and preemption rights	-	-	8,598	8,598
Balance at 31st December 2011	**1,092,998**	**2,953,355**	**(192)**	**4,046,161**

	Share Capital	Share Premium	Treasury Shares	Total
Opening balance at 1st January 2012	**1,092,998**	**2,953,355**	**(192)**	**4,046,161**
(Purchases)/ sales of treasury shares	-	-	156	156
Balance at 31st December 2012	**1,092,998**	**2,953,355**	**(36)**	**4,046,317**

Amounts in thousand euros (Unless otherwise stated)

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

	Number of shares		
	Issued shares	**Treasury shares**	**Net number of shares**
Opening balance at 1st January 2011	**413,840,653**	**(2,624,173)**	**411,216,480**
Issue of ordinary shares	807,054,045	-	807,054,045
Acquisition of treasury shares due to share capital increase	-	(3,872,743)	(3,872,743)
Purchases of treasury shares and preemption rights	-	(17,823,643)	(17,823,643)
Sales of treasury shares and preemption rights	-	23,911,771	23,911,771
Issue of preference shares	1,266,666,666	-	1,266,666,666
Balance at 31st December 2011	**2,487,561,364**	**(408,788)**	**2,487,152,576**

	Number of shares		
	Issued shares	**Treasury shares**	**Net number of shares**
Opening balance at 1st January 2012	**2,487,561,364**	**(408,788)**	**2,487,152,576**
Purchases of treasury shares	-	(3,635,454)	(3,635,454)
Sales of treasury shares	-	3,960,654	3,960,654
Balance at 31 December 2012	**2,487,561,364**	**(83,588)**	**2,487,477,776**

On 31/12/2012 the Bank's share capital amounts to € 1,092,997,968.18, divided into 1,143,326,564 ordinary voting registered shares, each with a nominal value of € 0.30 and (a) 77,568,134 preferred non voting shares, each with a nominal value of € 4.77 and (b) 1,266,666,666 preferred non voting shares, each with a nominal value of € 0.30.

Pursuant to the Ordinary Shareholders Meeting resolution dated 29/6/2012, the revocation of the 20/5/2011 Ordinary Shareholders Meeting resolution was approved regarding the reverse split of the Bank’s common shares and thus the restoration of the nominal value of each common share from one euro and twenty cents (€ 1.20) to thirty cents (€ 0.30) with simultaneous increase of the number of common shares of the Bank, from two hundred and eighty five million eight hundred and thirty one thousand six hundred and forty one (285,831,641) to one billion one hundred and forty three million three hundred and twenty six thousand five hundred and sixty four (1,143,326,564), as well as the relevant amendment of the articles 5 and 27 of the Bank’s Articles of Association.

The Ordinary General Meeting of Shareholders, held on 29/6/2012, decided not to distribute dividends to the shareholders for the year 2011, according to the established provisions (article 44a of Law 2190/1920 and article 1 of Law 3723/2008 as in force, combined with the article 4 of Law 4063/2012) for the credit institutions participating in the Economy reinforcement plan.

The Extraordinary General Meeting of Shareholders which was held on 31/1/2013 resolved upon the issue of contingent convertible securities up to the total amount of 2 billion euro through waiver of pre-emption rights of existing shareholders of ordinary registered shares, in accordance with the provisions of the Law 3864/2010, as amended, and the Ministers' Council Act No 38/9.11.2012 (Government Gazette 223/2012). These contingent convertible securities will be covered by the Hellenic Financial Stability Fund (HFSF) according to the above provisions.

According to article 28, Law 3756/2009 (Gov. Gazette A' 53/31.3.2009) the acquisition of treasury shares is not permitted for so long as the Bank participates in the reinforcement programmes, provided by the Law 3723/2008 (Gov. Gazette A’ 250/9.12.2008).
Treasury shares transactions are carried out by the Group subsidiary Piraeus Securities S.A. through its activities relating to its role as a market maker.

45 Other reserves and retained earnings

	31 December 2012	31 December 2011
Legal reserve	107,639	104,149
Extraodinary reserve	13,940	1,822
Available for sale reserve	42,196	(67,924)
Currency translation reserve	(182,335)	(179,659)
Other reserves	13,905	10,554
Amounts recognized directly in equity relating to non-current assets from discontinued operations	9,301	(14,529)
Total other reserves	**4,646**	**(145,587)**
Retained earnings	(6,494,933)	(5,975,642)
Total other reserves and retained earnings	**(6,490,287)**	**(6,121,229)**

In the “Amounts recognized directly in equity relating to non-current assets from discontinued operations” category the “Available for sale reserve” and the “Currency translation reserve” from discontinued operations is included.

Other reserves movement	31 December 2012	31 December 2011
Opening balance for the year	(145,587)	(432,845)
Movement of available for sale reserve	110,120	274,791
Formation of legal reserve	3,490	3,662
Formation of other reserves	15,937	18,934
Absorbed companies reserve	(467)	-
Foreign exchange differences and other adjustments	(2,676)	4,401
Amounts recognized directly in equity relating to non-current assets from discontinued operations	23,831	(14,529)
Closing balance for the year	**4,647**	**(145,587)**

Amounts in thousand euros (Unless otherwise stated)

Available for sale reserve movement	**31 December 2012**	**31 December 2011**
Opening balance for the year	(67,923)	(342,714)
Opening balance for Egypt companies	(4,999)	2,864
Opening balance for discontinued operations (Marathon Banking Corporation)	708	-
Gains/ (losses) from the valuation of bonds and Greek Government Treasury Bills	476,605	(260,331)
Gains/ (losses) from the valuation of shares and mutual funds	86,845	(93,170)
Recycling to income statement of Greek Government bonds impairment	-	428,125
Recycling to income statement of shares and mutual funds impairment	8,939	267,190
Deferred income tax	(32,052)	(76,366)
Recycling of the accumulated fair value adjustment of disposed securities	(442,731)	(82)
Depreciation of accumulated impairment of tranferred bonds	-	6,741
Foreign exchange differences and other movements	16,804	(180)
Closing balance for the year	**42,196**	**(67,923)**

Retained earnings movement	**31 December 2012**	**31 December 2011**
Opening balance for the year	(5,975,641)	672,687
Profit/ (loss) after tax attributable to the owners of the parent entity	(500,303)	(6,613,379)
Profit/ (loss) from sales of treasury shares	215	(7,534)
Share capital increase expenses	(23)	(4,180)
Transfer between other reserves and retained earnings	(19,427)	(22,596)
Acquisitions, disposals, absorption, liquidation and movement in participating interest	245	(454)
Other movements	-	(185)
Closing balance for the year	**(6,494,932)**	**(5,975,641)**

Negative retained earnings, mainly as a result of the Bank's participation to PSI, contributed to a negative shareholders equity of the Bank and the Group, making therefore necessary the recapitalization of the Bank. The recapitalization is in progress and further information is provided in Note 2.1.

46 Dividend per share

According to the article 1 of L. 3723/2008, banks, for the period they participate in the programmes for liquidity enhancement as described by the aforementioned Law, are not allowed to distribute dividends higher than the minimum amount set by the provisions of article 3, of Codified Law 148/1967. In addition, the distribution of dividends for the years 2008- 2011 was strictly limited, by the applicable legislation at the time, to the distribution of shares, which should not have resulted from any buy back procedure. There was no such legislation for the year 2012, to the publication of the Annual Financial Report.

Additionally, representatives of the Hellenic State who participate in the Banks' Board of Directors, have the right to veto on any decision related to the distribution of dividends.

According to L. 3723/2008, as amended by L. 4093/12.11.2012, distribution of dividends to preference shareholders is mandatory, unless the terms of article 44A of Codified Law 2190/1920 apply, except for the case that the payment of the relevant amount would result to the reduction of the core Tier I capital below the required minimum. Since there are no distributable profits or relevant amounts related to distributable reserves, according to the requirements of the Article of Association and the Law, article 44a of Law 2190/1920 applies and therefore payment of dividends by cash or shares for the year 2012 is not allowed. Therefore, the Bank's Management will propose in the Annual Ordinary General Meeting of Shareholders in 2013, the non-distribution of dividends for both ordinary and preference shares.

The accrued dividend of preference shares for the year 2012 amounts to € 75 million (€ 60 million after tax).

The Shareholders General Meeting that took place on 29/06/2012, resolved, applying the aforementioned legally binding provisions, not to distribute any dividends to both ordinary and preference shareholders for the year 2011.

47 Cash and cash equivalents

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

	31 December 2012	**31 December 2011**
Cash and balances with central banks (note 19)	2,089,870	2,125,138
Loans and advances to credit institutions (note 20)	370,499	291,610
Trading securities (note 22)	11,393	39,944
	2,471,762	**2,456,692**

48 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 and financially dependants (husbands, wives, children etc) of Board of Directors members and key management personnel, c) Companies having transactions with Piraeus Bank Group, if the total cumulative participating interest (of members of Board of Directors, key management personnel and their dependants/ close family) exceeds 20%.

Amounts in thousand euros (Unless otherwise stated)

	Board of Directors members and key management personnel	
	31 December 2012	31 December 2011
Loans	82,297	130,510
Deposits	14,999	27,692

Letters of guarantee and letters of credit to the members of the Board of Directors and to the key management personnel as at 31/12/2012 are € 1.3 million (31/12/2011: € 1.2 million). The total income that relates to members of the Board of Directors and to key management personnel for the year 2012 is € 2.5 million (31/12/2011: € 5.2 million). The total expense that relates to the prementioned related parties for the year 2012 is € 1 million (31/12/2011: € 1.3 million).

Loans and letters of guarantee issued to related parties represent an insignificant part of total loans and letters of guarantee issued by the Group, respectively. Loans and letters of guarantee have been issued to related parties in the normal course of business, within the approved credit policies and Group procedures, adequately collateralised. Loans to related parties are performing and no provision has been raised for their balances.

Director's Remuneration	**1/1-31/12/2012**	**1/1-31/12/2011**
Wages, salaries, employer's share of social contributions and charges	4,644	4,848
Provisions for compensation and retirement programs	8,033	4,356

The increase in “Provisions for compensation and retirement programs” is mainly due to the addition of new members and the full reserving of total rights.

The aggregate provisions for benefit plans to Members of the Board of Directors and key management personnel, following the secession or the vesting of benefits of particular management personnel and the adjustments that took place in the current year, amount to € 19,7 million as at 31/12/2012 (31/12/2011: € 23.9 million). The full amount of the above provisions has been included in the retirement benefit obligation (note 42).

	Associates	
	31 December 2012	31 December 2011
Deposits and other liabilities	35,343	47,246
Loans and other receivables	193,637	100,655
	1/1-31/12/2012	**1/1-31/12/2011**
Total expense	(20,606)	(1,866)
Total income	11,597	3,666

49 Changes in the portfolio of subsidiaries and associates

In the period from 1/1/2012 to 31/12/2012, the following changes took place in the Group’s portfolio of direct and indirect subsidiaries, associates and companies held for sale.

a) Acquitition of assets and liabilities of former ATEbank:

On 27/7/2012, Piraeus Bank acquired assets and liabilities of former ATEbank S.A. for a consideration of € 95 million. The fair values of the acquired assets and liabilities are provisional and as a result the initial accounting of the acquisition is incomplete (provisional accounting). Following the completion of the valuation fair value, within the required period (measurement period) according to the requirements of IFRS 3, that is within one year from the aquisition date, the values of the acquired assets and liabilities will be adjusted retrospectively from the acquisition date, according to the requirements of IFRS 3.

The provisional fair values of assets and liabilities acquired from former ATEbank S.A., are as follows:

Assets	**Former Atebank S.A.**
Loans and advances to credit institutions	259,974
Loans and advances to customers and debt securities - receivables (net of provisions)	10,969,819
Available for sale securities	1,133,380
Funding gap	7,479,715
Other Assets	1,769,238
Total Assets	**21,612,126**
Liabilities	
Due to credit institutions	6,497,762
Due to customers	14,870,979
Other liabilities	243,385
Total liabilities	**21,612,126**
Shareholders' equity	-
Total liabilities and shareholders equity	**21,612,126**
Cost of acquisition	95,000
Percentage of net assets acquired	100%
Goodwill	95,000

Amounts in thousand euros (Unless otherwise stated)

According to the Government Gazette/131/28-1-2013, the HFSF gave to the Bank bonds of amount € 7.33 billion and cash of amount € 145 million in order to cover the gap between the provisional fair values of the transferred assets and liabilities of the former ATEbank S.A.

In the context of this acquisition, Piraeus Bank acquired ABG Mutual Funds Management Company S.A. (percentage 100%), ATE Bank Romania S.A. (percentage 93.27%), ATE Insurance S.A. (percentage 100%) and ATE Insurance Romania S.A. (subsidiary of ATE Insurance S.A. with a percentage of 99.47%) which are subsidiaries of the Group. It shall be noted that the subsidiaries ATE Insurance S.A. and ATE Insurance Romania S.A. have been included in the Held for Sale portfolio as at the acquisition date, as the requirements of IFRS 5 are fulfilled and as a result, these subsidiaries are presented in the Annual Consolidated Financial Statements, in discontinued operations.

Also, Piraeus Bank acquired a percentage of 20.86% of the associate company AIK BANKA, whereas the percentage of the Bank in the company Teiresias S.A. increased from 7.84% to 21.05% resulting to the transfer of the company from the available for sale portfolio to the associate companies poltfolio. The final shareholding percentage in Teiresias S.A. as at 31/12/2012 increased to 22.28% through the acquisition of Geniki Bank S.A. Additionally, the percentage of the Bank in the company PYRRICHOS S.A. increased from 18.53% to 34.65%, resulting to the transfer of the company to the associate companies portfolio. The final shareholding percentage in PYRRICHOS S.A. as at 31/12/2012 increased to 50.62% through the acquisition of Geniki Bank S.A., remaining to the associate companies portfolio, due to lack of control. It is noted that the approval from the Central Bank of Serbia, namely to the acquisition of AIK BANKA, is still pending.

b) Acquisition of Geniki Bank S.A.

On 14/12/2012, Piraeus Bank Group acquired a shareholding percentage of 99,08% of Geniki Bank S.A., for a consideration of € 1 million. The allocation of acquisition cost, will be done according to the rules of IFRS 3 "Business Combinations", adjusting the assets, liabilities and contingent liabilities of the acquired Bank and its subsidiaries in fair value. Given that the allocation of the acquisition cost is substantially completed, the fair value of assets and liabilities acquired and the resulting negative goodwill, are presented in the table below. The Management of the Bank reasonably expects that upon the completion of the purchase price allocation, there will not be significant differentiation.

	Geniki Bank S.A. Consolidated Balance Sheet
Assets	**Fair value**
Loans and advances to credit institutions	410,287
Loans and advances to customers	1,925,194
Available for sale securities	109,142
Property, plant and equipment	71,766
Other assets	335,006
Total Assets	**2,851,394**
Liabilities	
Due to credit institutions	404,187
Due to customers	2,049,295
Other liabilities	42,704
Total Liabilities	**2,496,186**
Shareholders Equity	355,208
Total liabilities and shareholders equity	**2,851,394**
Cost of acquisition	1,000
Net assets acquired	99.08%
Negative goodwill	350,928

In the context of this acquisition, the Group acquired the subsidiaries Geniki Leasing S.A., Geniki Finance S.A, Geniki Insurance Agency S.A. and Geniki Information S.A., with a percentage of 99,08% each.

c) Acquisitions - Increases of participation - Disposals:

On 22/2/2012, Piraeus Bank S.A. increased its participation in Marathon Banking Corporation through the purchase of 140 shares with the amount of € 111.4 thousand, increasing its shareholding percentage from 98.43% to 98.54%. On 5/7/2012, Piraeus Bank S.A. increased its participation in Marathon Banking Corporation through the purchase of 330 shares with the amount of € 281.76 thousand, increasing its shareholding percentage from 98.54% to 98.80%. The sale of Marathon Banking Corporation, a subsidiary of the Bank by 98.8%, was recognized in the 3rd quarter of 2012 as the required approvals by the US supervising authorities were obtained on 27/9/2012. The details of assets and liabilities disposed are as follows:

Cash and cash equivalents	186,696
Loans and advances to credit institutions	2,350
Loans and advances to customers (net of provisions)	426,950
Investment securities	35,595
Goodwill and other intangible assets	15,681
Property, plant and equipment	5,394
Other assets	17,511
Due to customers	(597,527)
Other liabilities	(5,597)
Total Equity	**87,051**
Proceeds from the sale of Marathon Banking Corporation	102,269
Less: Cash and cash equivalents of the subsidiary sold	(186,696)
Net cash inflow/ (outflow) on sale	**(84,427)**

On 28/6/2012, ETVA Industrial Parks S.A., 65% subsidiary of Piraeus Bank S.A., purchased from its 51% subsidiary Good Works Energy Photovoltaics S.A. the 99.99% of Orion Energy Photovoltaics S.A. and Astraios Energy Photovoltaics S.A. shareholding percentage, with the amount of €29.92 thousand and €29.45 thousand respectively. As a result, ETVA Industrial Parks S.A. participates with 100% to Orion Energy Photovoltaics S.A. and Astraios Energy Photovoltaics S.A. It is noted that the Group participates in the above companies with a shareholding percentage of 65%.

d) Acquisitions-Establishments:

On 06/2/2012, Bulfinace EAD, 100% Group's subsidiary, established Asset Management Bulgaria EOOD, with the amount of € 1.02. Therefore, Group's shareholding percentage in the company equals 100%.

On 17/2/2012, Zibeno Investments LTD, 83% Group's subsidiary, established Zibeno I Energy S.A., with the amount of € 60 thousand. Therefore, Group's shareholding percentage in Zibeno I Energy S.A. equals 83%.

On 30/5/2012, Piraeus Clean Energy Holdings LTD, 100% Group's subsidiary, established Arigeo Energy Holdings Ltd, with the amount of €1 thousand.

On 12/7/2012, Piraeus Bank S.A. covered its shareholding ratio of its 50.10% established subsidiary Exus Software LTD, with the amount of GBP 501.

On 8/8/2012, Piraeus Equity Partners LTD, 100% Group's subsidiary, acquired the 100% of Piraeus Jeremie Technology Catalyst Management S.A. with the amount of € 62 thousand.

On 7/9/2012, Piraeus Leasing Romania SRL, 100% subsidiary of Piraeus Bank S.A., established its 100% subsidiary Proiect Season Residence SRL, covering the entire Share Capital with the amount of RON 200.

On 21/11/2012, R.E Anodus LTD, 100% subsidiary of Piraeus Bank S.A., acquired 99% of Solum Enterprise LLC, with the amount of € 1.92 thousand.

On 23/12/2012, Solum Enterprise LLC, 99% Group's subsidiary, acquired the 100% of Solum LTD Liability Co from R.E Anodus LTD, with the amount of € 7.80 thousand, decreasing the Group's shareholding percentage from 100% to 99%.

Piraeus Equity Partners LTD, 100% Group's subsidiary, participated in the establishment of Group's associate, PJ Technology Catalyst Fund, with its shareholding ratio of 30%, with the amount of € 135 thousand.

e) Participation in share capital increases/ decreases:

Piraeus - TANEO Capital Fund, an associate of Piraeus Bank S.A. by 50.01%, increased its assets with the amount of € 187.5 thousand. Therefore, on 26/3/2012, Piraeus Bank S.A. covered its participation with the amount of € 93.77 thousand without altering its shareholding percentage.

On 5/4/2012, the next share capital instalment of amount € 1.50 million took place regarding Piraeus - TANEO Capital Fund. Piraeus Bank S.A. covered its shareholding ratio with the amount of € 0.75 million without altering its shareholding percentage.

On 10/4/2012, Piraeus Bank S.A. fully covered the share capital increase of R.E. Anodus LTD, almost 100% subsidiary of Piraeus Bank S.A., with the amount of € 0.30 million, increasing slightly its shareholding percentage.

On 3/5/2012, Piraeus Bank Beograd A.D., 100% subsidiary of Piraeus Bank S.A., increased its share capital with the amount of € 19.88 million through the convertion of subordinated loan. Piraeus Bank S.A. fully covered the share capital increase without altering its shareholding percentage.

On 10/5/2012, Piraeus Bank Beograd A.D., 100% subsidiary of Piraeus Bank S.A., fully covered the share capital increase of Piraeus Leasing DOO Beograd, 100% Group's subsidiary, with the amount of € 0.67 million, Therefore, Piraeus Bank Beograd A.D., increased its direct shareholding percentage to 49%, without altering Group's shareholding percentage (100%).

On 7/6/2012, Piraeus Bank S.A., fully covered the share capital increase of its 98.03% subsidiary Piraeus Bank Egypt S.A.E., with the amount of € 26.36 million through the convertion of subordinated loan. Therefore, Piraeus Bank S.A. increased its direct shareholding percentage from 98.03% to 98.30%.

On 17/7/2012, Piraeus Equity Partners LTD, 100% subsidiary of Piraeus Bank S.A., fully covered the share capital increase of its 100% subsidiary Piraeus FI Holdings LTD, with the amount of € 2.02 million, without altering its shareholding percentage.

On 18/7/2012, Piraeus Clean Energy LP, 100% Group's subsidiary, fully covered the share capital increase of its 100% subsidiary Piraeus Clean Energy Holdings LTD with the amount of € 2.02 million, without altering its shareholding percentage.

Piraeus FI Holdings LTD, 100% Group's subsidiary, fully covered the share capital increase of its 100% subsidiary Piraeus Clean Energy LP, with the amount of € 2.02 million, without altering its shareholding percentage.

On 26/7/2012, Piraeus Clean Energy Holdings LTD, 100% Group's subsidiary, fully covered the share capital increase of its 100% subsidiary Arigeo Energy Holdings LTD with the amount of € 2.02 million, without altering its shareholding percentage.

On 4/10/2012, Arigeo Energy Holdings LTD, 100% Group's subsidiary, fully covered the share capital increase of KPM Energy. As a result, Arigeo Energy Holdings LTD acquired 80% of KPM Energy share capital with the amount of € 2 million, transferring it to Group's subsidiaries portfolio.

Amounts in thousand euros (Unless otherwise stated)

On 15/10/2012, Piraeus Bank S.A., fully covered the share capital increase of its 100% subsidiary Piraeus Development S.A, with the amount of € 195 thousand, without altering its shareholding percentage.

On 15/10/2012, Piraeus Bank S.A., fully covered the share capital increase of its 100% subsidiary Property Horizon S.A., with the amount of € 63 thousand, without altering its shareholding percentage.

On 15/10/2012, Piraeus Bank S.A., fully covered the share capital increase of its 100% subsidiary ND Development S.A., with the amount of € 49 thousand, without altering its shareholding percentage.

On 16/10/2012, Piraeus Equity Partners LTD, 100% Group's subsidiary, fully covered the share capital increase of its 100% subsidiary Piraeus Jeremie Technology Catalyst Management A.E., with the amount of 40 thousand, without altering its shareholding percentage.

On 30/10/2012 and 21/12/2012, Piraeus Bank S.A., covered its shareholding ratio in the share capital increase by € 548.2 thousand of its 50.01% associate Piraeus - TANEO Capital Fund, with the amount of € 274.18 thousand, without altering its shareholding percentage.

On 30/10/2012, 20/11/2012 and 19/12/2012 Piraeus Equity Partners LTD, 100% Group's subsidiary, fully covered the share capital increase of its 100% subsidiary Piraeus FI Holding LTD, with the amount of € 581.96 thousand, without altering its shareholding percentage.

On 12/11/2012, Piraeus Bank S.A. fully covered the share capital increase of its 100% subsidiary Piraeus Bank Cyprus LTD, with the amount of € 25 million, through the conversion of subordinated loan, without altering its shareholding percentage.

On 20/11/2012, Piraeus Clean Energy LP, 100% Group's subsidiary, fully covered the share capital increase of its 100% subsidiary Piraeus Clean Energy Holdings LTD, with the amount of € 20 thousand, without altering its shareholding percentage.

On 21/11/2012, Piraeus Clean Energy Holdings LTD, 100% Group's subsidiary, fully covered the share capital increase of its 100% subsidiary Arigeo Energy Holdings LTD, with the amount of € 25 thousand, without altering its shareholding percentage.

On 22/11/2012, Piraeus Bank S.A., fully covered the share capital increase of Pleiades Estate S.A., 100% Group's subsidiary, with the amount of € 1.30 million. As a result Piraeus Bank S.A. acquired 13.51% of Pleiades Estate S.A., without altering Group's shareholding percentage (100%).

On 23/11/2012, R.E Anodus LTD, 100% subsidiary of Piraeus Bank S.A., covered its shareholding ratio in the share capital increase of Solum Enterprise LLC by UAH 89.89 thousand, with the amount of € 8.57 thousand, without altering its shareholding percentage.

On 30/11/2012, ETVA Industrial Parks S.A., 65% subsidiary of Piraeus Bank S.A., fully covered the share capital increase of its 100% subsidiary Astraios Energy Photovoltaics S.A., with the amount of € 4.23 million, without altering its shareholding percentage.

On 30/11/2012, ETVA Industrial Parks S.A., 65% subsidiary of Piraeus Bank S.A., fully covered the share capital increase of its 100% subsidiary Orion Energy Photovoltaics S.A., with the amount of € 3.47 million, without altering its shareholding percentage.

Piraeus FI Holding LTD, 100% Group's subsidiary, fully covered the capital increase of its 100% subsidiary Piraeus Clean Energy LP, with the amount of € 581.96 thousand, without altering its shareholding percentage.

On 3/12/2012, R.E Anodus LTD, 100% subsidiary of Piraeus Bank S.A., covered its shareholding ratio in the share capital increase by € 600 thousand of Entropia Ktimatiki S.A., 33.30% Group's associate, with the amount of € 199.80 thousand, without altering its shareholding percentage.

On 20/12/2012, Piraeus Bank S.A., fully covered the share capital increase of Piraeus Real Estate Egypt LLC of € 6.02 million. As a result Piraeus Bank S.A. acquired 99.90% of Piraeus Real Estate Egypt LLC. Therefore, Group's shareholding percentage increased from 99.80% to 100%.

The net inflow from the percentage increases and the acquisitions of the subsidiary companies amounts to € 516 thousand and is presented below:

Acquisitions of subsidiary companies, axcluding the cash and cash equivalents that acquired	**31/12/2012**	**31/12/2011**
Precentage increase of the subsidiary companies of the Group	453	3,806
Acquisition of subsidiary companies	1,075	43
Less: Cash and cash equivalents that acquired	(517,165)	(31)
	(515,637)	**3,818**

f) Liquidations:

On 10/5/2012, the dissolution of Maples Invest & Holding S.A. and Margetson Invest & Finance S.A., 100% subsidiaries of Piraeus Bank S.A. has been completed.

On 5/11/2012, Ekathariseis Aktoploias S.A., 49% Group's associate, was erased from the Greek authorities.

On 10/12/2012, the dissolution of Piraeus Wealth Management (Switzerland), 42.25% Group's subsidiary, has been completed by Swiss authorities.

Amounts in thousand euros (Unless otherwise stated)

g) Further Changes - Transfers:

On 2/7/2012, Piraeus Leasing Bulgaria EAD, 100% Group's subsidiary, absorbed Piraeus Best Leasing Bulgaria EAD and Piraeus Auto Leasing S.A., 100% Group's subsidiaries. As a result, Group's shareholding percentage of Piraeus Leasing Bulgaria EAD remained at 100%.

On 28/9/2012, Piraeus Bank S.A. absorbed its 100% subsidiary, Piraeus Cards S.A.

50 Restatement of comparatives

The restatement in Consolidated Income Statement of the comparative year 2011 Consolidated Cash Flow Statement of the comparative year 2011 is due to the presentation of Marathon Banking Corporation in "Discontinued operations" and the transfer of Piraeus Bank Egypt Group from "Discontinued operations" to "Continuing operations".

The restatements of the year 2011 are presented below.

