PIRAEUS BANK GROUP

Consolidated Financial Statements

31 December 2007

In accordance with the International Financial Reporting Standards

The attached financial statements have been approved by Piraeus Bank S.A. Board of Directors on February 12th, 2008 and they are available 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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DIRECTORS REPORT

Dear Shareholders,

In 2007 global economy maintained its growth momentum, moving at a rate exceeding 4.5%, supported mainly by the potential of the emerging economies of Asia and Eastern Europe. Nevertheless, the second half of the year experienced turmoil in the international banking system, initiated by the American sub-prime mortgage market. As a consequence, liquidity of the banking market tightened, resulting to significant fluctuations in capital markets. Despite this climate of uncertainty, the Greek banking system maintained its strong position during the past year, exploiting the high real GDP growth rate in Greece, not having any exposure to products linked to the US sub-prime market.

Thus, 2007 represented another rewarding year for the Greek banks and especially for Piraeus Bank, since it continued its significant performance. Given the intense competition brought by market conditions, both volumes and profit surpassed the goals set by the Bank in the beginning of the year, whilst there were no liquidity problems in spite of the adverse international conditions. The prompt reactions of the Group's Management that strengthened capital adequacy and enhanced liquidity delivered to that end: the second €1.25 billion residential mortgage backed securitization last July, in a period when the international financial market turmoil had just started, as well as the Bank's €1.35 billion share capital increase in September 2007. At the same time, great emphasis was laid by all Group units on raising new customer deposits, leading to exceptional results, particularly during the last quarter of the year.

Within this framework, not only were the business targets set by the Group uninterruptedly accomplished, but also in 2007 the Business Plan for the period up to 2010 was revised upwards, setting new dynamic goals for both growth and profitability.

Throughout 2007, the Group's operations increased significantly and by the end of the year its assets exceeded €46 billion opposed to €31 billion at the end of 2006. The growth rate of last years was furthermore accelerated, resulting to boosting market shares and intensifying the presence of the Group in all fields of its activity.

In addition, in 2007, Piraeus Group expanded its international presence in Ukraine by acquiring the International Commerce Bank and in Cyprus by getting the approval to operate a banking institution and by the acquisition of the Arab Bank Cypriot network. At the same time, the presence of the Group was further strengthened by the establishment of 103 new branches in the Balkans and in Egypt, where it operates the past few years. It should be highlighted that the entrance in the Ukrainian and in the Cypriot market fully serves the long term business goals set by the Group and is consistent with its strategy to establish itself as a prominent banking institution in the region of South Eastern Europe and Eastern Mediterranean.

In alignment with the strategy of Piraeus Bank to be the main servicing Bank of small-medium enterprises (SMEs) and individuals, banking services for SMEs in 2007 continued to be the Bank's flagship, along with the advanced solutions adapted to households' needs, both in Greece and abroad. The volumes of these two customer segments were remarkable, as they demonstrated an increase of their lending balances by 55% and 37% respectively.

Moreover, in 2007 growth rates increased even in activities where Piraeus Group has already been established as a traditional player in the Greek market, such as corporate banking and project finance, financial and operating leasing (also by the acquisition of the operating leasing company AVIS SA in Greece), shipping, stock brokerage activities, as well as electronic banking.

It should be highlighted that, inspite the intense growth, the Group did not relax its lending criteria, neither in Greece nor in its international activities. Thus, the Group's non-performing loan (NPL) ratio has further decreased to 2.1% in December 2007 from 2.4% in December 2006. It is also noted that as of December 2007, in application of the stricter framework set by the International Financial Reporting Standard 7 (IFRS 7) for loans in arrears above 90 days, the Group published this ratio, which stood at 3.4% at the end of 2007 opposed to 4.1% in December 2006 on a comparable basis, presenting, even by adopting the new methodology, a significant improvement trend. It is worth noting that the Group aims at further improving the ratio, so as to be at a level lower than 2.5%, by 2010. This is to the end of the special emphasis laid by Piraeus Bank Management on adhering to risk management principles and to continuously investing to specialized executive potential and advanced risk undertaking control systems.

2007 was yet another year of significant growth and profitability for Piraeus Bank, thanks to the dedication to the business goals set, the capitalization of the experience of constant growth over the past few years and the commitment of the Group's personnel. Net profit attributable to shareholders increased by 43% in 2007, reaching €622 million from €435 million in 2006. An additional tax charge has been imposed on those profits, following the new tax law introduced in January 2008 for the banking capital gains as of 2007, whereas the latter not included, net profit rises up to €653 million, increased by 50%.

The presence of the Group both in Greece and international markets has been strengthened significantly: 208 new branches have started operating in 2007, 19 in Greece and 189 abroad and 3,104 new job positions have been created, 826 in Greece and 2,278 abroad. Thus, on 31.12.2007 the human force of the Group included 12,357 employees, 6,600 in Greece and 5,757 abroad and the Group's branches came in at 744, 320 in Greece and 424 abroad.

The networks' expansion improved the services provided to the Group's continuously increasing customer base, both in Greece and abroad. The increase of the number of customers in Greece is indicative; customers exceeded 1.9 million from 1.6 million at the end of 2006, while the subscribers of electronic banking in Greece exceeded 220,000 from 180,000 a year earlier. The total customer base of Piraeus Bank Group exceeds 2.7 million, if we include the customers of Piraeus Group in South Eastern Europe countries & Egypt.

By the end of December 2007, the Group's loans before provisions rose to €31 billion, whereas deposits together with retail bonds to €24 billion significantly increased by 48% and 33% respectively. The total funding raised (deposits, retail customer bonds, wealth management, mutual funds and interbank) configured to €37 billion.

Financing loan growth during 2007 was one of the toughest banking challenges at an international level, due to the liquidity problems aforementioned, but also due to the consecutive increase of funding cost. To this end, Piraeus Bank, besides the share capital increase and the 2nd mortgage backed securitization, also issued a 3-year senior debt in the amount of €750 million, under its Euro Medium Term Note (EMTN) programme and has put special emphasis on attracting new deposits from all selling networks and units of the Group, an effort which resulted to the 'loans to deposits' ratio reaching 127% at the end of 2007 opposed to 130% in

September 2007 and despite intense loan growth. It should also be underlined that in 2007, regardless of the significantly unfavourable conditions in the international banking sector, Piraeus Bank's share continued its good performance, presenting an increase in its price by 16%, aligned with the positive course of the Athens Stock Exchange and despite the negative course of European banking indices.

The Bank's Board of Directors, following the interim dividend distribution of €0.36 per share, decided to propose to the Ordinary General Meeting of Shareholders the distribution of a total dividend of €0.72 per share for the year 2007. The dividend proposed is increased by 41% in relation to the dividend of 2006 (€0.51 per share, adjusted following the share capital share increase in 2007), whereas it corresponds to a dividend yield of 2.8%, on the basis of the average share price in 2007. It should be reminded that Piraeus Bank dividend policy aims at constantly improving the dividend per share, taking into consideration the Bank's net profit attributable to shareholders, as well as the overall market conditions.

Completing the overall picture of Piraeus Bank Group for 2007, the following ought to be mentioned as well:
• market share in Greece increased to 14% in loans and 12% in deposits from 12% and 10% respectively at the end of 2006
• the Bank established its leading part in loans to enterprises, with market share of 19% in Greece at the end of 2007 from 17% a year earlier, at the same time with the significant boost of loans to individuals
• market share increased in all countries in the region where the Group is active
• loans and deposits from international operations were significantly boosted and raised by 112% and 45% respectively, whereas international profitability doubled compared to 2006, raising to €80 million
• 'cost to income' ratio improved to 45% compared to 48% in 2006
• after tax Return on Equity (ROE) reached the satisfactory level of 29.5%, while after tax Return on Assets (ROA) stood at 1.7%,
• retaining of the capital adequacy ratio in high levels following the share capital increase (12.3% with Tier I at 9.8%), while total equity amounted to €3.3 billion. It is underlined that the value of treasury shares is deducted from equity capital of the Bank; these treasury shares rose to 11,081,930 with nominal value of €52,860,806.10 at the end of the year, corresponding to 3.27% of the share capital. During 2007, the Bank acquired 7,323,853 treasury shares of €34,934,778.81 nominal value (a percentage of 2.16% of capital), whereas it sold 1,000,000 treasury shares of €4.770.000,00 nominal value, implementing the resolution of the Regular General Meeting of Shareholders of 03.04.2007. The purchase value of the treasury shares was €188,639,518.67 in 2007, whereas the sale value of treasury shares and the pre-emptive rights on the shares was €39,270,599.31.

Dear shareholders,

Year 2007 was the 1st year of the 2007-2010 Business Plan period, in which all targets set by the Group were accomplished.

By all the aforementioned it is verified that for yet another year Piraeus Bank Group has confirmed its shareholders, customers' and personnel trust. It is stressed that in April 2007 Moody's credit agency upgraded the long-term credit rating for Piraeus Bank by 3 notches to A1 from Baa1, a fact confirming the progress marked, as well as the consistent implementation of its strategy. Moody's rating upgrade was significant, since the international credit agency took into consideration the Bank's improved financial performance and position in the Greek banking sector. In addition, in February 2008 Standard & Poor's upgraded the credit rating outlook of Piraeus Bank to 'positive' from 'stable', affirming the Bank's BBB+ rating.

The continuous growth of Piraeus Group is aligned with the priorities set regarding corporate social responsibility issues. Active evidence for the importance senior management places on the Bank's social "agenda" is provided by voluntary 'commitments' to integrate social, cultural and environmental actions within the Bank's practices, beyond compliance with legal and regulatory framework. To this end, in 2007 Piraeus Bank signed the Announcement for its accession to the United Nations Environment Programme Finance Initiative (UNEP FI), whereas it continued its voluntary activity throughout the year in conformity with the principles of the UN Global Compact, by taking the initiative to support and promote its principles within the framework of its activities.

Following continuous growth from 1991 until today, Piraeus Group has developed into today's Group with 750 branches in Greece and abroad, 12,400 employees, €46 billion in assets and €3.3 billion of equity capital. Piraeus Bank ranks 4th in Greece with a market share that equals to 14% and has established its presence in 9 countries.

The course of Piraeus Bank during the last 16 years represents an added value track record for its shareholders. Operating in entrepreneurial spirit, satisfying markets' needs and aiming high, we will fulfil the new business goals set to enhance the Group's position as a significant regional player in the banking sector of South Eastern Europe and Eastern Mediterranean, remaining consistent with our strategy of providing banking services to the market's 'medium' segment, with committed and skilled personnel, while offering high returns to its shareholders.

Michalis G. Sallas
Chairman of the Board of Directors

EXPLANATORY REPORT

TO THE SHAREHOLDERS ORDINARY GENERAL MEETING OF PIRAEUS BANK S.A.

UNDER ARTICLE 11A LAW 3371/2005

This explanatory report of the Board of Directors of Piraeus Bank to the Ordinary General Meeting of Shareholders contains detailed information regarding the matters arising under article 11a of Law 3371/2005.

I. Piraeus Bank share capital structure
The share capital of Piraeus Bank amounts to euro one billion, six hundred and seventeen million, nine hundred and seventy seven thousand, two hundred and fifty nine and ninety nine cents (1,617,977,259.99), divided into three hundred and thirty nine million, one hundred and ninety eight thousand, five hundred and eighty seven (339,198,587) ordinary registered voting 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. A percentage of 35% of the net profits following deduction only of the regular reserve or 6% of the paid in capital (and in particular the largest of the two amounts) 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 respcective 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 liqudation 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 consituted 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) may directly or indirectly hold a stake higher than 5% of the total number of shares of the Bank.

IV. Shares with special control rights
There are no Piraeus Bank shares providing special rights of control to their holders.

V. Restrictions on voting rights
The Articles of Association of the Bank do not stipulate any restrictions on the right to vote which arises 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 arsing from such shares.

VII. Regulations on the appointment and replacement of Board members and amendments to the Articles of Association
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, the Board of Directors of Piraeus Bank may, following a relevant decision of the General Meeting which is subject to the publication formalities of article 7b of Cod. Law 2190/1920, increase the Bank's share capital through the issuance of new shares, by its resolution reached by a majority of at least two-thirds (2/3) of its members. In such case, the share capital may be increased up to amount of the share capital that was paid-up on the date when the Board of Directors was granted such power by the General Meeting. 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 members of the Board of Directors 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.

Pursuant to the provisions of art. 13, para. 14 of Cod. Law 2190/1920, the Board of Directors of the Bank is entitled, following the respective decision of the General Meeting which is subject to the publication formalities of article 7b of Cod. Law 2190/1920, to establish a program 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. This authorisation remains valid for a period of five (5) years unless shortened by a respective decision of the General Meeting.

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, including also companies with registered offices abroad, 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 second exercise period (i.e. 1 to 10 December 2007) 709.958 matured options were exercised, in respect of which the amount of euro 6,929,190.08 was paid in cash.

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, , to be implemented in 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 second exercise period (i.e. 1 to 10 December 2007) 744,840 matured options were exercised, in respect of which the amount of euro 12,848,490 was paid up in cash.

The total amount of 19,777,680.08 euros has been paid in respect of both aforementioned Stock Option Plans.

Following the aforementioned, the Board of Directors convened on 10/12/2007 and resolved upon the increase of the share capital of the Bank by the amount of 6,939,386.46 euros with the issuance of 1,454,798 ordinary registered voting shares, each having a nominal value of 4.77 euros, whereas the amount of 12,838,293.62 euros has been credited to the par value account. Such increase, pursuant to the express provision of art. 13 para. 13 of Cod. Law. 2190/1920, does not entail an amendment of the Articles of the Bank. The payment of the aforementioned amount was certified by relevant resolution of the Board of Directors dated 14/12/2007.

