

Annual Report 2007

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The pictures that are featured in the 2007 Annual Report and 2007 Corporate Responsibility Report illustrate moments of everyday life. This sequence of pictures could have been entitled "Man is the measure of all things", a quote from Protagoras, who places man as the centre of all things, of all values and of life.

People. Life, action, quest, struggle, nature, recreation, history, growth, effort, work, time, learning, hope, discovery, dreams, faith, culture, family, survival, culture, society...

Everything that signifies life is embraced by Piraeus Bank, the Bank with a human face. With anthropocentricity being the keynote of its philosophy, it develops and implements solutions in order to support people and improve the quality of life and future.



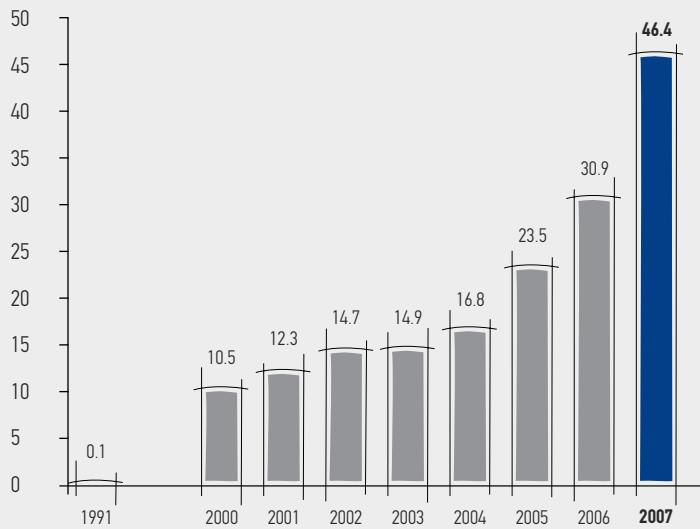
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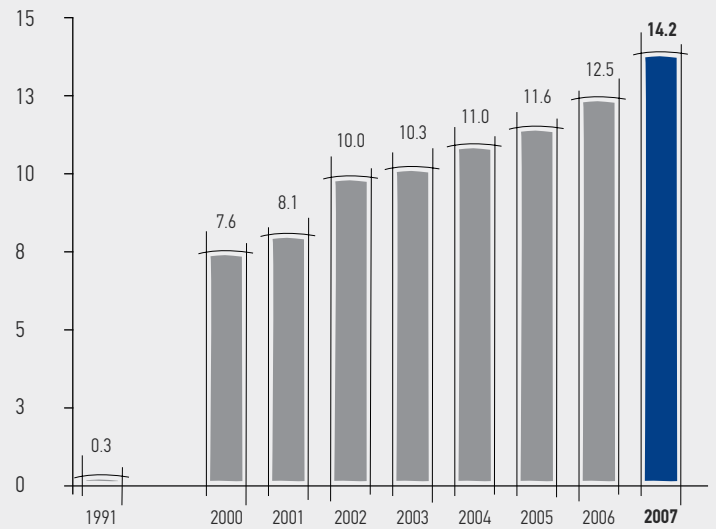


Piraeus Group: Consecutive Leaps Ahead

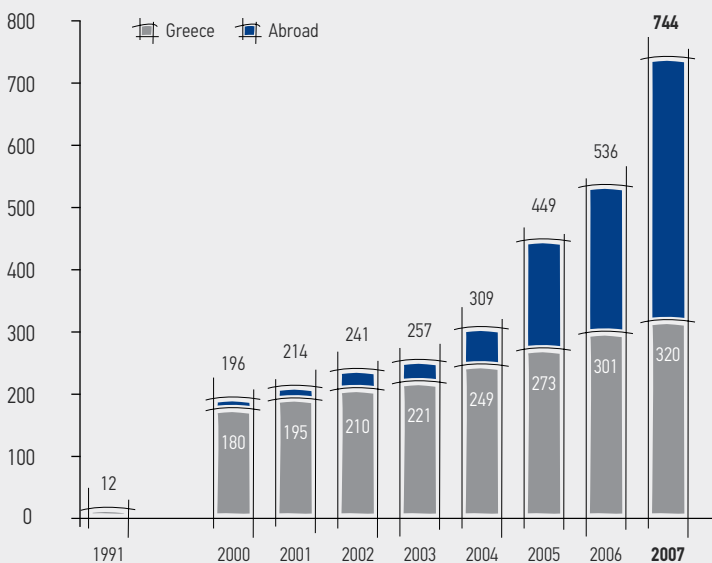
Group Assets (€ billion)



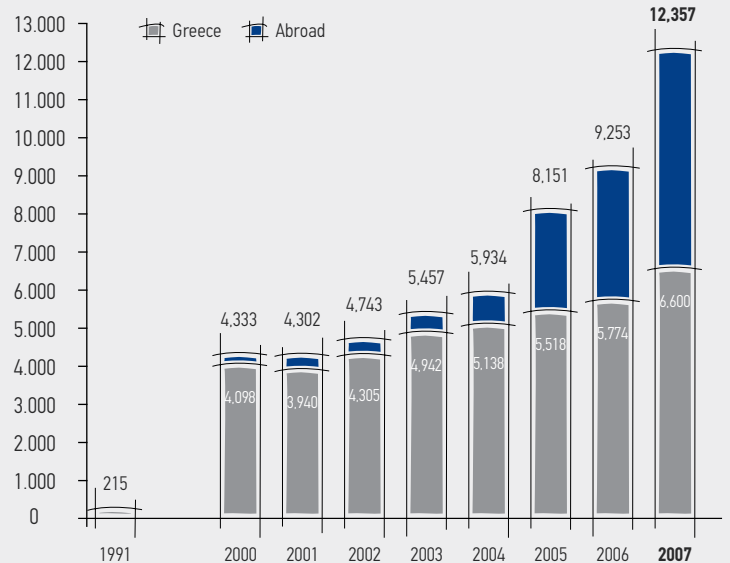
Loan Market Share of the Bank in Greece (%)



Group Branch Network



Group Human Resources





Brief Overview – Timeline

- 1916** Establishment of Piraeus Bank
- 1918** The shares of Piraeus Bank are listed in the Athens Stock Exchange
- 1963** Piraeus Bank is integrated into the Emporiki Bank Group
- 1975** Piraeus Bank moves under state control within the Emporiki Bank Group as its subsidiary
- 1991** Privatisation of Piraeus Bank
- 1992-1995** Establishment of infrastructure, positioning in the market, setting up of corporate identity
- establishment of Piraeus Leasing, Piraeus Mutual Funds and Piraeus Insurance Agency (1993)
 - establishment of Piraeus Finance (1994)
- 1996-1999** **Growth, creation of “critical mass”, competitive size**
- establishment of Tirana Bank, Albania (1996)
 - absorption of Chase Manhattan Bank Hellas and acquisition of 30% of Sigma Securities (1997)
 - establishment of Piraeus Factoring, Piraeus Mutlifin and Multicollection, acquisition of Macedonia-Thrace Bank and Credit Lyonnais Hellas (1998)
 - acquisition of Xiosbank, Marathon Bank New York, absorption of National Westminster Bank Hellas, establishment of the London branch, acquisition of the Romanian Pater Credit Bank, renamed Piraeus Bank Romania (1999)
- 2000-2003** **Integration of acquisitions, maturing, establishment of domestic presence**
- merger by absorption of Xiosbank and Macedonia-Thrace Bank and creation of the e-banking platform winbank (2000)
 - strategic alliance with ING, focusing on bancassurance (2002)
 - acquisition and merger by absorption of ETBAbank by Piraeus Bank (2003)
- 2004-2007** **Leading role in Greece (ranked 4th), enhancement of position abroad, performance maximization, technological supremacy, strengthening of corporate governance and corporate social responsibility framework**
- acquisition of Interbank New York and absorption by Marathon Bank (2004)
 - merger by absorption of Devletoglou Securities by Sigma Securities (renamed into Piraeus Securities)
 - acquisitions of foreign banks (Evrobank in Bulgaria, Atlas Bank in Serbia, Egyptian Commercial Bank in Egypt), merger by absorption of the Hellenic Investment Company by Piraeus Bank (2005)
 - merger of Piraeus Bank branches in Bulgaria with Evrobank and renamed into Piraeus Bank Bulgaria (2006)
 - entrance into the Ukrainian market by acquiring International Commerce Bank, as well as into the Cypriot market by establishing Piraeus Bank Cyprus and reaching a purchase agreement for the local branch network of Arab Bank. Acquisition of operating leasing company AVIS in Greece (2007)

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Chairman's Letter to the Shareholders

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 of the market, both volumes and profit surpassed the goals set by the Bank in the beginning of the year, whilst there were no liquidity problems despite the adverse international conditions. The prompt reactions of the Management for strengthening capital adequacy and enhanced liquidity were 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 increasing market shares and strengthening 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





Daily Briefing

Everything that signifies life is embraced by Piraeus Bank, the Bank with a human face.



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, despite 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 in 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 resources 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 & 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.

During 2007, funding the loan growth 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 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 increased 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.



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's 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 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 Statement 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 our shareholders.

Michalis G. Sallas

Chairman of the Board of Directors



Developments in the International and Greek Economy

International Economy

In 2007, the global economy experienced a satisfactory growth rate of 4.5%, although the second half of the year added nervousness in the international markets. This was mainly due to the dropping demand in the US real estate market and the simultaneous increase of the sub-prime mortgage loans.

As a result, the US economy experienced a slowdown, showing a growth rate of 2.2% in 2007 in comparison to 2.9% in 2006. On the other hand, the growth rate in the Eurozone decelerated slightly to 2.6% from 2.8% in 2006, while emerging economies accelerated even more, reaching 7.8% in 2007 from 7.7% in 2006.

The year 2008 marks the beginning of a period of moderate growth of the developed economies (USA, Eurozone, Japan), with a further upgrading of the economies of China, Russia, India and the oil-producing countries in the Persian Gulf. Growth rate in the countries of South Eastern Europe (Bulgaria, Romania, Serbia, Albania, Ukraine) and Egypt, where the Piraeus Bank Group is active, is anticipated to be kept on a level significantly higher than that of the Eurozone, exceeding 5.0%, while Cyprus is expected to be around 3.5% to 4.0%.

Greek Economy

Inside this changing financial environment, Greek economy maintained its momentum, demonstrating a real growth significantly higher than the average in Eurozone. In 2007, the real GDP in Greece was increased by 4.0% compared to 4.2% in 2006.

The principal growth component of Greek economy was private consumption, supported by the increase of available income as well as the credit expansion of households. Nevertheless, the intensity of international inflation pressures affected Greek economy, leading to the average inflation being 2.9% in 2007, compared to 3.2% in 2006. In the fiscal sector, the General Government deficit as a percentage of GDP rose to 2.7% from 2.5% in 2006.

For the year 2008, the Greek economy is expected to stay on a course of convergence with the rest of the Eurozone, in a period of high uncertainty. The real GDP growth rate is estimated to be between 3.5%-4.0%. Investment is expected to play a significant role, especially if privatizations and programs of Association of Public and Private sector are implemented at an accelerating rate.

In the fiscal sector, the 2008 budget aims to increase public revenues by 12.5% as well as reduce the fiscal deficit to 1.6% of the GDP, compared to 2.7% in 2007 and the public debt to 91.0%, from 93.4% in 2007.



Key Consolidated and Stand-Alone Figures

Consolidated Key Figures	31.12.2007	31.12.2006	Change
Total assets (€ mn)	46,427	30,931	50%
Gross loans (€ mn)	30,705	20,804	48%
Customer deposits, repos and retail bonds (€ mn)	23,914	17,964	33%
Debt securities to institutional investors (€ mn)	6,931	5,037	38%
Equity capital (€ mn)	3,310	1,832	81%
Shareholders' funds (€ mn)	3,082	1,616	91%
Number of branches	744	536	39%
Personnel	12,357	9,253	34%
Number of shares at year-end	339,198,587	285,105,744(*)	19%
Weighted average number of shares in issue during the year	291,171,706	276,835,665(*)	5%
Weighted average number of shares in issue for the diluted earnings per share calculation	292,502,539	278,377,913(*)	5%

(*) adjusted number of shares at year-end 2006, due to the share capital increase in 2007

Consolidated Profit & Loss	2007	2006	Change
Net interest income (€ mn)	917.0	715.1	28%
Net commission income (€ mn)	226.5	180.6	25%
Other income (€ mn)	489.7	328.2	49%
Total net income (€ mn)	1,633.1	1,224.0	33%
Operating cost (€ mn)	736.8	592.6	24%
Impairment losses on loans and advances (€ mn)	115.9	77.0	50%
Group's profit before tax (€ mn)	785.3	556.5	41%
Group's profit before tax (excluding trading gains) (€ mn)	551.6	388.1	42%
Net profit attributable to Piraeus Bank shareholders (€ mn)	622.1	434.6	43%
Net profit attributable to Piraeus Bank shareholders (€ mn) (*)	652.6	434.6	50%
Basic earnings per share (EPS) after tax in € (1)	2.14	1.57	36%
Diluted earnings per share (EPS) after tax in € (2)	2.13	1.56	36%

(*) excluding Piraeus Bank's additional tax burden of €30.5 mn incurred to capital gains in January 2008 retroactively as of 2007

Group Key Ratios	2007	2006
Return On average Equity (3)	29.5%	29.0%
Return On average Assets (4)	1.7%	1.7%
Cost / income	45.1%	48.4%
Capital Adequacy Ratio	12.3%	11.0%
Tier I	9.8%	7.4%

(1) Calculated based on the weighted average number of shares in issue

(2) Calculated based on the weighted average number of shares in issue for the diluted earnings per share calculation