	1/1-31/12/2011		
	Published amounts	**Discontinued operations**	**Continuing operations**
Consolidated income statement			
Interest and similar income	2,860,865	52,266	2,913,131
Interest expense and similar charges	(1,687,630)	(52,885)	(1,740,515)
Net interest income	**1,173,235**	**(619)**	**1,172,615**
Fee and commission income	224,346	8,650	232,996
Fee and commission expense	(34,039)	(1,179)	(35,218)
Net fee and commission income	**190,307**	**7,472**	**197,778**
Dividend income	3,416	1,336	4,752
Net trading income	(103,043)	1,298	(101,745)
Net income from financial instruments designated at fair value through profit or loss	(6,419)	0	(6,419)
Results from investment securities	(582)	26	(556)
Other operating income/ (expense)	(44,269)	62	(44,207)
Total net income	**1,212,645**	**9,575**	**1,222,220**
Staff costs	(372,183)	(17,402)	(389,584)
Administrative expenses	(334,547)	(2,048)	(336,596)
Depreciation and amortization	(88,583)	(8,137)	(96,720)
Gains/ (losses) from sale of assets	(730)	215	(515)
Total operating expenses before provisions	**(796,043)**	**(27,372)**	**(823,416)**
Impairment losses on loans, debt securities and other receivables	(3,811,395)	(16,678)	(3,828,073)
Impairment on investment securities	(3,964,370)	(354)	(3,964,724)
Other provisions and impairment	(86,769)	(4,081)	(90,850)
Share of profit of associates	(31,341)	33	(31,308)
Profit/ (loss) before income tax	**(7,477,273)**	**(38,877)**	**(7,516,151)**
Income tax	896,410	(2,285)	894,125
Profit/ (loss) after income tax	**(6,580,863)**	**(41,163)**	**(6,622,026)**
Profit/ (loss) after income tax from discontinued operations	(37,256)	41,163	3,907
PROFIT/ (LOSS) AFTER TAX FOR THE YEAR	**(6,618,119)**	**0**	**(6,618,119)**
From continuing operations			
Profit/ (loss) for the period attributable to equity holders of the parent entity	(6,576,880)	(40,316)	(6,617,196)
Non controlling interest	(3,983)	(847)	(4,830)
From discontinued operations			
Profit/ (loss) for the period attributable to equity holders of the parent entity	(36,499)	40,316	3,817
Non controlling interest	(757)	847	90
From continuing operations			
Earnings/ (losses) per share attributable to equity holders of the parent entity:			
- Basic and Diluted	(6.0788)	(0.0373)	(6.1160)
From discontinued operations			
Earnings/ (losses) per share attributable to equity holders of the parent entity:			
- Basic and Diluted	(0.0337)	0.0373	0.0035

Consolidated cash flow statement	1/1-31/12/2011		
	Published amounts	**Discontinued operations**	**Continuing operations**
Net cash inflow/ (outflow) from operating activities	190,256	(449,441)	(259,185)
Net cash inflow/ (outflow) from investing activities	(836,530)	(49,610)	(886,141)
Net cash inflow/ (outflow) from financing activities	(252,829)	(127)	(252,956)
Total cash inflows/ (outflows) for the year	**(899,104)**	**(499,179)**	**(1,398,283)**
Effect of exchange rate fluctuations on cash and cash equivalents	10,895	(1,012)	9,883

Amounts in thousand euros (Unless otherwise stated)

	1/1-31/12/2011		
	Published amounts	**Discontinued operations**	**Continuing operations**
Net increase/ (decrease) in cash and cash equivalents of the year from continuing operations (A)	**(888,210)**	**(500,191)**	**(1,388,400)**
Net increase/ (decrease) in cash and cash equivalents of the year from discontinued operations (B)	(465,586)	500,191	34,605
Cash and cash equivalents at the beginning of the year (C)	4,034,929	0	4,034,929
Cash and cash equivalents at the end of the year (A)+(B)+(C)	**2,681,134**	**(0)**	**2,681,134**

51 Events subsequent to the end of the year

- On January 28th, 2013, following the decision of the Bank of Greece Resolution Measures Committee (resolutions 9/1/28.01.2013 and 8/1/24.01.2013 - Government Gazette 112/24.01.2013), the acquired by Piraeus Bank perimeter of selected 'good' assets and liabilities of the under special liquidation credit institution Agricultural Bank of Greece S.A. was finalized. The €7.5 bn difference between the transferred assets and liabilities was covered by the Hellenic Financial Stability Fund (HFSF).

- On January 31st, 2013, Piraeus Bank resolved the issuance of contingent convertible securities up to a total amount of €2 bn through waiver of pre-emption rights of existing shareholders of ordinary registered shares, in accordance with the provisions of L.3864/2010, as amended, and the Ministers' Council Act no 38/9.11.2012 (Government Gazette 223/2012), as a result of the voting of resolutions carried at the 2nd Iterative General Meeting of Shareholders holding ordinary shares.

- On February 6th, 2013, Piraeus Bank confirmed that exclusive discussions were taking place with Millennium BCP regarding the potential acquisition of its subsidiary Millennium Bank in Greece. Piraeus Bank stressed that no final decision had yet been made by either party and therefore no investment decision should be made in reliance upon the successful or unsuccessful outcome of the discussions.

- On February 22, 2013 Piraeus Bank announced that it signed a contract under which it has covered the Convertible Bond issued by Geniki Bank of Greece S.A. for the amount of €350.3 mn and in parallel it has exercised its right to convert the bonds into Geniki Bank's shares of one (1) euro nominal value each, with conversion price of €6.86 per share. Following the completion of the relevant procedure, the total stake of Piraeus Bank into Geniki Bank's share Capital will be 68,162,490 common registered shares, i.e. 99.77%.

- On March 1st, 2013, Piraeus Bank submitted a Mandatory Tender Offer to the shareholders of Geniki Bank of Greece SA. The submitted Tender Offer encompasses the total number of the common shares of Geniki Bank which Piraeus Bank did not hold on the 17th of December 2012 (date of Tender Offer), which corresponds to the acquisition of 159,731 common shares of Geniki Bank or 0.92% of the total paid-up share capital along with its voting rights, for the price of €6.86 per share, paid in cash.

- On March 25, 2013, the Eurogroup agreed with the Cypriot authorities on the basic elements of a future program for macroeconomic adjustment. In relation to this event it is noted the Group's total exposure in Cyprus, in balance sheet terms, amounted to €1.6 bn on December 31, 2012, which represents 2.0% of the Group's total assets taking into consideration €7.3 bn capital-commitment, €0.6 bn commitment for ATEbank and €0.8 bn of the additional funding gap of ATEbank (all amounts provided by HFSF). The aforementioned exposure refers to a) the 100% of the assets of the Group's subsidiary Piraeus Bank Cyprus and the remaining of its participations in Cyprus amounting to €1,3 bn b) approximately €0.3 bn of loans as well as c) an investment in a bond issued by Bank of Cyprus London amounting to €2.2 mn. Additionally, on December 31, 2012 there are contingent liabilities amounting to €0.1 bn. Finally, it should be noted that net revenues of the Group's activities in Cyprus for the full year 2012 represents 1.4% of the Group's net revenues.

- On March 26th 2013, Piraeus Bank signed an agreement to acquire all of the Greek deposits, loans and branches of Bank of Cyprus, Cyprus Popular Bank and Hellenic Bank, including loans and deposits of their Greek subsidiaries (leasing, factoring and the Investment Bank of Greece (IBG)), for a total cash consideration of € 524mn.

Athens, March 27th, 2013

CHAIRMAN OF THE BOARD OF DIRECTORS	MANAGING DIRECTOR & C.E.O.	CHIEF FINANCIAL OFFICER	DEPUTY CHIEF FINANCIAL OFFICER
MICHALIS G. SALLAS	STAVROS M. LEKKAKOS	GEORGE I. POULOPOULOS	KONSTANTINOS S. PASCHALIS

PIRAEUS BANK S.A.

Financial Statements

31 December 2012

In accordance with the International Financial Reporting Standards

The attached financial statements have been approved by Piraeus Bank S.A. Board of Directors on March 27th, 2013 and they are available in the web site of Piraeus Bank at www.piraeusbankgroup.com

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 2012	'31 December 2011
Interest and similar income	6	2,363,263	2,338,098
Interest expense and similar charges	6	(1,692,384)	(1,571,833)
NET INTEREST INCOME		**670,880**	**766,265**
Fee and commission income	7	157,349	132,297
Fee and commission expense	7	(20,835)	(27,326)
NET FEE AND COMMISSION INCOME		**136,513**	**104,971**
Dividend income	8	10,322	7,594
Net trading income	9	194,065	(133,555)
Net income from financial instruments designated at fair value through profit or loss	10	3,303	(6,668)
Results from investment securities	11	459,860	851
Other operating income	12	7,442	6,720
TOTAL NET INCOME		**1,482,385**	**746,177**
Staff costs	13	(274,456)	(226,929)
Administrative expenses	14	(271,694)	(227,190)
Depreciation and amortisation	27, 28	(53,535)	(40,382)
Gains/ (Losses) from sale of assets		(467)	(58)
TOTAL OPERATING EXPENSES BEFORE PROVISIONS AND IMPAIRMENT		**(600,153)**	**(494,559)**
PROFIT BEFORE PROVISIONS AND INCOME TAX		**882,232**	**251,618**
Impairment losses on loans, debt securities and other receivables	23	(1,713,978)	(3,508,458)
Impairment on participation and investment securities	24, 26, 43	(623,669)	(4,069,945)
Other provisions and impairment	27, 28	(895)	-
PROFIT/ (LOSS) BEFORE INCOME TAX		**(1,456,310)**	**(7,326,786)**
Income tax expense	15	651,645	897,942
PROFIT/ (LOSS) AFTER TAX		**(804,665)**	**(6,428,843)**
Earnings/ (Losses) per share (in euros):			
- Basic and Diluted	16	(0.7038)	(5.9138)

STATEMENT OF TOTAL COMPREHENSIVE INCOME

		Year ended '31 December 2012	'31 December 2011
Profit/ (Loss) after tax (A)			
Other comprehensive income, net of tax:		**(804,665)**	**(6,428,843)**
Net change in available for sale reserve	17, 43	128,222	272,767
Other comprehensive income, net of tax (B)		**128,222**	**272,767**
Total comprehensive income, net of tax (A+B)		**(676,443)**	**(6,156,076)**

Amounts in thousand euros (Unless otherwise stated)

STATEMENT OF FINANCIAL POSITION

	Note	'31 December 2012	'31 December 2011
ASSETS			
Cash and balances with Central Bank	18	2,091,406	1,572,849
Loans and advances to credit institutions	19	2,620,677	3,065,200
Derivative financial instruments - assets	20	423,395	375,069
Trading securities	21	81,209	125,106
Financial instruments at fair value through profit or loss	21	7,833	9,922
Reverse repos with customers	22	35,388	57,127
Loans and advances to customers (net of provisions)	23	37,618,002	28,496,999
Debt securities - receivables	23	7,933,625	1,400,655
Investment securities			
- Available for sale securities	24	4,340,092	2,381,550
- Held to maturity	24	-	1,198,239
Investments in subsidiaries	26	1,921,587	1,909,309
Investments in associated undertakings	26	240,239	228,418
Intangible assets	27	256,483	133,999
Property, plant and equipment	28	631,788	314,133
Investment property	29	435,871	201,767
Assets held for sale	30	-	172,992
Deferred tax assets	39	1,754,746	1,132,455
Inventories property	31	150,799	128,998
Other assets	31	2,476,681	935,517
TOTAL ASSETS		**63,019,820**	**43,840,306**
LIABILITIES			
Due to credit institutions	32	32,515,139	25,023,614
Liabilities at fair value through profit or loss	33	21,953	18,475
Derivative financial instruments - liabilities	20	419,846	381,321
Due to customers	34	31,107,800	18,334,429
Debt securities in issue	35	533,703	1,266,788
Hybrid capital and other borrowed funds	36	324,141	494,984
Retirement benefit obligations	40	118,472	139,060
Other provisions	38	232	10,665
Current income tax liabilities		6,730	4,080
Other liabilities	37	705,927	225,572
TOTAL LIABILITIES		**65,753,944**	**45,898,988**
EQUITY			
Share capital	42	1,092,998	1,092,998
Share premium	42	2,953,356	2,953,356
Other reserves	43	130,271	1,603
Retained earnings	43	(6,910,748)	(6,106,639)
TOTAL EQUITY		**(2,734,123)**	**(2,058,682)**
TOTAL LIABILITIES AND EQUITY		**63,019,820**	**43,840,306**

Amounts in thousand euros (Unless otherwise stated)

STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital	Share Premium	Other reserves	Retained earnings	TOTAL
Opening balance as at 1st January 2011		**470,882**	**2,430,877**	**(271,164)**	**326,384**	**2,956,979**
Other comprehensive income, net of tax	17, 43			272,767		272,767
Results after tax for the year 2011	43				(6,428,843)	(6,428,843)
Total recognised income for the year 2011		**0**	**0**	**272,767**	**(6,428,843)**	**(6,156,076)**
Increase of share capital through cash payment	42	242,116	522,478			764,594
Issue of preference shares	42, 43	380,000			(4,180)	375,820
Balance as at 31st December 2011		**1,092,998**	**2,953,356**	**1,603**	**(6,106,639)**	**(2,058,682)**
Opening balance as at 1st January 2012		**1,092,998**	**2,953,356**	**1,603**	**(6,106,639)**	**(2,058,682)**
Other comprehensive income, net of tax	17, 43			128,222		128,222
Results after tax for the year 2012	43				(804,665)	(804,665)
Total recognised income for the year 2012		**0**	**0**	**128,222**	**(804,665)**	**(676,443)**
Expenses on issue of preference shares	43				(23)	(23)
Absorption of company	43			446	579	1,025
Balance as at 31st December 2012		**1,092,998**	**2,953,356**	**130,271**	**(6,910,748)**	**(2,734,123)**

Amounts in thousand euros (unless otherwise stated)

CASH FLOW STATEMENT

		Year ended	
	Note	**31 December 2012**	**31 December 2011**
Cash flows from operating activities			
Profit/ (loss) before tax		(1,456,310)	(7,326,786)
Adjustments to profit/ (loss) before tax:			
Add: provisions and impairment	23	2,352,773	7,578,403
Add: depreciation and amortisation charge	27, 28	53,535	40,382
Add: retirement benefits	40	15,736	24,745
(Gains)/ losses from valuation of trading securities and financial instruments at fair value through profit or loss		(128,946)	172,280
(Gains)/ losses from investing activities		(463,607)	(10,223)
Cash flows from operating profits before changes in operating assets and liabilities		**373,182**	**478,802**
Changes in operating assets and liabilities:			
Net (increase)/ decrease in cash and balances with Central Bank		(759,684)	(20,285)
Net (increase)/ decrease in trading securities and financial instruments at fair value through profit or loss		(97,192)	(127,496)
Net (increase)/ decrease in loans and advances to credit Institutions		320,271	290,008
Net (increase)/ decrease in loans and advances to customers		(513,985)	871,176
Net (increase)/ decrease in debt securities - receivables		(3,747)	(605,487)
Net (increase)/ decrease in reverse repos with customers		21,740	912,664
Net (increase)/ decrease in other assets		(293,819)	(373,250)
Net increase/ (decrease) in amounts due to credit institutions		993,764	4,674,812
Net increase/ (decrease) in liabilities at fair value through profit or loss		3,478	(290,389)
Net increase/ (decrease) in amounts due to customers		(2,097,608)	(5,717,456)
Net increase/ (decrease) in other liabilities		187,388	(53,750)
Net cash flow from operating activities before income tax payment		(1,866,211)	39,350
Income tax paid		(1,641)	(42,119)
Net cash inflow/ (outflow) from operating activities		**(1,867,852)**	**(2,769)**
Cash flows from investing activities			
Purchases of property, plant and equipment	28, 29	(40,011)	(63,954)
Sales of property, plant and equipment	28, 29	4,587	2,130
Purchases of intangible assets	27	(123,030)	(19,821)
Purchases of assets held for sale	30	(26,645)	(1,114)
Sales of assets held for sale	30	102,229	-
Purchases of investment securities		(9,478,956)	(4,911,619)
Disposals/ maturity of investment securities		10,858,337	4,363,834
Acquisition of subsidiaries and participation in share capital increases	26	(53,905)	(98,328)
Disposals of subsidiaries		-	142
Acquisition of associates and participation in share capital increases	26	(1,118)	(41,419)
Dividends receipts from subsidiaries		1,874	-
Dividends receipts from associates	8	2,271	2,188
Dividends receipts from available for sale securities	8	4,848	2,588
Net cash inflow/ (outflow) from investing activities		**1,250,481**	**(765,374)**
Cash flows from financing activities			
Net proceeds from issue/ (repayment) of debt securities and other borrowed funds		(655,023)	(1,419,293)
Increase of share capital through cash payment	42	-	753,980
Net proceeds from issue of preference shares	42	-	375,820
Net cash inflow/ (outflow) from financing activities		**(655,023)**	**(289,493)**
Effect of exchange rate changes on cash and cash equivalents		373	12,844
Net increase/ (decrease) in cash and cash equivalents		**(1,272,021)**	**(1,044,791)**
Cash and cash equivalents at the beginning of year		**1,841,271**	**2,886,063**
Cash and cash equivalents at the acquisition date of former ATEbank		820,310	-
Cash and cash equivalents at the end of year	45	**1,389,560**	**1,841,271**

The notes on pages 7 to 65 are integral part of these financial statements.

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 in total 9,661 people.

Apart from the ATHEX Composite Index, Piraeus Bank's share is a constituent of other indices as well, such as FTSE/ATHEX (Banks, Large Cap), FTSE/ATHEX-CSE Banking Index, FTSE (Greece Small Cap, RAFI All World 3000 & Developed Small, Med 100), MSCI (World Small Cap, Europe Small Cap, Greece Small Cap), Euro Stoxx (All Europe, TMI, Sustainability) and S&P (Global BMI, Europe Developed BMI).

2. General accounting policies of the Bank

The 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 annual periods presented.

2.1 Basis of preparation of the Bank's financial statements

The attached financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB, as adopted by the European Union and in particular with those IFRS standards and IFRIC interpretations issued and effective as at the time of preparing these statements.

The financial statements of Piraeus Bank are prepared in euro. The amounts of the attached financial statements are expressed in thousand euros (unless otherwise stated) and roundings are performed in the nearest thousand. It shall be noted that, the amounts of the year 2012 are not comparable with the figures of the year 2011, as Piraeus Bank, during the year 2012, acquired healthy assets and liabilities of the former ATEbank S.A.

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 investment property. The preparation of the financial statements in conformity with IFRS requires the use of estimates, accounting policies and assumptions which affect the reported assets and liabilities, the recognition of contingent liabilities, as well as the recognition of income and expenses in the financial statements.

The Bank has incurred substantial impairment losses as a result of the Hellenic Republic's debt restructuring ("PSI"). Such losses had a respective impact on the accounting and regulatory capital of the Bank as at 31 December 2012, as explained in note 4 "Critical accounting estimates and judgements of the Bank".

The Hellenic Financial Stability Fund's (HFSF) commitment of 20 April 2012, after the relevant application submitted by the Bank, for its participation in the planned share capital increase, began to be implemented on 28 May 2012 in the form of an advance that took place through the transfer of EFSF bonds from the HFSF of total nominal value € 4.7 billion. Furthermore, on December 21st 2012, the HFSF provided an additional Capital Advance of € 1.5 billion and a Commitment Letter of € 1.1 billion for its participation in the recapitalisation program of Piraeus Bank (Share Capital Increase and Convertible Bonds). Hence, the total Capital Advances and the Commitment Letter that HFSF has provided to Piraeus Bank amount to € 7.3 billion, which corresponds to the Bank's total capital needs, as they were defined by the Bank of Greece (plus € 570 million for ATEbank S.A.).

Piraeus Bank is affected by the ongoing economic variability and the increased volatility of the global financial markets and is exposed to risks that could potentially arise in other financial institutions, mainly due to the debt crisis in peripheral Eurozone countries.

The economic situation in Greece, though improving fiscally, still remains the main risk factor for the Greek banking sector in general. Negative developments in this area may significantly affect the Bank's liquidity, the quality of its loan portfolio, its profitability, and ultimately, its capital adequacy.

Greece's public debt sustainability consists an additional risk factor for the Greek banking system, while the Eurogroup's decisions of December 2012 aimed at significantly reducing it. Moreover, the country's economic adjustment programme continues to entail a significant execution risk. At the same time, both the risks of a deceleration in the global economic growth and of the debt crisis in other peripheral European economies are also added to the external factors of uncertainty.

Despite the uncertainties and the risks existing in the Greek banking system, the following factors provide support to the economy and the Greek banking sector and shall therefore be taken into consideration:

• The participation of the HFSF and the Bank of Greece in the recapitalisation program and in the restructuring of the Greek banking sector.
• The availability of additional capital, in case that is required for the further recapitalisation of the greek banks.
• The financial support mechanism from the International Monetary Fund as well as from the European Union.
• The capability to raise liquidity through the Eurosystem.
• The intention of Greek Authorities to strengthen the greek economy.
• The strengthening of the Bank' s position in the banking sector and the enhancement of its funding access, through the acquisition of selected assets and liabilities of ATEbank, the acquisition of Geniki Bank and of the acquisition of the acquisition of the Greek operations of Cypriot banks in Greece.

Taking into consideration the above factors, Piraeus Bank's Management estimates that: a) the recapitalisation process will be succefully completed during the second quarter of 2013 and within the timetable that will be agreed again between the Bank, the Bank of Greece and the HFSF and b) that the Bank will continue in operational existence for the foreseeable future. Accordingly, the annual stand alone financial statements have been prepared on a going concern basis.

(A) The following amendments to IFRSs that have been issued by the International Accounting Standards Board, have been endorsed by the E.U. and they are effective from 1.1.2012:

- **IFRS 7 (Amendment), "Financial Instruments: Disclosures – Transfers of Financial Assets" (effective for annual periods beginning on or after 1 July 2011).** The amendment enhances existing required disclosures for transferred financial assets that are not derecognized in their entirety and requires additional disclosures on the entity's continuing involvement in derecognized assets. The application of this amendment does not have an effect on the annual financial statements**.**

- **IFRS 1 (Amendment), "Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters" (effective for annual periods beginning on or after 1 July 2011).** The amendment enables first time adopters of IFRSs to measure all assets and liabilities held before the functional currency normalization date, at fair value on the date of transition to IFRSs, and use that fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. The application of this amendment does not have an effect on the annual financial statements**.**

(B) The following new IFRSs, interpretations and amendments have been issued by the International Accounting Standards Board and have been endorsed by the E.U. up to the end of 2012. They are not effective in 2012 and they have not been early adopted by the Bank:

- **IAS 12 (Amendment), "Income Taxes" (effective for annual periods beginning on or after 1 January 2013).** Amendments to IAS 12 were issued to provide guidance namely to the measurement of deferred tax on: a) investment property measured at fair value and b) property, plant and equipment measured using the revaluation model in IAS 16. In both cases, deferred tax is required to be measured using the rebuttable presumption that the carrying amount of the underlying asset will be recovered through sale.

- **IAS 19 (Amendment), "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).** The amendment removes the corridor mechanism and the concept of expected returns on plan assets. Actuarial gains and losses will be recognized in other comprehensive income as they occur. Plan assets will produce a credit to income based on corporate bond yields irrespective of the actual composition of assets held.

- **IAS 1 (Amendment), "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 July 2012).** The amendment requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. If the items are presented before tax, then the tax related to the two groups of other comprehensive income items (those that might be reclassified and those that will not be reclassified) must be shown separately.

- **IAS 27 (Amendment), "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2014).** Following the issue of IFRS 10 that replaced all the guidance on control and consolidation in IAS 27, IAS 27 was renamed "Separate Financial Statements" and contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

- **IAS 28 (Amendment), "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2014).** IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

- **IFRS 10, "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2014).** IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities.

- **IFRS 11, "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2014).** IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. Joint arrangements are either classified as joint operations or joint ventures. Equity accounting is mandatory for participants in joint ventures.

- **IFRS 12, "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2014).** IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 requires entities to disclose information that enables users of financial statements to evaluate the nature and risks associated with the entity's interests in other entities and the effects of those interests in the entity's financial statements.

- **IFRS 13, "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).** IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements.

- **IFRIC Interpretation 20, "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).** This interpretation provides guidance for the accounting of waste removal costs that are incurred in surface mining activity during the production phase of a mine ("production stripping costs").

- **IAS 32 (Amendment), "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).** The amendment was issued in December 2011 to provide application guidance in IAS 32 to clarify the meaning of the criterion "currently has a legally enforceable right to set off". The amendment shall be applied retrospectively.

- **IFRS 7 (Amendment), "Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities " (effective for annual periods beginning on or after 1 January 2013).** Amendments to IFRS 7 were issued in December 2011 to require additional disclosures that will enable users of financial statements to evaluate the effect of netting arrangements.

(C) The following new IFRSs and amendments have been issued by the International Accounting Standards Board but they have not been endorsed by the E.U. up to the end of 2012 and they have not been adopted by the Bank:

- **IFRS 9, "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015).** IFRS 9 was published in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets.

- **IFRS 9 (Amendment), "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015).** Amendments to IFRS 9 were issued to address financial liabilities.

- **IFRS 9 and IFRS 7 (Amendments), "Mandatory Effective Date and Transition Disclosures" (effective for annual periods beginning on or after 1 January 2015**). The amendment to IFRS 9 requires entities to apply IFRS 9 for annual periods beginning on or after 1 January 2015. The amendment to IFRS 7 requires additional disclosures on the transition from IAS 39 to IFRS 9.

- **IFRS 1 (Amendments), "Government Loans" (effective for annual periods beginning on or after 1 January 2013).** The amendment issued in March 2012, adds an exception to the retrospective application of IFRSs to require that first-time adopters apply the requirements in IFRS 9 and IAS 20 prospectively to government loans existing at the date of transition to IFRSs. Earlier application is permitted.

- **IFRS 10, IFRS 11 and IFRS 12 (Amendment), "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance" (effective for annual periods beginning on or after 1 January 2013).** The amendment in IFRS 10, 11 and 12 clarifies the transition guidance in IFRS 10 and provides relief from the presentation or adjustment of comparative periods prior to the immediately preceding period**.**

- **IFRS 10, IFRS 12 and IAS 27 (Amendments), "Investment Entities" (effective for annual periods beginning on or after 1 January 2014).** The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities, as well as new disclosure requirements for investment entities in IFRS 12 and IAS 27.

Improvements to IFRSs (May 2012)

- **IFRS 1 (Amendment), "First Time Adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after 1 January 2013).** The amendment clarifies the accounting for re-application of IFRS for entities that have stopped applying IFRS in the past and choose or are required to apply IFRS again.

- **IAS 1 (Amendment), "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2013).** The amendment requires notes to the financial statements when additional comparative periods are voluntarily presented.

- **IAS 16 (Amendment), "Property, Plant and Equipment" (effective for annual periods beginning on or after 1 January 2013).** The amendment provides guidance for the classification of major spare parts and servicing equipment as property, plant and equipment.

- **IAS 32 (Amendment), "Financial Instruments: Presentation" (effective for annual periods beginning on or after 1 January 2013).** The amendment clarifies that taxes arising from distributions to holders of equity instruments are accounted for in accordance with IAS 12 “Income Taxes”.

- **IAS 34 (Amendment), "Interim Financial Reporting" (effective for annual periods beginning on or after 1 January 2013).** The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities to enhance consistency with IFRS 8 “Operating Segments” and to ensure that interim disclosures are aligned with annual disclosures.

2.2 Foreign Currencies

(a) Functional and presentation currency

The financial statements are presented in euro, which is the 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 and hedge accounting

The Bank holds derivative financial instruments both for profit-making, hedging purposes, as well as the service of its clients needs. Derivative financial instruments held by Piraeus Bank include Swaps, Forwards, Futures and Options.

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 Bank’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).

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into (trade date) and are subsequently remeasured at fair values on a daily basis. At initiation, the fair value is usually small or nil. 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. Derivatives are presented in assets when fair value is positive and in liabilities when fair value is negative.

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. The hedge effectiveness should be between 80%-125% at all times. Hedge effectiveness is calculated in all cases; even when the terms of the hedging instrument and the hedged item are matched.

- Detailed documentation must be in place for all recognised hedging relationships (hedging instrument, hedged item, hedging strategy and scope of hedging relationship).

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Bank designates certain derivatives as either: a) hedges of the fair value of recognised assets or liabilities or, b) 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.

(i) 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 is recorded in profit and loss accounts at its disposal.

(ii) 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 during which the hedged item affects 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 expected transaction is ultimately recognised in the income statement. When a future transaction is no longer expected to occur, the accumulated gain or loss in equity is immediately transferred to the income statement.

(iii) 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 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 a financial instrument is the transaction price (i.e. the fair value of the consideration paid or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions for the same instrument 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 including variables not all of which are prices or interest rates of the market. 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 proceeds throughout the 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.

Impaired loans are recorded at their recoverable amounts and therefore, interest income is recognised according to the effective interest rate used for the discounting of the cash flows for the impairment exercise.

2.6 Fees and commission income and expense

Commission income and expense is recognized 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 and recognized in the Income Statement as interest income or expense 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 retains no part on the loan package for itself or retains part at the same effective interest rate as well as 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

Financial assets at fair value through profit or loss category comprise of:

(a) Trading securities which include financial instruments that are acquired for the purpose of selling in the near term or they form part of a portfolio of financial instruments that are managed together and for which there is evidence of short term profit making pattern and

(b) Financial assets designated at fair value through profit or loss at inception (e.g. asset swaps) when:

- this will reduce measurement inconsistencies that would otherwise arise if the underlying financial instruments were carried at amortised cost and the related derivatives were treated as held for trading or,

- the financial assets are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis or,

- they contain embedded derivatives that significantly affect the cash flows.

Financial assets at fair value through profit or loss are initially recognised at fair value and they are subsequently measured at fair value according to current market prices. Any transaction costs are expensed in the income statement.

All 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 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".

Purchases and sales of financial assets at fair value through profit or loss are recognized on a trade date basis, which 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 and similar income". Dividends received are included in "Dividend Income".

2.9 Sale and repurchase agreements and securities lending

Securities sold subject to repurchase agreements (repos) are reclassified in the financial statements as pledged assets when the transferee has the right by contract to sell or repledge the collateral; the counterparty liability is included in amounts “Due to credit institutions” or “Due to customers”, as appropriate.

Securities purchased under agreements to resell (reverse repos) are recorded as “Reverse repos with customers”. “Reverse repos with customers” are carried at amortised cost using the effective interest rate method.

The difference between sale and purchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities transferred to counterparties by the Bank are presented in the Bank’s financial statements as assets, in the case that the Bank retains substantially all the risks and rewards of ownership of these securities.

Securities transferred to the Bank by counterparties are not recognized in the Bank’s financial statements, unless these securities can be sold by the Bank to third parties. In that case, the gain or loss is included in net trading income. The obligation to return these securities is recorded at fair value.