C) Pursuant to the provisions of article 16 of the Cod. Law 2190/1920, 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 authorisation 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 par 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 share 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 3.4.2007 upon the acquisition by the Bank of treasury shares through the Athens Exchange, of up to a maximum of 27,019,503 shares, representing 10% of the total shares on the date of the said decision, with an acquisition value ranging from euro 5 (minimum) and euro 40 (maximum) and for the duration of one year from the date of said decision, namely at the latest until the 3.4.2008. 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, as a result of the provisions of Law 3371/2005, amounted to € 32.679 thousand on 31.12.2007 and are in respect of members of Management, General Directors, Deputy General Directors and Assistant General Directors and heads of subsidiary companies.

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 2007	**31 December 2006**
Interest and similar income	6	2,662,084	1,674,818
Interest expense and similar charges	6	(1,745,115)	(959,680)
NET INTEREST INCOME		**916,969**	**715,138**
Fee and commission income	7	274,514	213,155
Fee and commission expense	7	(48,047)	(32,506)
NET FEE AND COMMISSION INCOME		**226,467**	**180,649**
Dividend income	8	10,307	18,511
Net trading income	9	49,671	34,926
Net income from financial instruments designated at fair value through profit or loss	10	11,625	(5,484)
Gains/ (Losses) from investment securities	11	172,385	138,979
Other operating income	12	245,686	141,293
TOTAL NET INCOME		**1,633,109**	**1,224,012**
Staff costs	13	(379,022)	(301,789)
Administrative expenses	14	(303,935)	(247,357)
Depreciation and amortisation	25, 26	(66,062)	(55,419)
Gains/ (Losses) from sale of assets		12,202	11,971
Impairment losses on loans and receivables	22	(115,478)	(74,331)
Other provisions	35	(427)	(2,705)
TOTAL OPERATING EXPENSES		**(852,722)**	**(669,630)**
Share of profit of associates	24	4,927	2,167
PROFIT BEFORE INCOME TAX		**785,313**	**556,549**
Income tax expense	15	(133,854)	(100,099)
PROFIT FOR THE YEAR		**651,459**	**456,450**
Profit for the year attributable to the equity holders of Piraeus Bank		622,141	434,649
Minority Interest		29,318	21,801
Earnings per share attributable to equity holders (in euros):			
-Basic	16	2.14	1.57
-Diluted	16	2.13	1.56

Amounts in thousand euros (unless otherwise stated)

CONSOLIDATED BALANCE SHEET

	Note	31 December 2007	31 December 2006
ASSETS			
Cash and balances with central banks	17	3,400,169	1,885,146
Treasury bills and other eligible bills	18	214,819	165,226
Loans and advances to credit institutions	19	2,611,891	2,626,853
Derivative financial instruments - assets	20	83,216	56,435
Trading securities	21	4,506,731	1,964,900
Financial instruments at fair value through profit or loss	21	508,137	56,449
Loans and advances to customers (net of provisions)	22	30,288,785	20,426,615
Investment securities			
-Available for sale securities	23	1,383,628	1,300,126
-Held to maturity	23	110,356	99,880
Investments in associated undertakings	24	116,946	29,737
Intangible assets	25	264,635	192,291
Property, plant and equipment	26	863,430	524,087
Investment property	27	692,799	619,748
Held for sale	28	4,696	12,844
Deferred tax assets	36	144,397	100,253
Inventories - property	29	182,743	181,357
Other assets	29	1,049,963	689,270
TOTAL ASSETS		**46,427,340**	**30,931,216**
LIABILITIES			
Due to banks	30	10,705,784	4,882,851
Derivative financial instruments - liabilities	20	87,038	59,704
Due to customers	31	22,067,315	16,734,589
Debt securities in issue	32	7,788,572	5,261,513
Other borrowed funds	33	795,831	803,864
Hybrid capital	33	193,406	201,206
Retirement benefit obligations	37	169,604	153,232
Other provisions	35	3,750	11,744
Current income tax liabilities		97,851	47,017
Deferred tax liabilities	36	134,354	72,059
Other liabilities	34	1,074,256	871,017
TOTAL LIABILITIES		**43,117,761**	**29,098,796**
EQUITY			
Ordinary shares	39	1,617,977	1,288,830
Share premium	39	1,099,903	88,146
Less: Treasury shares	39	(250,863)	(97,302)
Other reserves	40	53,939	163,650
Retained earnings	40	561,058	172,877
Capital and reserves attributable to Piraeus Bank equity holders		**3,082,015**	**1,616,201**
Minority interest		227,565	216,219
TOTAL EQUITY		**3,309,579**	**1,832,420**
TOTAL EQUITY AND LIABILITIES		**46,427,340**	**30,931,216**

The notes on pages 11 to 59 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 2006		**1,024,932**	**330,643**	**(17,594)**	**96,202**	**(55,758)**	**229,234**	**1,607,659**
Capitalization of share premium reserve		256,233	(259,200)					(2,967)
Issue of share capital due to the exercise of share options	39	7,665	16,703		(4,981)			19,387
Purchases of treasury shares	39			(356,152)				(356,152)
Sales of treasury shares	39, 40			276,444		29,119		305,563
Available for sale reserve	40				47,133			47,133
Profit after tax for the year 2006	40					434,649	21,800	456,449
Dividend relating to the previous year						(107,435)	(8,428)	(115,863)
Interim dividend for year 2006						(85,948)		(85,948)
Transfers between other reserves and retained earnings					22,630	(22,630)		0
Reserve for stock option plan	13				8,360			8,360
Acquisitions, absorptions and movement in subsidiaries holding					(2,891)	(17,980)	(22,290)	(43,161)
Currency translation differences and other adjustments					(2,803)	(1,140)	(4,097)	(8,040)
Balance as at 31 December 2006		**1,288,830**	**88,146**	**(97,302)**	**163,650**	**172,877**	**216,219**	**1,832,420**
Opening balance as at 1 January 2007		**1,288,830**	**88,146**	**(97,302)**	**163,650**	**172,877**	**216,219**	**1,832,420**
Issue of share capital by cash distribution	39	322,208	994,481					1,316,689
Issue of share capital due to the exercise of share options	39, 40	6,939	17,276		(4,571)			19,644
Purchases of treasury shares	39			(188,639)				(188,639)
Sales of treasury shares and share options	39, 40			35,079		2,973		38,052
Available for sale reserve	40				(94,651)			(94,651)
Profit after tax for the year 2007	40					622,141	29,318	651,459
Dividend relating to the previous year						(86,462)	(7,643)	(94,105)
Interim dividend for year 2007						(117,598)		(117,598)
Transfer between other reserves and retained earnings					25,101	(25,101)		0
Reserve for stock option plans	13				6,791			6,791
Acquisitions and movement in subsidiaries holding					(352)	1,648	(12,630)	(11,334)
Currency translation differences and other adjustments					(42,029)	(9,420)	2,300	(49,149)
Balance as at 31 December 2007		**1,617,977**	**1,099,903**	**(250,862)**	**53,939**	**561,058**	**227,564**	**3,309,579**

Amounts in thousand euros (Unless otherwise stated)

CONSOLIDATED CASH FLOW STATEMENT

	Notes	From January 1st to 31 December 2007	31 December 2006
Cash flows from operating activities			
Profit before tax		785,313	556,549
Adjustments to profit before tax			
Add: impairment for loans and advances and other provisions	22, 35	115,905	74,331
Add: depreciation and amortisation	25, 26	66,062	55,419
Add: retirement benefits	37	35,241	24,825
(Gains)/ losses from valuation of trading securities and financial instruments at fair value through profit or loss		4,447	(20,862)
(Gains)/ losses from investing activities		(347,615)	(220,061)
Cash flows from operating profits before changes in operating assets and liabilities		**659,353**	**470,201**
Changes in operating assets and liabilities:			
Net (increase)/ decrease in cash and balances with Central Bank		(287,225)	9,128
Net (increase)/ decrease in treasury bills and other eligible bills		(138,517)	104,127
Net (increase)/ decrease in trading securities and financial instruments at fair value through profit or loss		(2,641,236)	(799,897)
Net (increase)/ decrease in loans and advances to credit institutions		(823,708)	83,257
Net (increase)/ decrease in loans and advances to customers		(10,020,121)	(5,041,588)
Net (increase)/ decrease in other assets		(300,479)	(156,594)
Net increase/ (decrease) in due to Banks		5,812,993	1,347,087
Net increase/ (decrease) in amounts due to customers		5,229,521	3,538,061
Net increase/ (decrease) in other liabilities		181,665	260,741
Net cash from operating activities before income tax payment		**(2,327,754)**	**(185,477)**
Income tax paid		(40,151)	(15,477)
Net cash inflow/ (outflow) from operating activities		**(2,367,905)**	**(200,954)**
Cash flows from investing activities			
Purchases of property, plant and equipment		(303,474)	(201,808)
Sales of property, plant and equipment		96,402	44,682
Purchases of intangible assets	25	(51,021)	(15,510)
Purchases of available for sale securities	23	(956,724)	(924,957)
Disposals of available for sale securities	23	876,024	486,434
Purchase of held to maturity securities	23	(35,394)	(31,340)
Maturity of held to maturity securities	23	22,521	22,496
Acquisition of subsidiaries and participation in share capital increases	44	(64,536)	(80,231)
Disposals of subsidiaries	44	1,939	(10,910)
Acquisition of associates		(66,808)	(4,271)
Disposal of associates		24,855	9,961
Dividends receipts		10,295	32,533
Net cash inflow/ (outflow) from investing activities		**(445,921)**	**(672,921)**
Cash flows from financing activities			
Net proceeds from issue of share capital		1,336,333	19,731
Net proceeds from issue/ (repayment) of debt securities and other borrowed funds		2,511,226	1,917,355
Prior year dividends		(215,670)	-
Purchases of treasury shares	39	(188,639)	(356,152)
Sales of treasury shares and shares options		38,052	305,563
Other cashflows from financing activities		4,078	(145,394)
Net cash inflow/ (outflow) from financing activities		**3,485,380**	**1,741,103**
Effect of exchange rate changes on cash and cash equivalents		(18,787)	(1,003)
Net increase/ (decrease) in cash and cash equivalents		**652,767**	**866,225**
Cash and cash equivalents at beginning of year	42	**4,381,289**	**3,515,064**
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 year		**4,409,801**	**3,515,064**
Cash and cash equivalents at end of year	42	**5,062,568**	**4,381,289**

The notes on pages 11 to 59 are integral part of these consolidated financial statements.

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 12,357 people.

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

2 Summary of general accounting policies of the 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.

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

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).

(a) Published standards and interpretations effective 1 January 2007

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

- IFRIC 7, "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies" (effective for annual periods beginning on or after 1 March 2006). IFRIC 7 provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group subsidiaries have a currency of a hyperinflationary economy as its functional currency, IFRIC 7 is not relevant to the Group’s operations.

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

- IFRIC 9, "Reassessment of Embedded Derivatives" (effective for annual periods beginning on or after 1 June 2006). IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As none of the Group subsidiaries have changed the terms of their contracts, IFRIC 9 does not have any impact on the Group’s accounts.

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

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

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

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

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

The main principle for the preparation of the 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 consolidated 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.

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.

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 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. 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.

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 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 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.

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 amortised over a period of 3-4 years.

2.13c Other intangible assets

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 usefull life and are tested for impairment on an annual basis.

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, (c) fixed administration costs which based on the total hours worked are allocated to the staff employed in the production of the intangible asset.

2.14 Own property, plant and equipment

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

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

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

2.15 Investment property

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

Land 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.

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 increase 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 Deferred tax

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

The principal temporary differences arise from 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 asset or liability.

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

2.29 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.

2.30 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.

2.31 Comparatives

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.

3 Financial Risk Management

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

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

Both the principles and the existing risk management policy have been created for timely identifying and analyzing the risks assumed by the Bank, establishing the appropriate limits and control systems, as well as systematically monitoring risks and ensuring compliance with established limits. The 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 operates as an independent unit, entrusted with the executive responsibility for the planning and the implementation of the risk management framework, according to the directions of the Board Risk Management Committee. Its activities are supervised by Internal Audit, which evaluates the effectiveness and efficiency of the risk management procedures applied.

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

3.1.1 Credit risk measurement

Reliable credit risk measurement is of top priority within the 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. 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 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 implement already developed models for the evaluation of existing customers' transactional behavior (behavior scoring) for each product.

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

The 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

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.

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

3.1.2 Credit limits management and risk mitigation techniques

Piraeus Bank 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. 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 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

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

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, which nevertheless, corresponds only to a small percentage of the contracts' overall nominal value. Credit exposures from positions in the derivative markets are part of the overall credit limits set for any counterparty and are taken into consideration during the approval procedure. Usually, no guarantees or securities are taken against exposures in derivative products, except when the Group demands the application of a safety margin from a counterparty.

Credit risk arises also from the settlement of trades in derivative products. Piraeus Bank Group 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 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 loas that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

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

Write-offs
The Group proceeds with write-offs of impaired loans against their respective provisions, after all necessary judicial and other procedures have been exhausted and once it is highly expected that these loans will not be collected. The Board of Directors of the Group and its subsidiaries takes the decision for the write - offs. The Group continuous the monitoring of the written off loans, following their write off, 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 31/12/2007 and 31/12/2006, without including collateral held or other credit enhancements. For on-balance sheet items, credit exposures are based on their carrying amounts as reported on the balance sheet.

