ANNUAL FINANCIAL REPORT

For the period from 1st January to 31st December 2008

According to the Law 3556/ 2007

March 2009

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

Dear Shareholders,

2008 turned out to be a diificult year, with negative macroeconomic developments and particularly high volatility in almost all the markets worldwide. Unfavourable forecasts about the course of the global economy have caused a wave of liquidations in capital markets and, in particular, in the banking sector, especially following the bankruptcy of Lehman Brothers in mid-September 2008.

During the second half of the year, the international crisis expanded from the financial sector to the "real" economy, which went into a phase of signigficantly limited growth. Especially in the last quarter of 2008, the largest developed economies of the USA, the Eurozone and Japan presented a decline of their GDP, resulting to a limited global growth that was set at the level 2.9%, compared to a rate above 5% in 2007.

At the same time, forecasts for 2009 outline an even more difficult year, with the International Monetary Fund talking about a marginally positive increase in the global GDP, with all of the developed economies on a recession trajectory, and the emerging economies with a significant slow-down in their growth.

In the midst of this climate, the Greek economy in 2008, with its main pillars -tourism, shipping and construction- under a trial phase, has managed to grow by 3%, significantly higher than the average growth rate in the Eurozone which was at 0.7%.

The Greek banking system has remained solid and healthy, in spite of the international turmoil, with no exposure to "toxic" assets, and has experienced -so far- a milder version of the crisis as opposed to other countries, such as the United Kingdom, the USA, etc. The main issue has turned out to be, insuring the customers' trust and consequently the necessary liquidity required for the system's operation. At the same time, the major Greek banking groups, possessing a satisfactory level of capital adequacy, have adjusted their policies according to the surrounding conditions, passing into a phase of a balanced growth between loans and deposits, and safeguarding themselves against possible risks.

In addition, acting in a preventive manner in conjunction with the Bank of Greece, the Greek government has proceeded to apply a programme to reinforce the liquidity of the Greek economy in order to address the consequences of the international financial crisis. According to the stress test scenarios for "extreme" situations for the Greek economy and the economies of the wider region, it has been assessed what the possible effect would be on the capital adequacy ratios of the banking institutions. Thus, a decision was made -and acted upon- to launch a €28-billion "package" of measures to be channelled to the businesses and the households of Greece, in alignment with corresponding programmes applied by most European countries and under terms which were approved by the European Commission.

It was therefore under these circumstances that Piraeus Bank Group proceeded in the previous year, adjusting its tactics in a timely manner, so as to respond to the ever-changing circumstances. The basic priorities of the Group have been, and remain, to assure a high level of liquidity and capital adequacy, to preserve a satisfactory level of quality in the credit portfolio, taking into account market conditions and the portfolio's most efficient operation possible. At the same time, a primary aim was -and still is- to support the Group's customers, both businesses and households.

Upon implementing the above, during 2008, Piraeus Bank:

• has successfully completed two securitisations; specifically, its first securitisation of business loans of €1,750 million in November 2008 and its third securitization of housing loans of €800 million in April 2008, which were used to raise liquidity from the European Central Bank until the restoration of the markets,

• has decided to participate in the programme to reinforce the liquidity of the Greek economy. The Shareholders' Extraordinary General Meeting which was held on January 2009 approved the share capital increase by €370mn, with the issue of preference shares and cancellation of the pre-emptive rights of existing shareholders in favour of the Greek State. It is noted here that the use of this pillar was activated by all the major Greek banks aiming at further reinforcing their capital base. In addition, Piraeus Bank also made partial use of the third pillar of the government measures, receiving special bonds of €865 million in December 2008 (liquidity enhancement by €750 million),

• has monitored closely the development of the lending relationships of both businesses and households, both in Greece and abroad, so as to take in time all the appropriate measures. In general, for Piraeus Bank in 2008, preserving the quality of the credit portfolio was the central axis of action, as it has been all the previous years. The business model of the Bank itself contributes to this end, which is the most "decentralised" model in the market, combining a "local" speed of reaction with a "central" control of credit, with experienced officers who first of all work with a consultative role for the business clientele. It is indicative that Piraeus Bank has a very significant number of experienced credit officers (over 500),

• apart from the provisions budgeted of €173 million in total for 2008, Piraeus Bank decided to form additional provisions of proactive nature of €215 million in the 4th quarter of the year, so as to safeguard itself against possible future risks due to the deterioration of the financial environment,

• as a consequence of the credit risk management model, and despite the decelaration of the growth rate of loans (from +48% in 2007 to +27% in 2008), Piraeus Bank has preserved the quality of its credit portfolio at a satisfactory level. By applying a cautious and prudent policy in financing, it managed to maintain the loans in arrears ratio at a low level and with high collaterals. Thus, the non-performing loans ratio (>180 days) at Group level was at 1.89% from 1.78% in December 2007, with a 96% coverage ratio, whereas with the tangible collaterals the coverage ratio sets at 155%. At the same time, the loans in arrears above 90 days (IFRS 7) was 3.56%, marginally increased versus December 2007 (3.39%), resulting in coverage by provisions at 51% from 40% one year ago, whereas, including the tangible collaterals, the coverage was 110%,

• maintained its capital adequacy to a particularly satisfactory level, with capital adequacy ratio stood at 9.9% and Tier 1 ratio at 8.0%, a fact suggesting the strong capital position of the Group. In fact, the capital adequacy ratios will be further reinforced in 2009 by the issuance of preference shares in favour of the Greek State amounting to €370 million attributed to the Bank's participation to the State programme to reinforce liquidity of the economy,

• in the beginning of November 2008 it reached an agreement with Proton Bank shareholders to acquire 31% of the latter's share capital through an exchange of shares. The aim is to achieve cost synergies (from promotion-marketing expenses, rent, support functions) and income synergies (cross selling opportunities, investment banking operations), as well as to smoothly incorporate Proton Bank into Piraeus Bank Group.

With these strategic decisions and policies in 2008 and despite of the volatile environment, Piraeus Bank Group continued its course by applying its plan, managing to increase its assets by 18% or by +€8.5 billion, reaching €55 billion. At the end of December 2008, gross loans before provisions amounted to €39 billion, whereas deposits along with the retail bonds at €31 billion, significantly increased by 27% and 31% respectively.

The almost balanced growth of deposits (+€7.4 billion) and loans (+€8.0 billion) on an annual basis has contributed to the improvement of the "loans to deposits" ratio to 112% from 121% a year ago, taking into consideration the securitisations. The highest possible diversification of the interbank funding, the targetted policies, such as the selected enhancement of the branch network, the new sources of deposit products and the marketing actions have decisively contributed to the fulfilment of the target of maintaining the appropriate liquidity.

Pre-tax and provisions profit of 2008 amounted to €774 million compared to €742 million in 2007, increased by 4%. The profits of 2008 were burdened by the additional provisions of €215 million, which were formulated by Piraeus Bank in the 4th quarter of 2008, adjusting its policy to the anticipated expectations of deteriotrating financial environment. Thus, the net profit of 2008 attributable to shareholders was €315 million versus €503 million in 2007. With the one-off trading gains of 2007 arising from the sale of Bank of Cyprus shares, the profits of 2007 was €622 million. Excluding the additional provisions of €215 million, the net profit of 2008 amounted to €530 million compared to €503 million in 2007, increased by 5%.

The after tax earnings per share amounted to €1.64 excluding the additional provisions, whereas to €0.97 if the latter are included. In 2007, the earnings per share were €1.73 excluding the one-off gain (and €2.14 when they are included).

It is also worth noting the increase in net interest income by 26% and in net commissions income by 7%, whereas specifically the net commercial banking commissions were up by 30%. Thus, the recurring sources of profitability (interest and commercial banking commissions) were 82% of the total net revenues of the Group for 2008.

What contributed to this performance to the fullest extent was, for one more year, the creation of new units, 38 in Greece and 113 in the countries of South-Eastern Europe, Egypt and Cyprus, the network of branches reaching almost 900 branches in the end of 2008, 358 in Greece and 537 internationally. With these branches, this phase of development of Piraeus Bank in Greece and in the wider region was completed, according to its strategy for its long-term presence in South-Eastern Europe and Eastern Mediterranean.

At the same time, 1,898 new job positions were created, 289 in Greece and 1,609 abroad, as a result of which, on 31.12.2008, the Group's staff reached 14,255 people, 6,889 in Greece and 7,366 abroad. Piraeus Bank is still a first-choice employer for employees in Greece and in South-Eastern Europe, following a relevant research.

The network's expansion and the constant effort of the staff have brought about an increase in the number of Piraeus Bank customers in Greece, who reached 2.1 million from 1.9 million at the end of 2007. When including the customers of Piraeus Group outside of Greece, the overall number of Group customers exceeded 3.3 million.

To complete the listing of the main highlights of Piraeus Bank Group's performance for 2008, it is worth mentioning additionally the level of the efficiency ratio "cost to income" which was set at 54%, but also the satisfactory level of the after tax Return on Assets which was 1.1%, as well as of the after tax Return on Equity at 18% (the latter ratios exclude the additional provisions of a proactive nature of 2008; when these are included, the ratios stood at 0.7% and 11% respectively).

The total Piraeus Bank shares in issue on 31.12.2008 were 329,543,528 of a nominal value of €4.77 each. It is noted that the value of own shares is deducted from the equity capital of the Bank, which at the end of the year were 12,523,754 shares of €59,738,306.58 nominal value, representing 3.80% of the share capital. During 2008, Piraeus Bank acquired 14,228,664 own shares of €67,870,727.28 nominal value (corresponding to 4.32% of the share capital), implementing the resolution of the Ordinary General Shareholders' Meetings of 03.04.2007 and 03.04.2008. The acquisition of treasury shares is mainly relevant to the implementation of business initiatives (acquiring a stake in Proton Bank), as well as to the possibility of providing them to the staff within the framework of stock option plans. Also, on 05.11.2008 Piraeus Bank exchanged 2,379,303 treasury shares of €11,349,275.31 nominal value with 19,629,247 shares of Proton Bank. The purchase value of the treasury shares in 2008 was €188,744,718.60, whereas the acquisition price of the treasury shares which were exchanged was €38,116,434.06. In addition, it should be noted that during 2008 and following relevant resolutions of Piraeus Bank's General Shareholders' Meeting and Board of Directors, 10,407,537 treasury shares were cancelled, whereas 752,478 new shares were issued under a re-investment plan of the 2007 dividend.

Regarding the transactions of Piraeus Bank with associate parties, such as members of the Board of Directors and of the Management of Piraeus Bank and its affiliates, it is noted that these were not significant for 2008, whereas in any case they are included in the Group's financial statements.

As far as the stock exchange course of the Piraeus Bank stock price in 2008 is concerned, this was affected by the relevant course of banking shares internationally in the midst of particularly unfavourable conditions for this sector at an international scale. Thus, the Piraeus Bank share price dropped by 76%, which is about the same level as the banking index of the Athens Stock Exchange (74%), following the negative course of all banking indices internationally.

Finally, it must be underlined once again that the Piraeus Bank strategy is to constitute the primary bank of the “middle” segment in the market, for businesses and households, by which it has stood with consistency in the last fifteen years. This was and is its main and strategic pursuit, from which it does not move away, not even in these particularly difficult current conditions. What also advocates to the above are the measures the Bank has taken for sensitive groups of lenders in November 2008, but also the announcement that it will grant loans to small and medium sized enterprises in cooperation with both the European Investment Bank and the Chambers of Commerce and Industry of Athens, Thessaloniki, Patras, Chalkida and Agrinio.

Along with its business activity, Piraeus Bank remains committed to issues relevant to corporate responsibility. The adoption of commitments to introduce best business and working practices, as well as social, cultural and environmental initiatives in the practices of Piraeus Bank beyond what is obligatory by the law, confirms the importance accorded to this way of action, as we think that a responsible business should not remain passive before the new social conditions being formed. In this framework, Piraeus Bank continued, in 2008 as well, to faithfully support the principles of the UN Global Compact through its activities and to act voluntarily to promote the principles regarding human rights, labour rights, the protection of the environment and combatting corruption. At the same time, Piraeus Bank took part in international initiatives with a deeper objective of promoting the notion of Corporate Social Responsibility and putting it forth, both to the business world and to the social environment, ultimately aiming at achieving a balance between profitability and sustainable development.

Dear Shareholders,

A year ago, and while the signs of the coming financial crisis had already become visible, we had addressed ourselves to our Shareholders and underlined taking in a timely manner all necessary measures to prepare ourselves in the midst of this negative international conjuncture.

The main axes of this preparation was maintaining a satisfactory level of capital adequacy, assuring the necessary liquidity, mitigating the risks undertaken, with focus on credit risk, and the most efficient operation possible by containing the cost and using any synergy possible at Group level.

Today, and while the global financial environment is flooded with negative news and pessimistic forecasts, we are moving prudently and carefully, evaluating the developments and acting along the above axes. Certainly, in the last months, especially negative forecasts have been made about the prospects of Greece, as well as of the wider South-Eastern Europe region, anticipating a deterioration of the macro-economic developments. However, the developments will depend on a timely diagnosis and a quick response to face the problems arising.

These extraordinary conditions are certainly not suitable for long-term objectives, yet we continue to plan and operate looking both into the present and into the future, as we believe that an upheaval of this scale may also prove to be an opportunity for the Piraeus Bank Group to regroup, further rationalise and come out of the crisis with even better perspectives. The wise, careful management today, with a “lower-speed” development, gives us time for a better organisation and for a more effective management of the existing portfolio, so as to guarantee the freeing of the Group’s development potential after market conditions become smooth again, which is expected gradually from 2010.

In line with current economic conditions and anticipating significant growth deceleration in the countries where Piraeus Bank Group is present, the 2009 goals are summarized below:

• <u>High Quality of credit portfolio:</u> Piraeus Bank Group, despite the significant growth achieved in lending over the past years, has implemented a prudent and selective policy aiming to maintain the loans in arrears above >90 days ratio at a particularly satisfactory level (3.56%) and among the lowest in the market. The Group continues, on a daily basis, to monitor carefully its loan portfolio, taking timely whatever measures are required to safeguard quality.

• <u>Ensure Liquidity</u>: Balanced growth of deposits and loans, while a series of loan securitizations are planned in order to raise liquidity in excess of €3bn. In addition, Piraeus Bank will make use of the government’s support plan, accessing €2.5 bn of liquidity that has been earmarked to the Group (apart from the €865 mn of special bonds that have already been received).

• <u>Drastic Cost Containment:</u> The deceleration of the Groups’ growth rates requires cost containment. Our target for 2009 is to keep operating cost at 2008 levels.

• <u>Capital Adequacy</u>: Post completion of the preferred shares capital increase by €370 mn, which was resolved by the Shareholders’ Extraordinary General Meeting in favour of the Greek State, the target for 2009 is to maintain the Tier I ratio at a high level.

• <u>Credit Expansion:</u> Within the context of the international and the Greek economy, the Group’s lending growth is estimated to be limited between 5% and 10%.

Within this framework, we are preparing to make full use of the development prospects of Greece, but also of the countries of the wider region, as soon as markets stabilise and allow this. Until then, we will keep on working incessantly to the interests of our customers, employees and shareholders.

Michalis G. Sallas
Chairman of the Board of Directors

EXPLANATORY REPORT

This explanatory report of the Board of Directors of Piraeus Bank to the Ordinary General Meeting of Shareholders contains detailed information as of 31/12/2008, regarding the matters arising under paragraph 7 of article 4 of Law 3556/2007.

I. Piraeus Bank share capital structure
On 31/12/2008, the share capital of Piraeus Bank amounts to euro one billion, five hundred and seventy one million, nine hundred and twenty two thousand, six hundred and twenty eight euro and fifty six cents (€1,571,922,628.56), divided into three hundred and twenty nine million, five hundred and forty three thousand, five hundred and twenty eight (329,543,528) ordinary registered shares having a nominal value of four euro and seventy seven cents (€4.77) each. Piraeus Bank shares are traded on the Athens Exchange.

The rights of the shareholders of Piraeus Bank, arising from each share, are proportional to the percentage of the share capital to which the paid-in share value corresponds. Each share carries the rights stipulated by law and the Articles of Associations, and in particular:
• The right to dividends from the annual profits or liquidation profits of the Bank. Following the deduction of only the regular reserves, a percentage of 35% of the net profits is distributed from the profits of each fiscal year to the shareholders as an initial dividend while the distribution of an additional dividend is resolved upon by the General Meeting. Every shareholder registered on the register of shareholders kept by the Bank on the date of identification of those eligible, is entitled to dividends. The dividend of every share is paid to the shareholder within two (2) months from the date of the Ordinary General Meeting which approved the annual financial statements. The manner and place of payment of the dividend is announced through the press. The right to receive payment of the dividend is subject to a time limitation and the respective unclaimed amount goes to the State 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 reclaim one's share capital contribution during the liquidation or, similarly, upon the writing off of the capital corresponding to the share, provided that this is resolved upon by the General Meeting,
• The right of pre-emption at every share capital increase of the Bank via cash payment and the acquisition of new shares,
• The right to receive a copy of the financial statements and reports of the auditors and of the Board of Directors of the Bank,
• The right to participate in the General Meeting which is constituted of the following particular rights: legitimacy, presence, participation in discussions, submission of proposals on the items of the agenda, entry of one's opinions on the minutes of the Meeting and finally the right to vote.

The General Assembly of the shareholders of the Bank retains all its rights during the winding up.

The liability of the Bank's shareholders is limited to the par value of the shares they hold.

II. Restrictions on the transfer of shares of Piraeus Bank
Piraeus Bank shares, which are dematerialised and listed on the Athens Exchange, are transferred as stipulated by Law and the Articles of Association provide no restrictions in respect thereof.

III. Major direct and indirect shareholdings within the meaning of Law 3556/2007
No individual shareholder (natural or legal person) directly or indirectly holds a stake higher than 5% of the total number of shares of the Bank.

IV. Shares with special control rights
As of 31/12/2008 there are no shares of Piraeus Bank which provide their holders with special control rights.

V. Restrictions on the right to vote
The Articles of Association of the bank do not provide for any restrictions upon the right to vote arising from its shares.

VI. Agreements among shareholders of the Bank
The Bank is not aware of any agreements among its shareholders, which would result in restrictions on the transfer of its shares or on the exercise of the voting rights arising from such shares, with the exception of 2,379,303 shares held by the former shareholders of Proton Bank, to whom such shares were transferred in exchange for the acquisition by the Bank of 31.3147% of the total shares of Proton Bank. Such shares are blocked until 31/12/2009 by way of security for the claims of the Bank which may arise fro the aforementioned acquisition and the right to repurchase which was provided to the Bank under the terms and conditions of the respective private agreement.

VII. Regulations on the appointment and replacement of Board members and amendments to the Articles of Association
Pursuant to the provisions of Cod. Law. 2190/1920, the Articles of Association of the Bank provides the following for the replacement of the members of the Board of Directors: "if a member of the Board of Directors resigns, dies or forfeits his office any reason whatsoever, or is deemed forfeited by resolution of the Board of Directors due to his unjustifiable absence from meetings for three consecutive months, the Board of Directors may continue the management and representation of the Bank without the replacement of the departed members as long as the remaining members are at least nine (9) in number. In the event the members of the Board of Directors number less than nine (9), the Board is under the obligation to elect temporary substitutes for the remainder of the term of the departed members, in order to complete the minimum number of nine (9) members. This resolution of election must be published in accordance with the provisions of article 7b of C.L. 2190/1920, as in force form time to time, and is announced by the Board of Directors at the very next meeting of the General Meeting of Shareholders, which may replace the directors so elected even if this does not appear as an item for discussion on the Agenda of the General Meeting. 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 for in the Articles of Association of the Bank regarding the appointment and replacement of members of its Board of Directors and the amendment of the respective provisions, are in conformity with the provisions of Cod. Law. 2190/1920.

VIII. Authority of the Board to issue new shares or acquire treasury shares

A) Pursuant to the provisions of article 13, para. 1, indent b) of Cod. Law 2190/1920, and the resolution of the 2nd Repeated Ordinary General Assembly of the Shareholders of the Bank dated 03/05/2007, the Board of Directors was authorized to resolve upon the increase of the share capital, in whole or in part, of up to a maximum amount equal to the share capital of the Bank at the time when such authorization was provided. In particular the Board may by its resolution reached by a majority of at least two-thirds (2/3) of its members, resolve upon the increase of its share capital up to the amount of 1,288,830,297.87 euro with the issuance of 270,195,031 shares having a nominal value of 4.77 euro each and an issue value to be decided upon by the respective resolution of the Board of Directors. It is pointed out that the increase to the share capital carries the right to pre-emption of the existing shareholders and remains valid for 5 years. The aforementioned power of the Board of Directors may be renewed by the General Meeting for a period of time not exceeding five years per each renewal.

B) Pursuant to the provisions of article 13, para. 13 of Cod. Law 2190/1920, upon a decision of the General Meeting, a stock option plan may be established for the distribution of shares to the Management and the staff of the Bank in accordance with the specific terms of such decision. The decision of the General Meeting defines, in particular, the maximum number of shares which may be acquired or issued (the par value of which may not in total exceed 1/10 of the paid in share capital at the date of the decision of the General Meeting) if the optionees exercise their stock options, the share price and stock options terms, the optionees or categories thereof, the duration of the program, as well as the method of definition of share price. The Board Directors may, following a relevant decision of the General Assembly, define the optionees or categories thereof, the method of exercise of the options rights, as well as any other term of the program for the distribution of shares.

The Board of Directors issues the stock option certificates and, at the most every three months, delivers the shares which have already been issued or issues and delivers such shares to the optionees who have exercised their option rights, respectively increasing the share capital and certifying the same.

C) Pursuant to the provisions of art. 13, para. 14 of Cod. Law 2190/1920, General Assembly resolve to authorize the Board of Directors of the Bank to issue a program for the distribution of shares in accordance with the aforementioned, possibly thereby increasing the share capital and reaching all required respective resolutions. This authorization remains valid for a period of five (5) years, unless shortened by a respective decision of the General Meeting, and is independent of the authority of the Board of Directors for the increase of the share capital in accordance with the provisions of A above.

In the implementation of the aforementioned provisions and pursuant to the resolution of the 2nd Repeated General Meeting of Shareholders dated May 16, 2005, a 4-year stock option program for the distribution of shares to the members of Board of Directors, senior officers and executives of the Bank and its subsidiary and affiliated (according to article 42e of act 2190/20) companies, was established on the basis of which, a maximum of 2,000,000 options may be granted for the acquisition of shares at the price of 12.20 euros per share (the "2nd Plan"). The 2nd Repeated General Meeting of the Bank's Shareholders held on 15.5.2006, resolved upon the increase of the share capital through the capitalization of reserve funds and the distribution of free shares to shareholders at a ratio of one free share per four existing shares. Moreover, by resolution of the same General Meeting, the maximum number of stock options was correspondingly adjusted to 2,500,000 options and the relevant acquisition price was adjusted to 9.76 euros per share, so that the total acquisition cost for the option holders would remain the same as before said capital increase.
During the third exercise period (1 – 10/12/ 2008) of rights distributed based on the 2nd Plan, no new shares were issued and the Plan ceased.

Moreover, in accordance with the resolution dated 15.5.2006 of the 2nd Repeated General Meeting of the Shareholders of the Bank, a 5-year stock option program was established (the "3rd Plan") for the distribution of shares to the members of Board of Directors, senior officers and executives of the Bank and its subsidiary and affiliated (according to article 42e of act 2190/20) companies, including companies having registered offices abroad, in the form of provision of the options to purchase shares (stock option) which will be valid and implemented during the years 2006, 2007, 2008, 2009 and 2010, concurrently and independently with the aforementioned 2nd Plan previously established by the General Meeting of the Bank's Shareholders on 16.5.2005. Within the framework of the 3rd Plan, a maximum of 4.028.820 options may be granted for the acquisition of Bank shares, at the price of 17.25 euros per share.
During the third exercise period (1-10/12/2008) of rights distributed based on the 3rd Plan, no new shares of the Bank were issued.

Pursuant to the provisions of article 13 para. 14 of Cod. Law 2190/1920 and the resolution of the 2nd Repeated General Assembly of shareholders of the Bank dated 07/05/2008, the Board of Directors was authorized to establish a plan for the distribution of shares in accordance with the aforementioned, by means of a resolution reached by a majority of at least two thirds (2/3) of its members. In particular the Board of Directors was granted the authorization, which remains valid for one year (i.e. until 07/05/2009), in order to establish a five year plan for the distribution of shares to members of Management and the staff of the Bank and its subsidiary and affiliated (as defined in article 42e Cod. Law 2190/1920) companies, in the form of stock options for the purchase of Bank shares. The plan provides that up to five million (5,000,000) new shares may be issued, of which 1/5th shall mature annually. Additionally or alternatively, it is possible within the framework of the plan, to distribute shares from the treasury stock reserve held by the Bank or purchased by the Bank for this purpose. The acquisition value of such shares cannot be less than 21.36 euro per share. As of 31/12/2008 the Board of Directors had not reached any respective resolution.

D) Pursuant to the provisions of article 16 of the Cod. Law 2190/1920, as amended and in force, companies limited by shares may either directly or through a representative acting in its own name but on their behalf, acquire treasury shares by a decision of the General Meeting of their shareholders setting out the terms and conditions of such acquisition, and in particular the maximum number of shares that may be acquired, the duration for which the authorization is granted, which cannot exceed twenty four (24) months, and in the event of acquisition of shares for consideration (e.g. purchase) the minimum and maximum limits of the acquisition value.

Such acquisitions will take place upon the following conditions:
- the nominal value of the all the treasury shares acquired, including those treasury shares previously acquired and held by the company as well as those shares acquired by any entity acting in its own name but on behalf of the company, may not exceed one tenth (1/10) of the paid in share capital.
- the acquisition of treasury shares, including those shares previously acquired and held by the company, as well as those shares acquired by any entity acting in its own name but on behalf of the company, may not result in the reduction of the capital below that stipulated in para. 1 of art. 44a of Cod. Law 2190/1920,
- the transaction may only be in respect of fully paid in shares.

The Ordinary General Meeting of the shareholders of the Bank resolved on 3.4.2008 upon the acquisition by the Bank of treasury shares through the Athens Exchange, of up to a maximum of 33,000,000 shares, representing less than10% of the total shares on the date of the said decision, with an acquisition value ranging from euro 4 (minimum) and euro 40 (maximum) and for the duration of 24 months from the date of said decision, namely at the latest until the 3.4.2010, whilst such treasury shares to be acquired may be distributed to the staff of the Bank or its affiliated companies. In the implementation of the aforementioned decision of the General Meeting, the Board of Directors of the Bank determines, through a respective resolution, the basic terms of each of the transactions for the acquisition of treasury shares.

IX. Major agreements put in force, amended or terminated in the event of change in the control following a public offer
There are no agreements which enter into force, are amended or terminated in the event of change in the control of the Bank following a public offer.

X. Agreements with Board members or staff of the Bank
There are no agreements between the Bank and the members of its Board of Directors or staff which provide for the payment of compensation in the event of their departure as a result of the submission of a public offer. The provisions formed for compensations due to departure from service amounted to €36.8 million on 31.12.2008 and are in respect of members of Management, General Managers, Deputy General Managers and Assistant General Managers, Management Consultants, Heads of subsidiary companies (domestic and international) and their top executives.

For the Board of Directors of the Bank
Michalis G. Sallas

The Chairman

STATEMENT (article 4 of L. 3556/2007)

To the best of our knowledge, the Full Year 2008 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 S.A. and the group of companies included in the consolidated accounts. In addition, the Board of Director's annual report for 2008 gives a fair and true view of the evolution, performance and position of Piraeus Bank S.A. 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	Theodoros N. Pantalakis	Alexandros St. Manos
Chairman of BoD & CEO	Vice-Chairman of BoD and Deputy CEO	Managing Director

AVAILABILITY OF ANNUAL FINANCIAL REPORT 2008

The Annual Financial Report for the year 2008 which includes:

- The Board of Directors' Management Report
- The Explanatory Report
- The Statement (article 4 of L. 3556/2007)
- The Annual Financial Statements of Piraeus Bank S.A and Piraeus Bank Group
- The Independent Auditor's Reports
- The Financial statements information for the year ended 31/12/2008
- The Information according to article 10, Law 3401/ 2005

is available in the Bank's internet site http://www.piraeusbank.gr/ecportal.asp?id=235054&lang=2&nt=102%20&sid=&txtSearch=

PIRAEUS BANK GROUP

Consolidated Financial Statements

31 December 2008

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 12th, 2009 and they are available on the web site of Piraeus Bank at www.piraeusbank.gr

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

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BOARD OF DIRECTORS' MANAGEMENT REPORT

Dear Shareholders,

2008 turned out to be a diificult year, with negative macroeconomic developments and particularly high volatility in almost all the markets worldwide. Unfavourable forecasts about the course of the global economy have caused a wave of liquidations in capital markets and, in particular, in the banking sector, especially following the bankruptcy of Lehman Brothers in mid-September 2008.

During the second half of the year, the international crisis expanded from the financial sector to the "real" economy, which went into a phase of signigficantly limited growth. Especially in the last quarter of 2008, the largest developed economies of the USA, the Eurozone and Japan presented a decline of their GDP, resulting to a limited global growth that was set at the level 3%, compared to a rate above 5% in 2007.

At the same time, forecasts for 2009 outline an even more difficult year, with the International Monetary Fund talking about a marginally positive increase in the global GDP, with all of the developed economies on a recession trajectory, and the emerging economies with a significant slow-down in their growth.

In the midst of this climate, the Greek economy in 2008, with its main pillars -tourism, shipping and construction- under a trial phase, has managed to grow by 2.9%, significantly higher than the average growth rate in the Eurozone which was at 0.7%.

The Greek banking system has remained solid and healthy, in spite of the international turmoil, with no exposure to "toxic" assets, and has experienced -so far- a milder version of the crisis as opposed to other countries, such as the United Kingdom, the USA, etc. The main issue has turned out to be, insuring the customers' trust and consequently the necessary liquidity required for the system's operation. At the same time, the major Greek banking groups, possessing a satisfactory level of capital adequacy, have adjusted their policies according to the surrounding conditions, passing into a phase of a balanced growth between loans and deposits, and safeguarding themselves against possible risks.

In addition, acting in a preventive manner in conjunction with the Bank of Greece, the Greek government has proceeded to apply a programme to reinforce the liquidity of the Greek economy in order to address the consequences of the international financial crisis. According to the stress test scenarios for "extreme" situations for the Greek economy and the economies of the wider region, it has been assessed what the possible effect would be on the capital adequacy ratios of the banking institutions. Thus, a decision was made -and acted upon- to launch a €28-billion "package" of measures to be channelled to the businesses and the households of Greece, in alignment with corresponding programmes applied by most European countries and under terms which were approved by the European Commission.

It was therefore under these circumstances that Piraeus Bank Group proceeded in the previous year, adjusting its tactics in a timely manner, so as to respond to the ever-changing circumstances. The basic priorities of the Group have been, and remain, to assure a high level of liquidity and capital adequacy, to preserve a satisfactory level of quality in the credit portfolio, taking into account market conditions and the portfolio's most efficient operation possible. At the same time, a primary aim was -and still is- to support the Group's customers, both businesses and households.

Upon implementing the above, during 2008, Piraeus Bank:

• has successfully completed two securitisations; specifically, its first securitisation of business loans of €1,750 million in November 2008 and its third securitization of housing loans of €800 million in April 2008, which were used to raise liquidity from the European Central Bank until the restoration of the markets,

• has decided to participate in the programme to reinforce the liquidity of the Greek economy. The Shareholder's Extraordinary General Meeting which was held on January 2009 approved the share capital increase by €370mn, with the issue of preference shares and cancellation of the pre-emptive rights of existing shareholders in favour of the Greek State. It is noted here that the use of this pillar was activated by all the major Greek banks aiming at further reinforcing their capital base. In addition, Piraeus Bank also made partial use of the third pillar of the government measures, receiving special bonds of €865 million in December 2008 (liquidity enhancement by €750 million),

• has monitored closely the development of the lending relationships of both businesses and households, both in Greece and abroad, so as to take in time all the appropriate measures. In general, for Piraeus Bank in 2008, preserving the quality of the credit portfolio was the central axis of action, as it has been all the previous years. The business model of the Bank itself contributes to this end, which is the most "decentralised" model in the market, combining a "local" speed of reaction with a "central" control of credit, with experienced officers who first of all work with a consultative role for the business clientele. It is indicative that Piraeus Bank has a very significant number of experienced credit officers (over 500),

• apart from the provisions budgeted of €173 million in total for 2008, Piraeus Bank decided to form additional provisions of proactive nature of €215 million in the 4th quarter of the year, so as to safeguard itself against possible future risks due to the deterioration of the financial environment,

• as a consequence of the credit risk management model, and despite the decelaration of the growth rate of loans (from +48% in 2007 to +27% in 2008), Piraeus Bank has preserved the quality of its credit portfolio at a satisfactory level. By applying a cautious and prudent policy in financing, it managed to maintain the loans in arrears ratio at a low level and with high collaterals. Thus, the non-performing loans ratio (>180 days) at Group level was at 1.89% from 1.78% in December 2007, with a 96% coverage ratio, whereas with the tangible collaterals the coverage ratio sets at 155%. At the same time, the loans in arrears above 90 days (IFRS 7) was 3.56%, marginally increased versus December 2007 (3.39%), resulting in coverage by provisions at 51% from 40% one year ago, whereas, including the tangible collaterals, the coverage was 110%,

• maintained its capital adequacy to a particularly satisfactory level, with capital adequacy ratio stood at 9.9% and Tier 1 ratio at 8.0%, a fact suggesting the strong capital position of the Group. In fact, the capital adequacy ratios will be further reinforced in 2009 by the issuance of preference shares in favour of the Greek State amounting to €370 million attributed to the Bank's participation to the State programme to reinforce liquidity of the economy,

• in the beginning of November 2008 it reached an agreement with Proton Bank shareholders to acquire 31% of the latter's share capital through an exchange of shares. The aim is to achieve cost synergies (from promotion-marketing expenses, rent, support functions) and income synergies (cross selling opportunities, investment banking operations), as well as to smoothly incorporate Proton Bank into Piraeus Bank Group.

With these strategic decisions and policies in 2008 and despite of the volatile environment, Piraeus Bank Group continued its course by applying its plan, managing to increase its assets by 18% or by +€8.5 billion, reaching €55 billion. At the end of December 2008, gross loans before provisions amounted to €39 billion, whereas deposits along with the retail bonds at €31 billion, significantly increased by 27% and 31% respectively.

The almost balanced growth of deposits (+€7.4 billion) and loans (+€8.0 billion) on an annual basis has contributed to the improvement of the "loans to deposits" ratio to 112% from 121% a year ago, taking into consideration the securitisations. The highest possible diversification of the interbank funding, the targetted policies, such as the selected enhancement of the branch network, the new sources of deposit products and the marketing actions have decisively contributed to the fulfilment of the target of maintaining the appropriate liquidity.

Pre-tax and provisions profit of 2008 amounted to €774 million compared to €742 million in 2007, increased by 4%. The profits of 2008 were burdened by the additional provisions of €215 million, which were formulated by Piraeus Bank in the 4th quarter of 2008, adjusting its policy to the anticipated expectations of deteriotrating financial environment. Thus, the net profit of 2008 attributable to shareholders was €315 million versus €503 million in 2007. With the one-off trading gains of 2007 arising from the sale of Bank of Cyprus shares, the profits of 2007 was €622 million. Excluding the additional provisions of €215 million, the net profit of 2008 amounted to €530 million compared to €503 million in 2007, increased by 5%.

The after tax earnings per share amounted to €1.64 excluding the additional provisions, whereas to €0.97 if the latter are included. In 2007, the earnings per share were €1.73 excluding the one-off gain (and €2.14 when they are included).

It is also worth noting the increase in net interest income by 26% and in net commissions income by 7%, whereas specifically the net commercial banking commissions were up by 30%. Thus, the recurring sources of profitability (interest and commercial banking commissions) were 82% of the total net revenues of the Group for 2008.

What contributed to this performance to the fullest extent was, for one more year, the creation of new units, 38 in Greece and 113 in the countries of South-Eastern Europe, Egypt and Cyprus, the network of branches reaching almost 900 branches in the end of 2008, 358 in Greece and 537 internationally. With these branches, this phase of development of Piraeus Bank in Greece and in the wider region was completed, according to its strategy for its long-term presence in South-Eastern Europe and Eastern Mediterranean.

At the same time, 1,898 new job positions were created, 289 in Greece and 1,609 abroad, as a result of which, on 31.12.2008, the Group's staff reached 14,255 people, 6,889 in Greece and 7,366 abroad. Piraeus Bank is still a first-choice employer for employees in Greece and in South-Eastern Europe, following a relevant research.

The network's expansion and the constant effort of the staff have brought about an increase in the number of Piraeus Bank customers in Greece, who reached 2.1 million from 1.9 million at the end of 2007. When including the customers of Piraeus Group outside of Greece, the overall number of Group customers exceeded 3.3 million.

To complete the listing of the main highlights of Piraeus Bank Group's performance for 2008, it is worth mentioning additionally the level of the efficiency ratio "cost to income" which was set at 54%, but also the satisfactory level of the after tax Return on Assets which was 1.1%, as well as of the after tax Return on Equity at 18% (the latter ratios exclude the additional provisions of a proactive nature of 2008; when these are included, the ratios stood at 0.7% and 11% respectively).

The total Piraeus Bank shares in issue on 31.12.2008 were 329,543,528 of a nominal value of €4.77 each. It is noted that the value of own shares is deducted from the equity capital of the Bank, which at the end of the year were 12,523,754 shares of €59,738,306.58 nominal value, representing 3.8% of the share capital. During 2008, Piraeus Bank acquired 14,228,664 own shares of €67,870,727.28 nominal value (corresponding to 4.32% of the share capital), implementing the resolution of the Ordinary General Shareholders' Meetings of 03.04.2007 and 03.04.2008. The acquisition of treasury shares is mainly relevant to the implementation of business initiatives (acquiring a stake in Proton Bank), as well as to the possibility of providing them to the staff within the framework of stock option plans. Also, on 05.11.2008 Piraeus Bank exchanged 2,379,303 treasury shares of €11,349,275.31 nominal value with 19,629,247 shares of Proton Bank. The purchase value of the treasury shares in 2008 was €188,744,718.60, whereas the acquisition price of the treasury shares which were exchanged was €38,116,434.06. In addition, it should be noted that during 2008 and following relevant resolutions of Piraeus Bank's General Shareholders' Meeting and Board of Directors, 10,407,537 treasury shares were cancelled, whereas 752,478 new shares were issued under a re-investment plan of the 2007 dividend.

Regarding the transactions of Piraeus Bank with associate parties, such as members of the Board of Directors and of the Management of Piraeus Bank and its affiliates, it is noted that these were not significant for 2008, whereas in any case they are included in the Group's financial statements.

As far as the stock exchange course of the Piraeus Bank stock price in 2008 is concerned, this was affected by the relevant course of banking shares internationally in the midst of particularly unfavourable conditions for this sector at an international scale. Thus, the Piraeus Bank share price dropped by 76%, which is about the same level as the banking index of the Athens Stock Exchange (74%), following the negative course of all banking indices internationally.

Finally, it must be underlined once again that the Piraeus Bank strategy is to constitute the primary bank of the “middle” segment in the market, for businesses and households, by which it has stood with consistency in the last fifteen years. This was and is its main and strategic pursuit, from which it does not move away, not even in these particularly difficult current conditions. What also advocates to the above are the measures the Bank has taken for sensitive groups of lenders in November 2008, but also the announcement that it will grant loans to small and medium sized enterprises in cooperation with both the European Investment Bank and the Chambers of Commerce and Industry of Athens, Thessaloniki, Patras, Chalkida and Agrinio.

Along with its business activity, Piraeus Bank remains committed to issues relevant to corporate responsibility. The adoption of commitments to introduce best business and working practices, as well as social, cultural and environmental initiatives in the practices of Piraeus Bank beyond what is obligatory by the law, confirms the importance accorded to this way of action, as we think that a responsible business should not remain passive before the new social conditions being formed. In this framework, Piraeus Bank continued, in 2008 as well, to faithfully support the principles of the UN Global Compact through its activities and to act voluntarily to promote the principles regarding human rights, labour rights, the protection of the environment and combatting corruption. At the same time, Piraeus Bank took part in international initiatives with a deeper objective of promoting the notion of Corporate Social Responsibility and putting it forth, both to the business world and to the social environment, ultimately aiming at achieving a balance between profitability and sustainable development.

Dear Shareholders,

A year ago, and while the signs of the coming financial crisis had already become visible, we had addressed ourselves to our Shareholders and underlined taking in a timely manner all necessary measures to prepare ourselves in the midst of this negative international conjuncture.

The main axes of this preparation was maintaining a satisfactory level of capital adequacy, assuring the necessary liquidity, mitigating the risks undertaken, with focus on credit risk, and the most efficient operation possible by containing the cost and using any synergy possible at Group level.

Today, and while the global financial environment is flooded with negative news and pessimistic forecasts, we are moving prudently and carefully, evaluating the developments and acting along the above axes. Certainly, in the last months, especially negative forecasts have been made about the prospects of Greece, as well as of the wider South-Eastern Europe region, anticipating a deterioration of the macro-economic developments. However, the developments will depend on a timely diagnosis and a quick response to face the problems arising.

These extraordinary conditions are certainly not suitable for long-term objectives, yet we continue to plan and operate looking both into the present and into the future, as we believe that an upheaval of this scale may also prove to be an opportunity for the Piraeus Bank Group to regroup, further rationalise and come out of the crisis with even better perspectives. The wise, careful management today, with a “lower-speed” development, gives us time for a better organisation and for a more effective management of the existing portfolio, so as to guarantee the freeing of the Group’s development potential after market conditions become smooth again, which is expected gradually from 2010.

In line with current economic conditions and anticipating significant growth deceleration in the countries where Piraeus Bank Group is present, the 2009 goals are summarized below:

• <u>High Quality of credit portfolio:</u> Piraeus Bank Group, despite the significant growth achieved in lending over the past years, has implemented a prudent and selective policy aiming to maintain the loans in arrears above >90 days ratio at a particularly satisfactory level (3.56%) and among the lowest in the market. The Group continues, on a daily basis, to monitor carefully its loan portfolio, taking timely whatever measures are required to safeguard quality.

• <u>Ensure Liquidity</u>: Balanced growth of deposits and loans, while a series of loan securitizations are planned in order to raise liquidity in excess of €3bn. In addition, Piraeus Bank will make use of the government’s support plan, accessing €2.5 bn of liquidity that has been earmarked to the Group (apart from the €865 mn of special bonds that have already been received).

• <u>Drastic Cost Containment:</u> The deceleration of the Groups’ growth rates requires cost containment. Our target for 2009 is to keep operating cost at 2008 levels.

• <u>Capital Adequacy</u>: Post completion of the preferred shares capital increase by €370 mn, which was resolved by the Shareholders’ Extraordinary General Meeting in favour of the Greek State, the target for 2009 is to maintain the Tier I ratio at a high level.

• <u>Credit Expansion:</u> Within the context of the international and the Greek economy, the Group’s lending growth is estimated to be limited between 5% and 10%.

Within this framework, we are preparing to make full use of the development prospects of Greece, but also of the countries of the wider region, as soon as markets stabilise and allow this. Until then, we will keep on working incessantly to the interests of our customers, employees and shareholders.

Michalis G. Sallas
Chairman of the Board of Directors

EXPLANATORY REPORT

This explanatory report of the Board of Directors of Piraeus Bank to the Ordinary General Meeting of Shareholders contains detailed information as of 31/12/2008, regarding the matters arising under paragraph 7 of article 4 of Law 3556/2007.

I. Piraeus Bank share capital structure

On 31/12/2008, the share capital of Piraeus Bank amounts to euro one billion, five hundred and seventy one million, nine hundred and twenty two thousand, six hundred and twenty eight euro and fifty six cents (€1,571,922,628.56), divided into three hundred and twenty nine million, five hundred and forty three thousand, five hundred and twenty eight (329,543,528) ordinary registered shares having a nominal value of four euro and seventy seven cents (€4.77) each. Piraeus Bank shares are traded on the Athens Exchange.

The rights of the shareholders of Piraeus Bank, arising from each share, are proportional to the percentage of the share capital to which the paid-in share value corresponds. Each share carries the rights stipulated by law and the Articles of Associations, and in particular:

• The right to dividends from the annual profits or liquidation profits of the Bank. Following the deduction of only the regular reserves, a percentage of 35% of the net profits is distributed from the profits of each fiscal year to the shareholders as an initial dividend while the distribution of an additional dividend is resolved upon by the General Meeting. Every shareholder registered on the register of shareholders kept by the Bank on the date of identification of those eligible, is entitled to dividends. The dividend of every share is paid to the shareholder within two (2) months from the date of the Ordinary General Meeting which approved the annual financial statements. The manner and place of payment of the dividend is announced through the press. The right to receive payment of the dividend is subject to a time limitation and the respective unclaimed amount goes to the State 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 reclaim one's share capital contribution during the liquidation or, similarly, upon the writing off of the capital corresponding to the share, provided that this is resolved upon by the General Meeting,

• The right of pre-emption at every share capital increase of the Bank via cash payment and the acquisition of new shares,

• The right to receive a copy of the financial statements and reports of the auditors and of the Board of Directors of the Bank,

• The right to participate in the General Meeting which is constituted of the following particular rights: legitimacy, presence, participation in discussions, submission of proposals on the items of the agenda, entry of one's opinions on the minutes of the Meeting and finally the right to vote.

The General Assembly of the shareholders of the Bank retains all its rights during the winding up.

The liability of the Bank's shareholders is limited to the par value of the shares they hold.

II. Restrictions on the transfer of shares of Piraeus Bank

Piraeus Bank shares, which are dematerialised and listed on the Athens Exchange, are transferred as stipulated by Law and the Articles of Association provide no restrictions in respect thereof.

III. Major direct and indirect shareholdings within the meaning of Law 3556/2007

No individual shareholder (natural or legal person) directly or indirectly holds a stake higher than 5% of the total number of shares of the Bank.

IV. Shares with special control rights

As of 31/12/2008 there are no shares of Piraeus Bank which provide their holders with special control rights.

V. Restrictions on the right to vote

The Articles of Association of the bank do not provide for any restrictions upon the right to vote arising from its shares.

VI. Agreements among shareholders of the Bank

The Bank is not aware of any agreements among its shareholders, which would result in restrictions on the transfer of its shares or on the exercise of the voting rights arising from such shares, with the exception of 2,379,303 shares held by the former shareholders of Proton Bank, to whom such shares were transferred in exchange for the acquisition by the Bank of 31.3147% of the total shares of Proton Bank. Such shares are blocked until 31/12/2009 by way of security for the claims of the Bank which may arise fro the aforementioned acquisition and the right to repurchase which was provided to the Bank under the terms and conditions of the respective private agreement.