2.10 Investment portfolio

The appropriate managing units 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 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 are carried at amortised cost using the effective interest rate 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. The objective evidence that a held to maturity investment has been impaired or it is non collectable is stated in section 2.12.

If part of the held to maturity portfolio is sold or reclassified before maturity date, then the entire held to maturity portfolio must be reclassified to the available for sale portfolio (unless IAS 39 criteria are met) at its fair value. On such reclassification, the difference between the carrying amount and fair value shall be recorded in the available for sale reserve. In addition, the Bank will not be able to classify any financial assets as held to maturity for the next two years.

Under regular circumstances, purchases and sales of held to maturity securities are recognised on the transaction date, which is the date that 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 at the transaction date, meaning 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 directly attributable to the acquisition of the financial asset) and subsequently carried at fair value according to current bid prices or valuation pricing models, in case 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 the aforementioned securities are recognised directly in equity (available for sale reserve). When securities of the available for sale portfolio are disposed of, all cumulative gains or 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 at each reporting date whether there is an indication of permanent impairment (significant or prolonged decreases in fair value) for the available for sale securities based on several pricing models. For the shares of the available for sale portfolio, these models include the Price-to-Book Value ratio (P/BV), the Price-to-Earnings per share ratio (P/E) or the deviation from market value for listed shares. In case that there is an indication of impairment, the Bank thoroughly examines the ability to recover the acquisition cost of the shares based on the historic volatility of each individual share.

When there is objective evidence that an available for sale asset is impaired, the cumulative loss that has been recognised directly in equity is recycled to 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 that is 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 that occurred after the initial recognition of the impairment loss in profit or loss.

2.11 Reclassification of financial assets

Reclassification of non-derivative financial assets out of the “Held for trading” category to investments “Held to maturity” category or “Available-for-sale” category is permitted only in rare circumstances, provided that the financial assets meet the definition of this category at the date of reclassification and the financial assets are no longer held for sale in the foreseeable future.

Reclassification of financial assets out of the “Held for trading” category or “Available-for-sale” category to “Loans and receivables” category is permitted, provided that the financial assets meet the definition of this category at the date of reclassification and the Bank has the intention and ability to hold the financial assets for the foreseeable future or until maturity. The Bank has established the following guideline for what constitutes foreseeable future at the time of reclassification:

- the business plan should not be to profit from short term movements in prices,
- there should be no intent to dispose the asset within six months and
- there must be no internal or external restriction on the Bank’s ability to hold the asset.

Reclassification of financial assets out of the “Available-for-sale” category to the “Held to maturity” category is permitted, provided that the financial assets meet the definition of this category at the date of reclassification and the Bank has the intention and ability to hold the financial assets until maturity.

For financial assets reclassified as described above (with the exception of the reclassification of financial assets out of the “Held for trading” category to “Available-for-sale” category), the fair value at the date of reclassification becomes the new amortized cost at that date. Any gain or loss recognised in profit or loss or the available-for-sale reserve until the date of reclassification shall not be reversed. The new effective interest rate of the financial assets reclassified to “Loans and receivables” category and “held to maturity” category is calculated based on the expected cash flows at the date of the reclassification.

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held to maturity, it shall be reclassified as available for sale and remeasured at fair value, and the difference between its carrying amount and fair value shall be recorded in the available for sale reserve.

2.12 Loans and advances to customers

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

i. financial assets which are classified as held for trading, and those designated upon initial recognition as at fair value through profit or loss;

ii. financial assets that the Bank upon initial recognition designates as available for sale;

iii. financial assets for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans drown down by the Bank are initially recognized at fair value (plus any transaction costs) and measured subsequently at amortized cost using the effective interest rate method. Interest on loans is included in the consolidated income statement and is reported as “Interest and similar income”.

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 term "receivable" includes loans and advances, letters of guarantee and letters of credit.

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 loan or group of loans 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. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

   - Adverse changes in the payment status of borrowers in the group (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 collectively 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.

For the purpose of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, and other relevant factors). These 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 in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets of the Bank and historical loss experience for assets with credit risk characteristics similar to those of 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 reflect and are 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 for the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank. When a loan is considered to be uncollectible, 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 occurring after the impairment was recognised (such as an improvement of the debtor's credit rating), the previously recognized impairment loss is reduced and the difference is recognised in the Income Statement.

Loans and customer receivables 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, whose terms have been renegotiated, are no longer considered to be past due and they are treated as performing loans for impairment test purposes.

2.13 Debt securities receivables

Debt securities receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

i. those that the Bank classifies as trading portfolio and those that the entity upon initial recognition designates at fair value through profit or loss;
ii. those that the Bank upon initial recognition designates as available for sale; and

iii. those for which the holder may not recover substantially all of its initial investment for reasons, other than credit deterioration.

Debt securities receivables are measured at amortised cost and tested for impairment.

2.14 Intangible assets

2.14.1 Software

Costs associated with the acquisition of software programs, which will probably generate economic benefits to the Bank for more than one year, are recognised as intangible assets. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

On the contrary, expenditure which enhances or extends the performance of computer software programmes beyond their original specifications or software upgrade expenses are added to the original cost of the software, as long as they can be measured reliably.

Computer software is amortised in most cases over a period of 3-4 years, except from software of core IT applications, for which the useful lives are examined on an individual basis. The useful lives of software are reviewed and adjusted, if appropriate, at each balance sheet date.

Software is reviewed for impairment loss whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Whenever the recoverable amount is less than the carrying amount, software is impaired to its recoverable amount.

2.14.2 Other intangible assets

An intangible asset is recognized when it is expected that future economic benefits will be realized from its use. The cost of the intangible asset also includes every directly attributable cost which is required for the full implementation, production and asset's proper operation. Some examples of directly attributable costs are:

- The staff cost which is directly identified and attributed to a particular intangible asset,
- Payments to outside vendors and collaborators, which are attributed to the intangible asset.

Other intangible assets are amortised in a period of 5-10 years, depending on the useful life of each asset. The useful lives of the other intangible assets are reviewed and adjusted, if appropriate, at each financial year-end.

Other intangible assets are reviewed for impairment loss whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Whenever the recoverable amount is less than their carrying amount, other intangible assets are impaired to their recoverable amount.

2.15 Property, plant and equipment

The Bank holds property, plant and equipment for use in the supply of services or for administrative purposes. Property, plant and equipment includes: land, own-use buildings, leasehold improvements, furniture and other equipment, and transportation means.

Property, plant and equipment are measured 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 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. Specifically, the requirements of IAS 23 state that: a) the borrowing costs can be directly attributable to the acquisition, construction or production of a qualifying asset and b) the borrowing costs would have been avoided if the expenditure on the qualifying asset had not been made.

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: 3-5 years
- Leasehold improvements: the shorter of useful life and lease term
- Furniture and other equipment: 5-10 years
- Means of transportation: 6-9 years
- Own-use buildings: 25-50 years

Depreciation of an asset begins when it is available for use and ceases when the asset is derecognised. In the case where the asset is idle or retired from active use, it continues to be depreciated unless it has been fully depreciated.

The useful lives and the residual values of the tangible assets are reviewed and adjusted, if appropriate, at each financial year end. Gains and losses on disposals are determined by comparing proceeds with carrying amount and they are included in the income statement.

2.16 Investment property

Property that is held for long-term rental yields or for capital appreciation or both and is not occupied by the Bank is classified as investment property. Investment property includes freehold land, freehold buildings or parts of buildings, land and buildings held under operating lease as well as buildings held under finance lease.

A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property if and only if the definition of investment property is met.

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 or is adjusted, if necessary, for any difference in the nature, location and condition of the specific asset. If this information is not available, the following valuation methods are used:

i. Comparables method: According to this method, the value of the property to be evaluated is defined by comparing properties with similar characteristics.

ii. Residual value: This method is applied mainly for the estimation of the value of bare land which is to be developed or property requiring renovation. All the costs of achieving the completed development as well as the expected profit are deducted from an estimate of the value of that completed development to arrive at the value of the site. The result of this deduction is the residual value of the property. Finally, the present value derives by applying the discounting factor to the residual value of the estimated property.

iii. Depreciated replacement cost method: Valuations based on Depreciated Replacement Cost Method are based on an estimate of the market value for the existing use of the land and the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation. The two estimates, that are the one for the market value of land and the one for the reproduction cost less allowances for physical deterioration, are summed-up, resulting in the current value of the property under valuation.

iv. Profit method: The purpose of this method is to estimate the annual income to which an investor is entitled and then capitalise it by using an appropriate unit rate.

These valuations are reviewed annually by external independent valuers. The fair value of investment property reflects, among other things, rental income from current leases and 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 year 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 new cost.

Investment property held for sale without redevelopment is classified as non-current assets held for sale according to IFRS 5.

2.17 Assets held for sale

Assets held for sale include non current assets that: a) are available for immediate sale at their present condition, b) their sale is highly probable, c) the appropriate level of management must be committed to a plan to sell and d) their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The sale of these non current assets must be completed within 12 months from their categorization in the "Non current assets held for sale and discontinued operations".

Assets held for sale 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.

2.18 Inventories property

Inventories property includes land and buildings acquired by the Bank through auctions for the full or partial recovery of its receivables (if the requirements of IAS 40 are not fulfilled). These properties are accounted according to IAS 2 as inventory and are measured at the lower of cost and net realisable value. The cost of the property is determined using the weighted average cost method. The net realisable value is the estimated selling price, less any expenses necessary to conclude the sale.

2.19 Leases

A. The Bank is the Lessee

Operating leases
Leases of fixed assets under which the lessor retains a significant portion of risks and rewards related to the leased assets, are recognised as operating leases. The Bank does not recognise the leased asset in its financial statements.

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

Finance leases
Leases where the Bank has substantially all the risks and rewards related to the asset are recognised as finance leases.

In case that the Bank is the lessee under a finance lease, fixed assets are recognised as assets (in the respective category) and the respective obligation for the lease payments to the lessor as a liability on the balance sheet.

At the inception of the lease, leased fixed assets 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.

B. The Bank is the Lessor

Operating leases
In case that the Bank is the lessor under an operating lease, the leased assets are stated and carried in the financial statements like the other –non leased assets- of similar nature. Lease income of the Bank is recognised over the term of the lease.

Finance leases
In case that the Bank is the lessor under a finance lease, the present value of the lease payments is recognised as a receivable in the balance sheet. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Rental receipts reduce the balance of the lease receivable and the interest income is recognised on an accrual basis.

C. Sale and leaseback transactions

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The accounting treatment of a sale and leaseback transaction depends upon the type of the lease involved.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount of the asset is not immediately recognized as income by the seller-lessee but is deferred and amortized over the lease term.

If a sale and leaseback transaction results in an operating lease and it is clear that the transaction is established at fair value, any profit or loss is recognized immediately. If the sale price of the asset is different than its fair value, any profit or loss is recognized immediately. Exceptions to the rule include cases where the future lease payments are differentiated. So, if the resulting loss is compensated by lower future lease payments compared to market prices, then the loss is amortised over the period the asset is expected to be used. If the sale price is above fair value, the excess over fair value (profit) is deferred and amortized over the period the asset is expected to be used.

2.20 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition such as: cash, cash and balances with Central Banks, trading securities and loans and advances to credit institutions. Mandatory reserves with the Central Bank are not available for everyday use by the Bank; therefore they are not included in balances with less than three months maturity.

2.21 Provisions

Provisions 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 of the obligation can be reliably estimated. If these conditions are not met, no provision is recognised.

When 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 any one 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 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 expense in the income statement.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation as of the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. The amount of the provisions raised is reassessed at each reporting date.

2.22 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss that incurs because a specified debtor failed to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given by 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: a) the initial measurement, less amortisation calculated to recognise in the income statement the accrued fee income earned on a straight line basis over the life of the guarantee and b) 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.

2.23 Employee benefits

A. Funded post employment benefit plans

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

The Bank's 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 insurance companies; therefore the Bank has no legal or constructive obligation to pay further contributions if the fund or the insurance companies do not hold sufficient assets to pay all employees the related benefits. The regular employee's 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 benefits 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 can not undertake this obligation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the obligation at the balance sheet date less the fair value of plan assets, together with adjustments for possible unrecognised actuarial gains or losses and past service costs that have not been recognised yet.

The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method.

Actuarial gains and losses

The Bank uses the "10% corridor" approach for gains/ losses and recognises 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.

Actuarial gains and losses are debited or credited at the income statement based on the average remaining working lives of employees.

Past service costs

The Bank chose to debit/ credit the past service cost in the income statement during the average period until the benefits become vested.

B. Non funded post employment benefit plans

The Bank provides non funded benefit plans 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 employment, using a methodology similar to that for funded 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. At each balance sheet date, the Bank revises its estimates of the number of options that are expected to become exercisable. The impact of the revision of original estimates is recognised, 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.

2.24 Income tax and deferred tax

Income tax payable on profits, based on the applicable tax rate, is recognised as an expense in the period in which profits arise. Deferred tax on carried forward tax losses is recognised as an asset, when it is probable that future taxable profits will be available so that these tax losses can be utilised against.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their corresponding 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 depreciation of property, plant and equipment, recognition of commission according to the effective interest rate, securities' valuation differences between the accounting and the tax base, revaluation of certain assets (such as investment property), impairment of receivables and securities, and retirement benefit obligations. Deferred tax assets are recognised for all deductible temporary differences when it is probable that the temporary difference will reverse in the foreseeable future and when also taxable income will be available in the future against which the temporary difference can be utilised.

Deferred tax related to fair value remeasurement of: a) available-for-sale investments and b) cash flow hedges, is credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

The Bank offsets deferred tax assets against deferred tax liabilities only when the relevant requirements of IAS 12 are fulfilled. Specifically, deferred tax assets and deferred tax liabilities are offset if, and only if: a) the Bank has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

2.25 Share capital

Incremental costs directly attributable to the issue of share capital decrease equity.

Dividends on ordinary shares are recognized as a liability during 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.

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 charged directly in equity. The number of treasury shares held by the Bank does not reduce the number of shares issued. Treasury shares held by the Bank are not eligible to receive cash dividends.

Non-voting preference shares, issued according to article 1 of Law 3723/2008 for the "Reinforcement of the Greek economy's liquidity", were recognized in equity based on the issuance terms and the requirements of IAS 32. The distribution of dividend to holders of preference shares is recognized as a liability when the dividend becomes payable.

2.26 Debt securities in issue, hybrid capital and other borrowed funds

Liabilities from the issuance of the debt securities, hybrid capital and other borrowed funds are recognised initially 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 rate method. Bank's borrowed funds include: euro medium term note (EMTN), ETBA bonds, securitisation of mortgage, consumer and corporate loans, hybrid capital, subordinated loans and other securities.

Preference shares, which carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholder, are classified as financial liabilities and they are 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 into shares 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 extinguished 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.

2.27 Other financial liabilities measured at amortised cost

Other financial liabilities which are measured at fair value upon initial recognition are subsequently measured at amortised cost and include deposits from banks and from customers.

2.28 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 and financially dependants (husbands, wives, children etc) of the Board of Directors members 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, key Management personnel and their dependants/close family) 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.

2.29 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to Executive Committee which is Bank's operating decision-maker, allocates resources to and assesses the performance of the operating segments. All transactions between business segments are conducted on an arm's length basis.

The Bank operates in four main business segments: Retail Banking, Corporate Banking, Investment Banking, and Asset Management & Treasury. Income and expenses directly associated with each segment are included in determining business segment performance.

2.30 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the Statement of Financial Position when, and only when, the Bank has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.31 Comparatives and roundings

Where necessary, the comparative figures of the previous year's financial statements have been adjusted in order to become comparable to the corresponding figures of the current year.

Any differences, between the amounts of the financial statements and the relevant amounts presented in the notes, are due to roundings.

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 convenes at least 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.

In Piraeus Bank, the Group Risk Management Division is 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. The Group Risk Management consists of the Group Credit Risk Division, the Capital Management Division as well as the Group Market Risk & Operational Risk Management Division. Its activities are supervised by Group Internal Audit, which evaluates the effectiveness and efficiency of the risk management procedures applied.

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

3.1 Credit risk

3.1.1 Credit risk management strategies and procedures

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 fulfil 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 Management. The Bank's overall exposure to credit risk mainly results from 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 transactions. 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).

The implementation of the credit policy, that describes the principles of credit risk management at the Bank, ensures effective and uniform credit risk monitoring and control. 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 Board's Group Risk Management Committee that monitors and evaluates the credit risk arising from the Group's everyday activities, while supervising the proper application and functionality of credit risk management policies.

Under the Group Risk Management Division, a separate Credit Risk Management Division operates with its mission the continuous monitoring, measurement and control of the Group's credit risk exposures against enterprises, individuals, banks and central governments.

3.1.2 Credit risk measurement and reporting systems

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 precondition in order to timely and efficiently support management and the business units in relation to decision making, policy formulation and the fulfilment 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 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. All these 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 and estimates the probability of defaulting on their obligations by applying credit rating models appropriate for their special characteristics and features. These 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 potential 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. Piraeus Bank applies the Moody's Risk Advisor (MRA) borrower credit rating system for the assessment of credit risk that arises from loans to medium and large-sized enterprises. It should be noted that the MRA system has been used in domestic financial subsidiaries in Greece since 2005, while from 2006 its application has been extended to include the Group's major bank subsidiaries abroad (ESM-English Standard Model). The Bank has optimized the existing GSM (Greek Standard Model) version MRA credit rating model applicable to the corporate portfolio that concerns borrowers keeping class C accounting books with a turnover in excess of € 2.5 million. Furthermore, in the context of validating the existing MRA model (GSM) the Bank has also applied a new model for the corporate portfolio that concerns borrowers keeping class C accounting books with a turnover of up to € 2.5 million. Regarding small-sized enterprises, internally developed (in-house) rating systems, as well as scoring systems, are applied. The evaluation ability of all models applied is validated at least every six months In accordance with the regulatory framework for credit institutions (Basel II), the Bank has developed and applies a distinct credit rating model for specialized lending that concerns sea-going shipping (object finance) that is currently under optimization.

All Corporate Credit customers are assigned to credit rating grades, which correspond to different levels of credit risk and relate to different default probabilities. Each rating grade is associated with a specific customer 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 has already implemented models for the evaluation of existing customers' transactional behavior (behavior scoring) for each product but also at the borrower level.

The process of applicant evaluation incorporates the usage of a "Score" that is the result of the combination of the Application Score, the Behavioural Score and the Score of the White Tiressias information. On that way the approval process is becomes more efficient and the information that is evaluated via Score is maximized.

In addition, Piraeus Bank uses the credit bureau scoring model of Teiresias S.A., that takes into account the total of borrower exposures in the Greek market. The usage of the particular model has improved the performance of the existing models. All credit scoring models are validated at least semiannually.

(ii) Monitoring credit risk exposure

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

(iii) Recovery based on existing 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. According to standard practice, the lower the rating of a borrower, the greater the collateral / security required, so that the recovery rate is as high as possible in case of borrowers default on their contractual obligations to the Bank.

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 Fitch. The amount of the Bank's exposure to credit risk from debt securities and other bills is monitored according to the relevant IFRS provisions per portfolio category.

3.1.3 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 group of counterparties, per credit rating, per product, per sector of economic activity 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 sublimits that address on and off-balance sheet exposures.

In order to set customer limits, the Bank takes into consideration any collateral or security which reduces 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, if the criteria that are set under the credit policy are met. 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
- Greek government guarantees
- Guarantees by the Credit Guarantee Fund for Small and Very Small Enterprises (TEMPME)
- Pledged financial instruments such as stocks, bonds, bills or mutual fund shares
- Mortgages on real estate property
- Ship mortgages
- Receivables

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.

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 and any potential future exposure. Credit exposures arising from derivatives transactions 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.

Piraeus Bank sets and systematically monitors, for every counterparty daily settlement limits.

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.

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.

3.1.4 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/ guarantees 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 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 occurred.

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.

Future cash flows in 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.

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 by resolution of the Board of Directors or its authorized committees, proceeds with write-offs of non performing loans and bad debts against their respective provisions, after all potential collection processes have been exhausted and, thus, it is highly expected that the aforementioned will not be collected. The Bank continues monitoring loans written off in case that they may become collectable.

Amounts in thousand euros (Unless otherwise stated)

3.1.5 Loans and advances

Loans and advances to customers and to credit institutions and debt securities-receivables are summarised as follows:

	31 December 2012			31 December 2011		
	Loans and advances to customers	Loans and advances to credit institutions	Reverse repos with customers	Loans and advances to customers	Loans and advances to credit institutions	Reverse repos with customers
Loans neither past due or impaired	23,440,133	2,620,677	35,388	19,210,706	3,065,200	57,127
Past due but not impaired	10,025,406	-	-	6,645,735	-	-
Impaired	7,670,592	-	-	5,039,549	-	-
Gross	**41,136,132**	**2,620,677**	**35,388**	**30,895,990**	**3,065,200**	**57,127**
Less: Allowance for impairment of loans and advances	(2,871,426)	-	-	(2,398,990)	-	-
Less: Adjustments of opening balances at acquisition date	(646,704)					
Net	**37,618,002**	**2,620,677**	**35,388**	**28,496,999**	**3,065,200**	**57,127**
Debt securities-receivables	7,957,470	-	-	3,035,829	-	-
Less: Allowance for impairment of debt securities-receivables	(23,846)	-	-	(1,635,174)	-	-
Net	**7,933,625**	**0**	**0**	**1,400,655**	**0**	**0**

Related to the debt securities - receivables rating is note 3.1.6.

'Adjustment for opening balances at acquisition date' relates to allowance for impairment for loans of companies of former ATEbank at the Bank acquired its assets and liabilities. The aforementioned allowance for impairment has been included in the adjustment of loans and advances to customers to fair value according to the provisions of IFRS 3. It is noted that in note 23 'Loans and advances to customers and debt securities – receivables' the adjustment has decreased the balance of loans and advances to customers before provisions and it is not included in the allowance for impairment on loans and advances to customers. However for purposes of monitoring credit risk and for disclosure purposes according to I.F.R.S. 7, the aforementioned adjustment does not affect the balances of loans and advances before provisions, as the Group has not stopped monitoring the adjustment as part of the provisions.

An analysis of the adjustment per category of loans is provided below:

Loans and advances to customers	**(61,830)**
Mortgages	(21,013)
Consumer/ personal loans	(20,347)
Credit cards	(20,470)
Corporate loans	**(584,873)**
Total adjustment	**(646,704)**

As at 31/12/2012, the Bank examined the requirements of the amended IFRS 7 "Financial Instruments: Disclosures – Transfers of Financial Assets". Since at this date there are no transferred financial assets that are not derecognized partially or in their entirety, the relevant required disclosures of IFRS 7 are not applicable in the annual stand alone financial statements of the year 2012.

a) Loans neither past due or impaired:

Loans and advances to customers

31 December 2012	Loans to individuals			Loans to corporate entities	
Grades	Credit cards	Consumer/ personal loans	Mortgages		**Total loans and advances to customers**
Standard monitoring	498,759	1,300,227	7,334,288	9,535,068	18,668,341
Special monitoring	-	-	-	4,771,792	4,771,792
Total	**498,759**	**1,300,227**	**7,334,288**	**14,306,860**	**23,440,133**

31 December 2011	Loans to individuals			Loans to corporate entities	
Grades	Credit cards	Consumer/ personal loans	Mortgages		**Total loans and advances to customers**
Standard monitoring	426,101	1,097,283	3,969,889	8,366,560	13,859,833
Special monitoring	-	-	-	5,350,873	5,350,873
Total	**426,101**	**1,097,283**	**3,969,889**	**13,717,433**	**19,210,706**

Loans and advances to credit institutions

Grades	**31 December 2012**	**31 December 2011**
Investment grade	3,247	-
Standard monitoring	6,517	5,629
Special monitoring	2,610,913	3,059,571
Total	**2,620,677**	**3,065,200**

Amounts in thousand euros (Unless otherwise stated)

Reverse repos with customers

Grades	31 December 2012	31 December 2011
Standard monitoring	35,388	57,127
Total	**35,388**	**57,127**

b) Loans and advances past due but not impaired:

31 December 2012	Loans to individuals			Loans to corporate entities	Total loans and advances to customers
	Credit cards	Consumer/ personal loans	Mortgages		
Past due 1 - 90 days	96,760	417,267	2,007,398	4,271,412	6,792,837
Past due 91 - 180 days	30,341	102,365	404,008	487,314	1,024,028
Past due > 180 days	-	-	655,504	1,553,038	2,208,541
Total	**127,101**	**519,632**	**3,066,910**	**6,311,764**	**10,025,406**
Fair value of collateral	-	142,517	2,886,625	3,266,396	**6,295,538**

The fair value of physical collaterals reflects the liquidation value of these collaterals, after the application of the haircuts provided in the Bank credit policy.

With respect to mortgage loans the reported fair value of collateral takes into account only properties on which the Bank holds a first line mortgage. In cases that 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 2011	Loans to individuals			Loans to corporate entities	Total loans and advances to customers
	Credit cards	Consumer/ personal loans	Mortgages		
Past due 1 - 90 days	54,214	283,887	1,209,702	3,367,057	4,914,860
Past due 91 - 180 days	25,707	77,958	228,042	187,765	519,472
Past due > 180 days	-	-	345,478	865,926	1,211,404
Total	**79,922**	**361,844**	**1,783,221**	**4,420,748**	**6,645,735**
Fair value of collateral	-	40,294	1,668,189	2,347,327	**4,055,810**

c) Loans and advances impaired:

31 December 2012	Loans to individuals			Loans to corporate entities	Total loans and advances to customers
	Credit cards	Consumer/ personal loans	Mortgages		
Impaired loans	265,979	635,566	676,476	6,092,572	**7,670,592**
Fair value of collateral	-	82,893	551,279	2,183,234	**2,817,406**

31 December 2011	Loans to individuals			Loans to corporate entities	Total loans and advances to customers
	Credit cards	Consumer/ personal loans	Mortgages		
Impaired loans	194,257	425,899	359,461	4,059,932	**5,039,549**
Fair value of collateral	-	41,900	289,888	1,138,872	**1,470,660**

Distressed Restructuring - Rescheduling

With regards to the restructuring of loans and its designation as rescheduling or distressed restructuring, Piraeus Bank follows the guidelines of the BoG that were communicated to the management of credit institutions through the circular 13 that was issued by the Governor of BoG as at 30/7/2009.

This designation remains for one year provided that the amended terms of the loan apply. After one year, or earlier, if delays arise in servicing the debt, they fall in the respective loan category.

There are specific chapters, in the respective manuals of the Bank's Credit Policy, relating to Corporate and Retail Credit, which describe in detail the procedures for the approval and management of rescheduled and distressed restructured loans as well as the relevant approval bodies and the units that approve and manage those loans.

Specifically:

A. Corporate Credit:
Units managing customers of specialized lending

i. Corporate loans within the responsibility of business centers which are downgraded to the categories “Special Mention” and “Distressed Restructuring”, are jointly managed by Loan Restructuring Division.
ii. Corporate loans within the responsibility of Large Corporates & Group Structured Finance and Ship Financing divisions which have been downgraded to the aforementioned categories, are managed by the special teams Capital Recovery Large Corporate and Capital Recovery Shipping.
iii. Corporate loans in the Permanent Delay (legal) category are solely managed by Workouts Division.

Approval Process of Rescheduling – Distressed Restructuring

i. For the approval of rescheduling of loans with designation “Standard”, approval from the relevant approval level is required.
ii. For the approval of rescheduling and distressed restructuring of loans with designation “Special Mention”, in addition to the approval from the relevant approval level, the approval from the Workouts Committee or its sub-committees is required.
iii. For the approval of distressed restructuring of loans with designation “Doubtful/Loss”, the approval from the Workouts Committee or its sub committees is only required.

B. Retail Credit:

The approvals from the rescheduling and distressed restructuring of retail loans are given by the specialized unit of Retail Loans Restructuring.

Distressed restructured and rescheduled loans are tested for impairment in accordance with the impairment and provisioning policy as described in note 3.1.4.

On 31/12/2012 the carrying value of the distressed restructured and rescheduled loans of the Bank amounts to € 5.4 billion, while the total amount of provisions is € 367 million.

	Bank			
	31/12/2012		31/12/2011	
Amounts in million €	**Balance**	**Provision**	**Balance**	**Provision**
Distressed Restructured	**1,37**	**155**	**976**	**38**
Retail	419	35	362	11
Corporate	951	120	614	27
Rescheduled	**4,05**	**212**	**2,79**	**154**
Retail	1,939	16	828	8
Corporate	2,111	196	1,962	146
Total	**5,42**	**367**	**3,766**	**193**

3.1.6 Debt securities and other eligible bills

The table below presents an analysis of trading portfolio, investment securities, financial instruments at fair value through profit or loss and debt securities - receivables by rating as at 31 December 2012, based on Standard & Poor’s ratings or their equivalent:

31 December 2012	**Trading securities**	**Investment securities**	**Debt securities - receivables**	**Total**
AAA	54,324	474,055	6,513,882	7,042,261
AA- to AA+	-	25,755	-	25,755
A- to A+	-	87,810	-	87,810
BBB- to BBB+	-	43,151	-	43,151
BB- to BB+	-	2,219	-	2,219
Lower than BB-	26,886	3,250,714	1,419,743	4,697,343
Unrated	-	720	-	720
Total	**81,209**	**3,884,426**	**7,933,625**	**11,899,260**

Amounts in thousand euros (Unless otherwise stated)

3.1.7 Repossessed collateral

During the year 2012, the Bank obtained assets after taking possession of collateral held as security for its receivables:

Nature of assets	31 December 2012	31 December 2011
Property	40,303	63,808
	40,303	**63,808**

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. Repossessed collaterals are included in the statement of financial position either in "Inventories - property" or “Investment property” categories.