	Maximum exposure	
Credit risk exposures relating to on-balance sheet assets	**2007**	**2006**
Treasury bills and other eligible bills	214,819	165,226
Loans and advances to credit institutions	2,611,891	2,626,853
Derivative financial instruments - assets	83,216	56,435
Trading securities	4,355,718	1,832,916
Financial instruments at fair value through profit or loss	508,137	56,449
Loans and advances to customers (net of provisions)		
Loans to individuals:		
-Mortgages	5,727,550	4,432,302
-Consumer/ personal loans	3,595,973	2,369,835
-Credit cards	588,540	415,511
Loans to corporate entities		
-Small/ medium entities	13,501,823	8,770,603
-Large corporate entities	6,874,899	4,438,364
Available for sale securities		
-Bonds	1,103,788	692,724
Held to maturity		
-Bonds	110,356	99,880
Other assets	959,341	689,270
Credit risk exposures relating to off-balance sheet assets		
Letters of guarantees	2,595,065	1,974,449
Letters of credit	243,875	197,744
Commitments to extent credit	11,756,868	7,189,612
At 31 December	**54,831,859**	**36,008,173**

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

3.1.5 Loans and advances

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

	31 December 2007		31 December 2006	
	Loans and advances to customers	Loans and advances to credit institutions	Loans and advances to customers	Loans and advances to credit institutions
Loans without impairment	25,634,975	2,602,997	16,863,329	2,626,815
Past due above 1 day but not impaired	4,368,721	8,894	3,252,063	-
Impaired	701,113	-	689,055	38
Gross	**30,704,809**	**2,611,891**	**20,804,447**	**2,626,853**
Less: allowance for impairment	(416,024)	-	(377,832)	-
Net	**30,288,785**	**2,611,891**	**20,426,615**	**2,626,853**

a) Loans without impairment:

Loans and advances to customers

31 December 2007	Loans to individuals			Loans to corporate entities		
Grades	Credit cards	Consumer/ personal loans	Mortgages	Small/ medium entities	Large corporate entities	**Total loans and advances to customers**
Standard monitoring	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**

31 December 2006	Loans to individuals			Loans to corporate entities		
Grades	Credit cards	Consumer/ personal loans	Mortgages	Small/ medium entities	Large corporate entities	**Total loans and advances to customers**
Standard monitoring	362,999	1,883,284	3,828,050	6,337,317	3,728,593	16,140,243
Special monitoring	-	4,892	7,962	593,390	116,842	723,086
Total	**362,999**	**1,888,176**	**3,836,012**	**6,930,707**	**3,845,435**	**16,863,329**

Amounts in thousand euros (Unless otherwise stated)

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

	2007	2006
Loans to individuals	6,032	343
Loans to corporate entities	87,420	90,772
	93,452	**91,115**

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

Loans and advances to credit institutions

Grades	31 December 2007	31 December 2006
Investment grade	1,898,363	2,426,245
Standard monitoring	702,570	200,570
Special monitoring	2,064	-
Total	**2,602,997**	**2,626,815**

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

31 December 2007

	Loans to individuals			Loans to corporate entities		
	Credit cards	Consumer/ personal loans	Mortgages	Small/ medium entities	Large corporate entities	Total
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	-	76,841	779,186	822,047	103,363	**1,781,437**

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 2006

	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	35,019	384,755	537,707	1,414,405	522,224	2,894,110
Past due 91 - 180 days	6,641	49,135	34,419	126,404	42,756	259,355
Past due > 180 days	3,639	4,014	14,450	65,265	11,230	98,598
Total	**45,299**	**437,904**	**586,576**	**1,606,074**	**576,210**	**3,252,063**

c) Loans and advances impaired:

31 December 2007

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

The amount of loans with impairment as of 31/12/2007 includes loans of € 137 million which are not past due. The respective amount as of 31/12/2006 is € 188 million.

31 December 2006

	Loans to individuals			Loans to corporate entities		
	Credit cards	Consumer/ personal loans	Mortgages	Small/ medium entities	Large corporate entities	Total loans and advances to customers
Impaired loans	23,509	146,418	19,594	266,179	233,355	**689,055**

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 and investment securities by rating as at 31 December 2007, based on Standard & Poor's ratings or their equivalent:

	Treasury bills and other eligible bills	Trading securities	Financial instruments at fair value through Profit or Loss	Investment securities	Total
AAA	-	109,478	-	103,747	213,225
AA- to AA+	-	92,492	-	-	92,492
A- to A+	-	4,075,357	471,994	884,283	5,431,634
Lower than A-	160,480	46,082	-	111,107	317,669
Unrated	54,339	32,309	36,143	115,007	237798
Total	**214,819**	**4,355,718**	**508,137**	**1,214,144**	**6,292,818**

Amounts in thousand euros (Unless otherwise stated)

3.1.7 Repossessed collateral

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

Nature of assets	**2007**
Property	30,204
	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 2007. 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	-	54,339	-	-	160,480	214,819
Loans and advances to credit institutions	2,350,942	72,778	49,324	20,919	117,928	2,611,891
Derivative financial instruments - assets	75,709	6,873	616	-	18	83,216
Trading securities	4,294,620	61,098	-	-	-	4,355,718
Financial instruments at fair value through profit or loss	508,137	-	-	-	-	508,137
Loans and advances to customers (net of provisions)						
Loans to individuals						
- Mortgages	5,262,040	389,902	43,166	26,816	5,626	5,727,550
- Consumer - personal loans	2,465,615	926,064	90,541	1,349	112,404	3,595,973
- Credit cards	551,999	29,488	-	-	7,053	588,540
Loans to corporate entities	15,532,673	2,043,094	2,041,923	383,398	375,634	20,376,722
Investment securities	821,293	94,172	185,030	108,573	5,075	1,214,143
Other assets	850,254	57,603	9,560	8,822	33,102	959,341
As at 31 December 2007	**32,713,282**	**3,735,411**	**2,420,160**	**549,877**	**817,320**	**40,236,050**
As at 31 December 2006	**23,781,024**	**1,709,096**	**(689)**	**547,934**	**609,002**	**26,646,367**

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 2007. The Group has allocated exposures to sectors based on the industry sector of our counterparties.

	Financial institutions	**Manufacturing**	**Construction & Real Estate**	**Wholesale and retail trade**	**Shipping**	**Public sector**	**Tourism**	**Energy & Transportation**	**Other industries**	**Individuals**	**Total**
Treasury bills and other elligible bills						214.819					214.819
Loans and advances to credit institutions	2.611.891										2.611.891
Derivative financial instruments - assets	82.703	54	56	264			13	2	124		83.216
Trading securities	274.342	17.125				4.060.727			3.524		4.355.718
Financial instruments at fair value through profit or loss						508.137					508.137
Loans and advances to customers (net of provisions)											
Loans to individuals											
- Mortgages										5.727.550	5.727.550
- Consumer - personal loans										3.595.973	3.595.973
- Credit cards										588.540	588.540
Loans to corporate entities	290.481	5.185.538	3.267.597	3.738.552	1.406.387	263.263	1.441.489	481.998	4.195.804	105.613	20.376.722
Investment securities	315.750	6.799	4.294			844.946			42.354		1.214.143
Other assets	43.483	19.515	4.762	42.323	76	18.062	1.576	824	791.924	36.796	959.341
As at 31 December 2007	**3.618.650**	**5.229.031**	**3.276.709**	**3.781.139**	**1.406.463**	**5.695.135**	**1.443.078**	**482.824**	**5.033.730**	**10.054.472**	**40.236.050**
As at 31 December 2006	**3.192.466**	**3.220.589**	**1.688.355**	**2.524.826**	**707.196**	**2.684.791**	**851.249**	**923.620**	**3.630.336**	**7.222.939**	**26.646.367**

Amounts in thousand euros (Unless otherwise stated)

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. Piraeus Bank monitors Value-at-Risk also for the total portfolio, at which level risk management for the trading and banking portfolio is carried out. In addition, Value-at-Risk is calculated also for the trading portfolio which relates to the financial instruments valued at market values. The Value-at-Risk estimate for the total portfolio (trading and banking book combined) on 31/12/2007 for Piraeus Bank, was € 14.63 million.

The Value-at-Risk measure is an estimate of the potential loss in the net present value of a portfolio, over a specified period and with a specified confidence level. Piraeus Bank 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 Bank 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. In 2007 there were two cases, where the actual change in the value of the portfolio, was larger than the Value-at-Risk estimate, while in 2006 and 2005 4 and 3 instances have been observed, respectively.

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

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

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

The above are summarized as follows:

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

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 31/12/2007. In the table are included, the Group's assets and liabilities at carrying amounts categorised by currency.

At 31 December 2007	**EUR**	**USD**	**GBP**	**JPY**	**CHF**	**Other currencies**	**Total**
Foreign exchange risk of assets							
Cash and balances with central Banks	2,699,847	69,663	5,968	1,289	4,035	619,367	3,400,169
Treasury bills and other eligible bills	-	-	-	-	-	214,819	214,819
Loans and advances to credit institutions	1,841,738	692,410	4,777	-	16,427	56,539	2,611,891
Derivative financial instruments - assets	(30,027)	23,525	3	83,967	5,748	-	83,216
Trading securities	4,427,445	14,742	-	-		64,544	4,506,731
Financial instruments at fair value through Profit or Loss	491,839	-	-	16,298	-	-	508,137
Loans and advances to customers (net of provisions)	25,177,608	1,889,845	80,972	81,970	1,752,787	1,305,603	30,288,785
Investment securities	1,140,956	250,727	-	-	-	102,301	1,493,984
Other assets	729,083	70,453	3,891	808	2,155	44,160	850,550
Total financial assets (A)	**36,478,489**	**3,011,365**	**95,611**	**184,332**	**1,781,152**	**2,407,333**	**43,958,282**

Amounts in thousand euros (Unless otherwise stated)

	EUR	USD	GBP	JPY	CHF	Other currencies	Total
Foreign exchange risk of liabilities							
Due to Banks	8,669,836	1,700,203	93,382	18,207	91,094	133,062	10,705,784
Derivative financial instruments - liabilities	(28,203)	26,519	-	76,093	5,242	7,387	87,038
Due to customers	16,906,015	2,269,530	161,421	950,128	12,729	1,767,492	22,067,315
Debt securities in issue	7,396,524	233,478	50,257	68,418	20,788	19,107	7,788,572
Hybrid capital and other borrowed funds	985,734	3,503	-	-	-	-	989,237
Other liabilities	688,462	41,812	28,494	8,259	13,485	293,744	1,074,256
Total financial liabilities (B)	**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 (A-B)	**1,860,121**	**(1,263,680)**	**(237,943)**	**(936,773)**	**1,637,814**	**186,541**	**1,246,080**

At 31 December 2006	**EUR**	**USD**	**GBP**	**JPY**	**CHF**	**Other currencies**	**Total**
Total financial assets	26,237,345	2,357,221	84,044	139,905	449,291	1,368,957	30,636,763
Total financial liabiities	22,312,645	3,590,443	376,860	1,048,398	151,458	1,286,760	28,766,564
Net on-balance sheet financial position	**3,924,700**	**(1,233,222)**	**(292,816)**	**(908,493)**	**297,833**	**82,197**	**1,870,199**

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

3.4 Interest rate risk

Interest rate risk is the risk of 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 techniques such as calculations that rely on simple maturity and repricing schedules (Interest Rate Gap analysis), or sophisticated dynamic modeling techniques (dynamic simulation) that results in useful conclusions about the development of the Organization’s profitability in response to changes in interest rates.

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

The 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 2007	**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	3,085,344	1,055	-	-	-	313,770	3,400,169
Treasury bills and other eligible bills	3,482	31,911	179,426	-	-	-	214,819
Loans and advances to credit institutions	1,426,273	887,677	297,914	-	-	27	2,611,891
Trading securities	4,374,599	122,812	(377,186)	253,644	6,013	126,849	4,506,731
Financial instruments at fair value through Profit or Loss	-	-	-	397,769	110,368	-	508,137
Loans and advances to customers (net of provisions)	17,734,011	5,660,882	2,947,506	3,320,524	815,573	(189,711)	30,288,785
Investment securities	596,656	29,383	355,097	143,472	91,371	278,005	1,493,984
Other assets	88,824	29,859	146,596	3,620	1,616	772,043	1,042,558
Total financial assets (A)	**27,309,189**	**6,763,579**	**3,549,353**	**4,119,029**	**1,024,941**	**1,300,983**	**44,067,074**
Liabilities	**Up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Non interest bearing**	**Total**
Due to banks	7,705,972	2,648,250	349,758	1,226	578	-	10,705,784
Due to customers	16,824,585	3,038,687	1,358,666	350,969	13,204	481,204	22,067,315
Debt securities in issue	2,138,220	2,933,907	885,673	356,905	1,453,308	20,559	7,788,572
Hybrid capital and other borrowed funds	388,353	398,983	-	3,502	192,150	6,249	989,237
Other liabilities	73,132	10,133	76,778	245,083	1,575	754,593	1,161,294
Total financial liabilities (B)	**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 (A-B)	**178,927**	**(2,266,381)**	**878,478**	**3,161,344**	**(635,874)**	**38,378**	**1,354,872**

Amounts in thousand euros (Unless otherwise stated)

The following tables include figures of the comparative year.