VII. Regulations on the appointment and replacement of Board members and amendments to the Articles of Association

Pursuant to the provisions of Cod. Law. 2190/1920, the Articles of Association of the Bank provides the following for the replacement of the members of the Board of Directors: "if a member of the Board of Directors resigns, dies or forfeits his office any reason whatsoever, or is deemed forfeited by resolution of the Board of Directors due to his unjustifiable absence from meetings for three consecutive months, the Board of Directors may continue the management and representation of the Bank without the replacement of the departed members as long as the remaining members are at least nine (9) in number. In the event the members of the Board of Directors number less than nine (9), the Board is under the obligation to elect temporary substitutes for the remainder of the term of the departed members, in order to complete the minimum number of nine (9) members. This resolution of election must be published in accordance with the provisions of article 7b of C.L. 2190/1920, as in force form time to time, and is announced by the Board of Directors at the very next meeting of the General Meeting of Shareholders, which may replace the directors so elected even if this does not appear as an item for discussion on the Agenda of the General Meeting. 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 for in the Articles of Association of the Bank regarding the appointment and replacement of members of its Board of Directors and the amendment of the respective provisions, are in conformity with the provisions of Cod. Law. 2190/1920.

VIII. Authority of the Board to issue new shares or acquire treasury shares

A) Pursuant to the provisions of article 13, para. 1, indent b) of Cod. Law 2190/1920, and the resolution of the 2nd Repeated Ordinary General Assembly of the Shareholders of the Bank dated 03/05/2007, the Board of Directors was authorized to resolve upon the increase of the share capital, in whole or in part, of up to a maximum amount equal to the share capital of the Bank at the time when such authorization was provided. In particular the Board may by its resolution reached by a majority of at least two-thirds (2/3) of its members, resolve upon the increase of its share capital up to the amount of 1,288,830,297.87 euro with the issuance of 270,195,031 shares having a nominal value of 4.77 euro each and an issue value to be decided upon by the respective resolution of the Board of Directors. It is pointed out that the increase to the share capital carries the right to pre-emption of the existing shareholders and remains valid for 5 years. The aforementioned power of the Board of Directors may be renewed by the General Meeting for a period of time not exceeding five years per each renewal.

B) Pursuant to the provisions of article 13, para. 13 of Cod. Law 2190/1920, upon a decision of the General Meeting, a stock option plan may be established for the distribution of shares to the Management and the staff of the Bank in accordance with the specific terms of such decision. The decision of the General Meeting defines, in particular, the maximum number of shares which may be acquired or issued (the par value of which may not in total exceed 1/10 of the paid in share capital at the date of the decision of the General Meeting) if the optionees exercise their stock options, the share price and stock options terms, the optionees or categories thereof, the duration of the program, as well as the method of definition of share price. The Board Directors may, following a relevant decision of the General Assembly, define the optionees or categories thereof, the method of exercise of the options rights, as well as any other term of the program for the distribution of shares.

The Board of Directors issues the stock option certificates and, at the most every three months, delivers the shares which have already been issued or issues and delivers such shares to the optionees who have exercised their option rights, respectively increasing the share capital and certifying the same.

C) Pursuant to the provisions of art. 13, para. 14 of Cod. Law 2190/1920, General Assembly resolve to authorize the Board of Directors of the Bank to issue a program for the distribution of shares in accordance with the aforementioned, possibly thereby increasing the share capital and reaching all required respective resolutions. This authorization remains valid for a period of five (5) years, unless shortened by a respective decision of the General Meeting, and is independent of the authority of the Board of Directors for the increase of the share capital in accordance with the provisions of A above.

In the implementation of the aforementioned provisions and pursuant to the resolution of the 2nd Repeated General Meeting of Shareholders dated May 16, 2005, a 4-year stock option program for the distribution of shares to the members of Board of Directors, senior officers and executives of the Bank and its subsidiary and affiliated (according to article 42e of act 2190/20) companies, was established on the basis of which, a maximum of 2,000,000 options may be granted for the acquisition of shares at the price of 12.20 euros per share (the "2nd Plan"). The 2nd Repeated General Meeting of the Bank's Shareholders held on 15.5.2006, resolved upon the increase of the share capital through the capitalization of reserve funds and the distribution of free shares to shareholders at a ratio of one free share per four existing shares. Moreover, by resolution of the same General Meeting, the maximum number of stock options was correspondingly adjusted to 2,500,000 options and the relevant acquisition price was adjusted to 9.76 euros per share, so that the total acquisition cost for the option holders would remain the same as before said capital increase.
During the third exercise period (1 – 10/12/ 2008) of rights distributed based on the 2nd Plan, no new shares were issued and the Plan ceased.

Moreover, in accordance with the resolution dated 15.5.2006 of the 2nd Repeated General Meeting of the Shareholders of the Bank, a 5-year stock option program was established (the "3rd Plan") for the distribution of shares to the members of Board of Directors, senior officers and executives of the Bank and its subsidiary and affiliated (according to article 42e of act 2190/20) companies, including companies having registered offices abroad, in the form of provision of the options to purchase shares (stock option) which will be valid and implemented during the years 2006, 2007, 2008, 2009 and 2010, concurrently and independently with the aforementioned 2nd Plan previously established by the General Meeting of the Bank's Shareholders on 16.5.2005. Within the framework of the 3rd Plan, a maximum of 4.028.820 options may be granted for the acquisition of Bank shares, at the price of 17.25 euros per share.
During the third exercise period (1-10/12/2008) of rights distributed based on the 3rd Plan, no new shares of the Bank were issued.

Pursuant to the provisions of article 13 para. 14 of Cod. Law 2190/1920 and the resolution of the 2nd Repeated General Assembly of shareholders of the Bank dated 07/05/2008, the Board of Directors was authorized to establish a plan for the distribution of shares in accordance with the aforementioned, by means of a resolution reached by a majority of at least two thirds (2/3) of its members. In particular the Board of Directors was granted the authorization, which remains valid for one year (i.e. until 07/05/2009), in order to establish a five year plan for the distribution of shares to members of Management and the staff of the Bank and its subsidiary and affiliated (as defined in article 42e Cod. Law 2190/1920) companies, in the form of stock options for the purchase of Bank shares. The plan provides that up to five million (5,000,000) new shares may be issued, of which 1/5th shall mature annually. Additionally or alternatively, it is possible within the framework of the plan, to distribute shares from the treasury stock reserve held by the Bank or purchased by the Bank for this purpose. The acquisition value of such shares cannot be less than 21.36 euro per share. As of 31/12/2008 the Board of Directors had not reached any respective resolution.

D) Pursuant to the provisions of article 16 of the Cod. Law 2190/1920, as amended and in force, companies limited by shares may either directly or through a representative acting in its own name but on their behalf, acquire treasury shares by a decision of the General Meeting of their shareholders setting out the terms and conditions of such acquisition, and in particular the maximum number of shares that may be acquired, the duration for which the authorization is granted, which cannot exceed twenty four (24) months, and in the event of acquisition of shares for consideration (e.g. purchase) the minimum and maximum limits of the acquisition value. Such acquisitions will take place upon the following conditions:
- the nominal value of the all the treasury shares acquired, including those treasury shares previously acquired and held by the company as well as those shares acquired by any entity acting in its own name but on behalf of the company, may not exceed one tenth (1/10) of the paid in share capital.
- the acquisition of treasury shares, including those shares previously acquired and held by the company, as well as those shares acquired by any entity acting in its own name but on behalf of the company, may not result in the reduction of the capital below that stipulated in para. 1 of art. 44a of Cod. Law 2190/1920,
- the transaction may only be in respect of fully paid in shares.

The Ordinary General Meeting of the shareholders of the Bank resolved on 3.4.2008 upon the acquisition by the Bank of treasury shares through the Athens Exchange, of up to a maximum of 33,000,000 shares, representing less than10% of the total shares on the date of the said decision, with an acquisition value ranging from euro 4 (minimum) and euro 40 (maximum) and for the duration of 24 months from the date of said decision, namely at the latest until the 3.4.2010, whilst such treasury shares to be acquired may be distributed to the staff of the Bank or its affiliated companies. In the implementation of the aforementioned decision of the General Meeting, the Board of Directors of the Bank determines, through a respective resolution, the basic terms of each of the transactions for the acquisition of treasury shares.

IX. Major agreements put in force, amended or terminated in the event of change in the control following a public offer
There are no agreements which enter into force, are amended or terminated in the event of change in the control of the Bank following a public offer.

X. Agreements with Board members or staff of the Bank
There are no agreements between the Bank and the members of its Board of Directors or staff which provide for the payment of compensation in the event of their departure as a result of the submission of a public offer. The provisions formed for compensations due to departure from service amounted to € 36.8 million on 31.12.2008 and are in respect of members of Management, General Managers, Deputy General Managers and Assistant General Managers, Management Consultants, Heads of subsidiary companies (domestic and international) and their top executives.

For the Board of Directors of the Bank
Michalis G. Sallas
The Chairman

Amounts in thousand euros (Unless otherwise stated)

CONSOLIDATED INCOME STATEMENT

	Note	Year ended	
		31 December 2008	31 December 2007
Interest and similar income	6	3,897,769	2,662,084
Interest expense and similar charges	6	(2,737,999)	(1,745,115)
NET INTEREST INCOME		**1,159,770**	**916,969**
Fee and commission income	7	285,622	274,514
Fee and commission expense	7	(43,975)	(48,047)
NET FEE AND COMMISSION INCOME		**241,647**	**226,467**
Dividend income	8	25,887	10,307
Net trading income	9	(13,348)	49,671
Net income from financial instruments designated at fair value through profit or loss	10	20,706	11,625
Gains from investment securities	11	297	172,385
Other operating income	12	216,737	245,686
TOTAL NET INCOME		**1,651,696**	**1,633,109**
Staff costs	13	(442,076)	(379,022)
Administrative expenses	14	(382,516)	(303,935)
Depreciation and amortisation	26, 27	(76,979)	(66,062)
Gains from sale of assets		4,978	12,202
Impairment losses on loans and receivables	22	(386,303)	(115,478)
Other provisions	36	(1,881)	(427)
TOTAL OPERATING EXPENSES		**(1,284,777)**	**(852,722)**
Share of profit of associates	25	18,868	4,927
PROFIT BEFORE INCOME TAX		**385,788**	**785,313**
Income tax expense	15	(54,521)	(133,854)
PROFIT FOR THE YEAR		**331,267**	**651,459**
Profit for the year attributable to the equity holders of Piraeus Bank		315,087	622,141
Minority Interest		16,180	29,318
Earnings per share to equity holders (in euros):			
-Basic	16	0.9736	2.1364
-Diluted	16	0.9736	2.1266

Amounts in thousand euros (unless otherwise stated)

CONSOLIDATED BALANCE SHEET

	Note	31 December 2008	31 December 2007
ASSETS			
Cash and balances with central banks	17	3,740,708	3,400,169
Treasury bills and other eligible bills	18	207,023	214,819
Loans and advances to credit institutions	19	2,348,289	2,611,891
Derivative financial instruments - assets	20	366,253	83,216
Trading securities	21	1,300,519	4,506,731
Financial instruments at fair value through profit or loss	21	89,224	508,137
Loans and advances to customers (net of provisions)	22	38,312,669	30,288,785
Investment securities			
-Available for sale securities	23	875,892	1,383,628
-Held to maturity	23	3,372,205	110,356
Debt securities - receivables	24	527,699	-
Investments in associated undertakings	25	219,399	116,946
Intangible fixed assets	26	302,994	264,635
Property, plant and equipment	27	970,990	863,430
Investment property	28	710,374	692,799
Assets held for sale	29	10,557	4,696
Deferred tax assets	37	254,422	144,397
Inventories - property	30	186,069	182,743
Other assets	30	1,094,572	1,049,963
TOTAL ASSETS		**54,889,856**	**46,427,340**
LIABILITIES			
Due to credit institutions	31	14,121,872	10,705,784
Derivative financial instruments - liabilities	20	369,692	87,038
Due to customers	32	28,380,817	22,067,315
Debt securities in issue	33	6,488,225	7,788,572
Other borrowed funds	34	765,959	795,831
Hybrid capital	34	201,444	193,406
Retirement benefit obligations	38	198,605	169,604
Other provisions	36	24,160	3,750
Current income tax liabilities		98,758	97,851
Deferred tax liabilities	37	127,770	134,354
Other liabilities	35	1,087,353	1,074,256
TOTAL LIABILITIES		**51,864,656**	**43,117,761**
EQUITY			
Share capital	40	1,571,923	1,617,977
Share premium	40	927,775	1,099,903
Less: Treasury shares	40	(167,321)	(250,863)
Other reserves	41	(177,586)	53,939
Retained earnings	41	721,359	561,058
Capital and reserves attributable to Piraeus Bank equity holders		**2,876,149**	**3,082,015**
Minority interest		149,051	227,565
TOTAL EQUITY		**3,025,200**	**3,309,579**
TOTAL LIABILITIES AND EQUITY		**54,889,856**	**46,427,340**

The notes on pages 15 to 67 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						
	Note	Share Capital	Share Premium	Treasury shares	Other reserves	Retained earnings	Minority interests	TOTAL
Opening balance as at 1 January 2007		**1,288,830**	**88,146**	**(97,302)**	**163,650**	**172,877**	**216,219**	**1,832,420**
Net change in available for sale investments, net of tax	41				(94,651)			(94,651)
Change in currency translation reserve					(35,037)			(35,037)
Profit/ (losses) from sales of treasury shares						2,973		2,973
Net income recognised directly in equity		**0**	**0**	**0**	**(129,688)**	**2,973**	**0**	**(126,715)**
Profit after tax for the year 2007	41					622,141	29,318	651,459
Total recognised income in 2007		**0**	**0**	**0**	**(129,688)**	**625,114**	**29,318**	**524,744**
Prior year dividends						(86,462)	(7,643)	(94,105)
Interim dividend for year 2007						(117,598)		(117,598)
Issue of share capital by cash distribution	40	322,208	994,481					1,316,689
Issue of share capital due to the exercise of share options	40, 41	6,939	17,276		(4,571)			19,644
Purchases of treasury shares	40			(188,639)				(188,639)
Sales of treasury shares and share options	40, 41			35,079				35,079
Transfer between other reserves and retained earnings					25,101	(25,101)		0
Acquisitions, disposals and movement in subsidiaries holding					(352)	1,648	(12,630)	(11,334)
Other movements					(201)	(9,420)	2,300	(7,321)
Balance as at 31 December 2007		**1,617,977**	**1,099,903**	**(250,862)**	**53,939**	**561,058**	**227,564**	**3,309,579**
Opening balance as at 1 January 2008		**1,617,977**	**1,099,903**	**(250,862)**	**53,939**	**561,058**	**227,564**	**3,309,579**
Net change in available for sale investments, net of tax	41				(177,399)			(177,399)
Change in currency translation reserve					(58,248)			(58,248)
Profit/ (losses) from sales of treasury shares						(13,431)		(13,431)
Net income recognised directly in equity		**0**	**0**	**0**	**(235,647)**	**(13,431)**	**0**	**(249,078)**
Profit after tax for the year 2008	41					315,087	16,180	331,267
Total recognised income in 2008		**0**	**0**	**0**	**(235,647)**	**301,656**	**16,180**	**82,189**
Prior year dividends						(118,122)	(2,216)	(120,338)
Share capital increase due to reinvestment of dividends	40	3,589	12,398					15,988
Cancellation of treasury shares	40	(49,644)	(184,526)	234,170				0
Purchases of treasury shares	40			(188,745)				(188,745)
Sale of treasury shares	25, 40			38,116				38,116
Transfer between other reserves and retained earnings					12,590	(12,590)		0
Acquisitions, disposals and movement in subsidiaries holding					(3,871)	(8,246)	(91,749)	(103,866)
Other movements					(4,597)	(2,397)	(728)	(7,723)
Balance as at 31 December 2008		**1,571,923**	**927,775**	**(167,321)**	**(177,586)**	**721,359**	**149,051**	**3,025,200**

Amounts in thousand euros (Unless otherwise stated)

CONSOLIDATED CASH FLOW STATEMENT

	Notes	From January 1st to 31 December 2008	31 December 2007
Cash flows from operating activities			
Profit before tax		385,788	785,313
Adjustments to profit before tax			
Add: impairment for loans and advances and other provisions	22, 36	388,184	115,905
Add: depreciation and amortisation	26, 27	76,979	66,062
Add: retirement benefits	38	33,403	35,241
(Gains)/ losses from valuation of trading securities and financial instruments at fair value through profit or loss		66,468	4,447
(Gains)/ losses from investing activities		(129,900)	(347,615)
Cash flows from operating profits before changes in operating assets and liabilities		**820,921**	**659,353**
Changes in operating assets and liabilities:			
Net (increase)/ decrease in cash and balances with Central Bank		(283,280)	(287,225)
Net (increase)/ decrease in treasury bills and other eligible bills		28,877	(138,517)
Net (increase)/ decrease in trading securities and financial instruments at fair value through profit or loss		1,681,032	(2,641,236)
Net (increase)/ decrease in loans and advances to credit institutions		556,935	(823,708)
Net (increase)/ decrease in loans and advances to customers		(8,290,098)	(10,020,121)
Net (increase)/ decrease in other assets		(112,447)	(300,479)
Net increase/ (decrease) in due to credit institutions		3,353,748	5,812,993
Net increase/ (decrease) in amounts due to customers		6,042,899	5,229,521
Net increase/ (decrease) in other liabilities		18,066	181,665
Net cash from operating activities before income tax payment		**3,816,653**	**(2,327,754)**
Income tax paid		(70,487)	(40,151)
Net cash inflow/ (outflow) from operating activities		**3,746,167**	**(2,367,905)**
Cash flows from investing activities			
Purchases of property, plant and equipment	27.28	(328,405)	(303,474)
Sales of property, plant and equipment	27.28	89,684	96,402
Purchases of intangible assets	26	(30,962)	(51,021)
Purchases of available for sale securities	23	(449,417)	(956,724)
Disposals of available for sale securities	23	801,753	876,024
Purchase of held to maturity securities	23	(2,440,872)	(35,394)
Maturity of held to maturity securities	23	51,096	22,521
Acquisition of subsidiaries (net of cash & cash equivalents acquired)	45	144,747	(64,536)
Disposals of subsidiaries (net of cash & cash equivalents disposed)	45	5,731	1,939
Acquisition of associates		(31,258)	(66,808)
Disposal of associates		120	24,855
Dividends receipts		25,793	10,295
Net cash inflow/ (outflow) from investing activities		**(2,161,990)**	**(445,921)**
Cash flows from financing activities			
Net proceeds from issue/ (repayment) of debt securities and other borrowed funds		(1,322,181)	2,511,226
Net proceeds from issue of share capital due to reinvestment of dividends	40	15,987	1,336,333
Prior year dividends		(120,248)	(215,670)
Purchases of treasury shares	40	(188,745)	(188,639)
Sales of treasury shares	25, 40	24,686	38,052
Other cashflows from financing activities		(7,265)	4,078
Net cash inflow/ (outflow) from financing activities		**(1,597,767)**	**3,485,380**
Foreign exchange differences on cash and cash equivalents		(39,714)	(18,787)
Net increase/ (decrease) in cash and cash equivalents of the year		**(53,304)**	**652,767**
Cash and cash equivalents at beginning of the year	43	**5,062,568**	**4,381,289**
Cash and cash equivalents of new subsidiaries at the date of the acquisition (intercompanies excluded)		**-**	**28,512**
New cash and cash equivalents at beginning of the year		**5,062,568**	**4,409,801**
Cash and cash equivalents at the end of the year	43	**5,009,265**	**5,062,568**

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 (together "the Group") provide services in the Southeastern Europe, Egypt, the U.S., as well as Western Europe. The Group employs 14,255 people.

Apart from the ATHEX Composite Index, the Piraeus Bank share is included in a series of other indices, such as FTSE/ATHEX- 20, MSCI Greece, MSCI EAFE, DJ Euro Stoxx, DJ Euro Stoxx Banks and FTSE4Good Index.

2 General accounting policies of the Group

The principal 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 the reporting periods presented.

Piraeus Bank Group made use of the amendments of International Accounting Standard (IAS) 39 and International Financial Reporting Standard (IFRS) 7, which were published during October 2008 and are effective on or after 1 July 2008.

The amounts of the financial statements attached are expressed in thousand euros (unless otherwise stated) and roundings are performed in the nearest thousand.

2.1 Basis of presentation of the consolidated financial statements

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

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 financial statements.

(a) Published standards and interpretations effective in 2008:

- IAS 39 and IFRS 7, (Amendment) 'Reclassification of Financial Assets — Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures' (effective date on or after 1 July 2008). The amendment to the Standard permits an entity to reclassify non-derivative financial assets of the trading portfolio in particular circumstances. The amendment also permits, under particular cirmustances, an entity to transfer a financial asset from the available-for-sale category to the loans and receivables category.

- IFRIC 11, 'Group and treasury share transactions' (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 gives guidance on the accounting of share based payment arrangements involving an entity's own equity instruments or equity instruments of the parent. IFRIC 11 is not applicable to the Group.

- IFRIC 12, 'Service concession arrangements' (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 sets out general principles on recognising and measuring the obligations and related rights in services concession arrangements. IFRIC 12 is not applicable to the Group.

- IFRIC 14, 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 provides general guidance on how to assess the limit in IAS 19 'Employee Benefits' on the amount of the surplus that can be recognised as an asset. It also explains how the pension's asset or liability may be affected when there is a statutory or contractual minimum funding requirement. IFRIC 14 is not applicable to the Group.

(b) The following new standards and interpretations have been issued throughout 2008, are being effective on or after 2008 and have not been adopted:

- IFRIC 13, 'Customer Loyalty Programmes' (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 addresses how entities should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits.

- IFRIC 15, 'Agreements for the Construction of Real Estate' (effective for annual periods beginning on or after 1 January 2009 and must be applied retrospectively). IFRIC 15 standardises accounting practice across jurisdictions for the recognition of revenue among real estate developers for sales of units before construction is complete.

- IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation' (effective for annual periods beginning on or after 1 October 2008). IFRIC 16 clarifies that the presentation currency does not create an exposure to which an entity may apply hedge accounting and provides that the hedging instrument(s) may be held by any entity or entities within the group. Additionally, IFRIC 16 concludes that while IAS 39 "Financial Instruments: Recognition and Measurement" must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, IAS 21 "The Effects of Changes in Foreign Exchange Rates" must be applied in respect of the hedged item.

- IFRS 2 (Amendment), 'Share-based Payment' (effective from 1 January 2009). The amendments relate to vesting conditions and cancellations.

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- IFRS 3 (Revised), 'Business Combinations' (effective from 1 July 2009). Comprehensive revision consists on the application of the acquisition method.

- IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (effective from 1 July 2009). The amendment of IFRS 5 provides guidelines concerning the plan to sell the controlling interest in a subsidiary.

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

- IAS 1 (Amendment and Revision), 'Presentation of financial statements' (effective from 1 July 2009). The amendments refer to the Changes on Equity Financial Statement as well as the presentation of Other Comprehensive Income. Furthermore, a Current/non-current classification of derivatives is being provided as well as additional amendments relating to disclosure of puttable instruments and obligations arising on liquidation.

- IAS 16 (Amendment), 'Property, plant and equipment' (effective from 1 January 2009). The core issues of the amendment consist on the calculation of the Recoverable amount of an asset and the Sale of assets held for rental.

- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The principal guidelines concern curtailments and negative past service cost, plan administration costs, the replacement of term 'fall due' and finally contingent liabilities.

- IAS 20 (Amendment), 'Government grants and disclosure of government assistance' (effective from 1 January 2009). The amendment deals with government loans with a below-market rate of interest.

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).The amendment issued redefines the components of borrowing costs.

- IAS 27 (Amendment and Revision), 'Consolidated and separate financial statements' (effective from 1 January 2009). The amendment relates to the measurement of subsidiary held for sale in separate financial statements, the cost of an investment on first-time adoption as well as consequential changes due to IFRS 3 amendment "Business Combinations" (effective from 1 July 2009).

- IAS 28 (Amendment), 'Investments in associates' (effective from 1 January 2009). The amendment clarifies the required disclosures when investments in associates are accounted for at fair value through profit or loss and provides guidelines on the Impairment of investment in associate.

- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009). IAS 29 describes the measurement basis in financial statements of entities reporting in the currency of a hyperinflationary economy.

- IAS 31 (Amendment), 'Interests in joint ventures' (effective from 1 January 2009). The amendments states the required disclosures when interests in joint-venture entities are accounted for at fair value through profit or loss.

- IAS 32 (Amendment), "Financial Instruments: Presentation" (effective from 1 January 2009). The amendments relate to puttable instruments and obligations arising on liquidation.

- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The disclosure of estimates used to determine recoverable amount is being clarified due to the amendment of the Standard.

- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The main guidelines provided relate to advertising and promotional activities and to the unit of production method of amortisation.

- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). Amendments issued concern the reclassification of derivatives into or out of the classification of at fair value through profit or loss. Moreover the amendment designating and documenting hedges at the segment level and also refers to Eligible Hedged Items and the applicable effective interest rate on cessation of fair value hedge accounting.

- IAS 40 (Amendment), 'Investment property' (effective from 1 January 2009). Property under construction or development for future use as investment property consists in the main issue of the amendment issued.

- IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009). The amendment of the Standard covers the issue of the discount rate to be applied for fair value calculations and treatment of additional biological transformation.

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. The existence and effect of potential voting rights that are currently exercisable or convertible are 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. Special purpose entities which the parent company controls, are also included among the Group subsidiaries.

The purchase method of accounting is used to account for the acquisition of subsidiaries of the Group. The cost of an acquisition is measured as the fair value consideration given plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement. For the estimation of the fair values of identifiable assets and liabilities and contingent liabilities of the newly acquired subsidiaries, the method of purchase price allocation (PPA) is used.

Intercompany transactions, intercompany balances and unrealized gains/ losses on transactions between Group companies, are eliminated.

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

B. Transactions and minority interests
The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

C. Investments in associates
Associates are all entities over which the Group has significant influence (according to the regulations of IAS 28) but not control. Investments in associates are consolidated using the equity method of accounting and they are initially recognised in the balance sheet at cost. 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's share of its associates' post acquisition profits or losses 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. 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.

Unrealized gains on transactions between the Group and its associates are eliminated to the extend of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates' accounting policies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group. Dilution gains and losses in associates are recognised in the income statement.

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 euros, which is Piraeus Bank's functional and presentation currency.

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

c) Group companies
The results and financial position of all the 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 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 taken to shareholders' equity. When a foreign operation 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

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

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

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

Hedge accounting
The 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 during the hedge relationship. The hedge effectiveness should be between 80%-125% at all times.

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

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

The 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.

(a) Fair value hedge

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

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

(b) Cash flow hedge

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

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

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

(c) Net investment hedge

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

(d) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of such derivative instruments 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 an instrument is the transaction price (i.e. the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

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

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

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

2.7 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 (together with related direct costs) and recognized in the Income Statement as interest income throughout the life of the instrument using the effective interest rate method.

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

2.8 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

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

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

The amendments of IAS 39 "Reclassification of Financial Assets", issued in October 2008, permit an entity to reclassify non-derivative financial assets out of the trading portfolio to other categories (AFS or HTM Portfolio or Loans and Receivables Category), under particular circumstances.

More specifically, the reclassification of non-derivative financial assets out of the Trading Portfolio to AFS Portfolio is being permitted if the entity does not intend nor has the ability to hold the financial asset until maturity and if current market circumstances are considered rare. Additionally, the reclassification of non-derivative financial assets out of the Trading Portfolio to HTM Portfolio is being permitted if current market circumstances are considered rare and the entity intends and has the ability to hold the financial asset until maturity. On the other hand, a Financial Asset which meets the definition of Loans may be reclassified out of the Trading Portfolio to the Loans category if the Group has the intention and ability to hold that financial asset for the foreseeable future.

The financial asset shall be reclassified at its fair value on the date of reclassification. Any gain or loss recognised in profit or loss until the date of reclassification shall not be reversed.

The purchase/ sale of financial assets at fair value through profit or loss is recognised on a trade date basis, that is the date on which the 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 Income. Dividends received are included in "Dividend Income".

Financial assets are designated at fair value through profit or loss 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,
- equity investments are managed and evaluated on a fair value basis and do not meet the trading portfolio criteria,
- they contain embedded derivatives that significantly affect the cash flows.

2.10 Sale and repurchase agreements

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

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

2.11 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 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 bond 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 transferred to the available for sale portfolio (unless IAS 39 criteria are met) at its fair value. In such case, the Group will not be able to classify any financial assets as held to maturity for the next two years.

The amendments of IAS 39 “Reclassification of Financial Assets”, issued in October 2008 permit an entity to reclassify non-derivative financial assets out of the Trading Portfolio to the Held-to-Maturity Portfolio category in particular circumstances. The reclassification is allowed if current market circumstances are considered rare and the Group intends and has the ability to hold the financial asset until maturity. The financial asset shall be reclassified at its fair value on the date of reclassification. Any gain or loss recognised in profit or loss until the date of reclassification shall not be reversed.

Additionally, a financial asset may be reclassified out of the AFS Portfolio to the HTM category if the Group has the intention and ability to hold that financial asset until maturity. The financial asset shall be reclassified at its fair value on the date of reclassification. After the reclassification, the Fair Value difference already recognised in the AFS Reserve shall be amortised through the remaining life of the Held-to-Maturity financial asset.

Regular way purchases and sales of held to maturity securities are recognised on transaction date, the date on which 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 on transaction date, 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) and subsequently are carried at fair value according to current bid prices or valuation pricing models, where the market prices are not available (in accordance with IAS 39 provisions). The non realised gains or losses arising from changes in the fair value of securities classified as available for sale are recognised directly in equity (available for sale reserve). When securities of the available for sale portfolio are disposed of, all cumulative gains 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 amendments of IAS 39 “Reclassification of Financial Assets”, issued in October 2008 permit an entity to reclassify non-derivative financial assets out of the Trading Portfolio to the AFS Portfolio category. The reclassification is allowed if the entity does not intend nor has the ability to hold the financial asset until maturity and if current market circumstances are considered rare.

The financial asset shall be reclassified at its fair value on the date of reclassification. Any gain or loss recognised in profit or loss until the date of reclassification shall not be reversed. After the reclassification, the Fair Value difference of the AFS Financial Asset shall be recognised in AFS Reserve.

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

In case that an impairment occurs from the above models, the Group examines in great detail the potential of recovery of acquisition cost of the shares based on the historic volatility of each individual share.

Additionally, a Financial Asset which meets the definition of Loans may be reclassified out of the AFS Portfolio to the Loans category if the entity has the intention and ability to hold that financial asset for the foreseeable future. On the other hand, a Financial Asset which does not meet the definition of Loans may be reclassified out of the AFS Portfolio to the Held-To-Maturity category if the entity has the intention and ability to hold that financial asset until maturity.

The financial asset shall be reclassified at its fair value on the date of reclassification. Any gain or loss recognised in AFS Reserve until the date of reclassification shall not be reversed at the date of reclassification. After the reclassification, the Fair Value difference already recognised in the AFS Reserve shall be amortised through the remaining life of the Loan and the future cash receipts should be reflected in its effective interest rate.

The Group reviews on each reporting date whether there is an indication of permanent impairment (significant or persistent decreases in fair value) for these securities based on several pricing models. Such models, for the shares of the AFS portfolio, include the Price-to-Book Value ratio (P/BV) where a coefficient of 2.5 is used, the Price-to-Earnings per share ratio (P/E) where a coefficient of 15 or deviation of 25% from market value in case of listed securities, always combined with 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 removed from equity and recognised in profit or loss. This cumulative loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

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

2.12 Loans and advances to customers

Loans and advances to customers are initially recognized at fair value (plus any transaction costs). 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, documentary credits 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 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 Group first assesses whether objective evidence of impairment exists individually for loans that are individually significant and individually or collectivelly for loans that are not individually significant. If the 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. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assesment of impairment.

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

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

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

When a loan is considered to be uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event 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.

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

2.13 Intangible assets

2.13a Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's share of the net assets of the acquired subsidiary on the date of acquisition. Goodwill on acquisition of companies that occurred before 1 January 2004 was recorded as a reduction in equity (according to IFRS 1). Goodwill on acquisitions of companies that occurred after 1 January 2004 is recognized at cost as an intangible asset and it is reviewed for impairment on each balance sheet date. Gains and losses on the disposal 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 in a cash generating unit, this loss at first reduces goodwill which has been allocated in this unit and subsequently reduces the value of assets which along with goodwill are part of the 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 (note 5).

In case that negative goodwill results, the net assets of the subsidiary are re-assessed and if goodwill continues to be negative, the resulting income is recorded in the Income Statement.

2.13b Software

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

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications or software upgrade expenses are recognised as capital improvement and they are added to the original cost of the software, as long as they can be measured reliably. Computer software is on most occasions amortised over a period of 3-4 years, except from software of core IT applications, for which the useful lives are examined in an individual basis.

2.13c Other intangible assets

An intangible asset is recognized when it is expected that it will realize from its use, future economic benefits to its holder.

Total 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: (a) the staff cost which is directly identified and attributed to a particular intangible asset, (b) payments to outside vendors and collaborators, which are attributed to the intangible asset.

Other intangible assets 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 depreciated, on a straight line basis, depending on their useful life and are tested for impairment on an annual basis.

Other intangible assets and software 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 the carrying amount, other intangible assets and software are impaired to their recoverable amount.

The residual values and useful lives of the intagible assets are reviewed and adjusted, if appropriate, at each balance sheet date.

2.14 Own property, plant and equipment

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

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

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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 Buildings: 25-50 years

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

The range of the useful life in most cases is consistent with the years of useful life as instructed by the effective tax law.

2.15 Investment property

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

Property held under operating lease is classified and accounted for as investment property when 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, adjusted, if necessary, for any difference in the nature, location or 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 in 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 2 estimates, that is 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 which an investor is entitled to and then capitalise it by using an appropriate unit rate, the so called All Risk Yield (ARY).

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 period 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 cost for accounting purposes. 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.

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

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

2.16 Assets held for sale

This category includes fixed assets that will be sold within 12 months and their carrying amount will be recovered principally through the sale transaction. Assets held for sale, according to IFRS 5 "Non current assets held for sale and discontinued operations", are valued at the lower of their carrying amount and fair value less costs to sell. Assets held for sale are not depreciated. Gains/ losses from sale of these assets are recognized in the income statement.

2.17 Inventories property

Inventories property includes land and buildings acquired by the Bank through auctions (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 stated at the lower of cost and net realisable value. Cost for the property owned by the subsidiaries is determined using the weighted average cost method, excluding any borrowing costs. Net realisable value is the estimated selling price, less any expenses necessary to conclude the sale.

2.18 Leased assets

A. The Group is the Lessee
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.

In case where the Group is the lessee under a finance lease, fixed assets under the finance lease are recognised as assets and the respective obligation for the lease payments as a liability on the balance sheet. At the inception of the lease, fixed assets leased under finance leases are recognised on the balance sheet at amounts equal to the fair value of the leased property or, if lower, at the present value of the future lease payments. Leased assets are depreciated over their useful life, if it is longer than the lease term, only if it is expected that the ownership of the leased assets will pass to the 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
In case where 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.

In case where the Group is the Lessor under an operating lease, the assets held under the operating lease 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.

2.19 Cash and cash equivalents

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

2.20 Provisions

Provisions for restructuring costs and legal claims 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 can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to 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 pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Financial guarantee contracts

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

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management.

Any change in the liability relating to guarantees is taken to the income statement.

2.22 Employee benefits

A. Pension obligations

The pension schemes adopted by Piraeus Bank Group are funded through payments to insurance companies or social security foundations. Piraeus Bank Group 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 therefore the Group has no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to pension obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such they are included in line 'staff costs' of the Income Statement.

Defined benefit plans are pension plans that define an amount of pension benefit to be provided, usually as a function of one or more factors such as years of service, age and compensation.The difference between the defined contribution plans and the defined benefit plans is that in the defined benefit plans the employer is liable for the payment of the agreed benefits to the employee in case that the insurance funds - organizations 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 defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. Past - service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past - service costs are amortised on a straight - line basis over the vesting period.

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

B. Other post-retirement benefit obligations

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

C. Share based compensation

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

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

2.23 Income tax and Deferred taxes

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

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

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

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

2.24 Borrowed funds

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

If the 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.

2.25 Securitisation

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

2.26 Share capital

a) Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of share capital decrease share premium.
b) Dividends on ordinary shares are recognized as a liability in the period in which they are approved by the Annual General Meeting of the Bank’s Shareholders. Interim dividends are recognised as a deduction in in the Bank's equity when approved by the Board of Directors.
c) The cost of acquisition of treasury shares (including any attributable incremental transaction costs), is presented as a reduction in equity, until the treasury shares are cancelled or disposed of. The gains or losses from the sale of treasury shares are charged directly in equity.

2.27 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 Piraeus Bank 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.

2.28 Segment reporting

The definition of business and geographical Group segments is based on the risks and returns which relate to the services and products provided by each segment of the Group. So, business segments were defined as primary segments, while geographical segments were defined as secondary segments. The Group has identified 4 main business segments: Retail Banking, Corporate Banking, Investment Banking, Asset Management & Treasury. The Group has applied the 10% threshold for consolidated profits or consolidated assets. The total of reported segments amounts to more than 75% of the Group's total revenues.

2.29 Offsetting financial instruments

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

2.30 Comparatives and roundings

Certain accounts of the previous year's financial statements have been adjusted in order to become comparable to the corresponding accounts of the current year. The differences presented among the amounts of the financial statements and the relevant amounts presented at 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 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.

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

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

3.1 Credit risk

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

Implementing a credit policy that portrays the credit risk management principles, ensures effective and uniform credit risk monitoring. Piraeus Bank 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 and Capital 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, as well as counterparty credit risk arising from the Group's activities in capital and money markets.

3.1.1 Credit risk measurement

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 condition in order to timely and efficiently support management and the business units in relation to decision making, policy formulation and the fulfillment of supervisory requirements.

a) Loans and advances

For credit risk measurement purposes involved in the Group'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 Group's current 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. The 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 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 bank regularly tests the predictive capability of the creditworthiness evaluation and rating models used both for Corporate and Retail Credit, thus ensuring its potential of accurately depicting any credit risk and allowing for the timely implementation of measures addressing arising problems.

Corporate Credit

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

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

Retail Credit

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

(ii) Monitoring the Bank's current credit risk exposure
The Group monitors the credit risk exposure of its loans and advances to customers, based on their notional amount.

(iii) Possible recovery based on the existing associated collateral, security and guarantees
Along with the rating of the counterparties' creditworthiness, the 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. In general, the worse the credit rating of a borrower, the larger the probability of them defaulting on their obligations to the Group, and therefore the collateral, security and guarantees required should be correspondingly of better quality in order to ensure the highest possible recovery rate.

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

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

These stress tests are performed by the Group Credit Risk and Capital Management Division. The methodology and stress scenarios applied use as a basis the requirements of exercises performed by the International Monetary Fund for the Greek banking system under the Financial Sector Assessment Program (FSAP), and are further enhanced with internally developed scenarios and models adapted to the particular risk characteristics of the Group. Within this stress testing framework, loans and claims of the Group to borrowers located in Greece and abroad are examined, as well as bond market credit exposures.

3.1.2 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 product, per activity sector 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, as well as daily positions of the trading book in financial instruments, such as foreign exchange forward contracts.

In order to set customer limits, the Group takes into consideration any collateral or security which reduce 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
- Pledged financial instruments such as stocks or bonds or mutual fund shares
- Mortgages on real estate property
- Ship mortgages

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 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 from positions in the derivative markets are part of the overall credit limits set for any counterparty and are taken into consideration during the approval procedure. Usually, no guarantees or securities are taken against exposures in derivative products, except when the Group demands the application of a safety margin from a counterparty.

Piraeus Bank established and systematically monitors, daily limits for derivative products transactions, which are included in the overall credit limit of any counterparty.

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

(d) Credit - related commitments
The 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.

3.1.3 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/ guarantess 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 2.12 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 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 occured.

For impairment estimation on a collective basis, financial assets are grouped according to their similar credit risk characteristics (e.g. according to assessment criteria of the 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 of the written off loans in case that they may become collectable.

Amounts in thousand euros (Unless otherwise stated)

3.1.4 Maximum exposure to credit risk before collateral held or other credit enhacements

The following table presents the Group's maximum credit risk exposure on 31/12/2008 and 31/12/2007, without including collateral held or other credit enhancements. For on-balance sheet items, credit exposures are based on their carrying amounts as reported on the balance sheet.

	Maximum exposure	
Credit risk exposures relating to on-balance sheet assets	**2008**	**2007**
Treasury bills and other eligible bills	207,023	214,819
Loans and advances to credit institutions	2,348,289	2,611,891
Derivative financial instruments - assets	366,253	83,216
Bonds of trading portfolio	1,236,441	4,355,718
Bonds at fair value through profit or loss	82,709	508,137
Loans and advances to customers (net of provisions)		
Loans to individuals:		
-Mortgages	6,635,531	5,727,550
-Consumer/ personal loans	4,280,950	3,595,973
-Credit cards	717,586	588,540
Loans to corporate entities		
-Small/ medium entities	18,310,105	13,501,823
-Large corporate entities	8,368,497	6,874,899
Debt securities - receivables	527,699	-
Bonds of investment portfolio	4,044,641	1,214,144
Other assets	1,002,172	959,341
Credit risk exposures relating to off-balance sheet assets		
Letters of guarantees	3,320,462	2,595,065
Letters of credit	266,644	243,875
Commitments to extent credit	12,715,181	11,756,868
At 31 December	**64,430,182**	**54,831,859**

3.1.5 Loans and advances

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

	31 December 2008		31 December 2007	
	Loans and advances to customers	Loans and advances to credit institutions	Loans and advances to customers	Loans and advances to credit institutions
Loans without impairment	31,113,076	2,237,629	25,634,975	2,602,997
Past due but not impaired	6,749,458	110,668	4,368,721	8,894
Impaired	1,153,121	-	701,113	-
Gross	**39,015,655**	**2,348,297**	**30,704,809**	**2,611,891**
Less: Allowance for impairment	(702,987)	(8)	(416,024)	-
Net	**38,312,669**	**2,348,289**	**30,288,785**	**2,611,891**

a) Loans without impairment:

Loans and advances to customers

31 December 2008	**Loans to individuals**			**Loans to corporate entities**		
Grades	Credit cards	Consumer/ personal loans	Mortgages	Small/ medium entities	Large corporate entities	**Total loans and advances to customers**
Standard monitoring	595,573	3,419,494	5,281,379	12,183,583	6,575,056	28,055,084
Special monitoring	-	-	-	2,283,435	774,557	3,057,992
Total	**595,573**	**3,419,494**	**5,281,379**	**14,467,018**	**7,349,613**	**31,113,076**

31 December 2007	**Loans to individuals**			**Loans to corporate entities**		
Grades	Credit cards	Consumer/ personal loans	Mortgages	Small/ medium entities	Large corporate entities	**Total loans and advances to customers**
Standard monitoring	501,102	2,850,035	4,822,043	10,411,250	6,158,379	24,742,809
Special monitoring	1,469	24,121	8,589	676,936	181,051	892,166
Total	**502,571**	**2,874,156**	**4,830,632**	**11,088,186**	**6,339,430**	**25,634,975**

Amounts in thousand euros (Unless otherwise stated)

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

	2008	2007
Loans to individuals	9,822	6,032
Loans to corporate entities	82,954	87,420
	92,777	**93,452**

Renegotiated loans and advances include loans and advances that had been overdue or partially overdue. Had these loans not been renegotiated they would have been included in loans and advances past due but not impaired or in impaired loans. One year after the renegotiation date and provided that the loan is performing regularly, the loan is upgraded -after relevant approval- and treated exactly like the rest of the performing loans and advances, according to their management.

Loans and advances to credit institutions

Grades	**31 December 2008**	**31 December 2007**
Investment grade	1,304,093	1,898,363
Standard monitoring	924,351	702,570
Special monitoring	9,185	2,064
Total	**2,237,629**	**2,602,997**

b) Loans and advances past due but not impaired:

31 December 2008

	Loans to individuals			**Loans to corporate entities**		
	Credit cards	Consumer/ personal loans	Mortgages	Small/ medium entities	Large corporate entities	**Total**
Past due 1 - 90 days	94,693	733,825	1,160,825	3,287,959	951,433	6,228,735
Past due 91 - 180 days	15,873	61,737	70,789	136,142	4,651	289,192
Past due > 180 days	0	0	55,480	164,513	11,539	231,532
Total	**110,566**	**795,562**	**1,287,094**	**3,588,613**	**967,623**	**6,749,458**
Fair value of collateral	0	128,377	1,110,917	1,941,087	576,400	3,756,781

The fair value of the 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 lien mortgage. In cases where the property value exceeds the remaining balance of the loan the reported fair value of collateral takes into account the property value up to the amount of the remaining balance of the loan.

31 December 2007

	Loans to individuals			**Loans to corporate entities**		
	Credit cards	Consumer/ personal loans	Mortgages	Small/ medium entities	Large corporate entities	**Total**
Past due 1 - 90 days	63,752	604,647	812,623	2,047,232	362,335	3,890,589
Past due 91 - 180 days	9,173	51,011	29,347	87,941	19,018	196,490
Past due > 180 days	4,965	32,357	30,273	147,145	66,902	281,642
Total	**77,890**	**688,015**	**872,243**	**2,282,318**	**448,255**	**4,368,721**
Fair value of collateral	0	76,841	779,186	822,047	103,363	1,781,437

c) Loans and advances impaired:

31 December 2008

	Loans to individuals			**Loans to corporate entities**		
	Credit cards	Consumer/ personal loans	Mortgages	Small/ medium entities	Large corporate entities	**Total loans and advances to customers**
Impaired loans	69,295	273,293	124,152	546,236	140,146	**1,153,121**
Fair value of collateral	0	31,297	98,069	291,186	84,848	**505,400**

The amount of loans with impairment as of 31/12/2008 includes loans of € 284 million which are not past due above 90 days. The respective amount as of 31/12/2007 is € 137 million.