(3) Profit after tax and minority interests

(4) Profit after tax



Bank's Key Figures	31.12.2007	31.12.2006	Change
Total assets (€ mn)	42,343	27,942	52%
Gross loans (€ mn)	27,080	19,042	42%
Customer deposits, repos and retail bonds (€ mn)	20,862	15,836	32%
Debt securities to institutional investors (€ mn)	6,861	4,993	37%
Equity capital (€ mn)	2,944	1,628	81%
Number of branches	321	302	6%
Personnel	4,901	4,596	7%

Bank's Profit & Loss	2007	2006	Change
Net interest income (€ mn)	705.3	607.6	16%
Net commission income (€ mn)	89.8	88.7	1%
Other income (€ mn)	285.5	211.8	35%
Total net income (€ mn)	1,080.6	908.1	19%
Operating cost (€ mn)	515.5	442.2	17%
Impairment losses on loans and advances (€ mn)	67.1	61.6	9%
Profit before tax (€ mn)	498.1	404.4	23%
Profit after tax (€ mn)	423.2	340.1	24%
Profit after tax (€ mn) (*)	453.7	340.1	33%

(*) excluding Piraeus Bank's additional tax burden of €30.5 mn incurred to capital gains in January 2008 retroactively as of 2007

Ratings from International Rating Agencies	Moody's (1)	Standard & Poor's (2)	Fitch
Long-term credit rating	A1	BBB+	BBB+
Short-term credit rating	P-1	A-2	F2
Outlook	Stable	Positive	Positive

(1) In 2007, Moody's upgraded Piraeus Bank Credit Rating by 3 notches

(2) In February 2008, Standard & Poor's upgraded the Bank's Outlook to "positive"

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2007 Financial Performance

6.1. REVIEW OF PIRAEUS GROUP BALANCE SHEET AND PROFITABILITY

Piraeus Group Balance Sheet

Group Balance Sheet Items (€ mn)

	Dec.'07	Dec.'06	Δ %
Assets	46,427	30,931	50%
Gross loans	30,705	20,804	48%
Deposits and Retail Bonds	23,914	17,694	33%
Total Equity	3,310	1,832	81%

At the end of December 2007, the Group's total assets reached €46,427 mn against €30,931 mn in December 2006, increased by 50%. Loan portfolio posted a significant annual acceleration (+48% y-o-y), reaching a balance of €30,705 mn at the end of 2007. It is noted that the Group's loans in Greece grew by 37% y-o-y compared to the respective rate 20% of the market.

The increase rate of mortgage lending was set at 29% y-o-y, with balances up to €5,743 mn in December 2007 against €4,442 mn a year ago. Consumer loan portfolio grew by 49% y-o-y, reaching €4,336 mn at the end of December 2007 versus €2,904 mn a year ago. The loans to individuals' contribution represented a 33% of the total loan portfolio at the end of December 2007.

Group Loans (€ mn)

	Dec.'07	Dec.'06	Δ %
Loans to Corporates	20,626	13,458	53%
> SMEs	13,665	8,803	55%
> Large Corporates	6,961	4,655	50%
Loans to individuals	10,079	7,347	37%
> Mortgage	5,743	4,442	29%
> Consumer	4,336	2,904	49%
Total loan portfolio	30,705	20,804	48%

Loans to small and medium-sized enterprises in Greece and abroad, where the Group applies a differentiated approach, is well positioned and possesses significant expertise, grew impressively by 55%, amounting to €13,665 mn at the end of December 2007, compared to €8,803 mn a year ago. This specific segment represents the main loan category accounting for 45% of the Group's total loan portfolio. Loans to large corporates, including shipping represented 23% of the total loan portfolio and amounted to €6,961 mn at the end of 2007 versus €4,655 mn a year ago, up by 50%, reinforcing the Group's presence in this segment also.





Selection

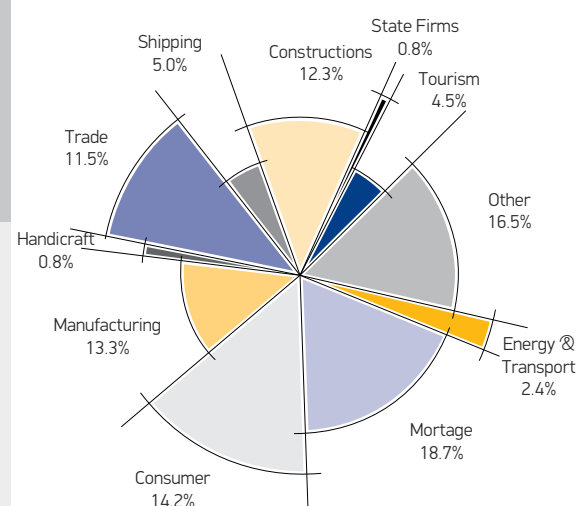
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With regards to asset quality, the Group's non-performing loans (NPLs) ratio was recorded at 2.05% in the end of 2007 compared to 2.37% in December 2006. The coverage ratio of non-performing loans by cumulative provisions stood at 66%, while the ratio exceeds significantly 100%, when collaterals are taken into account. Applying the stricter definition of IFRS 7, the ratio of loans in arrears more than 90 days over total loans, the relative ratio stands at 3.4% in December 2007 against 4.1% in December 2006 on a comparable basis and 4.4% in December 2005 respectively. The above reveals a significant trend of improvement even with the new methodology. The Group's target is to further improve the loans in arrears over 90 days ratio below 2.5% by 2010.

Deposits & retail bonds issued to customers through the branch network reached €23,914 mn, raised by 33% y-o-y. It is noted that Group deposits in Greece grew by 31% y-o-y compared to the respective rate 14% of the market. Savings and sight deposits posted an annual increase of 12%, while term deposits, repos and retail bonds issued grew by 49%. The Group emphasized on customer deposits especially during the 4th quarter of 2007, by launching new products and reinforcing marketing activities which resulted in a significant acceleration of the y-o-y rate from 27% in September 2007 to 33% in December 2007, while in a quarterly basis comparing net increase of deposits in 4th quarter 2007 against 4th quarter 2006 increased by 130%. This effort will continue even in 2008 by new products promotion, selective enhancement of the branch network and vitalization of Group's operations in Cyprus that have just recently started.

Loans by Sector 31.12.2007



Group Deposits & Debt Securities

Amounts in € million

	Dec. '07	Dec. '06	Δ %
Savings and sight	8,580	7,661	12%
Time, repos and retail bonds issued	15,334	10,303	49%
Total deposits	23,914	17,964	33%
Debt securities to institutional investors	6,931	5,037	38%
Total deposits & debt securities	30,845	23,002	34%

Securities issued by the Bank (through ECP, EMTN, residential mortgage backed securities and hybrid bonds) to institutional investors reached €6,931 mn at the end of December 2007 from €5,037 mn a year ago, up by 38%. It's worth mentioning that during the last quarter the amount raised through ECP programme increased to €2.9 bn from €2.1 bn in September, reflecting the Bank's seamless access to this specific market, in spite of the international market turmoil.

The loans to customer deposits ratio at the end of December 2007 improved by 3 percentage points setting at 127% from 130% in September 2007, due to the significant increase of deposits especially during the last quarter of 2007. Excluding securitized loans which are not funded by deposits but by respective bonds issues the loans to customer deposits ratio evolves to 121%.

Total equity of the Group at the end of December 2007 amounted to €3,310 mn. Shareholders' funds rose respectively to €3,082 mn up by 91% against 2006. The December 2007 shareholders' funds have



been reduced by €118 mn that represent the interim dividend amount distributed in December 2007. Total regulatory capital of the Group amounted to €3,789 mn at December 31st 2007, while capital adequacy ratio is 12.3% with Core Tier I at 9.8%.

Group Total Equity			
Amounts in € million	Dec. '07	Dec. '06	Δ %
Shareholders' funds	3,082	1,616	91%
Minority interests	228	216	5%
Total equity	3,310	1,832	81%

Income Statement Analysis of Piraeus Group

Profit & Ratios			
	2007	2006	Δ
Net profit (€ mn) *	652.6	434.6	50%
Net profit (€ mn)	622.1	434.6	43%
Profit before tax (€ mn)	785.3	556.5	41%
Core Profit before tax (excl. trading gains) (€ mn)	551.6	388.1	42%
ROE	29.5%	29.0%	+50 bps
ROA	1.68%	1.68%	-
Cost to income	45.1%	48.4%	-330 bps

* excluding the additional tax expense

Group's profit after tax and minority interests increased by 43% in 2007, amounting to €622.1 mn against €434.6 mn in 2006. An additional tax expense of €30.5 mn has been incurred in January 2008 to banking capital gains retroactively as of 2007 following the new imposed tax law. Excluding the above tax expense, Group's net profit for 2007 amounted to €652.6 mn, up by 50%. After tax basic earnings per share, based on the average number of shares, rose to €2.14 from €1.57 in 2006, an increase of 36%. Pre tax profit rose to €785.3 mn versus €556.5 in 2006, increasing by 41%. Core profit before tax, excluding trading gains reached €551.6 mn against €388.1 mn last year, reflecting an increase of 42%.

Total net revenues reached €1,633.1 mn for 2007, up by 33%. Net interest income rose by 28%, amounting to €917.0 mn compared to €715.1 mn in 2006. Net interest margin (net interest income on average interest earning assets) stood at 3.08% in 2007 versus 3.31% in 2006.

Net commission income totalled €226.5 compared to €180.6 mn in 2006, an increase of 25%. In particular, net fee and commission income from commercial banking rose by 29%, fees from investment banking activities increased by 23%, while asset management fees also rose by 9% y-o-y. Net trading income and gains less losses from investment securities reached €233.7 mn



in 2007 versus €168.4 mn a year ago, up by 39%. It is noted that in 2007, gains less losses from investment securities contain the revenue from the sale of the BoC stake (€159.3 mn), while the respective figure in 2006 includes the revenue from the unwinding of the cross shareholding with ING (€129.8 mn).

Group's Net Revenues

Amounts in € million	2007	2006	Δ %
Net interest income	917.0	715.1	28%
Net commission income	226.5	180.6	25%
Dividend income	10.3	18.5	-44%
Net trading gains & gains less losses from investment securities	233.7	168.4	39%
Other income	245.7	141.3	74%
Total net revenues	1,633.1	1,224.0	33%

Group's Net Commissions

Amounts in € million	2007	2006	Δ %
Commercial banking	153.6	119.3	29%
Investment banking	53.7	43.7	23%
Asset management	19.1	17.6	9%
Total net commissions	226.5	180.6	25%

Analysis of Group's Other Operating Income

Amounts in € million	2007	2006	Δ %
Other operating income from financial services subsidiaries	77.6	37.0	110%
Other operating income from real estate subsidiaries	159.2	97.5	63%
Other subsidiaries' operating income	8.9	6.9	30%
Total Other Operating Income	245.7	141.3	74%

Other operating income, which includes revenues from other banking and real estate activities, amounted to €245.7 mn in 2007 versus €141.3 mn in 2006 and are presented as follows: (a) 32% of other operating income originates from financial services companies, including AVIS SA, an operating leasing company, which was acquired in July '07 (consolidated 5 months in 2007). AVIS SA along with the other Group's subsidiary Best Leasing SA hold the leading position in the Greek operating leasing market, (b) the maturing of the Group's investments in the real estate sector already generates significant results, accounting for 65% of other operating income. Part of this real estate income stems from the recurring revenue of the affiliated company PICAR SA, which manages the CITYLINK building in the center of Athens, while the financial leasing cost of this building, paid to the Army Pension Fund, amounting to €20 mn, is charged against the Group's



interest expense line. It is noted that out of €29 mn after tax minorities, €23 mn originated from real estate companies (c) 3% from other companies.

Group's Operating Cost Analysis			
Amounts in € million	2007	2006	Δ %
Greek activities (comparable basis)	559.2	491.5	14%
AVIS SA (new acquisition)	5.9	-	-
Personnel loyalty scheme	10.1	-	-
Fire victims donation	5.0	-	-
Greek activities	580.2	491.5	18%
International activities	156.6	101.1	55%
Total operating expenses	736.8	592.6	24%

The operating expenses in Greece grew by 18%, while on a comparable basis the cost increased by 14% (i.e. excluding AVIS, the new personnel loyalty programme and the fire victims donation). Including the above and the cost of international activities, total operating cost reached €736.8 mn versus €592.6 mn a year ago, up by 24%.

Group Network			
	Dec.'07	Dec.'06	Δ
Number of branches	744	536	+208
> Greece	320	301	+19
> Abroad	424	235	+189
Head count	12,357	9,253	+3,104
> Greece	6,600	5,774	+826
> Abroad	5,757	3,479	+2,278

The increase of operating cost is the result of the rapid expansion of the Group's business, both domestically and internationally. In the last 12 months, 208 new branches were added to the Group (19 in Greece and 189 abroad), of which 86 branches belong to International Commerce Bank (ICB) in Ukraine which was acquired in 2007. The number of employees increased by 3,104 (826 in Greece and 2,278 abroad) to 12,357, with 855 employees originating from ICB.

Group's Staff Costs Analysis			
Amounts in € million	2007	2006	Δ %
Greek activities (comparable basis)	291.3	254.7	14%
AVIS SA (new acquisition)	4.0	-	-
Personnel loyalty scheme	10.1	-	-
International activities	73.6	47.1	56%
Total staff costs	379.0	301.8	26%



Due to this significant organic growth, the Group's staff expenses amounted to €379.0 mn in 2007 compared to €301.8 mn in 2006, higher by 26%. The comparable staff expenses in Greece (excluding AVIS SA & personnel loyalty scheme) amounted to €291.3 mn in 2007 against €254.7 mn last year, up by 14%. This rate is justified by the enhancement of personnel by 10% in order to support the Group's increasing activities. The respective international operations amount increased by 56%, due to the significant increase in personnel (+65%) and branch network expansion (+80%).