At 31 December 2006	**Up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Non interest bearing**	**Total**
Total financial assets	15,502,125	8,684,126	2,022,828	1,528,797	507,315	1,025,708	29,270,900
Total financial liabiities	18,520,708	5,265,315	2,980,918	640,738	684,202	722,864	28,814,745
Total interest rate repricing gap	**(3,018,583)**	**3,418,812**	**(958,090)**	**888,059**	**(176,887)**	**302,844**	**456,156**

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.

The sensitivity to a parallel shift in interest rate of 100 basis points for the Group's subsidiaries amounts to € -23.9 million at the end of 2007. This estimate includes all subsidiaries in the banking sector and the largest subsidiaries in the financial sector.

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. These scenarios, where factor changes take place instantaneously, may be interpreted as a special case of "Dynamic Scenarios".

"Dynamic Scenarios" are used in the implementation of "Dynamic Simulation" for assets and liabilities evolution and include several time intervals and market factors change for each one of them. The "Dynamic Simulation" encompasses more detailed assumptions about the possible future course of interest rates and planned changes in business activity over that time, and assesses the sensitivity of the net interest income stream to these factors.

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

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

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

In general, liquidity management is a matter of balancing cash flows within forward rolling time bands, so that under normal conditions, the Bank is comfortably placed to meet all its payment obligations as they fall due. 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 input 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 prevailing foreign currency exchange rates.

At 31 December 2007	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Liabilities liquidity						
Due to banks	7,565,283	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 maturiy dates)	**26,053,458**	**7,001,559**	**3,273,291**	**4,411,096**	**2,213,899**	**42,953,303**
Total assets (expected maturiy dates)	**16,961,646**	**2,990,347**	**3,257,747**	**12,205,449**	**16,832,983**	**52,248,172**
At 31 December 2006						
Liabilities liquidity						
Due to banks	3,226,681	613,103	648,745	575,364	18,197	5,082,090
Due to customers	13,032,179	1,797,878	1,768,517	200,103	22,335	16,821,012
Debt securities in issue	830,035	1,176,675	865,988	1,768,731	699,065	5,340,494
Other borrowed funds	8,897	4,529	27,363	152,271	811,909	1,004,969
Hybrid capital	2,447	-	7,819	42,709	232,600	285,575
Other liabilities	71,297	8,536	270,847	1,780	507,680	860,140
Total liabilities (contractual maturiy dates)	**17,171,536**	**3,600,721**	**3,589,279**	**2,740,958**	**2,291,786**	**29,394,280**
Total assets (expected maturiy dates)	**10,813,768**	**2,086,054**	**2,925,387**	**7,618,146**	**10,762,599**	**34,205,954**

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 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)**

At 31 December 2006	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Derivatives held for trading						
-Interest rate derivatives	1,740	791	2,875	(13,643)	(1,782)	(10,019)
Derivatives held for fair value hedging						
-Interest rate derivatives	-	(35)	(14)	124	-	75
-Other derivatives	495	-	-	-	-	495
Total	**2,235**	**756**	**2,861**	**(13,519)**	**(1,782)**	**(9,449)**

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 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**

At 31 December 2006	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Derivatives held for trading						
-Foreign exchange derivatives						
Outflow	(1,933,559)	(1,994,092)	(1,705,594)	(31,396)	(16,703)	(5,681,344)
Inflow	1,909,255	2,014,483	1,681,750	31,800	12,999	5,650,287
-Interest rate derivatives						
Outflow	(20,579)	-	-	-	-	(20,579)
Inflow	20,625	-	-	-	-	20,625
Derivatives held for fair value hedging						
-Other derivatives						
Outflow	(116)	(2)	-	-	-	(118)
Inflow	466	16,122	23,613	-	-	40,201
Total outflow	**(1,954,254)**	**(1,994,094)**	**(1,705,594)**	**(31,396)**	**(16,703)**	**(5,702,041)**
Total inflow	**1,930,346**	**2,030,605**	**1,705,363**	**31,800**	**12,999**	**5,711,113**

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 Group's balance sheet at their fair value.

	Carrying Value		Fair Value	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Financial assets				
Loans and advances to credit institutions	2,611,891	2,626,853	2,623,272	2,677,722
Loans and advances to customers (net of provisions)	30,288,785	20,426,615	30,983,201	20,948,191
-Loans to individuals	9,912,063	7,217,648	10,166,711	7,420,778
-Loans to corporate entities	20,376,722	13,208,967	20,816,490	13,527,413
Investment securities				
-held to maturity	110,356	99,880	110,356	99,880
Financial liabilities				
Due to banks	10,705,784	4,882,851	10,703,198	4,887,054
Due to customers	22,067,315	16,734,589	22,065,154	16,698,299
-Current and sight deposits	5,007,055	4,034,418	5,006,942	4,032,255
-Savings account	3,572,553	3,626,365	3,572,432	3,623,926
-Term deposits	12,353,526	8,773,949	12,351,560	8,741,748
-Other accounts	264,141	241,704	264,099	242,269
-Repurchase agreements	870,040	58,153	870,121	58,101
Debt securities in issue	7,788,572	5,261,513	7,898,613	5,262,786
Other borrowed funds and hybrid capital	989,237	1,005,070	980,053	1,041,553

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 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. At the balance sheet date, the Group had custody accounts amounting to approximately € 25.9 billion (2006: € 19.7 billion).

3.8 Capital adequacy

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

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

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

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

• To comply with the regulatory requirements which are defined and set by the supervisory authorities of the countries where the Group subsidiaries operate.

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

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

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

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

Tier I capital	**31 December 2007**	**31 December 2006**
Share capital	1,617,977	1,288,830
Share premium	1,099,903	88,146
Less: treasury shares	(250,863)	(97,302)
Minority Interest	227,565	216,219
Available for sale reserve	14,986	109,637
Legal reserve and other reserves	38,953	54,013
Retained earnings	561,058	172,877
Hybrid capital	193,406	201,206
Less: intangible assets	(264,635)	(192,291)
Less: Total regulatory adjustments on Tier I capital	(223,979)	(199,154)
Total	**3,014,371**	**1,642,181**
Tier II Capital		
Subordinated debt	792,329	800,067
Total regulatory adjustments on Tier II capital	20,319	24,108
Less: Adjustments on Tier II capital	(37,955)	(11,700)
Total	**774,693**	**812,475**
Regulatory adjustments on Tier II capital	**3,789,064**	**2,454,656**
Risk - weighted assets:		
On - balance sheet	28,195,312	20,663,295
Off - balance sheet	2,700,335	1,583,837
Total risk - weighted assets:	**30,895,647**	**22,247,132**
Capital Adequacy ratio (Basel I)	**12.26%**	**11.03%**

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 loans portfolios. If such triggers exist, the recoverable amount of the loan portfolio is calculated and the relevant provision for this impairment is raised. The provision is recorded in the profit or loss statement. In determining whether an impairment loss should be recorded in the profit or loss statement the 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 financial instruments

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

3. Impairment of available for sale 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 guarantees, 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, letters of guarantees, 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:

1/1-31/12/2007	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**

1/1-31/12/2006	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Treasury	Other business segments	Eliminations	Group
Revenues	1,053,727	341,921	74,029	416,567	329,954	-	2,216,198
Revenues from other business segments	138,715	15,536	571	90	222,248	(377,160)	0
Total revenues	**1,192,442**	**357,457**	**74,600**	**416,657**	**552,202**	**(377,160)**	**2,216,198**
Net revenues	863,470	166,408	59,890	43,785	90,459	-	1,224,012
Net revenues from other business segments	(91,608)	(22,785)	(11,045)	(5,210)	186,509	(55,861)	0
Total net revenues	**771,862**	**143,623**	**48,845**	**38,575**	**276,968**	**(55,861)**	**1,224,012**
Segment results	**278,631**	**45,207**	**47,979**	**19,328**	**163,237**	-	**554,382**
Share of profit of associates							2,167
Profit before tax							**556,549**
Income tax expense							(100,099)
Profit after tax							**456,450**
Other segment items							
Capital expenditure	71,210	28,488	909	453	82,722	-	**183,782**
Depreciation and amortisation	26,935	5,078	839	748	21,819	-	**55,419**
Impairment charge - loans	53,123	18,844	172	-	2,192	-	**74,331**
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**
At 31 December 2006							
Segment assets	14,675,733	6,284,682	164,053	6,212,550	3,594,198	-	**30,931,216**
Segment liabilities	11,040,754	647,745	125,737	10,985,252	6,299,308	-	**29,098,796**

Amounts in thousand euros (Unless otherwise stated)

Other business segments results for the first quarter of 2007 include amount of € 159.3 million which relates to the sale of the Bank's participation in Bank of Cyprus. Other business segments results for the first quarter of 2006 include amount of € 129.8 million which relates to the sale of ING GROEP N.V. Relevant note to the sale of the participation in Bank of Cyprus and of ING GROEP N.V. is note 11.

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.

a) By geographical segment

The following table incorporates geographical concentrations of assets, liabilites, revenues and net revenues of the Group, as required by IAS 14. The allocation is based on the location of the subsidiaries.

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
Africa	1,080,644	85,974	33,421	28,024
Total	**46,427,340**	**3,426,271**	**1,633,109**	**351,855**

As at 31 December 2006	**Total assets**	**Revenues**	**Net Revenues**	**Capital expenditure**
Greece	26,119,502	1,900,727	1,218,485	200,397
South East Europe	2,247,401	164,747	118,198	28,338
Rest of Europe	1,209,689	53,943	(162,683)	5
U.S.A.	608,600	38,161	21,994	1,388
Africa	746,024	58,620	28,018	9,502
Total	**30,931,216**	**2,216,198**	**1,224,012**	**239,630**

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

The 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 is 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.

Amounts in thousand euros (Unless otherwise stated)

6 Net interest income

	1/1-31/12/2007	1/1-31/12/2006
Interest income		
Interest on fixed income securities	299,328	132,215
Interest income on loans and advances to customers	1,577,102	1,112,832
Interest on loans and advances to credit institutions	195,860	132,567
Interest rate swaps	440,200	199,778
Other interest income	149,593	97,426
Total interest income	**2,662,084**	**1,674,818**
Interest expense		
Interest on customer deposits and repos	(634,142)	(345,037)
Interest on debt securities in issue and on other borrowed funds	(341,849)	(184,070)
Interest on due to Banks	(213,812)	(132,569)
Interest rate swaps	(423,823)	(204,956)
Interest expense from finance leases of investment property	(20,229)	(20,282)
Other interest expense	(111,260)	(72,766)
Total interest expense	**(1,745,115)**	**(959,680)**
Net Interest Income	**916,969**	**715,138**

Accrued interest for impaired loans is € 31,177 thousand (2006: € 17,324 thousand).

7 Net fees and commission income

	1/1-31/12/2007	1/1-31/12/2006
Fees and commission income		
Commercial banking	184,652	135,701
Investment banking	70,360	59,521
Asset management	19,502	17,933
Total fees and commission income	**274,514**	**213,155**
Fees and commission expense		
Commercial banking	(31,078)	(16,411)
Investment banking	(16,615)	(15,823)
Asset management	(354)	(272)
Total fees and commission expense	**(48,047)**	**(32,506)**
Net fees and commission income	**226,466**	**180,649**

8 Dividend income

	1/1-31/12/2007	1/1-31/12/2006
Dividend from AFS securities	5,060	14,525
Dividend from trading securities	5,247	3,986
	10,307	**18,511**

9 Net trading income

	1/1-31/12/2007	1/1-31/12/2006
Gains less losses on FX dealing	13,355	12,470
Gains less losses on shares and mutual funds transactions	21,540	(1,213)
Gains less losses on derivatives transactions	(16,552)	(1,748)
Gains less losses on bonds transactions	6,596	681
Gains less losses on FX valuation	28,827	1,002
Gains less losses on shares and mutual funds valuation	10,946	12,573
Gains less losses on derivatives valuation	(2,806)	13,985
Gains less losses on bonds valuation	(12,235)	(2,824)
	49,671	**34,926**

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

	1/1-31/12/2007	1/1-31/12/2006
Gains less losses from sale of financial assets at fair value through Profit or Loss	11,977	(2,612)
Gains less losses from valuation of financial assets at fair value through Profit or Loss	(352)	(2,872)
	11,625	**(5,484)**

11 Gains less losses from investment securities

	1/1-31/12/2007	1/1-31/12/2006
Gains less losses on AFS - shares and mutual funds	162,463	140,017
Gains less losses on AFS - bonds	(63)	(617)
Gains less losses on sale of subsidiaries and associates	14,015	(421)
Impairment of shares and mutual funds (available for sale portfolio) (note 23)	(4,030)	-
	172,385	**138,979**

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

Amounts in thousand euros (Unless otherwise stated)

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

12 Other operating income

	1/1-31/12/2007	1/1-31/12/2006
Income from real estate companies (rental income and result from the valuation of investment property)	134,874	81,161
Income from the operations of ETBA Industrial Estates S.A.	24,246	18,318
Income from IT activities	8,920	6,863
Income from operating leasing	17,231	5,207
Return of taxes - contributions	-	5,785
Other operating income	60,415	23,959
	245,686	**141,293**

The increase of the income from real estate companies during the year 2007 is mainly due to PICAR SA, the company that operates the Citylink building at the centre of Athens. As a result, PICAR SA rental income and income from the valuation of the building by an independent valuer (Lambert Smith Hampton) was € 95.0 million in 2007 compared to € 56.7 million in 2006. It should be noted that the Citylink building has been accounted for as a finance lease and as such, it has increased the interest expense of the Group by € 20.2 million in 2007 compared to € 20.3 million in 2006 (note 6).