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 2012.

	Greece	Rest of Europe	Total
Loans and advances to credit institutions	2,608,203	12,474	2,620,677
Derivative financial instruments - assets	423,395	-	423,395
Bonds & Treasury Bills of Trading Portfolio	81,209	-	81,209
Reverse repos with customers	35,388	-	35,388
Loans and advances to customers (net of provisions)	34,879,462	2,738,540	37,618,002
Loans to individuals	13,510,504	108,958	13,619,462
- Mortgages	10,841,327	70,578	10,911,905
- Consumer - personal loans	1,966,063	38,380	2,004,443
- Credit cards	703,114	-	703,114
Loans to corporate entities	21,368,957	2,629,582	23,998,539
Debt securities - receivables	7,928,884	4,740	7,933,625
Bonds & Treasury Bills of Investment Portfolio	3,884,426	-	3,884,426
Other assets	2,461,778	14,903	2,476,681
As at 31 December 2012	**52,302,745**	**2,770,658**	**55,073,402**
As at 31 December 2011	**34,823,402**	**2,953,965**	**37,777,367**

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 2012. The Bank has allocated exposure to sectors based on the industry sector of counterparties.

	Financial institutions	Manufactoring/ Handicraft	Construction	Real Estate Companies	Project Finance	Wholesale and retail trade	Public sector	Shipping Companies	Energy, Transports & Logistics	Hotels	Agriculture	Other industries	Individuals	Total
Loans and advances to credit institutions (net of provisions)	2,620,677													**2,620,677**
Derivative financial instruments - assets	300,812	2,428	-	2,544	100,114	429	-	13,740	-	-	-	3,328	-	**423,395**
Bonds of Trading portfolio	56	-	-	-	-	-	26,734	-	-	-	-	54,419	-	**81,209**
Loans and advances to customers (net of provisions)	1,005,907	3,548,183	1,992,501	1,883,924	1,184,996	2,924,506	2,412,328	1,365,633	1,547,639	1,619,668	1,517,428	2,995,827	13,619,462	**37,618,002**
Loans to individuals (retail customers)													13,619,462	**13,619,462**
- Mortgages													10,911,905	**10,911,905**
- Consumer - personal loans													2,004,443	**2,004,443**
- Credit cards													703,114	**703,114**
Loans to corporate entities	1,005,907	3,548,183	1,992,501	1,883,924	1,184,996	2,924,506	2,412,328	1,365,633	1,547,639	1,619,668	1,517,428	2,995,827	-	**23,998,539**
Debt securities-receivables	-	4,740	-	-	-	-	1,415,002	-	-	-	-	6,513,882	-	**7,933,625**
Reverse repos with customers	-	-	-	-	34,084	-	-		-	-	-	-	1,303	**35,388**
Bonds of Investment portfolio	392,459	-	-	-	-	-	3,455,136	-	-	-	-	36,830	-	**3,884,426**
Other assets	25,813	4,315	1,225	11,550	5	8,706	523,274	-	584	-	-	1,710,315	190,894	**2,476,681**
Balance at 31st December 2012	**4,345,724**	**3,559,667**	**1,993,726**	**1,898,018**	**1,319,200**	**2,933,641**	**7,832,475**	**1,379,372**	**1,548,223**	**1,619,668**	**1,517,428**	**11,314,602**	**13,811,659**	**55,073,402**
Balance at 31st December 2011	**4,369,512**	**3,391,820**	**2,100,764**	**1,320,642**	**2,127,874**	**2,668,570**	**5,348,877**	**1,407,401**	**1,237,157**	**1,356,982**	**408,448**	**3,766,027**	**8,273,293**	**37,777,367**

The amount of € 255 million in the category "Public Sector" of "Corporate Loans" relates to loans given to local authorities and the amount of € 2.1 billion relates to receivables from the "Payment and Control Agency for Guidance and Guarantee Community Aid" in the framework of managing the reinforcements of community funds for the funding of agricultural expenditures of the community budget.

The amount of € 1.4 billion in the category "Public Sector" of "Debt Securities Receivables" relates to securities issued under the framework of Law 3723/2008 "Economy Reinforcement Plan".

The amount of € 54 million of "Bonds of Trading portfolio" and the amount of € 6.5 billion of "Debt Securities Receivables" in the category "Other Industries" relates to bonds issued by the Hellenic Financial Stability Fund (HFSF) received by the Bank as a result of the acquisition of selected assets and liabilities of former ATEbank S.A..

Finally the category of "Other Industries" of "Other Assets" includes the amount of € 795 million which relates to receivables of the Financial Stability Facility due to the difference of the value of transferred assets and liabilities of former ATEbank S.A subtracting the amount of € 6,676 million already covered.

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.

The Board Risk Committee of the Bank has approved a market risk management policy that applies to the Bank and outlines the basic definitions of market risk management and defines the roles and responsibilities of the units and executives involved.

Piraeus Bank applies up to date, generally accepted techniques for the measurement of market risk. Specifically, sensitivity indicators such as PV100 (adverse impact to the net present value of all balance sheet items for a 100 basis points parallel move in the yield curve for all currencies), as well as Value-at-Risk (VaR incorporates all risk factors), are calculated.

For every activity that bears market risk Piraeus Bank has assigned adequate market risk limits, and these are monitored systematically. Market risk management is not confined to trading book activities, but covers the balance sheet as a whole.

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 following three methods for the calculation of Value at Risk:

a) the parametric Value-at-Risk methodology, assuming a one-day holding period and utilizing a 99% confidence level, with historic observations of two years and equal weighting between observations
b) the parametric Value-at-Risk methodology, using market data that give more weight to recent observations (exponentially weighted moving average volatilities and correlations)
c) the parametric Value-at-Risk methodology using volatilities and correlations gathered during a crisis period (Stressed Value-at-Risk), while the estimate is assessed on current positions

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 on the Piraeus Bank trading book VaR. 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.

The Value-at-Risk estimate for the Bank's Trading Book at 31/12/2012, was € 1.3 million. This estimate consists of € 0.46 million for interest rate risk, € 0.01 million for equity risk, € 1.1 million for foreign exchange risk and € 0.1 million for commodities risk. There is a reduction in the Value-at-Risk estimate of € -0.37 million due to the diversification effect in the portfolio.

The Value-at-Risk estimate for the Bank's Trading Book at 31/12/2011, was € 8.29 million. This estimate consists of € 8.06 million for interest rate risk, € 0.04 million for equity risk, € 1.02 million for foreign exchange risk and € 0.21 million for commodities risk. There is a reduction in the Value-at-Risk estimate of € -1.04 million due to the diversification effect in the portfolio.

During 2012 there was a decrease in the Bank's Trading Book VaR due to a significant reduction in Greek Government bond positions.

The above are summarized as follows (amounts in million euro):

million €	Piraeus Bank Trading Book - Total VaR	VaR - Interest Rate Risk	VaR - Equity Risk	VaR - Foreign Exchange Risk	VaR - Commodities Risk	Diversification Effect
2012	1.30	0.46	0.01	1.10	0.10	-0.37
2011	8.29	8.06	0.04	1.02	0.21	-1.04

The Value at Risk estimate for the Available for Sale portfolio was € 7.92 million on 31/12/2012 against a figure of € € 22.54 million on 31/12/2011.

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 31/12/2012. The table includes the Bank's assets and liabilities at carrying amounts categorised by currency, and for the year 2012 the positions in derivatives which reduce significantly the undertaken risk:

At 31 December 2012	EUR	USD	GBP	JPY	CHF	Other currencies	Total
Foreign exchange risk of assets							
Cash and balances with Central Bank	1,934,161	77,823	21,070	14,033	8,254	36,065	2,091,406
Loans and advances to credit institutions	2,218,216	133,925	4,949	-	12,250	251,337	2,620,677
Derivative financial instruments - assets	409,328	14,067	-	-	-	-	423,395
Trading securities	81,209	-	-	-	-	-	81,209
Financial instruments at fair value through Profit or Loss	7,833	-	-	-	-	-	7,833
Reverse repos with customers	35,388	-	-	-	-	-	35,388
Loans and advances to customers (net of provisions)	33,436,865	1,912,180	97,127	143,539	2,022,608	5,683	37,618,002
Debt securities - receivables	7,928,884	4,740	-	-	-	-	7,933,625
Investment securities	4,332,396	7,157	-	-	-	539	4,340,092
Other assets	2,466,031	4,002	162	1,165	1,630	3,690	2,476,681
Total financial assets	**52,850,311**	**2,153,894**	**123,308**	**158,737**	**2,044,743**	**297,314**	**57,628,307**
Foreign exchange risk of liabilities							
Due to credit institutions	32,417,104	76,560	6,623	396	745	13,713	32,515,139
Liabilities at fair value through profit or loss	21,953	-	-	-	-	-	21,953
Derivative financial instruments - liabilities	345,312	63,610	-	-	10,924	-	419,846
Due to customers	29,558,523	1,083,647	86,492	203,674	19,868	155,597	31,107,800
Debt securities in issue	533,704	(1)	-	-	-	-	533,703
Hybrid capital and other borrowed funds	324,141	-	-	-	-	-	324,141
Other liabilities	655,540	10,564	1,563	1,412	1,749	8,406	679,233
Total financial liabilities	**63,856,276**	**1,234,380**	**94,678**	**205,481**	**33,285**	**177,715**	**65,601,816**
Net on-balance sheet financial position	**(11,005,964)**	**919,514**	**28,630**	**(46,744)**	**2,011,457**	**119,598**	**(7,973,509)**
Net position of non financial assets - liabilities	**7,166,546**	**187,221**	**52**	**-**	**11,167**	**597,589**	**7,962,576**
Net position of off balance sheet items	**3,863,369**	**(1,387,432)**	**(27,162)**	**47,081**	**(2,036,292)**	**(507,998)**	**(48,435)**
Currency position	**23,951**	**(280,697)**	**1,520**	**336**	**(13,667)**	**209,189**	**(59,368)**

At 31 December 2011	EUR	USD	GBP	JPY	CHF	Other currencies	Total
Total financial assets	34,629,352	2,306,543	107,826	194,141	2,094,030	286,342	39,618,234
Total financial liabiities	43,285,329	1,807,813	100,924	399,922	16,158	97,316	45,707,461
Net on-balance sheet financial position	**(8,655,977)**	**498,730**	**6,902**	**(205,781)**	**2,077,872**	**189,026**	**(6,089,227)**
Net position of non financial assets - liabilities	**5,168,211**	**208,891**	**46**	**3,438**	**(0)**	**525,524**	**5,906,110**
Net position of off balance sheet items	**3,420,410**	**(1,007,253)**	**(7,624)**	**196,731**	**(2,076,955)**	**(583,210)**	**(57,900)**
Currency position	**(67,357)**	**(299,632)**	**(675)**	**(5,611)**	**918**	**131,340**	**(241,017)**

Amounts in thousand euros (Unless otherwise stated)

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 valuation techniques that rely on simple maturity and repricing schedule (Interest Rate Gap analysis).

Interest Rate Gap 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 Analysis. 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.

In the table, assets and liabilities in foreign currency are converted into euro using the FX rates as of 31/12/2012.

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non interest bearing	Total
At 31 December 2012							
Assets							
Cash and balances with central Bank	2,091,406	-	-	-	-	-	2,091,406
Loans and advances to credit institutions	1,266,156	1,306,022	45,274	3,226	-	-	2,620,677
Trading securities	4,459	18,448	44,875	12,496	932	-	81,209
Financial instruments at fair value through Profit or Loss	-	-	-	-	-	7,833	7,833
Loans and advances to customers (net of provisions)	28,229,533	6,273,739	1,885,164	848,422	513,602 -	132,458	37,618,002
Debt securities - receivables	-	7,928,832	-	4,793	-	-	7,933,625
Reverse repos with customers	35,388	-	-	-	-	-	35,388
Investment securities	1,650,042	730,979	915,131	552,757	35,517	455,666	4,340,092
Other assets	-	-	-	-	-	2,476,681	2,476,681
Total financial assets	**33,276,983**	**16,258,020**	**2,890,443**	**1,421,694**	**550,050**	**2,807,722**	**57,204,912**
Liabilities							
Due to credit institutions	32,374,788	132,179	8,172	-	-	-	32,515,139
Liabilities at fair value through profit or loss	9,221	171	11,676	-	885	-	21,953
Due to customers	21,259,124	4,414,690	4,778,829	460,782	-	194,375	31,107,800
Debt securities in issue	301,917	231,094	202	489	-	-	533,703
Hybrid capital and other borrowed funds	324,141	-	-	-	-	-	324,141
Other liabilities	-	-	-	-	-	705,927	705,927
Total financial liabilities	**54,269,190**	**4,778,135**	**4,798,880**	**461,271**	**885**	**900,302**	**65,208,663**
Net notional amounts of derivative financial instruments	(179,184)	237,524	(40,958)	9,539	(60,201)	-	**(33,281)**
Total interest rate gap	**(21,171,392)**	**11,717,409**	**(1,949,395)**	**969,961**	**488,964**	**1,907,420**	**(8,037,032)**

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 assets - liabilities management purposes or trading or hedging purposes without necessarily using hedge accounting.

The table below presents comparative figures:

At 31 December 2011	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non interest bearing	Total
Total financial assets	22,590,540	8,001,466	3,337,349	1,851,088	2,259,186	935,517	38,975,146
Total financial liabiities	37,604,346	4,700,184	1,940,041	818,313	16	300,962	45,363,862
Net notional amounts of derivative financial instruments	87,629	708,992	(118,728)	(477,998)	(265,120)	375,069	309,844
Total interest rate gap	**(14,926,177)**	**4,010,275**	**1,278,580**	**554,777**	**1,994,050**	**1,009,623**	**(6,078,872)**

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 (PV100).

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.

For PV100 the Bank has assigned adequate limits, which are monitored on a daily basis.

In particular, a parallel shift of 100bp in yield curves would have a negative impact on the Bank's net present value by € 130 million (2011: € 118 million).

The Bank also assesses on a regular basis, the impact of a change in the credit spread, for issuers of government and corporate debt, for the group's bond portfolio.

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.

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. 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 Governor's Act 2614/07.04.2009, which refers to the supervision framework of banks' liquidity adequacy by the Bank of Greece.

The Liquidity ratios are calculated on a solo, as well as, on a consolidated basis. Consolidation includes only the credit institutions of the group.

The levels of these particular ratios are daily communicated to the responsible business units and comments as well as respective assessments of the Group Market & Operational Risk Management Division, are included in the reporting package to the members of Asset-Liability Committee (ALCO). The levels of the ratios are also disclosed, on a monthly basis, to the Financial Services Authority (F.S.A.), of Great Britain.

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

Means as the maintenance of liquid securities portfolios, the expansion of diversified core deposits (i.e saving accounts) and competitive term deposits, were taken in order to mitigate liquidity risk.

Through acquiring ATE Bank, Piraeus Bank greatly improved the combination of funding sources, while at the same time its deposits base was further extended and diversified. Furthermore, the Bank acquired Liquidity through EFSF Bonds amounting to € 7,300 million in order to cover the funding gap of the acquisition of ATE Bank.

Finally, in accordance with the provisions of law 3723/2008 "providing enhanced liquidity to the economy to address the consequences of the international financial crisis", the Bank has issued preferred stocks (Pillar I),received Guarantees (Pillar II) and Special Bonds (Pillar III) from the Greek State amounting to € 12,380 million.

Under recapitalization framework, Piraeus Bank, has received in advance EFSF Bonds of € 6,253 million.

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.

Amounts in thousand euros (Unless otherwise stated)

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 mentioned are the contractual undiscounted cash flows. The Bank manages liquidity risk according to the estimated undiscounted cash flows. Liabilities in foreign currency have been translated into euro based on the current foreign currency exchange rates.

At 31 December 2012	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Liabilities liquidity						
Due to credit institutions	32,388,356	11,602	4,834	106,695	20,607	32,532,094
Liabilities at fair value through profit or loss	9,239	173	11,929	-	1,772	23,113
Due to customers	21,540,995	4,498,497	4,895,530	481,718	1,285	31,418,025
Debt securities in issue	726	15,932	3,350	521,213	-	541,220
Other borrowed funds	400	-	4,751	281,396	-	286,547
Hybrid capital	222	-	794	5,002	100,280	106,298
Other liabilities	-	-	-	-	705,927	705,927
Total liabilities (contractual maturity dates)	**53,939,939**	**4,526,204**	**4,921,188**	**1,396,023**	**829,871**	**65,613,226**
Total assets (expected maturity dates)	**16,918,193**	**4,353,481**	**6,431,394**	**14,720,314**	**21,413,301**	**63,836,683**

At 31 December 2011	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Liabilities liquidity						
Due to credit institutions	24,499,657	73,332	1,030	515,750	-	25,089,768
Liabilities at fair value through profit or loss	3,317	7,081	6,929	88	1,060	18,475
Due to customers	12,500,748	4,065,064	1,622,809	331,159	1,830	18,521,610
Debt securities in issue	3,869	45,861	401,166	861,682	16	1,312,595
Other borrowed funds	3,047	-	9,589	380,116	-	392,751
Hybrid capital	1,183	-	3,819	167,258	-	172,260
Other liabilities	-	-	-	-	225,572	225,572
Total liabilities (contractual maturity dates)	**37,011,821**	**4,191,337**	**2,045,341**	**2,256,053**	**228,479**	**45,733,031**
Total assets (expected maturity dates)	**8,184,636**	**2,884,843**	**7,562,376**	**13,908,295**	**16,397,858**	**48,938,008**

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.

At 31 December 2012	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Derivatives held for trading						
-Interest rate derivatives	1,412	2,332	(4,427)	3,940	13,138	16,395
Derivatives held for fair value hedging						
-Interest rate derivatives	-	23	(178)	-	-	(155)
Total	**1,412**	**2,354**	**(4,604)**	**3,940**	**13,138**	**16,240**

At 31 December 2011	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Derivatives held for trading						
-Interest rate derivatives	571	9,883	(28,814)	(49,001)	13,485	(53,877)
Derivatives held for fair value hedging						
-Interest rate derivatives	-	-	(1,750)	(8,346)	(2,722)	(12,818)
Total	**571**	**9,883**	**(30,565)**	**(57,347)**	**10,763**	**(66,695)**

Amounts in thousand euros (Unless otherwise stated)

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, b) interest rate derivatives: cross currency interest rate swaps and c) options.

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) for each type of derivative and for each maturity group are disclosed at their contractual undiscounted amounts.

At 31 December 2012	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	(2,687,159)	(1,420,456)	(103,895)	(1,454,668)	(373,011)	**(6,039,190)**
Inflow	2,682,754	1,414,610	99,691	1,423,075	371,385	**5,991,514**

At 31 December 2011	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	(6,870,340)	(309,508)	(242,839)	(840,825)	-	**(8,263,513)**
Inflow	6,861,041	307,735	242,022	801,458	-	**8,212,256**

On 31 December 2012, Piraeus Bank's total raised liquidity against acceptable collateral from the Eurosystem - European Central Bank (ECB) and the Bank of Greece (BoG) amounted to € 31.4 billion (2011: € 22 billion). The increase of the amount mainly reflects the acquisition of the "good" part of ATEbank, with a major part of assets acquired in the form of illiquid HFSF bonds (€ 6.5 billion), as well as the decreased overall liquidity within the Greek banking system. The latter was attributed to the outflow of deposits especially during the first semester of 2012, a trend that was partially reversed following the elections in June 2012 resulting in the stabilisation of deposits in Greece.

3.6 Fair values of financial assets and liabilities

A) Financial assets and liabilities not held at fair value

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 fair value.

	Carrying amounts		Fair value	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Financial assets				
Loans and advances to credit Institutions	2,620,677	3,065,200	2,620,677	3,065,200
Loans and advances to customers (net of provisions)	37,618,002	28,496,999	37,618,002	28,496,999
-Loans to individuals	13,619,462	8,159,829	13,619,462	8,159,829
-Loans to corporate entities	23,998,539	20,337,171	23,998,539	20,337,171
Debt securities - receivables	7,933,625	1,400,655	7,582,271	939,133
Reverse repos with customers	35,388	57,127	35,388	57,127
Held to maturity investment securities	-	1,198,239	-	1,322,425
Financial liabilities				
Due to credit institutions	32,515,139	25,023,614	32,515,139	25,023,614
Due to customers	31,107,800	18,334,429	31,107,800	18,334,429
Debt securities in issue	533,703	1,266,788	389,229	900,625
Hybrid capital and other borrowed funds	324,141	494,984	154,826	228,893

Amounts in thousand euros (Unless otherwise stated)

The fair value for the year 2012 of loans and advances to credit institutions, loans and advances to customers (net of provisions), repurchase agreements, due to credit institutions and due to customers which are measured at amortized cost, are not materially different from the respective carrying values since they bear mainly floating interest rates and as a result being re-priced at regular time periods.

Fair value for held to maturity items is estimated using quoted market prices. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics, or by discounting cash flows.

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.

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.

B) Financial assets and liabilities held at fair value

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources. Unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

• Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed shares and bonds on exchanges and exchanges traded derivatives like futures.
• Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes OTC derivatives and bonds. Input parameters are based on yield curves or data from reliable sources (Bloomberg, Reuters).
• Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes shares with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

The following tables present financial assets and liabilities measured at fair value, categorized in the three levels mentioned above, reconciliation of level 3 items for the year 2012 and sensitivity analysis:

	Level 1	Level 2	Level 3	Sum
Financial Assets & Liabilities measured at FV				
Financial Assets				
Derivative financial instruments - assets	-	423,395	-	**423,395**
Trading portfolio				
-Trading Bonds & Other fixed income securities	22,121	37,770	-	**59,891**
-Trading Treasury bills & Other eligible bills	21,318	-	-	**21,318**
Financial Assets at FV through PL				
-Shares & other variable income securities	7,833	-	-	**7,833**
Available for Sale Securities				
-Bonds & Other Fixed Income Securities	743,953	268,794	-	**1,012,747**
-Available for sale Treasury bills	2,535,144	336,535	-	**2,871,679**
-Shares & Other variable income securities	194,455	-	261,212	**455,666**
Financial Liabilities				
Derivative financial instruments - liabilities	390	419,456	-	**419,846**
Liabilities at fair value through profit or loss	21,953	-	-	**21,953**

Reconciliation of Level 3 items	**Shares & Other variable Income securities**
Opening Balance	338,253
Profit/ (loss) for the period	1,824
Purchases and share capital increases	120
Impairment	(69,059)
Disposals	(9,205)
Transfers	(578)
Foreign exchange differences	(142)
Total	**261,212**

Sensitivity Analysis of Level 3 measurements to alternative assumptions, reflected in:	**Favourable changes**	**Unfavourable changes**
Profit or Loss Statement		
Available for Sale Securities	-	(57,200)
Equity Statement		
Available for Sale Shares	7,200	-

Amounts in thousand euros (Unless otherwise stated)

3.7 Fiduciary activities

The Bank provides custody services to third parties for a wide range of financial instruments. These services include 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, companies and institutional investors. Those assets and income arising thereon are not included in the Bank's financial statements as they do not constitute property of the Bank. The above mentioned services give rise only to operational risk. As the Bank does not guarantee these investments, is not exposed to any credit risk relating to such assets.

3.8 Capital adequacy

Being compliant with the Greek law (3601/2007), Piraeus Bank has implemented the regulatory framework Basel II since January 2008. The aforementioned regulatory framework introduced capital requirements for operational risk as well as significant changes to the calculation of capital requirements against credit risk.

As the importance to maintain and enhance the capital base has been acknowledged for the Piraeus Bank's growth, capital adequacy is frequently monitored by the Bank's responsible department and submitted in a quarterly basis to the supervisory authority, Bank of Greece.

Bank of Greece requires from each Banking Institution to maintain a minimum level of regulatory capital related to the undertaken risks.

Capital Adequacy Ratio is specified as the regulatory capital to the total risk weighted assets and off balance sheet items. The existing legislative and regulatory capital framework defines that capital adequacy ratio should be above 8%.

The main Piraeus Bank objectives related to the capital adequacy management are the following:

- To comply with the regulatory requirements against the undertaken risks according to the regulatory framework.
- Preserve the Bank's ability to continue unhindered its operations, thus to continue providing returns and benefits to its shareholders.
- To retain a sound and stable capital base in order to support the Bank's management business plans.

The regulatory capital of the Bank, as defined by Bank of Greece is comprised of Tier I and Tier II capital.

For the calculation of regulatory capital, 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.

Tier I capital	**31 December 2012**	**31 December 2011**
Ordinary Shares	342,998	342,998
Share premium	2,953,356	2,953,356
FSF Capital advance	6,844,711	-
One off contribution Law 4093/12	(98,445)	-
Preference Shares	750,000	750,000
Available for sale reserve	60,830	(67,392)
Legal reserve and other reserves	69,442	68,995
Retained earnings	(6,910,748)	(6,106,639)
Less: intangible assets	(256,483)	(133,999)
Total regulatory adjustments on Tier I capital	(70,234)	56,584
Total Tier I capital	**3,685,426**	**(2,136,097)**
Tier II Capital		
Subordinated debt	258,085	494,984
Total regulatory adjustments on Tier II capital	(9,404)	(8,614)
Total Tier II Capital	**248,681**	**486,370**
Regulatory capital	**3,934,107**	**(1,649,727)**
Total risk weighted assets (on and off- balance sheet items)	**35,757,932**	**29,169,802**
Tier I ratio	**10.3%**	**(7.3%)**
Capital Adequacy ratio	**11.0%**	**(5.7%)**

It should be noted that the disclosure, as regulatory requirement, regarding capital adequacy and risk management information, imposed by Bank of Greece Directive 2592/20.8.2007 in relation to Pillar III, will be released at the Bank's website.

Maintaining a solid capital base is a major element of Piraeus Bank's strategy. Following the recapitalization of the Greek banking sector, capital adequacy ratios are restored and Piraeus Bank, following the recent additions of ATEbank and Geniki Bank, is in a better position to support the restoration of growth in the Greek economy.

In the context of the recapitalization process of the Greek banking system, Piraeus Bank Group's capital needs have been fully safeguarded through the Financial Stability Fund (FSF) capital support of € 7,34 bn for the participation on the capital reinforcement programme of Piraeus Bank, € 0.57 bn for ATE Bank. More specifically:

• On 28/05/2012, FSF has provided a capital advance of € 4,7 bn.

• On 21/12/2012, FSF has provided an additional advance of € 1,55 bn, and a commitment letter to provide further capital support of € 1,65 bn, of which € 0,57 bn aim to cover the capital needs of ATE Bank, as identified by Bank of Greece. From this commitment letter (€ 1,65 bn), only the amount of € 0,57 bn has been taken into account in the afore-mentioned capital adequacy table, that concerns ATEbank.

It is noted that the FSF capital advance has not been accounted for in Total Equity as at 31/12/2012.

The recapitalization of Piraeus Bank and other major Greek banks will be implemented in three phases under the Greek Act L.3864/2010 and the conditions of the Council of Ministers Act No. 38/9.11.12. The first phase that was completed at the end of 2012, involved the provision of additional capital advances to the banks, so that their Core Tier 1 capital ratio reached 9%. The second phase, relates to the issuance of contingent convertible bonds that will be covered entirely by HFSF. Finally, the third phase involves the completion of the Share Capital Increase with common shares, with any unsubscribed shares to be covered by HFSF.

4. Critical accounting estimates and judgements of the Bank

a. Impairment of Greek Government Bonds (GGBs)

The discussions and negotiations for the specification of the agreed measures on 21 July 2011 and on 26 October 2011 namely to the revised private sector involvement programme (PSI), were completed on 21 February 2012. The finalisation of the revised private sector involvement programme (PSI) was taken into account in the annual financial statements as at 31.12.2011, and so the profit or loss was charged with the additional loss that resulted, compared to the initial loss that was recognized in the interim condensed financial information for June and for September 2011.

As the Bank considered that the exchange of bonds and loans constitutes discontinuation of the existing relationship between the Bank and the debtor, the Bank proceeded in the first quarter of 2012 to the full derecognition of the old securities and loans and the recognition of the new securities received from the exchange at a value initially derived by a valuation model (mark to model), in accordance with the special rules set out in the International Financial Reporting Standards (IAS 39), whereas any differences arising from the initial classification of the new securities affected the profit or loss for the first quarter of 2012.

From the new securities received under the private sector involvement programme (PSI), the Greek Government bonds were classified in the held to maturity portfolio and the EFSF bonds were classified in the available for sale portfolio.

Within the second quarter of 2012, the Bank redetermined the fair value of the new securities received from the exchange, based on their market value (mark to market) at the dates these securities were exchanged, that is 12/3/2012, 11/4/2012 and 25/4/2012. Due to the redetermination of the fair value, an additional loss was accounted for in the first quarter of 2012 and therefore the before and after tax consolidated profit or loss for the first quarter was charged with an amount of €307 million and €246 million respectively.

The Bank, in the context of the private sector involvement programme (PSI), charged the before tax results for the years 2012 and 2011 with a total amount of approximately € 6.2 billion.