Group's G&A expenses			
Amounts in € million	2007	2006	Δ %
Rents	42.7	36.3	18%
Third party expenses	46.7	37.8	24%
Advertisement	45.1	36.2	25%
Taxes (other than income)	43.9	34.9	26%
Support & promotion of products	28.7	26.0	10%
Other	96.7	76.0	27%
Total G&A expenses	303.9	247.4	23%
Greek activities (comparable basis)	226.8	196.0	16%
AVIS SA (new acquisition)	1.7	-	-
Fire victims Donation	5.0	-	-
International activities	70.4	51.4	37%
Total G&A expenses	303.9	247.4	23%

The comparable general and administrative expenses in Greece (excluding AVIS & fire victims donation) equalled to €226.8 mn in 2007 versus €196.1 mn in 2006, recording a rise of 16%. Including AVIS & fire victims donation and the cost of the international operations, the respective amount reached €303.9 mn versus €247.5 mn in 2006, up by 23%. The latter increase is mainly related to the significant expansion of the Group's branch network and the enhancement of business volumes both in Greece and abroad.

Profit/loss from property and equipment disposal, which according to IFRS is included in operating expenses, equalled to €12.2 mn of profit against €12.0 mn of profit in 2006.

Depreciation expense was set at €66.1 mn versus €55.4 mn in 2006, increased by 19%, mainly due to the expansion of the Group's subsidiaries abroad.

Cost to income ratio stood at the level of 45.1% versus 48.4% last year, improved by 330 basis points. Excluding the revenues from the Bank of Cyprus stake in 2007 and the ING in 2006, the ratio stands at 50.0% against 54.2% in 2006, reporting an improvement of 420 basis points.



Impairment losses on loans and advances were €115.9 mn in 2007, increased by 50% versus 2006 (€77.0 mn), due to the significant enhancement of the Group's loan portfolio mainly abroad and especially in households' loan portfolio.

After-tax and minorities RoE presented improvement and reached the satisfactory level of 29.5% versus 29.0% in 2006. The after-tax RoA stood at 1.68% as in 2006.

6.2. PIRAEUS BANK SHARE PRICE EVOLUTION AND PERFORMANCE

Stock Exchange Developments

The positive course of the international stock exchanges during 2007 was interrupted during the 2nd half of the year, due to the crisis generated by the problems of sub-prime mortgage loans in the USA. In Greece, the General Index of the Athens Stock Exchange (ATHEX) demonstrated an increase for the 5th consecutive year rising by 18% in 2007. Moreover, the increase in trading volume and the liquidity of stocks was also quite significant: the trading volume increased by 42%, reaching €121,280 million, from €85,340 million in 2006, while liquidity configured to 52%.

The increase of prices in the Athens Stock Exchange Shares in 2007 led to the total capitalization of the market in €195,502 million against €157,929 million in 2006; this resulted to the capitalization index rising to 85%, from 74% in 2006 as of the Gross Domestic Product. The course of the General Index of the Greek Stock Exchange was satisfactory compared to the course of leading international stock exchanges:

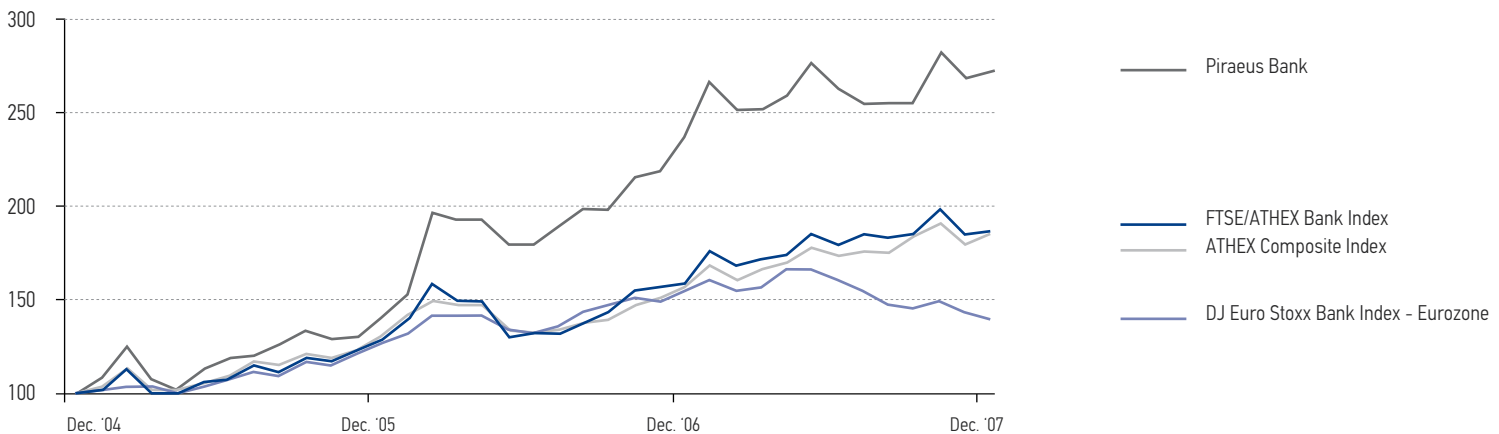
Stock Prices Indices (end of year)				
	2007	2006	Change	
ATHEX Composite Index	5,179	4,394	18%	
FTSE/ATHEX -20	2,752	2,377	16%	
Banks Index	7,296	6,194	18%	
Piraeus Bank Share Price (€)	26.70	23.12*	16%	
DJ Euro Stoxx Bank Index	407	447	-9%	
FTSE Eurofirst 300 Banks	1,126	1,356	-17%	
FTSE 100	6,457	6,221	4%	
Dow Jones	13,265	12,463	6%	
NASDAQ Composite	2,652	2,415	10%	
* adjusted price NIKKEI 225	15,308	17,226	-11%	



Piraeus Bank Stock

The Piraeus Bank share price in 2007 continued its positive course, presenting an increase of 16%, almost in alignment with the course of the Greek Stock Exchange and significantly higher in comparison with the stocks of the banks in the Eurozone (DJ Euro Stoxx Bank Index -9% and FTSE Eurofirst 300 Banks -17%).

Piraeus Bank Share Price in the 3-year Period 2005-2007 vs ATHEX Composite Index, FTSE/ATHEX Bank Index and DJ Euro Stoxx Bank Index



With regard to capitalization, Piraeus Bank share occupied one of the highest positions among the publicly traded companies in the Athens Stock Exchange in 31.12.2007, ranking in the 6th position. In particular, the capitalization of the stock increased significantly and rose to €9,057 million on 31.12.2007 compared to €7,841 million at the end of the previous year.

Piraeus Bank share, apart from the Athens Stock Exchange General Index, is also listed in a number of other indices, such as FTSE/ATHEX -20, MSCI Greece (specific stock weight 10.5%), MSCI EAFE, DJ Euro Stoxx, DJ Euro Stoxx Banks, FTSE4Good Index and Kempen SNS Smaller Europe SRI Index.

Liquidity

During 2007, the liquidity of Piraeus Bank's share increased compared to last year. In comparison with the other listed shares, Piraeus Bank's share during the year, was one of the most liquid shares



in the Athens Stock Exchange, with a percentage of 88% compared to 62% for all shares of listed banks and compared to 52% for the total market. The average daily trading volume amounted to 1,059,959 stocks from 963,983 stocks in 2006 and 693,673 stocks in 2005.

Earnings per Share

Basic earnings per share for Piraeus Bank shareholders, according to the weighted average number of shares rose to €2.14 in 2007 against €1.57 in 2006, having increased by 36%.

Number of Shares			
	2007	2006	Δ %
Weighted average number of shares in issue	291,171,706	276,835,665 (*)	5%
Weighted average number of shares in issue for the calculation of diluted earnings per share	292,502,539	278,377,913 (*)	5%
Year end	339,198,587	285,105,744 (*)	19%

Earnings per Share			
	2007	2006	Change
(*) adjusted number of shares in 2006, due to the share capital increase in 2007			
Basic earnings per share (€)	2.14	1.57	36%
Diluted earnings per share (€)	2.13	1.56	36%

Dividend

The total dividend proposed for distribution in 2007 rises to €235.7 million, i.e. 72 euro cents per share against 51 euro cents last year (adjusted dividend due to the share capital increase in 2007), increased by 41%. Based on the average closing share price in 2007 (€25.46), the dividend yield rises to 2.83%. It is noted that €0.36 per share was already distributed as interim dividend in December 2007.

Furthermore, Piraeus Bank Board of Directors shall propose to the General Meeting of shareholders the option to reinvest the 2007 dividend into Piraeus Bank's shares.

7

Operations in Greece

During 2007 once more domestic activities of the Group grew significantly. The main driving force behind this development was the differentiation of Piraeus Bank in what concerns the provided customer service, by combining decentralized procedures of customer services and centralized support for back office operations, as well as flexibility in adjusting to the market's changing conditions. Also important was the further establishment of the Bank in the market, with a targeted enhancement of the network of branches, as well as the acquired know-how for services of medium and small size enterprises and private individuals.



Basic figures in Greece

Amounts in € million	Dec.'07	Dec.'06	Δ %
Loans	24,503	17,884	37%
Customer deposits & retail bonds	20,585	15,670	31%
Branches	320	301	6%
Employees	6,600	5,774	14%

At the same time, specialized banking sectors where traditionally, the Bank prevails in the Greek market, such as corporate banking, project finance, shipping banking, leasing, stock exchange operations, continued to grow significantly. At the same time, rather recent bank services, such as e-banking and bancassurance have been particularly dynamic in 2007. All the above led to an increased market share for Piraeus Bank representing 14.2% of the loans and 11.9% of the deposits at the end of 2007 from 12.5% and 10.5% respectively in 2006, which signifies an important expansion of the customer base to 1.8 million from 1.6 million in 2006 and a significantly increased profitability.

Analysis of the results of the activities in Greece

Amounts in € million	2007	2006	Δ %
Total net revenues	1,324.5	1,057.2	25%
Total operating expenses	580.2	491.5	18%
Impairment losses on loans and advances	76.3	69.6	10%
Share of profits of associates	4.6	1.9	141%
Profit before tax	672.6	498.0	35%
Profit after tax attributable to shareholders	542.4	394.3	38%





Activity in the centre
Everything that signifies life is embraced by Piraeus Bank, the Bank with a human face.



Loans in Greece further accelerated (+37% on an annual basis from +27% in 2006), amounting to €24,503 million at the end of 2007. It should be noted that the corresponding annual rate for the Greek loans market was 20%. Furthermore, the Group's deposits in Greece have increased by 31% on an annual basis, about as much as in 2006 (30%), compared to an increase rate of 14% for the market. Finally, the profit originating from the Group's domestic activities have increased significantly by 38%, therefore representing 87% of the Group's net profit, despite the increase of operational costs due to further operational development.

7.1. RETAIL BANKING

Retail Deposits and Investment Products

During 2007 acquiring customer deposits has been one of the main priorities for Piraeus Bank. The emphasis laid by creating new products, boosting marketing activities and intensified cross-selling resulted in significantly strengthening the annual growth of individuals' deposits in Greece, rising to 33% in December 2007.

The gradual maturity of new products offering, such as the new term deposit "European Return", as well as the significant increase of customer base by concluding new co-operation agreements, such as with municipalities for payroll accounts, has given a significant boost to the deposits. Furthermore, worth mentioning is the creation of the new deposit program "Cash Manager", a combination of current account and term deposit, which has already demonstrated great dynamics after its launching, having raised significant amount of capital in a small period of time.

In 2007, Piraeus Bank concluded its cooperation agreement with Pioneer Investments, offering 24 new Mutual Funds to the investors. Therefore, the Bank has further enriched the range of its investment products, available to its customers through its branch network, approaching already 200 Mutual Funds. Maintaining the so far successful cooperation between Piraeus Asset Management S.A. and the international financial organizations ING Investment Management and Goldman Sachs raised its total funds under management to €1 billion at the end of 2007.

Finally, Piraeus Bank has designed the new innovative competition for savings accounts, with money prize draws, where each month, €100,000 are apportioned to 350 lucky winners, while at the end of the year one super winner will be awarded €1,000,000 cash.

Private Deposits in Greece

Amounts in € million	31.12.07	31.12.06	Change
Savings - Current	4,803	4,580	5%
Term Deposits - Repos - Retail bonds - Other	9,128	5,932	54%
Total deposits & repos	13,931	10,512	33%



Consumer and Mortgage Credit

Consumer Credit - Credit cards

The Group's consumer loans balance in Greece in 2007 rose to €3,129 million from €2,608 million at the end of 2006, achieving an increase of 20%.

Consumer Loans in Greece			
Amounts in € million	31.12.07	31.12.06	Change
Consumer & credit cards balances	3,129	2,608	20%

The following, among others, have contributed to this significant increase:

- promotional actions to the existing customers of the Bank, by cross-selling intensification
- the significant activity in yacht financing (financing luxury yachts)
- specialized actions for the agricultural sector, regarding the re-development of existing products as well as the creation of new ones
- emphasis on balance transfer programs in order to maintain competitiveness, with the constant products' re-development, as well as designing new consumer loans.

At the same time, sales staff training continued through workshops, as well as by applying new consulting tools for the promotion of consumer loans (sales wizard).

At the same time, 2007 was a very successful year for Piraeus Bank credit cards, marking a significant increase in all figures. Credit cards balances amounted to €576 million, increased by 42% compared to 2006, with a parallel significant increase of the market share to 6.5% from 5.0% in 2006. Credit cards turnover exceeded €745 million (+41%), while the turnover of acquiring through the Bank's Points of Sales (POS) reached €767 million (+27%).

Consumer Finance - Piraeus Multifin S.A.

Piraeus Multifin operates in the area of financing new and used vehicles, as well as motorcycles and small vessels. It co-operates with more than 450 car dealerships, including certain major dealers. 2007 was a year of intense competition. Despite this fact, the balance of Multifin's financing was increased by 6% to €486 million from €460 million in 2006. Infrastructure upgrading and improvement of the services provided continued in 2007.