31 December 2007

	Loans to individuals			**Loans to corporate entities**		
	Credit cards	Consumer/ personal loans	Mortgages	Small/ medium entities	Large corporate entities	**Total loans and advances to customers**
Impaired loans	38,204	154,886	40,194	293,309	174,520	**701,113**
Fair value of collateral	0	3,966	32,274	137,446	73,345	**247,031**

3.1.6 Debt securities, treasury bills and other eligible bills

The table below presents an analysis of treasury bills and other eligible bills, trading portfolio, Debt securities - receivables and investment securities by rating as at 31 December 2008, based on Standard & Poor's ratings or their equivalent:

	Treasury bills and other eligible bills	**Trading securities**	**Debt securities - receivables**	**Financial instruments at fair value through Profit or Loss**	**Investment securities**	**Total**
AAA	-	13,400	-	1,435	170,425	185,259
AA- to AA+	-	9,753	-	-	41,529	51,282
A- to A+	-	1,143,746	318,220	81,129	3,626,452	5,169,547
Lower than A-	40,047	36,019	30,251	-	175,791	282,108
Unrated	166,977	33,523	179,227	145	30,444	410,316
Total	**207,023**	**1,236,441**	**527,699**	**82,708**	**4,044,641**	**6,098,513**

Amounts in thousand euros (Unless otherwise stated)

3.1.7 Repossessed collateral

During the year 2008, the Group obtained assets after taking possession of collateral held as security for its receivables:

Nature of assets	2008	2007
Property	31,573	30,204
	31,573	**30,204**

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. These assets are included in balance sheet in "Inventories - property".

3.1.8 Concentration of risks of financial assets with credit risk exposure

a) Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region as at 31 December 2008. The credit risk exposure is based on the country of domicile of the Group's subsidiaries.

	Greece	South East Europe	Rest of Europe	USA	Egypt	Total
Treasury bills and other eligible bills	-	40,047	-	-	166,977	207,023
Loans and advances to credit institutions	2,080,048	32,273	91,756	44,160	100,052	2,348,289
Derivative financial instruments - assets	356,091	10,162	-	-	-	366,253
Bonds of trading portfolio	1,166,899	69,542	-	-	-	1,236,441
Bonds at fair value through profit or loss	82,709	-	-	-	-	82,709
Loans and advances to customers (net of provisions)						
Loans to individuals						
- Mortgages	5,950,843	569,505	74,950	29,353	10,880	6,635,531
- Consumer - personal loans	2,564,095	1,431,073	98,849	784	186,149	4,280,950
- Credit cards	661,789	39,460	-	-	16,337	717,586
Loans to corporate entities	18,903,509	2,762,022	4,082,133	364,550	566,388	26,678,602
Bonds of investment portfolio	3,809,884	61,221	69,642	86,931	16,963	4,044,641
Debt securities - receivables	489,961	-	37,738	-	-	527,699
Other assets	876,784	62,117	40,298	8,593	14,379	1,002,172
As at 31 December 2008	**36,942,611**	**5,077,422**	**4,495,365**	**534,371**	**1,078,126**	**48,127,895**
As at 31 December 2007	**32,713,282**	**3,735,411**	**2,420,160**	**549,877**	**817,320**	**40,236,050**

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 2008. The Group has allocated exposures to sectors based on the industry sector of our counterparties.

	Financial institutions	Manufacturing	Construction	Real Estate Companies	Project Finance	Wholesale and retail trade	Shipping Companies	Public sector	Tourism	Energy & Transportation	Other industries	Individuals	Total
Treasury bills and other elligible bills	40.047				-		-	166.977					207.023
Loans and advances to credit institutions	2.348.289				-		-						2.348.289
Derivative financial instruments - assets	366.253				-		-						366.253
Bonds of trading portfolio	193.607				-		-	1.042.834					1.236.441
Debt securities - receivables	34.856	2.881	-	-	-	-	-	318.220	-	-	171.741	-	527.699
Bonds at fair value through profit or loss	21	-	-	-	-	-	-	82.564	-	121	3	-	82.709
Loans and advances to customers (net of provisions)													
Loans to individuals													
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	6.635.531	6.635.531
- Consumer - personal loans	-	-	-	-	-	-	-	-	-	-	-	4.280.950	4.280.950
- Credit cards	-	-	-	-	-	-	-	-	-	-	-	717.586	717.586
Loans to corporate entities	1.125.320	5.490.829	2.729.088	1.948.629	1.559.199	4.554.386	1.400.380	192.275	1.803.701	1.373.815	4.483.041	17.940	26.678.602
Bonds of investment portfolio	413.080	17.922	-	-	-		-	3.529.513	-	19.850	64.276	-	4.044.641
Other assets	33.558	34.470	2.538	4.063	-	34.254	-	42.988	4	77	818.716	31.503	1.002.172
As at 31 December 2008	**4.555.030**	**5.546.102**	**2.731.626**	**1.952.692**	**1.559.199**	**4.588.640**	**1.400.380**	**5.375.371**	**1.803.705**	**1.393.863**	**5.537.777**	**11.683.510**	**48.127.895**
As at 31 December 2007	**3.571.988**	**5.176.297**	**2.437.673**	**798.267**	**1.555.461**	**3.774.909**	**1.105.048**	**5.829.889**	**1.238.396**	**647.247**	**4.046.403**	**10.054.472**	**40.236.050**

As the loans of Real Estate Companies and Project Finance Companies have not been disclosed discretely in the financial statements of 31/12/2007, the Group reformed the balances of 2007 per sector for the purpose of compatibility.

3.2 Market risk

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

The Board of the Directors of the bank has approved a market risk management policy that applies to the bank and its subsidiaries since the beginning of 2003. This policy outlines the basic definitions of market risk management and defines the roles and the responsibilities of the units and executives involved. Every unit of the Piraeus Bank Group has been assigned specific market risk limits, which are monitored on a consistent basis. Limits are established for items both in the trading and the banking book. Limits are set on the Value-at-Risk and Earnings-at-Risk level, and on Sensitivity Indicators. Value-at-Risk is calculated also for the trading portfolio which relates to the financial instruments valued at market values.

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 RiskMetrics parametric Value-at-Risk methodology, assuming a one-day holding period and utilising a 99% confidence level. As the Value-at-Risk methodology does not evaluate risk attributable to extraordinary financial, or other occurrences, the risk assessment process includes a number of stress scenarios. The stress scenarios are based on the primary risk factors that can change the value of the balance sheet's figures.

The Group tests the validity of the Value-at-Risk estimates, by conducting a back-testing 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 Group 's trading book includes positions in bonds, stocks, exchange traded and over the counter derivatives.

The Value-at-Risk estimate for 31/12/2008 was € 5.46 million for the total trading book of the Group. This estimate consists of € 2.09 million interest rate risk, € 4.27 million equity risk, € 2.64 million foreign exchange risk and € 0.11 million commodities risk. There is a reduction in the Value-at-Risk estimate of € 3.65 million due to the diversification effect in the portfolio. During 2008 there has been an decrease in the trading book VaR due to the decrease in the trading book and in the available for sale equity portfolio (listed shares in the available for sale portfolio are included in the Group's trading book for the scope of VaR calculation).

Respectively, the Value-at-Risk estimate for 31/12/2007 was € 6.49 million for the total trading book. This estimate consists of € 1.08 million interest rate risk, € 6.69 million equity risk and € 0.18 million foreign exchange risk. There is a reduction in the Value-at-Risk estimate of € 1.46 million due to the diversification effect in the portfolio.

The above are summarized as follows (amount in million euros):

	Group Trading Book Total VAR	VAR-Interest Rate Risk	VAR Equity Risk	VAR Foreign Exchange Risk	VAR Commodities Risk	Diversification Effect
31/12/2008	5.46	2.09	4.27	2.64	0.11	-3.65
31/12/2007	6.49	1.08	6.69	0.18	0.00	-1.46

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 at 31/12/2008. In the table are included, the Group's assets and liabilities at carrying amounts categorised by currency, whereas hedging positions in derivatives which reduce significantly the undertaken risk are not included:

At 31 December 2008	**EUR**	**USD**	**GBP**	**JPY**	**CHF**	**Other currencies**	**Total**
Foreign exchange risk of assets							
Cash and balances with central Banks	3,247,721	96,940	7,193	8,174	4,363	376,317	3,740,708
Treasury bills and other eligible bills	-	-	-	-	-	207,023	207,023
Loans and advances to credit institutions	1,217,437	1,056,216	4,183	5,394	29,775	35,284	2,348,289
Derivative financial instruments - assets	127,206	110,199	165	109,788	11,005	7,890	366,253
Bonds of trading portfolio	1,232,003	8,110	-	-	-	60,406	1,300,519
Debt securities - receivables	489,961	37,738	-	-	-	-	527,699
Financial instruments at fair value through Profit or Loss	68,504	0	-	20,720	-	-	89,224
Loans and advances to customers (net of provisions)	30,566,908	3,182,380	94,772	170,803	2,688,352	1,609,453	38,312,669
Bonds of investment portfolio	3,920,781	219,269	-	-	-	108,048	4,248,097
Other assets	904,783	26,934	(244)	1,445	5,084	64,171	1,002,172
Total financial assets (A)	**41,775,304**	**4,737,784**	**106,070**	**316,323**	**2,738,579**	**2,468,592**	**52,142,652**

Amounts in thousand euros (Unless otherwise stated)

	EUR	USD	GBP	JPY	CHF	Other currencies	Total
Foreign exchange risk of liabilities							
Due to Banks	11,807,607	2,069,812	23,227	17,481	25,618	178,128	14,121,872
Derivative financial instruments - liabilities	121,245	127,607	-	98,859	12,290	9,691	369,692
Due to customers	19,530,100	2,906,127	171,924	3,800,064	15,391	1,957,211	28,380,817
Debt securities in issue	6,441,351	27,480	311	-	-	19,083	6,488,225
Hybrid capital and other borrowed funds	963,745	3,657	-	-	-	-	967,403
Other liabilities	833,299	65,134	(11,156)	35,419	29,671	107,850	1,060,218
Total financial liabilities (B)	**39,697,347**	**5,199,817**	**184,307**	**3,951,823**	**82,971**	**2,271,964**	**51,388,228**
Net on-balance sheet financial position (A-B)	**2,077,957**	**(462,033)**	**(78,237)**	**(3,635,500)**	**2,655,609**	**196,628**	**754,425**

At 31 December 2007	**EUR**	**USD**	**GBP**	**JPY**	**CHF**	**Other currencies**	**Total**
Total financial assets	36,478,489	3,011,365	95,611	184,332	1,781,152	2,407,333	43,958,282
Total financial liabiities	34,618,368	4,275,045	333,554	1,121,105	143,338	2,220,792	42,712,202
Net on-balance sheet financial position	**1,860,121**	**(1,263,680)**	**(237,943)**	**(936,773)**	**1,637,814**	**186,541**	**1,246,080**

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. However, excessive interest rate risk can cause a negative effect to the Group’s earnings.

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

The table below summarises the Group’s exposure to interest rate risk according to an Interest Rate Gap. 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 spot FX rates.

At 31 December 2008	**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	3,311,676	3,135	103,311	44,383	-	278,203	3,740,708
Treasury bills and other eligible bills	22,290	34,184	150,549	-	-	-	207,023
Loans and advances to credit institutions	2,307,927	25,705	13,483	522	-	653	2,348,289
Bonds of trading portfolio	409,710	81,156	640,106	203,939	(36,153)	1,761	1,300,519
Debt securities - receivables	-	-	-	355,958	171,741	-	527,699
Financial instruments at fair value through Profit or Loss	23	121	10,385	58,622	13,556	6,515	89,224
Loans and advances to customers (net of provisions)	21,500,600	9,528,085	4,394,117	2,926,047	666,805	(702,986)	38,312,668
Bonds of investment portfolio	394,911	210,381	3,014,236	277,414	147,699	203,456	4,248,097
Other assets	54,452	69,659	174,957	8,223	28	1,061,106	1,368,425
Total financial assets (A)	**28,001,589**	**9,952,426**	**8,501,145**	**3,875,106**	**963,677**	**848,709**	**52,142,652**

Liabilities	**Up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Non interest bearing**	**Total**
Due to banks	12,114,542	1,333,554	585,492	23,388	63,003	1,894	14,121,872
Due to customers	17,877,308	6,607,644	3,279,255	352,725	27,371	236,514	28,380,817
Debt securities in issue	1,228,573	2,338,956	1,677,295	1,243,236	-	165	6,488,225
Hybrid capital and other borrowed funds	602,264	359,219	-	3,657	-	2,263	967,403
Other liabilities	75,967	32,059	85,112	12,097	212,025	1,039,785	1,457,046
Total financial liabilities (B)	**31,898,655**	**10,671,432**	**5,627,154**	**1,635,103**	**302,399**	**1,280,621**	**51,415,363**
Total interest rate repricing gap (A-B)	**(3,897,065)**	**(719,006)**	**2,873,991**	**2,240,003**	**661,278**	**(431,912)**	**727,289**

Amounts in thousand euros (Unless otherwise stated)

The above analysis does not include the interest rate gap of derivatives, through which the on balance sheet interest rate gaps are hedged.

The following tables include figures of the comparative year.

At 31 December 2007	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non interest bearing	Total
Total financial assets	27,309,189	6,763,579	3,549,353	4,119,029	1,024,941	1,300,983	44,067,074
Total financial liabiities	27,130,262	9,029,960	2,670,875	957,685	1,660,815	1,262,605	42,712,202
Total interest rate repricing gap	**178,927**	**(2,266,381)**	**878,478**	**3,161,344**	**(635,874)**	**38,378**	**1,354,872**

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

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

Piraeus Bank 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

Piraeus Bank 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 since the end of 2003. This policy is adjusted to internationally applied practices and regulatory environments and adapted to the specific activities and organisational structure of Piraeus Bank 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.

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

The levels of these particular ratios are daily communicated to the responsible business units, and comments as well as respective assessments of the Group Market & Operational Risk Management Division, are included in the reporting package to the members of Asset - Liability Committee (ALCO).

Means as the maintenance of liquid securities portfolios and the expansion of diversified core deposits (especially time deposit products of over one month - ETVA Bonds), were taken in order to control liquidity risk. During 2008, the third securitisation of mortgages of € 800 million nominal value, as well as the first securitisation of corporate loans of € 1,750 million nominal value resulted in furthermore enhancement of the Bank's liquidity position. Finally, the Bank raised funds through the 12-year term Interbank loan from European Investment Bank of € 50 million and the Interbank loan Schuldschein of € 450 million.

In addition, the Bank participates to the government's initiative regarding the enhancement of the Greek Banking system's liquidity.
More specifically, liquidity of amount € 750 million is already achieved, through the special issue of Greek Government Bonds against eligible collaterals and an issue of preference shares amounting to € 370 million will be accomplished shortly.

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. 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 time-bands 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.

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 Group under non-derivative financial liabilities by the remaining contractual maturities. The amounts mentioned are the contractual undiscounted cash flows based on the contract. 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 2008	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Liabilities liquidity						
Due to banks	12,176,214	860,883	651,189	977,089	86,745	14,752,120
Due to customers	17,957,149	6,634,163	3,302,318	332,183	27,385	28,253,199
Debt securities in issue	514,215	1,434,145	1,903,271	4,408,094	1,819,038	10,078,762
Other borrowed funds	8,232	121	-	-	798,440	806,792
Hybrid capital	2,263	-	-	-	229,327	231,590
Other liabilities	131,382	41,637	87,678	14,539	824,373	1,099,609
Total liabilities (contractual maturity dates)	**30,789,455**	**8,970,948**	**5,944,457**	**5,731,906**	**3,785,307**	**55,222,072**
Total assets (expected maturity dates)	**16,682,295**	**2,793,136**	**5,267,527**	**16,795,013**	**22,288,824**	**63,826,795**
At 31 December 2007						
Liabilities liquidity						
Due to banks	7,565,283	2,947,502	525,753	342,299	579	11,381,416
Due to customers	16,612,637	3,011,645	1,394,291	358,457	13,221	21,390,251
Debt securities in issue	1,659,530	994,232	1,257,231	3,460,856	285,779	7,657,628
Other borrowed funds	11,637	5,545	32,008	163,477	1,110,023	1,322,690
Hybrid capital	2,997	-	9,080	45,615	217,357	275,049
Other liabilities	201,374	42,635	54,928	40,392	586,940	926,269
Total liabilities (contractual maturity dates)	**26,053,458**	**7,001,559**	**3,273,291**	**4,411,096**	**2,213,899**	**42,953,303**
Total assets (expected maturity dates)	**16,961,646**	**2,990,347**	**3,257,747**	**12,205,449**	**16,832,983**	**52,248,172**

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.

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. The amount disclosed in the table are the contractual undiscounted amounts.

At 31 December 2008	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Derivatives held for trading						
-Foreign exchange derivatives	-	135	-	-	-	135
-Interest rate derivatives	(1,269)	479	(39,727)	(68,782)	(10,548)	(119,847)
Derivatives held for fair value hedging						
-Foreign exchange derivatives	1,737	-	-	-	-	1,737
-Interest rate derivatives	279	(370)	(4,691)	(9,182)	-	(13,963)
Total	**747**	**245**	**(44,418)**	**(77,964)**	**(10,548)**	**(131,938)**

At 31 December 2007	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Derivatives held for trading						
-Interest rate derivatives	551	(3,308)	(2,745)	(12,581)	5,444	(12,639)
Derivatives held for fair value hedging						
-Foreign exchange derivatives	42	-	-	-	-	42
-Interest rate derivatives	110	512	(1,719)	(3,974)	447	(4,624)
-Other derivatives	443	12	173	20	-	648
Total	**1,146**	**(2,784)**	**(4,291)**	**(16,535)**	**5,891**	**(16,573)**

Amounts in thousand euros (Unless otherwise stated)

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 2008	**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	5,809,911	1,444,990	255,424	157,289	-	7,667,613
Inflow	5,672,385	1,360,347	253,048	157,832	-	7,443,611

At 31 December 2007	**Up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
Derivatives held for trading						
-Foreign exchange derivatives						
Outflow	4,217,354	1,357,863	1,396,672	91,039	-	7,062,928
Inflow	4,206,451	1,361,397	1,494,489	95,934	-	7,158,271
-Other derivatives						
Outflow	116	2	-	-	-	118
Inflow	466	16,122	23,613	-	-	40,201
Total outflow	**4,217,470**	**1,357,865**	**1,396,672**	**91,039**	**0**	**7,063,046**
Total inflow	**4,206,917**	**1,377,519**	**1,518,102**	**95,934**	**0**	**7,198,472**

3.6 Fair values of financial assets and liabilities

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

	Carrying Value		**Fair Value**	
	31 December 2008	**31 December 2007**	**31 December 2008**	**31 December 2007**
Financial assets				
Loans and advances to credit institutions	2,348,289	2,611,891	2,442,908	2,623,272
Loans and advances to customers (net of provisions)	38,312,669	30,288,785	39,069,706	30,983,201
-Loans to individuals	11,634,066	9,912,063	12,102,263	10,166,711
-Loans to corporate entities	26,678,602	20,376,722	26,967,443	20,816,490
Held to maturity investment securities	3,372,205	110,356	3,340,095	110,356
Debt securities - receivables	527,699	-	516,240	-
Financial liabilities				
Due to banks	14,121,872	10,705,784	14,159,591	10,703,198
Due to customers	28,380,817	22,067,315	28,456,848	22,065,154
-Current and sight deposits	4,468,736	5,007,055	4,468,736	5,006,942
-Savings account	3,382,247	3,572,553	3,382,247	3,572,432
-Term deposits	19,727,066	12,353,526	19,802,956	12,351,560
-Other accounts	244,165	264,141	244,165	264,099
-Repurchase agreements	558,603	870,040	558,743	870,121
Debt securities in issue	6,488,225	7,788,572	6,520,692	7,898,613
Other borrowed funds and hybrid capital	967,403	989,237	888,162	980,053

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

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

c) Investment securities and Debt securities - receivables include interest-bearing assets held to maturity. 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.

Amounts in thousand euros (Unless otherwise stated)

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

e) 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.

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

3.7 Fiduciary activities

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

3.8 Capital adequacy

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

As the importance of 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 new legislative and regulatory capital 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 the Greek regulatory framework.
- The preservation of 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 Group's management business plans.

The regulatory capital of the Group, as defined by Bank of Greece is comprised of two tiers, 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. Since 1/1/2008, the negative adjustments on Tier II capital are diminishing Tier I Capital by 50% and by 50% Tier II. The aforementioned deduction was not effective on 31/12/2007.

Tier I capital	**31 December 2008**	**31 December 2007**
Share capital	1,571,923	1,617,977
Share premium	927,775	1,099,903
Less: treasury shares	(167,321)	(250,863)
Minority Interest	149,051	227,565
Available for sale reserve	(162,414)	14,986
Legal reserve and other reserves	(15,173)	38,953
Retained earnings	721,359	561,058
Hybrid capital	201,444	193,406
Less: intangible assets	(302,994)	(264,635)
Total regulatory adjustments on Tier I capital	62,255	(223,979)
Total	**2,985,905**	**3,014,371**
Tier II Capital		
Subordinated debt	762,302	792,329
Total regulatory adjustments on Tier II capital	(36,043)	20,319
Less: Adjustments on Tier II capital	-	(37,955)
Total	**726,259**	**774,693**
Regulatory adjustments on Tier II capital	**3,712,164**	**3,789,064**
Total risk weighted assets (on and off-balance sheet items)	**37,502,372**	**30,895,647**
Tier I ratio	**8.0%**	**9.8%**
Total Capital Adequacy ratio	**9.9%**	**12.3%**

Capital adequacy ratio of 31/12/2008 was in compliance with Basel II regulatory framework, while the ratio as of 31/12/2007 was in line with the Basel I regulatory framework. The implementation of Basel II regulations since 01/01/2008 did not have a significant effect on Group's capital adequacy ratio.

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.

4 Critical accounting estimates and judgements

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

1. Impairment losses on loans and advances

The 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 profit or loss statement. In determining whether an impairment loss should be recorded in the profit or loss statement the Group has set a methodology (described in note 2.12). The estimates, methodology and assumptions used are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

2. Fair value of 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 to make estimates. Assumptions that affect the reported fair values of financial instruments are examined regularly.

3. Impairment of available for sale investments

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

4. 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 are present that, considered in isolation, indicate control or lack of control over an SPE, but when considered together make it difficult to reach a clear conclusion. In such cases, the SPE is consolidated.

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 the specific circumstances -for example, selling an insignificant amount close to maturity- it will be required to reclassify the entire class as available for sale. The investments would therefore be remeasured at fair value.

6*. Income taxes*

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

Amounts in thousand euros (Unless otherwise stated)

5 Segment analysis

a) By business segment

Piraeus Bank 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 and 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 for 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.).

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

1/1-31/12/2008	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Treasury	Other business segments	Eliminations	Group
Revenues	2,110,346	813,635	48,637	1,093,946	367,106	-	4,433,670
Revenues from other business segments	367,137	38,254	1,388	1,934	502,554	(911,266)	0
Total revenues	**2,477,482**	**851,889**	**50,025**	**1,095,880**	**869,660**	**(911,266)**	**4,433,670**
Net revenues	1,402,797	335,069	39,260	76,945	(202,375)	-	1,651,696
Net revenues from other business segments	(243,473)	(33,536)	(8,260)	(2,813)	346,328	(58,246)	0
Total net revenues	**1,159,323**	**301,533**	**31,000**	**74,132**	**143,954**	**(58,246)**	**1,651,696**
Segment results	**193,767**	**82,254**	**20,568**	**22,351**	**47,979**	-	**366,919**
Share of profit of associates							18,868
Profit before tax							**385,788**
Income tax expense							(54,521)
Profit after tax							**331,267**
Other segment items							
Capital expenditure	209,245	44,723	501	339	104,559	-	**359,367**
Depreciation and amortisation	42,335	6,992	669	564	26,418	-	**76,979**
Impairment charge - loans	279,675	92,149	132	-	14,348	-	**386,303**

1/1-31/12/2007	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Treasury	Other business segments	Eliminations	Group
Revenues	1,512,426	499,187	93,288	846,270	475,099	-	3,426,270
Revenues from other business segments	219,065	23,751	592	133	388,040	(631,581)	0
Total revenues	**1,731,491**	**522,938**	**93,880**	**846,403**	**863,139**	**(631,581)**	**3,426,270**
Net revenues	1,205,182	214,172	78,624	75,989	59,142	-	1,633,109
Net revenues from other business segments	(215,833)	(38,583)	(12,415)	(10,130)	333,497	(56,536)	0
Total net revenues	**989,349**	**175,589**	**66,209**	**65,859**	**392,639**	**(56,536)**	**1,633,109**
Segment results	**401,919**	**65,191**	**61,949**	**44,267**	**207,060**	-	**780,386**
Share of profit of associates							4,927
Profit before tax							**785,313**
Income tax expense							(133,854)
Profit after tax							**651,459**
Other segment items							
Capital expenditure	174,010	45,921	18,163	910	112,851	-	**351,855**
Depreciation and amortisation	35,209	6,276	1,052	779	22,746	-	**66,062**
Impairment charge - loans	79,315	30,035	460	-	5,668	-	**115,478**
At 31 December 2008							
Segment assets	26,863,788	12,242,046	129,375	11,986,665	3,667,983	-	**54,889,856**
Segment liabilities	21,205,171	3,356,584	84,070	20,848,310	6,370,522	-	**51,864,656**
At 31 December 2007							
Segment assets	22,334,173	9,263,542	130,416	11,332,738	3,366,471	-	**46,427,340**
Segment liabilities	13,372,301	1,110,708	124,121	19,237,790	9,272,841	-	**43,117,761**

Amounts in thousand euros (Unless otherwise stated)

Regarding the profit before tax of other business segments for 2008, there is not any sector that contributes more than 10%.

Other business segments results for the year of 2007 include amount of € 159.3 million which relates to the sale of the Bank's participation in Bank of Cyprus.

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

Revenues and net revenues from other business segments include revenues and net revenues derived from transactions between business segments. The mentioned intercompany transactions are realised under normal commercial terms.

a) By geographical segment

The following table incorporates geographical concentrations (secondary segment analysis) of assets, revenues and Capital expenditure of the Group, as required by IAS 14. The allocation is based on the location of the subsidiaries.

As at 31 December 2008	Total assets	Revenues	Net Revenues	Capital expenditure
Greece	42,988,442	3,429,432	1,381,650	249,714
South East Europe	5,484,649	676,328	520,260	86,865
Rest of Europe	4,664,961	159,979	(321,576)	-
U.S.A.	534,114	33,187	21,179	547
Egypt	1,217,691	134,745	50,184	22,242
Total	**54,889,856**	**4,433,670**	**1,651,696**	**359,367**

As at 31 December 2007	Total assets	Revenues	Net Revenues	Capital expenditure
Greece	38,055,426	2,926,679	1,590,395	211,337
South East Europe	4,188,207	371,105	296,063	98,904
Rest of Europe	2,552,909	3,776	(308,709)	10,692
U.S.A.	550,154	38,737	21,939	2,898
Egypt	1,080,644	85,974	33,421	28,024
Total	**46,427,340**	**3,426,271**	**1,633,109**	**351,855**

The negative net result in the geographical segment "Rest of Europe" derives from the cost of issuing debt securities (ECP, EMTN) loans securitisation, subordinated loans (TIER II) and hybrid capital (TIER I). Without taking into consideration the aformentioned cost, the net revenues of the specific geographical segment would amount to € 55.3 million for the year 2008 (2007: € 19.1 million).

The Group operates in 4 main business segments and in 5 main geographical areas. Greece is the home country of Piraeus Bank. In Greece, the areas of operation include all the primary business segments.

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

Other European countries in which the Group operates are United Kingdom and Luxemburg, where the main activities are Corporate Banking, Investment Banking, Asset Management & Treasury.

The Group operates in the U.S and the predominant activities are related to Retail Banking.

In Egypt, the Group's predominant activities are related to Retail Banking and Corporate Banking.

6 Net interest income

	1/1-31/12/2008	1/1-31/12/2007
Interest income		
Interest on fixed income securities	547,224	299,328
Interest income on loans and advances to customers	2,269,363	1,577,102
Interest on loans and advances to credit institutions	109,222	195,860
Interest rate swaps	767,897	440,200
Other interest income	204,063	149,593
Total interest income	**3,897,769**	**2,662,084**
Interest expense		
Interest on customer deposits and repos	(1,126,362)	(634,142)
Interest on debt securities in issue and on other borrowed funds	(449,835)	(341,849)
Interest on due to Banks	(258,110)	(213,812)
Interest rate swaps	(726,747)	(423,823)
Interest expense from finance leases of investment property	(21,849)	(20,229)
Other interest expense	(155,096)	(111,260)
Total interest expense	**(2,737,999)**	**(1,745,115)**
Net Interest Income	**1,159,770**	**916,969**

Accrued interest for impaired loans is € 57,822 thousand (2007: € 31,177 thousand).

Amounts in thousand euros (Unless otherwise stated)

7 Net fees and commission income

	1/1-31/12/2008	1/1-31/12/2007
Fees and commission income		
Commercial banking	231,041	184,652
Investment banking	42,358	70,360
Asset management	12,223	19,502
Total fees and commission income	**285,622**	**274,514**
Fees and commission expense		
Commercial banking	(30,954)	(31,078)
Investment banking	(12,545)	(16,615)
Asset management	(475)	(354)
Total fees and commission expense	**(43,975)**	**(48,047)**
Net fees and commission income	**241,647**	**226,466**

8 Dividend income

	1/1-31/12/2008	1/1-31/12/2007
Dividend from AFS securities	14,369	5,060
Dividend from trading securities	11,519	5,247
	25,887	**10,307**

9 Net trading income

	1/1-31/12/2008	1/1-31/12/2007
Gains less losses on FX	90,775	42,182
Gains less losses on shares and mutual funds	(49,747)	32,486
Gains less losses on derivatives	(83,873)	(19,358)
Gains less losses on bonds	29,497	(5,639)
	(13,348)	**49,671**

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

	1/1-31/12/2008	1/1-31/12/2007
Gains less losses on shares at fair value through profit or loss	2,420	-
Gains less losses on other financial instruments at fair value through profit or loss	18,286	11,625
	20,706	**11,625**

11 Gains from investment securities

	1/1-31/12/2008	1/1-31/12/2007
Gains less losses on AFS - shares and mutual funds	3,926	162,463
Gains less losses on AFS - bonds	(4,217)	(63)
Gains less losses on sale of subsidiaries and associates	2,545	14,015
Impairment of shares and mutual funds (available for sale portfolio) (note 23)	(1,957)	(4,030)
	297	**172,385**

It should be noted that during the year of 2007 gains less losses from investment securities include amount of € 159.3 million which derives from the sale of Piraeus Bank's participation in Bank of Cyprus (percentage 8.08%).

12 Other operating income

	1/1-31/12/2008	1/1-31/12/2007
Income from real estate (rental income and result from the valuation of investment property)	87,950	134,874
Income from the operations of ETBA Industrial Estates S.A.	27,171	24,246
Income from IT activities	10,933	8,920
Income from operating leasing	40,609	17,231
Other operating income	50,074	60,415
	216,737	**245,686**

Receivables from operating leases are as follows:

Receivables from operating leases	**31 December 2008**	**31 December 2007**
Up to 1 year	124,918	52,663
From 1 to 5 years	229,861	140,973
More than 5 years	3,119,195	3,027,643
	3,473,974	**3,221,279**

Receivables from operating leases mainly include rental income of Picar S.A., from the operation of the Citylink building.

Amounts in thousand euros (Unless otherwise stated)

13 Staff costs

	1/1-31/12/2008	1/1-31/12/2007
Wages & salaries	(320,112)	(271,684)
Social insurance contributions	(69,668)	(56,205)
Other staff costs	(18,893)	(15,892)
Retirement benefit charges (note 38)	(33,403)	(35,241)
	(442,076)	**(379,022)**

Wages and salaries include amount of € 6,508 thousand which relates to the total cost for the stock option plans for the year 2008 (2007: € 6,792 thousand). For the amendments of the 2nd and the 3rd stock option plans the relative note is note 40. The total cost for the stock option plans includes the cost of the share options granted to the members of the Board of Directors and key management personnel (note 44).

The number of persons employed by the Group during 2008 was 14,255 (2007: 12,357). The average number of persons employed by the Group during the year 2008 was 13,306.

14 Administrative expenses

	1/1-31/12/2008	1/1-31/12/2007
Rental expense	(68,367)	(42,706)
Taxes and duties (excl. income tax)	(52,857)	(43,933)
Promotion and advertising expenses	(45,941)	(45,124)
Servicing - promotion of banking products	(33,648)	(28,739)
Fees and third parties expenses	(52,137)	(46,748)
Security & Maintenance of fixed assets	(27,144)	(20,790)
Telecommunication & electricity expenses	(27,120)	(18,720)
Other administrative expenses	(75,302)	(57,175)
	(382,516)	**(303,935)**

Other administrative expenses include telecommunication expenses, rental expense for equipment, donations, maintenance of fixed assets, travel expenses, subscriptions and consumables.

15 Income tax expense

	1/1-31/12/2008	1/1-31/12/2007
Current Tax	(119,885)	(68,716)
Deferred tax (note 37)	74,347	(34,638)
Tax provisions	(8,982)	(30,500)
	(54,521)	**(133,854)**

The tax rate for Greek legal entities, in accordance with the provisions in force of article 109, par. 1 of Law 2238/1994, is 25% for the years 2007 and 2008. 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 2007 and 2008 (Bulgaria: 10%, Romania: 16%, U.S.A.: 35%, Serbia: 10%, Ukraine: 25%, Egypt: 20% and Cyprus 10%). The nominal tax rate in Albania has decreased from 20% in 2007 to 10% in 2008.

Piraeus Bank has been audited by the tax authorities and all the unaudited fiscal years until 2006 have been finalized. The unaudited tax years of the subsidiaries and associates are included in note 25. For the unaudited tax years, a provision has been raised according to International Financial Reporting Standards (IFRS).

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:

	2008	2007
Profit before tax	385,788	785,313
Tax calculated	(96,447)	(196,328)
Income not subject to tax (corresponding tax)	46,567	57,491
Non deductible expenses (corresponding tax) and provisions for unaudited fiscal years	(13,821)	(20,810)
Effect of different tax rates applied abroad	11,581	11,339
Impact on deferred tax from the future legally approved change of tax rate	(12,251)	-
Effect of profit of investment in associates	1,542	317
Additional tax 3% on fixed assets income	(98)	(58)
Utilisation of previously unrecognised tax losses	8,405	14,195
Income Tax	**(54,521)**	**(133,854)**

16 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of shares in issue during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares. For the calculation of the diluted earnings per share, all the dilutive potential ordinary shares are taken into consideration.

Amounts in thousand euros (Unless otherwise stated)

Basic earnings per share	**1/1-31/12/2008**	**1/1-31/12/2007**
Net profit attributable to shareholders	315,087	622,141
Weighted average number of shares in issue	323,625,530	291,212,470
Basic earnings per share (in euro)	0.9736	2.1364

Diluted earnings per share	**1/1-31/12/2008**	**1/1-31/12/2007**
Net profit attributable to shareholders	315,087	622,141
Weighted average number of shares in issue	323,625,530	291,212,470
Adjustment for share options	-	1,335,856
Weighted average number of shares in issue for the diluted earnings per share calculation	323,625,530	292,548,326
Diluted earnings per share (in euro)	0.9736	2.1266

Potential ordinary shares of the 3rd share option scheme did not have an effect to the calculation of diluted earnings per share, as the average market price of ordinary shares during 2008 did not exceed the option's exercise price. Additionally, the 2nd share option scheme did not have an effect in diluted earnings per share since share option holders were resigned from the exercise of their rights and there was a consequent expiry of the scheme.

According to the requirements of IAS 33, the weighted average number of shares has been adjusted with a factor of 1.00014 for the year 2007 in order to adjust earnings per share (basic and diluted) for the reinvestment of dividend that took place during the year 2008.

17 Cash and balances with the Central Bank

	31 December 2008	**31 December 2007**
Cash in hand	431,400	382,755
Nostros and sight accounts with other banks	308,534	251,210
Balances with central bank	1,794,731	1,771,129
Cheques clearing system - central bank	415,597	487,909
Included in cash and cash equivalents less than 90 days (Note 43)	**2,950,261**	**2,893,003**
Mandatory reserves with central bank	790,446	507,166
	3,740,708	**3,400,169**

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

18 Treasury bills and other eligible bills

	31 December 2008	**31 December 2007**
Other government treasury bills	56,474	35,393
Included in cash and cash equivalents less than 90 days (Note 43)	**56,474**	**35,393**
Other government treasury bills	150,549	179,426
	207,023	**214,819**

Other government treasury bills include treasury bills issued by Albania and Egypt and are held by the Group subsidiaries in these countries. Treasury bills and other eligible bills bear fixed rates and mainly have a duration of 12 months.

19 Loans and advances to credit institutions

	31 December 2008	**31 December 2007**
Placements with local banks and banks abroad	1,860,482	1,773,487
Cheques receivables	9,203	10,955
Reverse repurchase agreements	132,844	207
Included in cash and cash equivalents less than 90 days (Note 43)	**2,002,529**	**1,784,650**
Placements to banks (more than 90 days)	340,229	32,066
Cheques receivables (more than 90 days)	1,879	39
Reverse repurchase agreements	3,652	795,136
	345,760	**827,241**
Total loans and advances to credit institutions	**2,348,289**	**2,611,891**

The total loans and advances to credit institutions bear floating rates.

	31 December 2008	**31 December 2007**
Current loans and advances to credit institutions	2,347,767	2,537,893
Non current loans and advances to credit institutions	522	73,999
	2,348,289	**2,611,892**

Bank bonds with fair value € 43.2 million as at 1/10/2008 were reclassified from "Available for Sale securities" to "Loans and advances to credit institutions", as these bonds are not traded in an active market.

Amounts in thousand euros (Unless otherwise stated)

20 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 and/or currency and currency or/and shares. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair values on a daily basis. Fair values are obtained from quoted market prices in active markets and option pricing models, where market prices are not available. Derivative financial instruments with positive fair values are recognised as assets and derivative financial instruments with negative fair values are recognised as liabilities.

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

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

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

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

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

At 31 December 2008	**Notional amounts**	**Fair values**	
		Assets	**Liabilities**
Derivatives held for trading			
Futures	185,800	-	-
Asset swaps	75,506	176	15,049
Interest rate swaps	11,089,771	143,538	147,679
Currency swaps	6,804,550	9,576	8,001
FX forwards	532,108	151,749	142,013
Options and Other derivative instruments	225,834	56,353	7,019
		361,392	**319,761**
Embedded equity derivatives			
Customer deposits/ loans linked to options	153,778	4,861	4,398
Derivatives held for fair value hedging			
Interest rate swaps	1,323,655	0	45,533
Total recognised derivative assets/ liabilities		**366,253**	**369,692**

At 31 December 2007	**Notional amounts**	**Fair values**	
		Assets	**Liabilities**
Derivatives held for trading			
Futures	86,700	-	-
Asset swaps	490,915	6,528	13,069
Interest rate swaps	10,153,167	58,969	51,765
Currency swaps	7,120,929	6,326	7,122
Forward rate agreements	475,711	366	-
FX forwards	439,971	15	1,734
Options	100,000	114	114
Other derivative instruments	3,018,784	56	(198)
		72,376	**73,605**
Embedded equity derivatives			
Customer deposits/ loans linked to options	189,422	10,280	9,346
Derivatives held for fair value hedging			
Interest rate swaps	156,034	560	4,087
Total recognised derivative assets/ liabilities		**83,216**	**87,038**

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 of fixed rate financial instruments. The hedging practices and accounting treatment are disclosed in Note 2.4.

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 "Available-for-sale" portfolio and in the "Debt securities - receivables". The Bank also hedges the interest rate risk which results from potential decrease in the fair value of fixed rate loans originated by the Bank in local and foreign currencies. Hedging is achieved by using interest rate swaps.

Amounts in thousand euros (Unless otherwise stated)

The net fair value of these interest rate swaps as at 31/12/2008 was € 45.5 million liability (2007: € 3.5 million liability). The losses on the hedging instruments were € 41.9 millions (2007: € 2.6 loss). The gains on the hedged item attributable to the hedged risk were € 42.6 million (2007: € 2.4 million gain).

21 Financial assets at fair value through Profit or Loss

Trading securities	**31 December 2008**	**31 December 2007**
Greek government bonds	-	349,523
Included in cash and cash equivalents less than 90 days (Note 43)	**-**	**349,523**
Greek government bonds	872,439	3,639,911
Foreign government bonds	58,656	50,194
Corporate entities bonds	166,658	280,073
Bank bonds	10,204	-
Greek government treasury bills	101,945	14,915
Other government treasury bills	26,540	21,101
	1,236,441	**4,006,194**
Athens stock exchange listed shares	63,706	127,216
Foreign stock exchanges listed shares	63	13,763
Mutual funds	309	10,034
	64,078	**151,013**
Total trading securities	**1,300,519**	**4,506,731**
Other financial assets at fair value through profit or loss	**89,224**	**508,137**

From the above mentioned bonds of trading securities as at 31/12/2008, amount of € 632 million relates to fixed income securities, amount of € 462 million relates to floating rate securities and amount of € 142 million relates to zero-coupons. The respective amounts as at 31/12/2007 are 2,185 million (fixed), € 1,787 million (FRN) and € 384 million (zero-coupon). Net interest accrued on bonds, included in the respective balances, amounts to € 21 million (2007: € 89 million).

Other financial assets at fair value through profit or loss include asset swap bonds. The initial classification in the specific portfolio took place in order to decrease the fluctuation in the income statement that would appear if these financial instruments had been recognized in their purchase cost and the related interest rate swap derivatives as derivatives held for trading. Financial assets at fair value through profit or loss have fixed rates and include accrued interest of € 2 million.

In accordance with the amendments to IAS 39 & IFRS 7 "Reclassification of Financial Assets", the Bank has reclassified financial assets from the “Trading Securities” portfolio to the “Available for Sale securities” and "Held to Maturity" portfolios. This reclassification was based on the assessment that, since the Group has the intension to hold them in the near future and additionally it is estimated that the fair value of the listed shares, mutual fund and bonds, due to the current turmoil and the volatility on the financial markets, does not reflect the potential and the growth perspective of issuers, which issue securities held by the Group.

Specifically, the Group making use of the above amendments on 1/7/2008 for shares listed in the Athens Stock Exchange and mutual funds and on 1/10/2008 for shares listed in the Athens Exchange and other stock markets, has reclassified from the “Trading Securities” portfolio to the “Available for Sale Securities” portfolio, listed shares of amount € 58.9 million. The fair value loss of these shares and mutual funds, for the period after the reclassification, amounting to € 20.3 million has been recognized in the Available for Sale reserve. The loss from the valuation of the prementionned securities of amount € 22.5 million for the period until the reclassification appears in the "Net trading income" for the year 2008. Bonds with fair value € 339.9 million as at 1/10/2008 were reclassified from "Trading Securities" to "Available for Sale Securities". The revaluation loss of € 14.4 million of these bonds for the period from 1/10/2008 to 31/12/2008 has been recognized in the Available for Sale reserve. The revaluation loss of these bonds amounting to € 7.2 million for the period from 1/1/2008 to 30/9/2008 is recognized in the "Net trading income" for the year 2008. Finally, bonds with fair value € 601.2 million as at 1/10/2008 were reclassified from "Trading Securities" to "Held to Maturity" portfolio and this value represents the new amortized cost of these bonds. The revaluation loss of € 336 thousand for the period from 1/1/2008 to 30/9/2008 has been recognized in the "Net trading income" for the year 2008. If these bonds had not been reclassified, the revaluation loss of € 5.3 million would be recognized in the "Net Trading income".

22 Loans and advances to customers

	31 December 2008	**31 December 2007**
Loans to individuals		
Mortgages	6,692,625	5,743,069
Consumer/ personal and other loans	4,488,349	3,717,054
Credit cards	775,434	618,665
	11,956,407	**10,078,788**
Loans to corporate entities	**27,059,248**	**20,626,020**
Total loans and advances to customers	**39,015,655**	**30,704,809**
Less: Allowance for losses (impairment) on loans and advances to customers	(702,987)	(416,024)
Total loans and advances to customers (less allowances for losses)	**38,312,669**	**30,288,785**

Amounts in thousand euros (Unless otherwise stated)

	31 December 2008	31 December 2007
Current loans and advances to customers	15,400,814	12,904,404
Non current loans and advances to customers	22,911,854	17,384,381
	38,312,669	**30,288,785**

Fixed rate loans amount to € 4,741 million (2007: € 4,363 million) and floating rate loans amount to € 34,275 million (2007: € 26,342 million).

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

a) Loans to individuals

	Mortgages	Consumer/ personal and other loans	Credit cards	Total
Balance at 1 January 2007	**9,880**	**102,663**	**16,295**	**128,838**
Opening balance of new subsidiaries	-	34	-	34
Charge for the year	5,242	48,018	14,121	67,381
Loans written-off	-	(27,483)	(407)	(27,890)
Foreign exchange differences	397	(2,151)	117	(1,637)
Balance at end of year 31/12/2007	**15,519**	**121,081**	**30,126**	**166,726**
Balance at 1 January 2008	**15,519**	**121,081**	**30,126**	**166,726**
Opening balance of new subsidiaries	-	1,574	180	1,754
Charge for the year	41,650	94,571	27,973	164,194
Loans written-off	(4)	(5,265)	(20)	(5,289)
Foreign exchange differences	(71)	(4,562)	(411)	(5,044)
Balance at end of year 31/12/2008	**57,094**	**207,399**	**57,848**	**322,341**

b) Loans to corporate entities

Balance at 1 January 2007	**248,994**
Opening balance of new subsidiaries	1,327
Charge for the year	40,810
Loans written-off	(42,454)
Foreign exchange differences	621
Balance at end of year 31/12/2007	**249,298**
Balance at 1 January 2008	**249,298**
Opening balance of new subsidiaries	10,397
Charge for the year	202,727
Loans written-off	(81,432)
Foreign exchange differences	(345)
Balance at end of year 31/12/2008	**380,646**

The charge for the year of 2008 amount of € 386.3 million (2007: € 115.5 million) in the income statement includes amount of € 19.4 million (2007: € 4.8 million) which relates to impairment of other receivables and insurance expense for covering credit risk. The charge for the year of 2007 includes amount of € 2.5 million which relates to loans written off directly to profit or loss. The charge for the year of 2007 includes amount of € 80 thousand which relates to reversal of provisions of other assets.

Loans and advances to customers include finance lease receivables:

Gross investments in finance leases	31 December 2008	31 December 2007
Less than 1 year	435,333	406,568
More than one year and less than 5 years	1,029,412	846,180
More than 5 years	990,829	753,556
	2,455,574	**2,006,304**
Unearned future finance income	**(624,223)**	**(513,999)**
Net investments in finance leases	**1,831,352**	**1,492,305**

Net investments in finance leases are analysed as follows:

	31 December 2008	31 December 2007
Less than 1 year	336,766	326,561
More than one year and less than 5 years	774,526	621,479
More than 5 years	720,060	544,265
	1,831,352	**1,492,305**

Amounts in thousand euros (Unless otherwise stated)

23 Investment securities

Available for sale securities	**31 December 2008**	**31 December 2007**
Bonds and other fixed income securities		
Greek government bonds	218,836	816,532
Foreign government bonds	59,770	88,088
Corporate entities bonds	337,796	148,691
Bank bonds	56,034	50,476
	672,436	**1,103,787**

Shares and other variable income securities	**31 December 2008**	**31 December 2007**
Athens stock exchange listed shares	92,030	149,689
Foreign stock exchanges listed shares	13,117	1,309
Unlisted shares	89,119	128,843
Mutual funds	9,190	-
	203,456	**279,840**
Total available for sale securities	**875,892**	**1,383,628**

As at 31/12/2008, amount of € 248.2 million relates to investment portfolio bonds with fixed rates and amount of € 424.3 million relates to floating rate bonds. The respective amounts for 31/12/2007 are € 344 million (fixed) and amount of € 870 million (FRN).