Piraeus Bank, following the December 7th 2012 decision of the Board of Directors of the Bank, participated in the buy back program of the Greek Government bonds, in order to reduce Greek Government's debt, with the total (100%) of the eligible bonds that the Bank owned, in response to the relevant invitation of the Hellenic Ministry of Finance dated 3/12/2012. In this context, bonds of nominal value €4.3 billion approximately and of a carrying value at the exchange date of €1.7 billion approximately, were exchanged with EFSF bonds, with a benefit in the after tax results and equity of €0.3 billion approximately.

The Bank does not have exposure in bonds and debt of other European countries, which face increased problems relating to the servicing of their debt.

b. Other critical accounting estimates and judgements in the application of the accounting policies

The Bank, for the preparation of the financial statements, makes accounting estimates and judgements for the future status of certain assets and liabilities that affect the presentation of those assets and liabilities in the financial statements. Accounting estimates and judgements are continually evaluated based on historical experience as well as on expectations of future events.

The most important areas where the Bank uses accounting estimates and judgements, in applying the Bank's accounting policies, are as follows:

b.1. Impairment losses on loans and other receivables

The Bank examines, at every reporting period, whether trigger for impairment exists for its loans or loan 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 income statement. The estimates, methodology and assumptions used are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

b.2. Fair value of derivative financial instruments

The fair values of derivative 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's estimates. Assumptions and estimates that affect the reported fair values of financial instruments are examined regularly.

b.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. Impairment of available for sale investments in shares and bonds exists when the decline in the fair value below cost is significant or prolonged in the case of shares or there are reasonable grounds for the issuer's inability to meet its future obligations in the case of bonds. Then, the available for sale reserve is recycled to the income statement of the period. The assessment of the decline in fair value as significant or prolonged requires judgement. Judgement is also required for the estimation of the fair value of investments that are not traded in an active market. For these investments, the fair value computation through financial models takes also into account evidence of deterioration in the financial performance of the investee, as well as industry and sector economical performance and changes in technology.

b.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 specific circumstances -for example, selling an insignificant amount close to maturity- it will be required to reclassify the entire class to the available for sale portfolio. The investments would therefore be remeasured at fair value.

b.5. Investment property

Investment property is carried at fair value, as this is estimated by an independent valuer. Fair value is based on active market prices or is adjusted, if necessary, for any difference in the nature, location and condition of the specific investment property. If this information is not available, valuation methods are used. The fair value of investment property reflects rental income from current leases as well as assumptions about future rentals, taking into consideration current market conditions.

b.6. 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 initially recorded, differences will impact the income tax and deferred tax assets/ liabilities in the period in which the tax computation is finalised.

Especially, for the recognition of deferred tax asset, Management considers the best estimates for the future evolution of the Bank´s tax profits in the visible future, in combination with the nature of the losses and their recoverability based on the Greek Tax Law in force, at the end of the closing year.

b.7. Goodwill

The acquisition method is used by the Bank to account for the acquisition of subsidiaries. The Bank, for the estimation of the fair values of identifiable assets and liabilities and contingent liabilities of the newly acquired subsidiaries, uses the method of purchase price allocation (PPA), according to the requirements of IFRS 3 “Business Combination”. For this purpose, the Bank uses estimates to determine the fair value of the acquired business´s net assets. Note 47 is relevant to the recognition of goodwill from the acquisition of selected assets and liabilities of former ATEbank S.A. in the year 2012.

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 corporate 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.).

According to IFRS 8, the identification of the business segments results from the internal reports that are regularly reviewed by the Executive Board in order to monitor each segment's performance. Significant elements are the evolution of figures and results per segment.

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

1/1-31/12/2012	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Treasury	Other business segments	Total
Net interest income	626,555	247,511	1	35,858	(239,045)	670,880
Net fee and commission income	99,460	23,177	1,673	(2,051)	14,255	136,513
Net income	731,405	272,158	1,673	309,059	168,090	1,482,385
Segment results	(1,275,395)	(73,366)	(1,228)	(62,568)	(43,753)	(1,456,310)
Results before tax						**(1,456,310)**
Income tax						651,645
Results after tax						**(804,665)**
Other segment items						
Capital expenditure	13,066	172	-	2,076	147,728	163,041
Depreciation and amortization	15,540	788	1	531	36,676	53,535
Provisions and impairments	1,408,183	291,944	-	320,695	316,824	2,337,647

1/1-31/12/2011	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Treasury	Other business segments	Total
Net interest income	551,954	216,393	4	180,851	(182,937)	766,265
Net fee and commission income	69,816	22,996	3,708	(1,857)	10,309	104,971
Net income	628,693	239,382	3,709	(8,841)	(116,766)	746,177
Segment results	(1,540,494)	(297,990)	(87)	(5,488,214)	-	(7,326,786)
Results before tax						**(7,326,786)**
Income tax						897,942
Results after tax						**(6,428,843)**
Other segment items						
Capital expenditure	22,038	166	-	1,889	59,681	83,775
Depreciation and amortization	11,763	44	1	390	28,184	40,382
Provisions and impairments	1,399,122	333,907	-	5,416,063	429,312	7,578,403
At 31 December 2012						
Segment assets	30,785,068	8,288,114	12,073	16,820,142	7,114,423	**63,019,820**
Segment liabilities	28,480,463	1,844,106	321,625	33,659,665	1,448,085	**65,753,944**
At 31 December 2011						
Segment assets	20,768,002	7,859,230	13,370	12,752,417	2,447,288	**43,840,306**
Segment liabilities	17,000,039	752,954	317,311	27,517,562	311,122	**45,898,988**

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

Amounts in thousand euros (Unless otherwise stated)

b) By Geographical segment

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.

The following table incorporates geographical concentrations of non current assets and net revenues of the Bank, as required by IFRS 8.

As at 31 December 2012	Non Current Assets	Net Revenues
Greece	1,323,353	1,387,661
United Kingdom	790	94,724
Total	**1,324,143**	**1,482,385**

As at 31 December 2011	Non Current Assets	Net Revenues
Greece	649,036	628,474
United Kingdom	862	117,703
Total	**649,898**	**746,177**

The cost of issuing debt securities, subordinated loans and hybrid capital is included in Greece's net revenues.

6 Net Interest income

Interest income	**1/1-31/12/2012**	**1/1-31/12/2011**
Interest on fixed income securities	516,678	291,726
Interest on loans and advances to customers and reverse repos	1,767,008	1,871,706
Interest on loans and advances to credit institutions	76,743	165,328
Other interest income	2,835	9,339
Total interest income	**2,363,263**	**2,338,098**
Interest expense		
Interest on customer deposits and repos	(646,791)	(674,758)
Interest on debt securities in issue and on other borrowed funds	(40,091)	(95,008)
Interest on due to credit institutions	(909,715)	(641,952)
Other interest expense	(95,786)	(160,117)
Total interest expense	**(1,692,384)**	**(1,571,833)**
Net Interest Income	**670,880**	**766,265**

“Other interest expense” for 2012 includes mainly the contribution of Law 128 (€ 89 million), whereas for 2011, apart from the aforementioned contribution (€ 86 million), it also includes interest expense of open short positions for Greek Government bonds and treasury bills, amounting to € 50 million.

7 Net fees and commission income

Fees and commission income	**1/1-31/12/2012**	**1/1-31/12/2011**
Commercial banking	147,818	119,979
Investment banking	4,719	8,800
Asset management	4,812	3,517
Total fees and commission income	**157,349**	**132,297**
Fees and commission expense		
Commercial banking	(18,961)	(23,413)
Investment banking	(270)	(749)
Asset management	(1,604)	(3,164)
Total fees and commission expense	**(20,835)**	**(27,326)**
Net fees and commission income	**136,513**	**104,971**

8 Dividend income

	1/1-31/12/2012	**1/1-31/12/2011**
Dividend from subsidiaries	3,198	2,721
Dividend from associates	2,271	2,286
Dividend from AFS securities	4,853	2,588
	10,322	**7,594**

9 Net trading income

	1/1-31/12/2012	**1/1-31/12/2011**
Gains less losses on FX	19,851	(19,416)
Gains less losses on shares and mutual funds	(5)	-
Gains less losses on derivatives	(7,160)	46,812
Gains less losses on bonds	181,379	(160,952)
	194,065	**(133,555)**

Amounts in thousand euros (Unless otherwise stated)

During 2012 “Gains less losses on bonds” includes a gain of approximately € 282 million from repurchase of Hybrid Capital (Tier 1), Subordinated Debt (Lower Tier 2) and securitized loans. In the same line, a loss of approximately € 100 million from other bonds and guarantees provided is also included.

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

	1/1-31/12/2012	1/1-31/12/2011
Gains less losses on shares	1,954	2,257
Gains less losses on other financial assets	1,349	(8,926)
	3,303	**(6,668)**

11 Results from investment securities

	1/1-31/12/2012	1/1-31/12/2011
Gains less losses on AFS - shares and mutual funds (note 43)	32,917	74
Gains less losses on AFS - bonds (note 43)	392,845	779
Gains less losses from sales of subsidiaries and associates	34,098	(2)
	459,860	**851**

Line “Gains less losses from sales of subsidiaries and associates” concerns the profit from sale of Marathon Banking Corporation during the third quarter of 2012. In addition, the gains less losses on bonds for 2012 include a gain of € 394 million from the participation of the Bank in the Greek Government Bond buyback program for the reduction of the sovereign debt.

12 Other operating income

	1/1-31/12/2012	1/1-31/12/2011
Rental income	3,758	2,721
Gains less losses from valuation of investment property	(6,112)	1,755
Other operating income from banking activities	4,365	1,469
Other operating income	5,431	775
	7,442	**6,720**

13 Staff costs

	1/1-31/12/2012	1/1-31/12/2011
Wages & salaries	(195,999)	(154,853)
Social insurance contributions	(52,362)	(36,865)
Other staff costs	(10,359)	(10,467)
Retirement benefit charges (note 40)	(15,736)	(24,745)
	(274,456)	**(226,929)**

The number of staff employed by Piraeus Bank as at 31 December 2012 was 9,661 compared to 4,678 at the end of 2011.

14 Administrative expenses

	1/1-31/12/2012	1/1-31/12/2011
Rental expense	(45,421)	(43,980)
Taxes & duties	(41,691)	(37,573)
Promotion and advertising expenses	(18,711)	(19,079)
Servicing - promotion of banking products	(27,270)	(33,750)
Fees and third parties expenses	(54,182)	(31,134)
Security & maintenance of fixed assets	(15,861)	(12,342)
Telecommunication & electricity expenses	(14,583)	(9,478)
Other administrative expenses	(53,976)	(39,854)
	(271,694)	**(227,190)**

Other administrative expenses include rental expense for equipment, contributions,insurance expenses, donations, subscriptions, travel expenses and consumables.

15 Income tax expense

	1/1-31/12/2012	1/1-31/12/2011
Current tax	(69)	(24,632)
Deferred tax (note 39)	654,213	925,929
Provisions for tax differences	(2,500)	(3,354)
	651,645	**897,942**

By virtue of law 3943/2011 (Government Gazette A’ 66/31.3.2011), the corporate income tax rate of legal entities in Greece is 20% and the withholding tax rate imposed on distributed profits of legal entities is 25%.

In accordance with the regulations of the Law 4110/23.1.2013, the income tax rate for legal entities increased (from 20% to 26%) whereas the tax rate for dividends distribution decreased (from 25% to 10%) for the years from 1/1/2013 and thereon. The Bank will assess the effect of the change of the tax rate in 2013.

Piraeus Bank has been audited by the tax authorities and all the unaudited fiscal years until 2009 have been finalized, while for the unaudited tax years a relevant provision has been raised according to International Financial Reporting Standards (IFRS).

Amounts in thousand euros (Unless otherwise stated)

For the year 2011, the tax audit of the Bank conducted by PricewaterhouseCoopers S.A. has been completed and a non qualified Tax Compliance Report has been issued. It is noted that year 2011 will be considered as final, for tax audit purposes, eighteen months after the submission of the Tax Compliance Report to the Ministry of Finance.

The deferred tax for the year 2012, is mainly due to the additional tax losses for the year, as well as to the recognition of income in the profit or loss account, arising from the additional deferred tax that related to the bonds in the context of PSI program, which had not been recognized in the financial statements as at 31/12/2011. The recognition of the deferred tax was based on the change in the tax law (extending the period in which relevant tax losses can be offset from 5 years to the duration of the new bonds) that took place in the first quarter of 2012, in combination with the best estimates of the Management for the future evolution of the Bank's tax results which were based on the restructuring plan. The Bank has recognised deferred tax for the total amount of its tax losses, based on the best estimates of the Management, according to which there will be adequate profits during the five year period to offset these losses.

Also, It shall be noted that in accordance with the regulations of the Law 4110/23.1.2013, the losses of legal entities, arising from the exchange of Greek Government bonds or corporate bonds guaranteed by the Hellenic Republic, under application of the program for participation in the restructuring of Greek debt, are deductible from gross income in 30 equal annual installments commencing from the year that exchange of securities took place.

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:

	2012	2011
Results before tax	(1,456,310)	(7,326,786)
Tax calculated (20%)	291,262	1,465,357
Income not subject to tax (corresponding tax)	56,295	8,619
Non deductible expenses, impairment, (corresponding tax) and provisions for unaudited fiscal years	(102,253)	(132,710)
Impact on deferred tax from the future legally approved change of tax rate	-	(23,126)
Deferred tax on Impairment of securities	-	12,508
Effect of deferred tax that is estimated not to be offset	(12,918)	(432,706)
Effect of change in tax law for previous year's PSI losses	419,259	-
Income Tax	**651,645**	**897,943**

Audit Tax certificate

From the 2011 financial year and onwards, all Greek Societe Anonyme and Limited Liability Companies that are required to prepare audited statutory financial statements must in addition obtain an "Annual Tax Certificate" as provided for by paragraph 5 of Article 82 of L.2238/1994. This "Annual Tax Certificate" must be issued by the same statutory auditor or audit firm that issues the audit opinion on the statutory financial statements. Upon completion of the tax audit, the statutory auditor or audit firm must issue to the entity a "Tax Compliance Report" which will subsequently be submitted electronically to the Ministry of Finance, by the statutory auditor or audit firm. This "Tax Compliance Report" must be submitted to the Ministry of Finance, within ten days of the date of approval of the financial statements by the General Meeting of Shareholders. The Ministry of Finance will subsequently select a sample of at least 9% of all companies for which a "Tax Compliance Report" has been submitted for the performance of a tax audit by the relevant auditors from the Ministry of Finance. The audit by the Ministry of Finance must be completed within a period of eighteen months from the date when the "Tax Compliance Report" was submitted to the Ministry of Finance.

Unaudited tax years

Piraeus Bank S.A. has not been audited by tax authorities for the fiscal years ended in 2010 and 2011.

For the fiscal year of 2012, the tax audit is being performed by PricewaterhouseCoopers S.A. The Company's management does not expect that additional tax liabilities will arise, in excess of those already recorded and presented in the financial statements, upon the completion of the tax audit.

For the unaudited years , there might be a possibility to arise additional taxes and charges at the time they will be audited and closed.

When considered appropriate, a provision is booked to cover possible additional taxes, based on the findings of the tax audits of prior years.

16 Earnings/ (Losses) per share

Basic earnings/ (losses) per share is calculated by dividing the profit/ (loss) after tax attributable to ordinary shareholders for the year by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares. There is no potential dilution on basic earnings/ (losses) per share.

	1/1-31/12/2012	1/1-31/12/2011
Basic and Diluted earnings/ (losses) per share		
Profit/ (loss) attributable to ordinary shareholders	(804,665)	(6,428,843)
Weighted average number of ordinary shares in issue	1,143,326,564	1,087,089,199
Basic and Diluted earnings/ (losses) per share (in euros)	(0.7038)	(5.9138)

17 Analysis of other comprehensive income

1/1 - 31/12/2012	Before- Tax amount	Tax	Net-of-Tax amount
Net change in available for sale reserve (note 43)	160,125	(31,904)	128,222
Other comprehensive income	**160,125**	**(31,904)**	**128,222**

1/1 - 31/12/2011	Before- Tax amount	Tax	Net-of-Tax amount
Net change in available for sale reserve (note 43)	349,587	(76,820)	272,767
Other comprehensive income	**349,587**	**(76,820)**	**272,767**

Amounts in thousand euros (Unless otherwise stated)

18 Cash and balances with the Central Bank

	31 December 2012	31 December 2011
Cash in hand	534,799	194,805
Nostros and sight accounts with other banks	113,732	557,998
Balances with Central Bank	555,879	642,836
Cheques clearing system - Central Bank	100,625	150,522
Included in cash and cash equivalents less than 90 days (note 45)	**1,305,035**	**1,546,162**
Blocked deposits	769,779	-
Mandatory reserves with Central Bank	16,592	26,687
	2,091,406	**1,572,849**

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

19 Loans and advances to credit institutions

	31 December 2012	31 December 2011
Placements with banks	78,685	200,218
Cheques receivable	833	-
Reverse repurchase agreements	-	94,891
Included in cash and cash equivalents less than 90 days (note 45)	**79,518**	**295,109**
Placements with banks over 90 days	2,541,160	2,770,091
Total loans and advances to credit institutions	**2,620,677**	**3,065,200**
Current loans and advances to credit institutions (up to 1 year)	664,982	1,558,926
Non current loans and advances to credit institutions (more than 1 year)	1,955,695	1,506,275
	2,620,677	**3,065,200**

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

20 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 or/ and currency or/and shares.

The notional amounts and the fair values of derivative instruments held as at year end are set out below:

	Contract/ Notional Amount	Fair values	
At 31 December 2012		**Assets**	**Liabilities**
Derivatives held for trading			
Futures	1,132,300	-	-
Interest rate swaps	4,677,211	423,027	416,995
Currency swaps	3,000,534	-	-
FX forwards	117,617	-	2,418
Options and other derivative instruments	4,128	295	-
Cross Currency Interest Rate Swaps	1,744,331	-	-
		423,323	**419,413**
Embedded equity derivatives			
Customer deposits/ loans linked to options	34,861	72	43
Derivatives held for fair value hedging			
Interest rate swaps	5,684	-	390
Total recognised derivative assets/ liabilities		**423,395**	**419,846**

	Contract/ Notional Amount	Fair values	
At 31 December 2011		**Assets**	**Liabilities**
Derivatives held for trading			
Futures	20,000	-	-
Asset swaps	10,915	266	3,438
Interest rate swaps	6,513,552	339,534	364,997
Currency swaps	7,258,606	-	-
FX forwards	40,487	2	-
Options and other derivative instruments	2,417,995	35,226	5
		375,028	**368,440**
Embedded equity derivatives			
Customer deposits/ loans linked to options	29,868	41	15
Derivatives held for fair value hedging			
Interest rate swaps	102,676	-	12,866
Total recognised derivative assets/ liabilities		**375,069**	**381,321**

Amounts in thousand euros (Unless otherwise stated)

Interest rate swaps held for trading purposes mainly include interest rate swaps with customers and their opposite contracts with other banks in order to reduce the Bank's exposure (back to back contracts).

Piraeus Bank undertakes most of its transactions in foreign exchange and interest rate contracts with other financial institutions. Especially for the interest rate swaps, almost 52.95% of the transactions are conducted with other financial institutions (notional amount). The top four counterparties account for 77.5% of the total outstanding notional amount of interest rate swaps. The remaining 22.5% 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 16.2%.

The Bank uses derivatives for hedging purposes in order to reduce its exposure to market risk. This is achieved by hedging specific financial instruments or portfolios. The hedging practices and accounting treatment are disclosed in note 2.3.

The Bank hedges part of its interest rate risk, which results from potential decrease in the fair value of fixed rate bonds included in the "Debt securities - receivables" portfolio. Hedging is achieved by using interest rate swaps.

The net fair value of these interest rate swaps as at 31/12/2012 was € 0.4 million liability (2011: € 12.9 million liability). The losses on the hedging instruments were € 0.6 million (2011: € 0.7 million loss). The gains on the hedged item attributable to the hedged risk were € 0.6 million (2011: € 0.7 million gain).

21 Financial assets at fair value through profit or loss

	31 December 2012	31 December 2011
Trading securities		
Greek government treasury bills	4,459	-
Foreign government bonds	549	-
Included in cash and cash equivalents less than 90 days (note 45)	**5,008**	**0**
Greek Government bonds	5,416	107,367
Greek Government treasury bills	16,859	8,144
Foreign Government bonds	53,775	-
Corporate entities bonds	95	9,538
Bank Bonds	56	56
	76,202	**125,106**
Total trading securities	**81,209**	**125,106**
Other financial assets at fair value through profit or loss	**7,833**	**9,922**

From the above mentioned bonds of trading securities as at 31/12/2012, amount of € 17.6 million relates to fixed income securities (2011: € 80.2 million), amount of € 4.5 million relates to floating rate securities (2011: € 12.0 million) and amount of € 59.1 million relates to zero - coupon bonds (2011: € 32.9 million).

The change in the value of Greek Government Bonds is due to the completion of the revised private sector involvement program (PSI), for which reference is made in note 4.

Securities pledged are presented in note 41.

22 Reverse repos with customers

	31 December 2012	31 December 2011
Reverse Repos with customers - individuals	1,303	29,828
Reverse Repos with customers - corporate entities	34,084	27,299
Total reverse repos with customers	**35,388**	**57,127**

The Bank enters into agreements for the resale of securities (reverse repos), either with retail clients or corporate entities, collateralised mainly with securities issued by the Greek State.

Amounts in thousand euros (Unless otherwise stated)

23 Loans and advances to customers and debt securities - receivables

A. Loans and advances to customers

	31 December 2012	31 December 2011
Mortgages	11,056,661	6,112,571
Consumer, personal and other loans	2,435,077	1,885,027
Credit cards	871,368	700,279
Loans to individuals	**14,363,106**	**8,697,877**
Loans to corporate entities	**26,126,322**	**22,198,112**
Total loans and advances to customers	**40,489,428**	**30,895,990**
Less: Allowance for impairment on loans and advances to customers	(2,871,426)	(2,398,990)
Total loans and advances to customers (less allowances for losses)	**37,618,002**	**28,496,999**

	31 December 2012	31 December 2011
Current loans and advances to customers (up to 1 year)	20,161,250	12,127,199
Non current loans and advances to customers (more than 1 year)	17,456,752	16,369,800
Total	**37,618,002**	**28,496,999**

Out of total loans and advances to customers (before allowances for losses) fixed rate loans amount to € 3,642 million (2011: € 806 million) and floating rate loans amount to € 36,848 million (2011: € 30,090 million).

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

	Mortgages	Consumer/ personal and other retail loans	Cards	Total Loans to individuals	Loans to corporate entities/ Public sector	Total
Balance at 1 January 2011	**55,613**	**234,810**	**143,136**	**433,559**	**442,605**	**876,164**
Charge for the year	35,119	118,691	22,306	176,115	1,638,323	1,814,438
Loans written-off	-	(46,712)	(24,911)	(71,624)	(227,135)	(298,759)
Foreign exchange differences	-	-	-	-	7,146	7,146
Balance at 31 December 2011	**90,732**	**306,788**	**140,531**	**538,051**	**1,860,939**	**2,398,990**
Balance at 1 January 2012	**90,732**	**306,788**	**140,531**	**538,051**	**1,860,939**	**2,398,990**
Charge for the year	62,213	139,893	39,513	241,620	1,442,089	1,683,709
Loans written-off	(8,190)	(16,046)	(11,790)	(36,025)	(1,161,811)	(1,197,836)
Foreign exchange differences	-	-	-	-	(3,102)	(3,102)
Other movements	-	-	-	-	(10,335)	(10,335)
Balance at 31 December 2012	**144,756**	**430,636**	**168,254**	**743,645**	**2,127,780**	**2,871,426**

“Other Movements” include: a) a transfer of an amount of € 10.6 million from “Other provisions”, b) a transfer of an impairment of € 4 million to “property, plant and equipment” and c) a transfer of € 17 million to “other assets”. It is noted that the respective receivables accounts are included in the aforementioned lines.

‘Impairment losses on loans, debt securities and other receivables’ in the Income Statement for the period 1/1 - 31/12/2012 includes an amount of € 13.8 million that relates to impairment losses on other receivables, an amount of € 16.8 million that relates to loans written-off directly in the income statement and an amount of € 14.2 million that relates to income from repossesion of corporate loans collaterals.

	31 December 2012	31 December 2011
Allowance for losses on loans and advances to customers		
Individually impaired	1,995,228	1,752,543
Collective allowance	876,198	646,447
Total	**2,871,426**	**2,398,990**

B. Debt securities - receivables

	31 December 2012	31 December 2011
Corporate entities debt securities - receivables	4,740	4,834
Bank debt securities - receivables	23,846	23,178
Greek Government bonds debt securities - receivables	1,415,002	3,007,817
Foreign Government Bonds	6,513,882	-
Total debt securities - receivables	**7,957,470**	**3,035,829**
Less: Allowance for impairment on debt securities - receivables	(23,846)	(1,635,174)
Total debt securities - receivables (less allowances for losses)	**7,933,625**	**1,400,655**
Current debt securities - receivables (up to 1 year)	-	47,077
Non current debt securities - receivables (more than 1 year)	7,933,625	1,353,578
Total	**7,933,625**	**1,400,655**

Amounts in thousand euros (Unless otherwise stated)

The change in the value of Greek Government Bonds is mainly due to the completion of the revised private sector involvement program (PSI), for which reference is made in note 4, and due to acquisition of Greek Government Bonds under the transfer agreement of selected assets and liabilities of ex ATEbank.

Debt securities - receivables as at 31/12/2012 include Greek Government Bonds of nominal value € 1,457 million, which were issued according to the requirements of Law 3723/2008 "Enhancement of the Greek economy's liquidity". From these, debt securities with nominal value of € 782 million were transferred to Piraeus Bank in order to cover the issuance of Piraeus Bank's preference shares to the Greek State of amount € 370 million in 2009 and € 380 million in 2011. Additionally, debt securities with nominal value of € 675 million were acquired by Piraeus Bank under the transfer agreement of selected assets and liabilities of ex ATEbank. The book value of the above mentioned debt securities, which were excluded from the PSI, amounts to € 1,415 million as at 31/12/2012 and was based on recent estimates of the fair value, by independent specialized auditors.

Foreign Government Bonds refer to EFSF Bonds which the Bank received under the transfer agreement of selected assets and liabilities of ex ATEbank.

Movement in allowance (impairment) for debt securities - receivables:

	Debt securities - receivables
Balance at 1 January 2011	**0**
Charge for the year	1,635,174
Balance at 31 December 2011	**1,635,174**
Balance at 1 January 2012	**1,635,174**
Charge for the year	13,846
Exchange of debt securities	(1,625,174)
Balance at 31 December 2012	**23,846**

24 Investment securities

Available for sale securities	31 December 2012	31 December 2011
Bonds and other fixed income securities		
Greek Government bonds	70,544	154,756
Foreign Government bonds and EFSF bonds	512,914	15,093
Greek Government treasury bills	2,871,679	1,909,471
Corporate bonds	334,249	30,693
Bank bonds	95,040	9,398
	3,884,426	**2,119,411**
Shares and other variable income securities		
Listed shares	150,201	32,085
Unlisted shares	226,170	144,862
Mutual funds	50,368	85,193
Other Variable Income Securities	28,928	-
	455,666	**262,140**
Total available for sale securities	**4,340,092**	**2,381,550**

As at 31/12/2012, amount of € 574.2 million relates to investment portfolio bonds with fixed rates (2011: € 187.4 million) , amount of € 412.7 million relates to floating rate bonds (2011: € 22.5 million) and amount of € 2,897.5 million relates to zero coupon bonds (2011:€ 1,909.5).

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

	31 December 2012	31 December 2011
Opening balance	**2,381,550**	**1,764,783**
Balance of ATEbank at acquitition date	1,133,380	-
Additions	9,261,349	4,900,532
Disposals	(10,064,244)	(3,858,254)
Transfer from associates (note 26)	32	-
Changes in fair value	576,771	(359,824)
Impairment of available for sale portfolio	(69,445)	(56,540)
Foreign exchange differences	229	(2,017)
Transfers to associates (note 26)	(578)	(7,130)
Derecognition of Greek Government bonds due to PSI and repurchase program	(153,688)	-
Recognition of Greek Government bonds due to PSI and repurchase program	1,274,735	-
Closing balance	**4,340,091**	**2,381,550**

Amounts in thousand euros (Unless otherwise stated)

	31 December 2012	31 December 2011
Held to maturity		
Greek Government bonds	-	1,198,239
Total held to maturity	**0**	**1,198,239**

The change in the value of Greek Government Bonds is mainly due to the completion of the revised private sector involvement program (PSI), for which reference is made in note 4, and due to acquisition of Greek Government Bonds under the transfer agreement of selected assets and liabilities of ex ATEbank. Furthermore, the increase in shares and bank bonds is due to the acquisition of shares and bank bonds of former ATEbank .

Movement of the held to maturity securities	31 December 2012	31 December 2011
Opening balance	1,198,239	4,954,598
Additions	116,011	11,087
Impairment of Greek Government bonds	(306,850)	(3,261,866)
Sale of securities	(1,007,401)	(505,580)
Closing balance	**0**	**1,198,239**

During 2012, “Sale of securities” relates to the sale of GGBs in the context of Piraeus Bank’s participation in the buyback program in order to reduce Greek Government’s debt. This event is an isolated event that could not have been anticipated when securities were acquired and initially classified, beyond the Bank’s control and non – recurring, altering the Bank’s strategy and sold these bonds. Therefore, these sales meet IAS 39 rules and there is no need to apply the tainting provisions.