Receivables from operating leases are as follows:

Receivables from operating leases	31 December 2007	31 December 2006
Up to 1 year	52,663	41,093
From 1 to 5 years	140,973	133,771
More than 5 years	3,027,643	2,780,647
	3,221,279	**2,955,511**

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

13 Staff costs

	1/1-31/12/2007	1/1-31/12/2006
Wages & salaries	(271,684)	(217,778)
Social insurance contributions	(56,205)	(46,206)
Other staff costs	(15,892)	(12,980)
Retirement benefit charges (note 37)	(35,241)	(24,825)
	(379,022)	**(301,789)**

Wages and salaries include amount of € 6,792 thousand which relates to the total cost for the stock option plans for the year 2007. The respective amount for the year 2006 is € 8.360 thousand. The total cost for the stock option plans includes the cost of the share options granted to the members of the Board of Directors and key management personnel (note 43).

The number of persons employed by the Group during 2007 was 12,357 (2006: 9,253.). The average number of persons employed by the Group during the year 2007 was 10,805.

14 Administrative expenses

	1/1-31/12/2007	1/1-31/12/2006
Rental expense	(42,706)	(36,336)
Taxes and duties (excl. income tax)	(43,933)	(34,973)
Promotion and advertising expenses	(45,124)	(36,233)
Servicing - promotion of banking products	(28,739)	(26,018)
Fees and third parties expenses	(46,748)	(37,808)
Other administrative expenses	(96,685)	(75,989)
	(303,935)	**(247,357)**

15 Income tax expense

	1/1-31/12/2007	1/1-31/12/2006
Current Tax	(68,716)	(61,806)
Deferred tax (note 36)	(34,638)	(37,966)
Share of tax of associates	-	(327)
Tax provisions	(30,500)	-
	(133,854)	**(100,099)**

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

For the subsidiaries operating abroad, the tax has been calculated according to the respective nominal tax rates (Albania: 20%, Bulgaria: 10%, Romania: 16%, U.S.A.: 35%, Serbia: 10%, Ukraine: 25% and Egypt: 20%).

Amounts in thousand euros (Unless otherwise stated)

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:

	2007	2006
Profit before tax	785,313	556,549
Tax calculated	(196,328)	(138,684)
Income not subject to tax (corresponding tax)	52,892	48,662
Non deductible expenses (corresponding tax)	(15,894)	(5,536)
Effect of different tax rates applied abroad	11,339	(6,131)
Additional tax 3% on fixed assets income	(58)	(39)
Utilisation of previously unrecognised tax losses	14,195	1,629
Income Tax	**(133,854)**	**(100,099)**

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

16 Earnings per share

Basic earnings per share is calculated by dividing the 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 dillutive potential ordinary shares are taken into consideration. The two share option schemes (note 39) is the only case of dilutive potential ordinary shares for the Group. Specifically, on the weighted average number of ordinary shares used for the calculation of the basic earnings per share is added the difference in the number of shares that arises from the comparison of a) the number of shares that would have been issued at fair value based on the consideration received from the exercise of the share options and b) the number of shares issued due to the exercise of the share options.

	1/1-31/12/2007	1/1-31/12/2006
Basic earnings per share		
Net profit attributable to shareholders	622,141	434,649
Weighted average number of shares in issue	291,171,706	276,835,665
Basic earnings per share (in euro)	2.14	1.57

	1/1-31/12/2007	1/1-31/12/2006
Diluted earnings per share		
Net profit attributable to shareholders	622,141	434,649
Weighted average number of shares in issue	291,171,706	276,835,665
Adjustment for share options	1,330,833	1,542,248
Weighted average number of shares in issue for the diluted earnings per share calculation	292,502,539	278,377,913
Diluted earnings per share (in euros)	2.13	1.56

According to the requirements of IAS 33, the weighted average number of shares has been adjusted for the comparison year 2006 by a 1.0552 factor, in order to adjust earnings per share (basic and diluted) for the discount price of the rights issue share capital increase (note 39).

17 Cash and balances with the Central Bank

	31 December 2007	31 December 2006
Cash in hand	382,755	304,539
Nostros and sight accounts with other banks	251,210	175,830
Balances with central bank	1,771,129	796,556
Cheques clearing system - central bank	487,909	379,434
Included in cash and cash equivalents less than 90 days (Note 42)	**2,893,003**	**1,656,359**
Mandatory reserves with central bank	507,166	228,787
	3,400,169	**1,885,146**

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 2007	31 December 2006
Greek government treasury bills	-	6,366
Other government treasury bills	35,393	88,202
Included in cash and cash equivalents less than 90 days (Note 42)	**35,393**	**94,568**
Greek government treasury bills	-	29,748
Other government treasury bills	179,426	40,910
	214,819	**165,226**

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 bera fixed rates and mainly have a duration of 12 months.

Amounts in thousand euros (Unless otherwise stated)

19 Loans and advances to credit institutions

	31 December 2007	31 December 2006
Placements with local banks and banks abroad	1,773,487	2,603,641
Cheques receivables	10,955	9,954
Reverse repurchase agreements	207	10,655
Included in cash and cash equivalents less than 90 days (Note 42)	**1,784,650**	**2,624,250**
Placements to banks (more than 90 days)	32,066	2,603
Cheques receivables (more than 90 days)	39	-
Reverse repurchase agreements	795,136	-
	827,241	**2,603**
Total loans and advances to credit institutions	**2,611,891**	**2,626,853**

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

	31 December 2007	31 December 2006
Current loans and advances to credit institutions	2,537,893	2,614,551
Non current loans and advances to credit institutions	73,999	12,302
	2,611,892	**2,626,853**

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. 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 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**

Amounts in thousand euros (Unless otherwise stated)

At 31 December 2006	Notional amounts	Fair values	
		Assets	Liabilities
Derivatives held for trading			
Futures	23,200	-	-
Asset swaps	100,915	-	8,796
Interest rate swaps	8,833,869	42,273	38,221
Currency swaps	2,986	-	32
Forward rate agreements	6,000,000	1,104	-
FX forwards	137,389	3,485	2,558
Options	100,000	534	160
Other derivative instruments	39,562	182	841
		47,578	**50,608**
Embedded equity derivatives			
Customer deposits/ loans linked to options	274,138	8,580	7,936
Derivatives held for fair value hedging			
Interest rate swaps	129,123	277	1,160
Total recognised derivative assets/ liabilities		**56,435**	**59,704**

21 Financial assets at fair value through Profit or Loss

Trading securities	**31 December 2007**	**31 December 2006**
Greek government bonds	349,523	-
Foreign government bonds	-	723
Corporate entities bonds	-	5,285
Bank bonds	-	104
Included in cash and cash equivalents less than 90 days (Note 42)	**349,523**	**6,112**
Greek government bonds	3,639,911	1,749,419
Foreign government bonds	50,194	48,515
Corporate entities bonds	280,073	28,870
Greek government treasury bills	14,915	-
Other government treasury bills	21,101	-
	4,006,194	**1,826,804**
Athens stock exchange listed shares	127,216	112,476
Foreign stock exchanges listed shares	13,763	15,589
Mutual funds	10,034	3,918
	151,013	**131,983**
Total trading securities	**4,506,731**	**1,964,899**
Other financial assets at fair value through profit or loss	**508,137**	**56,449**

From the above mentioned bonds of trading securities as at 31/12/2007, amount of € 2,185 million relates to fixed income securities, amount of € 1,787 million relates to floating rate securities and amount of € 384 million relates to zero-coupons. The respective amounts as at 31/12/2006 are 1,678 million (fixed), € 190 million (FRN) and € 21 million (zero-coupon). Net interest accrued on bonds, included in the respective balances, amounts to € 89 million (2006: € 38 million).

Other financial assets at fair value through profit or loss include asset swap bonds. Financial assets at fair value through profit or loss have fixed rates and include accrued interest of € 12 million.

Amounts in thousand euros (Unless otherwise stated)

22 Loans and advances to customers

	31 December 2007	31 December 2006
Loans to individuals		
Mortgages	5,743,069	4,442,182
Consumer/ personal and other loans	3,717,054	2,472,498
Credit cards	618,665	431,806
	10,078,788	**7,346,486**
Loans to corporate entities	**20,626,020**	**13,457,961**
Total loans and advances to customers	**30,704,809**	**20,804,447**
Less: Allowance for losses (impairment) on loans and advances to customers	(416,024)	(377,832)
Total loans and advances to customers (less allowances for losses)	**30,288,785**	**20,426,615**
Current loans and advances to customers	12,904,404	8,556,102
Non current loans and advances to customers	17,384,381	11,870,513
	30,288,785	**20,426,615**

Fixed rate loans amount to € 4,363 million (2006: € 2,904 million) and floating rate loans amount to € 26,342 million (2006: € 17,900 million).

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

a) Loans to individuals

	Mortgages	Consumer/ personal and other loans	Credit cards	Total
Balance at 1 January 2006	**16,710**	**108,383**	**36,050**	**161,143**
Charge for the year	2,213	15,765	6,131	24,109
Loans written-off	(9,021)	(21,791)	(25,640)	(56,452)
Foreign exchange differences	(22)	306	(246)	38
Balance at end of year 31/12/2006	**9,880**	**102,663**	**16,295**	**128,838**
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**

b) Loans to corporate entities

Balance at 1 January 2006	**271,886**
Charge for the year	50,026
Loans written-off	(70,952)
Foreign exchange differences	(1,919)
Balances of subsidiaries sold	(47)
Balance at end of year 31/12/2006	**248,994**
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**

The charge for the year 2007 (€ 115,478 thousand) in the income statement includes amount of € 4,825 thousand which relates to impairment of other receivables, loans of amount € 2,542 thousand written off directly to profit or loss and amount of € 80 thousand which relates to reversal of provisions of other assets. The charge for the year 2006 (€ 74,331 thousand) in the income statement includes amount of € 196 thousand which relates to impairment of other assets.

Loans and advances to customers include finance lease receivables:

Gross investments in finance leases	31 December 2007	31 December 2006
Less than 1 year	406,568	310,709
More than one year and less than 5 years	846,180	624,782
More than 5 years	753,556	547,971
	2,006,304	**1,483,462**
Unearned future finance income	**(513,999)**	**(352,284)**
Net investments in finance leases	**1,492,305**	**1,131,178**

Amounts in thousand euros (Unless otherwise stated)

Net investments in finance leases are analysed as follows:

	31 December 2007	31 December 2006
Less than 1 year	326,561	248,052
More than one year and less than 5 years	621,479	466,756
More than 5 years	544,265	416,370
	1,492,305	**1,131,178**

23 Investment securities

Available for sale securities	**31 December 2007**	**31 December 2006**
Bonds and other fixed income securities		
Greek government bonds	816,532	355,826
Foreign government bonds	88,088	166,830
Corporate entities bonds	148,691	132,626
Bank bonds	50,476	37,442
	1,103,787	**692,724**

Shares and other variable income securities	**31 December 2007**	**31 December 2006**
Athens stock exchange listed shares	149,689	471,109
Foreign stock exchanges listed shares	1,309	3,393
Unlisted shares	128,843	132,900
	279,840	**607,402**
Total available for sale securities	**1,383,628**	**1,300,126**

Held to maturity	**31 December 2007**	**31 December 2006**
Foreign government bonds	108,606	99,880
Corporate entities bonds	1,750	-
Total held to maturity	**110,356**	**99,880**
Total Investment securities	**1,493,984**	**1,400,006**

As at 31/12/2007, amount of € 344 million relates to investment portfolio bonds with fixed rates and amount of € 870 million relates to floating rate bonds. The respective amounts for 31/12/2006 are € 377 million (fixed), € 414 million (FRN) and € 2 million is zero-coupon.