In accordance with the amendments to IAS 39 & IFRS 7 "Reclassification of Financial Assets", the Group reclassified financial assets from the “Trading Securities” portfolio to the “Available for Sale” and "Held to Maturity" portfolios (note 21).

In addition according to the above amendments, bond with fair value € 272.2 million as at 1/10/2008 was reclassified from "Available for Sale securities" to "Held to Maturity" portfolio. The revaluation loss of € 1.5 million, already recognised in the available-for-sale reserve until 30/9/2008, will be amortised in the income statement with the effective interest rate method until the bonds' maturity. If the bond has not been reclassified, a revaluation loss of € 6.0 million would have been recognized in the available-for-sale reserve. Corporate bonds with fair value € 34.4 million and bank bonds with fair value € 43.2 million as at 1/10/2008 were reclassified from "Available for Sale securities" to "Debt securities - receivables" and "Loans and advances to credit institutions" respectively, as these bonds are not traded in an active market and they meet all other conditions of IAS 39 in order to be classified as Loans and Receivables. The revaluation loss of € 11.7 million, already recognised in the available-for-sale reserve until 30/9/2008 will be amortised with the effective interest rate method in the income statement until the bond maturities. In case that these bonds have not been reclassified, a revaluation loss of € 21.9 million would have been recognized in the available-for-sale reserve. Interest on securities, that were reclassified and will be calculated based on the effective interest rate method, will not differentiate significantly from the interest based on the nominal interest rate. Consequently the future cash flows of securities are expected to be in the level of the nominal value and the future interest.

The movement in investment securities may be summarised as follows:

Movement of the available for sale securities	**31 December 2008**	**31 December 2007**
Opening balance	1,383,628	1,300,126
Opening balance of new subsidiaries on the date of acquisition	1,122	2,956
Additions	449,417	956,724
Transfer from associates	14,358	7,255
Transfer to associates	(15,250)	(14,358)
Transfers from trading portfolio	398,780	-
Transfer to Debt securities - receivables (note 24) and Loans and advances to credit institutions (note 19)	(77,615)	-
Transformation of other assets into securities	-	11,227
Recognition of loans according to IAS 39	-	(25,000)
Disposals	(801,753)	(876,024)
Changes in fair value	(206,158)	36,050
Transfers to Held-to-Maturity	(272,191)	-
Impairment charge (note 11)	(1,957)	(4,030)
Foreign exchange differences	3,512	(11,298)
Balance at the end of the year	**875,892**	**1,383,628**

Transfers from associates’ portfolio to the available for sale securities are effective, as long as the requirements of IAS 28 for the recognition of a company as associate are met. Moreover when the Group obtains significant influence in a company included in the available for sale securities, the company is transferred to the associates’ portfolio.

Held to maturity	**31 December 2008**	**31 December 2007**
Greek government bonds	3,263,095	-
Foreign government bonds	89,769	108,606
Corporate entities bonds	19,341	1,750
Total held to maturity	**3,372,205**	**110,356**

Amounts in thousand euros (Unless otherwise stated)

Movement of the held to maturity securities	**31 December 2008**	**31 December 2007**
Opening balance	110,356	99,880
Additions	2,440,872	35,394
Transfers from trading portfolio	601,240	-
Transfers from AFS portfolio	272,191	-
Maturity of securities	(51,096)	(22,521)
Foreign exchange differences	(1,359)	(2,397)
Balance at the end of the year	**3,372,204**	**110,356**

As at 31/12/2008, from the held to maturity securities, amount of € 3,266.2 million relates to floating rate bonds and € 105.9 million relates to fixed rates.

24 Debt securities - receivables

	31 December 2008	**31 December 2007**
Corporate Entities Debt securities - receivables	209,479	-
Greek Government Bonds Debt securities - receivables	318,220	-
Total Debt securities - receivables	**527,699**	**0**

Corporate bonds with fair value € 34.4 million as at 1/10/2008 were reclassified from "Available for Sale securities" to "Debt securities - receivables" as they were not traded in an active market (note 23).

25 Investments in subsidiaries and associate companies

The investments of Piraeus Bank in subsidiaries and associates are:

A) Subsidiaries companies (full consolidation method)

a/a	**Name of Company**	**Activity**	**% holding**	**Country**	**Unaudited tax years**
1.	Marathon Banking Corporation	Banking Activities	87.91%	U.S.A	2008
2.	Tirana Bank I.B.C. S.A.	Banking Activities	91.24%	Albania	2007-2008
3.	Piraeus Bank Romania S.A.	Banking Activities	100.00%	Romania	2007-2008
4.	Piraeus Bank Beograd A.D.	Banking Activities	100.00%	Serbia	2006-2008
5.	Piraeus Bank Bulgaria A.D.	Banking Activities	99.98%	Bulgaria	2004-2008
6.	Piraeus Bank Egypt S.A.E.	Banking Activities	95.36%	Egypt	1999-2008
7.	OJSC Piraeus Bank ICB	Banking Activities	99.95%	Ukraine	2008
8.	Piraeus Bank Cyprus LTD	Banking Activities	100.00%	Cyprus	2006-2008
9.	Piraeus Asset Management Europe S.A.	Mutual Funds Management	100.00%	Luxemburg	-
10.	Piraeus Leasing S.A.	Finance Leasing	100.00%	Greece	2006-2008
11.	Piraeus Leasing Romania S.R.L.	Finance Leasing	100.00%	Romania	2003-2008
12.	Piraeus Insurance and Reinsurance Brokerage S.A.	Insurance and Reinsurance Brokerage	100.00%	Greece	2007-2008
13.	Tirana Leasing S.A.	Finance Leasing	100.00%	Albania	2008
14.	Piraeus Securities S.A.	Stock Exchange Operations	100.00%	Greece	2006-2008
15.	Piraeus Group Capital LTD	Debt Securities Issue	100.00%	United Kingdom	-
16.	Piraeus Leasing Bulgaria EAD.	Finance Leasing	100.00%	Bulgaria	2008
17.	Piraeus Auto Leasing Bulgaria EAD.	Auto Leasing	100.00%	Bulgaria	2008
18.	Piraeus Group Finance P.L.C.	Debt Securities Issue	100.00%	United Kingdom	2007-2008
19.	Multicollection S.A.	Assessment and collection of commer. debts	51.00%	Greece	2007-2008
20.	Piraeus Factoring S.A.	Corporate factoring	100.00%	Greece	2005-2008
21.	Piraeus Multifin S.A.	Motor vehicles trading	100.00%	Greece	2007-2008
22.	Picar S.A.	City Link Areas Management	100.00%	Greece	2005-2008
23.	Bulfina S.A.	Property Management	100.00%	Bulgaria	2003-2008
24.	Piraeus ATFS S.A.	Accounting and tax consulting	100.00%	Greece	2007-2008
25.	General Construction and Development Co. S.A.	Property development/ holding company	66.67%	Greece	2007-2008
26.	Piraeus Best Leasing S.A.	Auto Leasing	48.08%	Greece	2008
27.	Pireaus Direct Services S.A.	Call center services	100.00%	Greece	2007-2008
28.	Exodus S.A.	Information technology & software	50.10%	Greece	2008
29.	Komotini Real Estate Development S.A.	Property Management	100.00%	Greece	2007-2008
30.	Piraeus Real Estate S.A.	Construction company	100.00%	Greece	2007-2008
31.	ND Development S.A.	Property Management	100.00%	Greece	2007-2008
32.	Property Horizon S.A.	Property Management	100.00%	Greece	2007-2008
33.	ETBA Industrial Estates S.A.	Development/ Management of Industrial Areas	65.00%	Greece	2006-2008
34.	Piraeus Property S.A.	Property Management	100.00%	Greece	2006-2008
35.	Piraeus Development S.A.	Property Management	100.00%	Greece	2006-2008
36.	Piraeus Asset Management S.A.	Mutual Funds Management	100.00%	Greece	2007-2008
37.	Piraeus Buildings S.A.	Property Development	100.00%	Greece	2005-2008
38.	Piraeus Developer S.A.	Property Management	100.00%	Greece	2006-2008
39.	Estia Mortgage Finance PLC	SPE for securitization of mortgage loans	-	United Kingdom	-
40.	Euroinvestment & Finance Public LTD	Banking, Asset Management, real estate operat.	90.79%	Cyprus	2002-2008
41.	Lakkos Mikelli Real Estate LTD	Property Management	50.65%	Cyprus	2005-2008
42.	Philoktimatiki Public LTD	Land and property development	53.26%	Cyprus	2005-2008
43.	Philoktimatiki Ergoliptiki LTD	Construction company	53.26%	Cyprus	2005-2008
44.	AGR Investments S.A.	Securitised Receivable Investments	100.00%	Greece	2005-2008
45.	New Evolution S.A.	Property, Tourism & Development Company	100.00%	Greece	2005-2008

Amounts in thousand euros (Unless otherwise stated)

a/a	Name of Company	Activity	% holding	Country	Unaudited tax years
47.	Imperial Eurobrokers Limited	Stock Exchange Operations	100.00%	Cyprus	2002-2008
48.	EMF Investors Limited	Investment company	100.00%	Cyprus	2002-2008
49.	Euroinvestment Mutual Funds Limited	Mutual Funds Management	100.00%	Cyprus	2002-2008
50.	Bull Fund Limited	Investment company	100.00%	Cyprus	2002-2008
51.	Good Works Energy Photovoltaics S.A.	Construction & Operation PV Solar Projects	33.15%	Greece	2005-2008
52.	Piraeus Green Investments S.A.	Holding company	100.00%	Greece	2005-2008
53.	New Up Dating Development Real Estate and Tourism S.A.	Property, Tourism & Development Company	100.00%	Greece	2005-2008
54.	Sunholdings Properties Company LTD	Land and property development	26.63%	Cyprus	2005-2008
55.	Piraeus Cards S.A.	Financial services and consultancy	100.00%	Greece	2008
56.	Polytropon Properties Limited	Land and property development	39.95%	Cyprus	2006-2008
57.	Shinefocus Limited	Land and property development	53.26%	Cyprus	1999-2008
58.	Capital Investments & Finance S.A.	Investment company	100.00%	Liberia	-
59.	Maples Invest & Holding S.A.	Investment company	100.00%	British Virgin Islands	-
60.	Margetson Invest & Finance S.A.	Investment company	100.00%	British Virgin Islands	-
61.	Vitria Investments S.A.	Investment company	100.00%	Panama	-
62.	Piraeus Insurance Brokerage EOOD	Insurance Brokerage	99.98%	Bulgaria	2007-2008
63.	SSIF Piraeus Securities Romania S.A.	Stock Exchange Operations	99.33%	Romania	2007-2008
64.	Trieris Real Estate Management LTD	Management of Trieris Real Estate Ltd	100.00%	British Virgin Islands	-
65.	Piraeus Egypt Asset Management S.A.E.	Property Administration	85.71%	Egypt	2003-2008
66.	Piraeus Egypt Leasing Co.	Finance Leasing	95.33%	Egypt	2007-2008
67.	Piraeus Egypt Brokerage Co.	Stock Exchange Operations	95.17%	Egypt	2007-2008
68.	Piraeus Insurance Reinsurance Broker Romania S.R.L.	Insurance and Reinsurance Brokerage	100.00%	Romania	2007-2008
69.	Piraeus Real Estate Consultants S.R.L.	Construction company	100.00%	Romania	2007-2008
70.	Piraeus Leases S.A.	Finance Leasing	100.00%	Greece	2000-2008
71.	Iapetos Energy Photovoltaics S.A.	PV Solar projects development	33.16%	Greece	2007-2008
72.	Phoebe Energy Photovoltaics S.A.	PV Solar projects development	33.16%	Greece	2007-2008
73.	Orion Energy Photovoltaics S.A.	PV Solar projects development	33.16%	Greece	2007-2008
74.	Astraios Energy Photovoltaics S.A.	PV Solar projects development	33.16%	Greece	2007-2008
75.	Multicollection Romania S.R.L.	Assessment and collection of commerc. debts	51.00%	Romania	2006-2008
76.	Olympic Commercial & Tourist Enterprises S.A.	Operating Leasing	94.00%	Greece	2008
77.	Piraeus Rent Doo Beograd	Operating Leasing	100.00%	Serbia	2007-2008
78.	Estia Mortgage Finance II PLC	SPE for securitization of mortgage loans	-	United Kingdom	-
79.	Piraeus Leasing Doo Beograd	Financial Leasing	100.00%	Serbia	2007-2008
80.	Piraeus Real Estate Consultants Doo	Construction company	100.00%	Serbia	2006-2008
81.	Piraeus Real Estate Bulgaria EOOD	Construction company	100.00%	Bulgaria	2007-2008
82.	Piraeus Real Estate Egypt LLC	Construction company	99.80%	Egypt	2007-2008
83.	Piraeus Bank Egypt Investment Company	Investment company	95.17%	Egypt	2007-2008
84.	Piraeus Best Leasing Bulgaria EAD	Auto Leasing	99.98%	Bulgaria	2007-2008
85.	Piraeus Insurance Agency S.A.	Insurance Agency	100.00%	Greece	2007-2008
86.	Piraeus Capital Management S.A. (former KL Real Estate S.A.)	Venture Capital Fund	100.00%	Greece	2007-2008
87.	Estia Mortgage Finance III PLC	SPE for securitization of mortgage loans	-	United Kingdom	-
88.	Piraeus Insurance Consultant	Insurance Brokerage	93.35%	Egypt	2008
89.	Integrated Storage System Co.	Warehouse & Mail Distribution Management	89.54%	Egypt	2004-2008
90.	Axia Finance PLC	SPE for securitization of corporate loans	-	United Kingdom	-

Companies numbered 39, 78, 87 and 90 are special purpose vehicles for securitization of loans and issuance of debt securities. Companies numbered 26, 51, 54, 56 και 71-74, which are mentioned above are shown with percentages less than 50%, are subsidiaries due to significant influence.

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	2000-2008
2.	"Evros" Development Company S.A.	European community programs management	30.00%	Greece	2000-2008
3.	Stalko S.A.	Electrical equipment production	25.00%	Greece	2003-2008
4.	Delphi Advanced Research Technologies LTD	Information technology services	25.00%	Cyprus	2006-2008
5.	Project on Line S.A.	Information technology & software	40.00%	Greece	2004-2008
6.	Alexandria for Development and Investment	Investment company	20.98%	Egypt	2008
7.	Nile Shoes Company	Footwear Seller- Manufacturer	37.51%	Egypt	2003-2008
8.	APE Commercial Property Real Estate Tourist & Develop.S.A.	Real estate, development/ tourist services	27.80%	Greece	2005-2008
9.	APE Fixed Assets Real Estate Tourist & Development S.A.	Real estate, development/ tourist services	27.80%	Greece	2005-2008
10.	Borg El Arab Company	Manufacturing vegetable oils & animal foods	26.20%	Egypt	-
11.	Trieris Real Estate LTD	Property Management	22.80%	British Virgin Islands	-
12.	European Reliance Gen. Insurance Co. S.A.	General and life insurance and reinsurance	30.23%	Greece	2001-2008
13.	APE Investment Property S.A.	Real estate, development/ tourist services	27.20%	Greece	2007-2008

Amounts in thousand euros (Unless otherwise stated)

a/a	Name of Company	Activity	% holding	Country	Unaudited tax years
15.	Ekathariseis Aktoploias S.A.	Ticket Settlements	49.00%	Greece	2007-2008
16.	Piraeus Real Estate Investment Property S.A.	Real estate investment property	33.80%	Greece	2006-2008
17.	Proton Bank S.A.	Banking Activities	31.31%	Greece	2007-2008
18.	Euroterra S.A.	Property Management	29.22%	Greece	2007-2008
19.	Rebikat S.A.	Property Management	30.00%	Greece	2007-2008
20.	Abies S.A.	Property Management	30.00%	Greece	2001-2008

The changes in the portfolio of subsidiaries and associates are referred at note 45.

The movement of investment in associates is analysed as follows:

	31 December 2008	31 December 2007
Opening balance	116,946	29,737
Additions	31,258	73,792
Disposals	-	(9,324)
Share of profit/ (loss) after tax	18,868	4,927
Transfer from changes in portfolios	49,560	26,337
Derecognition/ Recognition of loans according to IAS 39	8,135	(6,300)
Foreign exchange differences	(5,368)	(2,223)
Balance at the end of the year	**219,399**	**116,946**

The above movement for investments in subsidiaries includes “transfer from changes in portfolios” that mostly refer to transfers from the “available for sale securities” (note 23) and the transfer of Piraeus Real Estate Investment Property S.A. from the subsidiaries’ to the associates’ portfolio due to sale of holding percentage.

The Group acquired 31.31% of Proton Bank SA on 5/11/2008 for a consideration of € 24.7 million, amount that is included in investment in associates. The above mentioned acquisition took place through the exchange of 19,629,247 shares of Proton Bank SA for 2,379,303 shares of Piraeus Bank SA from its treasury shares stock. The agreed exchange ratio was 8.25 shares of Proton Bank SA for each Piraeus Bank SA share based on the end of day stock exchange prices for the two shares as of 31/10/2008. From this acquisition and based on the fair value of Proton Bank SA total equity, as this was determined for consolidation purposes and adjusted by the amount of goodwill at its Balance sheet, negative goodwill of € 25.6 million resulted which was recognized in “Share of profit of associates” in the consolidated Profit & Loss account. According to IFRS 3 rules, the fair value calculation of total equity and resulting negative goodwill was reexamined and confirmed based on the available information at the date of acquisition. The contribution of Proton Bank SA to the consolidated Profit & Loss account of Piraeus Bank Group after the acquisition date and until 31/12/2008 is a loss of € 0.5 million.

Company	Country	31 December 2008				
		Participation %	Profit/ (Loss) before tax	Total revenues	Total assets	Total liabilities
CRETE SCIENT. & TECH. PARK MANAG. & DEV. CO. S.A.	Greece	30.45%	16	58	221	29
"EVROS" DEVELOPMENT COMPANY S.A.	Greece	30.00%	(35)	324	220	16
STALKO S.A.	Greece	25.00%	85	4,922	5,082	811
PROJECT ON LINE S.A.	Greece	40.00%	70	1,430	1,073	504
ALEXANDRIA FOR DEVELOPMENT AND INVESTMENT	Egypt	20.98%	184	311	8,761	5,087
NILE SHOES COMPANY	Egypt	37.51%	40	1,401	1,406	572
APE COMMERCIAL PROPERTY REAL ESTATE TOURIST AND DEVELOPMENT S.A.	Greece	27.80%	-	-	71,213	67,555
APE FIXED ASSETS REAL ESTATE TOURIST AND DEVELOPMENT S.A	Greece	27.80%	-	-	45,844	42,986
DELPHI ADVANCED RESEARCH TECHNOLOGIES LTD	Cyprus	25.00%	-	378	223	116
BORG EL ARAB COMPANY	Egypt	26.20%	1,472	63,650	25,955	18,539
TRIERIS REAL ESTATE LTD	British Virgin Islands	22.80%	476	3,079	33,871	698
EUROPEAN RELIANCE GEN. INSURANCE CO. S.A.	Greece	30.23%	*	*	*	*
APE INVESTMENT PROPERTY S.A.	Greece	27.20%	-	-	125,025	124,977
SCIENS INTERNATIONAL INVESTMENTS & HOLDING S.A.	Greece	29.80%	*	*	*	*
EKATHARISEIS AKTOPLOIAS S.A.	Greece	49.00%	(1)	-	59	3
PIRAEUS REAL ESTATE INVESTMENT PROPERTY S.A.	Greece	33.80%	4,116	20,889	116,345	824
PROTON BANK S.A.	Greece	31.31%	2,523	11,699	1,949,677	1,790,605
EUROTERRA S.A.	Greece	29.22%	-	-	104,544	7,823
REBIKAT S.A.	Greece	30.00%	-	-	21,536	108
ABIES S.A.	Greece	30.00%	(2)	-	2,299	320

During the date of approval of the Bank’s consolidated financial statements, the listed associate companies ‘European Reliance Gen. Insurance Co. S.A.’ and ‘Sciens International Investments & Holding S.A.’, haven’t published their annual financial statements for the year 2008. As a result, the disclosure of their financial data and results is not considered necessary. The above profit before tax and total revenues of Proton Bank S.A. refer to the period after the acquisition of participation from Piraeus Bank. According to stock market prices of 31/12/2008, the fair value of the Bank's shareholding to associate listed companies is as follows: European Reliance Gen. Insurance Co. S.A. € 6.2 mil., Sciens International Investments & Holding S.A. € 18.5 mil., Piraeus Real Estate Investment Property S.A. € 20.8 mil. and Proton Bank S.A. € 12.0 mil.

Amounts in thousand euros (Unless otherwise stated)

Company	Country	Participation %	31 December 2007 Profit / (Loss) before tax	Total revenues	Total assets	Total liabilities
CRETE SCIENTIFIC AND TECHNOLOGY PARK MANAGEMENT & DEVELOPMENT COMPANY S.A.	Greece	30.45%	3	65	187	7
"EVROS" DEVELOPMENT COMPANY S.A.	Greece	30.00%	(91)	128	256	69
ETANAL S.A.	Greece	25.00%	163	455	16,544	15,909
STALKO S.A.	Greece	25.00%	191	4,602	6,313	2,908
PROJECT ON LINE S.A.	Greece	40.00%	239	1,115	2,593	2,411
ALEXANDRIA FOR DEVELOPMENT AND INVESTMENT	Egypt	20.98%	53	184	8,227	4,998
NILE SHOES COMPANY	Egypt	37.51%	32	1,107	1,363	573
PIRAEUS INSURANCE CONSULTANT	Egypt	38.15%	60	125	105	0
INTEGRATED STORAGE SYSTEM CO	Egypt	38.15%	10	301	236	146
APE COMMERCIAL PROPERTY REAL ESTATE TOURIST AND DEVELOPMENT S.A.	Greece	27.80%	-	-	30,914	32,557
APE FIXED ASSETS REAL ESTATE TOURIST AND DEVELOPMENT S.A	Greece	27.80%	-	-	41,131	43,209
DELPHI ADVANCED RESEARCH TECHNOLOGIES LTD	Cyprus	22.67%	28	305	149	29
BORG EL ARAB COMPANY	Egypt	26.20%	187	18,035	21,172	16,810
TRIERIS REAL ESTATE LTD	British Virgin Islands	22.80%	964	676	33,108	16,135
EUROPEAN RELIANCE GEN. INSURANCE CO. S.A.	Greece	30.00%	4,000	72,600	195,000	147,174
HELLENIC STEEL COMPANY S.A.	Greece	30.83%	7,213	208,812	136,761	123,577
APE INVESTMENT PROPERTY S.A.	Greece	27.20%	(12)	-	125,049	125,001
SCIENS INTERNAT. INVESTM. & HOLD S.A.	Greece	29.80%	3,026	6,986	281,972	53,346

26 Goodwill and other intangible assets

2007

Cost	**Goodwill**	**Software**	**Other intangible**	**Total**
Opening balance as at 1 January 2007	139,163	74,670	50,404	264,237
Opening balance of new subsidiaries on the date of acquisition	-	802	6	808
Additions	42,646	19,460	31,561	93,668
Write-offs/ Disposals	-	(67)	-	(67)
Foreign exchange differences	(2,223)	(276)	(735)	(3,234)
Balance as at 31 December 2007	**179,586**	**94,590**	**81,236**	**355,412**
Accumulated depreciation				
Opening balance as at 1 January 2007	-	(55,660)	(16,286)	(71,946)
Opening balance of new subsidiaries on the date of acquisition	-	(567)	(4)	(571)
Charge for the year	-	(10,890)	(7,894)	(18,784)
Write-offs/ Disposals	-	14	-	14
Foreign exchange differences	-	263	246	509
Accumulated depreciation at 31 December 2007	**-**	**(66,840)**	**(23,938)**	**(90,777)**
Net book value at 31 December 2007	**179,586**	**27,751**	**57,298**	**264,635**

During 2007, amount of € 41,078 thousand out of total additions in goodwill, relates to goodwill arising from the acquisition of subsidiaries International Commerce Bank JSC and Olympic Commercial & Tourist Enterprises S.A.

2008

Cost	**Goodwill**	**Software**	**Other intangible**	**Total**
Opening balance as at 1 January 2008	179,586	94,590	81,236	355,412
Opening balance of new subsidiaries on the date of acquisition	-	451	-	451
Additions	23,981	25,943	5,019	54,943
Transfers	-	5,476	1,782	7,259
Write-offs/ Disposals	(3,882)	(11)	-	(3,892)
Foreign exchange differences	1,236	(574)	248	910
Balance as at 31 December 2008	**200,921**	**125,877**	**88,285**	**415,083**

Accumulated depreciation	**Goodwill**	**Software**	**Other intangible**	**Total**
Opening balance as at 1 January 2008	-	(66,840)	(23,938)	(90,777)
Opening balance of new subsidiaries on the date of acquisition	-	(389)	-	(389)
Charge for the year	-	(10,745)	(10,063)	(20,809)
Transfers	-	(212)	(161)	(373)
Write-offs/ Disposals	-	11	-	11
Foreign exchange differences	-	364	(116)	248
Accumulated depreciation at 31 December 2008	-	**(77,812)**	**(34,278)**	**(112,090)**
Net book value at 31 December 2008	**200,921**	**48,065**	**54,007**	**302,994**

Amounts in thousand euros (Unless otherwise stated)

During 2008, amount of € 22.366 thousand out of total additions in goodwill, relates to goodwill arising from the acquisition of the branch network of Arab Bank in Cyprus, by its local subsidiary in Cyprus, Piraeus Bank Cyprus LTD (note 45).

During the year 2008, the Bank according to the requirements of IAS 38, re-estimated the useful life of selected intangible assets, in order for the depreciation charges of these assets to follow timely, in a more appropriate way the benefits from the use of these assets. If the Group had not proceeded to the abovementionned changes, the increase of the depreciation charges of intangible assets for the year 2008, would be € 5.3 million.

The Goodwill is examined for impairment on an annual basis or more often if there is reason for triger of permanent impairment. There wasn't any impairment value derived for the year 2008, neither for 2007.

27 Property, plant and equipment

2007	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
Cost						
Opening balance as at 1 January 2007	273,899	214,083	41,270	98,206	157,436	784,894
Opening balance of subsidiaries disposed during the year	-	(14)	-	(15)	-	(29)
Opening balance of new subsidiaries on the date of acquisition	9,249	4,439	4,078	244,100	2,819	264,685
Additions	26,954	41,769	87,040	72,627	35,741	264,130
Transfers	36,967	4,314	(51,972)	562	16,456	6,327
Disposals	(23,631)	(842)	(11,406)	(34,899)	(2,036)	(72,815)
Write - offs	-	(838)	(3,036)	(7)	(550)	(4,431)
Foreign exchange differences	(1,236)	(1,154)	(203)	(231)	(1,278)	(4,102)
Balance as at 31 December 2007	**322,202**	**261,756**	**65,770**	**380,344**	**208,588**	**1,238,660**
Accumulated depreciation						
Opening balance as at 1 January 2007	(16,815)	(150,067)	-	(29,792)	(64,133)	(260,807)
Opening balance of subsidiaries disposed during the year	-	8	-	2	-	10
Opening balance of new subsidiaries on the date of acquisition	(499)	(3,347)	-	(57,650)	(1,204)	(62,700)
Charge for the year	(6,983)	(23,978)	-	(28,047)	(13,467)	(72,476)
Transfers	30	(64)	-	(227)	243	(17)
Disposals	915	631	-	16,228	5	17,779
Write - offs	-	837	-	5	343	1,185
Foreign exchange differences	146	769	-	163	719	1,797
Accumulated depreciation 31 December 2007	**(23,207)**	**(175,211)**	**-**	**(99,318)**	**(77,494)**	**(375,230)**
Net book value as at 31 December 2007	**298,995**	**86,545**	**65,770**	**281,026**	**131,094**	**863,430**

The above total depreciation charge for the year 2007 (€ 91,260 thousand) for tangible and intangible assets includes depreciation of Piraeus Best Leasing and of Olympic Commercial & Tourist Enterprises of amount € 12,877 thousand and € 12,321 thousand respectively which were included in "Other operating income" in the Consolidated Income Statement.

2008	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
Cost						
Opening balance as at 1 January 2008	322,202	261,756	65,770	380,344	208,588	1,238,660
Opening balance of subsidiaries disposed during the year	(57,298)	(4)	-	-	-	(57,302)
Opening balance of new subsidiaries on the date of acquisition	24,046	4,266	-	883	2	29,198
Additions	3,778	51,418	80,781	133,183	46,778	315,938
Transfers	(10,536)	11,677	(28,308)	(20,841)	35,769	(12,239)
Disposals	(18,476)	(475)	(2,630)	(65,657)	(531)	(87,768)
Write - offs/ impairment	-	(319)	(3,245)	(424)	(222)	(4,210)
Foreign exchange differences	(5,089)	(3,115)	(2,023)	(860)	(2,209)	(13,296)
Balance as at 31 December 2008	**258,627**	**325,203**	**110,345**	**426,629**	**288,177**	**1,408,981**
Accumulated depreciation						
Opening balance as at 1 January 2008	(23,207)	(175,211)	-	(99,318)	(77,494)	(375,230)
Opening balance of subsidiaries disposed during the year	3,773	3	-	-	-	3,776
Opening balance of new subsidiaries on the date of acquisition	-	(2,729)	-	(168)	(2)	(2,899)
Charge for the year	(9,106)	(27,333)	-	(49,225)	(16,779)	(102,443)
Transfers	3,608	(289)	-	1,526	(1,075)	3,770
Disposals	515	409	-	31,294	359	32,578
Write - offs	-	297	-	163	184	644
Foreign exchange differences	98	1,273	-	352	90	1,813
Accumulated depreciation 31 December 2008	**(24,318)**	**(203,580)**	**-**	**(115,375)**	**(94,718)**	**(437,991)**
Net book value as at 31 December 2008	**234,309**	**121,624**	**110,345**	**311,253**	**193,459**	**970,990**

The above total depreciation charge for the year 2008 (€ 123,252 thousand) for tangible and intangible assets includes depreciation of Piraeus Best Leasing and of Olympic Commercial & Tourist Enterprises of amount € 14,518 thousand and € 31,755 thousand, respectively, which were included in "Other operating income" of the Consolidated Income Statement.

During the year 2008, the Bank according to the requirements of IAS 16, re-estimated the the useful life and the residual values for some categories of tangible fixed assets, in order for the depreciation charges of these assets to follow timely, in a more appropriate way the benefits from the use of these assets. If the Group had not proceeded to the abovementionned changes, the increase of the depreciation charges of tangible fixed assets for the year 2008, would have been € 9.5 million.

Amounts in thousand euros (Unless otherwise stated)

28 Investment property

	2008	2007
Opening balance	692,799	619,748
Opening balance of subsidiaries disposed during the year	(37,381)	(31,523)
Revaluation of investment property	53,541	110,033
Additions	3,654	22,145
Transfers	21,941	(11,023)
Disposals	(24,103)	(16,226)
Foreign exchange differences	(77)	(355)
Balance at the end of the year	**710,374**	**692,799**

Rental income from investment property amounts to € 34,037 thousand (2007: € 31,421 thousand). Operating expenses of investment property that is rented to third parties equal to € 4,239 thousand (2007: € 6,311 thousand).

Out of the total transfers during the year 2008, amount € 17,914 thousand was transferred to "Investment property" from "Inventories property".

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 2.15. The total fair value of investment property under finance leases as at 31/12/2008 is € 484.6 million (2007: € 475.7 million).

29 Held for sale

2007	
Opening balance	12,844
Opening balance of new subsidiaries on the date of acquisition	49
Additions	2,610
Transfers	(280)
Disposals	(9,640)
Currency translation differences	(886)
Balance as at 31/12/2007	**4,696**
2008	
Opening balance	4,696
Additions	8,813
Transfers	(1,243)
Disposals	(1,848)
Currency translation differences	138
Balance as at 31/12/2008	**10,557**

The gain from the sale of assets held for sale during 2008 was € 199.7 thousand (2007: gain of € 142.5 thousand) and has been included in the profit and loss statement in line "Gains/ (Losses) from sale of assets".

Assets held for sale (mainly include land and buildings), acquired by foreign bank subsidiaries in Egypt, Bulgaria and Ukraine in settlement of their loan portfolio. The sale procedure is lengthy and it is expected to be finalised in 2009.

30 Other assets

	31 December 2008	31 December 2007
Inventories - property	186,069	182,743
Inventories - property	**186,069**	**182,743**
Prepaid expenses and accrued income	275,249	274,440
Prepaid taxes and taxes withheld	183,703	109,233
Claims from tax authorities and the State	99,032	30,619
Shares transactions	2,918	6,687
Inventories - cars	92,400	90,622
Credit cards	74,245	69,928
Receivables from third parties	93,259	79,300
Other items	273,765	389,135
Other assets	**1,094,572**	**1,049,963**
	1,280,642	**1,232,706**
Current other assets	1,008,414	886,924
Non current other assets	272,227	345,782
	1,280,642	**1,232,706**

Inventories property as at 31/12/2008 include property of ETBA VIPE of amount € 107.9 million (2007: € 125.1 million) and property acquired by the Bank through auctions of amount € 72.6 million (2007: € 51.7 million), as well as inventories property of real estate subsidiaries of total amount € 5.6 million (2007: € 5.9 million).

Other items include customer receivables and debit balances that result from the daily transactions of the Group.

Amounts in thousand euros (Unless otherwise stated)

31 Due to banks

	31 December 2008	31 December 2007
Amounts due to central banks	8,850,991	1,400,906
Deposits from other banks	2,646,778	5,656,296
Other obligations to banks	1,436,404	2,265,907
Repurchase agreement - credit institutions	1,187,700	1,382,675
	14,121,872	**10,705,784**
Current due to banks	13,538,927	10,202,230
Non current due to banks	582,945	503,554
	14,121,872	**10,705,784**

Balances due to banks bear floating rates.

Other obligations to Banks include the balance of the Schuldschein loan. The outstanding balance of the Schuildschein as at 31/12/2008 amounts to € 950 million against € 500 million as at 31/12/2007.

32 Due to customers

	31 December 2008	31 December 2007
Current and sight deposits	4,468,736	5,007,055
Savings account	3,382,247	3,572,553
Term deposits	19,727,066	12,353,526
Other accounts	244,165	264,141
Repurchase agreements	558,603	870,040
	28,380,817	**22,067,315**
Current due to customers	27,858,388	21,225,542
Non current due to customers	522,429	841,773
	28,380,817	**22,067,315**

Due to customers include blocked deposits of € 507.4 million (2007: € 194 million). Other accounts include cheques payable of € 88.7 million (2007: € 123 million). Customer deposits (corporate and retail excluding cheques payable and repos) with floating rates are € 7,569 million (2007: € 8,144 million) and with fixed rate are € 20,165 million (2007: € 12,929 million).

The additional capital amount for deposits guarantee which has been paid by the Group to the Hellenic Deposit Guarantee and Investment Fund (TEKE), in December 2008, due to law 3476/ 2009 has not been recognised as an asset, but was offset by the respective deposit account.

33 Debt securities in issue

		Average interest rate (%)			
	Currency	2008	2007	31 December 2008	31 December 2007
ETBA bonds	EUR	4.70%	3.30%	**2,513,581**	**793,972**
Euro Commercial Paper (Short term securities)	EUR	4.84%	4.20%	272,588	2,559,822
	USD	3.84%	5.40%	20,567	206,206
	GBP	5.85%	5.75%	311	50,257
	CHF	3.15%	2.64%	-	20,788
	JPY	1.17%	1.00%	-	68,418
				293,467	**2,905,491**
Other debt securities	BGN	7.43%	5.33%	**19,083**	**19,107**
Euro Medium Term Note (Medium/long term securities)					
€ 32.5 m. floating rate notes due 2010			Variable	705	738
€ 21.65 m. floating rate notes due 2010			Variable	430	1,350
€ 500 m. floating rate notes due 2010			Euribor + 0.30%	493,272	489,288
€ 2.15 m. floating rate notes due 2008			Variable	-	2,150
€ 3.43 m. floating rate notes due 2009			Variable	390	3,025
USD 15 m. floating rate notes due 2009			Libor + 0.10%	7,292	8,476
USD 20 m. floating rate notes due 2009			Libor + 0.20%	-	9,659
USD 15 m. floating rate notes due 2008			Libor + 0.05%	-	8,944
€ 500 m. floating rate notes due 2009			Euribor + 0.20%	497,944	492,361
€ 25 m. floating rate notes due 2008			Euribor + 0.15%	-	24,999
€ 60 m. floating rate notes due 2015			Variable	60,000	60,000
€ 20 m. floating rate notes due 2008			Euribor + 0.10%	-	12,907
€ 10 m. floating rate notes due 2013			Euribor + 0.30%	9,991	9,990
€ 500 m. floating rate notes due 2011			Euribor + 0.25%	488,601	455,257
€ 20 m. floating rate notes due 2008			Euribor + 0.05%	-	11,036
€ 5.05 m. floating rate notes due 2011			Variable	4,750	5,050
€ 50 m. floating rate notes due 2010			Euribor + 0.225%	50,000	50,000
€ 750 m. floating rate notes due 2010			Euribor + 0.20%	707,202	711,605
€ 53 m. floating rate notes due 2008			Euribor + 0.08%	-	53,000

Amounts in thousand euros (Unless otherwise stated)

Euro Medium Term Note (Medium/long term securities)		**31 December 2008**	**31 December 2007**
€ 60 m. floating rate notes due 2008	Euribor + 0.05%	-	59,983
€ 20 m. floating rate notes due 2012	Euribor + 0.20%	19,974	19,966
€ 30 m. floating rate notes due 2008	Euribor + 0.05%	-	29,988
€ 20 m. floating rate notes due 2008	Euribor + 0.05%	-	19,991
€ 20 m. floating rate notes due 2008	Euribor + 0.05%	-	19,989
€ 20 m. floating rate notes due 2008	Euribor + 0.05%	-	19,990
€ 10 m. fixed rate notes due 2009	Fixed	-	10,000
€ 10 m. fixed rate notes due 2009	Fixed	-	10,000
€ 45 m. fixed/ floating rate notes due 2009	Fixed/ Euribor + 0.25%	-	-
€ 45 m. fixed/ floating rate notes due 2009	Fixed/ Euribor + 0.25%	45,000	-
€ 40 m. fixed/ floating rate notes due 2009	Fixed/ Euribor + 0.28%	-	-
€ 10 m. fixed/ floating rate notes due 2010	Fixed/ Euribor + 0.35%	3,412	-
Accrued interest and other expenses		6,748	10,248
		2,395,710	**2,609,990**
Securitisation of mortgage loans			
€ 750 m. floating rate notes due 2040	Euribor + 0.18%	330,779	444,600
€ 1,250 m. floating rate notes due 2054	Euribor + 0.18%	935,605	1,015,412
		1,266,384	**1,460,012**
Securitisation of corporate loans			
€ 1,750 m. floating rate notes due 2035	Euribor + 0.45%	-	-
Total debt securities in issue		**6,488,225**	**7,788,572**
Current debt securities in issue		3,008,251	3,409,073
Non current debt securities in issue		3,479,974	4,379,499
		6,488,225	**7,788,572**

Issuance under the Euro Commercial Paper and Euro Medium Term Note programs is undertaken through Piraeus Group Finance PLC, a subsidiary of Piraeus Bank Group. Euro Commercial Paper (ECP) issuance during the year 2008 averaged approximately € 2.5 billion.

It is noted that the EMTN issues of € 45 million and € 40 million, due on 2009, which on the above table are presented with nil balances are 100% owned by the Bank, on 31/12/2008.

Piraeus Bank undertook its first Residential Mortgage Backed Securitisation (RMBS) transaction, ESTIA I, on June 2005. ESTIA I had an outstanding value of € 750 million at issue and was undertaken through the UK-based special purpose vehicle Estia Mortgage Finance PLC. The bonds are callable by the issuer after 9 years and have an average cost of 3 month Euribor plus 18 basis points.

The second RMBS transaction, ESTIA II, was undertaken through the UK-based special purpose vehicle Estia Mortgage Finance II PLC on July, 2007.The € 1.25 billion bonds are callable by the issuer after 7 years and have an average cost of 3 month Euribor plus by 18 basis points.

The third RMBS transaction called ESTIA III was completed through the UK-based special purpose vehicle Estia Mortgage Finance III PLC on April, 2008.The € 800 million bonds are callable by the issuer after 7 years and have an average cost of 3 month Euribor plus by 45 basis points. This issue has been retained by Piraeus Bank and can be used for refinancing from the E.C.B.

The first SME Loan Backed Transaction, Axia Finance PLC was completed through the UK-based special purpose vehicle Axia Finance PLC in November 2008. The € 1,750 million bonds have an average cost of 3 month Euribor plus 45 basis points. This issue has been retained by Piraeus Bank and can be used for refinancing from the E.C.B.

Other debt securities have been issued by Piraeus Bank Bulgaria on 19/7/2004 (€ 3.6 million, non callable, with a fixed rate 6.67% and 5 years duration) and on 7/3/2007 (€ 15.3 milion, non callable, with nominal coupon 3 month Sofibor plus 0.7%, with 3 years duration).

34 Hybrid capital and other borrowed funds

Hybrid capital (Tier I)	**Interest rate (%)**	**31 December 2008**	**31 December 2007**
€ 200 m. floating rate notes	Euribor + 1.25	199,191	191,632
Accrued interest and other expenses		2,253	1,774
		201,444	**193,406**
Subordinated debt (Tier II)			
€ 400 m. floating rate notes due 2014	Euribor + 0.60	379,493	393,650
€ 400 m. floating rate notes due 2016	Euribor + 0.55	378,335	395,784
Accrued interest and other expenses		4,474	2,895
		762,302	**792,329**
Other borrowed funds (USD)	6.60%	**3,657**	**3,502**
Total hybrid capital and other borrowed funds		**967,403**	**989,237**

Amounts in thousand euros (Unless otherwise stated)

TIER I hybrid capital was issued by Piraeus Group Capital LTD in October 2004. These securities are callable by the issuer after 10 years and bear a nominal coupon of 3 month Euribor plus 125 basis points.

Lower Tier II subordinated debt was issued by Piraeus Group Finance PLC via the EMTN program. On 29/9/2004, an amount of € 400 million was issued, with a 10 year maturity, which is callable by the issuer after 5 years and bears a 3 month Euribor nominal coupon plus 60 basis points. On 20/7/2006, an amount of € 400 million was issued, with a 10 year maturity, which is callable after 5 years and bears a 3 month Euribor nominal coupon plus 55 basis points.

Accrued interest on hybrid capital and other borrowed funds is included in the respective amounts of hybrid capital and other borrowed funds. The Group is not in default of any payments of principal, interest or redemption amounts of the aforementioned hybrid capital and other borrowed funds. The balance of hybrid capital and other borrowed funds on 31/12/2008 (€ 967.4 million) reflects non-current maturity, i.e. beyond one year.

35 Other liabilities

	31 December 2008	31 December 2007
Deferred income and accrued expenses	272,219	280,956
Obligations under finance leases	211,749	215,630
Transactions with Interbank Systems (DIAS)	192,629	210,996
Withholding taxes and contributions	74,590	43,092
Creditors	64,773	94,287
Other liability accounts	271,395	229,295
	1,087,353	**1,074,256**
Current other liabilities	851,655	210,487
Non current other liabilities	235,699	863,769
	1,087,353	**1,074,256**

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 2008	31 December 2007
Not later than 1 year	25,810	22,855
Later than one year and not later than 5 years	330,454	369,084
Later than 5 years	1,844,067	2,072,541
	2,200,332	**2,464,480**
Future finance expense	(1,988,583)	(2,248,850)
Net liabilities from finance leases	**211,749**	**215,630**

Net liabilities from finance leases may be analyzed as follows:

	31 December 2008	31 December 2007
Not later than 1 year	17,387	9,421
Later than one year and not later than 5 years	83,345	74,067
Later than 5 years	111,017	132,142
	211,749	**215,630**

Obligations under finance leases mainly consist of the liability (€ 209.6 million) arising from the finance lease agreement for the Citylink building by the Group subsidiary Picar SA, of total duration fifty two years.

36 Other provisions

	31 December 2008	31 December 2007
Opening balance	3,750	11,744
Transfers from provisions of other assets	19,116	-
Charge for the year	1,881	427
Write off of provisions	(490)	-
Transfers of provisions for tax differences to current income tax liabilities	-	(8,837)
Foreign exchange differences	(95)	416
Balance at the end of the year	**24,160**	**3,750**

On 31/12/2008 due to the absorption of 'ETBA Finance S.A.' by the Bank, an amount of € 10,3 million was recognized at other provisions. The above amount as at 31/12/2007 was presented deductible from other assets. Same, subsidiary's provision of € 8,8 million was recognized at other provisions, while at 31/12/2007 was presented deductible from other assets.

Amounts in thousand euros (Unless otherwise stated)

37 Deferred tax

Deferred income taxes for Piraeus Bank are calculated on all temporary differences under the liability method. The deferred income tax of 2008 for the Bank and all its subsidiaries in Greece was calculated after taking into consideration the legally approved forecoming reduction of nominal tax rates. For the year 2007, deferred income taxes were calculated using the nominal tax rate of 2007. The nominal tax rates of Group subsidiaries are different compared to the nominal tax rate of the Bank (note 15).