Mortgage Credit

In 2007, Piraeus Bank continued in the mortgage loans sector its dynamic course of the past few years, despite the intense competition and the deceleration of the Greek market. The loans balance amounted to €5,272 million in the end of 2007, demonstrating a growth of 26% compared to 2006, i.e. a growth rate higher than the Greek market (+21%). Housing loan disbursement amounted to €1.7 billion, increased by 13% compared to 2006.



Based on the rise of interest rates during the past year and the turn of borrowers toward fixed interest rates, the Bank pioneered by introducing in the Greek market, a fixed program of preferential interest rate for two years in euro and Swiss franc. This successful move was followed by enriching with programs of fixed interest rate either for one or for three years. Moreover, the Bank has promoted mortgage loan programs that give to the customer the possibility to define the installment amount he/she wishes to pay according to his/her financial capacity (product "choose the payment that fits your needs").

Mortgage loans in Greece

Amounts in € million	31.12.07	31.12.06	Change
Mortgage loans	5,272	4,183	26%

At the same time, moving towards the direction of constantly improving the level of customer service provided, emphasis was laid to the immediate loan disbursement and the effective response to customer request for changes or refinancing of mortgage programs. Finally, a group of specialized trainers was shaped, with expanded role into specialized workshops in the branch network, by providing training and consulting in the work area (on-the-job-training).

Bancassurance Products and Insurance Brokerage

In 2007, the Bank's branch network continued to systematically promote bancassurance products, resulting to an increase of the total premia under management by 59% to €196.2 million, while the new production amounted to €72.4 million.

The Group has two brokerage companies, Piraeus Insurance Brokerage and Reinsurance Brokerage (under the distinctive title "Piraeus Insurance Brokers S.A."), which is active in the area of intermediation of non-life insurance contracts and Piraeus Insurance Agency S.A. (under the distinctive title "Piraeus Brokerage"), which is mostly active in the area of life insurance products. The activity of both companies aims initially at covering the insurance needs of the Bank's customers as well as the needs of the Group in total.

Key Financial Figures of Piraeus Insurance Brokers S.A.

Amounts in € million	2007	2006	Change
Assets	11.7	17.2	-32%
Equity capital	7.5	5.4	39%
Turnover	11.9	8.9	34%
Profit before tax	5.0	4.2	19%

At the same time, the two companies aim at widening the Group's customer base, by establishing co-operations with individuals or enterprises that have not yet had a customer relation with the Group. The organization, experience and cooperation with the most significant insurance companies in Greece and abroad, and ING as regards Piraeus Insurance Brokers and Piraeus Brokerage respectively allow companies to ensure full coverage, low insurance premia and high quality of services.



7.2. BUSINESS & CORPORATE BANKING

The balance of deposits originating from businesses in Greece, at the end of 2007, rose to €6,654 million, compared to €5,158 million at the end of 2006, increased by 29%. There was a significant rise in term deposits, reflecting the general Greek market trend in 2007 for shifting to deposits offering higher returns. The leading position in business financing leaves significant room for further penetration to the existing customer base in terms of other products (deposits, investments, funds transfer, etc.), through coordinated intensification of cross-selling from all Group units.

BUSINESS DEPOSIT PRODUCTS

Deposits from Businesses in Greece				
Amounts in € million	31.12.07	31.12.06	Change	
Current Accounts	2,503	2,153	16%	
Term Deposits - Repos - Others	4,151	3,005	38%	
Total deposits & repos	6,654	5,158	29%	

LOANS AND ADVANCES TO BUSINESSES

The Piraeus Bank Group in Greece holds a traditional strong position in financing services to businesses active in all sectors of the economy. The total amount of loans to businesses in Greece at the end of 2007 rose to €16,102 million compared to €11,093 million in 2006, demonstrating an increase of 45%. The significant increase of loan balance to businesses resulted in the increase of the business loans market share of the Bank in Greece up to 19% at the end of 2007 from 16.5% in 2006.

Loans to Businesses in Greece				
Amounts in € millions	31.12.07	31.12.06	Change	
Corporate - Shipping	4,943	3,751	32%	
Small - Medium enterprises	11,159	7,342	52%	
Total	16,102	11,093	45%	

Corporate Banking

Corporate banking in 2007 has presented positive results in the corporate financing, i.e. loans to enterprises with annual turnover over €50 million, increasing its balances. The Bank's policy in this sector regarding its market share has taken under consideration the intense competition as well

as pressures regarding pricing. In what concerns distribution per sector of activity of the borrowers, 58% of the portfolio corresponds to service providing businesses, 22% to industrial financing and 20% to commercial businesses.

Project Finance and Public Sector Operations

The course of Project Finance operations was also particularly positive in 2007 in areas such as infrastructure, energy and Real Estate. Emphasis was laid to the development of the existing portfolio through financing in Greece as well as abroad: a) great infrastructure projects that are implemented using the Built Operate Transfer method, b) combined cycle electrical production units, c) investments to renewable energy sources and d) investments to real estate that yields income.

The long-standing development of project finance operations is also ensured with the financial support of large infrastructure projects, which provides for partial disbursements during a period longer than a year.

Within this framework, Piraeus Bank has undertaken, among others, a role of Mandated Lead Arranger in the financing of two of the largest projects of construction and operation of highways in Greece and a role of Financial Advisor for an investment in the construction of a combined cycle electrical production unit. Both these facts confirm the important position held by Piraeus Bank in this sector.

As results from all the above, there was an increase of the total credit balance (loans and letters of guarantee) in the Project Finance and Public Sector Operations by 27% in relation to 2006 and there are positive perspectives for the course of operations in 2008.

Shipping Banking

2007 was another positive year for shipping markets. However, the turmoil caused in the banking sector in what concerns financing from foreign banks, has affected shipping financing, leading to a limitation of funds available and an increase of loan cost of lending. Piraeus Bank assisted the implementation of its customers' investment programs, sticking to its strategy of providing customized products with flexibility, speed and reliability.

2007 was a year of significant development for Piraeus Bank shipping banking sector. Financing doubled, with the balance amounting to €1.5 billion at the end of 2007. This increase resulted from developing operations for existing customers as well as from attracting new customers. At the same time, the portfolio maintained its high quality as well as the satisfactory level of profitability.





Recreation

Everything that signifies life is embraced by Piraeus Bank, the Bank with a human face.



For the year 2008, the targets for the Group's shipping banking sector focus on the selective development of the financing portfolio, aiming at maintaining its qualitative features as well as a satisfactory profitability. Within this framework, cross-selling efforts shall be intensified, in order to provide a full range of services to shipping customers.

Small and Medium Enterprises (SMEs) Banking

Within the framework of Piraeus Bank strategy to become the main bank of service for the market segments of medium-sized and small enterprises, the Bank continued to develop its servicing towards them in 2007. More specifically, in 2007, the growth rate of loan balances in these sectors in Greece has exceeded all former performances, reaching 52% to €11.2 billion from €7.3 billion in 2006.

The targeted expansion of the Bank's domestic branch network together with the well-advised establishment of units in "new" areas gradually acquiring banking interest, such as the eastern suburbs of Attica or large cities in prefectures in Greece demonstrating dynamic growth rates, have yielded results and are expected to continue to add to the growth rate and the profitability of the Bank.

Innovation and product differentiation, with the creation of products adjusted to the customer needs (tailor-made), constituted the basic tools for developing the small and medium enterprises banking in 2007 as well. The development of long-term relations with the customers and the friendly, reliable and flexible bank services established by Piraeus Bank in Greece during the past few years has strengthened during 2007, by establishing new branches, appointing of new customer relations managers, trained based on the Bank culture in servicing medium sized enterprises, and further developing of the client-centered philosophy and enterprise spirit.

More particularly, Piraeus Bank disposes of a specialized central unit, supportive to the branches network, the Division of Small Enterprises and Professionals addressed to professionals and in general small enterprises with an annual turnover up to €2.5 million, which during 2007 achieved to almost double its loan balances, exceeding €1 billion by the end of the year. This Division moved to develop new products for small enterprises, by providing life insurance and total permanent disability insurance.

Moreover, Piraeus Bank continued its successful course in managing SMEs Support Programmes in 2007 as well. Since it has started working with the Ministry of Economy and Finance regarding the management of the SMEs Support Programs, Piraeus Bank has received more than 8,500 applications, while it has already assisted about 600 companies to complete their investments, by disbursing more than €45 million of public funds. In the last and 4th Request for Proposals which concerned the support of enterprises in the area of commerce and provision



of services by the Regional Operational Programs of the 3rd Community Support Framework, 5,520 applications have been submitted to Piraeus Bank, or 18% of the total amount of applications submitted to all the banks. All these applications concern investments which aim at modernizing and upgrading existing commercial stores and businesses, as well as businesses providing all types of services.

Unit of Organizations and Local Administration

Focusing on constantly enforcing the Bank's presence in the Greek market, in September 2007, Piraeus Bank Group decided on the creation of a specialized Unit of Organizations and Local Administration, in order to service and support Legal Entities of the broader Public Sector, of particular importance to the Bank. This market has particular characteristics which mostly derive from the heightened social role of the Local Administration Organizations and their harmonization with the state policy and includes Municipalities, Prefectures, Hospitals, Ministries, Educational Institutions, Pension Funds, Chambers and other Legal Entities.

Financial - Operating Leasing

Financial Leasing

Financial Leasing has presented a stable course for the year 2007, in contrast with the previous year, when it had noted a growth of 25%. It is estimated that the total new volume reached €3 billion in comparison to €2.9 billion in 2006, increased by 3%.

In 2007, Piraeus Leasing demonstrated a growth of leased assets by 19%, exceeding €1.2 billion, with 54% generated by the Group's branch network. The company's market share as regards credit expansion in 2007 reached 21%, establishing the Group's leading position in Greece.

Real estate leasing, mostly by leaseback as well as direct, was the major contributor to new production (53%), followed by cars (commercial and passenger) with 28%. Aircraft leasing is exhibiting growth potential, an area where Piraeus plays significant role.

The company aims at further increasing production, while the creation of new leasing products is under consideration, emphasizing on the operating leasing market.

It is noted that within 2007 (04.10.07) the detachment of some of the leasing operations of Piraeus Leasing was completed and their contribution moved to the subsidiary Piraeus Leases, which has now undertaken the Group's leasing activities.



Key Financial Figures of Leasing (*)

Amounts in € million	2007	2006	Change	
Assets	1,237	1,042	19%	(*) the figures concern the combined activity of the 2 companies (Piraeus Leasing and Piraeus Leases)
Equity capital	177	177	-	
Profit before tax	23.2	20.2	15%	

Operating leasing - Piraeus Best Leasing S.A. and Avis Hellas SA

Piraeus Best Leasing is among the top domestic companies operating in the dynamically growing sector of operating leasing of vehicles. During 2007, the company's figures grew at a rapid rate. In particular, the annual operating lease production rose to 2,156 cars, while fleet value came to €106 million, increased by 10% compared to 2006.

The cost value of vehicles leased in 2007 reached €53 million, while the fleet rose to 7,317 cars in comparison to 6,604 in 2006 (+11%).

Key Financial Figures of Piraeus Best Leasing S.A.

Amounts in € million	2007	2006	Change
Fleet value	106.0	96.0	10%
Equity capital	10.1	9.1	11%
Turnover	34.3	31.7	8%
Profit before tax	1.6	1.5	7%

Olympic Commercial and Tourist Enterprises S.A., known as AVIS Rent-a-Car, belongs to Piraeus Bank since July 2007, since it acquired 94% of its shares. The company which holds a dominant position in its field is active in short-term and long-term car leasing and is constantly developing. In 2007, 1,541 new cars were added, rising the long-term fleet to 17,313 vehicles and the total fleet to 19,103 vehicles, an increase of 10% in relation to the previous year and 18% increase in value. The turnover grew by 6% in relation to the previous year, coming mostly from the field of long-term leasing.

Aiming to improve the Group's efficiency, the two companies are going to be merged. This is expected to be completed in 2008, creating the biggest car operating leasing company in Greece.

Key Financial Figures AVIS SA (OLYMPIC Commercial and Tourist Enterprises S.A.)

Amounts in € million	2007	2006	Change
Fleet value	220.9	187.6	18%
Equity capital	19.2	18.4	4%
Turnover	80.1	75.3	6%



Business Factoring - Piraeus Factoring S.A.

Piraeus Group is active in business factoring through its subsidiary company Piraeus Factoring S.A. It is an exclusive scope company through which the Group provides factoring services in Greece and abroad. The services provided by the company cover all financing services, including factoring with and without recourse. The company is not limited in providing financing solutions, but offers integrated service "packages", including funding receivables, receivables management and cash collection, whereas at the same time it provides credit risk protection and flow of information regarding the credit worthiness of existing or potential clients. Piraeus Factoring S.A. is a member of the international organization Factors Chain International (F.C.I) and co-operates with the most important factoring organizations abroad.

7.3. WINBANK – E-BANKING

In 2007, for a 7th consecutive year one of the main strategic objectives set by Winbank, Piraeus Bank e-banking platform was achieved. Winbank maintains its top position in the market. Its innovative character and high quality services were once again in the lead even at an international level and received various distinctions. More specifically, internet banking and mobile banking services were ranked 1st in benchmark tests carried out by the Greek high-tech magazines PC Magazine ("Editor's choice"). At the same time, the new innovative service of sending and receiving cash through ATM "Instant Cash" was awarded the pan-European distinction "Best Online and Mobile Award 2007" by EFMA (European Financial Management and Marketing Association). The "Instant Cash" service provides the possibility of sending cash to third parties through internet or telephone.