The movement in investment securities may be summarised as follows:

Movement of the available for sale securities	**31 December 2007**	**31 December 2006**
Opening balance	1,300,126	685,584
Opening balance of new subsidiaries	2,956	-
Additions	956,724	927,956
Tranfer from subsidiaries	-	4,915
Tranfer from associates (note 24)	7,255	-
Tranfer to associates (note 24)	(14,358)	(1,879)
Transformation of other assets into securities	11,227	-
Recognition of loans according to IAS 39	(25,000)	-
Disposals	(876,024)	(488,192)
Changes in fair value	36,050	198,274
Impairment charge (note 11)	(4,030)	-
Foreign exchange differences	(11,298)	(26,532)
Balance at the end of the year	**1,383,628**	**1,300,126**

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

Movement of the held to maturity securities	**31 December 2007**	**31 December 2006**
Opening balance	99,880	95,555
Additions	35,394	31,340
Maturity of securities	(22,521)	(22,496)
Foreign exchange differences	(2,397)	(4,519)
Balance at the end of the year	**110,356**	**99,880**

Amounts in thousand euros (Unless otherwise stated)

24 Investments in associated undertakings

The Group's interest in associates, is as follows:

Company	Country	Participation %	Profit/ (Loss) before tax	Total revenues	Total assets	Total liabilities
		31 December 2007				
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

Company	Country	Participation %	Profit / (Loss) before tax	Total revenues	Total assets	Total liabilities
		31 December 2006				
ING - PIRAEUS LIFE INSURANCE COMPANY	Greece	49.90%	1,752	90,946	112,870	105,438
"VIOTIKI" REGIONAL DEVELOPMENT & INVESTMENT COMPANY S.A.	Greece	37.00%	(23)	47	136	10
CRETE SCIENTIFIC AND TECHNOLOGY PARK MANAGEMENT & DEVELOPMENT COMPANY S.A.	Greece	30.45%	12	91	243	63
"EVROS" DEVELOPMENT COMPANY S.A.	Greece	30.00%	(78)	66	474	174
ETANAL S.A.	Greece	25.00%	125	440	1,810	1,233
STALKO S.A.	Greece	25.00%	215	3,532	6,080	2,777
PROJECT ON LINE S.A.	Greece	40.00%	(1,060)	703	728	934
MONASTIRIOU TECHNICAL DEVELOPMENT CO. S.A.	Greece	33.33%	100	957	16,950	6,948
ALEXANDRIA FOR DEVELOPMENT AND INVESTMENT	Egypt	20.98%	233	1,285	9,842	5,828
NILE SHOES COMPANY	Egypt	37.50%	56	1,432	1,821	935
PIRAEUS INSURANCE CONSULTANT	Egypt	38.14%	48	86	76	26
INTEGRATED STORAGE SYSTEM CO	Egypt	38.14%	(41)	42	153	98
REBICAT	Greece	16.67%	(16)	-	3,125	26
ABIES	Greece	16.67%	(25)	-	10,293	40
EUROTERRA	Greece	15.89%	(220)	-	62,210	3,839
APE COMMERCIAL PROPERTY REAL ESTATE TOURIST & DEVELOPMENT S.A.	Greece	27.80%	(813)	-	30,032	30,794
APE FIXED ASSETS REAL ESTATE TOURIST & DEVELOPMENT S.A	Greece	27.80%	(13)	-	40	1
DELPHI ADVANCED RESEARCH TECHNOLOGIES LTD	Cyprus	21.28%	(12)	207	114	20
BORG EL ARAB COMPANY	Egypt	26.19%	525	20,699	22,355	17,660
TRIERIS REAL ESTATE LTD	British Virgin Islands	24.13%	-	-	15,122	-

The movement of investment in associates is analysed as follows:

	31 December 2007	31 December 2006
Opening balance	29,737	65,641
Additions	73,792	4,271
Disposals	(9,324)	(10,258)
Share of profit/ (loss) after tax	4,927	1,840
Transfer from the trading portfolio due to gain of significant influence	19,234	-
Transfer to the trading portfolio due to loss of significant influence (note 21)	-	(33,177)
Recognition of loans according to IAS 39	(6,300)	-
Transfer to the available for sale portfolio (note 23)	(7,255)	-
Transfer from the available for sale portfolio (note 23)	14,358	1,879
Foreign exchange differences	(2,223)	(459)
Balance at the end of the year	**116,946**	**29,737**

Amounts in thousand euros (Unless otherwise stated)

25 Goodwill and other intangible assets

2006				
Cost	**Goodwill**	**Software**	**Other intangible**	**Total**
Opening balance as at 1 January 2006	141,306	60,214	64,770	266,290
Additions	6,710	14,332	1,178	22,220
Write-offs/ Disposals	(7,107)	(5)	(14,693)	(21,805)
Foreign exchange differences	(1,746)	129	(851)	(2,468)
Balance as at 31 December 2006	**139,163**	**74,670**	**50,404**	**264,237**
Accumulated depreciation				
Opening balance as at 1 January 2006	-	(47,119)	(16,932)	(64,051)
Charge for the year	-	(8,622)	(7,621)	(16,243)
Write-offs/ Disposals	-	5	8,186	8,191
Foreign exchange differences	-	76	81	157
Accumulated depreciation at 31 December 2006	**-**	**(55,660)**	**(16,286)**	**(71,946)**
Net book value at 31 December 2006	**139,163**	**19,010**	**34,118**	**192,291**

During 2006, goodwill of € 7.1 million was transferred to retained earnings during the absorption of Piraeus Prodefin Holding S.A. from GEKA S.A. The balance of goodwill as at 31/12/2006 and as at 31/12/2007 has been tested for impairment according to the required procedures by IFRS. No impairment loss has resulted.

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	-	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	-	(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 (note 44).

26 Property, plant and equipment

2006	**Land and buildings**	**Furniture, electronic and other equipment**	**Assets under construction**	**Other tangible assets**	**Leasehold improvements**	**Total**
Cost						
Opening balance as at 1 January 2006	238,377	183,057	24,135	90,574	122,372	658,515
Opening balance of new subsidiaries	-	-	-	11	-	11
Additions	33,314	30,584	49,193	29,995	25,186	168,272
Transfers	15,423	4,097	(32,720)	(1,675)	14,645	(230)
Disposals	(12,325)	(3,091)	(404)	(21,223)	(208)	(37,251)
Write - offs	-	(240)	-	(45)	(3,956)	(4,241)
Foreign exchange differences	(890)	(324)	1,066	569	(603)	(182)
Balance as at 31 December 2006	**273,899**	**214,083**	**41,270**	**98,206**	**157,436**	**784,894**
Accumulated depreciation						
Opening balance as at 1 January 2006	(11,716)	(132,189)	0	(27,714)	(55,719)	(227,338)
Opening balance of new subsidiaries	-	-	-	(11)	-	(11)
Charge for the year	(6,066)	(20,971)	-	(13,133)	(10,784)	(50,954)
Transfers	(90)	(224)	-	(85)	134	(265)
Disposals	545	2,879	-	11,052	208	14,684
Write - offs	-	240	-	45	2,070	2,355
Foreign exchange differences	512	198	-	54	(42)	722
Accumulated depreciation 31 December 2006	**(16,815)**	**(150,067)**	**0**	**(29,792)**	**(64,133)**	**(260,807)**
Net book value as at 31 December 2006	**257,084**	**64,016**	**41,270**	**68,414**	**93,303**	**524,087**

Amounts in thousand euros (Unless otherwise stated)

The above depreciation charge for the year 2006 (€ 50,954 thousand) a) includes depreciation of Piraeus Best Leasing of amount € 11,866 thousand which was included in "Other operating income" in the Consolidated Income Statement and b) does not include amount of € 88 thousand which relates to depreciation expense of a company which was sold during the 4th quarter of 2006.

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	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/ impairment	-	(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	(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.

27 Investment property

	2007	2006
Opening balance	619,748	542,430
Opening balance of subsidiaries disposed during the year	(31,523)	-
Additions	132,178	106,377
Transfers	(11,023)	(20,609)
Disposals	(16,226)	(9,284)
Foreign exchange differences	(355)	834
Balance at the end of the year	**692,799**	**619,748**

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

Rental income from investment property amounts to € 31,421 thousand (2006: € 30,621 thousand). Operating expenses of investment property that is rented to third parties equal to € 6,311 thousand (2006: € 4,324 thousand).

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

Investment property is presented at fair value, as this is estimated by a certified independent valuer (Lambert Smith Hampton) on an annual basis. Fair value is determined by the market prices or if market prices are not available, valuation models are used as described in section 2.15. The total fair value of investment property under finance leases as at 31/12/2007 is € 475.7 million (2006: € 422.1 million).

28 Held for sale

2006	
Opening balance	11,958
Additions	4,590
Disposals	(2,455)
Impairment	(133)
Currency translation differences	(1,117)
Balance as at 31/12/2006	**12,844**

Amounts in thousand euros (Unless otherwise stated)

2007	
Opening balance	12,844
Opening balance of new subsidiaries	49
Additions	2,610
Transfers	(280)
Disposals	(9,640)
Currency translation differences	(886)
Balance as at 31/12/2007	**4,696**

The loss from the sale of assets held for sale during 2007 was € 142.5 thousand (2006: loss of € 23 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 Romania in settlement of their loan portfolio. The sale procedure is lengthy and it is expected to finalise in 2008.

29 Other assets

	31 December 2007	**31 December 2006**
Prepaid expenses and accrued income	274,440	169,917
Prepaid taxes and taxes withheld	109,233	69,138
Claims from tax authorities and the State	30,619	62,324
Inventories - property	182,743	181,357
Shares transactions	6,687	6,405
Inventories - cars	90,622	84,674
Credit cards	69,928	54,422
Receivables from third parties	79,300	57,993
Other items	389,135	184,397
	1,232,706	**870,627**
Current other assets	886,924	322,388
Non current other assets	345,782	548,239
	1,232,706	**870,627**

Inventories property as at 31/12/2007 include property of ETBA VIPE of amount € 125.1 million (2006: € 132.4 million) and property acquired by the Bank through auctions of amount € 51.7 million (2006: € 45.7 million), as well as inventories property of real estate subsidiaries of total amount € 5.9 million (2006: € 3.2 million).

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

30 Due to banks

	31 December 2007	**31 December 2006**
Amounts due to central banks	1,400,906	2,587
Deposits from other banks	5,656,296	4,201,518
Other obligations to banks	2,265,907	673,974
Repurchase agreement - credit institutions	1,382,675	4,772
	10,705,784	**4,882,851**
Current due to banks	10,202,230	4,360,573
Non current due to banks	503,554	522,278
	10,705,784	**4,882,851**

Balances due to banks bear floating rates.

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

31 Due to customers

	31 December 2007	**31 December 2006**
Current and sight deposits	5,007,055	4,034,418
Savings account	3,572,553	3,626,365
Term deposits	12,353,526	8,773,949
Other accounts	264,141	241,704
Repurchase agreements	870,040	58,153
	22,067,315	**16,734,589**
Current due to customers	21,225,542	16,518,235
Non current due to customers	841,773	216,354
	22,067,315	**16,734,589**

Amounts in thousand euros (Unless otherwise stated)

Due to customers include blocked deposits of € 194 million (2006: € 198 million). Other accounts include cheques payable of € 123 million (2006: € 124 million). Customer deposits (corporate and retail excluding cheques payable and repos) with floating rates are € 17,773 million (2006: € 13,838 million) and with fixed rate are € 3,301 million (2006: € 2,714 million).

32 Debt securities in issue

	Currency	Average interest rate (%) 2007	2006	31 December 2007	31 December 2006
ETBA bonds	EUR	3.30%	2.87%	**793,972**	**791,606**
Euro Commercial Paper (Short term securities)	EUR	4.20%	3.00%	2,559,822	1,558,903
	USD	5.40%	5.13%	206,206	227,783
	GBP	5.75%	4.75%	50,257	89,061
	CHF	2.64%	-	20,788	-
	JPY	1.00%	0.39%	68,418	10,193
				2,905,491	**1,885,940**
Other debt securities	BGN	5.33%	6.67%	**19,107**	**3,648**
Euro Medium Term Note (Medium/long term securities)					
€ 18 m. floating rate notes due 2007			Euribor + 0.10	-	17,977
€ 350 m. floating rate notes due 2007			Euribor + 0.30	-	271,467
€ 32.5 m. floating rate notes due 2010			Variable	738	705
€ 21.65 m. floating rate notes due 2010			Variable	1,350	1,350
€ 18 m. floating rate notes due 2007			Euribor + 0.10	-	17,992
€ 2.45 m. floating rate notes due 2007			Variable	-	2,450
€ 500 m. floating rate notes due 2010			Euribor + 0.30	489,288	498,137
€ 2.15 m. floating rate notes due 2008			Variable	2,150	2,150
€ 3.43 m. floating rate notes due 2009			Variable	3,025	3,425
USD 15 m. floating rate notes due 2009			Libor + 0.10	8,476	8,811
USD 20 m. floating rate notes due 2009			Libor + 0.20	9,659	8,165
USD 15 m. floating rate notes due 2008			Libor + 0.05	8,944	9,968
€ 500 m. floating rate notes due 2009			Euribor + 0.20	492,361	491,831
€ 25 m. floating rate notes due 2008			Euribor + 0.15	24,999	24,997
€ 60 m. floating rate notes due 2014			Variable	60,000	60,000
€ 20 m. floating rate notes due 2008			Euribor + 0.10	12,907	19,073
€ 10 m. floating rate notes due 2013			Euribor + 0.30	9,990	9,987
€ 500 m. floating rate notes due 2011			Euribor + 0.25	455,257	484,607
€ 10 m. floating rate notes due 2013			Euribor + 0.15	-	10,000
€ 20 m. floating rate notes due 2008			Euribor + 0.05	11,036	13,116
€ 5.05 m. floating rate notes due 2011			Variable	5,050	5,050
€ 50 m. floating rate notes due 2010			Euribor + 0.225	50,000	-
€ 750 m. floating rate notes due 2010			Euribor + 0.20	711,605	-
€ 53 m. floating rate notes due 2008			Euribor + 0.08	53,000	-
€ 60 m. floating rate notes due 2008			Euribor + 0.05	59,983	-
€ 20 m. floating rate notes due 2012			Euribor + 0.20	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	-
Accrued interest and other expenses				10,248	7,695
				2,609,990	**1,968,953**
Securitisation of mortgage loans					
€ 750 m. floating rate notes due 2040			Euribor + 0.18	444,600	611,366
€ 1,250 m. floating rate notes due 2054			Euribor + 0.18	1,015,412	-
				1,460,012	**611,366**
Total debt securities in issue				**7,788,572**	**5,261,513**
Current debt securities in issue				3,409,073	2,919,865
Non current debt securities in issue				4,379,499	2,341,648
				7,788,572	**5,261,513**

Amounts in thousand euros (Unless otherwise stated)

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

The Euro Commercial Paper (ECP) short term securities in issue, during the year 2007, amounted to € 2.1 billion without significant change in the level of average maturity and with a minor increase on the interest spread.