	31 December 2012	31 December 2011
Current investment securities (up to 1 year)	3,129,444	1,976,725
Non current investment securities (more than 1 year)	754,982	1,340,925
Total	**3,884,426**	**3,317,650**

25 Reclassification of financial assets

The Investment portfolio as at 31/12/2012 includes shares and mutual funds, which have been reclassified during the financial year 2008 from the “Trading securities” portfolio. Specifically, the “Available for sale securities” portfolio as at 31/12/2012 includes shares and mutual funds with fair value of € 5.9 million. The revaluation profit of € 0.2 million for 2012 has been recognized in the “Available for Sale reserve”. In the Income Statement of the year, there have been recognized a profit of € 3.7 million from the sale of reclassified shares and an impairment loss of € 2.5 million of the above mentioned shares. Also, during the year, reclassified bonds with nominal value of € 23.2 million were sold from the “Available for Sale securities” portfolio. A loss of € 10.9 million from the sale of reclassified bonds has been recognized in the Income Statement of the year.

“Debt securities – receivables” portfolio as at 31/12/2012 includes bonds with fair value of € 3.1 million (amortized cost of € 4.7 million) which have been reclassified from the “Available for sale securities” portfolio during the financial years 2008 and 2010. “Loans and advances to credit institutions” portfolio includes bank bonds with fair value of € 5.9 million (amortized cost € 5.7 million), which have been reclassified from the “Available for sale securities” portfolio during the financial year 2008. If these bonds had not been reclassified, a revaluation loss of € 0.6 million would have been recognized in the “Available for sale reserve” of 31/12/2012. No gains or losses from the sale of reclassified bonds have been recognized in the Income Statement of the year 2012.

During the year, all reclassified Greek Government bonds were derecognized under the revised Private Sector Involvement program (PSI).

26 Investments in subsidiaries and associate companies

The investments of Piraeus Bank in subsidiaries and associates are:

A) Subsidiaries companies

a/a	Name of Company	Activity	% holding	Country
1.	Tirana Bank I.B.C. S.A.	Banking activities	98.48%	Albania
2.	Piraeus Bank Romania S.A.	Banking activities	100.00%	Romania
3.	Piraeus Bank Beograd A.D.	Banking activities	100.00%	Serbia
4.	Piraeus Bank Bulgaria A.D.	Banking activities	99.98%	Bulgaria
5.	Piraeus Bank Egypt S.A.E.	Banking activities	98.30%	Egypt
6.	JSC Piraeus Bank ICB	Banking activities	99.99%	Ukraine
7.	Piraeus Bank Cyprus LTD	Banking activities	100.00%	Cyprus
8.	Geniki Bank S.A.	Banking activities	99.08%	Greece
9.	Piraeus Asset Management Europe S.A.	Mutual funds management	99.94%	Luxemburg
10.	Piraeus Leases S.A.	Finance leases	100.00%	Greece

Amounts in thousand euros (Unless otherwise stated)

a/a	Name of Company	Activity	% holding	Country
11.	Piraeus Leasing Romania S.R.L.	Finance leases	99.85%	Romania
12.	Piraeus Insurance and Reinsurance Brokerage S.A.	Insurance and reinsurance brokerage	100.00%	Greece
13.	Tirana Leasing S.A.	Finance leases	100.00%	Albania
14.	Piraeus Securities S.A.	Stock exchange operations	100.00%	Greece
15.	Piraeus Group Capital LTD	Debt securities issue	100.00%	United Kingdom
16.	Piraeus Leasing Bulgaria EAD	Finance leases	94.83%	Bulgaria
17.	Piraeus Group Finance P.L.C.	Debt securities issue	100.00%	United Kingdom
18.	Multicollection S.A.	Assessment and collection of commercial debts	51.00%	Greece
19.	Piraeus Factoring S.A.	Corporate factoring	100.00%	Greece
20.	Picar S.A.	City Link areas management	100.00%	Greece
21.	Bulfina S.A.	Property management	100.00%	Bulgaria
22.	General Construction and Development Co. S.A.	Property development/ holding company	66.67%	Greece
23.	Piraeus Direct Services S.A.	Call center services	100.00%	Greece
24.	Komotini Real Estate Development S.A.	Property management	100.00%	Greece
25.	Piraeus Real Estate S.A.	Construction company	100.00%	Greece
26.	ND Development S.A.	Property management	100.00%	Greece
27.	Property Horizon S.A.	Property management	100.00%	Greece
28.	ETVA Industrial Parks S.A.	Development/ management of industrial areas	65.00%	Greece
29.	Piraeus Development S.A.	Property management	100.00%	Greece
30.	Piraeus Asset Management S.A.	Mutual funds management	100.00%	Greece
31.	Estia Mortgage Finance PLC	SPE for securitization of mortgage loans	-	United Kingdom
32.	Euroinvestment & Finance Public LTD	Asset management, real estate operations	90.85%	Cyprus
33.	Lakkos Mikelli Real Estate LTD	Property management	40.00%	Cyprus
34.	Philoktimatiki Public LTD	Land and property development	6.39%	Cyprus
35.	New Evolution S.A.	Property, tourism & development company	100.00%	Greece
36.	Piraeus Green Investments S.A.	Holding company	100.00%	Greece
37.	Capital Investments & Finance S.A.	Investment company	100.00%	Liberia
38.	Vitria Investments S.A.	Investment company	100.00%	Panama
39.	Trieris Real Estate Management LTD	Management of Trieris Real Estate Ltd	100.00%	British Virgin Islands
40.	Piraeus Insurance - Reinsurance Broker Romania S.R.L.	Insurance and reinsurance Brokerage	95.00%	Romania
41.	Olympic Commercial & Tourist Enterprises S.A.	Operating leases - rent-a-car and long term rental of vehicles	94.98%	Greece
42.	Piraeus Rent Doo Beograd	Operating leases	100.00%	Serbia
43.	Estia Mortgage Finance II PLC	SPE for securitization of mortgage loans	-	United Kingdom
44.	Piraeus Leasing Doo Beograd	Financial leasing	51.00%	Serbia
45.	Piraeus Capital Management S.A.	Venture Capital Fund	100.00%	Greece
46.	New Up Dating Development Real Estate and Tourism S.A.	Property, tourism & development company	5.67%	Greece
47.	Axia Finance PLC	SPE for securitization of corporate loans	-	United Kingdom
48.	Piraeus Wealth Management A.E.P.E.Y.	Wealth management	65.00%	Greece
49.	Praxis Finance PLC	SPE for securitization of consumer loans	-	United Kingdom
50.	Piraeus Insurance Agency S.A.	Insurance agency	95.00%	Greece
51.	Axia Finance III PLC	SPE for securitization of corporate loans	-	United Kingdom
52.	Praxis II Finance PLC	SPE for securitization of consumer loans	-	United Kingdom
53.	Axia III APC LTD	SPE for securitization of corporate loans	-	United Kingdom
54.	Praxis II APC LTD	SPE for securitization of consumer loans	-	United Kingdom
55.	R.E. Anodus LTD	Consultancy serv. for real estate develop. and inv.	100.00%	Cyprus
56.	Piraeus Equity Partners Ltd.	Holding company	100.00%	Cyprus
57.	Achaia Clauss Estate S.A.	Property management	74.47%	Greece
58.	Kosmopolis A' A.E. Εκμ/σης εμπ. κέντρων - παροχής υπηρεσιών	Shopping Center's Management	100.00%	Greece
59.	Pleiades Estate S.A.	Property management	13.51%	Greece
60.	Exus Software Ltd.	IT products Retailer	50.10%	United Kingdom
61.	Piraeus Real Estate Egypt LLC	Property management	99.90%	Egypt
62.	ATE Bank Romania S.A.	Banking activities	93.27%	Romania
63.	ABG Mutual Funds Management Company S.A.	Mutual funds management	100.00%	Greece
64.	ATE Insurance S.A.	Insurance	100.00%	Greece

Companies numbered 31, 43, 47, 49 and 51-54 are special purpose vehicles for securitization of loans and issuance of debt securities. Companies numbered 33, 34, 46, and 59, which are consolidated with ownership percentage of less than 50% are included in the Bank's subsidiaries portfolio due to the existence of control.

In addition, the companies numbered 18 and 37-38 are under liquidation as at 31/12/2012.

Amounts in thousand euros (Unless otherwise stated)

B) Associate companies

a/a	Name of Company	Activity	% holding	Country
1.	Crete Scient. &Tech. Park Manag. & Dev. Co. S.A.	Scientific and technology park management	30.45%	Greece
2.	"Evros" Development Company S.A.	European community programs management	30.00%	Greece
3.	Project on Line S.A.	Information technology & software	40.00%	Greece
4.	APE Commercial Property Real Estate Tourist & Development S.A.	Holding Company	27.80%	Greece
5.	APE Fixed Assets Real Estate Tourist & Development S.A.	Real estate, development/ tourist services	27.80%	Greece
6.	Trieris Real Estate LTD	Property Management	22.94%	British Virgin Islands
7.	European Reliance Gen. Insurance Co. S.A.	General and life insurance and reinsurance	30.23%	Greece
8.	Trastor Real Estate Investment Company	Real estate investment property	33.80%	Greece
9.	APE Investment Property S.A.	Real estate, development/ tourist services	27.20%	Greece
10.	Sciens International Investments & Holding S.A.	Holding Company	28.10%	Greece
11.	Euroterra S.A.	Property Management	39.22%	Greece
12.	Rebikat S.A.	Property Management	40.00%	Greece
13.	Abies S.A.	Property Management	40.00%	Greece
14.	ACT SERVICES S.A.	Accounting and tax consulting	49.00%	Greece
15.	Exodus S.A.	Information technology & software	50.10%	Greece
16.	Piraeus - TANEO Capital Fund	Venture capital fund	50.01%	Greece
17.	AIK Banka	Banking activities	20.86%	Serbia
18.	Teiresias S.A.	Inter banking company. Development, operation and management of information systems	21.05%	Greece
19.	Pyrrichos S.A.	Property management	34.65%	Greece

The company numbered 15 is included in the associate companies' portfolio, as Piraeus Bank S.A. owns 40.10% of the voting rights. The company numbered 16 is included in the associate companies’ portfolio, due to the fact that Piraeus Bank exercises significant influence on the investment committee of the fund, which takes the investment decisions.

The movement for investments in subsidiaries is analysed as follows:

	31 December 2012	31 December 2011
Opening Balance	1,909,309	2,088,501
Balance of former ATEbank at acquitition date	8,208	-
Additions	1,115	4,196
Participation in share capital increases of subsidiaries	52,790	94,132
Disposals	-	(144)
Impairment charge	(178,987)	(106,235)
Transfers from held for sale portfolio (note 30)	199,356	2,440
Transfers to held for sale portfolio (note 30)	(67,849)	(172,992)
Foreign exchange differences	(96)	(588)
Absorption of Piraeus Cards S.A.	(2,258)	-
Closing balance	**1,921,587**	**1,909,309**

On 28/9/2012, Piraeus Bank S.A. absorbed its 100% subsidiary, Piraeus Cards S.A.

The movement of investments in associates is analysed as follows:

	31 December 2012	31 December 2011
Opening Balance	228,418	179,968
Balance of ATEbank at acquitition date	69,606	-
Participation in share capital increases of associates	1,118	32,946
Additions	-	8,474
Impairment charge	(59,448)	(100)
Transfers to available for sale portfolio (note 24)	(32)	-
Transfers from available for sale portfolio (note 24)	578	7,130
Closing balance	**240,239**	**228,418**

Amounts in thousand euros (Unless otherwise stated)

27 Intangible assets

2011	Software	Other intangible	Total
Cost			
Opening balance as at 1 January 2011	179,051	7,179	186,230
Additions	19,821	-	19,821
Transfers	17,711	16,859	34,570
Cost as at 31 December 2011	**216,583**	**24,038**	**240,620**
Accumulated depreciation			
Opening balance as at 1 January 2011	(82,799)	(3,163)	(85,962)
Charge for the year	(18,236)	(2,424)	(20,660)
Accumulated depreciation at 31 December 2011	**(101,035)**	**(5,587)**	**(106,622)**
Net book value as at 31 December 2011	**115,549**	**18,452**	**133,999**

2012	Goddwill	Software	Other intangible	Total
Cost				
Opening balance as at 1 January 2012	-	216,583	24,038	240,620
Balance of former ATEbank at acquitition date	-	3,570	-	3,570
Balance of absorbed company	-	790	-	790
Additions	95,000	27,602	427	123,030
Write-Offs	-	(1,032)	-	(1,032)
Transfers	-	20,631	936	21,567
Cost as at 31 December 2012	**95,000**	**268,144**	**25,401**	**388,545**
Accumulated depreciation				
Opening balance as at 1 January 2012	-	(101,035)	(5,587)	(106,622)
Balance of absorbed company	-	(459)	-	(459)
Charge for the year	-	(22,917)	(3,030)	(25,947)
Write-Offs	-	966	-	966
Accumulated depreciation at 31 December 2012	-	(123,444)	(8,617)	(132,062)
Net book value as at 31 December 2012	**95,000**	**144,699**	**16,784**	**256,483**

During 2012, the Bank made transfers of an amount of € 21.6 million from “assets under construction” to intangible assets due to commencement of operational use.

Concerning the goodwill related to the acquisition of assets and liabilities of former ATEbank S.A. reference is made in note 47.

28 Property, plant and equipment

2011	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
Cost						
Opening balance as at 1 January 2011	85,312	224,754	71,775	6,912	203,872	592,626
Additions	8,716	6,560	29,673	115	4,674	49,737
Transfers	(1,726)	-	(34,739)	-	15	(36,450)
Disposals	(39)	(103)	-	(22)	(86)	(250)
Write - offs/ impairment	-	(551)	(973)	(44)	(9,296)	(10,864)
Cost as at 31 December 2011	**92,263**	**230,660**	**65,737**	**6,961**	**199,179**	**594,800**
Accumulated depreciation						
Opening balance as at 1 January 2011	(9,966)	(176,215)	-	(5,848)	(79,448)	(271,477)
Charge for the year	(993)	(10,150)	-	(128)	(8,450)	(19,721)
Transfers	523	-	-	-	2	524
Disposals	-	101	-	20	27	148
Write - offs/ impairment	-	548	-	44	9,268	9,860
Accumulated depreciation as at 31 December 2011	**(10,437)**	**(185,716)**	**0**	**(5,913)**	**(78,601)**	**(280,667)**
Net book value as at 31 December 2011	**81,826**	**44,943**	**65,737**	**1,049**	**120,578**	**314,133**

Amounts in thousand euros (Unless otherwise stated)

2012	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
Cost						
Opening balance as at 1 January 2012	92,263	230,660	65,737	6,961	199,179	594,800
Balance of ATEbank at acquitition date	305,838	18,753	-	253	10,700	335,544
Balance of absorbed company	-	224	-	714	-	938
Impairment	(895)	-	-	-	-	(895)
Additions	909	2,977	27,620	130	1,467	33,104
Transfers	4,215	50	(21,753)	-	287	(17,201)
Disposals	(682)	(15)	-	(60)	-	(757)
Write - offs	-	(4,980)	(4,135)	(44)	(12,586)	(21,746)
Cost as at 31 December 2012	**401,648**	**247,670**	**67,469**	**7,954**	**199,046**	**923,787**
Accumulated depreciation						
Opening balance as at 1 January 2012	(10,437)	(185,716)	-	(5,913)	(78,601)	(280,667)
Balance of absorbed company	-	(180)	-	(564)	-	(745)
Charge for the year	(2,599)	(12,002)	-	(191)	(12,795)	(27,588)
Transfers	(524)	-	-	-	-	(524)
Disposals	-	14	-	60	-	74
Write - offs	-	4,822	-	43	12,586	17,451
Accumulated depreciation as at 31 December 2012	**(13,561)**	**(193,063)**	**0**	**(6,565)**	**(78,809)**	**(291,999)**
Net book value as at 31 December 2012	**388,087**	**54,606**	**67,469**	**1,389**	**120,237**	**631,788**

During 2012, the Bank made a) transfers from “investment property” of € 3.9 million, due to commencement of owner-occupation and b) transfers to “intangible assets” of € 21.6 million due to commencement of operational use.

29 Investment property

	31 December 2012	31 December 2011
Opening balance	201,767	188,010
Balance of ATEbank at acquitition date	231,357	-
Additions	6,907	14,217
Revaluation	(6,112)	2,286
Transfers	1,958	(1,744)
Disposals	(6)	(1,002)
Closing balance	**435,871**	**201,767**

During 2012, the Bank made transfers a) of €1.8 million to “inventories property” due to termination of lease b) of € 3.9 million to owner occupied “land and buildings” , c) of € 9.6 million from “inventories property”, due to lease of the property and d) of € 1.9 million to “other assets”.

30 Assets held for sale

	31 December 2012	31 December 2011
Opening balance	172,992	1,326
Additions	26,645	1,114
Transfers to subsidiaries (note 26)	(199,356)	(2,440)
Transfers from subsidiaries (note 26)	67,849	172,992
Disposals	(68,131)	-
Closing balance	**0**	**172,992**

During 2012, Piraeus Bank Egypt has been transferred from “Assets held for sale” to Investments in Subsidiaries as the classification criteria of IFRS 5 are no longer met. During the 2nd quarter of 2012, Marathon Banking Corporation has been transferred from Investments in Subsidiaries to “Assets held for sale” as the classification criteria of IFRS 5 were met. During the 3rd quarter of 2012, the disposal of Marathon Banking Corporation was finalized. The consideration for this disposal amounted to € 102.2 million.

Amounts in thousand euros (Unless otherwise stated)

31 Other assets

	31 December 2012	31 December 2011
Inventory property	150,799	128,998
	150,799	**128,998**
Prepaid expenses and accrued income	201,344	79,390
Prepaid taxes and taxes withheld	63,541	119,326
Claims from tax authorities and the Greek State	449,684	159,476
Dividends receivable	1,004	2,104
Credit cards	127,713	53,618
Receivables from subsidiaries	373,675	288,849
Receivables from the Hellenic Financial Stability Fund	794,825	-
Other items	464,893	232,753
Other receivables	**2,476,681**	**935,517**
Other assets	**2,627,479**	**1,064,515**

In 2012, the Bank made transfers from/to “Inventories- property" an amount of € 7.7 million.

According to L.4093/12.11.2012, credit institutions that participate in the recapitalization program according to the terms of L.3723/2008, are required to pay to the HFSF an once off total amount of € 555.6 million, of which approximately € 133 million relate to Piraeus Bank’s portion. This amount has already been paid and did not affect the result for the year. It has been included in line “Prepaid expenses and accrued income” in order to be netted against the impending capital increase.

Line “Other items” primarily includes balances of various accounts that relate to daily activitιes of the Bank and the movement in the balance is mainly due to the acquisition of relevant items from former ATEbank S.A. in the context of the transfer agreement of selected assets and liabilities. The participation of the Bank in the Hellenic Deposit & Investment Guarantee Fund (H.D.I.G.F.) is also included in the specific line.Additionally they include an amount of € 219 million that relates to the participation of the Bank in the Hellenic Deposit & Investment Guarantee Fund (H.D.I.G.F.) after the deduction of the term deposits that H.D.I.G.F. maintains in the Bank.

The Bank has timely filed a recourse for the years 2008 and 2009 before the competent administrative courts, the arguments of which are adequately strong and legitimate (taking also into consideration the relevant opinion of the Legal Advisor), against the negative view of the Greek Tax Authorities for the utilization of or the return of credit balances (€ 28.4 million and € 52.6 million respectively) which arose from specially taxed income (interest on bonds etc) issued domestically or abroad.

The receivable from the Hellenic Financial Stability Fund regards the difference between the value of the transferred assets of former ATEbank and the already paid amount of six billion six hundred seventy five million eight hundred and ninety thousand euros (€ 6,675,890,000).

	31 December 2012	31 December 2011
Current other assets (up to 1 year)	1,964,204	382,998
Non current other assets (more than 1 year)	663,275	681,517
Total	**2,627,479**	**1,064,515**

32 Due to credit institutions

	31 December 2012	31 December 2011
Due to the Central Bank	31,403,219	22,041,000
Deposits from other banks	577,649	638,310
Repurchase agreement - credit institutions	529,936	2,344,232
Other obligations to banks	4,335	71
	32,515,139	**25,023,614**
Current due to banks (up to 1 year)	32,389,650	24,523,614
Non current due to banks (more than 1 year)	125,490	500,000
	32,515,139	**25,023,614**

Balances due to credit institutions bear floating rates.

“Due to credit institutions” includes refinancing operations through repo transactions within the eurosystem amounting to € 31.4 billion (31/12/2011: € 22.0 billion). The increase of the raised liquidity of the Bank from the eurosystem during the year of 2012, took place through the available refinancing operations with collaterals with the use of a) the advance of € 4.7 billion in the form of EFSF bonds that the Bank received from HFSF and b) bonds of nominal value of € 6.5 billion given to the Bank by the HFSF, in the context of the acquisition of former ATEbank S.A.

Amounts in thousand euros (Unless otherwise stated)

33 Liabilities at fair value through profit or loss

As at 31/12/2012, the open short positions for Greek Government bonds and treasury bills, amount to € 22.0 million (2011: € 18.5 million). These amounts are of a short term nature and result from the trading activity in the secondary market within the scope of managing the Bank's positions.

34 Due to customers

	31 December 2012	31 December 2011
Current and sight deposits	5,209,672	3,430,114
Savings account	9,957,571	2,691,796
Term deposits	15,667,745	12,064,402
Other accounts (checks, remittances and blocked deposits)	272,592	147,694
Repurchase agreements	221	423
	31,107,800	**18,334,429**

	31 December 2012	31 December 2011
Current due to customers (up to 1 year)	30,643,962	18,032,822
Non current due to customers (more than 1 year)	463,838	301,607
	31,107,800	**18,334,429**

Other accounts include cheques payable of € 194.4 million (2011: € 75.4 million). Customer deposits (corporate and retail) with floating rates are € 15,242.6 million (2011: € 6,191.3 million) and with fixed rate are € 15,670.8 million (2011: € 12,067.3 million).

The increase in "Due to customers" is mainly due to customer deposits acquired from former ATEbank S.A.

35 Debt securities in issue

		31 December 2012	31 December 2011
ETBA bonds		**965**	**4,015**
Euro Medium Term Note	**Interest rate (%)**		
€ 60 m. floating rate notes due 2015	Variable	60,000	60,000
€ 20 m. floating rate notes due 2012	Euribor + 0.20%	-	19,964
€ 500 m. fixed rate notes due 2012	Fixed 4.0%	-	354,192
€ 50.3 m. fixed rate notes due 2012	Fixed 4.0%	-	38,228
€ 25.5 m. fixed rate notes due 2013	Fixed 4.5%	14,555	19,977
Accrued interest and other expenses		614	5,074
		75,169	**497,435**
Convertible Bonds		**170,388**	**-**
Securitisation of mortgage loans	**Average rate (%)**		
€ 750 m. floating rate notes due 2040	Euribor + 0.18%	71,266	190,867
€ 1,250 m. floating rate notes due 2054	Euribor + 0.18%	215,915	574,471
		287,181	**765,338**
Total debt securities in issue		**533,703**	**1,266,788**

	31 December 2012	31 December 2011
Current debt securities in issue (up to 1 year)	15,645	416,439
Non current debt securities in issue (more than 1 year)	518,058	850,349
	533,703	**1,266,788**

Amounts in thousand euros (Unless otherwise stated)

It should be noted that the first and third securitisation of corporate loans in the amount of € 1,750 million and € 2,352 million respectively as well as the first and second consumer loan backed securitisation of € 725 million and € 558 million respectively, continue to be retained by Piraeus Bank.

Issuance under the Euro Medium Term Note program is undertaken through Piraeus Group Finance PLC, a subsidiary of Piraeus Bank Group. Information concerning the new issues of debt securities during the year of 2012, which have been retained by the Bank, are presented below:

In February 2012 and in March 2012 Piraeus Bank issued three 3-month floating rate senior bonds in the total amount of €5,337 million. In May 2012 and June 2012 Piraeus Bank issued two 3-month foating rate senior bonds in the amount of € 3,587 million. The bonds were issued with the unconditional guarantee of the Hellenic Republic under Art. 2 of Law 3723/2008 through Piraeus Bank's Euro Medium Term Note (EMTN) programme. The bonds pay a floating rate coupon of 3M Euribor plus 1200bps. All bonds have been retained by Piraeus Bank.

Piraeus Bank, during 2012, proceeded to the buy back of bonds of securitised loans of total nominal value € 428 million.

During the 4th quarter of 2012, Piraeus Bank issued bonds of € 170 million that were covered by Societe Generale (SG). These bonds will provide access either to share capital increases leading to the acquisition of 0.5% of the total number of common shares of Piraeus Bank by SG, or else, if the recapitalization process is not concluded by mid-2014, it will automatically be transformed into Tier 1 capital bonds with a permanent write-down mechanism.

36 Hybrid capital and other borrowed funds

Hybrid Capital (Tier I)	**Interest rate (%)**	**31 December 2012**	**31 December 2011**
€ 200 m. floating rate notes due to 2034	Euribor + 1.25%	59,916	158,636
Accrued interest and other expenses		-	965
		59,916	**159,601**
Subordinated debt (Tier II)			
€ 400 m. floating rate notes due 2016	Euribor + 0.55%	263,136	333,038
Accrued interest and other expenses		1,089	2,345
		264,225	**335,383**
Total hybrid capital and other borrowed funds		**324,141**	**494,984**

On 2 March 2012, Piraeus Bank announced a Tender Offer to purchase existing securities for cash. This Tender Offer referred to subordinated (€ 330 million) and hybrid (€ 159 million) securities of € 489 million total amount. On 12 March 2012, Piraeus Bank announced that it accepted offers of € 144 million, out of which € 60 million subordinated securities and € 84 million hybrid securities.

Accrued interest on hybrid capital and other borrowed funds is included in the respective balances of hybrid capital and other borrowed funds.

The Bank is not in default of any payments of principal and interest of the subordinated debt. In the second semester of 2012, it has been decided that the interest return on hybrid capital will not be paid, taking into account the special terms and conditions that rule out the related payments.

37 Other liabilities

	31 December 2012	**31 December 2011**
Prepaid income and accrued expenses	40,700	53,618
Withheld tax and contributions	41,530	30,336
Transactions with Interbank Systems (DIAS)	134,316	17,790
Creditors	69,823	35,495
Other liability accounts	419,558	88,332
	705,927	**225,572**
Current other liabilities (up to 1 year)	684,856	217,371
Non current other liabilities (more than 1 year)	21,070	8,201
	705,927	**225,572**

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

38 Other provisions

“Other provisions” amount to € 232 thousand as at 31/12/2012 and to € 10,665 thousand as at 31/12/2011. The movement between the two years is due to the transfer of an amount that regards “Allowance for impairment on loans and advances to customers”, as the respective receivable is included in line “Loans and advances to customers”.

Amounts in thousand euros (Unless otherwise stated)

39 Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using the applying for Piraeus Bank nominal tax rate. Deferred tax assets and liabilites are attributable to the following items:

Deferred tax assets	**31 December 2012**	**31 December 2011**
Pensions and other post retirement benefits	20,400	24,746
Impairment of loans and receivables	600,039	326,746
Securities valuation	32,937	140,169
Recognition of tax losses	136,572	71,435
Derivatives valuation	(829)	(3,401)
Recognition of commision according to effective interest rate calculation	5,837	6,378
Investment property valuation	(13,312)	(15,481)
Depreciation of property, plant and equipment	(20,330)	(17,198)
Intangible assets	(18,799)	(30,677)
Impairment of Greek Government Bonds	1,018,960	641,931
Other deferred tax items	(6,730)	(12,192)
Net deferred tax asset	**1,754,746**	**1,132,455**

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

	2012	**2011**
Net deferred tax asset as at 1 January	**1,132,455**	**272,732**
Effect of deferred tax on profit or loss	654,213	925,928
Available for sale portfolio securities (note 43)	(31,904)	(76,820)
Deferred tax on expenses of share capital increase	-	10,615
Deferred tax of adsorbed company	(19)	-
Net deferred tax asset as at 31 December	**1,754,745**	**1,132,455**

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

Deferred tax (Income Statement)	**1/1-31/12/2012**	**1/1-31/12/2011**
Pensions and other post retirement benefits	(4,352)	(10,171)
Impairment of loans and receivables	273,293	221,733
Securities valuation	(75,327)	19,360
Recognition of tax losses	64,973	71,435
Derivative financial instruments valuation	2,572	(14,071)
Recognition of commision according to effective interest rate calculation	(541)	(348)
Valuation of investment property	2,169	730
Depreciation of property, plant and equipment	(3,196)	(3,742)
Intangible assets	11,878	(9,163)
Impairment of Greek Government Bonds	377,029	641,931
Other deferred tax items	5,715	8,234
	654,213	**925,928**

During the year 2012, a) an amount of deferred tax of € 31,904 thousand relating to valuation of the available for sale securities did not affect the profit and loss for the year, but instead was included in the available for sale reserve (note 43) according to the relevant IFRS requirements and b) an amount of € 19 thousand relating to deferred tax on absorbed company did not affect the profit and loss for the year.

DTA on PSI and tax losses has been calculated and recognized based on the best estimates of the management of the Bank, regarding the evolution of its tax profit based on the restructuring plan, along with the nature and the ability to recover these losses according to the greek tax regime at the end of 2012 (note 15).