Furthermore, the service customer/user satisfaction rate is exceptionally high, since 94% and 92% of the customers in Greece said they were either satisfied or very satisfied with internet banking and ATM services availability respectively. Internet banking visits increased by 37%, active customers' number by 60% and money transactions by 41%. Out of the Bank's total, winbank served above 65% of payments to the State [VAT, Social Security Institute (IKA), Insurance Organization for Professionals (OAEE)], 53% of money transfers and 31% of stock exchange trading. The users of "winbank alert" increased by 76% and received more than 1,447,000 messages (e-mail, sms and phone calls).

The year 2007 started and continued the provision of the specialized device extraPIN generator (Greece and Romania) to its customers, which enhances security and improves user experience by generating single-use security codes.

The year 2007 saw the completion of the first phase of development of the new uniform platform that will allow all subsidiaries abroad to provide internet banking, mobile banking and phone banking

services to their customers. The first bank that took advantage of this new platform was Tirana Bank in Albania and until the end of 2008 all subsidiaries abroad shall be included. At the same time, the creation of a call center in all subsidiaries abroad was completed.

In Greece, easypay machines (Automatic Payment Systems) are installed in 229 branches, in 24 Citizen Service Centres, as well as 13 more off-site locations, significantly discharging the branches cashiers. Income from "card-not-present" raised by 44% for Greek internet business through Piraeus Bank paycenter services, increasing the total turnover of transactions carried out by 42%, reaching thus €181 million.

The winbank easypay.gr service (portal for remote credit card payments to enterprises), during its 2nd year of operation, managed to attract 370 Greek companies marking an annual increase by 67%.

By the end of 2007, the Group's ATM network comprised 1,060 units (622 on-site and 438 off-site). In Greece, there were 659 ATMs (322 on-site and 337 off-site), which saw an increase in transactions by 32%. In addition, the installation of new machines supporting on-line cash deposits continued at an intensive rate, raising the number of installed units to 50 and absorbing 31% of the total deposits in ATMs.

In 2007 approximately 223,000 new debit cards were delivered (+65% compared to 2006), raising their total number to approximately 755,000, while transactions amounting to more than 20 million were carried out. More than 993,000 debit cards were in circulation throughout the Group. Finally, at the end of the year weBuy, the first prepaid card for distance purchases and payments was issued.

7.4. INVESTMENT BANKING

Capital Market Operations

Piraeus Bank provides underwriting and advisory services throughout the capital market product spectrum. Thanks to its broad branch network and contacts with major institutional investors, Piraeus Bank in 2007 ranked at the top in underwriting having participated in all IPOs effected during the year as Lead Underwriter or Underwriter.

More specifically, in 2007, Piraeus Bank was the Lead Underwriter of the domestic Public Offer in the combined offer (Public Offer in Greece and parallel distribution in a limited number of people in Greece and distribution abroad) of the shares of Aegean Airlines S.A. whereas at the same time it participated as Underwriter of the Public Offer in Greece in the combined offer (Public Offer in Greece and parallel distribution in a limited number of people in Greece and distribution abroad) of the shares of Terna Energy S.A. Furthermore, Piraeus Bank participated in the distribution by private placement





Transport

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to special investors in Greece and abroad, through an accelerated book-building procedure for the shares of OTE S.A. and Greek Postal Savings Bank S.A. owned by the Greek State.

In the field of advisory services, Piraeus Bank continued its successful operations in 2007 as well, by assuming an Advisor role in mergers, acquisitions and company valuations, as well as in ATHEX listings, share capital increases etc. It should be noted that Piraeus Bank undertook an Advisor and Co-promoter role for the book building process of the share capital increase (Public Offer for existing shareholders in Greece, private placement and distribution in Greece and abroad) of the listed company in the Athens Stock Exchange, SCIENS International Investment and Holdings S.A. Furthermore, Piraeus Bank ranked at the top in 2007 in undertaking the role of Advisor and Managing Bank in Public Offers.

More specifically, Piraeus Bank provided consulting and Managing Bank services to INFO-QUEST S.A. for the shares of UNISYSTEMS S.A., listed company in the Athens Stock Exchange, to SELONDA S.A. and WISE MANAGEMENT S.A. for the shares of Perseus Specialty Food Products S.A., listed company in the Athens Stock Exchange and to REMCO HOLDINGS S.A. for the shares of ELVIEMEC S.A., listed company in the Athens Stock Exchange. In addition, Piraeus Bank undertook the role of Advisor to the Board of Directors of the listed company KEGO - Hellenic Livestock Development House S.A., in the framework of the compulsory public offer for its shares.

In the same year, Piraeus Bank in cooperation with other banks and other external legal and technical consultants provided advisory services in real estate development and exploitation issues to enterprises of the broader public sector, such as PPC S.A. (Public Power Corporation) and PPA S.A. (Piraeus Port Authority).

Stock Exchange Operations - Piraeus Securities S.A.

Piraeus Securities S.A. is one of the first private securities company to become a member of the Athens Stock Exchange upon its establishment in 1990. Its main activities pertain to intermediation services for the purchase and sale of Greek and foreign shares, derivative products, government and corporate bonds, while at the same time it offers a wide range of investment services to its customers through its network.

The company's network includes 3 branches (Thessaloniki, Patra and Heraclion), 30 associated EPEY / AEED, as well as the entire Piraeus Bank network. Additionally, the company works with the majority of Greek and foreign institutional investors who are active in the domestic market.

In 2007, the company had once again a leading role in the field of investment banking activities; since it provided services to thousands of investors and based on the total of transactions its market share reached 9.0%. Piraeus Securities average daily transactions in shares amounted to €87 million, achieving once more a significantly increased transaction volume by 31% in 2007, thus reaching €22 billion.



Furthermore, Piraeus Securities operated in all major global capital markets on behalf of its customers. The activity of its first subsidiary brokerage company in Romania was significant during 2007.

For several years the company maintains strong presence in the ATHEX derivatives market maintaining its market share in futures on stocks (18.2%) during 2007. Its transaction volumes in derivatives in all major global capital markets on behalf of its customers were also significant.

Key financial figures of Piraeus Securities S.A.

Amounts in million €	2007	2006	Change
Assets	220.3	224.9	-2%
Equity capital	57.7	47.8	21%
Turnover	56.0	46.4	21%
Profit before tax	21.5	20.7	4%

Implementation of the Directive 2004/39/EU MiFID (Market in Financial Instruments Directive)

On the 1st November 2007 the L.3606/2007 took effect, which incorporated in the Greek Law the Directive 2004/39/EU, known as MiFID. The Markets in Financial Instruments Directive aims at downsizing the cost of transactions and improving the services provided to the investors.

MiFID changes the way by which European markets of securities operate, allowing Investment Services Providers, banks and stock exchanges to provide cross-border investment services, based on their operation licence acquired from their country of origin (the so-called "passport") and allowing at the same time banks and other Investment Services Providers to directly compete stock exchange markets by creating an alternative MTF (Multilateral Trading Facility), by removing the concentration rule requirement for transactions in force until today.

In implementation of the new institutional framework MiFID a Project Team has been set up in Piraeus Bank, which assisted by external consultants and law offices implements the system adaptation project, procedures and contracts according to MiFID demands. The MiFID Project is run in 2 phases:

- the 1st phase, which has been completed, included first priority actions required for the Bank to comply with the provisions of the new institutional framework. Such actions included customer categorisation, investment products categorisation, elaboration and approval of the policy to execute orders and similarly managing interest conflicts, executives' and authorized employees for providing investment services training, elaboration of new customer investment profile questionnaires, dispatch of information material and notifications to the customers, revision of



all contracts for provision of investment services or products to the Group's customers and computerized systems' configuration.

- during the 2nd phase of the project, which is still in progress, the adaptation of computerized systems shall be completed and improved procedures shall be put in application, new extended personnel training shall take place and emphasis shall be given to the completion of developing the same systems and procedures and the subsidiary companies abroad providing investment services. The main aim is to standardize and transfer to other countries where the Group is present the provision of the investment services model that will arise in Greece, so as the Group operates in full compliance to the requirements of the new institutional framework.

Custody Services

As far as for custody services is concerned, the effort for further development, increasing productivity, cutting down operation expenses and providing quality services of custody services to customers continued in 2007. Once more, the successful promotion of services had a positive impact, resulting in maintaining and increasing institutional customer base regardless of the keen competition.

In 2007 the distribution and support of all products continued successfully (in bonds, shares and derivatives), in both the domestic and the international capital markets, with the total assets under management rising to €8.3 billion. It should be noted that Piraeus Bank provides custody services in all markets of Western and Eastern Europe, Asia and the USA, constantly raising portfolios and transactions.

Finally, it should be highlighted that in 2007 for a second consecutive year, Piraeus Bank was awarded the distinction "Best in Class for the Years 2006/7 -In Client services" by Money Markets, the international status magazine published by the British Publishing House Callender Media Group Publication, for the custody services offered both in Greece and abroad. This distinction comes as recognition of the Bank's efforts to become the top choice of private and institutional investors for custody services in Greece and abroad.

Shareholdings - Participations

In 2007, the Bank's expansion in South Eastern Europe and Eastern Mediterranean continued by acquiring new subsidiaries in the financial sector while strengthening the existing operations in these countries. Significant developments were noted in equity participations in the insurance sector, due to the conclusion of a new ten-year exclusive co-operation agreement with ING Group and the acquisition by the Bank of a significant stake of the share capital of "European Reliance



Insurance Company S.A.". At the same time, the major shareholding restructuring was completed in the leasing sector while the active portfolio management continued aiming at further improving investment capital performance.

More specifically, within the framework of the Group's expansion and in order to strengthen its existing equity participations, the Bank proceeded to the following:

- Acquired 99.6% of the Ukrainian bank OJSC International Commerce Bank, thus extending its presence in South Eastern Europe and establishing a bank subsidiary in Cyprus, strengthening the Group's presence in Eastern Mediterranean
- acquired 94% of Olympic Commercial and Tourist Enterprises S.A. (AVIS Rent a Car), which is activated in the car operating leasing sector, as well as of the 100% of Piraeus Best Leasing Bulgaria, through Piraeus Bank Bulgaria
- increased its equity participation in Marathon Banking Corporation (USA), by configuring its stake to 86.64%. At the same time, it proceeded to share capital increases in Piraeus Bank Egypt, in OJSC International Commerce Bank (Ukraine), in Piraeus Bank Romania, in Piraeus Bank Bulgaria, in Tirana Bank, in Piraeus Bank Beograd, in Piraeus Leasing Bulgaria, in Olympic Commercial and Tourist Enterprises S.A., in Piraeus Factoring, in Picar, as well as its indirect equity participation in Piraeus Egypt Leasing through Piraeus Bank Egypt
- increased its equity participation in Piraeus Leasing S.A., in Piraeus Securities S.A., in Piraeus Real Estate Investment Company and in Euroinvestment and Finance Ltd.

In the insurance sector and within the framework of the new cooperation with ING Group, the Bank proceeded to the sale of its participation (49.9%) of ING Piraeus Life Insurance Products S.A. to ING. Furthermore, it acquired an equity participation of 30% of the share capital of European Reliance Insurance Company S.A., covering an equivalent share capital increase.

Aiming at extending the financial services provided in the Balkan countries and in Egypt, the Bank proceeded to the establishment of the following companies:

- Piraeus Rent Beograd and Piraeus Leasing Beograd (car operating leasing and leasing in Serbia respectively)
- Multicollection Romania (valuation and commercial claims collection)
- Piraeus Bank Egypt Investment Company (equity participations and investments)
- Piraeus Real Estate Consultants in Serbia, Piraeus Real Estate Bulgaria and Piraeus Real Estate Egypt (provision of investment services and equity participations in real estate projects).

Finally, in order to further improve the effectiveness of its operation and the services offered by the Group's units, the Bank proceeded to the following:

- detachment of some of the leasing operations of Piraeus Leasing and contribution of this to its 100% subsidiary Piraeus Leases
- liquidation of a range of non-financial investment positions.

7.5. ASSET MANAGEMENT

Total assets under management by Piraeus Bank Group amounted to €25,960 million at the end of 2007 against €19,552 million at the end of the previous year, recording an increase of 33%. This substantial growth was the result of the increased customer base of the Group, the further expansion of its network in Greece and abroad but also the intensive cross-selling, elements marking positive improvements for the near future, where funding is of significant importance to the banks in the midst of a volatile international market in terms of liquidity.

Assets under management

Amounts in million €	2007	2006	Change	
Deposits & repos	22,067.3	16,734.6	32%	* M/F (excluding money market and wealth management)
Retail bonds	1,846.7	1,229.6	50%	
Assets under management *	2,046.4	1,587.9	29%	
Total	25,960.4	19,552.1	33%	

Treasury

The significant extension of loan portfolio and other assets was accompanied by the intense but at the same time symmetric expansion of all financing sources. Further to the increased customer deposits, the Bank's capability to raise funds from international financial markets and from a large number of institutional investors was confirmed in practice.

Issued Securities

Amounts in million €	2007	2006	Change
ETBAbonds	794.0	791.6	0%
Euro Commercial Paper (ECP)	2,905.5	1,885.9	54%
Senior Debt (EMTN)	2,610.0	1,969.0	33%
Lower Tier II (EMTN)	795.8	803.9	-1%
Hybrid Tier I (hybrid capital)	193.4	201.2	-4%
Securitisation loan	1,460.0	611.4	139%
Other	19.1	3.6	431%
Total	8,777.8	6,266.6	40%

In the first half of 2007, Piraeus Bank implemented successfully the senior bond issue through its EMTN programme and the second residential mortgage backed securitization transaction (ESTIA II). Regardless of any international market disorders, the short-term credit titles ECP continued to be issued, while their outstanding balances reached a historic high. As a result, the total issued securities in circulation were configured at the end of the year to €8.8 billion, presenting an annual increase by €2.5 billion.