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

	31 December 2008	31 December 2007
Deferred tax liabilities		
Adjustment for depreciation of property, plant and equipment	10,000	12,261
Investment property valuation	39,872	35,895
Derivative financial instruments valuation	-	15,115
Securities valuation	10,483	29,475
Recognition of commision according to effective interest rate calculation	1,730	6,796
Impairment of receivables	14,993	3,324
Other loans' receivable	10,206	1,781
Deferred tax liability of purchase price allocation exercise	4,144	5,302
Intangible assets	14,290	6,539
Other deferred tax liabilities	22,053	17,866
	127,770	**134,354**
Deferred tax assets		
Pensions and other post retirement benefits	35,027	35,374
Impairment of receivables	27,957	7,004
Other provisions	8,343	992
Financial assets at fair value through profit or loss	265	217
Derecognition of intangible assets	2,429	2,966
Securities valuation	134,084	48,256
Derivative financial instruments valuation	20,625	17,186
Recognition of tax losses	8,579	8,086
Impairment of securities	664	48
Recognition of commision according to effective interest rate calculation	8,454	14,390
Other deferred tax assets	7,994	9,878
	254,422	**144,397**
Net deferred tax asset	**126,651**	**10,043**

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

	2008	2007
Net deferred tax asset as at 1 January	**10,043**	**28,194**
Net deferred tax liability of new subsidiaries	(931)	(12,262)
Effect of deferred tax in profit or loss	74,346	(34,638)
Sale/ valuation of the available for sale portfolio securities	43,193	28,749
Net deferred tax asset as at 31 December	**126,651**	**10,043**

The movement of deferred tax in profit and loss for the year (note 15) is analysed as follows:

	2008	2007
Pensions and other post retirement benefits	(347)	(3,209)
Impairment of receivables	9,283	2,455
Other loans' receivable	(8,425)	(1,781)
Recognition of commision according to effective interest rate calculation	(870)	1,625
Investment property valuation	(3,046)	(25,185)
Derivative financial instruments valuation	18,554	1,185
Recognition of tax losses	493	1,788
Adjustment for depreciation of property, plant and equipment	2,261	(10,448)
Intangible assets	(8,288)	(6,046)
Financial assets at fair value through profit or loss	47	217
Securities valuation	61,628	13,736
Other provisions	7,351	992
Deferred tax of purchase price allocation exercise	1,158	(1,158)
Impairment of securities	616	(13,571)
Foreign exchange differences and other temporary differences	(6,071)	4,762
	74,346	**(34,638)**

During the year 2008, deferred tax of amount € 43,193 thousand relating to sales and valuation of the available for sale securities did not affect the profit and loss for the year, but instead increased the available for sale reserve according to the relevant IFRS regulations. Deferred tax movement was also affected by the net deferred tax liability of new subsidiaries, of amount € 931 thousand.

Deffered tax assets due to tax losses are recognized only when there is possible a future recognition.

Amounts in thousand euros (Unless otherwise stated)

38 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 2008 and 2007 is presented below:

	2008	2007
Retirement benefit obligations as at 1 January	**169,604**	**153,232**
Movement for the year	33,403	35,241
Opening balance of new subsidiaries	15,355	-
Contributions paid	(18,855)	(18,192)
Provision for outstanding annual leaves	(902)	(677)
Retirement benefit obligations as at 31 December	**198,605**	**169,604**

1) Piraeus Bank

The defined benefit obligation is calculated based on legal advisors opinions and independent actuaries using the 'projected unit credit method', according to which, the charge for pension plans to the Income Statement is allocated over the service lives of the related employees. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of high quality corporate bonds which have terms to maturity approximating the terms of the related liability. An actuarial study has been carried out as at 31/12/2008. The estimation of the liability at this date is based on the results of this study and is as follows:

Amounts recognised in the balance sheet	31 December 2008	31 December 2007
Pension schemes-funded	66,772	68,615
Other post retirement benefits - not funded	106,006	92,391
	172,778	**161,006**
Provision for outstanding annual leaves	284	1,187
Provisions due to mergers	159	-
Total obligation	**173,221**	**162,193**

	1/1-31/12/2008	1/1-31/12/2007
Income statement		
Pension schemes-funded	(7,133)	(7,151)
Other post retirement benefits - not funded	(21,686)	(24,591)
Cost of benefits due to mergers	(29)	-
	(28,847)	**(31,742)**

A) Pension schemes - funded

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

	31 December 2008	31 December 2007
Present value of funded obligations	88,903	88,095
Fair value of plan assets	(15,411)	(13,763)
	73,492	**74,332**
Unrecognised actuarial (losses)/ gains	(6,720)	(5,717)
Liability in the balance sheet	**66,772**	**68,615**

The Bank made use of the provisions of 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 amounts to € 59.6 million (€ 9.7 million shall be paid to ETEAM and € 49.9 million shall be paid to ETAT). Such cost was specified on the basis of a special financial study stipulated by law, was ratified by the Parliament with Law 3455/2006, article 26, and was published in the Official Gazette 84, bulletin A (18/4/2006). This amount shall be paid in 10 equal instalments of € 7.1 million each. Out of these instalments, the 4 instalments of total amount € 28.4 million were paid until 31/12/2008. Although TEAPETE is no longer among funded benefits, it is featured as part of funded benefits on 31/12/2008 and on 31/12/2007.

The amounts recognised in the income statement are as follows:

Pension schemes - Income statement	1/1-31/12/2008	1/1-31/12/2007
Current service cost	(3,464)	(3,696)
Interest cost	(4,186)	(3,784)
Expected return on plan assets	570	459
Net actuarial gains/ (losses) recognised in year	424	25
Past- Services Cost	(476)	-
Additional gains/ (cost)	-	(155)
Total, included in staff costs	**(7,133)**	**(7,151)**

The movement in the defined benefit obligation for the year 2008 is analysed as follows:

	31 December 2008	31 December 2007
Beginning of year	**88,095**	**91,441**
Current service cost	3,464	3,696
Interest cost	4,186	3,784
Contributions by plan participants	1,527	1,366
Benefits paid from the fund	(2,108)	(1,543)
Benefits paid directly by the employer	(7,134)	(7,124)
Expenses	(58)	(49)
Additional (gains)/ cost	-	(1)
Past- Services Cost	476	-
Net actuarial (gains)/ losses recognised in year	454	(3,475)
End of year	**88,903**	**88,095**

Amounts in thousand euros (Unless otherwise stated)

The movement in the fair value of plan assets of the years 2008 and 2007 is analysed as follows:

	2008	2007
Beginning of year	**13,763**	**12,061**
Expected return on plan assets	570	459
Employer contributions	1,842	1,638
Employee contributions	1,527	1,366
Benefits paid	(2,108)	(1,543)
Expenses	(58)	(49)
Assets gains/ (losses)	(125)	(169)
End of year	**15,410**	**13,763**

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

	31 December 2008	31 December 2007
Opening balance	**68,615**	**70,226**
Movement for the year	7,133	7,151
Contributions paid by the employer	(1,842)	(1,638)
Benefits paid directly by the employer	(7,134)	(7,124)
Closing balance	**66,772**	**68,615**

B) Other post retirement benefits - not funded

The amounts recognised in the balance sheet are as follows:

	31 December 2008	31 December 2007
Present value of unfunded obligations	160,265	128,965
Unrecognised actuarial (losses)/ gains	(7,765)	(3,928)
Unrecognized past service cost	(46,494)	(32,646)
Liability in the balance sheet	**106,006**	**92,391**

The movement in the defined benefit obligation for the years 2008 and 2007 is analysed as follows:

	31 December 2008	31 December 2007
Opening balance	**128,965**	**91,819**
Current service cost	9,282	8,902
Interest cost	5,691	4,475
Benefits paid by the employer	(8,071)	(8,834)
Additional (gains)/ cost	(3,916)	(634)
Past service cost	23,731	41,554
Actuarial (gains)/ losses recognised in year	4,583	(8,317)
End of year	**160,265**	**128,965**

The amounts recognised in the income statements of 2008 and 2007 are as follows:

Income Statement	**1/1-31/12/2008**	**1/1-31/12/2007**
Current service cost	(9,282)	(8,902)
Interest cost	(5,691)	(4,475)
Net actuarial gains/ (losses) recognised in year	(64)	(765)
Past service cost recognized	(9,882)	(10,831)
Additional gains/ (cost)	3,234	382
Total included in staff costs	**(21,686)**	**(24,591)**

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

	31 December 2008	31 December 2007
Opening balance	**92,391**	**76,634**
Movement for the year	21,686	24,591
Benefits paid by the employer	(8,071)	(8,834)
Closing balance	**106,006**	**92,391**

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

	31 December 2008	31 December 2007
Discount rate	5.60%	5.50%
Expected return on plan assets	4.50%	4.50%
Future increase of salaries	4.00%	4.00%
Future increase of pensions	2.50%	2.50%

2) Subsidiaries

For the estimation of the liability relating to defined benefit obligation plans of Group subsidiaries an actuarial study has been carried out. The total amount of the liability related to the Group subsidiaries is € 25,383 thousand (2007: € 7,411 thousand). The total charge in profit and loss for the year 2008 resulting from the defined benefit obligation plans of the Bank, including charge of € 29 thousand of merged company, is € 28,848 thousand (2007: € 31,742 thousand) and of the Group subsidiaries is € 4,555 thousand (2007: € 3,499 thousand).

Amounts in thousand euros (Unless otherwise stated)

39 Contingent liabilites and commitments

A) Legal procedures

The legal proceedings outstanding against the Group as at 31/12/2008, except from the cases that provisions of such kind have already been raised (note 36), are not expected to have any significant impact on the financial statements of the Group, according to the opinion of the legal affairs division of the Bank and its subsidiaries.

B) Credit commitments

As at 31/12/2008 the Group had the following capital commitments:

	31 December 2008	31 December 2007
Letters of guarantee	3,320,462	2,595,065
Letters of credit	266,644	243,875
Commitments to extent credit	12,715,181	11,756,868
	16,302,287	**14,595,808**

C) Assets pledged

	31 December 2008	31 December 2007
Balances with central banks	246	-
Trading securities	1,063,601	3,073,425
Investment securities	3,749,377	85,071
Loans and advances to customers	865,000	-
Debt securities - receivables	450,000	-
	6,128,224	**3,158,496**

D) Operating lease commitments and receivables
The future minimum lease payments under non-cancellable operating leases are analysed as follows:

	31 December 2008	31 December 2007
Up to 1 year	37,661	37,150
From 1 to 5 years	164,370	150,901
More than 5 years	357,125	308,777
	559,156	**496,828**

40 Share capital

	Share Capital	Share Premium	Treasury Shares	Total
At 1 January 2007	**1,288,830**	**88,146**	**(97,302)**	**1,279,674**
Issue of shares	322,208	994,481	-	1,316,689
Issue of share capital from the exercise of share options of the 2nd and 3rd share option plans	6,939	17,276	-	24,215
Purchases of treasury shares	-	-	(188,639)	(188,639)
Sales of treasury shares	-	-	24,417	24,417
Sale of pre - emption rights from treasury shares	-	-	10,662	10,662
At 31 December 2007	**1,617,977**	**1,099,903**	**(250,862)**	**2,467,018**

	Share Capital	Share Premium	Treasury Shares	Total
At 1 January 2008	**1,617,977**	**1,099,903**	**(250,862)**	**2,467,018**
Cancellation of treasury shares	(49,644)	(184,526)	234,170	0
Share capital increase due to reinvestment of dividends	3,589	12,398	-	15,987
Purchases of treasury shares	-	-	(188,745)	(188,745)
Sale of treasury shares (note 25)	-	-	38,116	38,116
At 31 December 2008	**1,571,923**	**927,775**	**(167,321)**	**2,332,376**

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 2007	**270,195,031**	**(4,758,247)**	**265,436,784**
Issue of shares	67,548,758	-	67,548,758
Issue of shares due to the exercise of share options	1,454,798	-	1,454,798
Purchases of treasury shares	-	(7,323,853)	(7,323,853)
Sales of treasury shares	-	1,000,000	1,000,000
Sale of pre - emption rights from treasury shares	-	-	-
Balance at 31st December 2007	**339,198,587**	**(11,082,100)**	**328,116,487**

	Number of shares		
	Issued shares	Treasury shares	Net number of shares
Opening balance at 1st January 2008	**339,198,587**	**(11,082,100)**	**328,116,487**
Cancellation of treasury shares	(10,407,537)	10,407,537	0
Share capital increase due to reinvestment of dividends	752,478	-	752,478
Purchases of treasury shares	-	(14,228,664)	(14,228,664)
Sale of treasury shares (note 25)	-	2,379,303	2,379,303
Balance at 31 December 2008	**329,543,528**	**(12,523,924)**	**317,019,604**

Piraeus Bank's registered shares are at a nominal value of € 4.77 each.The share capital is fully paid-in.

During the Annual General Meeting of shareholders of the Bank at 3/4/2008 it was decided, according to the article 16 of codified Law 2190/1920, the purchase of treasury shares through the Athens Stock Exchange up to a maximum number of 33,000,000 treasury shares, which is less than 10% of the Bank's total number of issued shares. The minimum and maximum purchase price for the shares is between € 4 and € 40. The purchases of the treasury shares must be completed within twenty four months from the General Meeting resolution, that is the latest by 3/4/2010 and the treasury shares acquired may be distributed to the staff of the Bank or the staff of any affiliated company.

The 2nd Iterative Ordinary General Meeting of Piraeus Bank's shareholders, held on the 7/5/2008, resolved on the decrease of the Bank's share capital by € 49,643,951.49 by cancellation of 10,407,537 treasury shares, in order to fulfill the obligation undertaken in the Prospectus for the Bank's share capital increase dated 6/7/2007. Following the decrease, the share capital of the Bank amounted to € 1,568,333,308.50, divided into 328,791,050 shares of nominal value € 4.77 each.

In addition, the same General Meeting resolved on the increase of the Bank's share capital up to the amount of € 26,378,367.12 by issuing up to 5,530,056 new ordinary registered shares. The share capital increase was effected by cash contribution and provided the shareholders the option of reinvesting the dividend of the fiscal year 2007 (that remains following the deduction of the already paid interim dividend) that is € 0.36 per share. The new shares were issued at € 21.36 per share. The total reinvested dividend amounted to € 16,072,930.08. Consequently, the Bank's share capital increased by € 3,589,320.06, by issuing 752,478 new shares of nominal value of € 4.77 per share. The additional paid-in value of the shares amounting to € 12,483,610.02 minus the relevant share capital increase expenses, was credited to the share premium account.

Following all the above corpotate acts, the Bank's share capital currently amounts to € 1,571,922,628.56, divided into 329,543,528 ordinary registered shares.

Share option plans

The 2nd Iterative Ordinary General Meeting at 7/5/2008 decided on the authorization of the Board of Directors, according to the article 13 par. 14 of codified Law 2190/1920, valid for a year, to establish a five-year stock option plan for the management and personnel of the Bank and its affiliated companies (as they are defined in article 42e of codified Law 2190/1920) through stock option plan. The stock option plan enables the issue of new shares up to a total number of 5,000,000 shares (from which 1/5 will be vested each year). The stock option plan enables, additionally or alternatively, the allocation of existing treasury shares or shares acquired to that end. The minimum offering price of these shares shall be € 21.36 per share. Until 31/12/2008 the Board of Directors has not proceeded to a relative decision and as a result the share option plan is not yet effective.

2nd share option plan

In the context of the above share option plan which has been implemented since 2005, an issue up to 2,000,000 new ordinary registered shares has been allowed. On the 30th of November of each year, 1/4 of the total number of granted share options vested and each holder was able to exercise in total or in part the vested share options, beginning from December 2006, provided that the percentage increase of the share price of the Bank for the period January 1st - November 30th for each of the years of the stock option plan is not lower than the percentage increase of the Athens Stock Exchange Bank Index for the equivalent period. The excercise price was € 12.20 per share. Share options obtained but not exercised in a previous year would be exercisable in a following year along with the share options vested at that time, until the expiry date of the plan in December 2008.

In year 2006, it was decided a) the total number of shares issued according to the above mentioned share option plan increased from 2,000,000 to 2,500,000 so that their percentage over the Bank's total shares remains stable following the adjustment of the percentage due to the resolved share capital increase by the same General Meeting of 15/5/2006 with the distribution of 1 for every 4 existing shares and b) the corresponding adjustment of the exercise price for each share from € 12.20 to € 9.76. It is noted that the average fair value of each share option was initially calculated at € 2.90.

On 1/10/2008, the share option holders of 456,108 rights of the 2nd share option plan renounced their exercise rights. The fair value of options rights, at the resignation date, has been determined using the Black-Scholes valuation model as on that date. Moreover, the remaining 267,346 non granted rights matured without being vested on 30/11/2008, the expiry date of the scheme.

On 1/10/2008, because of the above mentionned modification of the share option scheme, the relevant expense has been recognised in the Bank's income statement and a respective increase of the reserve for stock option plans has been performed.

The fair value of each option as of 1/10/2008 according to the valuation model was determined at € 4.80. The significant model inputs are: share price as of 1/10/2008 (€ 14.40), exercise price (€ 9.76), discount interest rate (5.114%) and volatility of the share price (62.284%). The total amount conserning resignation of options rights up to the level of the initial fair value was released by the reduction of the accumulated reserve.

3rd share option plan

The above share option plan has been implemented since 2006 and will expire in December 2010. In accordance with that plan up to 4,028,820 new shares can be issued at the exercise price of € 17.25. Each year on the 30th of November, 1/5 of the total number of granted share options mature and are exercisable for each option holder. Granted but not exercised rights during a previous year may be exercised in a following year along with the rights which expire at that date, while ultimate expiry date of the stock option plan is on December 2010. The average fair value of each option was initially calculated at € 3.31.

Amounts in thousand euros (Unless otherwise stated)

On 1/10/2008, the share option holders of 2,671,680 rights of the 3rd share option plan renounced their exercise rights. The fair value of options rights, at the resignation date, has been determined using the Black-Scholes valuation model as on that date. Moreover, the remaining 71,900 granted rights are exercisable until the ultimate expiry date of the scheme. During 2008, no rights were exercised.

On 1/10/2008, because of the above mentionned modification of the share option scheme, the relevant expense has been recognised in the Bank's income statement and a respective increase of the reserve for stock option plans has been performed.

The fair value of options as of 1/10/2008 according to the valuation model was determined at € 2.31. The significant model inputs are: share price as of 1/10/2008 (€ 14.40), exercise price (€ 17.25), dividend yield (5.152%), discount interest rate (4.586%) and volatility of the share price (41.30%). Due to the fact that the respective value is lower than the initial fair value of the share options, according to the valuation of 1/10/2008 the total amount which relates to resignations has been released by the reduction of the accumulated reserve.

41 Other reserves, retained earnings and minority interest

	31 December 2008	31 December 2007
Legal reserve	77,964	65,374
Extraodinary reserve	1,200	1,205
Available for sale reserve	(162,414)	14,986
Currency translation reserve	(94,852)	(36,604)
Other reserves	515	8,978
Total other reserves	**(177,586)**	**53,939**
Retained earnings	721,359	561,058
Total other reserves and retained earnings	**543,773**	**614,997**

Other reserves movement	31 December 2008	31 December 2007
Opening balance for the year	53,939	163,650
Movement of available for sale reserve	(177,399)	(94,651)
Transfer from retained earnings	-	1,239
Formation of legal reserve	12,590	23,862
Transfer to share premium due to exercise of share options	-	(4,571)
Foreign exchange differences and other adjustments	(66,716)	(35,590)
Closing balance for the year	**(177,586)**	**53,939**

Legal reserve of the Bank and its Greek subsidiaries is formed in accordance with Law 2190/1920 and each company's articles of association. Foreign subsidiaries form their legal reserve in accordance with their local legislation.

Available for sale reserve movement	31 December 2008	31 December 2007
Opening balance for the year	14,986	109,637
Gains/ (losses) from the valuation of available for sale bonds	(47,459)	(7,246)
Gains/ (losses) from the valuation of available for sale shares and mutual funds	(158,231)	43,145
Deferred income tax	43,063	28,830
Recycling of the accumulated fair value adjustment of disposed available for sale securities	296	(162,293)
Foreign exchange differences and other adjustments	(15,069)	2,913
Closing balance for the year	**(162,414)**	**14,986**

Retained earnings movement	31 December 2008	31 December 2007
Opening balance for the year	561,058	172,877
Profit after tax for the year attributable to the equity holders of Piraeus Bank	315,087	622,141
Prior year dividends	(118,122)	(86,462)
Interim dividend	-	(117,598)
Profit / (losses) from sales of treasury shares	(13,431)	2,973
Transfer to other reserves	(12,590)	(25,101)
Acquisitions, absorptions and movement in subsidiaries holding	(8,246)	1,648
Differences from currency translations and other adjustments	(2,397)	(9,420)
Closing balance for the year	**721,359**	**561,058**

During the Annual General Meeting of shareholders of Piraeus Bank which was held on April 3, 2008, it was decided among other € 0.72 dividend per share for the year 2007 (the interim dividend mentioned below is included). Out of the total amount of dividend per share (€ 0.72), an interim dividend of € 0.36 per share was paid in December 2007 in accordance with the decision of the Board of Directors of 31/10/2007. The interim dividend (€ 0.36 per share) was recognised as a deduction in the Bank's equity during 2007.

The reduction in the minority interest from € 227.6 million at 31/12/2007 to € 149.1 million at 31/12/2008 is mainly due to the change in consolidation method of Piraeus Real Estate Investment Property S.A.

Amounts in thousand euros (Unless otherwise stated)

42 Dividend per share

In accordance with the provisions of article 16, paragraph 8b and of article 45, paragraphs 1 and 2 of Cod. Law 2190/1920 in conjunction with the provisions of article 1, paragraph 3 of Law 3723/2008, the dividend to be distributed may not exceed the maximum amount determined by the provisions of Development Law 148/1967, which is namely 35% of the distributable profits of the fiscal year 2008. Moreover, pursuant to the Bill no. 522/25-2-2009 on “amendments to Law on Dematerialised Securities System, on the Capital Market, taxation issues and other provisions”, tabled by the Ministry of Economy and Finance, in the event of distribution of dividends for the fiscal year 2008, such distribution must be exclusively in the form of shares.

43 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 2008	31 December 2007
Cash and balances with central banks (note 17)	2,950,261	2,893,003
Treasury bills and other eligible bills (note 18)	56,474	35,393
Loans and advances to credit institutions (note 19)	2,002,529	1,784,650
Financial assets at fair value through profit or loss (note 21)	-	349,523
	5,009,265	**5,062,568**

44 Related party 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 Group, if the total cumulative participating interest (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 2008	31 December 2007
Loans	244,345	177,459
Deposits	130,101	28,169

Letters of guarantee and letters of credit to the members of the board of directors and to the key management personnel as at 31/12/2008 are € 1.7 million (31/12/2007: € 11 million). The total income on loans to members of the board of directors and to key management personnel for the year 2008 is € 13.8 million (31/12/2007: € 8.5 million). The total expense on deposits of the prementioned related parties for the year 2008 is € 1.8 million (31/12/2007: € 0.9 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	31 December 2008	31 December 2007
Salaries and other remuneration	12,062	19,364
Termination benefits	3,464	4,354
	15,526	**23,718**

The total cost for the share options granted to members of the Board of Directors and key management personnel is € 2.5 million (31/12/2007: € 3 million) (note 13). The total amount of provisions raised for Board of Directors members and key management personnel is € 36.8 million as at 31/12/2008 (31/12/2007: € 32.7 million). This amount has been included in retirement benefit obligation (note 38).

	Associates	
	31 December 2008	31 December 2007
Deposits	116,477	41,947
Loans and advances to customers and credit institutions	400,367	301
Interest expense	(3,849)	(1,075)
Interest income	4,855	16

45 Changes in the portfolio of subsidiaries and associates

In the period from 1/1/2008 to 31/12/2008, the following changes took place in the Group’s portfolio of subsidiaries and associates:

a) Acquisitions

On 25/1/2008, Piraeus Bank acquired, by its local subsidiary in Cyprus, Piraeus Bank Cyprus LTD, the branch network of Arab Bank in Cyprus for a consideration of € 19 million. From the above - mentioned acquisition goodwill of € 24.4 million has resulted. The allocation of the cost of the business combination to the identifiable assets acquired, liabilities and contingent liabilities assumed at fair values has been carried out according to the rules of IFRS 3 “Business combinations”. After the conclusion of the purchase price allocation exercise, the fair value amounts of assets and liabilities acquired as well as the resulting goodwill amount are as follows:

Amounts in thousand euros (Unless otherwise stated)

	Branch network of Arab BankS.A.	
Assets	**Book value**	**Fair value**
Intangible assets	455	455
Fixed assets	19,707	29,712
Loans and andvances to customers	302,036	302,036
Other Assets	43,552	43,653
Total Assets	**365,750**	**375,856**
Liabilities		
Due to customers and credit institutions	332,931	332,931
Other liabilities	40,547	46,115
Total Liabilities	**373,478**	**379,046**
Shareholders Equity	(7,728)	(3,190)
Total liabilities and shareholders equity	**365,750**	**375,856**
Cost of acquisition		19,176
Net assets acquired		100%
Goodwill		**22,366**

b) Participation in share capital increases

On 3/1/2008, 24/1/2008 and 31/10/2008 Piraeus Bank covered the total amount of share capital increases of Piraeus Bank Cyprus LTD with the amounts of € 2 million, € 47.4 million and € 70 million respectively, without altering its shareholding (100%).

On 30/1/2008 Piraeus Bank participated in the share capital increase of the associate company Trieris Real Estate Ltd in the amount of € 3.65 million without altering its shareholding (22.8%).

On 27/2/2008 and 23/7/2008 Piraeus Bank covered the total amount of share capital increases of Piraeus Bank Beograd A.D. with the amount of € 50 million without altering its shareholding (100%).

On 12/5/2008 it was fulfilled a share capital decrease of General Construction and Development Co. SA., during which amount of € 6 million were paid back in Piraeus Bank without altering its shareholding (66.67%).

On 25/6/2008 Piraeus Bank participated in the share capital increase of Marathon Banking Corporation in the amount of € 6.4 million increasing in this way its shareholding from 86.64% to 87.91%.

On 28/7/2008 Piraeus Bank participated in the share capital increase of Piraeus Bank Egypt S.A.E. in the amount of € 22.9 million, without altering its shareholding (95.4%).

On 29/7/2008 Piraeus Bank covered the total amount of share capital increase of Piraeus Factoring S.A. with the amount of € 6 million without altering its shareholding (100%).

On 6/8/2008 it was fulfilled a share capital decrease of Piraeus Leasing S.A., during which an amount of € 9.6 million were paid back in Piraeus Bank without altering its shareholding.

On 16/9/2008 Piraeus Leases S.A., 100% subsidiary of Piraeus Leasing S.A., decreased its share capital by a decrease in its share’s face value. According to that, Piraeus Leasing S.A. received a share capital return of € 28.4 million without altering its shareholding.

On 29/7/2008 Piraeus Bank Egypt S.A.E. subsidiary of Piraeus Bank, participated in the share capital increase of Piraeus Egypt leasing Co. in the amount of € 2.4 million without altering its shareholding (99.93%).

On 30/9/2008, Piraeus Bank Egypt SAE, subsidiary of Piraeus Bank, participated in a share capital increase of Piraeus Insurance Consultant SAE in the amount of € 85.9 thousand without altering its shareholding (40%). Piraeus Bank Egypt Investment Co., 99.8% subsidiary of Piraeus Bank Egypt SAE, participated in the previous share capital increase in the amount of € 124.5 thousand without altering its shareholding (58%).

On 7/11/2008 Piraeus Bank covered the total amount of share capital increase of Piraeus Capital Management S.A. (former KL Real Estate S.A.), with the amount of € 50 thousand without altering its shareholding.

On 17/12/2008 Piraeus Bank participated in the share capital increase of Tirana Bank I.C.B. with the amount of € 9.5 million, increasing in this way its shareholding from 90.72 % to 91.24%.

On 16/12/2008 Piraeus Bank participated in the share capital increase of APE Fixed Assets Real Estate & Tourist Development S.A., with the amount of € 1.39 million, without altering its shareholding.

On 11/12/2008 Piraeus Bank participated in the share capital increase of APE Commercial Property Real Estate Tourist & Development S.A. with the amount of € 1.47 million without altering its shareholding.

c) Increases of participation

Piraeus Bank increased its shareholding in Piraeus Leasing S.A. with gradual increases through the year 2008 from 87.55% to 100% with the amount of € 16 million. The major part of this increase is due to the Bank's Public Offer and exercise the buyout right for the rest of the companies' shares. In particular, on 24/9/2008 Piraeus Bank submitted an optional Public Offer in order to buy shares of its subsidiary Piraeus Leasing S.A., in the amount of € 5.30 per share by cash contribution that is approved by the Capital Market Committee's Board of Director's decision 4/492/27.11.2008.

On 1/2/2008, Piraeus Bank increased its shareholding in Euroinvestment & Finance LTD by 0.13% for a consideration of € 11 thousand, increasing in this way its shareholding to 90.79%.

Piraeus Bank increased its shareholding in Piraeus Real Estate Investment Property S.A. by 0.1%, for a consideration of € 130 thousand, increasing in this way its shareholding to 38.8%.

On 12/6/2008, European Reliance Gen. Insurance Co S.A., decreased its share capital by cancellation of treasury shares. Following the decrease, Piraeus Bank increased its shareholding from 30.00% to 30.23%.

On 22/9/2008 Piraeus Bank Egypt Investment Company, 99.8% subsidiary of Piraeus Bank Egypt S.A.E. acquired a 58% shareholding in Piraeus Insurance Consultant Egypt S.A.E. with the amount of € 79 thousand. It should be noted that Piraeus Bank Egypt S.A.E. has a 40% shareholding at Piraeus Insurance Consultant Egypt S.A.E.

On 22/9/2008, Piraeus Bank Egypt Investment Company, 99.8% subsidiary of Piraeus Bank Egypt S.A.E., acquired a 45% shareholding in Integrated Storage System Co., with the amount of € 144 thousand. Moreover, on 26/10/2008 Piraeus Bank Egypt Investment company increased its shareholding in Integrated Storage Systems Co with the amount of € 33 thousand, resulting in 54% final percentage of shareholding. It should be noted that Piraeus Bank Egypt S.A.E. has a 40% shareholding of Integrated Storage System Co.

On 5/11/2008 Piraeus Bank acquired 31.31% of Proton Bank S.A. with the amount of € 24.7 million.

Due to significant influence, the companies Rebikat, Euroterra and Abies, were transferred from the Bank's available for sale portfolio to the associates portfolio, for which the Bank now holds participation percentages of 30%, 29.22% and 30%, respectively.

'Hellenic Steel Company S.A., which Piraeus Bank holds with participation percentage of 30.8%, was transferred from the associates portfolio to available for sale portfolio, as it no longer satisfies the prerequisites to be consolidated by the equity accounting method.

d) Liquidation and disposal of shareholding percentages

On 1/2/2008 Piraeus Bank sold its shareholding (25%) in the associate company Etanal S.A. for a consideration of € 120 thousand.

On 6/3/2008, Ekathariseis Aktoploias S.A., 100% subsidiary of Piraeus ATFS S.A. was partly sold (49%) to Piraeus Bank for a consideration of € 32 thousand and the remaining (51%) was sold to third parties for a consideration of € 34 thousand.

On 25/9/2008, Piraeus Capital Management S.A. (former KL Real Estate S.A.), 100% subsidiary of Piraeus ATFS. S.A. was sold (100%) to Piraeus Bank for a consideration of € 66 thousand.

Amounts in thousand euros (Unless otherwise stated)

On 19/9/2008 Piraeus Bank sold 5% of its participation in Piraeus Real Estate Investment Property S.A. for a consideration of € 5.69 million, decreasing its shareholding to 33.8%. Resulting, Piraeus Real Estate Investing Property S.A. is considered as an associate, as the requirements for consolidation under the full method of consolidation are no longer met.

e) Companies' reforms

On 29/12/2008 Piraeus Bank absorbed the 100% subsidiary ETBA Finance S.A..

On 31/12/2008, the merge between the subsidiaries of Piraeus Bank, Piraeus Best Leasing S.A. and Olympic Commercial and Tourist Enterprises S.A., was completed by the establishment of a new subsidiary company of Piraeus Bank. The Bank participated indirectly to Piraeus Best Leasing S.A., by the subsidiary Piraeus Leasing S.A., which had a participation percentage of 48.08%. The Bank participated in Olympic Commercial and Tourist Enterprises S.A. with a percentage of 94%. The participation of Piraeus Leasing S.A. and Piraeus Bank to the new company established after the merge is 20% and 54.89%, respectively.

Euroinvestment & Finance Ltd, a 90.79% subsidiary of Piraeus Bank, transferred to Piraeus Bank Cyprus Ltd, its shares of the companies: Delphi Advanced Research Technologies Ltd, Imperial Stockbrokers Ltd, Imperial Eurobrokers Ltd, EMF Investors Ltd, Euroinvestment & Mutual Funds Ltd and Bull Fund Ltd.

f) Renames

Piraeus Bank's subsidiaries OJSC International Commerce Bank (ICB), Phenillion Enterprises LTD and KL Real Estate S.A. have been renamed to OJSC Piraeus Bank ICB, Piraeus Bank Cyprus LTD and Piraeus Capital Management S.A., respectively.

The Group's portfolio changes in subsidiaries for the year 2008 which are described above, are analysed in the table as follows:

	2008	2007
Participation in share capital increases	216,882	565,884
Incorporation of companies	32	2,552
Total participation in share capital increases and incorporation of companies	**216,913**	**568,436**
Increase of shareholding percentage in Group subsidiaries	16,426	16,540
Acquisition of subsidiaries	15,000	81,235
Less: Cash and cash equivalents of subsidiaries acquired	(176,173)	(33,239)
Total net cash outflow/ (inflow) from acquisition of subsidiaries and increase of shareholding percentage	**(144,747)**	**64,536**

During the year 2008, the goodwill raised from the acquisition of subsidiaries and the increase of shareholding in Group subsidiaries was € 23,981 thousand (2007: € 42,646 thousand).

46 Post Balance Sheet events

The Extraordinary General Meeting of Piraeus Bank's Shareholders which was held on 23/1/2009 approved the share capital increase by € 370,000,000, with the issuance of 77,568,134 preferred shares of a nominal value of € 4.77 each and cancellation of the preemptive right of existing shareholders in favor of the Greek State, in accordance with the provisions of law 3723/2008 re "providing enhanced liquidity to the economy to address the consequences of the international financial crisis".

On 3/2/2009 Moody's international credit rating agency downgraded Piraeus Bank's long term credit rating to A2 from A1, with negative outlook.

Athens, March 12th, 2009

CHAIRMAN OF THE BOARD OF DIRECTORS and CHIEF EXECUTIVE OFFICER	VICE-CHAIRMAN OF THE BOARD OF DIRECTORS and DEPUTY C.E.O.	GENERAL MANAGER	DEPUTY GENERAL MANAGER
MICHAEL G. SALLAS	THEODOROS N. PANTALAKIS	DIMITRIS D. PAPADIMITRIOU	CONSTANTINOS I. LIAPIS

[Translation from the original text in Greek]

Independent Auditor's Report
To the Shareholders of Piraeus Bank S.A.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Piraeus Bank S.A. (the "Bank") and its subsidiaries (the "Group") which comprise the consolidated balance sheet as of 31 December 2008 and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2008, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Reference to Other Legal Matters

We verified the agreement and correspondence of the content of the Board of Directors' report with the accompanying financial statements, in the context of the requirements of articles 43a, 107 and 37 of Law 2190/1920.

Athens, 12 March 2009
The Certified Auditors - Accountants

PricewaterhouseCoopers
Certified Auditors – Accountants
268 Kifissias Avenue, Halandri 152 32
SOEL Reg. No. 113

Vassilios Goutis
SOEL Reg. No 10411

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

PIRAEUS BANK S.A.

Financial Statements

31 December 2008

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 12th, 2009 and they are available in the web site of Piraeus Bank at www.piraeusbank.gr

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

Index to the Financial Statements

Amounts in thousand euros (Unless otherwise stated)

INCOME STATEMENT

	Note	Year ended 31 December 2008	31 December 2007
Interest and similar income	6	3,230,268	2,321,512
Interest expense and similar charges	6	(2,380,580)	(1,616,172)
NET INTEREST INCOME		**849,687**	**705,340**
Fee and commission income	7	151,700	128,146
Fee and commission expense	7	(44,086)	(38,307)
NET FEE AND COMMISSION INCOME		**107,614**	**89,840**
Dividend income	8	47,496	35,482
Net trading income	9	(72,950)	26,010
Net income from financial instruments designated at fair value through profit or loss	10	17,587	11,616
Gains/ (Losses) from investment securities	11	(44,761)	178,491
Other operating income	12	31,868	33,868
TOTAL NET INCOME		**936,542**	**1,080,646**
Staff costs	13	(266,401)	(254,173)
Administrative expenses	14	(263,826)	(227,518)
Depreciation and amortisation	25, 26	(29,251)	(34,523)
Gains/ (Losses) from sale of assets		(99)	763
Impairment losses on loans and receivables	21	(239,875)	(67,097)
TOTAL OPERATING EXPENSES		**(799,453)**	**(582,547)**
PROFIT BEFORE INCOME TAX		**137,089**	**498,099**
Income tax expense	15	(23,941)	(74,908)
PROFIT FOR THE YEAR		**113,148**	**423,191**

Earnings per share (in euros):			
- Basic	16	0.3496	1.4532
- Diluted	16	0.3496	1.4466

Amounts in thousand euros (Unless otherwise stated)

BALANCE SHEET

	Note	31 December 2008	31 December 2007
ASSETS			
Cash and balances with Central Banks	17	2,486,574	2,066,182
Loans and advances to credit institutions	18	4,636,273	4,296,193
Derivative financial instruments - assets	19	356,820	76,325
Trading securities	20	1,166,899	4,403,891
Financial instruments at fair value through profit or loss	20	84,984	508,137
Loans and advances to customers (net of provisions)	21	33,482,619	26,762,959
Investment securities			
-Available for sale securities	22	792,700	1,274,431
-Held to maturity	22	3,263,095	-
Debt securities - receivables	23	527,699	-
Investments in subsidiaries	24	1,815,390	1,694,920
Investments in associated undertakings	24	181,497	105,011
Intangible fixed assets	25	37,794	21,200
Property, plant and equipment	26	317,266	252,997
Investment property	27	42,676	39,562
Deferred tax assets	35	216,939	113,033
Inventories - property	28	72,577	51,734
Other assets	28	731,196	676,735
TOTAL ASSETS		**50,212,997**	**42,343,311**
LIABILITIES			
Due to credit institutions	29	14,445,532	10,704,842
Derivative financial instruments - liabilities	19	360,907	83,609
Due to customers	30	24,109,587	19,030,022
Debt securities in issue	31	6,778,951	7,707,932
Hybrid capital and other borrowed funds	32	963,745	985,141
Retirement benefit obligations	36	173,222	162,193
Other provisions	34	10,665	10,360
Current income tax liabilities		62,848	60,988
Deferred tax liabilities	35	50,187	61,207
Other liabilities	33	633,526	592,732
TOTAL LIABILITIES		**47,589,170**	**39,399,025**
EQUITY			
Share capital	38	1,571,923	1,617,977
Share premium	38	927,775	1,099,903
Less: Treasury shares	38	(167,319)	(250,860)
Other reserves	39	(91,573)	71,208
Retained earnings	39	383,022	406,057
TOTAL EQUITY		**2,623,827**	**2,944,285**
TOTAL LIABILITIES AND EQUITY		**50,212,997**	**42,343,311**

Amounts in thousand euros (Unless otherwise stated)

STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital	Share Premium	Treasury shares	Other reserves	Retained earnings	TOTAL
Opening balance as at 1st January 2007		**1,288,830**	**88,146**	**(97,300)**	**144,265**	**204,154**	**1,628,095**
Net change in available for sale investments, net of tax	39				(96,884)		(96,884)
Profit/ (losses) from sales of treasury shares						2,973	2,973
Net income recognised directly in equity		**0**	**0**	**0**	**(96,884)**	**2,973**	**(93,911)**
Profit after tax for the year 2007	39				21,160	402,031	423,191
Total recognised income in 2007		**0**	**0**	**0**	**(75,724)**	**405,004**	**329,280**
Prior year dividends						(86,462)	(86,462)
Interim dividend for year 2007						(117,598)	(117,598)
Issue of share capital by cash distribution	38	322,208	994,481				1,316,689
Issue of share capital due to the exercise of share options	38	6,939	17,276		(4,571)		19,644
Purchases of treasury shares	38			(188,639)			(188,639)
Sales of treasury shares and share options	38			35,079			35,079
Reserve for stock option plans					6,791		6,791
Other movements					447	958	1,405
Balance as at 31st December 2007		**1,617,977**	**1,099,903**	**(250,860)**	**71,208**	**406,057**	**2,944,285**
Opening balance as at 1st January 2008		**1,617,977**	**1,099,903**	**(250,860)**	**71,208**	**406,057**	**2,944,285**
Net change in available for sale investments, net of tax	39				(163,860)		(163,860)
Profit/ (losses) from sales of treasury shares						(13,431)	(13,431)
Net income recognised directly in equity		**0**	**0**	**0**	**(163,860)**	**(13,431)**	**(177,291)**
Profit after tax for the year 2008	39				5,657	107,490	113,148
Total recognised income in 2008		**0**	**0**	**0**	**(158,202)**	**94,059**	**(64,143)**
Prior year dividends						(118,122)	**(118,122)**
Issue of share capital by reinvestment of dividend		3,589	12,398				15,987
Cancelation of threasury shares		(49,644)	(184,526)	234,170			0
Purchases of treasury shares	38			(188,745)			(188,745)
Sale of treasury shares	24.38			38,116			38,116
Merger of company and other movements					(4,578)	1,027	(3,551)
Balance as at 31st December 2008		**1,571,922**	**927,774**	**(167,320)**	**(91,574)**	**383,022**	**2,623,827**

Amounts in thousand euros (unless otherwise stated)

CASH FLOW STATEMENT

	Note	Year ended 31 December 2008	Year ended 31 December 2007
Cash flows from operating activities			
Profit before tax		137,089	498,099
Adjustments to profit before tax:			
Add: impairment for loans and advances and other provisions	21	239,875	67,097
Add: depreciation and amortisation charge	25, 26	29,251	34,523
Add: retirement benefits	36	28,848	31,742
(Gains)/ losses from valuation of trading securities and financial instruments at fair value through profit or loss		50,811	(1,355)
(Gains)/ losses from investing activities		(11,233)	(239,109)
Cash flows from operating profits before changes in operating assets and liabilities		**474,641**	**390,997**
Changes in operating assets and liabilities:			
Net (increase)/ decrease in cash and balances with Central Bank		1,200	2,702
Net (increase)/ decrease in trading securities and financial instruments at fair value through profit or loss		1,846,868	(2,633,279)
Net (increase)/ decrease in loans and advances to credit Institutions		718,816	(1,319,494)
Net (increase)/ decrease in loans and advances to customers		(6,966,712)	(8,077,618)
Net (increase)/ decrease in other assets		(479,682)	(278,056)
Net increase/ (decrease) in due to banks		3,740,689	5,995,300
Net increase/ (decrease) in amounts due to customers		5,079,565	4,424,003
Net increase/ (decrease) in other liabilities		300,578	119,792
Net cash flow from operating activities before income tax payment		**4,715,964**	**(1,375,653)**
Income tax paid		(39,115)	(30,916)
Net cash inflow/ (outflow) from operating activities		**4,676,849**	**(1,406,569)**
Cash flows from investing activities			
Purchases of property, plant and equipment	26.27	(91,792)	(114,217)
Sales of property, plant and equipment	26.27	10,680	19,508
Purchases of intangible assets	25	(17,998)	(14,586)
Purchases of available-for-sale securities	22	(431,463)	(937,523)
Disposals of available-for-sale securities	22	753,651	783,254
Purchases of held- to- maturity securities	22	(2,389,664)	-
Acquisition of subsidiaries and participation in share capital increases	24	(214,888)	(660,377)
Disposals of subsidiaries		5,697	1,939
Acquisition of associates and participation in share capital increases	24	(31,290)	(73,758)
Disposal of associates		120	20,003
Dividends from subsidiaries		21,803	19,385
Dividends from associates		4,830	8
Dividends from available for sale securities		12,963	4,717
Dividends from trading securities		2,342	2,852
Net cash inflow/ (outflow) from investing activities		**(2,365,010)**	**(948,795)**
Cash flows from financing activities			
Net proceeds from issue/ (repayment) of debt securities and other borrowed funds		(950,377)	2,470,824
Net proceeds from issue of share capital due to the reinvestment of dividends		15,987	1,336,333
Prior year dividends and interim dividends paid	39	(118,122)	(204,060)
Purchases of treasury shares	38	(188,745)	(188,639)
Sales of treasury shares	24.38	24,686	38,053
Net cash inflow/ (outflow) from financing activities		**(1,216,571)**	**3,452,511**
Foreign exchange differences on cash and cash equivalents		(7,527)	(7,796)
Net increase/ (decrease) in cash and cash equivalents		**1,087,742**	**1,089,351**
Cash and cash equivalents at beginning of year	41	**5,354,552**	**4,265,201**
Cash and cash equivalents at end of year	41	**6,442,294**	**5,354,552**

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 5,142 people.

Apart from the ATHEX Composite Index, the Piraeus Bank share is included in a series of other indices, such as FTSE/ATHEX- 20, MSCI Greece, MSCI EAFE, DJ Euro Stoxx, DJ Euro Stoxx Banks and FTSE4Good Index.

2 General accounting policies of the Bank

The principal accounting policies applied by Piraeus Bank in the preparation of the financial statements are set out below.

These policies have been consistently applied to all the reporting periods presented. The financial statements of Piraeus Bank are prepared in euro.

Piraeus Bank made use of the amendments of International Accounting Standard (IAS) 39 and International Financial Reporting Standard (IFRS) 7, which were published during October 2008 and are effective on or after 1 July 2008.

The amounts of the Financial Statements attached are expressed in thousand euros (unless otherwise stated) and roundings are performed in the nearest thousand.

2.1 Basis of presentation of the Bank's financial statements

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

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

(a) Published standards and interpretations effective in 2008:

- IAS 39 and IFRS 7, (Amendment) "Reclassification of Financial Assets — Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures" (effective date on or after 1 July 2008). The amendment to the Standard permits an entity to reclassify non-derivative financial assets of the trading portfolio in particular circumstances. The amendment also permits, under particular circumstances, an entity to transfer a financial asset from the available-for-sale category to the loans and receivables category.

- IFRIC 11, "Group and treasury share transactions" (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 gives guidance on the accounting of share based payment arrangements involving an entity's own equity instruments or equity instruments of the parent. IFRIC 11 is not applicable to the Bank.

- IFRIC 12, "Service concession arrangements" (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 sets out general principles on recognising and measuring the obligations and related rights in services concession arrangements. IFRIC 12 is not applicable to the Bank.

- IFRIC 14, "IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 provides general guidance on how to assess the limit in IAS 19 'Employee Benefits' on the amount of the surplus that can be recognised as an asset. It also explains how the pension's asset or liability may be affected when there is a statutory or contractual minimum funding requirement. IFRIC 14 is not applicable to the Bank.

(b) The following new standards and interpretations have been issued throughout 2008, are being effective on or after 2008 and have not been adopted:

- IFRIC 13, "Customer Loyalty Programmes" (effective for annual periods beginning on or after 1 July 2008.) IFRIC 13 addresses how entities should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits.

- IFRIC 15, "Agreements for the Construction of Real Estate" (effective for annual periods beginning on or after 1 January 2009 and must be applied retrospectively). IFRIC 15 standardises accounting practice across jurisdictions for the recognition of revenue among real estate developers for sales of units before construction is complete.

- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation" (effective for annual periods beginning on or after 1 October 2008). IFRIC 16 clarifies that the presentation currency does not create an exposure to which an entity may apply hedge accounting and provides that the hedging instrument(s) may be held by any entity or entities within the group. Additionally, IFRIC 16 concludes that while IAS 39 "Financial Instruments: Recognition and Measurement" must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, IAS 21 "The Effects of Changes in Foreign Exchange Rates" must be applied in respect of the hedged item.

- IFRS 2 (Amendment), "Share-based Payment" (effective from 1 January 2009). The amendments relate to vesting conditions and cancellations.

- IFRS 3 (Revised), "Business Combinations" (effective from 1 July 2009). Comprehensive revision consists on the application of the acquisition method.

- IFRS 5 (Amendment), "Non-current assets held for sale and discontinued operations" (effective from 1 July 2009). The amendment of IFRS 5 provides guidelines concerning the plan to sell the controlling interest in a subsidiary.

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

- IAS 1 (Amendment and Revision), "Presentation of financial statements" (effective from 1 July 2009). The amendments refer to the changes on equity financial statement as well as the presentation of other comprehensive income. Furthermore, a Current/ non-current classification of derivatives is being provided as well as additional amendments relating to disclosure of puttable instruments and obligations arising on liquidation.

- IAS 16 (Amendment), "Property, plant and equipment" (effective from 1 January 2009). The core issues of the amendment consist on the calculation of the Recoverable amount of an asset and the Sale of assets held for rental.

- IAS 19 (Amendment), "Employee benefits" (effective from 1 January 2009). The principal guidelines concern curtailments and negative past service cost, plan administration costs, including the replacement of "fall due" term as well as contingent liabilities.

- IAS 20 (Amendment), "Government grants and disclosure of government assistance" (effective from 1 January 2009). The amendment deals with government loans with a below-market rate of interest.

- IAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009).The amendment issued redefines the components of borrowing costs
.
- IAS 27 (Amendment and Revision), "Consolidated and separate financial statements" (effective from 1 January 2009). The amendment relates to the measurement of subsidiary held for sale in separate financial statements, the cost of an investment on first-time adoption as well as consequential changes due to IFRS 3 amendment “Business Combinations” (effective from 1 July 2009).

- IAS 28 (Amendment), "Investments in associates" (effective from 1 January 2009). The amendment clarifies the required disclosures when investments in associates are accounted for at fair value through profit or loss and provides guidelines on the Impairment of investment in associate.

- IAS 29 (Amendment), "Financial reporting in hyperinflationary economies" (effective from 1 January 2009). IAS 29 describes the measurement basis in financial statements of entities reporting in the currency of a hyperinflationary economy.

- IAS 31 (Amendment), "Interests in joint ventures" (effective from 1 January 2009). The amendment states the required disclosures when interests in joint-venture entities are accounted for at fair value through profit or loss.

- IAS 32 (Amendment), “Financial Instruments: Presentation” (effective from 1 January 2009). The amendments relate to puttable instruments and obligations arising on liquidation.

- IAS 36 (Amendment), "Impairment of assets" (effective from 1 January 2009). The disclosure of estimates used to determine recoverable amount is being clarified due to the amendment of the Standard.

- IAS 38 (Amendment), "Intangible assets" (effective from 1 January 2009). The main guidelines provided relate to advertising and promotional activities and to the unit of production method of amortisation.

- IAS 39 (Amendment), "Financial instruments: Recognition and measurement" (effective from 1 January 2009). Amendments issued concern the reclassification of derivatives into or out of the classification of at fair value through profit or loss. Moreover the amendment designating and documenting hedges at the segment level and also refers to Eligible Hedged Items and the applicable effective interest rate on cessation of fair value hedge accounting.

- IAS 40 (Amendment), "Investment property" (effective from 1 January 2009). Property under construction or development for future use as investment property consists in the main issue of the amendment issued.

- IAS 41 (Amendment), "Agriculture" (effective from 1 January 2009). The amendment of the Standard covers the issue of the discount rate to be applied for fair value calculations and treatment of additional biological transformation.

2.2 Foreign currencies

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

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

2.3 Derivative financial instruments

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

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

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

Hedge accounting

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

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

- The hedge should be effective at initiation.

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

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

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

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

(a) Fair value hedge

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

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

(b) Cash flow hedge

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

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

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

(c) Net investment hedge

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

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

(d) Derivatives that do not qualify for hedge accounting

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

2.4 Recognition of deferred day one profit and loss

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

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

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

2.5 Interest income and expense

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

2.6 Fees and commission income and expense

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

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

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

2.7 Dividend income

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

2.8 Financial assets at fair value through profit or loss

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

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

The amendments of IAS 39 "Reclassification of Financial Assets", issued in October 2008 permit an entity to reclassify non-derivative financial assets of Trading Portfolio to other categories (AFS or HTM Portfolio or Loans and Receivables Category), under particular cirmustances.

More specifically, the reclassification of non-derivative financial assets out of the Trading Portfolio to AFS Portfolio is being permitted if the entity does not intend nor has the ability to hold the financial asset until maturity and if current market circumstances are considered rare. Additionally, the reclassification of non-derivative financial assets out of the Trading Portfolio to HTM Portfolio is being permitted if current market circumstances are considered rare and the entity intends and has the ability to hold the financial asset until maturity. On the other hand, a Financial Asset which meets the definition of Loans may be reclassified out of the Trading Portfolio to the Loans category if the Bank has the intention and ability to hold that financial asset for the foreseeable future.

The financial asset shall be reclassified at its fair value on the date of reclassification. Any gain or loss recognised in profit or loss until the date of reclassification shall not be reversed.

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

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

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

2.9 Sale and repurchase agreements

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

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

2.10 Investment portfolio

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

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

The amendments of IAS 39 “Reclassification of Financial Assets”, issued in October 2008 permit an entity to reclassify non-derivative financial assets out of the Trading Portfolio to the Held-to-Maturity Portfolio category in particular circumstances. The reclassification is allowed if current market circumstances are considered rare and the Bank intends and has the ability to hold the financial asset until maturity. The financial asset shall be reclassified at its fair value on the date of reclassification. Any gain or loss recognised in profit or loss until the date of reclassification shall not be reversed.

Additionally, a financial asset may be reclassified out of the AFS Portfolio to the HTM category if the Bank has the intention and ability to hold that financial asset until maturity. The financial asset shall be reclassified at its fair value on the date of reclassification. Any gain or loss recognised in AFS Reserve until the date of reclassification shall not be reversed at the date of reclassification.After the reclassification, the Fair Value difference already recognised in the AFS Reserve shall be amortised through the remaining life of the Held-to-Maturity financial asset.

Regular way purchases and sales of held to maturity securities are recognised on transaction date, the date on which the Bank commits to purchase or sale the asset. Held to maturity investments are derecognized when either the ability to receive cash flows has ceased or the Bank has transferred substantially the risks and rewards to third parties.

B. Available for sale portfolio
Available for sale portfolio includes those investments intended to be held for an indefinite period of time and which may be sold in response to needs of liquidity or changes in interest rates, exchange rates or equity prices. The classification of investments as available for sale is not binding and as a result the subsequent reclassification to the held to maturity portfolio is permitted.
Regular way purchases and sales of available for sale securities are recognised on trasaction date - the date on which the Bank commits to purchase or sale the asset.

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

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

The amendments of IAS 39 “Reclassification of Financial Assets”, permit an entity to reclassify non-derivative financial assets out of the Trading Portfolio to the AFS Portfolio category. The reclassification is allowed if the entity does not intend nor has the ability to hold the financial asset until maturity and if current market circumstances are considered rare.

The financial asset shall be reclassified at its fair value on the date of reclassification. Any gain or loss recognised in profit or loss until the date of reclassification shall not be reversed. After the reclassification, the Fair Value difference of the AFS Financial Asset shall be recognised in AFS Reserve.

Additionally, a Financial Asset which meets the definition of Loans may be reclassified out of the AFS Portfolio to the Loans category if the entity has the intention and ability to hold that financial asset for the foreseeable future. On the other hand, a Financial Asset which does not meet the definition of Loans may be reclassified out of the AFS Portfolio to the Held-To-Maturity category if the entity has the intention and ability to hold that financial asset until maturity.

The financial asset shall be reclassified at its fair value on the date of reclassification. Any gain or loss recognised in AFS Reserve until the date of reclassification shall not be reversed at the date of reclassification. After the reclassification, the Fair Value difference already recognised in the AFS Reserve shall be amortised through the remaining life of the Loan and the future cash inflows should be reflected in its effective interest rate.

The Bank reviews on each reporting date whether there is an indication of permanent impairment (significant or persistent decreases in fair value) for these securities based on several pricing models. Such models, for the shares of the AFS portfolio, include the Price-to-Book Value ratio (P/BV) where a coefficient of 2.5 is used and the Price-to-Earnings per share ratio (P/E) where a coefficient of 15 or deviation of 25% from market value is used, in case of listed securities. In case that an impairment results from the above models, the Bank examines in great detail the potential of recovery of 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 removed from equity and recognised in profit or loss. This cumulative loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

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

2.11 Investments in subsidiaries and associates

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

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

2.12 Loans and advances to customers

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

A receivable is subject to impairment when its carrying amount is greater than the expected recoverable amount. The term "receivable" includes loans and advances, documentary credits 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 financial asset or group of financial assets is estimated and an impairment loss is recognised. The amount of the loss is recognised in the Income Statement. Objective evidence that a loan or group of loans is impaired or it is not collectable is the following events:
I. Significant financial difficulty of the issuer or the obligor.
II. A breach of contract (i.e. default or delinquency in interest or principal payments).
III. The Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider.
IV. It is becoming probable that the borrower will enter bankruptcy or financial reorganisation.
V. Data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
- Adverse changes in the payment status of borrowers in the group (i.e. increase in the number of delayed payments due to sector problems), or
- National or local economic conditions that correlate with defaults on the assets in the group (i.e. increase in the unemployment rate for a geographical area of borrowers, decrease in the value of property placed as guarantee for the same geographical area, or unfavourable changes in the operating conditions of a sector, which affect the borrowers of this specific group).

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

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

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

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

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

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

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

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

2.13 Software and other intangible assets

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

Some examples of directly attributable costs are:

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

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

Other intangible assets are tested 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, other intangible assets are impaired to their recoverable amount.

The useful lives of the intagible assets are reviewed and adjusted, if appropriate, at each balance sheet date.

2.14 Own property, plant and equipment

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

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

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

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

- Computer hardware: 3-5 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 Buildings: 25-50 years

The residual values and useful lives of the tangible assets are reviewed and adjusted, if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. The range of the useful life in most cases is consistent with the years of useful life as instructed by the effective tax law .

2.15 Investment property

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

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

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

Changes in fair value are recognised in the income statement.

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

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

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

2.16 Assets held for sale

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

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

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

2.17 Inventories property

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

2.18 Leased assets

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

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

2.19 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than 3 months maturity from the date of acquisition, such as: cash, cash and balances with Central Banks, treasury bills and other eligible bills, trading bonds and loans and advances to credit institutions. Mandatory reserves with the Central Bank are not available for everyday use by the Bank, therefore they are not included in less than 3 months maturity balances.

2.20 Provisions

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

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

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

2.21 Financial guarantee contracts

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

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

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

2.22 Employee benefits

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

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

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

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

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

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

B. Other post-retirement benefit obligations.

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

C. Share based compensation

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

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

2.23 Income Tax and deferred taxes

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

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

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

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

2.24 Share capital

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

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

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

2.25 Borrowed funds

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

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

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

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

2.26 Related party transactions

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

2.27 Segment reporting

The definition of primary and secondary segments is based on the nature and origin of Piraeus Bank revenues. Therefore, business segments are defined as primary segments, while geographical segments were defined as secondary segments.The Bank's activities relate to four main business segments: Retail Banking, Corporate Banking, Investment Banking, Asset Management & Treasury. For the identification of reportable segments the Bank applies the 10% threshold on Bank profits or Bank assets. The Bank reportable segments account for more than 75% of total Piraeus Bank revenues.

2.28 Offsetting financial instruments

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

2.29 Comparatives and roundings

Certain accounts of the previous period's financial statements have been adjusted in order to become comparable to the corresponding accounts of the current period. The differences presented among the amounts of the financial statements and the relevant amounts presented at 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.

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

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

3.1 Credit risk

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

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

The Bank's Board of Directors has assigned the executive responsibility for credit risk management to the 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 and Capital 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, as well as counterparty credit risk arising from the Group's activities in capital and money markets.

3.1.1 Credit risk measurement

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

a) Loans and advances

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

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

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

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

Corporate Credit

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

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

Retail Credit

As far as retail credit is concerned, the Bank, focusing on the application of modern credit risk measurement methods, evaluates applicants using application scoring models, while it has already implemented models for the evaluation of existing customers' transactional behavior (behavior scoring) for each product but also at the borrower level.

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

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

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

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

b) Securities and other bills

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

(c) Stress Testing Exercises

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

These stress tests are performed by the Group Credit Risk and Capital Management Division. The methodology and stress scenarios applied use as a basis the requirements of exercises performed by the International Monetary Fund for the Greek banking system under the Financial Sector Assessment Program (FSAP), and are further enhanced with internally developed scenarios and models adapted to the particular risk characteristics of the Bank. Within this stress testing framework, loans and claims of the Bank to borrowers located in Greece and abroad are examined, as well as bond market credit exposures.

3.1.2 Credit limits management and risk mitigation techniques

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

In order to set customer limits, the Bank takes into consideration any collateral or security which reduce the level of risk assumed. The Bank categorizes the risk of credits into risk classes, based on the type of collateral / security associated and their potential liquidation. The maximum credit limits that may be approved per risk class are determined by the Board of Directors. In Piraeus Bank, no credit is approved by one sole person, since the procedure regularly requires the approval of a minimum of three authorized officers, with the exception of consumer loans and credit cards, 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
- Pledged financial instruments such as stocks or bonds or mutual fund shares
- Mortgages on real estate property
- Ship mortgages

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 from positions in the derivative markets are part of the overall credit limits set for any counterparty and are taken into consideration during the approval procedure. Usually, no guarantees or securities are taken against exposures in derivative products, except when the Bank demands the application of a safety margin from a counterparty.

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

(c) Netting arrangements

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

(d) Credit - related commitments

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

3.1.3 Impairment and provisioning policy

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

A claim is considered impaired when its book value exceeds its anticipated recoverable amount. The recoverable amount is estimated by the sum of the present value of future cash flows from anticipated repayments and the present value of the liquidation of any collateral/ 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 its IAS 39, considers the criteria stated in section 2.12 as reliable and objective evidence that a loan or group of loans has been impaired.

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

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

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.

Amounts in thousand euros (Unless otherwise stated)

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 of the written off loans, in case that they may become collectable.

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

The following table presents the Bank's maximum credit risk exposure on 31/12/2008 and 31/12/2007, without including collateral held or other credit enhancements. For on-balance sheet items, credit exposures are based on their carrying amounts as reported on the balance sheet.

	Maximum exposure	
Credit risk exposures relating to on-balance sheet assets	**31 December 2008**	**31 December 2007**
Loans and advances to credit institutions	4,636,273	4,296,193
Derivative financial instruments - assets	356,820	76,325
Bonds of trading portfolio	1,166,899	4,294,620
Bonds at fair value through Profit or Loss	82,564	508,137
Loans and advances to customers (net of provisions)		
Loans to individuals:		
-Mortgages	6,030,267	5,306,194
-Consumer/ personal loans	2,485,361	2,309,790
-Credit cards	661,789	551,999
Loans to corporate entities		
-Small/ medium entities	14,934,187	10,977,667
-Large corporate entities	9,371,015	7,617,309
Debt securities - receivables	527,699	-
Bonds of investment portfolio	3,877,777	1,004,573
Other assets	731,196	676,735
Credit risk exposures relating to off-balance sheet assets		
Letters of guarantee	2,917,096	2,317,635
Letters of credit	143,729	171,176
Commitments to extent credit	13,369,023	12,365,397
As at 31 December	**61,291,694**	**52,473,750**

3.1.5 Loans and advances

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

	31 December 2008		31 December 2007	
	Loans and advances to customers	Loans and advances to credit institutions	Loans and advances to customers	Loans and advances to credit institutions
Loans without impairment	27,999,777	4,636,273	23,212,174	4,296,193
Past due but not impaired	5,139,985	0	3,364,736	-
Impaired	824,791	0	503,207	-
Gross	**33,964,553**	**4,636,273**	**27,080,117**	**4,296,193**
Less: Allowance for impairment	(481,935)	0	(317,158)	-
Net	**33,482,619**	**4,636,273**	**26,762,959**	**4,296,193**

a) Loans without impairment:

Loans and advances to customers

31 December 2008	**Loans to individuals**			**Loans to corporate entities**		
Grades	Credit cards	Consumer/ personal loans	Mortgages	Small/ medium entities	Large corporate entities	**Total loans and advances to customers**
Standard monitoring	541,858	1,898,625	4,781,639	10,031,072	8,348,123	25,601,318
Special monitoring	0	0	0	2,020,364	378,095	2,398,460
Total	**541,858**	**1,898,625**	**4,781,639**	**12,051,437**	**8,726,219**	**27,999,777**

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

Amounts in thousand euros (Unless otherwise stated)

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

	2008	2007
Loans to individuals	9,315	5,436
Loans to corporate entities	67,853	83,440
	77,168	**88,876**

Renegotiated loans and advances include loans and advances that had been overdue or partially overdue. Had these loans not been renegotiated they would have been included in loans and advances past due but not impaired or in impaired loans. One year after the renegotiation date and provided that the loan is performing regularly, the loan is upgraded - after relevant approval - and treated exactly like the rest of the performing loans and advances, as far as their management is concerned.

Loans and advances to credit institutions

Grades	**31 December 2008**	**31 December 2007**
Investment grade	2,438,051	1,754,962
Standard monitoring	2,189,037	2,539,168
Special monitoring	9,185	2,063
Total	**4,636,273**	**4,296,193**

b) Loans and advances past due but not impaired:

31 December 2008	**Loans to individuals**			**Loans to corporate entities**		
	Credit cards	Consumer/ personal loans	Mortgages	Small/ medium entities	Large corporate entities	**Total loans and advances**
Past due 1 - 90 days	89,644	501,339	1,064,909	2,532,864	600,644	4,789,399
Past due 91 - 180 days	14,621	31,394	59,703	77,123	0	182,842
Past due > 180 days	0	0	47,540	116,530	3,674	167,744
Total	**104,265**	**532,733**	**1,172,152**	**2,726,517**	**604,318**	**5,139,985**
Fair value of collateral	**0**	**47,277**	**1,014,755**	**1,336,202**	**92,620**	**2,490,855**

The fair value of the physical collaterals reflects the liquidation value of these collaterals, after the application of the haircuts provided in the Group 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 lien mortgage. In cases where the property value exceeds the remaining balance of the loan the reported fair value of collateral takes into account the property value up to the amount of the remaining balance of the loan.

31 December 2007	**Loans to individuals**			**Loans to corporate entities**		
	Credit cards	Consumer/ personal loans	Mortgages	Small/ medium entities	Large corporate entities	**Total loans and advances**
Past due 1 - 90 days	60,704	456,838	767,512	1,536,681	215,847	3,037,582
Past due 91 - 180 days	8,111	29,223	25,640	78,831	1,156	142,961
Past due > 180 days	0	1,462	23,919	98,256	60,556	184,193
Total	**68,815**	**487,523**	**817,071**	**1,713,768**	**277,559**	**3,364,736**
Fair value of collateral	**0**	**47,214**	**732,623**	**755,965**	**49,052**	**1,584,854**

c) Loans and advances impaired:

31 December 2008	**Loans to individuals**			**Loans to corporate entities**		
	Credit cards	Consumer/ personal loans	Mortgages	Small/ medium entities	Large corporate entities	**Total loans and advances to customers**
Impaired loans	60,161	169,132	117,296	352,354	125,848	**824,791**
Fair value of collateral	0	6,417	91,372	194,809	69,668	**362,266**

The amount of loans with impairment as of 31/12/2008 includes loans of € 190 million which are not past due over 90 days. The respective amount as of 31/12/2007 is € 25 million.

31 December 2007	**Loans to individuals**			**Loans to corporate entities**		
	Credit cards	Consumer/ personal loans	Mortgages	Small/ medium entities	Large corporate entities	**Total loans and advances to customers**
Impaired loans	37,063	120,454	37,029	201,504	107,157	**503,207**
Fair value of collateral	0	2,809	26,351	102,566	18,525	**150,251**

3.1.6 Debt securities, treasury bills 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 2008, based on Standard & Poor's ratings or their equivalent:

	Trading securities	**Financial instruments at fair value through Profit or Loss**	**Investment securities**	**Debt securities - receivables**	**Total**
AAA	13,400	1,435	94,723	0	109,558
AA- to AA+	9,753	0	35,702	0	45,454
A- to A+	1,143,746	81,129	3,623,526	318,220	5,166,621
Lower than A-	0	0	114,109	30,251	144,361
Unrated	0	0	9,717	179,227	188,944
Total	**1,166,899**	**82,564**	**3,877,777**	**527,699**	**5,654,938**

Amounts in thousand euros (Unless otherwise stated)

3.1.7 Repossessed collateral

During the year 2008, the Bank obtained assets after taking possession of collateral held as security for its receivables:

Nature of assets	**31 December 2008**	**31 December 2007**
Property	22,144	21,274
	22,144	**21,274**

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

3.1.8 Concentration of risks of financial assets with credit risk exposure

a) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by geographical region as at 31 December 2008.

	Greece	**United Kingdom**	**Total**
Loans and advances to credit institutions	4,544,518	91,756	4,636,273
Derivative financial instruments - assets	356,820	-	356,820
Bonds of Trading Portfolio	1,166,899	-	1,166,899
Debt securities - receivables	489,961	37,738	527,699
Financial instruments at fair value through profit or loss	82,564	-	82,564
Loans and advances to customers (net of provisions)	29,222,213	4,260,406	33,482,619
Loans to individuals	8,999,144	178,273	9,177,417
- Mortgages	5,950,843	79,424	6,030,267
- Consumer - personal loans	2,386,512	98,849	2,485,361
- Credit cards	661,789	-	661,789
Loans to corporate entities	20,223,069	4,082,133	24,305,202
Bonds of Investment Portfolio	3,808,134	69,642	3,877,777
Other assets	703,523	27,674	731,196
As at 31 December 2008	**40,374,631**	**4,487,215**	**44,861,846**
As at 31 December 2007	**35,198,601**	**2,420,941**	**37,619,542**

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 2008. The Bank has allocated exposure to sectors based on the industry sector of our counterparties.

	Financial institutions	**Manufacturing**	**Constructions**	**Real Estate Companies**	**Project Finance**	**Wholesale and retail trade**	**Shipping Companies**	**Public sector**	**Tourism**	**Energy & Transportation**	**Other industries**	**Individuals**	**Total**
Loans and advances to credit institutions	4.636.273												4.636.273
Derivative financial instruments - assets	356.820												356.820
Trading securities													
-Bonds	167.067							897.887					1.064.954
-Treasury Bills and other eligible bills								101.945					101.945
Financial instruments at fair value through profit or loss								82.564					82.564
Loans and advances to customers (net of provisions)													
Loans to individuals													
- Mortgages												6.030.267	6.030.267
- Consumer - personal loans												2.485.361	2.485.361
- Credit cards												661.789	661.789
Loans to corporate entities	3.016.018	4.332.509	1.723.109	1.289.554	1.820.539	3.981.121	1.399.390	167.762	1.538.274	1.080.338	3.956.587		24.305.202
Debt securities - receivables	34.856	2.881						318.220			171.741		527.699
Bonds of Investment Portfolio	274.615							3.519.035		19.850	64.276		3.877.777
Other assets											731.196		731.196
As at 31 December 2008	**8.485.650**	**4.335.390**	**1.723.109**	**1.289.554**	**1.820.539**	**3.981.121**	**1.399.390**	**5.087.413**	**1.538.274**	**1.100.189**	**4.923.800**	**9.177.417**	**44.861.847**
As at 31 December 2007	**6.303.163**	**4.307.694**	**1.917.245**	**520.319**	**1.555.461**	**3.344.605**	**1.076.799**	**5.510.312**	**1.103.218**	**511.620**	**3.301.123**	**8.167.983**	**37.619.542**

As the loans of Real Estate Companies and Project Finance have not been disclosed discretely in the financial statements of 31/12/2007, the Group reformed the balances of 2007 per sector for the purpose of compatibility.

3.2 Market risk

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

The Board of the Directors of the bank has approved a market risk management policy that applies to the bank since the beginning of 2003. This policy outlines the basic definitions of market risk management and defines the roles and the responsibilities of the units and executives involved. Every risk taking unit of Piraeus Bank has been assigned specific market risk limits, which are monitored on a consistent basis. Limits are established for items both in the trading and the banking book. Limits are set on the Value-at-Risk and Earnings-at-Risk level, and on Sensitivity Indicators. Piraeus Bank monitors Value-at-Risk also for the total portfolio, at which level risk management for the trading and banking portfolio is carried out. In addition, Value-at-Risk is calculated also for the trading portfolio which relates to the financial instruments valued at market values.The Value-at-Risk estimate for the banking book on 31/12/2008 for Piraeus Bank, was € 20.25 million.

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

The bank tests the validity of the Value-at-Risk estimates, by conducting a back-testing program for the trading book VaR of the bank. The Value-at-Risk estimate is compared on a daily basis against the actual change in the value of the portfolio, due to the changes in market prices.

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

The Value-at-Risk estimate for 31/12/2008 was € 5.1 million for the total trading book of the Bank. This estimate consists of € 2.09 million interest rate risk, € 4.17 million equity risk, € 2.37 million foreign exchange risk and € 0.11 million commodities risk. There is a reduction in the Value-at-Risk estimate of € 3.65 million due to the diversification effect of the portfolio. During 2008 there has been a decrease in the trading book VaR due to the decrease in the trading book and in the available for sale equity portfolio (listed shares in the available for sale portfolio are included in the bank's trading book for the scope of VaR calculation).

Additionally, the Value-at-Risk estimate for 31/12/2007 was € 6.49 million for the total trading book of the Bank. This estimate consists of € 1.08 million interest rate risk, € 6.69 million equity risk and € 0.18 million foreign exchange risk. There is a reduction in the Value-at-Risk estimate of € 1.46 million due to the diversification effect of the portfolio.

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

	Bank Trading Book Total VAR	VAR-Interest Rate Risk	VAR Equity Risk	VAR Foreign Exchange Risk	VaR Commodities Risk	Diversification Effect
2008	5.10	2.09	4.17	2.37	0.11	-3.65
2007	6.49	1.08	6.69	0.18	0.00	-1.46

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 31/12/2008. Included in the table, are the Bank's assets and liabilities at carrying amounts categorised by currency, whereas hedging positions in derivatives which reduce significantly the undertaken risk are not included:

	EUR	USD	GBP	JPY	CHF	Other currencies	Total
At 31 December 2008							
Foreign exchange risk of assets							
Cash and balances with central Banks	2,429,213	27,459	4,695	7,944	2,560	14,703	2,486,574
Loans and advances to credit institutions	2,596,103	1,257,420	210	5,410	499,179	277,951	4,636,273
Derivative financial instruments - assets	125,418	110,609	-	109,788	11,005	-	356,820
Trading securities	1,165,910	989	-	-	-	-	1,166,899
Debt securities - receivables	489,961	37,738	-	-	-	-	527,699
Financial instruments at fair value through Profit or Loss	64,264	-	-	20,720	-	-	84,984
Loans and advances to customers (net of provisions)	28,752,783	2,341,967	94,849	169,503	2,123,516	-	33,482,619
Investment securities	3,916,349	128,655	-	-	-	10,791	4,055,795
Other assets	701,479	20,710	78	1,468	4,787	2,675	731,196
Total financial assets (A)	**40,241,480**	**3,925,547**	**99,833**	**314,832**	**2,641,047**	**306,119**	**47,528,858**
Foreign exchange risk of liabilities							
Due to banks	12,012,516	2,330,168	32,603	17,527	23,267	29,451	14,445,532
Derivative financial instruments - liabilities	121,195	127,126	-	98,859	12,290	1,437	360,907
Due to customers	18,215,755	1,874,596	136,399	3,801,909	11,725	69,203	24,109,587
Debt securities in issue	6,712,469	50,784	15,698	-	-	-	6,778,951
Hybrid capital and other borrowed funds	963,745	-	-	-	-	-	963,745
Other liabilities	473,746	54,514	(2,574)	34,118	22,527	24,059	606,390
Total financial liabilities (B)	**38,499,426**	**4,437,187**	**182,126**	**3,952,412**	**69,810**	**124,150**	**47,265,112**
Net on-balance sheet financial position (A-B)	**1,742,054**	**(511,640)**	**(82,293)**	**(3,637,580)**	**2,571,237**	**181,969**	**263,746**

Amounts in thousand euros (Unless otherwise stated)

At 31 December 2007	EUR	USD	GBP	JPY	CHF	Other currencies	Total
Total financial assets	35,479,775	2,169,401	69,549	184,238	1,766,378	286,722	39,956,061
Total financial liabiities	33,735,354	3,443,723	323,940	1,121,127	133,416	346,717	39,104,278
Net on-balance sheet financial position	**1,744,420**	**(1,274,322)**	**(254,392)**	**(936,889)**	**1,632,962**	**(59,995)**	**851,783**

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. Those assets and liabilities lacking definitive repricing intervals (e.g. sight deposits or savings accounts) or actual maturities (e.g. Open Accounts) are assigned to the time band up to one month.

In particular, the sight deposits, savings and current accounts assigned to the time band up to one month, are at € 7 billion (2007: € 7.5 billion) and represent 44% (2007: 49%) of the total “Due to customers”, which have been assigned in this particular time band.

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

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

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non interest bearing	Total
At 31 December 2008							
Assets							
Cash and balances with central Banks	2,486,574	-	-	-	-	-	2,486,574
Loans and advances to credit institutions	4,232,644	317,280	86,350	-	-	-	4,636,273
Trading securities	409,375	70,961	545,495	177,222	(36,153)	-	1,166,899
Financial instruments at fair value through Profit or Loss	-	-	10,385	58,622	13,556	2,420	84,984
Loans and advances to customers (net of provisions)	19,663,609	7,905,606	4,106,460	2,061,987	226,892	(481,935)	33,482,619
Debt securities - receivables	-	-	-	355,958	171,741	-	527,699
Investment securities	394,908	192,695	2,987,160	239,067	63,947	178,018	4,055,795
Other assets	-	-	-	-	-	1,088,016	1,088,016
Total financial assets	**27,187,110**	**8,486,541**	**7,735,850**	**2,892,855**	**439,983**	**786,520**	**47,528,858**
Liabilities							
Due to banks	12,442,889	1,370,189	582,453	11,118	38,882	-	14,445,532
Due to customers	15,609,977	5,936,632	2,407,319	76,868	-	78,791	24,109,587
Debt securities in issue	1,570,945	3,388,350	1,704,064	115,593	-	-	6,778,951
Hybrid capital and other borrowed funds	565,253	398,492	-	-	-	-	963,745
Other liabilities	-	-	-	-	-	994,433	994,433
Total financial liabilities	**30,189,064**	**11,093,663**	**4,693,836**	**203,578**	**38,882**	**1,073,224**	**47,292,248**
Net notional amounts of derivative financial instruments	1,754,696	727,910	(1,143,127)	(1,168,497)	(398,168)	-	(227,185)
Total interest rate gap	**(1,247,258)**	**(1,879,212)**	**1,898,887**	**1,520,780**	**2,933**	**(286,704)**	**9,425**

Amounts in thousand euros (Unless otherwise stated)

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

The table below presents comparative figures:

At 31 December 2007	**Up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Non interest bearing**	**Total**
Total financial assets	27,122,663	6,392,414	2,314,794	3,523,642	404,447	815,031	40,572,990
Total financial liabiities	26,193,698	9,463,157	2,268,350	392,985	-	786,088	39,104,278
Net notional amounts of derivative financial instruments	102,362	1,018,532	(245,089)	(661,145)	(113,937)	-	100,724
Total interest rate gap	**1,031,326**	**(2,052,211)**	**(198,644)**	**2,469,512**	**290,510**	**28,943**	**1,569,435**

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

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

In particular, a parallel shift of 100bp in yield curves would reduce the Bank’s net present value by € 30 million (2007: € 48 million).

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

3.5 Liquidity risk

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

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

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

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

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

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

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

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

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

Means as the maintenance of liquid securities portfolios and the expansion of diversified core deposits (especially time deposit products of over one month - ETVA Bonds), were taken in order to control liquidity risk. During 2008, the third securitisation of mortgages of € 800 million nominal value, as well as the first securitisation of corporate loans of € 1,750 million nominal value resulted in furthermore enhancement of the Bank’s liquidity position. Finally, the Bank raised funds through the 12-year term Interbank loan from European Investment Bank of € 50 million and the Interbank loan Schuldschein of € 450 million.

In addition, the Bank participates to the government’s initiative regarding the enhancement of the Greek Banking system’s liquidity.
More specifically, liquidity of amount € 750 million is already achieved, through the special issue of Greek Government Bonds against eligible collaterals and an issue of preference shares amounting to € 370 million will be accomplished shortly.

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.

Amounts in thousand euros (Unless otherwise stated)

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

a) Non derivative cash flows

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

At 31 December 2008

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Liabilities liquidity						
Due to banks	12,478,489	886,341	623,766	536,622	45,688	14,570,906
Due to customers	15,750,529	6,036,063	2,501,389	79,880	-	24,367,862
Debt securities in issue	630,251	1,436,474	2,437,226	2,585,442	1,005,210	8,094,603
Other borrowed funds	5,803	3,726	21,962	122,533	826,900	980,925
Hybrid capital	3,154	-	6,505	36,102	211,829	257,590
Other liabilities	-	-	-	-	633,526	633,526
Total liabilities (contractual maturity dates)	**28,868,226**	**8,362,605**	**5,590,847**	**3,360,580**	**2,723,151**	**48,905,410**
Total assets (expected maturity dates)	**16,828,418**	**2,566,347**	**5,305,758**	**14,824,308**	**19,685,739**	**59,210,568**

At 31 December 2007

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

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 and c) stock options.

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

At 31 December 2008

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Derivatives held for trading						
-Interest rate derivatives	(1,488)	515	(37,981)	(68,782)	(10,548)	(118,284)
Derivatives held for fair value hedging						
-Interest rate derivatives	279	(370)	(4,691)	(9,182)	-	(13,963)
Total	**(1,210)**	**145**	**(42,672)**	**(77,964)**	**(10,548)**	**(132,248)**

At 31 December 2007

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

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 and b) interest rate derivatives: cross currency interest rate swaps.

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

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

At 31 December 2008

	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	(5,450,077)	(1,444,633)	(243,943)	(124,779)	-	**(7,263,432)**
Inflow	5,314,285	1,359,990	241,855	125,223	-	**7,041,353**

At 31 December 2007

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

3.6 Fair values of financial assets and liabilities

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

	Carrying amounts		Fair value	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Financial assets				
Loans and advances to Credit Institutions	4,636,273	4,296,193	4,696,140	4,317,474
Loans and advances to customers (less allowances)	33,482,619	26,762,959	34,223,580	27,462,259
-Loans to individuals	9,177,417	8,167,983	9,618,310	8,381,331
-Loans to corporate entities	24,305,202	18,594,976	24,605,270	19,080,928
Held to maturity investment securities	3,263,095	-	3,229,726	-
Debt securities - receivables	527,699	-	516,240	-
Financial liabilities				
Due to banks	14,445,532	10,704,842	14,458,362	10,708,652
Due to customers	24,109,587	19,030,022	24,185,210	19,027,783
-Current and sight deposits	3,742,031	4,009,760	3,742,031	4,009,760
-Savings account	3,095,277	3,347,160	3,095,277	3,347,160
-Term deposits	16,583,320	10,599,282	16,658,802	10,596,954
-Other accounts	155,954	203,726	155,954	203,726
-Repurchase agreements	533,005	870,093	533,145	870,182
Debt securities in issue	6,778,951	7,707,932	6,811,418	7,690,226
Hybrid capital and other borrowed funds	963,745	985,141	884,504	970,621

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

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

c) Investment securities and debt securities - receivables include interest-bearing assets held to maturity. 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.

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

e) 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.

f) 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.

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 procedures such as safekeeping of securities, clearing and settlement of securities transactions in the Greek market and abroad, execution of corporate actions, income collection etc, on behalf of individuals and companies. Those assets and income arising thereon are not included in the Bank's financial statements. The above mentioned services give rise only to operational risk.

3.8 Capital adequacy

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

As the importance of 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 new legislative and regulatory capital 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 the Greek regulatory framework.

- To 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 two tiers, 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. Since 1/1/2008, the negative adjustments on Tier II capital are diminishing Tier I Capital by 50% and by 50% Tier II. The aforementioned deduction was not effective on 31/12/2007.

Tier I capital	**31 December 2008**	**31 December 2007**
Share capital	1,571,923	1,617,977
Share premium	927,775	1,099,903
Less: treasury shares	(167,319)	(250,860)
Available for sale reserve	(149,715)	14,145
Legal reserve and other reserves	58,142	57,063
Retained earnings	383,022	406,057
Less: intangible assets	(37,794)	(21,200)
Total regulatory adjustments on Tier I capital	70,766	(124,682)
Total	**2,656,800**	**2,798,403**
Tier II Capital		
Subordinated debt	963,745	985,141
Total regulatory adjustments on Tier II capital	(43,619)	(23,020)
Total	**920,126**	**962,121**
Less: Adjustments on Tier II capital	-	(34,974)
Regulatory adjustments on Tier II capital	**3,576,926**	**3,725,550**
Total risk weighted assets (on and off- balance sheet items**)**	**31,534,034**	**28,560,386**
Tier I ratio	**8.4%**	**9.8%**
Capital Adequacy ratio	**11.3%**	**13.0%**

The capital adequacy ratio as at 31/12/2008 is in compliance with Basel II regulatory framework, whereas the ratio as at 31/12/2007 was based on Basel I regulatory framework. The implementation of Basel II regulations since 01/01/2008 did not have a significant effect on the capital adequacy ratio of the Bank.

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.

4 Critical accounting estimates and judgements

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

1. Impairment losses on loans and advances

The Bank examines, at every reporting period, whether trigger for impairment exists for its loans or 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 profit or loss statement. In determining whether an impairment loss should be recorded in the profit or loss statement the Bank has set a methodology (described in note 2.12). The estimates, methodology and assumptions used are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

2. Fair value of 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 to make estimates. Assumptions that affect the reported fair values of financial instruments are examined regularly.

3. Impairment of Available for-sale portfolio

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

4. Held to maturity investments

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

5. *Income taxes*

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

Amounts in thousand euros (Unless otherwise stated)

5 Segment analysis

a) By Business segment

Piraeus Bank has defined the following business segments:

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

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

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

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

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

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

1/1-31/12/2008	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Treasury	Other business segments	Total
Revenues	1,630,109	615,091	9,213	1,069,545	37,250	3,361,208
Net revenues	716,455	186,224	9,105	52,553	(27,795)	936,542
Segment results	67,796	56,521	5,680	7,093	-	137,089
Profit before tax						**137,089**
Income tax expense						(23,941)
Profit after tax						**113,148**
Other segment items						
Capital expenditure	25,057	13	-	194	84,526	109,790
Depreciation	13,389	140	5	476	15,242	29,251
Impairment charge - loans and advances	170,824	59,089	-	-	9,963	239,875

1/1-31/12/2007	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Treasury	Other business segments	Total
Revenues	1,209,027	369,039	29,582	830,612	296,865	2,735,125
Net revenues	668,265	100,236	29,496	60,623	222,026	1,080,646
Segment results	237,439	22,377	27,521	34,029	176,733	498,099
Profit before tax						**498,099**
Income tax expense						(74,908)
Profit after tax						**423,191**
Other segment items						
Capital expenditure	32,888	295	16	840	94,764	128,803
Depreciation	16,192	235	5	724	17,367	34,523
Impairment charge - loans and advances	45,966	17,403	-	-	3,728	67,097
At 31 December 2008						
Segment assets	23,298,770	10,668,011	7	11,974,656	4,271,553	**50,212,997**
Segment liabilities	23,015,876	2,585,954	-	20,827,739	1,159,602	**47,589,170**
At 31 December 2007						
Segment assets	19,292,593	7,941,566	15	11,329,757	3,779,380	**42,343,311**
Segment liabilities	18,400,876	806,487	-	19,217,004	974,658	**39,399,025**

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

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

Amounts in thousand euros (Unless otherwise stated)

b) By Geographical segment

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

As at 31 December 2008

	Total assets	Revenues	Net Revenues	Capital expenditure
Greece	45,711,117	3,129,301	1,112,907	109,572
United Kingdom	4,501,881	231,907	(176,366)	218
Total	**50,212,997**	**3,361,208**	**936,542**	**109,790**

As at 31 December 2007

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

The negative net result in the geografical segment "United Kingdom" derives from the cost of issuing debt securities (ECP, EMTN), subordinated loans (TIER II) and hybrid capital (TIER I). Without taking into consideration the aformentioned cost, the net revenues of the specific geographical segment would amount to € 55.3 million for the year 2008 (2007: € 19.1 million).

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

6 Net Interest income

	1/1-31/12/2008	1/1-31/12/2007
Interest income		
Interest on fixed income securities	641,639	347,428
Interest income on loans and advances	1,725,175	1,286,357
Interest on loans and advances to credit institutions	196,073	221,348
Interest rate swaps	635,392	445,596
Other interest income	31,988	20,782
Total interest income	**3,230,268**	**2,321,512**
Interest expense		
Interest on customer deposits and repos	(923,087)	(533,968)
Interest on debt securities in issue and on other borrowed funds	(420,238)	(342,091)
Interest on due to Banks	(252,199)	(202,144)
Interest rate swaps	(632,593)	(429,407)
Other interest expense	(152,463)	(108,562)
Total interest expense	**(2,380,580)**	**(1,616,172)**
Net Interest Income	**849,687**	**705,340**

Accrued interest for impaired loans is € 34,620 thousand (2007: € 28,220 thousand).

7 Net fees and commission income

	1/1-31/12/2008	1/1-31/12/2007
Fees and commission income		
Commercial banking	130,289	91,844
Investment banking	13,019	22,030
Asset management	8,392	14,272
Total fees and commission income	**151,700**	**128,146**
Fees and commission expense		
Commercial banking	(32,368)	(27,735)
Investment banking	(3,492)	(2,588)
Asset management	(8,226)	(7,983)
Total fees and commission expense	**(44,086)**	**(38,306)**
Net fees and commission income	**107,614**	**89,840**

8 Dividend income

	1/1-31/12/2008	1/1-31/12/2007
Dividend from subsidiaries	27,303	27,788
Dividend from associates	4,830	8
Dividend from AFS securities	13,021	4,834
Dividend from trading securities	2,342	2,852
	47,496	**35,482**

Amounts in thousand euros (Unless otherwise stated)

9 Net trading income

	1/1-31/12/2008	1/1-31/12/2007
Gains less losses on FX	46,156	25,417
Gains less losses on shares and mutual funds	(21,129)	14,814
Gains less losses on derivatives	(131,669)	(9,172)
Gains less losses on bonds	33,693	(5,050)
	(72,950)	**26,010**

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

	1/1-31/12/2008	1/1-31/12/2007
Gains less losses on shares at fair value through profit or loss	2,420	-
Gains less losses on other financial assets at fair value through profit or loss	15,167	11,616
	17,587	**11,616**

11 Gains less losses from investment securities

	1/1-31/12/2008	1/1-31/12/2007
Gains less losses on AFS - shares and mutual funds (note 39)	3,606	161,162
Gains less losses on AFS - bonds (note 39)	(4,118)	643
Gains less losses from sales of subsidiaries and associates	462	17,239
Impairment of shares and mutual funds (available for sale portfolio) (note 22)	-	(553)
Impairment of subsidiaries	(44,711)	-
	(44,761)	**178,491**

During the year 2008, the cost of the Bank's subsidiary Piraeus Multifin decreased by amount of € 44.7 million, as a result of the impairment test on participations. The new participation cost of Piraeus Multifin in Piraeus Bank's books amounts to € 48.5 million after the prementionned impairment test. The amount of impairment does not affect the Consolidated Financial Statements, since the respective amount of € 44.7 million was written-off from the equity of Piraeus Group during the 1st time adoption of IFRS following the requirements of IFRS 1.

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

12 Other operating income

	1/1-31/12/2008	1/1-31/12/2007
Rental income	1,918	1,298
Gains/ (losses) from valuation of investment property	8,597	14,334
Other operating income from banking activities	4,599	799
Other operating income	16,754	17,436
	31,868	**33,867**

13 Staff costs

	1/1-31/12/2008	1/1-31/12/2007
Wages & salaries	(188,368)	(175,848)
Social insurance contributions	(39,399)	(35,899)
Other staff costs	(9,786)	(10,684)
Retirement benefit charges (note 36)	(28,848)	(31,742)
	(266,401)	**(254,173)**

Wages and salaries include amount of € 6,508 thousand which relates to the total cost for the stock option plans for the year 2008 (2007: € 6,792 thousand). For the amendments of the 2nd and the 3rd stock option plans the relative note is note 38. The total cost for the stock option plans includes the cost of the share options granted to the members of the Board of Directors and key management personnel (note 42).

The number of staff employed by Piraeus Bank as at 31 December 2008 was 5,142 compared to 4,901 at the end of 2007. The average number of staff employed by the Bank during the year 2008 is 5,022.

14 Administrative expenses

	1/1-31/12/2008	1/1-31/12/2007
Rental expense	(45,092)	(36,571)
Taxes & duties	(39,191)	(33,880)
Promotion and advertising expenses	(29,315)	(28,828)
Servicing - promotion of banking products	(42,627)	(42,143)
Fees and third parties expenses	(32,417)	(28,981)
Security & maintenance of fixed assets	(14,348)	(11,651)
Telecommunication & electricity expenses	(11,265)	(8,034)
Other administrative expenses	(49,571)	(37,430)
	(263,826)	**(227,518)**

Other administrative expenses include rental expense for equipment, donations, travel expenses, subscriptions and consumables.

Amounts in thousand euros (Unless otherwise stated)

15 Income tax expense

	1/1-31/12/2008	1/1-31/12/2007
Current Tax	(88,939)	(29,024)
Deferred Tax (note 35)	72,811	(15,384)
Tax provisions	(7,813)	(30,500)
	(23,941)	**(74,908)**

Piraeus Bank has been audited by the tax authorities and all the unaudited fiscal years until 2006 have been finalized. For the unaudited tax years, a provision has been raised according to International Financial Reporting Standards (IFRS).