Amounts in thousand euros (Unless otherwise stated)

40 Retirement benefit obligations

The defined benefit obligation is calculated based on actuary studied from independent actuary 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 defined benefit obligation is determined by the present value of cash outflows using interest rates of high quality corporate bonds which have terms to maturity approximating the terms of the related liability.

Amounts recognised in the balance sheet	**31 December 2012**	**31 December 2011**
Pension schemes-funded	49,798	57,142
Other post retirement benefits - not funded	68,515	81,759
	118,313	**138,901**
Benefits due to mergers	159	159
Total obligation	**118,472**	**139,060**

Income statement	**1/1-31/12/2012**	**1/1-31/12/2011**
Pension schemes-funded	(12,167)	(13,210)
Other post retirement benefits - not funded	(3,569)	(11,535)
	(15,736)	**(24,745)**

A) Pension schemes - funded

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

	31 December 2012	**31 December 2011**
Present value of funded obligations	103,806	90,156
Fair value of plan assets	(40,127)	(35,846)
	63,679	**54,310**
Unrecognised actuarial (losses)/ gains	(14,311)	3,936
Unrecognised past - services cost	430	(1,104)
Liability in the balance sheet	**49,798**	**57,142**

Although, TEAPETE is no longer among funded benefits since 2006, it is featured as part of funded benefits for comparison purposes. The Bank applied Law 3371/2005 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 was initially specified at at € 59.6 million (€ 9.7 million to ETEAM and € 49.9 million to ETAT) on the basis of a special financial study stipulated by law and was ratified by the Parliament with Law 3455/2006, article 26 (Official Gazette 84, bulletin A' 18/4/2006). This amount was agreed to be paid in 10 equal instalments of € 7.1 million each. Out of these instalments, the 8 instalments were paid until 31/12/2012. The obligation, which is the present value of the other 2 instalments, amounts to € 12.6 million as at 31/12/2012.

In the context of reducing operating expenses, the Bank decided to terminate early one of the defined benefit plans and to convert another arrangement into a fully funded plan, through an insurance contract.

Pension schemes - Income statement	**1/1-31/12/2012**	**1/1-31/12/2011**
Current service cost	(3,688)	(4,460)
Interest cost	(5,185)	(6,454)
Expected return on plan assets	637	616
Recognition of actuarial (losses)/ gains	(52)	(444)
Past service cost	(6,856)	(5,130)
Settlement/ Curtailment/ Termination Loss/ (Gain)	2,976	2,662
Total included in staff costs	**(12,167)**	**(13,210)**

The movement of the defined benefit obligation for the years 2012 and 2011 is analysed as follows:

	31 December 2012	**31 December 2011**
Beginning of year	**90,156**	**72,362**
Opening balance including the new Loyalty Plan	13,820	**52,375**
Current service cost	3,688	4,460
Interest cost	5,185	6,454
Contributions by plan participants	1,257	1,483
Benefits paid from the fund	(19,898)	(20,015)
Benefits paid directly by the employer	(7,871)	(7,615)
Settlement/ Curtailment/ Termination Loss/ (Gain)	4,510	(1,663)
Past- Services Cost	399	(5,091)
Net actuarial (gains)/ losses recognised in year	12,560	(12,594)
End of year	**103,806**	**90,156**

Amounts in thousand euros (Unless otherwise stated)

The movement of the fair value of plan assets of the years 2012 and 2011 is analysed as follows:

	31 December 2012	31 December 2011
Opening balance	**35,846**	**13,059**
Expected return on plan assets	637	616
Employer contributions	21,724	42,738
Employee contributions	1,257	1,483
Benefits paid from the fund	(19,898)	(20,015)
Assets gains/ (losses)	561	(2,036)
End of year	**40,127**	**35,846**

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

	31 December 2012	31 December 2011
Opening balance	**57,142**	**58,948**
Opening balance including the new Loyalty Plan	10,084	35,337
Movement for the year	12,167	13,210
Contributions paid by the employer	(21,724)	(42,738)
Benefits paid directly by the employer	(7,871)	(7,615)
Closing balance	**49,798**	**57,142**

B) Other post retirement benefits - not funded

The amounts recognised in the balance sheet are as follows:

	31 December 2012	31 December 2011
Present value of unfunded obligations	67,641	67,102
Unrecognised actuarial (losses)/ gains	(1,257)	16,786
Unrecognized past service cost	2,131	(2,128)
Liability in the balance sheet	**68,515**	**81,759**

The Bank's policy on retirement indemnity under Law 2112/12 was harmonized with the provisions of Law 4093/12. This change resulted in a curtailment gain of € 2 million, which was recognized in the income statement of 2012.

The movement in the defined benefit obligation for the years 2012 and 2011 is analysed as follows:

	31 December 2012	31 December 2011
Opening balance	**67,102**	**137,545**
Opening balance including the new Loyalty Plan	(13,820)	**(52,374)**
Current service cost	2,386	3,748
Interest cost	1,804	3,056
Restatement	192	-
Benefits paid by the employer	(6,921)	(13,067)
Additional (gains)/ cost	(188)	3,523
Past service cost	2,013	(4,309)
Actuarial (gains)/ losses recognised in year	15,073	(11,019)
Closing balance	**67,641**	**67,102**

The amounts recognised in the income statements of 2012 and 2011 are as follows:

Income statement	1/1-31/12/2012	1/1-31/12/2011
Current service cost	(2,386)	(3,748)
Interest cost	(1,804)	(3,056)
Recognition of actuarial (losses)/ gains	678	285
Past service cost recognized	(1,350)	(2,166)
Additional gains/ (cost)	1,293	(2,850)
Total included in staff costs	**(3,569)**	**(11,535)**

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

	31 December 2012	31 December 2011
Opening balance	**81,759**	**118,628**
Opening balance including the new Loyalty Plan	(10,084)	(35,337)
Opening balance of absorbed company	192	-
Movement for the year	3,569	11,535
Benefits paid by the employer	(6,921)	(13,067)
Closing balance	**68,516**	**81,759**

Amounts in thousand euros (Unless otherwise stated)

The main actuarial assumptions used for the funded and not funded benefits are as follows:

	31 December 2012	31 December 2011
Discount rate	3.20%	5.00%
Expected return on plan assets	3.20%	5.00%
Future increase of salaries	2.00%	2.00%

The Bank has not early adopted the revised standard IAS 19 “Employee Benefits”, which is effective for annual periods beginning on January 1st, 2013. The Bank will apply revised IAS 19 retrospectively, according to the transition guidance and the relevant regulations of IAS 8, from 1/1/2012. Due to the retrospective application of the standard, the Bank estimates that the balance of “Retirement Benefit Obligations” as at 31/12/2012 will increase by approximately € 12.8 million with an equal corresponding charge to equity.

41 Contingent liabilities and commitments

A) Legal procedures
According to the opinion of the legal affairs division of the Bank, the legal proceedings outstanding against the Bank as at 31/12/2012 are not expected to have any significant impact on the financial statements of the Bank.

B) Credit commitments
As at 31/12/2012 the Bank had the following capital commitments:

	31 December 2012	31 December 2011
Letters of guarantee	2,952,001	2,767,158
Letters of credit	35,351	39,904
Commitments to extent credit	729,028	1,135,753
	3,716,380	**3,942,815**

C) Assets pledged

	31 December 2012	31 December 2011
Cash and balances with Central Bank	769,779	-
Trading securities	16,210	120,248
Investment securities	853,549	2,976,914
Debt securities held by the Bank own issue	11,578,512	14,702,402
Loans and advances to customers and debt securities - receivables	16,154,984	13,928,154
	29,373,034	**31,727,718**

In the “Debt securities issued and held by the Bank” category, an amount of € 10,000 million refers to securities that had been issued with the unconditional guarantee of the Hellenic Republic, an amount of € 328 million refers to securities issued under the securitization of mortgage loans and an amount of € 1,250 million refers to Bank’s issuance of covered bonds. The prementioned securities are not included in assets. The amount in category "Cash and balances with Central Bank" relates to blocked deposits in nostros and sight accounts with other banks.

D) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are analysed as follows:

	31 December 2012	31 December 2011
Up to 1 year	55,249	45,558
From 1 to 5 years	228,833	190,777
More than 5 years	435,987	389,627
	720,069	**625,962**

42 Share capital

	Share capital	Share premium	Total
Opening balance at 1 January 2011	**470,882**	**2,430,877**	**2,901,758**
Increase of share capital through cash payment	242,116	522,478	764,594
Issue of preference shares	380,000	-	380,000
Balance at 31 December 2011	**1,092,998**	**2,953,356**	**4,046,352**
Balance at 31 December 2012	**1,092,998**	**2,953,356**	**4,046,352**

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

	Number of shares
Opening balance at 1 January 2011	**413,840,653**
Issue of ordinary shares	807,054,045
Issue of preference shares	1,266,666,666
Balance at 31 December 2011	**2,487,561,364**
Balance at 31 December 2012	**2,487,561,364**

Amounts in thousand euros (Unless otherwise stated)

On 31/12/2012 the Bank's share capital amounts to € 1,092,997,968.18, divided into 1,143,326,564 ordinary voting registered shares, each with a nominal value of € 0.30 and (a) 77,568,134 preferred non voting shares, each with a nominal value of € 4.77 and (b) 1,266,666,666 preferred non voting shares, each with a nominal value of € 0.30.

Pursuant to the Ordinary Shareholders Meeting resolution dated 29/6/2012, the revocation of the 20/5/2011 Ordinary Shareholders Meeting resolution was approved regarding the reverse split of the Bank's common shares and thus the restoration of the nominal value of each common share from one euro and twenty cents (€ 1.20) to thirty cents (€ 0.30) with simultaneous increase of the number of common shares of the Bank, from two hundred and eighty five million eight hundred and thirty one thousand six hundred and forty one (285,831,641) to one billion one hundred and forty three million three hundred and twenty six thousand five hundred and sixty four (1,143,326,564), as well as the relevant amendment of the articles 5 and 27 of the Bank's Articles of Association.

The Ordinary General Meeting of Shareholders, held on 29/6/2012, decided not to distribute dividends to the shareholders for the year 2011, according to the established provisions (article 44a of Law 2190/1920 and article 1 of Law 3723/2008 as in force, combined with the article 4 of Law 4063/2012) for the credit institutions participating in the Economy reinforcement plan.

The Extraordinary General Meeting of Shareholders which was held on 31/1/2013 resolved upon the issue of contingent convertible securities up to the total amount of 2 billion euro through waiver of pre-emption rights of existing shareholders of ordinary registered shares, in accordance with the provisions of the Law 3864/2010, as amended, and the Ministers' Council Act No 38/9.11.2012 (Government Gazette 223/2012). These contingent convertible securities will be covered by the Hellenic Financial Stability Fund (HFSF) according to the above provisions.

According to article 28, Law 3756/2009 (Gov. Gazette A' 53/31.3.2009) the acquisition of treasury shares is not permitted for so long as the Bank participates in the reinforcement programmes, provided by the Law 3723/2008 (Gov. Gazette A' 250/9.12.2008).

43 Other reserves and retained earnings

	31 December 2012	31 December 2011
Legal reserve	69,442	68,995
Available for sale reserve	60,829	(67,392)
Total other reserves	**130,271**	**1,603**
Retained earnings	(6,910,748)	(6,106,639)
Total other reserves and retained earnings	**(6,780,477)**	**(6,105,036)**

Movement in available for sale reserve for the year was as follows:

Available for sale reserve	31 December 2012	31 December 2011
Opening balance for the year	(67,392)	(340,159)
Gains/ (losses) from the valuation of bonds and Greek government treasury bills	488,650	(258,983)
Gains/ (losses) from the valuation of shares and mutual funds	88,121	(91,355)
Recycling of Greek Government bonds impairment	-	427,614
Recycling on shares and mutual funds	8,939	266,437
Deferred income taxes (note 39)	(31,904)	(76,820)
Recycling on the accumulated fair value adjustment of disposed securities (note 11)	(425,762)	(853)
Depreciation of accumulated impairment of tranferred bonds	-	6,728
Foreign exchange differences and other adjustments	178	(1)
Closing balance for the year	**60,830**	**(67,392)**

Retained earnings movement	31 December 2012	31 December 2011
Opening balance for the year	(6,106,639)	326,384
Share capital increase expenses	(23)	(4,180)
Absorption of company	579	-
Profit/ (loss) after tax for the year	(804,665)	(6,428,843)
Closing balance for the year	**(6,910,748)**	**(6,106,639)**

Negative retained earnings, mainly as a result of the Bank's participation to PSI, contributed to a negative shareholders equity of the Bank and the Group, making therefore necessary the recapitalization of the Bank. The recapitalization is in progress and further information is provided in note 2.1.

Amounts in thousand euros (Unless otherwise stated)

44 Dividend per share

According to the article 1 of L. 3723/2008, banks, for the period they participate in the programmes for liquidity enhancement as described by the aforementioned Law, are not allowed to distribute dividends higher than the minimum amount set by the provisions of article 3, of Codified Law 148/1967. In addition, the distribution of dividends for the years 2008- 2011 was strictly limited, by the applicable legislation at the time, to the distribution of shares, which should not have resulted from any buy back procedure. There was no such legislation for the year 2012, to the publication of the Annual Financial Report.

Additionally, representatives of the Hellenic State who participate in the Banks' Board of Directors, have the right to veto on any decision related to the distribution of dividends.

According to L. 3723/2008, as amended by L. 4093/12.11.2012, distribution of dividends to preference shareholders is mandatory, unless the terms of article 44A of Codified Law 2190/1920 apply, except for the case that the payment of the relevant amount would result to the reduction of the core Tier I capital below the required minimum. Since there are no distributable profits or relevant amounts related to distributable reserves, according to the requirements of the Article of Association and the Law, article 44a of Law 2190/1920 applies and therefore payment of dividends by cash or shares for the year 2012 is not allowed. Therefore, the Bank's Management will propose in the Annual Ordinary General Meeting of Shareholders in 2013, the non-distribution of dividends for both ordinary and preference shares.

The accrued dividend of preference shares for the year 2012 amounts to € 75 million (€ 60 million after tax).

The Shareholders General Meeting that took place on 29/06/2012, resolved, applying the aforementioned legally binding provisions, not to distribute any dividends to both ordinary and preference shareholders for the year 2011.

45 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 2012	31 December 2011
Cash and balances with Central Bank (note 18)	1,305,035	1,546,162
Loans and advances to credit institutions (note 19)	79,518	295,109
Trading securities (note 21)	5,008	-
	1,389,560	**1,841,271**

46 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 2012	31 December 2011
Loans	82,254	129,699
Deposits	13,644	26,913

Letters of guarantee and letters of credit to the members of the Board of Directors and to the key management personnel as at 31/12/2012 are € 1.3 million (31/12/2011: € 1.2 million). Letters of guarantee to subsidiaries as at 31/12/2012 are € 500.0 million (31/12/2011: € 318.2 million). The total income that relates to members of the Board of Directors and the key management personnel for the year 2012 is € 2.5 million (31/12/2011: € 5.1 million). The total expense that relates to the prementioned related parties for the year 2012 is € 0.7 million (31/12/2011: € 1.1 million).

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. Loans to related parties are performing and no provision has been raised for their balances.

Director's remuneration

	1/1-31/12/2011	1/1-31/12/2011
Wages, salaries, employers' share of social contributions and charges	4,644	4,848
Provisions for compensation and retirement programs	8,033	4,356

The increase in "Provisions for compensation and retirement programs" is mainly due to the addition of new members and the full reserving of total rights.

The aggregate provisions for benefit plans to Members of the Board of Directors and key management personnel, following the secession or the vesting of benefits of particular management personnel and the adjustments that took place in the current year, amount to € 19.7 million from € 23.9 million as at 31/12/2011. The full amount of the above provisions has been included in the retirement benefit obligations (note 40).

Amounts in thousand euros (Unless otherwise stated)

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

I. Subsidiaries	**31 December 2012**	**31 December 2011**
Assets		
Cash and Balances with Central Bank	1,003	733
Loans and advances to credit institutions	2,608,360	2,928,900
Loans and advances to customers	682,819	671,044
Other assets	372,738	290,906
Total	**3,664,919**	**3,891,583**

Liabilities	**31 December 2012**	**31 December 2011**
Due to credit institutions	469,440	276,192
Due to customers	580,679	553,055
Debt securities in issue	447,898	1,258,304
Hybrid capital and other borrowed funds	324,141	494,984
Other liabilities	11,290	13,541
Total	**1,833,448**	**2,596,076**

Revenues	**1/1-31/12/2012**	**1/1-31/12/2011**
Interest and similar income	95,236	170,493
Fee and commission income	9,985	10,473
Other operating income	3,089	1,932
Total	**108,310**	**182,897**

Expenses	**1/1-31/12/2012**	**1/1-31/12/2011**
Interest expense and similar charges	(78,918)	(178,737)
Fee and commission expense	(9,621)	(14,418)
Operating expenses	(28,430)	(36,657)
Total	**(116,968)**	**(229,812)**

II. Associates

	31 December 2012	**31 December 2011**
Deposits and other liabilities	34,660	47,246
Loans and other receivables	180,470	100,624

	1/1-31/12/2012	**1/1-31/12/2011**
Total expense	(8,846)	(1,866)
Total income	6,600	3,666

47 Acquisition of assets and liabilities of former ATEbank S.A.

On 27/7/2012, Piraeus Bank acquired assets and liabilities of former ATEbank S.A. for a consideration of € 95 million. The fair values of the acquired assets and liabilities are provisional and as a result the initial accounting of the acquisition is incomplete (provisional accounting). Following the completion of the valuation, within the required period (measurement period) according to the requirements of IFRS 3, that is within one year from the aquisition date, the values of the acquired assets and liabilities will be adjusted retrospectively from the acquisition date, according to the requirements of IFRS 3.

The provisional fair values of assets and liabilities acquired from former ATEbank S.A., are as follows:

	Former Atebank S.A.
Assets	
Loans and advances to credit institutions	259,974
Loans and advances to customers and debt securities - receivables (net of provisions)	10,969,819
Available for sale securities	1,133,380
Funding gap	7,479,715
Other assets	1,769,238
Total Assets	**21,612,126**
Liabilities	
Due to credit institutions	6,497,762
Due to customers	14,870,979
Other liabilities	243,385
Total liabilities	**21,612,126**

Amounts in thousand euros (Unless otherwise stated)

Shareholders equity	0
Total liabilities and shareholders equity	**21,612,126**
Cost of acquisition	95,000
Net assets acquired	100%
Goodwill	95,000

According to the Government Gazette/131/28-1-2013, the HFSF gave to the Bank bonds of amount € 7,33 billion and cash of amount € 145 million in order to cover the gap between the provisional fair values of the transferred assets and liabilities of former ATEbank S.A.

In the context of this acquisition, Piraeus Bank acquired ABG Mutual Funds Management Company S.A. (percentage 100%), ATE Bank Romania S.A. (percentage 93.27%) and ATE Insurance S.A. (percentage 100%) which were classified in subsidiary companies portfolio. Specifically, it shall be noted that the acquired interest in subsidiary ATE Insurance S.A. has been included in the Held for Sale portfolio as at the acquisition date, as the requirements of IFRS 5 are fulfilled. Also, Piraeus Bank acquired a percentage of 20.86% of the company AIK BANKA which was classified in associate companies portfolio, whereas the percentage of the Bank in the company Teiresias S.A. increased from 7.84% to 21.05% resulting to the transfer of the company from the available for sale portfolio to the associate companies poltfolio. Additionally, the percentage of the Bank in the company PYRRICHOS S.A. increased from 18.53% to 34.65%, resulting to the transfer of the company to the associate companies portfolio. The aforementioned acquired interests in subsidiaries and associates are presented in note 26. It is also noted that the approval from the Central Bank of Serbia, namely to the acquisition of the interest in AIK BANKA, is still pending.

48 Events subsequent to the end of the year

• On January 28th, 2013, following the decision of the Bank of Greece Resolution Measures Committee (resolutions 9/1/28.01.2013 and 8/1/24.01.2013 - Government Gazette 112/24.01.2013), the acquired by Piraeus Bank perimeter of selected ‘good’ assets and liabilities of the under special liquidation credit institution Agricultural Bank of Greece S.A. was finalized. The €7.5 bn difference between the transferred assets and liabilities was covered by the Hellenic Financial Stability Fund (HFSF).

• On January 31st, 2013, Piraeus Bank resolved the issuance of contingent convertible securities up to a total amount of €2 bn through waiver of pre-emption rights of existing shareholders of ordinary registered shares, in accordance with the provisions of L.3864/2010, as amended, and the Ministers' Council Act no 38/9.11.2012 (Government Gazette 223/2012), as a result of the voting of resolutions carried at the 2nd Iterative General Meeting of Shareholders holding ordinary shares.

• On February 6th, 2013, Piraeus Bank confirmed that exclusive discussions were taking place with Millennium BCP regarding the potential acquisition of its subsidiary Millennium Bank in Greece. Piraeus Bank stressed that no final decision had yet been made by either party and therefore no investment decision should be made in reliance upon the successful or unsuccessful outcome of the discussions.

• On February 22, 2013 Piraeus Bank announced that it signed a contract under which it has covered the Convertible Bond issued by Geniki Bank of Greece S.A. for the amount of €350.3 mn and in parallel it has exercised its right to convert the bonds into Geniki Bank’s shares of one (1) euro nominal value each, with conversion price of €6.86 per share. Following the completion of the relevant procedure, the total stake of Piraeus Bank into Geniki Bank’s share Capital will be 68,162,490 common registered shares, i.e. 99.77%.

• On March 1st, 2013, Piraeus Bank submitted a Mandatory Tender Offer to the shareholders of Geniki Bank of Greece SA. The submitted Tender Offer encompasses the total number of the common shares of Geniki Bank which Piraeus Bank did not hold on the 17th of December 2012 (date of Tender Offer), which corresponds to the acquisition of 159,731 common shares of Geniki Bank or 0.92% of the total paid-up share capital along with its voting rights, for the price of €6.86 per share, paid in cash.

• On March 25, 2013, the Eurogroup agreed with the Cypriot authorities on the basic elements of a future program for macroeconomic adjustment. In relation to this event it is noted that the Group’s total exposure in Cyprus, in balance sheet terms, amounted to €1.6 bn on December 31, 2012, which represents 2.0% of the Group’s total assets taking into consideration €7.3 bn capital-commitment, €0.6 bn commitment for ATEbank and €0.8 bn of the additional funding gap of ATEbank (all amounts provided by HFSF). The aforementioned exposure refers to a) the 100% of the assets of the Group’s subsidiary Piraeus Bank Cyprus and the remaining of its participations in Cyprus amounting to €1,3 bn b) approximately €0.3 bn of loans as well as c) an investment in a bond issued by Bank of Cyprus London amounting to €2.2 mn. Additionally, on December 31, 2012 there are contingent liabilities amounting to €0.1 bn. Finally, it should be noted that net revenues of the Group’s activities in Cyprus for the full year 2012 represents 1.4% of the Group’s net revenues.

• On March 26th 2013, Piraeus Bank signed an agreement to acquire all of the Greek deposits, loans and branches of Bank of Cyprus, Cyprus Popular Bank and Hellenic Bank, including loans and deposits of their Greek subsidiaries (leasing, factoring and the Investment Bank of Greece (IBG)), for a total cash consideration of €524mn.

Athens, March 27th, 2013

CHAIRMAN OF THE BOARD OF DIRECTORS	MANAGING DIRECTOR & C.E.O	CHIEF FINANCIAL OFFICER	DEPUTY CHIEF FINANCIAL OFFICER
MICHAEL G. SALLAS	STAVROS M. LEKKAKOS	GEORGE I. POULOPOULOS	KONSTANTINOS S. PASCHALIS

PIRAEUS BANK S.A.
General commercial registry number 225501000
Companies registration number 6065/06/B/86/04
Head Office: 4, Amerikis st., 105 64, Athens, Greece

FINANCIAL STATEMENTS INFORMATION FOR THE YEAR ended as at DECEMBER 31st, 2012

(Published according to Codified Law 2190/20, art. 135 for companies preparing annual financial statements, consolidated or not, in accordance with IFRS)

The figures presented below, derive from the financial statements and aim to a general information about the financial position and results of Piraeus Bank S.A. and Piraeus Bank Group. We therefore recommend the reader, prior to making any investment decision or other transaction concerning the Bank, to visit the Bank's web site, where the set of financial statements in accordance with International Financial Reporting Standards for the year ended as at 31 December 2012 is posted, as well as the auditor's report.

COMPANY'S PROFILE

Responsible Authority:	Ministry of Development, Competitiveness Infrastructure, Transport and Networks
Company's web side:	www.piraeusbankgroup.com
Date of Approval of Financial Statements:	March, 27th 2013
The Certified Auditor:	Dimitrios A. Sourbis
Auditing Company:	PricewaterhouseCoopers S.A.
Type of Auditor's Report:	Non qualified - Emphasis of matter

Emphasis of matter: Without qualifying our opinion, we draw attention to the disclosures made in note 2.1 to the financial statements, which refer to the impact of the impairment losses resulting from the Greek sovereign debt restructuring on the Bank and Group's regulatory capital, the current and planned actions to restore the capital adequacy and the existing uncertainties that could adversely affect the going concern assumption until the completion of the recapitalisation process.