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

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

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

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

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).

33 Hybrid capital and other borrowed funds

Hybrid capital (Tier I)		**Interest rate (%)**	**31 December 2007**	**31 December 2006**
€ 200 m. floating rate notes		Euribor + 1.25	191,632	199,958
Accrued interest and other expenses			1,774	1,248
			193,406	**201,206**
Subordinated debt (Tier II)				
€ 400 m. floating rate notes due 2014		Euribor + 0.60	393,650	398,489
€ 400 m. floating rate notes due 2016		Euribor + 0.55	395,784	399,121
Accrued interest and other expenses			2,895	2,457
			792,329	**800,067**
	Currency	**Interest rate (%)**	**31 December 2007**	**31 December 2006**
Other borrowed funds	USD	6.60%	**3,502**	**3,797**
Total hybrid capital and other borrowed funds			**989,237**	**1,005,070**
Current hybrid capital and other borrowed funds			9,455	4,848
Non current hybrid capital and other borrowed funds			979,782	1,000,222
			989,237	**1,005,070**

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

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

Marathon Bank issued borrowed funds on 15/12/2006, with a duration of 30 years, callable or repriced every 5th anniversary and with a fixed coupon of 6.60%.

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

34 Other liabilities

	31 December 2007	**31 December 2006**
Deferred income and accrued expenses	280,956	170,717
Obligations under finance leases	215,630	224,199
Transactions with Interbank Systems (DIAS)	210,996	189,493
Withholding taxes and contributions	43,092	33,692
Creditors	94,287	69,137
Other liability accounts	229,295	183,779
	1,074,256	**871,017**

Amounts in thousand euros (Unless otherwise stated)

	31 December 2007	31 December 2006
Current other liabilities	210,487	295,863
Non current other liabilities	863,769	575,154
	1,074,256	**871,017**

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 2007	31 December 2006
Not later than 1 year	22,855	23,046
Later than one year and not later than 5 years	369,084	339,348
Later than 5 years	2,072,541	1,975,017
	2,464,480	**2,337,411**
Future finance expense	(2,248,850)	(2,113,212)
Net liabilities from finance leases	**215,630**	**224,199**

Net liabilities from finance leases may be analyzed as follows:

	31 December 2007	31 December 2006
Not later than 1 year	9,421	15,862
Later than one year and not later than 5 years	74,067	78,858
Later than 5 years	132,142	129,479
	215,630	**224,199**

Obligations under finance leases mainly consist of the liability (€ 196 million) arising from the finance lease agreement for the Citylink building by the Group subsidiary Picar SA, of total duration fifty two years.

35 Other provisions

The movement in other provisions may be summarised as follows:

	31 December 2007	31 December 2006
Opening balance	11,744	20,653
Charge for the year	427	2,705
Utilisation of provisions	-	(11,139)
Transfers of provisions for tax differences to current income tax liabilities	(8,837)	-
Foreign exchange differences	416	(475)
Balance at the end of the year	**3,750**	**11,744**

36 Deferred tax

Deferred income taxes for Piraeus Bank are calculated on all temporary differences under the liability method using a nominal tax rate of 25% (2006: 29%). 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 2007	31 December 2006
Deferred tax liabilities		
Adjustment for depreciation of property, plant and equipment	12,261	1,813
Investment property valuation	35,895	10,710
Derivative financial instruments valuation	15,115	3,928
Securities valuation	29,475	35,121
Recognition of commision according to effective interest rate calculation	6,796	5,711
Impairment of receivables	5,105	3,191
Deferred tax liability of purchase price allocation exercise	5,302	4,144
Intangible assets	6,539	-
Other deferred tax liabilities	17,866	7,441
	134,354	**72,059**
Deferred tax assets		
Pensions and other post retirement benefits	35,374	38,583
Impairment of receivables	7,004	4,415
Other provisions	992	-
Financial assets at fair value through profit or loss	217	-
Derecognition of intangible assets	2,966	2,473
Securities valuation	48,256	11,417
Derivative financial instruments valuation	17,186	4,814
Recognition of tax losses	8,086	6,298
Impairment of securities	48	13,619
Recognition of commision according to effective interest rate calculation	14,390	11,680
Other deferred tax assets	9,878	6,954
	144,397	**100,253**
Net deferred tax asset	**10,043**	**28,194**

Amounts in thousand euros (Unless otherwise stated)

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

	2007	2006
Net deferred tax asset as at 1 January	**28,194**	**76,995**
Net deferred tax liability of new subsidiaries	(12,262)	-
Effect of deferred tax in profit or loss	(34,638)	(37,966)
Sale/ valuation of the available for sale portfolio securities	28,749	(10,835)
Net deferred tax asset as at 31 December	**10,043**	**28,194**

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

	2007	2006
Pensions and other post retirement benefits	(3,209)	(2,482)
Impairment of receivables	674	3,496
Recognition of commision according to effective interest rate calculation	1,625	(2,110)
Investment property valuation	(25,185)	(5,626)
Derivative financial instruments valuation	1,185	(1,098)
Recognition of tax losses	1,788	667
Adjustment for depreciation of property, plant and equipment	(10,448)	(422)
Intangible assets	(6,046)	(1,632)
Financial assets at fair value through profit or loss	217	(345)
Securities valuation	13,736	(2,448)
Other provisions	992	(851)
Deferred tax of purchase price allocation exercise	(1,158)	1,187
Deferred tax on the profit realized from the sale of ING GROEP N.V.	-	(32,452)
Impairment of securities	(13,571)	1,901
Foreign exchange differences and other temporary differences	4,762	4,249
	(34,638)	**(37,966)**

During the year 2007, deferred tax of amount € 28,749 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 € 12,262 thousand.

37 Retirement benefit obligations

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 31/12/2007. The estimation of the liability at this date is based on the results of this study and it is as follows:

	31 December 2007	31 December 2006
Amounts recognised in the balance sheet		
Pension schemes-funded	68,615	70,226
Other post retirement benefits - not funded	92,391	76,634
	161,006	**146,860**
Provision for outstanding annual leaves	1,187	1,864
Total obligation	**162,193**	**148,724**
	1/1-31/12/2007	**1/1-31/12/2006**
Income statement		
Pension schemes-funded	(7,151)	(3,270)
Other post retirement benefits - not funded	(24,591)	(18,631)
	(31,742)	**(21,901)**

A) Pension schemes - funded

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

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

Amounts in thousand euros (Unless otherwise stated)

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

The amounts recognised in the income statement are as follows:

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

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

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

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

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

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

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

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

B) Other post retirement benefits - not funded

The amounts recognised in the balance sheet are as follows:

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

Amounts in thousand euros (Unless otherwise stated)

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

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

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

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

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

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

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

The pricipal actuarial assumptions used were as follows:

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

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 € 7,411 thousand (2006:€ 4,508 thousand). The total charge in profit and loss for the year 2007 resulting from the defined benefit obligation plans of the Bank is € 31,742 thousand (2006: € 21,901 thousand) and of the Group subsidiaries is € 3,499 thousand (2006: € 2,924 thousand).

The total liability of Piraeus Bank Group relating to retirement benefit obligations and the relevant charge in profit and loss for the years 2007 and 2006 is presented below:

	2007	2006
Retirement benefit obligations as at 1 January	**153,232**	**154,699**
Movement for the year	35,241	24,825
Contributions paid	(18,192)	(21,548)
Provision for outstanding annual leaves	(677)	(4,581)
Provision for voluntary leave plan 12/2003	-	(163)
Retirement benefit obligations as at 31 December	**169,604**	**153,232**

38 Contingent liabilites and commitments

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

B) Credit commitments
As at 31/12/2007 the Group had the following capital commitments.

	31 December 2007	31 December 2006
Letters of guarantee	2,595,065	1,974,449
Letters of credit	243,875	197,744
Commitments to extent credit	11,756,868	7,189,612
	14,595,808	**9,361,805**

Amounts in thousand euros (Unless otherwise stated)

C) Assets pledged

	31 December 2007	31 December 2006
Trading securities	3,073,425	195,865
Investment securities	85,071	55,751
	3,158,496	**251,616**

39 Share capital

	Share Capital	Share Premium	Treasury Shares	Total
At 1 January 2006	**1,024,932**	**330,643**	**(17,594)**	**1,337,981**
Capitalization of share premium	256,233	(259,200)	-	(2,967)
Issue of share capital from the exercise of share options under the 2nd & 3rd share option plans	7,665	16,703	-	24,368
Purchases of treasury shares	-	-	(356,152)	(356,152)
Sales of treasury shares	-	-	276,444	276,444
At 31 December 2006	**1,288,830**	**88,146**	**(97,302)**	**1,279,674**

	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**

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 2006	**214,870,434**	**(1,026,741)**	**213,843,693**
Issue of shares due to distribution of free shares	53,717,609	(1,162,578)	52,555,031
Issue of shares due to the exercise of share options	1,606,988	-	1,606,988
Purchases of treasury shares	-	(16,692,705)	(16,692,705)
Sales of treasury shares	-	14,123,777	14,123,777
Balance at 31st December 2006	**270,195,031**	**(4,758,247)**	**265,436,784**

	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 31 December 2007	**339,198,587**	**(11,082,100)**	**328,116,487**

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

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

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

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

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

Amounts in thousand euros (Unless otherwise stated)

Share option plans

2nd share option plan

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

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

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

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

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

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

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

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

3rd share option plan

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

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

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

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

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

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

Amounts in thousand euros (Unless otherwise stated)

40 Other reserves and retained earnings

	31 December 2007	31 December 2006
Legal reserve	65,374	41,512
Extraodinary reserve	1,205	(457)
Available for sale reserve	14,986	109,637
Currency translation reserve	(36,604)	(1,566)
Other reserves	8,978	14,524
Total other reserves	**53,939**	**163,650**
Retained earnings	561,058	172,877
Total other reserves and retained earnings	**614,997**	**336,527**

Other reserves movement	31 December 2007	31 December 2006
Opening balance	163,650	96,203
Available for sale reserve	(94,651)	47,133
Transfer from retained earnings	1,239	4,034
Formation of legal reserve	23,862	18,596
Reserve for stock option plan	6,791	8,360
Transfer to share premium due to exercise of share options (note 39)	(4,571)	(4,981)
Foreign exchange differences and other adjustments	(42,381)	(5,695)
Closing balance	**53,939**	**163,650**

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 2007	31 December 2006
Opening balance	109,637	62,504
Gains/ (losses) from the valuation of AFS bonds	(7,246)	(1,082)
Gains/ (losses) from the valuation of AFS shares	43,145	198,079
Deferred income tax	28,830	(12,104)
Recycling of the accumulated fair value adjustment of disposed AFS securities	(162,293)	(137,501)
Foreign exchange differences and other adjustments	2,913	(259)
Closing balance	**14,986**	**109,637**

Retained earnings movement	31 December 2007	31 December 2006
Opening balance	172,877	(55,758)
Profit after tax for the year attributable to the equity holders of Piraeus Bank	622,141	434,649
Prior year dividends	(86,462)	(107,435)
Interim dividend for the year	(117,598)	(85,948)
Gains/ (losses) from sales of treasury shares	2,973	29,119
Transfer to other reserves	(25,101)	(22,630)
Acquisitions, absorptions and movement in subsidiaries holding	1,648	(17,980)
Differences from currency translations and other adjustments	(9,420)	(1,140)
Closing balance	**561,058**	**172,877**

41 Dividend per share

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

42 Cash and cash equivalents

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

	31 December 2007	31 December 2006
Cash and balances with central banks (Note 17)	2,893,003	1,656,359
Treasury bills and other eligible bills (Note 18)	35,393	94,568
Loans and advances to credit institutions (Note 19)	1,784,650	2,624,250
Financial assets at fair value through profit or loss (Note 21)	349,523	6,112
	5,062,568	**4,381,289**

Amounts in thousand euros (Unless otherwise stated)

43 Related party transactions

Related parties include a) Members of the Bank Board of Directors and key management personnel of the Bank b) Members of the Board of Directors / key management personnel of Group Subsidiaries c) Close family and financially dependants (husbands, wives, children etc) of Board of Directors members and key management personnel d) companies having transactions with Piraeus Bank Group, when 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 2007	31 December 2006
Loans	177,459	103,646
Deposits	28,169	56,048

Letters of guarantee and letters of credit to the members of the board of directors and to the key management personnel as at 31/12/2007 are € 11 million (2006: € 9.5 million). The total income and expense on loans and deposits to/ from members of the board of directors and to key management personnel for the year 2007 is € 8.5 million (2006: € 4.9 million) and € 0.9 million (2006: € 0.4 million) respectively.

Loans and letters of guarantee issued to related parties represent an insignificant part of total loans and letters of guarantee issued by the 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 2007	31 December 2006
Salaries and other remuneration	19,364	11,561
Termination benefits	4,354	-
	23,718	**11,561**

The total cost for the share options granted to members of the Board of Directors and key management personnel is € 3 million (2006: € 3.3 million) (note 13). The total amount of provisions raised for Board of Directors members and key management personnel is € 32.7 million as at 31/12/2007 (2006: € 31.5 million). This amount has been included in retirement benefit obligation (note 37).