The tax rate for Greek legal entities, in accordance with the provisions in force of article 109, par. 1 of Law 2238/1994, amounts to 25% for the years 2007 and 2008.

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

	1/1-31/12/2008	1/1-31/12/2007
Profit before tax	137,089	498,099
Tax calculated (25%)	(34,272)	(124,525)
Income not subject to tax (corresponding tax)	29,997	52,222
Non deductible expenses (corresponding tax) and provisions for unaudited fiscal years	(8,188)	(2,547)
Impact on deferred tax from the future legally approved change of tax rate	(11,380)	-
Supplementary tax 3% on real estate income	(98)	(58)
Income Tax	**(23,941)**	**(74,908)**

16 Earnings per share

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of shares in issue during the year, excluding the average number of ordinary shares purchased by Piraeus Bank and held as treasury shares. For the calculation of the diluted earnings per share, all the dillutive potential ordinary shares are taken into consideration.

	1/1-31/12/2008	1/1-31/12/2007
Basic earnings per share		
Profit after tax	113,148	423,191
Weighted average number of shares in issue	323,625,700	291,212,647
Basic earnings per share (in euros)	0.3496	1.4532

	1/1-31/12/2008	1/1-31/12/2007
Diluted earnings per share		
Profit after tax	113,148	423,191
Weighted average number of shares in issue	323,625,700	291,212,647
Adjustment for share options	-	1,335,856
Weighted average number of shares in issue for the diluted earnings per share calculation	323,625,700	292,548,503
Diluted earnings per share (in euros)	0.3496	1.4466

Potential ordinary shares of the 3rd share option scheme did not have an effect to the calculation of diluted earnings per share, as the average market price of ordinary shares during 2008 did not exceed the option's exercise price. Additionally, the 2nd share option scheme did not have an effect in diluted earnings per share since share option holders were resigned from the exercise of their rights and there was a consequent expiry of the scheme.

According to the requirements of IAS 33, the weighted average number of shares has been adjusted with a factor of 1.00014 for the year 2007 in order to adjust earnings per share (basic and diluted) for the reinvestment of dividend that took place during the year 2008.

17 Cash and balances with the Central Bank

	31 December 2008	31 December 2007
Cash in hand	319,574	274,892
Nostros and sight accounts with other banks	138,606	57,779
Balances with Central Bank	1,618,653	1,248,426
Cheques clearing system - Central Bank	409,741	483,885
Included in cash and cash equivalents less than 90 days (note 41)	**2,486,574**	**2,064,982**
Mandatory reserves with Central Bank	-	1,200
	2,486,574	**2,066,182**

The interest rates for nostros and sight accounts are floating.

Amounts in thousand euros (Unless otherwise stated)

18 Loans and advances to credit institutions

	31 December 2008	31 December 2007
Placements with banks	3,827,722	2,940,047
Reverse repurchase agreements	127,998	-
Included in cash and cash equivalents less than 90 days (note 41)	**3,955,720**	**2,940,047**
Placements with banks (above 90 days)	676,902	561,201
Reverse repurchase agreements	3,652	794,945
	4,636,274	**4,296,193**
Current loans and advances to credit institutions	4,370,326	4,222,400
Non current loans and advances to credit institutions	265,947	73,793
	4,636,273	**4,296,193**

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

Bank bonds with fair value € 43.2 million as at 1/10/2008 were reclassified from "Available for Sale securities" to "Loans and advances to credit institutions", as these bonds are not traded in an active market.

19 Derivative financial instruments

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

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

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

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

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

The notional amounts of derivative financial instruments do not necessarily indicate the amounts of future cash flows involved or the current fair value of the underlying instruments and therefore do not indicate the 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). The notional amounts and the fair values of derivative instruments held as at year end are set out below.

At 31 December 2008	**Contract/ Notional Amount**	**Fair values**	
		Assets	**Liabilities**
Derivatives held for trading			
Futures	185,800	-	-
Asset swaps	75,507	176	15,049
Interest rate swaps	11,184,351	144,268	147,819
Currency swaps	6,549,781	-	1,437
FX forwards	389,164	151,163	139,653
Options and other derivative instruments	225,834	56,353	7,019
		351,959	**310,977**
Embedded equity derivatives			
Customer deposits/ loans linked to options	153,778	4,861	4,398
Derivatives held for fair value hedging			
Interest rate swaps	1,323,655	-	45,533
Total recognised derivative assets/ liabilities		**356,820**	**360,908**

Amounts in thousand euros (Unless otherwise stated)

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

Piraeus Bank undertakes most of its transactions in foreign exchange and interest rate contracts with other financial institutions. Specifically for interest rate swaps, approximately 84% of its transactions are with financial institutions (notional amount). These transactions are taken with a diversified portfolio of counterparties. The top four counterparties account for 78% of the total outstanding notional amount of interest rate swaps. The remaining 22% 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 8%.

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 of fixed rate financial instruments. 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 “Available-for-sale” portfolio and in the “Debt securities - receivables”. The Bank also hedges the interest rate risk which results from potential decrease in the fair value of fixed rate loans originated by the Bank in local and foreign currencies. Hedging is achieved by using interest rate swaps.

The net fair value of these interest rate swaps as at 31/12/2008 was € 45.5 million liability (2007: € 3.5 million liability). The losses on the hedging instruments were € 41.9 millions (2007: € 2.6 loss). The gains on the hedged item attributable to the hedged risk were € 42.6 million (2007: € 2.4 million gain).

20 Financial assets at fair value through Profit or Loss

Trading securities	31 December 2008	31 December 2007
Greek Government bonds	-	349,523
Included in cash and cash equivalents less than 90 days (note 41)	**0**	**349,523**
Greek Government bonds	872,439	3,639,911
Greek Government treasury bills	101,945	14,915
Foreign Government bonds	15,653	10,198
Corporate entities bonds	166,658	280,073
Bank Bonds	10,204	-
	1,166,899	**3,945,097**
Athens stock exchange listed shares	-	103,053
Mutual Funds	-	6,218
Total trading securities	**1,166,899**	**4,403,891**
Other financial assets at fair value through profit or loss	**84,984**	**508,137**

From the above mentioned bonds of trading securities as at 31/12/2008, amount of € 563 million relates to fixed income securities, amount of € 462 million relates to floating rate securities and finally amount of € 142 million relates to zero-coupons. The respective amounts as at 31/12/2007 are € 2,124 million, € 1,787 million and € 384 million (zero-coupon).

Other financial assets at fair value through profit or loss include mostly asset swap bonds. The initial classification in the specific portfolio took place in order to decrease the fluctuation in the income statement that would appear if these financial instruments had been recognized in their purchase cost and the related interest rate swap derivatives as derivatives held for trading. The interest rates for other financial assets at fair value through profit or loss are fixed and include accrued interest of amount € 2 million.

Securities pledged are presented in note 37.

In accordance with the amendments to IAS 39 & IFRS 7 "Reclassification of Financial Assets", the Bank has reclassified financial assets from the “Trading Securities” portfolio to the “Available for Sale securities” and "Held to Maturity" portfolios. This reclassification was based on the assessment that, since the Bank has the intention to hold them in the near future and additionally it is estimated that the fair value of the listed shares, mutual fund and bonds, due to the current turmoil and the volatility on the financial markets, does not reflect the potential and the growth perspective of issuers, which issue securities held by the Bank.

Amounts in thousand euros (Unless otherwise stated)

Specifically, the Bank on 1/7/2008 making use of the above amendments has reclassified from the “Trading Securities” portfolio to the “Available for Sale Securities” portfolio, shares listed in the Athens Stock Exchange and mutual funds of amount € 50.6 million. Remeasuring these shares and mutual funds, for the period from 1/7/2008 to 31/12/2008, resulted to a fair value loss of amount € 17.9 million, which has been recognized in the Available for Sale reserve. The loss from the valuation of the prementioned securities of amount € 20.7 million for the period from 1/1/2008 to 30/6/2008 appears in the "Net trading income" for the year 2008. Bonds with fair value € 339.9 million as at 1/10/2008 were reclassified from "Trading Securities" to "Available for Sale Securities". The revaluation loss of € 14.4 million of these bonds for the period from 1/10/2008 to 31/12/2008 has been recognized in the Available for Sale reserve. The revaluation loss of € 7.2 million for the period from 1/1/2008 to 30/9/2008 is recognized in the "Net trading income" for the year 2008. Finally, bonds with fair value € 601.2 million as at 1/10/2008 were reclassified from "Trading Securities" to "Held to Maturity" portfolio and this value represents the new amortized cost of these bonds. The revaluation loss of € 336 thousand for the period from 1/1/2008 to 30/9/2008 has been recognized in the "Net trading income" for the year 2008. If these bonds had not been reclassified, the revaluation loss of € 5.3 million would be recognized in the "Net Trading income".

21 Loans and advances to customers

	31 December 2008	31 December 2007
Loans to individuals		
Mortgages	6,071,087	5,316,653
Consumer/ personal loans	2,600,490	2,386,274
Credit cards	706,284	575,786
	9,377,861	**8,278,713**
Loans to corporate entities	**24,586,692**	**18,801,404**
Total loans and advances to customers	**33,964,553**	**27,080,117**
Less: Allowance for losses (impairment) on loans and advances to customers	(481,935)	(317,158)
Total loans and advances to customers (after allowance for losses)	**33,482,619**	**26,762,959**
Current loans and advances to customers	14,840,282	11,497,972
Non current loans and advances to customers	18,642,337	15,264,987
	33,482,619	**26,762,959**

Fixed rate loans amount to € 3,049 million (2007: € 2,799 million) and floating rate loans amount to € 30,916 million (2007: € 24,281 million).

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

a) Loans to individuals

	Mortgages	Consumer/ personal loans	Credit cards	Total
Balance at 1 January 2007	**8,591**	**75,207**	**12,815**	**96,613**
Charge for the year	1,868	21,984	11,378	35,230
Loans written-off	-	(20,707)	(406)	(21,113)
Balance at 31 December 2007	**10,459**	**76,484**	**23,787**	**110,730**
Balance at 1 January 2008	**10,459**	**76,484**	**23,787**	**110,730**
Charge for the year	30,361	38,646	20,709	89,716
Balance at 31 December 2008	**40,820**	**115,130**	**44,496**	**200,446**

b) Loans to corporate entities

Balance at 1 January 2007	**216,277**
Charge for the year	28,866
Loans written-off	(38,085)
Foreign exchange differences	(630)
Balance at 31 December 2007	**206,428**
Balance at 1 January 2008	**206,428**
Charge for the year	149,161
Loans written-off	(74,101)
Foreign exchange differences	-
Balance at 31 December 2008	**281,489**

The charge for the year 2008 of amount € 239.9 million (2007: € 67.1 million) in the income statement includes amount of € 1 million (2007: € 3 million) which relates to impairment of other receivables.

Reversals of loan impairment for the year 2008 amount to € 5.5 million (2007: € 76.8 million).

Amounts in thousand euros (Unless otherwise stated)

22 Investment securities

	31 December 2008	31 December 2007
Available for sale securities		
Bonds and other fixed income securities		
Foreign Government bonds	5,240	-
Greek Government bonds	218,836	816,532
Corporate entities bonds	334,576	137,711
Bank bonds	56,031	50,329
	614,682	**1,004,573**
Shares and other variable income securities		
Listed shares	92,327	150,718
Unlisted shares	78,724	119,141
Mutual funds	6,967	-
	178,018	**269,858**
Total available for sale securities	**792,700**	**1,274,431**

As at 31/12/2008, amount of € 209 million relates to investment portfolio bonds with fixed rates and amount of € 406 million relates to floating rate bonds. The respective amounts for 31/12/2007 are € 168 million (fixed) and € 837 million (FRN).

In accordance with the amendments to IAS 39 & IFRS 7 "Reclassification of Financial Assets", the Bank reclassified financial assets from the “Trading Securities” portfolio to the “Available for Sale” and "Held to Maturity" portfolios (note 20).

In addition according to the above amendments, bond with fair value € 272.2 million as at 1/10/2008 was reclassified from "Available for Sale securities" to "Held to Maturity" portfolio. The revaluation loss of € 1.5 million, already recognised in the available-for-sale reserve until 30/9/2008, will be amortised in the income statement with the effective interest rate method until the bonds' maturity. If the bond has not been reclassified, a revaluation loss of € 6.0 million would have been recognized in the available-for-sale reserve. Corporate bonds with fair value € 34.4 million and bank bonds with fair value € 43.2 million as at 1/10/2008 were reclassified from "Available for Sale securities" to "Debt securities - receivables" and "Loans and advances to credit institutions" respectively, as these bonds are not traded in an active market and they meet all other conditions of IAS 39 in order to be classified as Loans and Receivables. The revaluation loss of € 11.7 million, already recognised in the available-for-sale reserve will be amortised in the income statement until the bond maturities. In case that these bonds have not been reclassified, a revaluation loss of € 21.9 million would have been recognized in the available-for-sale reserve. Interest from these bonds will continue to be recognised as interest income using the effective interest rate method. Interest on reclassified securities will be calculated based on the effective interest rate method. The interest calculated will not differentiate significantly from the interest based on nominal interest rate. Consequently the future cash flows of securities are expected to be in the level of the nominal value and the future interests.

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

Opening balance (1/1/2008 and 1/1/2007 respectively)	**1,274,431**	**1,111,713**
Additions	431,463	937,523
Transfers from associates (note 24)	14,358	7,255
Disposals	(753,651)	(783,254)
Transfers to associates (note 24)	(15,250)	(14,358)
Transfers from trading portfolio	390,528	-
Transfers to Debt securities - receivables (note 23) and Loans and advances to credit institutions (note 18)	(77,615)	-
Transformation of other assets into securities	-	11,227
Recognition of loans according to IAS 39	-	(25,000)
Changes in fair value (note 39)	(197,590)	33,465
Transfers to held to maturity	(272,191)	-
Impairment charge (note 11)	-	(553)
Foreign exchange differences	(1,783)	(3,587)
Closing balance (31/12/2008 and 31/12/2007 respectively)	**792,700**	**1,274,431**

Transfers from associates’ portfolio to the available for sale securities are effective, as long as the requirements of IAS 28 for the recognition of a company as associate are met. Moreover when the Bank obtains significant influence in a company included in the available for sale securities, the company is transferred to the associates’ portfolio.

Held to maturity	**31 December 2008**	**31 December 2007**
Greek government bonds	3,263,095	-
Total held to maturity	**3,263,095**	**0**

As at 31/12/2008, the total of held to maturity amount relates to floating rate bonds.

Movement of the held to maturity securities	**31 December 2008**	**31 December 2007**
Opening balance	-	-
Additions	2,389,664	-
Transfers from trading portfolio	601,240	-
Transfers from AFS portfolio	272,191	-
Closing balance	**3,263,095**	**0**

Amounts in thousand euros (Unless otherwise stated)

23 Debt securities - receivables

	31 December 2008	31 December 2007
Corporate Entities Debt securities - receivables	209,479	-
Greek Government bonds Debt securities - receivables	318,220	-
Total debt securities - receivables	**527,699**	**0**

Corporate bonds with fair value € 34.4 million as at 1/10/2008 were reclassified from "Available for Sale securities" to "Debt securities - receivables" as they were not traded in an active market (note 22).

24 Investments in subsidiaries and associate companies

The investments of Piraeus Bank in subsidiaries and associates are:

A) Subsidiaries companies

a/a	Companies	Activity	% holding	Country
1.	Marathon Banking Corporation	Banking Activities	87.91%	U.S.A
2.	Tirana Bank I.B.C. S.A.	Banking Activities	91.24%	Albania
3.	Piraeus Bank Romania S.A.	Banking Activities	100.00%	Romania
4.	Piraeus Bank Beograd A.D.	Banking Activities	100.00%	Serbia
5.	Piraeus Bank Bulgaria A.D.	Banking Activities	99.98%	Bulgaria
6.	Piraeus Bank Egypt S.A.E.	Banking Activities	95.36%	Egypt
7.	OJSC Piraeus Bank ICB	Banking Activities	99.95%	Ukraine
8.	Piraeus Bank Cyprus LTD	Banking Activities	100.00%	Cyprus
9.	Piraeus Asset Management Europe S.A.	Mutual Funds Management	99.94%	Luxemburg
10.	Piraeus Leasing S.A.	Finance Leasing	100.00%	Greece
11.	Piraeus Leasing Romania S.R.L.	Finance Leasing	99.80%	Romania
12.	Piraeus Insurance and Reinsurance Brokerage S.A.	Insurance and Reinsurance Brokerage	100.00%	Greece
13.	Tirana Leasing S.A.	Finance Leasing	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 Leasing	100.00%	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.	Piraeus Multifin S.A.	Motor vehicles trading	100.00%	Greece
21.	Picar S.A.	City Link Areas Management	100.00%	Greece
22.	Bulfina S.A.	Property Management	100.00%	Bulgaria
23.	Piraeus ATFS S.A.	Accounting and tax consulting	100.00%	Greece
24.	General Construction and Development Co. S.A.	Property development/ holding company	66.67%	Greece
25.	Pireaus Direct Services S.A.	Call center services	100.00%	Greece
26.	Exodus S.A.	Information technology & software	50.10%	Greece
27.	Komotini Real Estate Development S.A.	Property Management	100.00%	Greece
28.	Piraeus Real Estate S.A.	Construction company	100.00%	Greece
29.	ND Development S.A.	Property Management	100.00%	Greece
30.	Property Horizon S.A.	Property Management	100.00%	Greece
31.	ETBA Industrial Estates S.A.	Development/ Management of Industrial Areas	65.00%	Greece
32.	Piraeus Property S.A.	Property Management	100.00%	Greece
33.	Piraeus Development S.A.	Property Management	100.00%	Greece
34.	Piraeus Asset Management S.A.	Mutual Funds Management	100.00%	Greece
35.	Piraeus Developer S.A.	Property Management	100.00%	Greece
36.	Estia Mortgage Finance PLC	SPE for securitization of mortgage loans	-	United Kingdom
37.	Euroinvestment & Finance Public LTD	Banking, Asset Management, real estate operations	90.79%	Cyprus
38.	Lakkos Mikelli Real Estate LTD	Property Management	40.00%	Cyprus
39.	Philoktimatiki Public LTD	Land and property development	6.39%	Cyprus
40.	New Evolution S.A.	Property, Tourism & Development Company	100.00%	Greece
41.	Piraeus Green Investments S.A.	Holding company	100.00%	Greece
42.	Piraeus Cards S.A.	Financial services and consultancy	59.16%	Greece
43.	Capital Investments & Finance S.A.	Investment company	100.00%	Liberia
44.	Maples Invest & Holding S.A.	Investment company	100.00%	British Virgin Islands
45.	Margetson Invest & Finance S.A.	Investment company	100.00%	British Virgin Islands
46.	Vitria Investments S.A.	Investment company	100.00%	Panama
47.	SSIF Piraeus Securities Romania S.A.	Stock Exchange Operations	79.46%	Romania
48.	Trieris Real Estate Management LTD	Management of Trieris Real Estate Ltd	100.00%	British Virgin Islands
49.	Piraeus Insurance Reinsurance Broker Romania S.R.L.	Insurance and Reinsurance Brokerage	95.00%	Romania
50.	Olympic Commercial & Tourist Enterprises S.A.	Operating Leasing	94.00%	Greece

Amounts in thousand euros (Unless otherwise stated)

a/a	Companies	Activity	% holding	Country
51.	Piraeus Rent Doo Beograd	Operating Leasing	100.00%	Serbia
52.	Estia Mortgage Finance II PLC	SPE for securitization of mortgage loans	-	United Kingdom
53.	Piraeus Leasing Doo Beograd	Financial Leasing	100.00%	Serbia
54.	Piraeus Capital Management S.A.	Venture Capital Fund	100.00%	Greece
55.	Estia Mortgage Finance III PLC	SPE for securitization of mortgage loans	-	United Kingdom
56.	AGR Investments S.A.	Securitised Receivable Investments	99.83%	Greece
57.	New Up Dating Development Real Estate and Tourism S.A.	Property, Tourism & Development Company	0.17%	Greece
58.	Axia Finance PLC	SPE for securitization of corporate loans	-	United Kingdom

Companies numbered 36, 52, 55 and 58 are special purpose vehicles for securitization of loans and issuance of debt securities . Companies numbered 39 and 57 which are consolidated with ownership percentage of 6.39% and 0.17% respectively are bank's subsidiaries because of indirect ownership.

B) Associate companies

a/a	Companies	Activity	% holding	Country
1.	Crete Scientific &Technology Park Management & 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.	Stalko S.A.	Electrical equipment production	25.00%	Greece
4.	Project on Line S.A.	Information technology & software	40.00%	Greece
5.	APE Commercial Property Real Estate Tourist & Develop. S.A.	Real estate, development/ tourist services	27.80%	Greece
6.	APE Fixed Assets Real Estate Tourist & Development S.A.	Real estate, development/ tourist services	27.80%	Greece
7.	Trieris Real Estate LTD	Property Management	22.80%	British Virgin Islands
8.	European Reliance Gen. Insurance Co. S.A.	General and life insurance and reinsurance	30.23%	Greece
9.	Piraeus Real Estate Investment Property S.A.	Real estate investment property	33.80%	Greece
10.	APE Investment Property S.A.	Real estate, development/ tourist services	27.20%	Greece
11.	Sciens International Investments & Holding S.A.	Holding Company	29.80%	Greece
12.	Ekathariseis Aktoploias S.A.	Ticket Settlements	49.00%	Greece
13.	Proton Bank S.A.	Banking Activities	31.31%	Greece
14.	Euroterra S.A.	Property Management	29.22%	Greece
15.	Rebikat S.A.	Property Management	30.00%	Greece
16.	Abies S.A.	Property Management	30.00%	Greece

The movement for investments in subsidiaries is analysed as follows:

	31 December 2008	31 December 2007
Opening Balance	1,694,919	1,027,930
Additions	16,228	98,121
Reduction of Share Capital	(15,565)	-
Participation in share capital increases of subsidiaries	214,225	569,498
Absorption of company	(1,715)	-
Disposals	(5,352)	(1,939)
Transfers to associates	(36,169)	-
Impairment charge (note 11)	(44,710)	(553)
Foreign exchange differences	-	1,863
Reduction of Cost of Subsidiaries	(6,472)	-
Closing balance	**1,815,390**	**1,694,919**

As at 05/11/2008 the Bank has acquired 31.31% of Proton Bank S.A., for amount of € 24.7 million, amount included in the participation in share capital increases of associates. The above mentionned acquisition was performed through exchange of 19,629,247 shares of Proton Bank with 2,379,303 treasury shares of Piraeus Bank.

The movement for investments in associates is analysed as follows:

	31 December 2008	31 December 2007
Opening Balance	105,011	13,976
Additions	24,777	73,758
Participation in share capital increases of associates	6,513	-
Transfers from subsidiaries	36,169	-
Transfers from the available for sale portfolio (note 22)	15,250	14,358
Disposals	-	(2,761)
Derecognition/ Recognition of loans according to IAS 39	8,135	(6,300)
Transfers to available for sale portfolio (note 22)	(14,358)	(7,255)
Transfers from trading portfolio due to gain of significant influence	-	19,235
Closing balance	**181,497**	**105,011**

Amounts in thousand euros (Unless otherwise stated)

25 Intangible assets

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

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

2008	Software	Other intangible	Total
Cost			
At 1 January 2008	73,268	1,643	74,911
Additions	17,998	-	17,998
Transfers	2,932	1,884	4,816
At 31 December 2008	**94,197**	**3,527**	**97,724**

Accumulated depreciation at 1st January 2008	Software	Other intangible	Total
Opening balance	(52,135)	(1,576)	(53,711)
Charge for the year	(5,915)	(305)	(6,219)
Accumulated depreciation at 31 December 2008	**(58,050)**	**(1,881)**	**(59,930)**
Net book value at 31 December 2008	**36,147**	**1,647**	**37,794**

During the year 2008, the Bank, according to IAS 38, re-estimated the useful life of selected intangible assets, in order for the depreciation charges of these assets to follow timely ,in a more appropriate way the benefits from their use. If the Bank had not proceeded to the abovementionned changes, the increase of the depreciation charges of intangible assets for the year 2008, would be € 5.3 million.

26 Property, plant and equipment

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

2008	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
Cost						
As at 1 January 2008	75,045	190,000	36,560	6,429	155,847	463,881
Additions	1,307	19,142	43,939	284	25,398	90,069
Transfers	381	2,342	(16,377)	-	11,838	(1,816)
Disposals	-	(48)	-	(5)	(504)	(558)
Write - offs/ impairment	-	-	(777)	-	-	(777)
As at 31 December 2008	**76,733**	**211,435**	**63,345**	**6,707**	**192,579**	**550,799**

Amounts in thousand euros (Unless otherwise stated)

	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
Accumulated depreciation as at 1st January 2008						
Opening balance	(5,106)	(138,408)	-	(5,827)	(61,543)	(210,884)
Charge for the year	(1,933)	(13,221)	-	(104)	(7,774)	(23,032)
Disposals	-	23	-	5	353	382
Accumulated depreciation as at 31 December 2008	**(7,039)**	**(151,606)**	**0**	**(5,925)**	**(68,963)**	**(233,534)**
Net book value as at 31 December 2008	**69,693**	**59,829**	**63,345**	**782**	**123,615**	**317,265**

During the year 2008, the Bank, according to IAS 16, re-estimated the the useful life and the residual values for some categories of tangible fixed assets, in order for the depreciation charges of these assets to follow timely ,in a more appropriate way the benefits from their use. If the Bank had not proceeded to the abovementionned changes, the increase of the depreciation charges of tangible fixed assets for the year 2008, would be € 9.5 million.

27 Investment property

	31 December 2008	31 December 2007
Opening balance	39,562	17,384
Additions	1,723	27,027
Revaluation	8,597	14,925
Transfers	2,608	(9,295)
Disposals	(9,815)	(10,479)
Closing balance	**42,675**	**39,562**

Investment property rental income for the year 2008 is € 1,916 thousand (2007: € 1,294 thousand).

The total transfers during the year 2008, amount € 2,608 thousand was transferred to "Investment property" from "Inventories property".

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.

28 Other assets

	31 December 2008	31 December 2007
Inventory property	72,577	51,734
	72,577	**51,734**
Prepaid expenses and accrued income	183,792	225,527
Prepaid taxes & taxes withheld	133,761	72,137
Claims from tax authorities and the Greek State	90,293	26,186
Dividends receivable	5,959	2,552
Credit cards	73,503	69,236
Shares transactions	2,918	6,687
Receivables from subsidiaries	73,339	33,605
Receivables from third parties	1,569	49,687
Other items	166,062	191,118
	731,196	**676,735**
Inventory property and other assets	**803,773**	**728,468**
Current other assets	643,414	583,566
Non current other assets	160,360	144,902
	803,773	**728,468**

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

29 Due to Banks

	31 December 2008	31 December 2007
Due to the Central Bank	8,850,567	1,400,464
Deposits from other banks	3,022,780	5,667,850
Repurchase agreement - credit institutions	1,187,700	1,377,621
Other obligations to banks	1,384,485	2,258,909
	14,445,532	**10,704,842**
Current due to banks	13,895,532	10,202,910
Non current due to banks	550,000	501,932
	14,445,532	**10,704,842**

Balances due to banks bear floating rates.

Other obligations to Banks include the balance of the Schuldschein loan. The outstanding balance of the Schuldschein as at 31/12/2008 amounts to € 950 million against € 500 million as at 31/12/2007.

Amounts in thousand euros (Unless otherwise stated)

30 Due to customers

	31 December 2008	31 December 2007
Current and sight deposits	3,742,031	4,009,760
Savings account	3,095,277	3,347,160
Term deposits	16,583,320	10,599,282
Other accounts	155,954	203,726
Repurchase agreements	533,005	870,093
	24,109,587	**19,030,022**
Current due to customers	24,032,719	18,990,363
Non current due to customers	76,868	39,659
	24,109,587	**19,030,022**

Due to customers include blocked deposits of € 49 million (2007: 56 million). Other accounts include cheques payable of € 79 million (2007: € 110 million).

Customer deposits (corporate and retail) with floating rates are € 6,914 million (2007: € 7,451 million) and with fixed rate are € 16,583 million (2007: € 10,599 million).

The additional capital amount for deposits guarantee which has been paid by the Bank to the Hellenic Deposit Guarantee and Investment Fund (TEKE), in December 2008, due to law 3476/ 2009 has not been recognised as an asset, but was offset by the respective sight deposit account.

31 Debt securities in issue

	Currency	Average interest rate (%) 2008	Average interest rate (%) 2007	31 December 2008	31 December 2007
ETBA bonds	EUR	4.70%	3.30%	2,603,581	793,972
Euro Commercial Paper	EUR	4.84%	4.20%	455,647	2,559,822
	USD	3.84%	5.40%	41,741	206,206
	GBP	5.85%	5.75%	15,698	50,257
	CHF	3.15%	2.64%	-	20,788
	JPY	1.17%	1.00%	-	68,418
				513,086	**2,905,491**

Euro Medium Term Note	**Interest rate (%)**	**31 December 2008**	**31 December 2007**
€ 32.5 m. floating rate notes due 2010	Variable	705	738
€ 21.65 m. floating rate notes due 2010	Variable	430	1,350
€ 500 m. floating rate notes due 2010	Euribor + 0.30	492,560	488,811
€ 2.15 m. floating rate notes due 2008	Variable	-	2,150
€ 3.43 m. floating rate notes due 2009	Variable	390	3,025
USD 15 m. floating rate notes due 2009	Libor + 0.10	7,263	8,458
USD 20 m. floating rate notes due 2009	Libor + 0.20	1,748	9,659
USD 15 m. floating rate notes due 2008	Libor + 0.05	-	8,937
€ 500 m. floating rate notes due 2009	Euribor + 0.20	497,269	491,928
€ 25 m. floating rate notes due 2008	Euribor + 0.15	-	24,995
€ 60 m. floating rate notes due 2015	Variable	60,000	59,965
€ 20 m. floating rate notes due 2008	Euribor + 0.10	-	12,892
€ 10 m. floating rate notes due 2013	Euribor + 0.30	9,987	9,987
€ 500 m. floating rate notes due 2011	Euribor + 0.25	487,898	454,877
€ 20 m. floating rate notes due 2008	Euribor + 0.05	-	11,024
€ 5.05 m. floating rate notes due 2011	Variable	4,750	5,050
€ 50 m. floating rate notes due 2010	Euribor + 0.225	50,000	50,000
€ 750 m. floating rate notes due 2010	Euribor + 0.20	706,700	711,389
€ 53 m. floating rate notes due 2008	Euribor + 0.08	-	53,000
€ 60 m. floating rate notes due 2008	Euribor + 0.05	-	60,000
€ 20 m. floating rate notes due 2012	Euribor + 0.20	19,964	19,964
€ 30 m. floating rate notes due 2008	Euribor + 0.05	-	29,979
€ 20 m. floating rate notes due 2008	Euribor + 0.05	-	19,982
€ 20 m. floating rate notes due 2008	Euribor + 0.05	-	19,982
€ 20 m. floating rate notes due 2008	Euribor + 0.05	-	19,982
€ 10 m. fixed rate notes due 2009	Fixed	-	10,000
€ 10 m. fixed rate notes due 2009	Fixed	-	10,000
€ 45 m. fixed/ floating rate notes due 2009	Fixed/ Euribor + 0.25	-	-
€ 45 m. fixed/ floating rate notes due 2009	Fixed/ Euribor + 0.25	45,000	-
€ 40 m. fixed/ floating rate notes due 2009	Fixed/ Euribor + 0.28	-	-
€ 10 m. fixed/ floating rate notes due 2010	Fixed/ Euribor + 0.35	3,412	-
Accrued interest and other expenses		7,822	10,947
		2,395,898	**2,609,071**

Amounts in thousand euros (Unless otherwise stated)

Securitisation of mortgage loans	Interest rate (%)	31 December 2008	31 December 2007
€ 750 m. floating rate notes due 2040	Euribor + 0.18	330,781	423,146
€ 1,250 m. floating rate notes due 2054	Euribor + 0.18	935,605	976,252
€ 800 m. floating rate notes due 2055	Euribor + 0.45	-	-
		1,266,386	**1,399,398**
Securitisation of corporate loans			
€ 1,750 m. floating rate notes due 2035	Euribor + 0.45	-	-
		0	**0**
Total debt securities in issue		**6,778,951**	**7,707,932**
Current debt securities in issue		4,120,142	3,529,560
Non current debt securities in issue		2,658,809	4,178,372
		6,778,951	**7,707,932**

Issuance under the Euro Commercial Paper and Euro Medium Term Note programs is undertaken through Piraeus Group Finance PLC, a subsidiary of Piraeus Bank Group. Euro Commercial Paper (ECP) issuance during the year 2008, averaged about in the amount of € 2.5 billion. It is noted that the EMTN issues of € 45 million and € 40 million, due on 2009, which on the above table are presented with nil balances are a 100% owned by the Bank, as at 31/12/2008.

Piraeus Bank undertook its first Residential Mortgage Backed Securitisation (RMBS) transaction called ESTIA I in 2005. ESTIA I had an outstanding value of € 750 million at issue and was undertaken through the UK-based special purpose vehicle Estia Mortgage Finance PLC. The bonds are callable by the issuer after 9 years and have an average cost of 3 month Euribor plus 18 basis points.

The second RMBS transaction, ESTIA II, was undertaken through the UK-based special purpose vehicle Estia Mortgage Finance II PLC on July, 2007. The € 1.25 billion bonds are callable by the issuer after 7 years and have an average cost of 3 month Euribor plus by 18 basis points.

The third RMBS transaction called ESTIA III was completed through the UK-based special purpose vehicle Estia Mortgage Finance III PLC on April, 2008. The € 800 million bonds are callable by the issuer after 7 years and have an average cost of 3 month Euribor plus by 45 basis points. This issue has been retained by Piraeus Bank and can be used for refinancing from the E.C.B.

The first SME Loan Backed Transaction, AXIA I was completed through the UK-based special purpose vehicle Axia Finance PLC in November 2008. The € 1,750 million bonds have an average cost of 3 month Euribor plus 45 basis points. This issue has been retained by Piraeus Bank and can be used for refinancing from the E.C.B.

32 Hybrid capital and other borrowed funds

Hybrid Capital (Tier I)	Interest rate (%)	31 December 2008	31 December 2007
€ 200 m. floating rate notes	Euribor + 1.25	199,191	191,632
Accrued interest and other expenses		2,253	1,774
		201,444	**193,406**
Subordinated debt (Tier II)			
€ 400 m. floating rate notes due 2014	Euribor + 0.60	379,493	393,159
€ 400 m. floating rate notes due 2016	Euribor + 0.55	378,335	395,651
Accrued interest and other expenses		4,473	2,925
		762,301	**791,735**
Total hybrid capital and other borrowed funds		**963,745**	**985,141**

Tier I hybrid capital has beed issued by Piraeus Group Capital LTD in October 2004. These securities are callable by the issuer after 10 years and bear a nominal coupon of 3 month Euribor plus 125 basis points.

Lower Tier II subordinated debt was issued by Piraeus Group Finance PLC via the EMTN program. On 29/9/2004, an amount of € 400 million was issued, with a 10 year maturity, which is callable by the issuer after 5 years and bears a 3 month Euribor nominal coupon plus 60 basis points. On 20/7/2006, an amount of € 400 million was issued, with a 10 year maturity, which is callable after 5 years and bears a 3 month Euribor nominal coupon plus 55 basis points.

Accrued interest on hybrid capital and other borrowed funds is included in the respective amounts of hybrid capital and other borrowed funds. The Bank is not in default of any payments of principal, interest or redemption amounts of the aforementioned hybrid capital and other borrowed funds. The balance of hybrid capital and other borrowed funds on 31/12/2008 (€ 963.7 million) reflects non-current maturity, i.e. beyond one year.

Amounts in thousand euros (Unless otherwise stated)

33 Other liabilities

	31 December 2008	31 December 2007
Prepaid income and accrued expenses	230,136	243,582
Witheld tax and contributions	57,983	30,004
Transactions with Interbank Systems (DIAS)	189,960	210,852
Creditors	43,565	53,998
Other liability accounts	111,881	54,296
	633,526	**592,732**
Current other liabilities	633,526	592,732
Non current other liabilities	-	-
	633,526	**592,732**

Other liability accounts include credit balances that result from the daily transactions of the Bank. As at 31/12/2008 and 31/12/2007, there are no obligations arising from finance leasing.

34 Other provisions

	31 December 2008	31 December 2007
Opening balance	10,360	16,481
Opening balance due to mergers	305	-
Transfers of provisions for tax differences to current income tax liabilities	-	(6,121)
Closing balance	**10,665**	**10,360**

35 Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using the effective for Piraeus Bank nominal tax rate. The deferred income tax of 2008 was calculated after taking into consideration the legally approved forecoming reduction of nominal tax rates. For the year 2007, deferred income taxes were calculated using the effective for Piraeus Bank nominal tax rate of 2007.

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

Deferred tax liabilities	31 December 2008	31 December 2007
Adjustment for depreciation of property, plant and equipment	2,913	2,367
Derivative financial instruments valuation	-	15,115
Other loans' receivables	10,206	1,781
Securities valuation	9,755	29,126
Recognition of commision according to effective interest rate calculation	-	1,481
Valuation of investment property	5,755	4,207
Intangible assets	14,290	6,540
Other deferred tax liabilities	7,268	590
	50,187	**61,207**

Deferred tax assets	31 December 2008	31 December 2007
Pensions and other post retirement benefits	33,903	34,648
Intangible assets derecognition	911	1,045
Derivative financial instruments valuation	20,625	17,186
Securities valuation	132,684	48,256
Impairment of loans	20,529	-
Recognition of commision according to effective interest rate calculation	8,286	10,449
Other deferred tax assets	-	1,449
	216,939	**113,033**
Net deferred tax asset	**166,752**	**51,826**

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

	2008	2007
Net deferred tax asset as at 1 January	**51,826**	**37,666**
Effect of deferred tax in profit or loss	72,810	(15,384)
Sale/ valuation of the available for sale portfolio securities	42,115	29,544
Net deferred tax asset as at 31 December	**166,751**	**51,826**

Amounts in thousand euros (Unless otherwise stated)

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

Deferred tax (Income Statement)	1/1-31/12/2008	1/1-31/12/2007
Pensions and other post retirement benefits	(745)	(3,525)
Impairment of loans	20,529	-
Other loans' receivables	(8,425)	(1,781)
Recognition of commision according to effective interest rate calculation	(682)	621
Derivative financial instruments valuation	18,555	1,184
Adjustment of depreciation of property, plant and equipment	(546)	(617)
Valuation of investment property	(1,547)	(3,191)
Intangible assets	(7,884)	(6,871)
Impairment of securities	-	(13,619)
Securities valuation	61,684	13,645
Other deferred tax charges	(8,129)	(1,230)
	72,810	**(15,384)**

During the year 2008, deferred tax of amount € 42,115 thousand relating to sales and valuation of the available for sale securities did not affect the profit and loss for the year, but instead increased the available for sale reserve (note 39) according to the relevant IFRS requirements.

36 Retirement benefit obligations

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

An actuarial study has been carried out as at 31/12/2008. The estimation of the liability at this date is based on the results of this study and is as follows:

Amounts recognised in the balance sheet	31 December 2008	31 December 2007
Pension schemes-funded	66,772	68,615
Other post retirement benefits - not funded	106,006	92,391
	172,778	**161,006**
Provision for outstanding annual leaves	284	1,187
Provisions due to mergers	159	-
Total obligation	**173,221**	**162,193**

Income statement	1/1-31/12/2008	1/1-31/12/2007
Pension schemes-funded	(7,133)	(7,151)
Other post retirement benefits - not funded	(21,686)	(24,591)
Cost of benefits due to mergers	(29)	-
	(28,847)	**(31,742)**

A) Pension schemes - funded

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

	31 December 2008	31 December 2007
Present value of funded obligations	88,903	88,095
Fair value of plan assets	(15,411)	(13,763)
	73,492	**74,332**
Unrecognised actuarial (losses)/ gains	(6,720)	(5,717)
Liability in the balance sheet	**66,772**	**68,615**

The Bank made use of the provisions of 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 amounts to € 59.6 million (€ 9.7 million shall be paid to ETEAM and € 49.9 million shall be paid to ETAT). Such cost was specified on the basis of a special financial study stipulated by law, was ratified by the Parliament with Law 3455/2006, article 26, and was published in the Official Gazette 84, bulletin A (18/4/2006). This amount shall be paid in 10 equal instalments of € 7.1 million each. Out of these instalments, the 4 instalments of total amount € 28.4 million were paid until 31/12/2008. Although TEAPETE is no longer among funded benefits, it is featured as part of funded benefits on 31/12/2008 and on 31/12/2007.

The amounts recognised in the income statement are as follows:

Pension schemes - Income statement	1/1-31/12/2008	1/1-31/12/2007
Current service cost	(3,464)	(3,696)
Interest cost	(4,186)	(3,784)
Expected return on plan assets	570	459
Net actuarial gains/ (losses) recognised in year	424	25
Past- Services Cost	(476)	-
Additional gains/ (cost)	-	(155)
Total, included in staff costs	**(7,133)**	**(7,151)**

Amounts in thousand euros (Unless otherwise stated)

The movement in the defined benefit obligation for the year 2008 is analysed as follows:

	31 December 2008	31 December 2007
Beginning of year	**88,095**	**91,441**
Current service cost	3,464	3,696
Interest cost	4,186	3,784
Contributions by plan participants	1,527	1,366
Benefits paid from the fund	(2,108)	(1,543)
Benefits paid directly by the employer	(7,134)	(7,124)
Expenses	(58)	(49)
Additional (gains)/ cost	-	(1)
Past- Services Cost	476	-
Net actuarial (gains)/ losses recognised in year	454	(3,475)
End of year	**88,903**	**88,095**

The movement in the fair value of plan assets of the years 2008 and 2007 is analysed as follows:

	2008	2007
Opening balance	**13,763**	**12,061**
Expected return on plan assets	570	459
Employer contributions	1,842	1,638
Employee contributions	1,527	1,366
Benefits paid	(2,108)	(1,543)
Expenses	(58)	(49)
Assets gains/ (losses)	(125)	(169)
End of year	**15,410**	**13,763**

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

	31 December 2008	31 December 2007
Opening balance	**68,615**	**70,226**
Movement for the year	7,133	7,151
Contributions paid by the employer	(1,842)	(1,638)
Benefits paid directly by the employer	(7,134)	(7,124)
Closing balance	**66,772**	**68,615**

B) Other post retirement benefits - not funded

The amounts recognised in the balance sheet are as follows:

	31 December 2008	31 December 2007
Present value of unfunded obligations	160,265	128,965
Unrecognised actuarial (losses)/ gains	(7,765)	(3,928)
Unrecognized past service cost	(46,494)	(32,646)
Liability in the balance sheet	**106,006**	**92,391**

The movement in the defined benefit obligation for the years 2008 and 2007 is analysed as follows:

	31 December 2008	31 December 2007
Opening balance	**128,965**	**91,819**
Current service cost	9,282	8,902
Interest cost	5,691	4,475
Benefits paid by the employer	(8,071)	(8,834)
Additional (gains)/ cost	(3,916)	(634)
Past service cost	23,731	41,554
Actuarial (gains)/ losses recognised in year	4,583	(8,317)
Closing balance	**160,265**	**128,965**

The amounts recognised in the income statements of 2008 and 2007 are as follows:

Income statement	**1/1-31/12/2008**	**1/1-31/12/2007**
Current service cost	(9,282)	(8,902)
Interest cost	(5,691)	(4,475)
Net actuarial gains/ (losses) recognised in year	(64)	(765)
Past service cost recognized	(9,882)	(10,831)
Additional gains/ (cost)	3,234	382
Total included in staff costs	**(21,686)**	**(24,591)**

Amounts in thousand euros (Unless otherwise stated)

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

	1/1-31/12/2008	1/1-31/12/2007
Opening balance	**92,391**	**76,634**
Movement for the year	21,686	24,591
Benefits paid by the employer	(8,071)	(8,834)
Closing balance	**106,006**	**92,391**

The main actuarial assumptions used for the funded and not funded benefits are as follows:

	31 December 2008	31 December 2007
Discount rate	5.60%	5.50%
Expected return on plan assets	4.50%	4.50%
Future increase of salaries	4.00%	4.00%
Future increase of pensions	2.50%	2.50%

37 Contingent liabilities and commitments

A) Legal procedures

The legal proceedings outstanding against the Bank as at 31/12/2008, are not expected to have any significant impact on the financial statements of the Bank, according to the opinion of the legal affairs division of the Bank.

B) Credit commitments

As at 31/12/2008 the Bank had the following capital commitments:

	31 December 2008	31 December 2007
Letters of guarantee	2,917,096	2,317,635
Letters of credit	143,729	171,176
Commitments to extent credit	13,369,023	12,365,397
	16,429,848	**14,854,208**

C) Assets pledged

	31 December 2008	31 December 2007
Trading securities	1,054,675	3,056,772
Investment securities	3,677,779	-
Loans and advances to customers	865,000	-
Debt securities - receivables	450,000	-
	6,047,455	**3,056,772**

D) Operating lease commitments

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

	31 December 2008	31 December 2007
Up to 1 year	49,098	46,852
From 1 to 5 years	215,807	197,710
More than 5 years	467,409	411,580
	732,314	**656,142**

38 Share capital

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

Amounts in thousand euros (Unless otherwise stated)

	Ordinary shares	Share premium	Treasury shares	Total
At 1 January 2008	**1,617,977**	**1,099,903**	**(250,860)**	**2,467,020**
Cancelation of threasury shares	(49,644)	(184,526)	234,170	0
Issue of share capital by reinvestment of dividend	3,589	12,398	-	15,987
Purchases of treasury shares	-	-	(188,745)	(188,745)
Sales of treasury shares (note 24)	-	-	38,116	38,116
At 31 December 2008	**1,571,923**	**927,775**	**(167,319)**	**2,332,378**

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

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

	Number of shares		
	Issued shares	**Treasury shares**	**Net number of shares**
Opening balance at 1st January 2008	**339,198,587**	**(11,081,930)**	**328,116,657**
Cancelation of threasury shares	(10,407,537)	10,407,537	0
Issue of share capital by reinvestment of dividend	752,478	-	752,478
Purchases of treasury shares	-	(14,228,664)	(14,228,664)
Sales of treasury shares (note 24)	-	2,379,303	2,379,303
Balance at 31st December 2008	**329,543,528**	**(12,523,754)**	**317,019,774**

Piraeus Bank's registered shares are at a nominal value of € 4.77 each.The share capital is fully paid-in.