BOARD OF DIRECTORS COMPOSITION

(at the date of approval of financial statements)

Michalis G. Sallas	Chairman
Stavros M. Lekkakos	Managing Director & CEO
Anthimos K. Thomopoulos	Managing Director & Deputy CEO
Christodoulos G. Antoniadis	Deputy Managing Director
Ilias D. Milis	Deputy Managing Director
Spiridonas A. Papaspirou	Deputy Managing Director
Iakovos G. Georganas	First Non Executive Vice Chairman
Panagiotis V. Roumeliotis	Non Executive Vice Chairman
Georgios P. Alexandridis	Independent Non Executive Member
Theodoros P. Mylonas	Independent Non Executive Member
Stylianos D. Gkolemis	Independent Non Executive Member
Charikleia A. Apalagaki	Non Executive Member
Eftichios Th. Vassilakis	Non Executive Member
Vasileios S. Fourlis	Non Executive Member
Jiri J. Smejc	Non Executive Member
Konstantin P. Yanakov	Non Executive Member
Athanasios A. Tsoumas	Representative of the Greek Government
Solomon A. Berahas	Representative of the Greek Financial Stability Fund
Aikaterini K. Beritsi	Representative of the Greek Financial Stability Fund

STATEMENT OF FINANCIAL POSITION

Amounts in thousand euros

	GROUP				BANK			
	31 December 2012		31 December 2011		31 December 2012		31 December 2011	
ASSETS								
Cash and balances with Central Banks		3,307,503		2,552,717		2,091,406		1,572,849
Loans and advances to credit institutions		380,384		316,136		2,620,677		3,065,200
Derivative financial instruments - assets		441,317		379,238		423,395		375,069
Trading securities		362,868		464,313		81,209		125,106
Financial instruments at fair value through profit or loss		7,833		9,922		7,833		9,922
Reverse repos with customers		35,924		57,395		35,388		57,127
Loans and advances to customers (net of provisions)		44,612,686		34,005,619		37,618,002		28,496,999
Debt securities - receivables		8,015,997		1,628,176		7,933,625		1,400,656
Investment securities								
Available for sale securities	4,836,475		2,745,065		4,340,092		2,381,550	
Held to maturity	74,006	4,910,481	1,249,849	3,994,914	0	4,340,092	1,198,239	3,579,789
Investments in associated undertakings		301,696		214,642		240,239		228,418
Investments in subsidiaries		0		0		1,921,587		1,909,309
Intangible assets		409,755		325,454		256,483		133,999
Property, plant and equipment		1,324,491		896,756		631,788		314,133
Investment property		1,078,513		877,511		435,871		201,767
Assets held for sale		15,537		14,021		0		172,992
Other assets								
Deferred tax assets	1,895,124		1,177,992		1,754,746		1,132,455	
Inventories property	332,057		264,891		150,799		128,998	
Other assets	2,596,811	4,823,992	1,015,397	2,458,280	2,476,680	4,382,225	935,518	2,196,971
Assets from discontinued operations		377,184		1,157,214		-		-
TOTAL ASSETS		70,406,161		49,352,308		63,019,820		43,840,306
LIABILITIES								
Due to credit insitutions		32,561,322		25,413,598		32,515,139		25,023,614
Liabilities at fair value through profit or loss		21,953		18,475		21,953		18,475
Derivative financial instruments - liabilities		423,519		389,728		419,846		381,321
Due to customers		36,971,208		21,795,677		31,107,800		18,334,429
Debt securities in issue		533,702		1,268,045		533,703		1,266,788
Hybrid capital and other borrowed funds								
Hybrid capital (Tier I)	59,916		159,601		59,916		159,601	
Subordinated debt capital (Tier II)	264,225	324,141	339,367	498,968	264,225	324,141	335,383	494,984
Other liabilities								
Retirement benefit obligations	172,065		172,856		118,472		139,060	
Deferred tax liabilities	37,100		46,640		0		0	
Other provisions	22,136		18,302		232		10,665	
Current income tax liabilities	12,996		13,742		6,730		4,080	
Other liabilities	1,035,700	1,279,997	648,774	900,314	705,927	831,361	225,572	379,377
Liabilities from discontinued operations		605,824		1,007,341		-		-
Total Liabilities		72,721,666		51,292,146		65,753,943		45,898,988
EQUITY								
Share Capital		1,092,998		1,092,998		1,092,998		1,092,998
Share premium		2,953,356		2,953,356		2,953,356		2,953,356
Less: Treasury shares		(36)		(192)		0		0
Other reserves and retained earnings		(6,499,588)		(6,106,700)		(6,780,477)		(6,105,036)
Amounts recognized directly in equity relating to non-current assets from discontinued operations		9,301		(14,529)		-		-
Capital and reserves attributable to equity holders of the parent entity		(2,443,969)		(2,075,067)		(2,734,123)		(2,058,682)
Non controlling interest		128,464		135,229		-		-
Total Equity		(2,315,505)		(1,939,838)		(2,734,123)		(2,058,682)
TOTAL LIABILITIES AND EQUITY		70,406,161		49,352,308		63,019,820		43,840,306

STATEMENT OF TOTAL COMPREHENSIVE INCOME

Amounts in thousand euros

	GROUP						BANK	
	1 Jan - 31 Dec 2012			1 Jan - 31 Dec 2011			1 Jan - 31 Dec 2012	1 Jan - 31 Dec 2011
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total		
Interest and similar income	2,905,242	22,288	2,927,530	2,913,130	25,462	2,938,592	2,363,264	2,338,098
Interest expenses and similar charges	(1,877,722)	(2,800)	(1,880,522)	(1,740,515)	(4,176)	(1,744,691)	(1,692,384)	(1,571,833)
Net interest income	1,027,520	19,488	1,047,008	1,172,615	21,286	1,193,901	670,880	766,265
Fee and commission income	249,015	1,121	250,136	232,996	1,288	234,284	157,349	132,297
Fee and commission expense	(31,426)	(236)	(31,662)	(35,218)	(260)	(35,478)	(20,835)	(27,326)
Net fee and commission income	217,589	885	218,474	197,778	1,028	198,806	136,514	104,971
Dividend income	7,295	120	7,415	4,752	112	4,864	10,322	7,594
Net trading income	189,133	4,330	193,463	(101,745)	-	(101,745)	194,065	(133,555)
Net income from financial instruments designated at fair value through profit or loss	3,388	-	3,388	(6,419)	-	(6,419)	3,303	(6,668)
Results from investment securities	442,970	9,340	452,310	(556)	-	(556)	459,860	851
Other operating income/ (expense)	329,444	20,690	350,134	(44,205)	507	(43,698)	7,441	6,719
Total net income	2,217,339	54,853	2,272,192	1,222,220	22,933	1,245,153	1,482,385	746,177
Staff costs	(423,966)	(13,058)	(437,024)	(389,584)	(8,038)	(397,622)	(274,456)	(226,929)
Administrative expenses	(379,273)	(9,220)	(388,493)	(336,596)	(6,841)	(343,437)	(271,694)	(227,190)
Gains/ (Losses) from sale of assets	(850)	-	(850)	(515)	-	(515)	(467)	(58)
Depreciation and amortisation	(105,388)	(1,793)	(107,181)	(96,720)	(1,452)	(98,172)	(53,536)	(40,382)
Total operating expenses before provisions	(909,477)	(24,071)	(933,548)	(823,415)	(16,331)	(839,746)	(600,153)	(494,559)
Profit before provisions and tax	1,307,862	30,782	1,338,644	398,805	6,602	405,407	882,232	251,618
Provisions and impairment	(2,507,895)	(11,075)	(2,518,970)	(7,883,647)	(341)	(7,883,988)	(2,338,542)	(7,578,403)
Share of profit of associates	14,666	-	14,666	(31,308)	-	(31,308)	-	-
Profit/ (Loss) before tax	(1,185,367)	19,707	(1,165,660)	(7,516,150)	6,261	(7,509,889)	(1,456,310)	(7,326,785)
Income tax	663,103	(6,685)	656,418	894,124	(2,354)	891,770	651,645	897,942
Profit/ (Loss) after tax (A)	(522,264)	13,022	(509,242)	(6,622,026)	3,907	(6,618,119)	(804,665)	(6,428,843)
Less: Non controlling interest	(8,985)	46	(8,939)	(4,830)	90	(4,740)	-	-
Profit/ (Loss) after tax attributable to equity holders of the parent entity	(513,279)	12,976	(500,303)	(6,617,196)	3,817	(6,613,379)	(804,665)	(6,428,843)
Other comprehensive income, net of tax (B)	118,084	13,062	131,146	263,795	828	264,623	128,222	272,768
Total comprehensive income for the year,net of tax (A+B)	(404,180)	26,084	(378,096)	(6,358,231)	4,735	(6,353,496)	(676,443)	(6,156,075)
-Attributable to equity holders of the parent entity	(395,070)	26,040	(369,030)	(6,353,412)	4,608	(6,348,804)	-	-
-Non controlling interest	(9,110)	44	(9,066)	(4,819)	127	(4,692)	-	-
Profit/ (Loss) after tax per share (in euros):								
- Basic and diluted	(0.4491)	0.0114	(0.4377)	(6.1160)	0.0035	(6.1125)	(0.7038)	(5.9138)

STATEMENT OF CHANGES IN EQUITY

Amounts in thousand euros

	GROUP		BANK	
	1 Jan - 31 Dec 2012	1 Jan - 31 Dec 2011	1 Jan - 31 Dec 2012	1 Jan - 31 Dec 2011
Opening balance	(1,939,838)	3,273,732	(2,058,682)	2,956,979
Total comprehensive income for the year, net of tax	(378,096)	(6,353,496)	(676,443)	(6,156,075)
Increase and expenses on increase of share capital through cash payment	-	764,594	-	764,594
Issue and expenses on issue of preference shares	(23)	375,820	(23)	375,820
Prior year dividends of ordinary shares	(250)	(30)	-	-
(Purchases)/ Sales of treasury shares and preemption rights	372	1,064	-	-
Acquisitions, disposals, absorption, liquidation and movement in participating interest	2,330	(1,336)	1,025	-
Other movements	-	(186)	-	-
Closing balance	(2,315,505)	(1,939,838)	(2,734,123)	(2,058,682)

CASH FLOW STATEMENT

Amounts in thousand euros

	GROUP		BANK	
	1 Jan - 31 Dec 2012	1 Jan - 31 Dec 2011	1 Jan - 31 Dec 2012	1 Jan - 31 Dec 2011
Net cash inflow/ (outflow) from continuing operating activities	(1,968,356)	(259,185)	(1,867,852)	(2,769)
Net cash inflow/ (outflow) from discontinued operating activities	(6,018)	17,835	-	-
Total inflows/ (outflows) from operating activities	(1,974,374)	(241,350)	(1,867,852)	(2,769)
Net cash inflow/ (outflow) from continuing investing activities	1,534,509	(886,141)	1,250,481	(765,374)
Net cash inflow/ (outflow) from discontinued investing activities	16,983	16,643	-	-
Total inflows/ (outflows) from investing activities	1,551,492	(869,498)	1,250,481	(765,374)
Net cash inflow/ (outflow) from continuing financing activities	(643,162)	(252,956)	(655,023)	(289,493)
Net cash inflow/ (outflow) from discontinued financing activities	85	126	-	-
Total inflows/ (outflows) from financing activities	(643,077)	(252,830)	(655,023)	(289,493)
Net increase/ (decrease) in cash and cash equivalents of the year	(1,065,959)	(1,363,678)	(1,272,394)	(1,057,636)
Effect of exchange rate changes on cash and cash equivalents	(5,838)	9,883	373	12,845
Total inflows/ (outflows) for the year	(1,071,797)	(1,353,795)	(1,272,021)	(1,044,791)
Cash and cash equivalents at the beginning of the year	2,681,134	4,034,929	1,841,272	2,886,063
Cash and cash equivalents at the acquisition date, of assets and liabilities of former ATEbank S.A. and its subsidiaries	863,748	-	820,310	-
Cash and cash equivalents at the end of the year	2,473,085	2,681,134	1,389,561	1,841,272

Notes:

1) The accounting policies, adopted by the Group according to the International Financial Reporting Standards (IFRS), have been applied in consistency with those in the annual financial statements of the year 2011.
2) Property, plant and equipment are free of any liens or encumbrances.
3) Tax authorities have audited Piraeus Bank's tax position for the years up to and including 2009. The unaudited tax years of Group subsidiaries are included in note 27 of the Consolidated Financial Statements. For the fiscal year of 2012, the tax audit is being performed by PricewaterhouseCoopers S.A. The Company's management does not expect that additional tax liabilities will arise, in excess of those already recorded and presented in the financial statements, upon the completion of the tax audit. Relevant to the completion and to the issue of the Tax Compliance Report for the year 2011, of the Bank and the subsidiaries and associates of Piraeus Bank Group that are incorporated in Greece, is note 16.
4) All disputes under litigation or arbitration, as well as the pending court decisions, are not expected to have a significant effect on the financial position of the Bank and the Group. Therefore the Bank has not raised a provision for outstanding litigations, whereas the Group's provision amounts to € 10.2 million from continuing operations and € 2.2 million from discontinued operations. The provision raised for the unaudited tax years of the Bank, which is included in the current tax liabilities, amounts to € 6.7 million and of the Group amounts to € 10.2 million from continuing operations and € 0.1 million from discontinued operations. Other provisions raised for the Bank amount to € 0.2 million and for the Group to € 11.9 million from continuing operations and € 558.2 million from discontinued operations.
5) The companies which have been consolidated as at 31/12/2012, apart from the parent company Piraeus Bank S.A., are included in note 27 of the Consolidated Financial Statements. Note 27 includes information about the country of incorporation, the percentage of holding by the Group, as well as the applied consolidation method. The direct shareholding percentages by the Bank are included in note 26 of the Bank's Financial Statements.
6) The following companies that are consolidated under the full method of consolidation as at 31/12/2012, had not been included in the consolidation as at 31/12/2011: a) Zibeno I Energy S.A., b) Asset Management Bulgaria EOOD, c) Orion Energy Photovoltaics S.A., d) Astraios Energy Photovoltaics S.A., e) Arigeo Energy Holdings Ltd, f) Exus Software Ltd, g) ABG Mutual Funds Management Company S.A., h) ATEbank Romania S.A., i) ATE Insurance S.A., j) ATE Insurance Romania S.A., k) Piraeus Jeremie Technology Catalyst Management S.A., l) Proiect Season Residence SRL, m) KPM Energy S.A., n) Solum Enterprise LLC, o) Geniki Bank S.A., p) Geniki Leasing S.A., q) Geniki Financial & Consulting Services S.A., r) Geniki Insurance Agency S.A. and s) Geniki Information S.A. From these companies, the companies numbered (a)-(l) were consolidated under the full method of consolidation as at 30/9/2012, as well. The companies numbered (a) – (b) were established in February 2012. The companies numbered (c) – (d) were transferred during the 2nd quarter of 2012 to the subsidiaries' portfolio due to the increase of the Group's shareholding percentage, while the company numbered (e) was established in May 2012. The company numbered (f) was established during the 1st quarter of 2012 and started operating during the 3rd quarter of 2012. The companies numbered (g) – (j) were acquired in July 2012 in the context of the acquisition of the former ATEbank's S.A. assets and liabilities and as a result, they are included in the Group's subsidiaries' portfolio. The company numbered (k) was acquired in August 2012, while the company numbered (l) was established in September 2012. The company numbered (m) was acquired in October 2012, while the company numbered (n) was acquired in November 2012. The company numbered (o) was acquired in December 2012. In the context of the prementioned acquisition, its subsidiary companies numbered (p) – (s) were acquired and as a result, they are included in the Group's subsidiaries' portfolio. The most important corporate event that took place among the subsidiaries of the Group during the year 2012 was the acquisition of Geniki Bank S.A. by percentage 99.08%. Excluding the negative goodwill of amount € 351 million, that was recognised only in first consolidation and affected profit after tax of 2012 by 70.17%, the relevant event didn't result in a change above 25% of the turnover or/and the profit after tax, or/and the total equity attributable to the shareholders. Further information is provided in note 49 of the Consolidated Financial Statements. The companies: a) Estia Mortgage Finance III PLC, b) Maples Invest & Holdings S.A., c) Margetson Invest & Finance S.A., d) Piraeus Best Leasing Bulgaria EAD, e) Piraeus Auto Leasing Bulgaria EAD, f) Piraeus Cards S.A., g) Marathon Banking Corporation and h) Piraeus Wealth Maganement (Switzerland) S.A., that were fully consolidated as at 31/12/2011, are not included in the consolidation as at 31/12/2012. The company numbered (a) was liquidated during the 1st quarter of 2012. The companies numbered (b) – (c) were dissolved in May 2012. The companies numbered (d) - (e) were absorbed in July 2012 by the subsidiary company Piraeus Leasing Bulgaria EAD, while the company numbered (f) was absorbed in September 2012 by Piraeus Bank. The sale of company numbered (g), a subsidiary of the Bank, was realized in the 3rd quarter of 2012. The company numbered (h) was dissolved in December 2012. The companies Estia Mortgage Finance PLC, Estia Mortgage Finance II PLC, Axia Finance PLC, Axia Finance III PLC, Axia III APC Limited, Praxis Finance PLC, Praxis II Finance PLC and Praxis II APC Limited are consolidated as special-purpose entities. Note 49 of the Consolidated Financial Statements includes information about the changes in the subsidiaries' portfolio of the Group. On 31 July 2012, Piraeus Bank decided to terminate forthwith the sale process for its subsidiary Piraeus Bank Egypt. Thus, Piraeus Bank Egypt has been transferred from "Assets held for sale" to Investments in Subsidiaries as the classification criteria of IFRS 5 are no longer met. As a result, the financial figures and results of Piraeus Bank Egypt, its subsidiaries and associates are no longer presented as "Discontinued operations". During the 2nd quarter of 2012, Marathon Banking Corporation has been transferred from Investments in Subsidiaries to "Assets held for sale" as the classification criteria of IFRS 5 were met. During the 3rd quarter of 2012, ATE Insurance S.A. and ATE Insurance Romania S.A. have been included in the Held for Sale portfolio as at the acquisition date, as the classification criteria of IFRS 5 are met. Therefore, the financial figures and results of ATE Insurance S.A. and ATE Insurance Romania S.A., as well as the results of Marathon Banking Corporation until the date of its disposal, are presented as "Discontinued operations". Relevant are the notes 15, 27 and 28 of the Consolidated Financial Statements. The above events didn't result in a change above 25% of the turnover or/and the profit after tax or/and the Group's equity for the current year. The subsidiaries that are excluded from the consolidation are as follows: a) Asbestos Mines S.A., b) Hellenic Industry of Aluminum, c) Hellenic Asbestos S.A., d) Oblivio Co. Ltd, e) ELSYP S.A., f) Blue Wings Ltd, g) Piraeus Bank's Congress Centre, h) Piraeus Bank Group Cultural Foundation and i) Procas Holding Ltd. The companies numbered (a)-(e) are fully depreciated, under liquidation or dissolution status. The financial data of the companies (f)-(h) are included in the financial statements of the parent company Piraeus Bank S.A. and consequently, in the consolidated financial statements. The company numbered (i) has not started operating yet. The consolidation of the above mentioned companies does not affect the financial position and result of the Group.
7) The following companies that are consolidated under the equity method of accounting as at 31/12/2012, had not been included in the consolidation as at 31/12/2011: a) AIK Banka, b) Teiresias S.A., c) PJ Technology Catalyst Fund and d) Pyrrichos S.A.. The company numbered (a) was acquired in July 2012 in the context of the acquisition of the former ATEbank's S.A. assets and liabilities, while the company numbered (b) was transferred during the 3rd quarter of 2012 from the available for sale portfolio to the associates' portfolio as a result of the increase of the Bank's shareholding percentage in the company through the abovementioned acquisition. The company numbered (c) was established during the 3rd quarter of 2012 and started operating during the 4th quarter of 2012. The company numbered (d) was transferred during the 4th quarter of 2012 to the associates' portfolio as significant influence was achieved. The company Ekathariseis Aktoploias S.A. that was consolidated under the equity method of accounting as at 31/12/2011, as well as at 30/9/2012, is not included in the consolidation as at 31/12/2012, due to liquidation. Note 49 of the Consolidated Financial Statements includes information about the changes in the associates' portfolio of the Group. As at 31/12/2012, the associate company Evrytania S.A. Agricultural Development Company has been excluded from the consolidation since it is under idle status.
8) The Group's balances with related parties are as follows: assets € 275.9 million, liabilities € 50.3 million, letters of guarantee € 1.3 million, income € 14.1 million and expense € 21.6 million. The Bank's balances with related parties (subsidiaries included) are as follows: assets € 3,927.6 million, liabilities € 1,881.8 million, letters of guarantee € 501.3 million, income € 117.4 million and expense € 126.5 million. The balances of assets and liabilities of the Group with members of the Board of Directors and key management personnel amount to € 82.3 million and € 15.0 million respectively. The respective amounts for the Bank amount to € 82.3 million and € 13.6 million. The transactions and remuneration of the Bank and its Group with the members of the Board of Directors and key management personnel amount to € 12.7 million.
9) As at 31/12/2012 subsidiary company of Piraeus Group owned a total number of 83,588 treasury shares of the parent company Piraeus Bank S.A., at a value of € 36 thousand. The Bank did not hold any treasury shares as at 31/12/2012. Relevant information is provided in note 44 of the Consolidated Financial Statements.
10) At the Statement of Total Comprehensive Income of the Consolidated and Stand alone Financial Statements, "Other comprehensive income, net of tax" includes the change in currency translation reserve of € 3.6 million from continuing operations and € 3.3 million from discontinued operations for the Group and the change in available for sale reserve of € 114.4 million from continuing operations and € 9.8 million from discontinued operations for the Group and € 128.2 million for the Bank.
11) On 2 March 2012, Piraeus Bank announced a Tender Offer to purchase existing securities for cash. This Tender Offer referred to subordinated (€ 330 million) and hybrid (€ 159 million) securities of € 489 million total amount. On 12 March 2012, Piraeus Bank announced that it accepted offers of € 144 million, out of which € 60 million subordinated securities and € 84 million hybrid securities.
12) Restatements of the figures of 2011 in the Consolidated Financial Statements of the year 2012 were presented for comparability purposes. Further information concerning these restatements is provided in note 50 of the Consolidated Financial Statements.
13) On May 28, 2012, and in the framework of the recapitalization of the Greek banking system, Piraeus Bank received an advance of € 4.7 bn from the Hellenic Financial Stability Fund (HFSF). Furthermore, on December 21st 2012, the HFSF provided an additional Capital Advance of € 1.5 bn and a Commitment Letter of € 1.1 bn. Hence, the total Capital Advances and the Commitment Letter that HFSF has provided to Piraeus Bank amount to € 7.3 bn plus € 570 mn for ex ATEbank. Relevant information is provided in note 2.1 of the annual stand alone and consolidated financial statements for the year 2012.
14) Pursuant to the Ordinary Shareholders Meeting resolution dated 29/6/2012, the revocation of the 20/5/2011 Ordinary Shareholders Meeting resolution was approved regarding the reverse split of the Bank's common shares and thus the restoration of the nominal value of each common share from one euro and twenty cents (€ 1.20) to thirty cents (€ 0.30) with simultaneous increase of the number of common shares of the Bank, from two hundred and eighty five million eight hundred and thirty one thousand six hundred and forty one (285,831,641) to one billion one hundred and forty three million three hundred and twenty six thousand five hundred and sixty four (1,143,326,564), as well as the relevant amendment of the articles 5 and 27 of the Bank's Articles of Association.
15) Since there are no distributable profits or relevant amounts related to distributable reserves, according to the requirements of the Article of Association and the Law, article 44a of Law 2190/1920 applies and therefore payment of dividends by cash or shares for the year 2012 is not allowed. Therefore, the Bank's Management will propose in the Annual Ordinary General Meeting of Shareholders in 2013, the non-distribution of dividends for both ordinary and preference shares. The Shareholders General Meeting that took place on 29/6/2012, resolved, applying the aforementioned legally binding provisions, not to distribute any dividends to both ordinary and preference shareholders for the year 2011.
16) On October 19, 2012 Piraeus Bank signed a definitive agreement with Societe Generale regarding the acquisition of Société Générale's total stake (99.08%) in Geniki Bank. The aggregate consideration for the acquisition of (i) 100% of Geniki shares held by Société Générale and (ii) Société Générale's receivables corresponding to the capital advances, was agreed at €1 mn. The transaction was concluded on December 14, 2012 after having received all the required regulatory approvals. Relevant information is provided in note 49 of the Consolidated Financial Statements.
17) Note 4 of the annual stand alone and consolidated financial statements for the year 2012 is relevant to the redetermination within 2012 of the fair value of the Greek Government bonds (GGBs) acquired under the private sector involvement programme (PSI), as well as to the buy back program of the GGBs.
18) On January 28th, 2013, following the decision of the Bank of Greece Resolution Measures Committee (resolutions 9/1/28.01.2013 and 8/1/24.01.2013 - Government Gazette 112/24.01.2013), the acquired by Piraeus Bank perimeter of selected 'good' assets and liabilities of the under special liquidation credit institution Agricultural Bank of Greece S.A. was finalized. Relevant information is provided in note 47 of the Bank's Financial Statements and note 49 of the Consolidated Financial Statements.
19) On January 31st, 2013, Piraeus Bank resolved the issuance of contingent convertible securities up to a total amount of €2 bn through waiver of pre-emption rights of existing shareholders of ordinary registered shares, in accordance with the provisions of L.3864/2010, as amended, and the Ministers' Council Act no 38/9.11.2012 (Government Gazette 223/2012), as a result of the voting of resolutions carried at the 2nd Iterative General Meeting of Shareholders holding ordinary shares.
20) On March 1st, 2013, Piraeus Bank submitted a Mandatory Tender Offer to the shareholders of Geniki Bank of Greece SA. The submitted Tender Offer encompasses the total number of the common shares of Geniki Bank which Piraeus Bank did not hold on the 17th of December 2012 (date of Tender Offer), which corresponds to the acquisition of 159,731 common shares of Geniki Bank or 0.92% of the total paid-up share capital along with its voting rights, for the price of € 6.86 per share, paid in cash.
21) On March 26th 2013, Piraeus Bank signed an agreement to acquire all of the Greek deposits, loans and branches of Bank of Cyprus, Cyprus Popular Bank and Hellenic Bank, including loans and deposits of their Greek subsidiaries (leasing, factoring and the Investment Bank of Greece (IBG)), for a total cash consideration € 524 mn.
22) The total exposure of Piraeus Bank Group in Cyprus, in balance sheet items, is € 1.6 billion as of 31/12/2012, which represents 2.0% of the Group's total assets, taking into account the HFSF funds of € 7.3 billion, € 0.6 billion for ATEbank and receivables from HFSF of € 0.8 billion. The aforementioned exposure relates to: a) the total assets of the subsidiary Piraeus Bank Cyprus LTD (shareholding 100%) and of other participations of the Group in Cyprus which amount to approximately €1.3 billion, b) loans of approximately € 0.3 billion and c) an investment in bonds issued by the Bank of Cyprus London of € 2.2 million. Furthermore, there are contingent liabilities of € 0.1 billion as at 31/12/2012. Lastly, it is noted that the percentage of the net revenues that represent the activities of the Group in Cyprus for the year 2012 represents 1.4% of the total net revenues of the Group.
23) On December 31, 2012, the number of staff employed by the Bank was 9,661 people and by the Group 18,872 people of which 275 people refer to discontinued operations (ATE Insurance S.A., ATE Insurance Romania S.A.). The number of staff employed by the Bank as at 31 December 2011 was 4,678 people and by the Group 12,806 people of which 1,559 people referred to discontinued operations (Egypt).

Athens, March 27th, 2013

CHAIRMAN OF THE BOARD OF DIRECTORS	MANAGING DIRECTOR & C.E.O.	CHIEF FINANCIAL OFFICER	DEPUTY CHIEF FINANCIAL OFFICER
MICHALIS G. SALLAS	STAVROS M. LEKKAKOS	GEORGE I. POULOPOULOS	KONSTANTINOS S. PASCHALIS

Information according to article 10, Law 3401/ 2005

The information according to article 10, Law 3401/ 2005 that relates to Piraeus Bank, its shares as well as the stock exchange market in which its shares are traded, which have been published and made available to investors throughout year 2012, have been incorporated in this Annual Financial Report through reference. For this purpose, a reference table is presented below:

a) Announcements to the Athens Stock Exchange - Press releases	Date
Change in the composition of the Board of Directors	18/1/2012
Tender Offer for Hybrid and Subordinated Bonds Buyback	2/3/2012
Announcement	8/3/2012
Announcement	12/3/2012
Organization of Development Programmes by Piraeus Bank	20/3/2012
Announcement	30/3/2012
Full Year 2011 Results	20/4/2012
Announcement Date of First Quarter 2012 Results	18/5/2012
First Quarter 2012 Results	30/5/2012
Announcement	31/5/2012
Reconstitution of the Board of Directors	31/5/2012
Announcement	1/6/2012
Invitation of Piraeus Bank Shareholders to the Ordinary General Meeting of Shareholders Holding Common Shares of Piraeus Bank	6/6/2012
Piraeus Bank has signed an agreement, with Investors Bancorp Inc, for the transfer of its shareholding in its subsidiary Marathon Banking Corporation in New York, USA	15/6/2012
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	26/6/2012
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	27/6/2012
General Meeting Resolutions	29/6/2012
Constitution of the Board of Directors	29/6/2012
Notification of important changes concerning the voting rights deriving from the shares under L.3556/2007	2/7/2012
Voting results at the ordinary General Meeting of the shareholders holding common shares of Piraeus Bank held on 29.06.2012	3/7/2012
Announcement regarding comments on press publications	10/7/2012
Comments on press articles	16/7/2012
Piraeus Bank absorbs the good part of Agricultural Bank	27/7/2012
Announcement	30/7/2012
Piraeus Bank S.A. terminates sale process for Piraeus Bank Egypt	31/7/2012
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	2/8/2012
Comments on press articles	29/8/2012
Relocation of Shareholder Relations Dept.	7/9/2012
Comments on Press Articles	3/10/2012
Announcement	5/10/2012
The sale of Piraeus' participation (98.5%) in Marathon Banking Corporation to Investors Bancorp Inc was completed in New York	16/10/2012
Piraeus Bank announces the acquisition of Geniki Bank from Societe Generale	19/10/2012
Management changes in Piraeus Bank Group	7/12/2012
Change in the composition of the Board of Directors	7/12/2012
Announcement	10/12/2012
Closing of the Acquisition of Geniki Bank by Piraeus Bank	14/12/2012
Announcement	20/12/2012
6 month and 9 month 2012 Results	20/12/2012

Announcements to the Athens Stock Exchange and Press releases are available in the Bank's internet site www.piraeusbankgroup.com in the section Press Office- Press Office Publications.
(link: http://www.piraeusbankgroup.com/en/press-office).

Notification of transactions according to Law 3556/2007 are available in the Bank's internet site www.piraeusbankgroup.com in the section Investor Relations, in the subsection Stock Data - Notification of transactions.
(link:http://www.piraeusbankgroup.com/~/media/com/Downloads/Investors/transactions.ashx).

b) Interim stand alone and consolidated financial information

Q1 Financial Statements Information of Piraeus Bank Group and Piraeus Bank	30/5/2012
Q1 Interim Condensed Financial Information	30/5/2012
Q1 Consolidated Interim Condensed Financial Information	30/5/2012
H1 Financial Statements Information of Piraeus Bank Group and Piraeus Bank	19/12/2012
Mid year financial report	19/12/2012
9M Financial Statements Information of Piraeus Bank Group and Piraeus Bank	19/12/2012
9M Interim Condensed Financial Information	19/12/2012
9M Consolidated Interim Condensed Financial Information	19/12/2012

The stand alone and consolidated interim financial information is available in the Bank's internet site www.piraeusbankgroup.com in the section Investor Relations, in the subsection Financial Data - Financial statements.
(link: http://www.piraeusbankgroup.com/en/investors/financials/financial-statements).

c) Annual Financial Report 2011

The annual financial report of Piraeus Bank for the year 2011 is available in the Bank's internet site www.piraeusbankgroup.com in the section Investor Relations, in the subsection Financial Data - Financial statements.
(link:http://www.piraeusbankgroup.com/en/investors/financials/financial-statements).

d) Annual Report 2011 - Corporate Responsibility Report 2011

The annual report of the year 2011 is available in the Bank's internet site www.piraeusbankgroup.com in the section Investor Relations, in the subsection Financial Data - Annual Reports.
(link:http://www.piraeusbankgroup.com/en/investors/financials/annual-reports).

The corporate responsibility of the year 2011 is available in the Bank's internet site www.piraeusbankgroup.com in the section Investor Relations, in the subsection Financial Data - Annual Reports.
(link:http://www.piraeusbankgroup.com/en/investors/financials/annual-reports).

e) Issue of debt securities

Issue of debt securities is available in the Bank's internet site www.piraeusbankgroup.com in the section Investor Relations, in the subsection Debt Investor – Debt Issuance capacity.
(link: http://www.piraeusbankgroup.com/en/Investors/Debt-Investors).

Annual financial statements of subsidiaries

The annual financial statements of the subsidiaries of Piraeus Bank Group, including the reports of the independent auditors as well as the Directors' reports of these subsidiaries, which were finalized during the date of the issue of the annual financial report of the year 2012, are available on the web site of Piraeus Bank at www.piraeusbankgroup.com in the section Investor Relations, in the subsection Financial Data - Financial Statements - Consolidated Companies. The annual financial statements of the remaining subsidiaries of Piraeus Bank Group will be available on the web site of Piraeus Bank when they will become final.
(link:http://www.piraeusbankgroup.com/en/Investors/Financials/Financial-Statements?category=Consolidated-Companies).