Work
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Interest-bearing balance sheet and off-balance sheet items management in a rising interest rate environment was successful and further enhanced through exposure to investment positions in money and bond markets which offered quite positive yields. The increased possibilities of raising funds from the interbank market and the unfailing participation of the Bank in the international money market and in sale and buy-back transactions, allowed the exploitation of the opportunities presented.

The sound and diligent management of the Bank's assets under management to be invested did not create any exposure to undesirable types of credit or other more complex risks, thus allowing focusing to the smooth implementation of the Group's business plan.

The contribution in developing new products and supporting further all business units was constant. More specifically, in the investment products' field, the choice of not promoting structured high risk products, consolidating the bank's position in the institutional investors' market. To the contrary, emphasis was laid to products of risk hedging, where many customers effected significant transactions, as to their volume and complexity and as a result successfully managed their exposure to a broad range of foreign exchange, interests and goods risks. The fact that should be mentioned however is the expansion of gold products available to cover the increased customer demand.

Regardless of any difficulties presented by segments of the international markets, it is clear that Piraeus Bank disposes of the know-how as well as all guarantees securing the further expansion of the Group's operations while at the same time allowing customers to enjoy pioneer and competitive products and services.

Wealth Management

During 2007, Piraeus Bank Wealth Management continued building on the comprehension of its new business model. The range of the products and services offered was expanded by adding new Mutual Funds, deposit products as well as offering structured investment products. Moreover, human resources were further strengthened in the Wealth Management unit, by attracting experienced executives and customer consultants. At the end of 2007, assets under management of Wealth Management amounted to €1,086 million from approximately €800 million at the end of 2006, marking a significant increase, while operating profit increased by 19%.

Piraeus Asset Management Mutual Funds S.A.

Piraeus Asset Management Mutual Funds S.A. is the bank's investment arm in the management of mutual funds of institutional and investors. The company, apart from Piraeus M/F management, operates as a local representative - distributor of Goldman Sachs, JP Morgan Asset Management, Pioneer Asset Management and ING Luxembourg M/F. It also manages Piraeusinvest Equity M/F



and Piraeusinvest Bond M/F offered by Piraeus Asset Management Company Luxembourg as well as various institutional portfolios.

In total, the company manages/represents 197 Mutual Funds. The total assets at the end of 2007 amounted to €1,018 million from €817 million in 2006, marking an increase of 25%, whereas the value of other portfolios amounted to €32 million.

Mutual Funds				
Amounts in € million		2007	2006	Change
Piraeus (domestic M/F)		221	235	-6%
ING (Lux), GS, JP Morgan, Pioneer Asset Management, PAME (international M/F)		797	582	37%
Total		1,018	817	25%

7.6. REAL ESTATE DEVELOPMENT AND MANAGEMENT

Piraeus Bank Group has developed significant activity in relation to real estate development and management, aiming at evaluating business opportunities but also synergies in the real estate market. At the same time, Piraeus Bank, having foreseen the growth perspectives in the South Eastern European real estate market as associated with the countries' gradual integration in the EU, since 2006 proceeded to the incorporation of Trieris Real Estate Fund, an international investment company which is mainly involved in real estate investment in such countries.

Piraeus Real Estate Investment Company (REIC) S.A.

Piraeus Real Estate Investment Company S.A. has been the first closed-end real estate fund that operates based on the provisions of L.2778/1999, and was listed on the Athens Stock Exchange on 28.06.2005.

Total real estate investments for the company amounted to €99.7 million at the end of 2007, including 27 properties all over Greece, representing 88% of its total assets.

Key Financial Figures of Piraeus REIC S.A.				
Amounts in € million		2007	2006	Change
Assets		113.7	111.1	2%
Equity capital		112.7	110.2	2%
Turnover		9.0	8.5	6%
Profit before tax		9.7	8.6	13%



PICAR S.A.

The company has undertaken the utilization and operation of the Citylink Complex, located on the building block surrounded by Stadiou, Voukourestiou, Panepistimiou and Amerikis until 2052. This 65,000 m² building complex is already in full operation. The largest part of the complex started operating in 2005, except its dining and entertainment facilities that were put in operation in the last months of 2006.

The users of Citylink Complex include some of the most reliable and famous companies in the Greek and global market adding prestige to the entire complex and the company. Citylink Complex houses Piraeus Bank headquarters, Attica Department Store, the fully renovated theaters "Pallas", "Aliko" and "Mikro Pallas", "Holmes Place Athens" Health Club Spa, as well as premium dining halls and some of the most renowned international designers' stores.

Piraeus Real Estate S.A.

The company provides a full range of real estate development and management services and is active both in the Greek and the Balkan Real Estate markets. It is involved in real estate development, project management and administration, integrated real estate management on behalf of an owner-investor as well as investment consulting services to real estate investment companies and funds.

In 2007, the company managed the construction of projects with a total value of €8.6 million, completed building refurbishment projects of €16.7 million, realized property valuations amounting to €1.3 million, provided services of financial and technical consultant amounting to €0.4 million and continued the management of five major commercial and recreation developments in which the Group has equity participation.

ETBA Industrial Areas S.A.

ETBA Industrial Areas S.A. was set up by Piraeus Bank within the framework of L. 2545/97, following the acquisition of ETBAbank by Piraeus Bank Group; all of the country's industrial areas were then assigned thereto. The separation of the industrial areas sector from ETBAbank was completed in June 2003. Piraeus Bank holds a 65% and the Greek State a 35% stake in the company. Thus, an original, profitable and highly efficient private public partnership has been developed, combining entrepreneurship with the country's regional development.

ETBA Industrial Areas S.A. operates 32 industrial areas nation-wide, where it keeps building and managing infrastructure projects and manages their operations. Over 2,500 businesses are cur-



rently established there, employing over 40,000 employees. The company under its present status aims at the following:

- modernization of the existing industrial areas as regards to management and adequacy in infrastructure as well as promoting sales of exploitable sites
- development of new business "parks" and
- exploitation of areas that had been defined as industrial areas at the time when ETBA was a state-owned enterprise or had been partially constructed and afterwards remained inactive.

The company's revenues originate mainly from the sale of land within the owned industrial areas, as well other management services (water supply, sewage, biological purification etc.). Furthermore, due to the significant experience in development project management, the company derives income from relevant services.

Key Financial Figures of ETBA Industrial Areas S.A.

Amounts in € million	2007	2006	Change
Assets	242.8	227.1	7%
Equity capital	217.4	203.4	7%
Turnover	38.5	25.3	52%
Profit before tax	17.4	12.0	45%

3

International Operations

8.1. REVIEW OF GROUP'S INTERNATIONAL ACTIVITIES IN 2007

Piraeus Bank Group international activities extended significantly, with presence in 8 countries, and 9 by establishing its operations in Cyprus in the beginning of 2008. The successful growth of the Group's international activities in 2007 confirms the significant presence of Piraeus Bank abroad.

The most significant developments of international activities in 2007 were:

- significant growth of figures and international branch network but also profitability
- expanding in the Ukrainian market following the completion of the International Commerce Bank acquisition and
- preparing the entrance to Cyprus with the establishment of Piraeus Bank Cyprus Ltd and the purchase agreement of the local branch network of Arab Bank Cyprus.

A pivotal point of the Group's policy in these markets is to focus its efforts on SMEs and retail banking expansion. At the same time, the Group's subsidiaries abroad focus their efforts on growing their deposit base, but also extending their activities. In implementing this policy during 2007:

- innovative loan products of every market were developed
- the development of unit infrastructures in procedures and systems continued
- new subsidiaries of the wider financial sector were established (leasing and insurance brokerage), as well as real estate companies.

Key International Figures

Amounts in million €	Dec.'07	Dec.'06	Δ%
Loans	6,201	2,920	112%
Deposits	3,329	2,294	45%
Employees	5,757	3,479	65%

Loans generated by international subsidiaries presented growth rate of 112% y-o-y, reaching €6,201 mn and accounted for 20% of the Group's loans. International deposits increased by 45%, reaching €3,329 mn, contributing by 14% to Group's deposits.

The international presence of the Group consists of 424 branches compared to 235 in December 2006, an increase mainly attributed to the acquisition of ICB and the doubling of the branch network in Romania and Serbia. The international branch network exceeds the one in Greece, accounting for 57% of total Group branches. The respective number of employees increased by 65% and reached 5,757 by the end of 2007. The Group has strengthened its market share in all countries, as it is growing at a faster pace than the markets where it operates.





Helping out
Everything that signifies life is embraced by Piraeus Bank, the Bank with a human face.



Branches			
	Dec.'07	Dec.'06	Δ
Albania	39	36	+3
Bulgaria	76	67	+9
Romania	110	54	+56
Serbia	45	26	+19
Egypt	53	39	+14
Ukraine	86	-	+86
London	1	1	-
New York	14	12	+2
Total	424	235	+189

Group's profit attributable to shareholders from international operations amounted to €79.7 mn. Thus, the contribution of international operations in the Group's net profit, excluding the revenue from the sale of the BoC stake, increased to 16% in 2007 from 12% in 2006 (excluding the revenue from ING respectively). Net revenues increased by 85%, while total operating cost by 55%, due to the growth of the Group's activities and the expansion of the network.

International Profitability Analysis			
Amounts in million €	2007	2006	Δ%
Net revenues	308.6	166.8	85%
Total operating cost	156.6	101.1	55%
Impairment loss on loans & advances	39.6	7.5	429%
Share of profit of associates	0.3	0.3	-
Profit before tax	112.8	58.5	93%
Profit after tax attributable to shareholders	79.7	40.3	98%

Expansion to New Markets

Within the framework of expanding to new markets with growth potential, Piraeus Bank Group:

- entered the Ukrainian market in September 2007 by acquiring International Commerce Bank, which provides banking services to more than 25,000 customers, with 86 branches throughout the country and approximately €200 million assets
- established a subsidiary bank in Cyprus under the corporate name Piraeus Bank (Cyprus) Ltd. The subsidiary in question proceeded to the acquisition of assets and liabilities of Arab Bank in Cyprus and furthermore, it provides full range of banking services and
- established a Representative Office in Moscow in the beginning of 2008. The office in question, which constitutes an assault bridge towards the Russian market, aims at expanding the Group's banking activities in Cyprus.



Correspondent Banking

In 2007 the active role of correspondent banking continued to be under Piraeus Group operations. Within the framework of the policies developed in the previous years, the main targets consisted in expanding and strengthening relations with financial institutions of various countries and evaluating the risk of banks and countries for the various activities of the Bank. More specifically, in 2007 the following targets were achieved:

- creating contacts and establishing relationships with financial institutions in the Middle East, Central and South Eastern Asia as well as Central and Eastern Europe
- contributing to the exploitation of liquidity sources in favour of Piraeus Bank, significantly increasing inter-bank credit lines to the Bank's benefit
- improving the applied credit rating procedures for both banks and countries within the framework of implementing the provisions of Basel II
- actively participating in the implementation and maintenance of the procedures of anti-money laundering and combating terrorism financing and
- supporting the Group's units to avoid attempts of fraud.

8.2. INTERNATIONAL ACTIVITIES PER COUNTRY OF PRESENCE

Piraeus Bank Bulgaria

Piraeus Bank started operating in Bulgaria in 1993, by opening a branch in Sofia, constituting the first foreign bank establishing in Bulgaria. While initially the Bank's activity was limited mainly to providing services to the Greek clientele, the Bank quickly acquired a significant market share by expanding its activities and today it constitutes an important bank in Bulgaria. At the end of 2007, Piraeus Bank Bulgaria operated a network of 76 branches.

Key Financial Figures of Piraeus Bank Bulgaria AD

Amounts in million €	2007	2006	Change
Assets	1,934	1,046	85%
Deposits	598	399	50%
Loans	1,363	788	73%
Equity capital	212	59	259%
Profit before tax	29.4	14.0	110%

The target of Piraeus Bank Bulgaria for the year 2007 was both reinforcing its banking activities and developing its subsidiaries operating in Bulgaria. Within this framework during 2007 Piraeus Bank Bulgaria proceeded to the following:

- offering new products, mainly mortgages and consumer loans and



- significantly upgrading its systems and infrastructure, resulting in raising its market share at 7.2% in terms of loans, against 6.8% in 2006.

Piraeus Leasing Bulgaria and Auto Leasing Bulgaria continued their course of development in 2007, with total assets configuring at €104.4 million, their loans at €96.9 million and their profit before tax at €1.6 million. During 2007, Piraeus Leasing Bulgaria entered the operating leasing sector, by acquiring Direct Leasing Bulgaria, which was then renamed into Piraeus Best Leasing Bulgaria. In June 2006 its subsidiary Piraeus Insurance Brokerage started its operation.

Piraeus Bank Romania

Piraeus Bank Romania was included in Piraeus Bank Group in 2000. During 2007, Piraeus Bank Romania achieved all targets of its ambitious business plan, resulting in:

- doubling its network with presence all around the country
- offering new deposit products and consumer credit products, resulting in significantly reinforcing its clientele.

The rapid growth of its operations, significantly higher from the market's rate, led to increasing the loans market share to 4.8% in 2007 against 2.6% in 2006.

Key Financial Figures of Piraeus Bank Romania S.A.

Amounts in million €	2007	2006	Change
Assets	2,878	972	196%
Deposits	513	298	72%
Loans	2,280	642	255%
Equity capital	273	65	321%
Profit before tax	23.3	1.5	1,453%

In addition, the following subsidiaries operate in Romania: Piraeus Real Estate Consultants, Piraeus Leasing Romania, Piraeus Insurance Reinsurance Brokerage Romania, Piraeus Securities Romania and Multicollection Romania (Debt Collection Company).

It should be noted that Piraeus Leasing Romania achieved to raise loans in 2007 by 161% against 2006, reaching €192 million. The company's profitability was configured in €1.1 million in 2007.