During the Annual General Meeting of shareholders of the Bank at 3/4/2008 it was decided, according to the article 16 of codified Law 2190/1920, the purchase of treasury shares through the Athens Stock Exchange up to a maximum number of 33,000,000 treasury shares, which is less than 10% of the Bank's total number of issued shares, including the shares that have already been acquired and held by the Bank. The minimum and maximum purchase price for the shares is between € 4 and € 40. The purchases of the treasury shares must be completed within twenty four months from the General Meeting resolution, that is the latest by 3/4/2010 and the treasury shares acquired may be distributed to the staff of the Bank or the staff of any affiliated company.

The 2nd Iterative Ordinary General Meeting of Piraeus Bank's shareholders, held on the 7/5/2008, resolved on the decrease of the Bank's share capital by € 49,643,951.49 by cancellation of 10,407,537 treasury shares, in order to fulfill the obligation undertaken in the Prospectus for the Bank's share capital increase dated 6/7/2007. Following the decrease, the share capital of the Bank amounted to € 1,568,333,308.50, dIvided into 328,791,050 shares of nominal value € 4.77 each.

In addition, the same General Meeting resolved on the increase of the Bank's share capital up to the amount of € 26,378,367.12 by issuing up to 5,530,056 new ordinary registered shares. The share capital increase was effected by cash contribution and provided the shareholders the option of reinvesting the dividend of the fiscal year 2007 (that remains following the deduction of the already paid interim dividend) that is € 0.36 per share. The new shares were issued at € 21.36 per share. The total reinvested dividend amounted to € 16,072,930.08. Consequently, the Bank's share capital increased by € 3,589,320.06, by issuing 752,478 new shares of nominal value of € 4.77 per share. The additional paid-in value of the shares amounting to € 12,483,610.02 minus the relevant share capital increase expenses, was credited to the share premium account.

Following all the above corporate acts, the Bank's share capital currently amounts to € 1,571,922,628.56, divided into 329,543,528 ordinary registered shares.

Share option plans

The 2nd Iterative Ordinary General Meeting at 7/5/2008 decided on the authorization of the Board of Directors, according to the article 13 par. 14 of codified Law 2190/1920, valid for a year, to establish a five-year stock option plan for the management and personnel of the Bank and its affiliated companies (as they are defined in article 42e of codified Law 2190/1920) through a stock option plan. The stock option plan enables the issue of new shares up to a total number of 5,000,000 shares (from which 1/5 will be vested each year). The stock option plan enables, additionally or alternatively, the allocation of existing treasury shares or shares acquired to that end. The minimum offering price of these shares shall be € 21.36 per share. Until 31/12/2008 the Board of Directors has not proceeded to a relative decision and as a result the share option plan is not yet effective.

2nd share option plan

In the context of the above share option plan which has been implemented since 2005, an issue up to 2,000,000 new ordinary registered shares has been allowed. On the 30th of November of each year, 1/4 of the total number of granted share options vested and each holder was able to exercise in total or in part the vested share options, beginning from December 2006, provided that the percentage increase of the share price of the Bank for the period January 1st - November 30th for each of the years of the stock option plan is not lower than the percentage increase of the Athens Stock Exchange Bank Index for the equivalent period. The excercise price was € 12.20 per share. Share options obtained but not exercised in a previous year would be exercisable in a following year along with the share options vested at that time, until the expiry date of the plan in December 2008.

Amounts in thousand euros (Unless otherwise stated)

In year 2006, it was decided a) the total number of shares issued according to the above mentioned share option plan increased from 2,000,000 to 2,500,000 so that their percentage over the Bank's total shares remains stable following the adjustment of the percentage due to the resolved share capital increase by the same General Meeting of 15/5/2006 with the distribution of 1 for every 4 existing shares and b) the corresponding adjustment of the exercise price for each share from € 12.20 to € 9.76. It is noted that the average fair value of each share option was initially calculated at € 2.90.

On 1/10/2008, the share option holders of 456,108 rights of the 2nd share option plan renounced their exercise rights. The fair value of options rights, at the resignation date, has been determined using the Black-Scholes valuation model as on that date. Moreover, the remaining 267,346 non granted rights matured without being vested on 30/11/2008, the expiry date of the scheme.

On 1/10/2008, because of the above mentionned modification of the share option scheme, the relevant expense has been recognised in the Bank's income statement and a respective increase of the reserve for stock option plans has been performed.

The fair value of each option as of 1/10/2008 according to the valuation model was determined at € 4.80. The significant model inputs are: share price as of 1/10/2008 (€ 14.40), exercise price (€ 9.76), discount interest rate (5.114%) and volatility of the share price (62.284%). The total amount conserning resignation of options rights up to the level of the initial fair value was released by the reduction of the accumulated reserve.

3rd share option plan

The above share option plan has been implemented since 2006 and will expire in December 2010. In accordance with that plan up to 4,028,820 new shares can be issued at the exercise price of € 17.25. Each year on the 30th of November, 1/5 of the total number of granted share options mature and are exercisable for each option holder. Granted but not exercised rights during a previous year may be exercised in a following year along with the rights which expire at that date, while ultimate expiry date of the stock option plan is on December 2010. The average fair value of each option was initially calculated at € 3.31.

On 1/10/2008, the share option holders of 2,671,680 rights of the 3rd share option plan renounced their exercise rights. The fair value of options rights, at the resignation date, has been determined using the Black-Scholes valuation model as on that date. Moreover, the remaining 71,900 granted rights are exercisable until the ultimate expiry date of the scheme. During 2008, no rights were exercised.

On 1/10/2008, because of the above mentionned modification of the share option scheme, the relevant expense has been recognised in the Bank's income statement and a respective increase of the reserve for stock option plans has been performed.

The fair value of options as of 1/10/2008 according to the valuation model was determined at € 2.31. The significant model inputs are: share price as of 1/10/2008 (€ 14.40), exercise price (€ 17.25), dividend yield (5.152%), discount interest rate (4.586%) and volatility of the share price (41.30%). Due to the fact that the respective value is lower than the initial fair value of the share options, according to the valuation of 1/10/2008 the total amount which relates to resignations has been released by the reduction of the accumulated reserve.

39 Other reserves and retained earnings

	31 December 2008	31 December 2007
Legal reserve	57,038	51,263
Available for sale reserve	(149,715)	14,145
Other reserves	1,104	5,800
Retained earnings	383,022	406,057
Total other reserves and retained earnings	**291,449**	**477,265**

Movements in reserves for the year were as follows:

Legal reserve	31 December 2008	31 December 2007
Opening balance for the year	51,263	30,103
Transfer from retained earnings	5,657	21,160
Absorption of companies and other movements	118	-
Closing balance for the year	**57,038**	**51,263**

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

Available for sale reserve	31 December 2008	31 December 2007
Opening balance for the year	14,145	111,029
Gains/ (losses) from the valuation of available for sale bonds (note 22)	(45,305)	(8,162)
Gains/ (losses) from the valuation of available for sale shares and mutual funds (note 22)	(152,285)	41,627
Deferred income tax (note 35)	42,115	29,544
Recycling of the accumulated fair value adjustment of disposed available for sale securities (note 11)	512	(161,805)
Foreign exchange differences and other adjustments	(8,897)	1,912
Closing balance for the year	**(149,715)**	**14,145**

Amounts in thousand euros (Unless otherwise stated)

Retained earnings	**31 December 2008**	**31 December 2007**
Opening balance for the year	406,057	204,154
Profit after tax for the year	113,148	423,191
Transfer to legal reserve	(5,657)	(21,160)
Dividend for prior year	(118,122)	(86,462)
Interim dividend	-	(117,598)
Profit/ (losses) from sales of treasury shares	(13,431)	2,973
Mergers and other movements	1,027	958
Closing balance for the year	**383,021**	**406,057**

During the Annual General Meeting of shareholders of Piraeus Bank which was held on April 3, 2008, it was decided among other € 0.72 dividend per share for the year 2007 (the interim dividend mentioned below is included). Out of the total amount of dividend per share (€ 0.72), an interim dividend of € 0.36 per share was paid in December 2007.

40 Dividend per share

In accordance with the provisions of article 16, paragraph 8b and of article 45, paragraphs 1 and 2 of Cod. Law 2190/1920 in conjunction with the provisions of article 1, paragraph 3 of Law 3723/2008, the dividend to be distributed may not exceed the maximum amount determined by the provisions of Development Law 148/1967, which is namely 35% of the distributable profits of the fiscal year 2008. Moreover, pursuant to the Bill no. 522/25-2-2009 on “amendments to Law on Dematerialised Securities System, on the Capital Market, taxation issues and other provisions”, tabled by the Ministry of Economy and Finance, in the event of distribution of dividends for the fiscal year 2008, such distribution must be exclusively in the form of shares.

41 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 2008	**31 December 2007**
Cash and balances with Central Banks (Note 17)	2,486,574	2,064,982
Loans and advances to credit institutions (Note 18)	3,955,720	2,940,047
Financial assets at fair value through profit or loss (Note 20)	0	349,523
	6,442,294	**5,354,552**

42 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 2008	**31 December 2007**
Loans	231,659	173,664
Deposits	130,085	28,169

Letters of guarantee and letters of credit to the members of the board of directors and to the key management personnel as at 31/12/2008 are € 1.7 million (2007: € 11 million). Letters of guarantee to subsidiaries as at 31/12/2008 are € 93.2 million (2007: € 93.9 million). The total income on loans to members of the board of directors and the key management personnel for the year 2008 is € 11.2 million (2007: € 5.8 million).The total expense on deposits of the prementioned related parties for the year 2008 is € 1.8 million (2007: € 0.9 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.

Director's remuneration

	31 December 2008	**31 December 2007**
Salaries and other remuneration	12,062	19,104
Termination benefits	3,464	4,354
	15,526	**23,458**

The total cost for the share options granted to members of the Board of Directors and key management personnel is € 2.5 million (2007: € 3 million) (note 13). The total amount of provisions raised for Board of Directors members and key management personnel is € 36.8 million as at 31/12/2008 (2007: € 32.7 million). This amount has been included in retirement benefit obligation (note 36).

Amounts in thousand euros (Unless otherwise stated)

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

I. Subsidiaries	**31 December 2008**	**31 December 2007**
Assets		
Cash and Balances with Central Bank	8,408	1,012
Loans and advances to credit institutions	2,475,348	1,903,584
Loans and advances to customers	2,802,362	2,357,742
Other assets	76,990	41,587
Total	**5,363,109**	**4,303,924**

Liabilities	**31 December 2008**	**31 December 2007**
Due to credit institutions	653,122	313,772
Due to customers	324,195	312,668
Debt securities in issue	4,191,406	6,915,125
Hybrid capital and other borrowed funds	964,564	990,548
Other liabilities	23,782	29,292
Total	**6,157,070**	**8,561,405**

Revenues	**31 December 2008**	**31 December 2007**
Interest and similar income	302,440	143,370
Fee and commission income	13,356	22,761
Other operating income	1,588	1,728
Total	**317,384**	**167,859**

Expenses	**31 December 2008**	**31 December 2007**
Interest expense and similar charges	(383,920)	(330,147)
Fee and commission expense	(27,820)	(24,974)
Administrative expenses	(43,620)	(44,633)
Total	**(455,360)**	**(399,754)**

II. Associates

	31 December 2008	**31 December 2007**
Deposits	116,477	41,947
Loans and advances to customers and credit institutions	400,367	301
Interest/ expense	(3,849)	(1,075)
Interest/ income	4,855	16

43 Post Balance Sheet events

The Extraordinary General Meeting of Piraeus Bank's Shareholders which was held on 23/1/2009 approved the share capital increase by € 370,000,000, with the issuance of 77,568,134 preferred shares of a nominal value of € 4.77 each and cancellation of the preemptive right of existing shareholders in favor of the Greek State in accordance with the provisions of law 3723/2008 "providing enhanced liquidity to the economy to address the consequences of the international financial crisis".

On 3/2/2009 Moody's international credit rating agency downgraded Piraeus Bank's long term credit rating to A2 from A1, with negative outlook.

Athens, March 12th, 2009

CHAIRMAN OF THE BOARD OF DIRECTORS and CHIEF EXECUTIVE OFFICER	VICE-CHAIRMAN OF THE BOARD OF DIRECTORS and DEPUTY C.E.O.	GENERAL MANAGER	DEPUTY GENERAL MANAGER
MICHAEL G. SALLAS	THEODOROS N. PANTALAKIS	DIMITRIOS D. PAPADIMITRIOU	CONSTANTINOS I. LIAPIS

[Translation from the original text in Greek]

Independent Auditor's Report
To the Shareholders of Piraeus Bank S.A.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Piraeus Bank S.A. (the "Bank") and its subsidiaries (the "Group") which comprise the consolidated balance sheet as of 31 December 2008 and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2008, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Reference to Other Legal Matters

We verified the agreement and correspondence of the content of the Board of Directors' report with the accompanying financial statements, in the context of the requirements of articles 43a, 107 and 37 of Law 2190/1920.

PRICEWATERHOUSECOOPERS

Athens, 12 March 2009
The Certified Auditors - Accountants

PricewaterhouseCoopers
Certified Auditors – Accountants
268 Kifissias Avenue, Halandri 152 32
SOEL Reg. No. 113

Vassilios Goutis
SOEL Reg. No 10411

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

PIRAEUS BANK S.A.

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, 2008

(Published according to Codified Law 2190/20, art. 135 for companies preparing annual financial statements, consolidated or not, according to the 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 2008 is posted, as well as the auditor's report.

COMPANY'S PROFILE

Responsible Authority:	Ministry of Development
Company's web side:	www.piraeusbank.gr
Date of Approval of Financial Statements:	March 12th, 2009
The Certified Auditor:	Vassilios C. Goutis
Auditing Company:	PricewaterhouseCoopers S.A.
Type of Review Report:	Non qualified

BOARD OF DIRECTORS COMPOSITION

Michael G. Sallas	Chairman and Chief Executive Officer
Theodoros N. Pantalakis	Vice-Chairman and Deputy C.E.O
Alexander S. Manos	Managing Director
Stavros M. Lekkakos	Managing Director
Christodoulos G. Antoniadis	Deputy Managing Director
Ilias D. Milis	Deputy Managing Director
Spiridonas A. Papaspirou	Deputy Managing Director
Konstantinos P. Aggelopoulos	Non-Executive Vice-Chairman
Ioannis V. Vardinoyiannis	Non-Executive Vice-Chairman
Georgios P. Alexandridis	Independent Non-Executive Member
Fotini A. Karamanli	Independent Non-Executive Member
Theodoros P. Mylonas	Independent Non-Executive Member
Hariklia A. Apalagaki	Non-Executive Member
Eftyhios Th. Vassilakis	Non-Executive Member
Iakovos G. Georganas	Non-Executive Member
Stylianos D. Gkolemis	Non-Executive Member
Vassilios S. Fourlis	Non-Executive Member

BALANCE SHEET INFORMATION

Amounts in thousand euros

	GROUP				BANK			
	31 December 2008		31 December 2007		31 December 2008		31 December 2007	
ASSETS								
Cash and balances with central banks		**3,740,708**		**3,400,169**		**2,486,574**		**2,066,182**
Treasury bills and other eligible bills		**207,023**		**214,819**		**0**		**0**
Loans and advances to credit institutions		**2,348,289**		**2,611,891**		**4,636,273**		**4,296,193**
Derivative financial instruments - assets		**366,253**		**83,216**		**356,820**		**76,325**
Trading securities		**1,300,519**		**4,506,731**		**1,166,899**		**4,403,891**
Financial instruments at fair value through profit or loss		**89,224**		**508,137**		**84,984**		**508,137**
Loans and advances to customers								
Loans and advances to customers	39,015,655		30,704,808		33,964,553		27,080,117	
Less: Provisions for losses on loans and advances	(702,987)	**38,312,668**	(416,024)	**30,288,784**	(481,935)	**33,482,618**	(317,158)	**26,762,959**
Investment securities								
Available for sale securities	875,892		1,383,628		792,700		1,274,431	
Held to maturity	3,372,205	**4,248,097**	110,356	**1,493,984**	3,263,095	**4,055,795**	0	**1,274,431**
Debt securities - receivables		**527,699**		**0**		**527,699**		**0**
Investments in associated undertakings		**219,399**		**116,946**		**181,497**		**105,011**
Investments in subsidiaries		**0**		**0**		**1,815,390**		**1,694,920**
Intangible fixed assets								
Goodwill	200,921		179,586		0		0	
Other Intangible fixed assets	102,073	**302,994**	85,049	**264,635**	37,794	**37,794**	21,200	**21,200**
Property, plant and equipment		**970,990**		**863,430**		**317,266**		**252,997**
Investment Property		**710,374**		**692,799**		**42,676**		**39,562**
Assets held for sale		**10,557**		**4,696**		**0**		**0**
Other assets								
Deferred tax assets	254,421		144,397		216,939		113,033	
Inventories - property	186,069		182,743		72,577		51,734	
Other assets	1,094,572	**1,535,062**	1,049,963	**1,377,103**	731,196	**1,020,712**	676,736	**841,503**
TOTAL ASSETS		**54,889,856**		**46,427,340**		**50,212,997**		**42,343,311**
LIABILITIES								
Due to credit insitutions		**14,121,872**		**10,705,784**		**14,445,532**		**10,704,842**
Derivative financial instruments - liabilities		**369,692**		**87,038**		**360,907**		**83,609**
Due to customers		**28,380,817**		**22,067,315**		**24,109,587**		**19,030,022**
Debt securities in issue		**6,488,225**		**7,788,572**		**6,778,951**		**7,707,932**
Hybrid capital and other borrowed funds								
Hybrid capital (Tier I)	201,444		193,406		201,444		193,406	
Subordinated debt capital (Tier II)	765,959	**967,403**	795,831	**989,237**	762,301	**963,745**	791,735	**985,141**
Other Liabilities								
Retirement benefit obligations	198,605		169,604		173,222		162,193	
Deferred tax liabilities	127,770		134,354		50,187		61,207	
Other provisions	24,160		3,750		10,665		10,360	
Current income tax liabilities	98,758		97,851		62,848		60,988	
Other liabilities	1,087,354	**1,536,647**	1,074,256	**1,479,815**	633,526	**930,448**	592,732	**887,480**
Total Liabilities		**51,864,656**		**43,117,761**		**47,589,170**		**39,399,026**
EQUITY								
Share capital		1,571,923		1,617,977		1,571,923		1,617,977
Share premium		927,775		1,099,903		927,775		1,099,903
Less: Treasury shares		(167,321)		(250,863)		(167,319)		(250,860)
Other reserves and retained earnings		543,772		614,997		291,448		477,265
Piraeus Bank shareholders' equity		**2,876,149**		**3,082,014**		**2,623,827**		**2,944,285**
Minority interest		149,051		227,565		-		-
Total Equity		**3,025,200**		**3,309,579**		**2,623,827**		**2,944,285**
TOTAL LIABILITIES AND EQUITY		**54,889,856**		**46,427,340**		**50,212,997**		**42,343,311**

INCOME STATEMENT INFORMATION

Amounts in thousand euros

	GROUP		BANK	
	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007
Interest and similar income	3,897,769	2,662,084	3,230,268	2,321,512
Interest expenses and similar charges	(2,737,999)	(1,745,115)	(2,380,580)	(1,616,172)
Net interest income	**1,159,770**	**916,969**	**849,688**	**705,340**
Fee and commission income	285,622	274,514	151,700	128,147
Fee and commission expense	(43,975)	(48,047)	(44,086)	(38,307)
Net fee and commission income	**241,647**	**226,467**	**107,614**	**89,840**
Dividend income	25,887	10,307	47,496	35,482
Net trading income	(13,348)	49,671	(72,950)	26,010
Net income from financial instruments designated at fair value through profit or loss	20,706	11,625	17,587	11,616
Gains / (losses) from investment securities	297	172,385	(44,761)	178,491
Other operating income	216,737	245,685	31,868	33,868
Total net income	**1,651,696**	**1,633,109**	**936,542**	**1,080,647**
Staff costs	(442,076)	(379,022)	(266,401)	(254,173)
Administrative expenses	(382,516)	(303,935)	(263,826)	(227,518)
Gains / (losses) from sale of assets	4,978	12,202	(99)	763
Depreciation and amortisation	(76,979)	(66,062)	(29,251)	(34,523)
Impairment losses on loans and receivables	(386,303)	(115,478)	(239,876)	(67,096)
Other provisions	(1,881)	(428)	0	0
Total operating expenses	**(1,284,777)**	**(852,723)**	**(799,453)**	**(582,547)**
Income from investments in associated undertakings	18,869	4,927	-	-
Profit before tax	**385,788**	**785,313**	**137,089**	**498,100**
Tax for the year	(54,521)	(133,854)	(23,941)	(74,908)
Profit after tax	**331,267**	**651,459**	**113,148**	**423,192**
Less: Minority interest in profit after tax	16,180	29,318	-	-
Profit after tax attributable to Piraeus Bank shareholders	**315,087**	**622,141**	**113,148**	**423,192**
Profit after tax per share (in euros) :				
- Basic	0.9736	2.1364	0.3496	1.4532
- Diluted	0.9736	2.1266	0.3496	1.4466
Proposed dividend per share (in euros)				0.7200

STATEMENT OF CHANGES IN EQUITY INFORMATION

Amounts in thousand euros

	GROUP		BANK	
	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007
Opening balance (01.01.2008 and 01.01.2007 respectively)	**3,309,579**	**1,832,420**	**2,944,285**	**1,628,095**
Net change in available for sale investments, net of tax	(177,399)	(94,651)	(163,860)	(96,884)
Change in currency translation reserve	(58,248)	(35,037)	-	-
Profit/Loss from sales of treasury shares	(13,431)	2,973	(13,431)	2,973
Net income recognised directly in equity	**(249,078)**	**(126,715)**	**(177,291)**	**(93,911)**
Profit after tax for the year	331,267	651,459	113,148	423,192
Total recognised income	**82,189**	**524,744**	**(64,143)**	**329,281**
Prior year dividends	(120,338)	(94,105)	(118,122)	(86,462)
Interim dividend for the year	-	(117,598)	-	(117,598)
Issue of share capital by cash distribution	-	1,316,689	-	1,316,689
Issue of share capital due to exercise of share oprtions	-	19,644	-	19,644
Share capital increase due to reinvestment of dividends	15,987	-	15,987	-
Share capital decrease due to cancellation of treasury shares	(234,170)	-	(234,170)	-
Cancellation of treasury shares	234,170	-	234,170	-
Purchases/Sales of treasury shares	(150,628)	(153,560)	(150,628)	(153,560)
Acquisitions, disposals and movement in subsidiaries holding	(103,866)	(11,334)	-	-
Other adjustments	(7,723)	(7,321)	(3,552)	8,196
Closing balance (31.12.2008 and 31.12.2007 respectively)	**3,025,200**	**3,309,579**	**2,623,827**	**2,944,285**

CASH FLOW STATEMENT INFORMATION

Amounts in thousand euros

	GROUP		BANK	
	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007
Total inflows/ (outflows) from operating activities	3,746,167	(2,367,905)	4,676,849	(1,406,569)
Total inflows/ (outflows) from investing activities	(2,161,990)	(445,921)	(2,365,009)	(948,795)
Total inflows/ (outflows) from financing activities	(1,597,767)	3,485,380	(1,216,571)	3,452,511
Net increase/ (decrease) in cash and cash equivalents of the year	**(13,590)**	**671,554**	**1,095,269**	**1,097,147**
Effect of exchange rate changes on cash and cash equivalents	(39,713)	(18,787)	(7,527)	(7,796)
Total inflows/ (outflows) for the year	**(53,303)**	**652,767**	**1,087,742**	**1,089,351**
Cash and cash equivalents at the beginning of the year	5,062,568	4,409,801	5,354,552	4,265,201
Cash and cash equivalents at the end of the year	**5,009,265**	**5,062,568**	**6,442,294**	**5,354,552**

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 2007. Piraeus Bank made use of the amendments of International Accounting Standard (IAS) 39 and International Financial Reporting Standard (IFRS) 7, which were published during October 2008 and are effective since 1/7/2008. These amendments are presented at notes 19, 21, 23 and 24 of Consolidated Financial Statement and at notes 18, 20, 22 and 23 of the Bank's Financial Statement of 31/12/2008.
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 2006. The unaudited tax years of Group subsidiaries are included in note 25 of the Consolidated Financial Statements.
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 € 9.9 million. The provision raised for the unaudited tax years of the Bank and the Group subsidiaries, which is included in the current tax liabilities, amounts to € 7.8 million and € 11.5 million respectively. Other provisions raised for the Bank and the Group amount to € 10.7 million and € 14.3 million respectively.
5) The companies which have been consolidated as at 31st December 2008, apart from the parent company Piraeus Bank S.A., are included in note 25 of the Consolidated Financial Statements. Note 25 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 24 of the Financial Statements.
6) The following companies are consolidated under the Full Method of Consolidation as at 31/12/2008 and had not been included in the consolidation as at 31/12/2007: a) Estia Mortgage Finance III PLC, b) Piraeus Insurance Consultant, c) Integrated Storage System Co. and d) Axia Finance PLC. From these companies, the companies numbered (a)-(c) were consolidated under the Full Method of Consolidation as at 30/09/2008, as well. The companies numbered (a) and (d) are newly established. The companies numbered (b) and (c), consolidated as associates until 30/06/2008, were transferred to the subsidiaries' portfolio due to increase in holding percentage. Of the companies consolidated under the Full Method of Consolidation as at 31/12/2007, the following have not been included in the consolidation as at 31/12/2008: a) Ekathariseis Aktoploias S.A., b) Piraeus Real Estate Investment Property S.A. and c) ETBA Finance S.A. The companies numbered (a) and (b) were consolidated under the Full Method of Consolidation as at 31/12/2007 and were transferred to the associates' portfolio, as the company's holding percentage has decreased and the requirements for its consolidation under the Full Method of Consolidation are no longer met. The company numbered (c) was absorbed by the Bank. The companies Estia Mortgage Finance PLC, Estia Mortgage Finance II PLC, Estia Mortgage Finance III PLC and Axia Finance PLC are consolidated as special-purpose entities. The most important corporate events relating to subsidiaries that took place in the period from 01/01/2008 to 31/12/2008 were: a) the completion of sale on behalf of Arab Bank PLC of its branches and financial services in Cyprus to Piraeus Bank Cyprus LTD on 25/01/2008, b) the optional public offer for the acquisition of shares of the subsidiary company Piraeus Leasing S.A., with an offer price of € 5.30 per share, by cash contribution, submitted by Piraeus Bank S.A. on 24/09/2008, with acceptance period from October 10th 2008 until November 7th 2008, c) on 29/12/2008 the takeover of ETBA Finance S.A., by the Bank was completed and d) on 31/12/2008, the merge between the subsidiaries of Piraeus Bank, Piraeus Best Leasing S.A. and Olympic Commercial and Tourist Enterprises S.A., was completed by the establishment of a new subsidiary company of Piraeus Bank. The Bank participated indirectly to Piraeus Best Leasing S.A., by the subsidiary Piraeus Leasing S.A., which had a participation percentage of 48.08%. The Bank participated in Olympic Commercial and Tourist Enterprises S.A. with a percentage of 94%. The participation of Piraeus Leasing S.A. and Piraeus Bank to the new company established after the merge is 20% and 54.89%, respectively. The relevant events didn't issue a change above 25% of the turnover, or/and the profit after tax, or/and the Group's equity for the current period. Note 45 of the Consolidated Financial Statements includes information about the changes in the subsidiaries' portfolio of the Group. The subsidiaries that are excluded from the consolidation are as follows: a) Asbestos Mines S.A., b) Alpha S.A., c) Hellenic Industry of Aluminum, d) Issaris-Vasiliadis S.A., e) Hellenic Asbestos S.A., f) Oblivio Co. Ltd, g) ELSYP S.A., h) Blue Wings Ltd, i) Piraeus Bank's Congress Centre and j) Piraeus Bank Group Cultural Foundation. The companies numbered (a)-(g) are fully depreciated, under liquidation or solution status. The financial data of the companies (h)-(j) are included in the financial statements of the parent company Piraeus Bank S.A. and consequently in the consolidated financial statements. The consolidation of the above mentioned companies does not affect the financial position and profit of the Group.
7) The following companies are consolidated under the Equity Method of Accounting as at 31/12/2008 and had not been included in the consolidation as at 31/12/2007: a) Ekathariseis Aktoploias S.A., b) Piraeus Real Estate Investment Property S.A., c) Proton Bank S.A., d) Rebikat S.A., e) Abies S.A. and f) Euroterra S.A. The companies numbered (a) and (b) were consolidated under the Full Method of Consolidation as at 31/12/2007 and were transferred to the associates' portfolio, as the company's holding percentage has decreased and the requirements for its consolidation under the Full Method of Consolidation are no longer met. The company numbered (c) is newly acquired. The companies numbered (d)-(f) have been transferred from the available for sale portfolio due to obtaining significant influence. Of the companies consolidated under the Equity Method of Accounting as at 31/12/2007, the following have not been included in the consolidation as at 31/12/2008: a) ETANAL S.A., b) Piraeus Insurance Consultant, c) Integrated Storage System Co. and d) Hellenic Steel Company. The company numbered (a) was disposed of. The companies numbered (b) and (c), consolidated as associates until 30/06/2008, were transferred to the subsidiaries' portfolio due to increase in holding percentage. The company numbered (d) was transferred from the associate's portfolio to available for sale portfolio, as it no longer satisfies the prerequisites to be consolidated by the equity accounting method, according to the requirements of IAS 28. The most important corporate event relating to associate companies that took place in the period from 01/01/2008 to 31/12/2008 is a) the disposal of ETANAL S.A. on 05/02/2008 and b) on 05/11/2008 the acquisition of 31,31% of Proton Bank S.A. Note 45 of the Consolidated Financial Statements include information about the changes in the associates' portfolio of the Group. As at 31/12/2008 there are no associates that have been excluded from consolidation under the equity method of accounting.
8) The Group's balances with related parties are as follows: assets € 644.7 million, liabilities € 246.6 million, letters of guarantee € 1.7 million, income € 18.7 million and expense € 5.6 million. The Bank's balances with related parties (subsidiaries included) are as follows: assets € 5,995.1 million, liabilities € 6,403.6 million, letters of guarantee € 94.9 million, income € 333.4 million and expense € 461.0 million. The balances of assets and liabilities of the Group with members of the Board of Directors and key management personnel amount to € 244.3 million and € 130.1 million respectively. The respective amounts for the Bank amount to € 231.7 million and € 130.1 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 € 18.0 million.
9) As at 31st December 2008, Piraeus Group owned a total number of 12,523,924 treasury shares of the parent company Piraeus Bank S.A., at a value of € 167,321 thousand. From these shares, Piraeus Bank S.A. owned a total number of 12,523,754 treasury shares at a value of € 167,319 thousand.
10) On 24/04/08, Piraeus Bank concluded the issuance of its third securitization equal to € 800 million, by securitizing part of its residential mortgage portfolio. On 25/11/2008, Piraeus Bank concluded the issuance of its first SME Loan Backed Transaction equal to € 1.750 million.
11) During the period from 01/01/2008 to 31/12/2008 were concluded: a) the decrease of the Bank's share capital by € 49,644 thousand through cancellation of 10,407,537 treasury shares and b) the increase of the Bank's share capital by € 3,589 thousand with the issuance of 752,478 new ordinary shares of nominal value € 4.77 each, by reinvestment of dividends of a total amount of € 16,073 thousand. The offering price of the new shares was € 21.36 per share and the share premium, minus the relevant share capital increase expenses, was increased by € 12,398 thousand. Following all the above corporate acts, the Bank's share capital currently amounts to € 1,571,923 thousand, divided into 329,543,528 ordinary shares of nominal value € 4.77 each.
12) On 5/11/2008 Piraeus Bank acquired 31,31% of Proton Bank at the amount of € 24.7 million. The above acquisition took place via exchange of 19,629,247 shares of Proton Bank to 2,379,303 treasury stocks of Piraeus Bank.
13) Piraeus Bank S.A. announces that its Extraordinary General Meeting of Shareholders which was held on 23/01/2009 approved the share capital increase by € 370,000,000 with the issuance of 77,568,134 preferred shares of a nominal value of € 4.77 each and cancellation of the preemptive right of existing shareholders in favor of the Greek State in accordance with the provisions of law 3723/2008, providing enhanced liquidity to the economy to address the consequences of the international financial crisis.
14) In accordance with the provisions of article 16, paragraph 8b and of article 45, paragraphs 1 and 2 of Cod. Law 2190/1920 in conjunction with the provisions of article 1, paragraph 3 of Law 3723/2008, the dividend to be distributed may not exceed the maximum amount determined by the provisions of Development Law 148/1967, which is namely 35% of the distributable profits of the fiscal year 2008. Moreover, pursuant to the Bill no. 522/25-2-2009 on "amendments to Law on Dematerialised Securities System, on the Capital Market, taxation issues and other provisions", tabled by the Ministry of Economy and Finance, in the event of distribution of dividends for the fiscal year 2008, such distribution must be exclusively in the form of shares.
15) The number of staff employed by the Group and the Bank as at 31st December 2008 was 14,255 and 5,142 respectively. The number of staff employed by the Group and the Bank as at 31st December 2007 was 12,357 and 4,901 respectively.

Athens, March 12th, 2009

CHAIRMAN OF THE BOARD OF DIRECTORS and CHIEF EXECUTIVE OFFICER	VICE-CHAIRMAN OF THE BOARD OF DIRECTORS and DEPUTY C.E.O.	GENERAL MANAGER	DEPUTY GENERAL MANAGER
MICHAEL G. SALLAS	THEODOROS N. PANTALAKIS	DIMITRIS D. PAPADIMITRIOU	CONSTANTINOS I. LIAPIS

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 2008, 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
Press Release - Piraeus Bank in Moscow	10/1/2008
Financial Calendar 2008	11/1/2008
Press Release - G Provopoulos' Comments, Vice Chairman & Managing Director	14/1/2008
Modification of Financial Calendar 2008	11/2/2008
Full Year 2007 results	12/2/2008
Presentation of 2007 FY Results to Analysts	12/2/2008
Invitation to the annual General Meeting of Shareholders of Piraeus Bank SA	29/2/2008
Notification of important changes concerning the voting rights deriving from shares under Law 3556/2007	20/3/2008
Notification of important changes concerning the voting rights deriving from shares under Law 3556/2007	20/3/2008
Comments on Press Articles	21/3/2008
Notification of important changes concerning the voting rights deriving from shares under Law 3556/2007	24/3/2008
Notification of important changes concerning the voting rights deriving from shares under Law 3556/2007	24/3/2008
Change in the composition of the Board of Directors	26/3/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	31/3/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	31/3/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	1/4/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	1/4/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	1/4/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	1/4/2008
Ordinary General Meeting of Shareholders - Continued growth for Piraeus Bank Group's operations and profitability in 2008	3/4/2008
Announcement on ex-dividend date/ dividend payment	3/4/2008
General Meeting Resolutions	3/4/2008
Amendment of the 2008 Financial Calendar	3/4/2008
AGM resolves to initiates share buyback program	3/4/2008
End of period for purchase of treasury shares	4/4/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	4/4/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	4/4/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	8/4/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	8/4/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	10/4/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	10/4/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	17/4/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	17/4/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	18/4/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	18/4/2008
Resolutions of General Meeting	21/4/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	23/4/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	23/4/2008
3rd residential mortgage - packed securitization transaction	24/4/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	24/4/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	24/4/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	30/4/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	30/4/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	2/5/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	2/5/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	2/5/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	2/5/2008
Announcement - Distinctive Title	6/5/2008
Clarificatory Statement	6/5/2008
Resolutions of General Meeting	7/5/2008
Informative Document pursuant to article 4 par. 1(d) of Law 3401/2005 - Regarding the payment of dividend for fiscal year 2007 through offering of shares of the same category as the shares entitled to the dividend is paid on	7/5/2008

	Date
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	7/5/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	7/5/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	9/5/2008
Notification of important changes concerning the voting rights deriving from shares under L.3556/2007	9/5/2008
Press Release - Mr. Stavros Siokos joins Piraeus Bank	13/5/2008
Q1 2008 results	14/5/2008
Mr. G. Provopoulos's resignation	22/5/2008
Announcement of delisting/ cancellation of company's shares	23/5/2008
Change of corporate name/ distinctive title of the company	23/5/2008
Subscription of the share capital increase by cash contribution, through 2007 dividend reinvestment plan	27/5/2008
Change in the composition of the Board of Directors	4/6/2008
Informative Document Pursuant to article 4 par. 2.e of Law 3401/2005 - Regarding the payment of dividend for fiscal year 2007 through offering of shares of the same category as the shares entitled to the dividend is paid on	6/6/2008
Announcement of listing of shares following a share capital increase due to the dividend reinvestment for fiscal year 2007	13/6/2008
Purchase of Own Shares (On 18.06.08 & 19.06.08)	27/6/2008
Modification of the Financial Calendar 2008	3/7/2008
Purchase of own shares (On 03.07.08, 07.07.08, 10.07.08, 11.07.08)	14/7/2008
Announcement - Purchase Agreement	18/7/2008
Purchase of own shares (On 14.07.08, 15.07.08, 16.07.08)	21/7/2008
Purchase of own shares (On 22.07.08)	23/7/2008
Purchase of own shares (On 25.07.08)	28/7/2008
Purchase of own shares (On 28.07.08)	29/7/2008
Purchase of own shares (On 29.07.08)	30/7/2008
Fitch upgrades the credit rating for Piraeus Bank to " A-"	31/7/2008
First Half Results 2008	31/7/2008
Purchase of own shares (On 01.08.08)	4/8/2008
Purchase of own shares (On 04.08.08)	5/8/2008
Purchase of own shares (On 07.08.08)	8/8/2008
Purchase of own shares (On 08.08.08)	11/8/2008
Purchase of own shares (On 11.08.08)	12/8/2008
Purchase of own shares (On 12.08.08)	13/8/2008
Purchase of own shares (On 13.08.08)	14/8/2008
Purchase of own shares (On 14.08.08)	18/8/2008
Purchase of own shares (On 18.08.08)	19/8/2008
Purchase of own shares (On 19.08.08)	20/8/2008
Purchase of own shares (On 20.08.08)	21/8/2008
Purchase of own shares (On 03.09.08)	4/9/2008
Commercial Partnership “Piraeus Bank (Cyprus) Ltd” with “Atlantic Insurance Company Public Ltd"	5/9/2008
Purchase of own shares (On 05.09.08)	8/9/2008
Purchase of own shares (On 10.09.08)	11/9/2008
Purchase of own shares (On 11.09.08)	12/9/2008
Purchase of own shares (On 15.09.08)	16/9/2008
Purchase of own shares (On 16.09.08)	17/9/2008
Purchase of own shares (On 17.09.08)	18/9/2008
Purchase of own shares (On 18.09.08)	19/9/2008
Comments on press release	24/9/2008
Purchase of own shares (On 25.09.08)	26/9/2008
Purchase of own shares (On 26.09.08)	29/9/2008
No exposure of Piraeus Bank to the Lehman Brothers Group	29/9/2008
Purchase of own shares (On 29.09.08)	30/9/2008
Purchase of own shares (On 30.09.08)	1/10/2008
Announcement Modification of the Financial Calendar 2008	2/10/2008
Press Release - Statement of Piraeus Bank's Chairman, M. Sallas, regarding the financial turmoil	2/10/2008
Press Release - 150 Million Euro for supporting SMEs in Greece: Cooperation of the European Investment Bank with Piraeus Bank	2/10/2008
Purchase of own shares (On 02.10.08)	3/10/2008
Purchase of own shares (On 03.10.08)	6/10/2008
Purchase of own shares (On 06.10.08)	7/10/2008
Purchase of own shares (On 07.10.08)	8/10/2008
Press Release - Standard & Poor's affirms Piraeus Bank's long term BBB+ rating	8/10/2008

	Date
Purchase of own shares (On 08.10.08)	9/10/2008
Purchase of own shares (On 09.10.08)	10/10/2008
Purchase of own shares (On 10.10.08)	13/10/2008
Announcement - Proton Bank	13/10/2008
Piraeus Bank agrees to acquire 26.98% of Proton Bank	13/10/2008
Purchase of own shares (On 14.10.08)	15/10/2008
Explanatory announcement for the acquisition of 26.98% of the share capital of Proton Bank S.A.	15/10/2008
Purchase of own shares (On 15.10.08)	16/10/2008
Purchase of own shares (17.10.08)	20/10/2008
9m results 2008	20/10/2008
Purchase of own shares (20.10.08)	21/10/2008
Purchase of own shares (21.10.08)	22/10/2008
Purchase of own shares (22.10.08)	23/10/2008
Termination agreement to the acquisition of Proton Bank	23/10/2008
Purchase of own shares (23.10.08)	24/10/2008
Purchase of own shares (24.10.08)	27/10/2008
Purchase of own shares (27.10.08)	29/10/2008
Purchase of own shares (30.10.08)	31/10/2008
Purchase of own shares (31.10.08)	3/11/2008
Purchase of own shares (03.11.08)	4/11/2008
Suspension of Purchase of Treasury Shares	5/11/2008
Agreement of the purchase of 31.3147% of Proton Bank	5/11/2008
Purchase of own shares (04.11.08)	5/11/2008
Re launching of the Purchase of Treasury Shares	6/11/2008
Piraeus Bank in the SME support scheme	7/11/2008
Purchase of own shares (06.11.08)	7/11/2008
Press Release - A set of measures by Piraeus Bank for the facilitation and support of its customers	10/11/2008
Purchase of own shares (on 07.11.08)	10/11/2008
Purchase of own shares (on 10.11.08)	11/11/2008
Purchase of own shares (on 11.11.08)	12/11/2008
Purchase of own shares (on 12.11.08)	13/11/2008
Purchase of own shares (on 13.11.08)	14/11/2008
Purchase of own shares (on 14.11.08)	17/11/2008
Purchase of own shares (on 17.11.08)	18/11/2008
Purchase of own shares (on 18.11.08)	19/11/2008
Purchase of own shares (on 19.11.08)	20/11/2008
Purchase of own shares (on 20.11.08)	21/11/2008
Piraeus Bank announces the conclusion of its first business loans securitization transaction	21/11/2008
Purchase of own shares (on 21.11.08)	24/11/2008
Purchase of own shares (on 26.11.08)	27/11/2008
Purchase of own shares (on 28.11.08)	1/12/2008
Purchase of own shares (on 01.12.08)	2/12/2008
Purchase of own shares (on 02.12.08)	3/12/2008
Purchase of own shares (03.12.08)	4/12/2008
Press Release -Interest Rates Decrease	4/12/2008
Purchase of own shares (on 04.12.08)	5/12/2008
Purchase of own shares (on 05.12.08)	8/12/2008
Change in the composition of Executive Officers	8/12/2008
Explanatory announcement - Group Finance and Participations General Division	8/12/2008
Purchase of own shares (on 08.12.08)	9/12/2008
Purchase of own shares (on 09.12.08)	10/12/2008
Purchase of own shares (on 10.12.08)	11/12/2008
Press Release- Participation in the legislative scheme for “Providing Enhanced Liquidity to the Economy"	11/12/2008
Purchase of own shares (on 11.12.08)	12/12/2008
Purchase of own shares (on 12.12.08)	15/12/2008
Purchase of own shares (on 15.12.08)	16/12/2008
Purchase of own shares (on 16.12.08)	17/12/2008
Purchase of own shares (on 17.12.08)	18/12/2008
Purchase of own shares (on 18.12.08)	19/12/2008

	Date
Purchase of own shares (on 19.12.08)	22/12/2008
Purchase of own shares (on 22.12.08)	23/12/2008
Purchase of own shares (on 23.12.08)	24/12/2008
Purchase of own shares (on 24.12.08)	29/12/2008
Purchase of own shares (on 29.12.08)	30/12/2008
Purchase of own shares (on 30.12.08)	31/12/2008

Announcements to the Athens Stock Exchange and Press releases are available in the Bank's internet site www.piraeusbank.gr in the section Investor Relations, in the subsections Press - Announcements.
(link: http://www.piraeusbank.gr/ecportal.asp?id=236516&lang=2&nt=103&id2=280152&txtSearch=).

Notification of transactions according to Law 3556/2007 are available in the Bank's internet site www.piraeusbank.gr in the section Investor Relations - Stock Data - Notification of transactions.
(link: http://www.piraeusbank.gr/ecportal.asp?id=275232&lang=2&nt=96%20&sid=).

b) Interim stand alone and consolidated financial information

Q1 Financial Statements Information of Piraeus Bank Group and Piraeus Bank	14/5/2008
Q1 Interim Condensed Financial Information	14/5/2008
Q1 Consolidated Interim Condensed Financial Information	14/5/2008
H1 Financial Statements Information of Piraeus Bank Group and Piraeus Bank	31/7/2008
Mid year financial report	31/7/2008
9M Financial Statements Information of Piraeus Bank Group and Piraeus Bank	20/10/2008
9M Interim Condensed Financial Information	20/10/2008
9M Consolidated Interim Condensed Financial Information	20/10/2008

The stand alone and consolidated interim financial information is available in the Bank's internet site www.piraeusbank.gr in the section Investor Relations, in the subsection Financial Data - Financial statements.
(link: http://www.piraeusbank.gr/ecPage.asp?id=235054&lang=2&nt=102&sid=&fid=233568).

c) Stand alone and consolidated financial statements 2007 - Annual Bulletin 2007

The stand alone and consolidated financial statements of Piraeus Bank for the year 2007 are available in the Bank's internet site www.piraeusbank.gr in the section Investor Relations, in the subsection Financial Data - Financial statements.
(link: http://www.piraeusbank.gr/ecPage.asp?id=235054&lang=2&nt=102&sid=&fid=233568).

The annual bulletin of the year 2007 is available in the Bank's internet site www.piraeusbank.gr in the section Investor Relations, in the subsection Financial Data - Annual Bulletins.
(link: http://www.piraeusbank.gr/ecportal.asp?id=240105&lang=2&nt=96%20&sid=).

d) Annual Report 2007 - Corporate Social Responsibility 2007

The annual report of the year 2007 is available in the Bank's internet site www.piraeusbank.gr in the section Investor Relations, in the subsection Annual Reports.
(link: http://www.piraeusbank.gr/Documents/internet/Enimerosi_Ependiton/Etisies_Ekthesis/Annual_Report_07_gr.pdf).

The corporate social responsibility of the year 2007 is available in the Bank's internet site www.piraeusbank.gr in the section Investor Relations, in the subsection Annual Reports.
(link: http://www.piraeusbank.gr/Documents/internet/Enimerosi_Ependiton/Etisies_Ekthesis/EEKE_gr_07.pdf).

e) Issue of debt securities

Issue of debt securities is available in the Bank's internet site www.piraeusbank.gr in the section Investor Relations, in the subsection Debt Investors.
(link: http://www.piraeusbank.gr/ecpage.asp?id=238354&lang=2&nt=99).

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 finallized during the date of the issue of the annual financial report of the year 2008, are available on the web site of Piraeus Bank at www.piraeusbank.gr 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.piraeusbank.gr/ecportal.asp?id=233569&lang=2&nt=102%20&sid=).