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

44 Acquisitions and disposals of subsidiaries and associates

During the year 2007, the following changes took place in the Group's portfolio of subsidiaries and associates:

a) Acquisitions

On 13/9/2007, Piraeus Bank acquired a 99.61% shareholding percentage of International Commerce Bank JSC, incorporated in Ukraine, for a consideration of € 53.7 million. On 25/7/2007, the Bank acquired a 100% shareholding of the company Olympic Commercial & Tourist Enterprises S.A. for a consideration of € 25.5 million. On 27/9/2007, the Bank disposed 6% of its shareholding percentage in Olympic Commercial & Tourist Enterprises S.A., decreasing its final shareholding percentage to 94%. The allocation of the cost of the business combination to the identifiable assets acquired, liabilities and contingent liabilities assumed at fair values will be done according to the rules of IFRS 3 "Business combinations". After the conclusion of the purchase price allocation, the fair values of the assets and liabilities acquired, as well as the resulting goodwill are as follows:

	Olympic Commerce and Tourist Enterprises S.A.		International Commerce Bank	
Assets	**Book value**	**Fair value**	**Book value**	**Fair value**
Intangible assets	199	199	63	10,756
Fixed assets	184,977	184,977	13,088	13,723
Loans and andvances to customers	12,699	12,699	94,157	93,804
Other Assets	57,351	57,351	31,058	31,370
Total Assets	**255,226**	**255,226**	**138,366**	**149,653**
Liabilities				
Due to customers and credit institutions	196,879	196,879	121,549	121,548
Other liabilities	38,659	42,254	2,709	5,082
Total Liabilities	**235,538**	**239,133**	**124,258**	**126,630**
Shareholders Equity	20,151	16,093	14,108	23,023
Total liabilities and shareholders equity	**255,689**	**255,226**	**138,366**	**149,653**
Cost of acquisition		**25,400**		**53,738**
Net assets acquired		**94%**		**99.61%**
Goodwill		**10,273**		**30,805**

The adjustment in the fair values of assets and liabilities of International Commerce Bank JSC is due to the recognition of intangible assets (customer relationships). The adjustment in the fair values of assets and liabilities of Olympic Commercial & Tourist Enterprises S.A (Greece) is due to the recognition of obligations before the acquisition.

Had the above subsidiaries been consolidated from the beginning of the year, their aggregate contribution in total revenues would have amounted to € 43,304 thousand and in profit after tax to € 2,747 thousand.

On 5/7/2007, Piraeus Bank acquired 100% of shares of the company Phenillion Enterprisers LTD, incorporated in Cyprus, against an amount of consideration paid of € 3 thousand.

On 13/6/2007 the participation of Piraeus Bank in the share capital of the company European Reliance General Insurance Co S.A. was concluded. The Bank solely covered the share capital increase of the above company, by acquiring a 30% shareholding percentage, against an amount of consideration paid of € 18.63 million.

On 25/10/2007, the bank's subsidiary Piraeus Bank Egypt SAE acquired 99.8% of Piraeus Bank Egypt Investment Company for an amount of € 1.3 million.

On 12/10/2007, the bank's subsidiary Piraeus Bank Bulgaria A.D. acquired 100% of Dirent Leasing Bulgaria for an amount of € 0.6 million. The latter was renamed Piraeus Best Leasing Bulgaria EAD.

On 29/11/2007 the Bank acquired 27.2% of APE Investment Company S.A. for an amount of € 16.3 thousand.

An agreement between Arab Bank and Piraeus Bank for the acquisition of the branch network that the former operates in Cyprus, by a local subsidiary of Piraeus Bank, was signed on 10/12/2007. The acquisition was completed on 25/1/2008.

b) Participation in share capital increases

On 19/1/2007 and 28/6/2007 Piraeus Bank participated in the share capital increases of Tirana Bank I.B.C., with the amount of € 6.8 million and € 13.6 million respectively, without altering its shareholding percentage.

On 30/3/2007 and 28/6/2007 Piraeus Bank covered the total amount of share capital increase of Piraeus Bank Bulgaria A.D., that is € 10 million and € 116 million respectively, increasing marginally its direct shareholding percentage from 99.92% to 99.98%.

On 24/4/2007 and 28/6/2007 Piraeus Bank covered the total amount of share capital increases of Piraeus Bank Beograd A.D., with the amount of € 39.1 million and € 25.0 million respectively, without altering its shareholding percentage.

On 10/5/2007 and 28/6/2007 Piraeus Bank participated in the share capital increases of Piraeus Bank Romania S.A., with the amount of € 50 million and € 172 million respectively, without altering its shareholding percentage.

On 7/6/2007 and on 2/7/2007 Piraeus Bank participated in the share capital increase of Piraeus Bank Egypt S.A.E., with the amount of € 37.3 million, increasing marginally its shareholding percentage from 95.34% to 95.36%.

On 31/8/2007 and 6/11/2007 Piraeus Bank covered the total amount of share capital increase of Phenillion Enterprisers LTD, of € 1.2 million, without affecting its shareholding percentage.

On 29/1/2007 Piraeus Bank covered the total amount of share capital increase of Piraeus Leasing Bulgaria S.A., that is € 5 million, without altering its shareholding percentage (100%).

On 18/5/2007 and 25/5/2007 Piraeus Bank participated in the share capital increases of SSIF Piraeus Securities Romania S.A., with the amount of € 0.6 million, increasing its shareholding percentage from 78.25% to 79.46%.

On 13/3/2007, Piraeus Bank Egypt S.A.E., subsidiary of Piraeus Bank, covered the total amount of share capital increase of Piraeus Egypt Leasing Co. by the amount of € 3.3 million, increasing its direct shareholding percentage from 99.6% to 99.9%.

On 28/9/2007 Piraeus Bank participated in the share capital increase of APE Commercial Property S.A., with the amount of € 0.25 million, without altering its shareholding percentage (27.8%).

On 10/10/2007 Piraeus Bank covered the total amount of share capital increase of Picar S.A., by the amount of € 36 million, without altering its shareholding percentage (100%).

The Bank covered the total amount of share capital increase of Piraeus Factoring S.A. on 21/12/2007 by the amount of € 3.29 million, without altering its shareholding percentage (100%).

On 20/12/2007 Piraeus Bank participated in the share capital increase of Olympic Commercial & Tourist Enterprises S.A for € 3.38 million, without altering its shareholding percentage of 94%.

On 9/11/2007 and on 13/11/2007 Piraeus Bank participated in the share capital increase of International Commerce Bank JSC for € 46.85 million, increasing its shareholding percentage from 99.61% to 99.95%.

c) Increases of participation

On 7/5/2007 and on 6/7/2007, Piraeus Bank increased its participation in Marathon Banking Corporation by € 0.88 million and € 1.94 miilion respectively, increasing in this way its shareholding percentage by 4.12%, from 82.5% to 86.6%.

During the year 2007, Piraeus Bank increased its shareholding percentage in Piraeus Leasing S.A. by 0.74%, for a consideration of € 1.19 million, increasing in this way its shareholding percentage from 86.76% to 87.55%.

Amounts in thousand euros (Unless otherwise stated)

Piraeus Bank increased its participation in Piraeus Securities S.A. by € 11.41 million, increasing in this way its shareholding percentage by 20%, from 80% to 100%.

Piraeus Bank increased its shareholding percentage in Euroinvestment & Finance LTD by 5.57%, against an amount of consideration paid of € 0.47 million, increasing in this way its final shareholding percentage from 85.10% to 90.67%.

During the year 2007, Piraeus Bank increased its shareholding percentage in Piraeus Real Estate Investment Property S.A. by 0.5%, against an amount of consideration paid of € 0.69 million, increasing in this way its shareholding percentage from 38.17% to 38.69%.

d) Foundations

On 6/7/2007 and 16/8/2007, the Bank founded 2 new directly wholly-owned subsidiaries, Piraeus Rent Doo Beograd and Piraeus Leasing Doo Beograd, with share capital of € 0.10 million and € 2 million respectively.

The 4 new companies Phoebe Energy Photovoltaics S.A., Iapetos Energy Photovoltaics S.A., Astraios Energy Photovoltaics S.A. and Orion Energy Photovoltaics S.A. were incorporated by the Group subsidiaries, ETBA Industrial Estates S.A. and Good Works Energy Photovoltaics S.A. ETBA Industrial Estates S.A. and Good Works Energy Photovoltaics S.A participate in full in the share capital of each one of the above 4 new companies.

Piraeus Real Estate Consultants Doo (Serbia), Piraeus Real Estate Bulgaria EOOD (Bulgaria) and Piraeus Real Estate Egypt LLC (Egypt) were incorporated in 2007 by Piraeus Bank. Piraeus Bank participates in full in the share capital of the first two subsidiaries and by 99.8% in the latter one.

On 10/4/2007, the company Multicollection Romania SRL was incorporated by the 51% subsidiary of Piraeus Bank, Multicollection S.A.

On 7/12/2007 Piraeus Bank's subsidiary (100%) Piraeus Insurance and Reinsurance Brokerage S.A. founded Piraeus Insurance Agency S.A. for an amount of € 60 thousand (shareholding percentage 100%).

On 31/12/2007 the foundation of the two new subsidiaries KL Real Estate S.A. and Ekathariseis Aktoploias S.A., by the Bank's subsidiary Piraeus ATFS S.A., was concluded. The share capital during the foundation was € 60 thousand and Piraeus ATFS participates in full in the share capital of each one of the above 2 new companies.

e) Liquidation and disposal of shareholding percentages

On 29/3/2007, Piraeus Bank's subsidiary Piraeus Enterprisers 4 Ltd, incorporated in Cyprus, was resolved.

On 20/3/2007, Piraeus Real Estate S.A. and ETBA Finance S.A. sold 50.83% and 0.17% respectively of their participation in the subsidiary company Good Works Energy Photovoltaics S.A. to the Group subsidiary ETBA Industrial Estates S.A. Also, on the same date, Piraeus Real Estate S.A. sold 49% of Good Works Energy Photovoltaics S.A. to third parties for a consideration of € 29.4 thousand.

On 20/3/2007, Piraeus Green Investments S.A., 100% subsidiary of the companies Piraeus Real Estate S.A. and ETBA Finance S.A., was transferred in full to Piraeus Bank for a consideration of € 60 thousand.

On 7/2/2007, General Construction and Development Co S.A., 66.7% subsidiary of Piraeus Bank, sold to third parties 50% of its shareholding percentage in the associate company Monastiriou Technical Development Co. S.A., for a consideration of € 4.8 million.

On 28/9/2007, Piraeus Bank sold its shareholding percentage (49.9%) in the associate company ING Piraeus Life Insurance Co.

On 29/6/2007, Piraeus Bank sold its shareholding percentage (37.0%) in the company "Viotiki" Regional Development & Investment Co. S.A for a consideration of € 2.8 thousand.

On 5/10/2007 the secession of departments of Piraeus Leasing S.A. and their contridution in Piraeus Leases S.A, Piraeus Bank's subsidiary (shareholding percentage 100%), was concluded.

During 2007, the Group sold in full its shareholding in the subsidiary Piraeus Botifin S.A. (100%), which in turn had a participation of 100% in P - Parking S.A. based in Greece. The details of assets and liabilities disposed are as follows:

	Piraeus Botifin S.A./ P - Parking S.A.
Loans and advances to credit institutions	25
Investment securities	500
Other assets	37,815
Due to banks	(35,283)
Other liabilities	(383)
Total equity	**2,674**
Proceeds from sale	1,935
Less: Cash and cash equivalents disposed	(25)
Net cash inflow/ (outflow) on sale	**1,910**

Furthemore, taking into account the proceeds (€ 29 thousand) from the disposal of 49% of the Group's participation in the subsidiary company Good Works S.A. (100%), the total net cash inflow from the disposal of subsidiaries is € 1,939 thousand.

Amounts in thousand euros (Unless otherwise stated)

f) Renames

Piraeus Mutual Funds S.A. has been renamed to Piraeus Asset Management S.A., New Flexible Tourist and Development S.A. has been renamed to Piraeus Green Investments S.A., Piraeus Costal Transportation Services S.A. has been renamed to Piraeus Leases S.A., Good Works Real Estate Tourist and Development S.A. has been renamed to Good Works Energy Photovoltaics S.A., Ionian Investments S.A. to APE Investment Property S.A. and Egyptian Commercial Storage Co to Integrated Storage System Co.

The Group's investments in subsidiaries at 2007 which are described above, are analysed in the table as follows:

	2007	2006
Participation in share capital increases	565,884	52,831
Increase of shareholding in Group subsidiaries	16,540	24,045
Incorporation of companies	2,552	2,055
	584,976	78,931
Acquisition of subsidiaries	81,235	1,719
Less: Cash and cash equivalents of subsidiaries acquired	(33,239)	(419)
Total	**632,972**	**80,231**

Therefore, the net outflow from increase of shareholding percentage is € 64,536 thousand.

During 2007, the goodwill (note 25) raised from the acquisition of subsidiaries and the increase of shareholding in Group subsidiaries was € 42,646 thousand (2006: € 6,710 thousand).

45 Post Balance Sheet events

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

Athens, February 12th, 2008

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

Independent auditor's report

To the Shareholders of "Piraeus Bank S.A"

Report on the Consolidated 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 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

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

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

Report on Other Legal and Regulatory Requirements
The information included in the Board of Director's report, contains all information required by article 107, paragraph 3 and article 16 paragraph 9 of Law 2190/20 and article 11a of Law 3371/2005 and is consistent with the financial statements.

PRICEWATERHOUSECOOPERS

Athens, February 14th, 2008

The Certified Auditor Accountant

268 Kifissias Avenue
152 32 Chalandri
Soel Reg No 113

Vassilios Goutis
SOEL Reg No 10411

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