Tirana Bank

In 2007, Tirana Bank completed 11 years of operation in the Albanian market. It currently holds a major position in the local banking market and has a loan market share of 14.4%, with a network of



39 branches. During 2007, Tirana Bank improved significantly its figures, achieving an increase in profit by 55%, mainly through enhancing its interest margin and improving its effectiveness.

Key Financial Figures of Tirana Bank IBC				
Amounts in million €	2007	2006	Change	
Assets	554	404	37%	
Deposits	425	344	24%	
Loans	350	214	63%	
Equity capital	60	29	106%	
Profit before tax	10.1	6.5	55%	

In the context of providing a complete product range of banking services, the Group has been operating a leasing company in Albania, Tirana Leasing, since October 2004.

Piraeus Bank Beograd

Piraeus Bank has been operating in Serbia since May 2005, following the acquisition of Atlas Bank; in June 2006 it started operating under the name Piraeus Bank Beograd. Within 2007, Piraeus Bank Beograd implemented a major network growth plan, by establishing 19 new branches, reaching 45 branches in total. In 2007, the Bank presented a significant increase in figures, raising its assets by 102%, loans by 125% and customer deposits by 25%. This significant increase of operations led to raising its loans market share to 3.8%.

Key Financial Figures of Piraeus Bank AD Beograd				
Amounts in million €	2007	2006	Change	
Assets	594	293	102%	
Deposits	102	81	25%	
Loans	399	177	125%	
Equity capital	89	28	214%	
Profit before tax	-3.4	-1.5	-127%	

During 2007, the Group entered the leasing sector by establishing its subsidiaries: Piraeus Leasing Beograd and Piraeus Rent Beograd in September 2007.

Piraeus Bank Egypt

Piraeus Bank Egypt is a Piraeus Bank Group subsidiary in Egypt and was included in the Group following the acquisition of Egyptian Commercial Bank within 2005. In 2007, Piraeus Bank Egypt



aimed at reinforcing the growth rate and increasing the market share. To this purpose, the Bank proceeded to the following:

- creating 14 new branches by creating a network of 53 branches, at the same time with reinforcing the ATM network
- offering new consumer loans and
- upgrading technological infrastructure.

The outcome of the effort to develop Piraeus Bank Egypt operations is evident in the evolution of the Bank's financial figures. More specifically, assets grew by 96%, loans by 87% and customer deposits by 77%.

Key Financial Figures of Piraeus Bank Egypt SAE

Amounts in million €	2007	2006	Change
Assets	1,434	733	96%
Deposits	1,028	581	77%
Loans	753	403	87%
Equity capital	106	64	67%
Profit before tax	8.1	7.4	9%

Since 2006, Piraeus Bank Egypt operates a brokerage company (Piraeus Egypt Brokerage Co) and a leasing company (Piraeus Egypt Leasing Co), whereas within 2007 it acquired an operating asset management company (Piraeus Egypt Asset Management SAE) and at the same time initiated procedures for the operation of Piraeus Real Estate Egypt.

International Commerce Bank

Piraeus Bank Group entered the Ukrainian market in September 2007 by acquiring International Commerce Bank, a commercial bank providing banking services to individuals and enterprises. More specifically, ICB provides a full-range series of products for the Ukrainian market standards, among which:

- consumer loans
- business loans
- deposit accounts
- funds transfer services
- ATM network as well as
- limited e-banking services.



Key Financial Figures of International Commerce Bank

Amounts in million €

2007

Assets	197
Deposits	89
Loans	121
Equity capital	61
Profit before tax	0.4

Marathon Bank of New York

The year 1999, Piraeus Bank first became active in the USA through the acquisition of Marathon Bank of New York. Marathon Bank has since then been successfully operating in the State of New York, while it has also been present in the state of New Jersey since 2005. In 2007, Marathon Bank supported its presence by establishing two new branches creating thus a network of 14 branches in total.

Key Financial Figures of Marathon Bank of New York

Amounts in million €

2007

2006

Change*

Assets	557	594	-6%
Deposits	494	526	-6%
Loans	390	378	3%
Equity capital	57	59	-5%
Profit before tax	3.7	14.3	-74%

* changes in figures and results have been affected by the €/€ exchange rate

Piraeus Bank London Branch

Piraeus Bank has a presence in London through a branch since 1999. This branch provides banking services to clientele from Greece and the Group's subsidiaries, introduces new services for the Group's customers, whereas it explores investment opportunities in emerging markets.

More specifically, the branch has been successfully active in the following sectors:

- mortgage loans mainly to Greek citizens interested in buying a house in London
- mortgage loans mainly to British citizens interested in buying a house in Greece and/or Bulgaria
- various deposit products customized to the customers' needs
- exploration of credit risk investment opportunities in emerging markets.



Technology and Infrastructures

IT and Technology

Information Systems

Aiming at supporting business decision-making processes at a Bank level, the processing systems of the customer-oriented data of Data Warehouse, which were designed and operate according to the specifications of the modern systems of performance management, were completed in 2007.

At the same time, in order for the operation of the Bank to be completely customer-oriented, the first application within the framework of the customer relationship management (CRM) systems has been completed and operates. This application provides a more complete sales force automation for business customers, by applying the internationally known Siebel system. Within 2008, the implementation of the remaining CRM systems (Campaign Management, Customer Service) is expected to take place, completing the infrastructures for the overall (360°) management of the Bank - Customer relationship.

As regards tackling financial crime, in co-operation with Norkom, a pioneer company in the sector specialized in systems of detection and prevention of economic fraud, a system has been implemented for the timely detection of internal fraud, which, in combination with the corresponding existing system of protection against money - laundering AML (Anti-Money Laundering), further "shields" the Bank, in accordance with the specifications of the European Union and the Bank of Greece. At the same time, the project of implementing the module AML of Norkom within all subsidiaries banks of the Group, is in progress, and is expected to be completed within the first semester of 2008.

Lending IT Systems

The core loans system LS was extended to include new functionalities and features, resulting in the distribution of new innovative and competitive products, such as products at preferential rate (low starting interest rate), the "bonus" products, the "choose the payment that fits your needs" loans etc. Also, new classes of medium to long-term corporate loans have been included the same core loan system and are monitored by it, resulting in the further upgrading of its functionality and its potentials, as an indication: free installments, free interest rate and overdue payments management.

A management system of corporate loans applications was developed in the LOS system, supporting SMEs' applications, as well as the workflow support system, of both the approving process, and the loan management by the central services. Furthermore, the Automated Credit Assessment Tool (ACAT) system, for the automated assessment of the applications of small enterprises and professionals, has been developed and successfully installed, a system based on combinations of business rules managed by the Business Rules Management System (iLog BRMS). Finally, at the same platform, a selection system of consumer products was developed and delivered to the network (Sales Wizard of consumer loans).





↑ Τεχνοπολις / Γκάζι ↑
Technopolis / Gazi

Early start-up

Everything that signifies life is embraced by Piraeus Bank, the Bank with a human face.



Basel II

Within the framework of the Bank's compliance to the requirements of Basel II, flows of data processing and exporting were created, by almost all central systems of the Bank, as well as all the subsidiaries in Greece and abroad.

By applying internal know-how, a special IT system has been developed for the processing of all this data, aiming at calculating the capital adequacy of the Bank with regard to the total credit risk of the Group. The system processes the data exported by the primary systems of the Bank, executes algorithms which calculate the "asset segmentation" and "collateral allocation" and produces the final information with regard to the credit risk, according to the specifications set by the Bank of Greece.

New Central Data Center

In the second half of 2007, the planning of the Bank's new data-center in Attica was completed and its production commenced. The data-center specifications are the most up-to-date, with high availability of infrastructures and potential of extension, so as to cover the Bank's future needs. Furthermore, it will host the IT infrastructure of the subsidiary banks abroad, within the framework of the strategic consolidation of the Group's central systems. The new data center is expected to be completed by the beginning of 2008.

IT Infrastructure

In 2007, transition to server virtualization technology took place for the first time. This particular technology allows more than one server systems to operate within one actual machine, with multiple benefits, such as financial and environmental ones, since the total energy consumption in electric and thermal charge is reduced, with direct flexible reallocation of the resources in cases of extension or in emergencies, and all these without any impact of "no downtime". Indicatively, 140 servers have been transited to 20 actual machines.

Furthermore, new equipment investments have been made, aiming to the improvement of system availability. To this purpose, new Storage Area Network disc systems have been installed, which, in combination with the existing systems, improve significantly the potential of operation continuation in the event of a breakdown, as they contribute to a better synchronization with the Disaster Site of the Bank, allowing their parallel updating and the fastest possible transition in the event of operation breakdown of the Data Center.

In the systems' security sector, the new automatic central identity management system IDM was completed, having as a result better control and management of the Bank's users' access in the systems, in alignment with the most up-to-date international practices.

Telecommunications

During 2007, full transition of the Bank's Telephone network to new IP technology has been effected. By applying this particular technology, homogenization of telephone and data network may be



achieved in a fully parametrical and effortlessly adaptable environment. Side benefits are the possibility of interaction between the telephone network and the Bank's applications, aiming at the best possible customer service. Such applications are expected to be implemented during 2008. It should be underlined that Piraeus Bank is the first major Greek bank which has converted its whole telephone network to IP technology.

International Operations

In latter part of 2007 Piraeus Bank created a separate International IT Division to provide consistent delivery of a uniform operational model across subsidiaries and support growth targets. This division constitutes part of the new Governance Model applied by Piraeus Bank, aiming at Technology alignment of the Bank's subsidiaries through a common application and infrastructure international blueprint, bringing together business strategy and IT projects through appropriate decision bodies and processes. In addition, International IT Division's objectives include provision of application implementation and support as well as infrastructure implementation and operations services for the Blueprint and existing core banking systems.

The creation of the International Blueprint started with the implementation for Cyprus, a project launched in October 2007, planned to be delivered by the end of May 2008. Egypt will be the second country where the Blueprint will be applied; this project started in December 2007 with an expected completion date within 2008.

More specifically, International IT in close collaboration with local IT Departments in 2007 has delivered or is in the process of delivering the following projects:

For all countries (as specified)

- Core Banking system functionality enhancements
- Basel II requirements compliancy
- Implementation of IP Telephony in Bulgaria, Romania, Serbia and Egypt
- Implementation of the process management system ARIS in Bulgaria and Albania
- Implementation of a new Custody system in Bulgaria and Romania
- Implementation of Call Centre / Help Desk system in Romania and Serbia
- Upgrade of SWIFT system in Serbia and Albania

Piraeus Bank Bulgaria

- New scorecards for Credit cards
- Implementation of a new website
- Stock Exchange intermediary brokerages services system

Piraeus Bank Romania

- New Internet Banking
- Implementation of Payroll system of Companies



Piraeus Bank Belgrade

- Implementation of e-banking for individuals

Tirana Bank, Albania

- Implementation of Credit cards migration
- Upgrade of Loans system

Piraeus Bank Egypt

- Upgrade of Intranet / Internet systems
- Implementation of Documents and Email archiving system
- Implementation of Bank's authorization system

Operations and Central Support

In 2007, projects and initiatives for the operation and central support of the Bank and its subsidiaries were developed, aiming mostly at the:

- further automation and centralization of the branch network operations, aiming at its discharge
- Bank's compliance with the new law provisions of the supervisory authorities
- utilization and the enhancement of the standardization and management system of the Bank's operations and
- standardization, homogenization and support of the Piraeus Group subsidiary banks abroad.

Funds Transfer and Payments Systems

Compliance with the demands of the market and the European Central Bank, the utilization of the most up-to-date technologies as well as the preservation of the supremacy of the payments systems, was once more set as the Bank's target in the funds transfer and payments systems sector.

The alignment of the Bank with the Single Euro Payments Area, SEPA, (training, observation and co-ordination of the transition to the new environment plan) constituted the main axis of action for the Funds Transfer Unit for 2007. Apart from adapting payments systems to the new models, the transition to the new payments environment included the Bank's interconnection with the new systems of SEPA for the settlement of transactions at a European level, the upgrade of all swift infrastructures, the training of the branch network and the customers' briefing. Thus, more than 200 new forms of payment became available to the Bank's customers through all available channels, either electronic or not.

TARGET II, the new system of settlement of operations of large value transactions and the transition of the Bank to this system was another great achievement in 2007, since it includes adapting back-office, swift and payments systems to the new facts. This project is in progress and shall be completed in 2008.



The constant upgrade of funds transfer products and services, in combination with boosting all funds transfer services sales in 2007 resulted in a total increase of operations by 45%, of commissions by 40% and of new funds transfer customers by 91%.

In 2007 Piraeus Bank received two important awards in the funds transfer services:

- the "Recognised for Excellence in Europe" award by the European Foundation for Quality Management (EFQM), following the distinction in 2005 "Committed to Excellence".
- the Quality Award "Straight-Through Processing (STP) Excellence Award", awarded for a 4th consecutive year by Deutsche Bank in recognition of outstanding quality of outgoing payments by Piraeus Bank.

Finally, Piraeus Bank ranked 2nd amongst Greek banks in the funds transfer sector at a national level survey effected for medium and small size enterprises (either customers or not).



Risk Management

Risk management, being one of the key Group functions, is of particular interest and importance for the Management. The continuous development and implementation of an effective risk management framework is a top priority target for the Bank's Management, aiming to ensure the stability and continuity of its operations.

The core mission of the risk management function is to safeguard the Group's interests by establishing suitable risk management policies, by clearly identifying appropriate risk-assumption limits, by supporting decisions on optimal use of regulatory capital, as well as by continuously harmonizing the Group's risk management practices with international best practices and regulatory requirements.

Since 2006 a Risk Management Committee has been established at Board level and has been entrusted with risk management related duties, in order to safeguard the effective monitoring and uniform control of all forms of risk across the Group, their specialized handling, as well as the required co-ordination at Bank and Group level. The Committee is responsible for the formulation of risk management strategy, the management of regulatory capital, the development of an internal risk management framework and the definition of the risk management governing principles. The Committee meets at least once every quarter, while annually it evaluates the adequacy and effectiveness of the Group's risk management policy, the suitability of limits, the adequacy of provisions and the overall adequacy of capital in relation to the level and form of risks assumed.

The Assets and Liabilities Committee (ALCO) has an active role in the Group's risk management process. The Committee meets at least once a month, in order to review market developments, in relation to the level of financial risk exposures of the Bank and its subsidiaries. During 2007, special emphasis has been placed to the issue of liquidity management, in order to secure sufficient liquidity for the Bank and to cope with the volatile market conditions that have arisen as a consequence of the international credit turmoil.

The Group Risk Management Division operates as an independent unit in Piraeus Bank, reporting to the Board Risk Management Committee for issues relevant to its operation and is subject to the review of the General Division of Internal Audit, in terms of the adequacy and efficiency of the risk management procedures. The unit is responsible for the design, specification and implementation of the policy on risk management according to the guidelines of the Board's Risk Management Committee. During 2007, the Risk Management Division was enhanced significantly by qualified and experienced professionals able to contribute to the implementation of the new regulatory framework Basel II, showing the importance of this issue for the Management. In parallel to these efforts, special importance is given to the expansion and implementation of an effective risk management framework across the subsidiaries of the Group at international level.

To this direction, independent units have been established and staffed in the Group subsidiaries for the monitoring and management of financial risk assumed. Moreover, efforts were intensified for the





Break
Everything that signifies life is embraced by Piraeus Bank, the Bank with a human face.



development and/or improvement of the monitoring/information systems from subsidiaries, aiming at improving the Group's overall capacity for centralized risk monitoring.

With respect to the risk management infrastructure, an integrated risk management system has been operating since 2002. The system generates a wide range of data and reports used in the analysis of market and liquidity risk, as well as for the monitoring of credit risk exposures. It is also the platform currently used for the calculation of capital requirements according to the new supervisory framework of Basel II. In 2007 Piraeus Bank Group continued to invest heavily in systems and broader infrastructure needed for the identification, monitoring and management of risk, in order to respond successfully to the growing risk management requirements stemming from the Group's dynamic expansion.

Similarly, for the purposes of managing operational risk and in accordance with the new supervisory framework, a new operational risk management system has been put in pilot operation for the analysis and recording of loss events since 2006. This environment will be further developed and put in full operation at Group level during 2008.

Piraeus Bank Group's Risk Management Division prepared and submitted its first annual risk management report for the Group, in accordance to the relevant regulatory requirements (Bank of Greece Governor's Act 2577/09.03.06). The report provided a brief overview of risk management functions at the Bank and its subsidiaries, as well as an analysis of all risks retained within the Group (credit, market, liquidity and operational risks) for the fiscal year 2006.

Credit Risk Management

Credit risk undertaking is interrelated with the Group's business activity. Credit risk is the risk of financial loss for the Group that arises when debtors are not able to fulfill their contractual/transactional obligations. It is the most significant risk for the Group and therefore its effective monitoring and management is a strategic priority for the Management.

Efforts to further improve the capabilities of systematic identification, quantification, monitoring and control of credit risk were intensified within 2007, guided by the Group's commitment to the continuous harmonization of the credit risk management practices with international best practice, by the new requirements stemming from the adoption of the new supervisory framework (Basel II), as well as by the accelerating expansion of the Group in Greece and abroad.

Within 2007, a Credit Risk Management Committee was appointed at the executive level with the responsibility for credit risk management, according to the directions of the Board's Risk Management Committee. Its mission is to support the Board Risk Management Committee with respect to the monitoring and assessment of credit risk related to the Bank's everyday



activities, as well as the oversight of the proper application and functionality of credit risk management policies.

The implementation of a credit policy that describes credit risk management principles ensures uniform and effective credit risk monitoring. Piraeus Group applies a uniform policy and practice with respect to the credit assessment, approval, renewal and monitoring procedures. All business credit limits are reviewed and/or renewed at least once per year, while the responsible approval authorities are defined 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.

Credit Risk Measurement and Monitoring

The continuous development of infrastructures, systems and methodologies, aimed at quantifying and evaluating credit risk, both for business and retail portfolio, is an essential condition for the timely and efficient support of Management and business units, with respect to decision making, policy formulation and fulfilment of supervisory requirements

Regarding credit risk measurement at counterparty level:

1. a debtor's creditworthiness and the probability of defaulting on contractual obligations is systematically assessed
2. the exposure to credit risk arising from the claim is monitored and
3. the possibility of potential recovery in the event that the debtor defaults on the obligations is estimated, based on existing collaterals and security provided.

These three credit risk measurement parameters are incorporated into the Group's day to day operational activities.

Borrower creditworthiness is assessed by applying credit rating models appropriate for their characteristics/features. According to policy, borrowers are rated when the credit limit is initially determined and thereafter they are systematically re-rated on an annual basis. The Group regularly confirms the predictive power of the rating models, thus ensuring that they accurately depict credit risk and allow for the timely implementation of relevant measures.

As far as business credit is concerned, the rating models applied depend on the nature and the size of the enterprise. Piraeus Bank Group uses the Moody's Risk Advisor (MRA) borrower credit rating system for the evaluation of credit risk that arises from loans to medium-sized and large enterprises. It is noted that the MRA system is being used in the domestic financial subsidiaries since 2005, while starting from 2006 it has been extended to the Group's subsidiaries abroad. Regarding small and medium-sized enterprises, internally developed rating systems, as well as scoring systems, are applied.



In the framework of further improving the Group's credit evaluation and monitoring systems, efforts to extend the MRA system and tailor it to the special characteristics of small and medium-sized enterprises have started in 2007. Also, according to the requirements of the new supervisory framework for credit institutions (Basel II), separate credit rating models have been developed and are currently being implemented for specialized lending.

As far as retail credit is concerned, the Group places high priority to the adoption and implementation of modern methods for credit risk monitoring and management. Monitoring the risk of retail credit involves the evaluation of the credit risk scoring parameters, the analysis of the portfolio structure, the distribution of the debtor population, as well as the monitoring of current and/or potential problem loans. The Bank applies application scoring models to evaluate the credit risk of its consumer products since 2002.

In parallel, behavior scoring models have been developed and are expected to be operative soon for each product. It is noted that within 2007 significant progress has been made towards the goal of developing and implementing application scoring in the international subsidiaries' systems. The use of such systems is expected to contribute significantly to more sophisticated assessments of borrower credit risk at the time of the application at Group level.

Within 2007, stress testing continued to constitute an integral part of the Group's credit risk measurement and quantification process. Piraeus Group systematically performs credit risk stress testing exercises, in accordance with the instructions issued by the Bank of Greece (BoG Governor's Act 2577/2006), the results of which are presented to and evaluated by the Board Risk Management Committee.

Credit Risk Mitigation Techniques

Piraeus Bank Group manages, controls and mitigates its credit risk exposure and concentration using credit limit system. Credit limits define the maximum acceptable risk per counterparty, per group of counterparties, per product and per country. Limits are monitored daily and any potential excesses are timely reported and dealt with. In order to set its customer limits, the Group takes into consideration any collaterals or security that reduces the level of credit risk assumed.

Monitoring Credit Risk in Subsidiaries

In order to further improve the Group's capabilities with respect to credit risk monitoring in both domestic and foreign subsidiaries, Piraeus Bank has continued in 2007 to provide increasing support to the staff of the respective risk management units regarding credit risk policies and training. In parallel, monitoring capabilities regarding the credit quality of the subsidiaries' portfolios



have been improved, due to the constantly increasing flow of available information regarding their underlying credits and performance of problematic portfolio.

Liquidity Risk Management

Piraeus Bank considers liquidity risk management as a key priority. The negative sentiment in the international capital markets during the second half of 2007, a result of the adverse conditions in the sub-prime debt markets, intensified an even more rigorous application of liquidity risk management practices.

Liquidity risk management refers to the ability of Piraeus Bank to maintain sufficient funds, in order to fulfill its payment obligations. In order to manage this risk, future liquidity requirements are monitored thoroughly, along with the respective needs for funding, depending on the predicted expiration of open transactions. In general, liquidity management is a process of balancing cash flows within time bands, so that under normal conditions, the Bank is in position to meet all its payment obligations, as they fall due. Liquidity ratios are measured and monitored on a daily basis, in accordance to the Liquidity Risk Policy, as well as the respective Regulatory Framework of Financial Institutions Liquidity Adequacy set by the Bank of Greece.

In addition, stress testing scenarios are performed on a regular and ad hoc basis, so as to calculate the impact of potential extreme market conditions on the Group's liquidity position. The scenarios applied are based on various assumptions regarding potential reductions in available funds through negative changes to balance sheet items, such as a drop in the balance of deposits or debt securities issued or a drop in the market value of liquid assets, such as debt securities or equities.

During 2007, Piraeus Bank managed the adverse market liquidity conditions in an effective manner, by maintaining and further expanding its funding sources. Indicative means for achieving this aim were the increase in customer and interbank deposits, the increase in debt securities issued, as well as the share capital increase that took place in September 2007. All in all, the analysis of liquidity risk indicates that Piraeus Bank raised comfortably the funds required to support its growth during 2007.

Market Risk Management

Market risk is defined as the risk of incurring losses due to adverse changes in the level or the volatility of market prices and rates, including equity prices, interest rates, commodity prices and foreign exchange rates, as well as changes in their correlation.



The Bank has established a market risk limit system. The utilization of limits is monitored by the Market Risk Management unit of the Groups' Risk Management Division. Piraeus Bank applies commonly accepted and widely used techniques for the measurement of market risk.

The Value-at-Risk measure is an estimate of the maximum potential loss in the net present value of a portfolio, over a specified period (holding period) and within a specified confidence level. Piraeus Bank implements the RiskMetrics parametric Value-at-Risk methodology, assuming a one-day holding period and utilizing a 99% confidence level. Value-at-Risk is measured for the positions in the trading book including the Available for Sale equity portfolio.

The Bank tests the validity of the Value-at-Risk estimates by conducting back-testing on the its trading book. 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, when the actual change in the value of the portfolio was larger than the Value-at-Risk estimate, whereas in 2005 and 2006 three and four instances had been observed respectively.

In addition, the Bank monitors risks by using sensitivity indicators and thus calculating the effect of changes in the level of market prices to the value of all items on and off balance sheet items, so as to have a complete view on the level and evolution of risk factors.

Finally, the risk assessment process is complemented by the regular application of a number of stress testing scenarios, where the measurement of the effect of extreme adverse changes in market rates is an additional tool for the measurement of market risks.

Due to the expansion of Group's international business operations, the Bank constantly strengthens its infrastructures and closely monitors the evolution of market risks at subsidiary level, as well as on consolidated basis.

A unified Group Market Risk Management Policy has been in place since the beginning of 2003. On the basis of this policy, every Group unit has been assigned corresponding market risk limits, which are monitored on a systematic basis.

During 2007, the Bank's risk profile did not change significantly compared to the previous year, while the market risks taken stood within acceptable limits. It is worth mentioning that the Bank does not hold structured high risk transactions or positions linked to the sub-prime debt market.

The Value-at-Risk estimate for the Bank's trading book on 31.12.07 was €6.5 million, including the Available for Sale equity portfolio. This estimate consists of €1.1 million due to interest rate risk, €6.7 million due to equity risk and €0.2 million due to foreign exchange risk. There is a reduction in the Value-at-Risk estimate of €1.5 million due to the diversification effect in the portfolio on 31.12.07.



Operational Risk Management

As operational risk is defined the risk of loss resulting from inadequate or failed internal processes, people's behaviour and systems function or derived from external events. Piraeus Bank acknowledges operational risk as a distinct type of risk and aims to establish and maintain an integrated approach to the operational risk management across all its business units, as well as its subsidiaries.

Given that, the Bank implemented a group-wide Operational Risk Management Framework during 2007. The framework was developed in 2006 according to the quantitative and qualitative requirements of the Basel II framework regarding operational risk and set the foundation for the efficient management and monitoring of that type of risk. It is noted that the first implementation of the Operational Risk Management Framework at Bank and Group level was fully compliant with the regulatory requirements under the Basel II Standardized Approach.

The main components of the framework are:

- strategy regarding operational risk management
- governance model (roles and responsibilities) of all stakeholders
- policy and methodologies for the implementation in all units
- processes and tools for the identification, evaluation and quantification of risk and
- reporting for the measurement and the monitoring of the level of risk exposure and evolution.

For the efficient and direct implementation of the operational risk management framework, as well as for the systematic monitoring of regulatory and supervisory requirements related to this, the Bank established a specialized unit, the Operational Risk Management Unit, which is under the supervision of the Group Risk Management Division.

In 2007 the Operational Risk Management Unit, in cooperation with the business units of the Bank and the subsidiaries, coordinated the implementation of a number of large scale projects related to the adoption of the framework with respect to:

- calculation of operational risk capital charges at both Bank and Group level
- operational risk and control self assessment for business and supporting units at Bank level
- operational loss data collection at both Bank and Group level.

As far as the mitigation of operational risk is concerned, the Bank relies, in addition to the implementation of the Operational Risk Management Framework, on the quality of its human resources, its information systems infrastructure, its internal control environment and its insurance policies for the recovery of the actual losses generated from operational risk events.

Furthermore, the development of the Business Continuity Plan (BCP) was concluded during 2007, along with the existing Disaster Recovery Site (DRS), minimizing the risk of any disruption in the operations of the Bank in cases of emergency situations.

Application of the New Capital Adequacy Framework “Basel II”

During 2007 most of the projects that were underway to fulfil the requirements for calculating capital adequacy under Basel II were finalized; in specific, with respect to implementing the Standardized Approach for credit and operational risk. Work is already underway to migrate to more advanced approaches regarding capital adequacy calculation, such as the Internal Ratings Based (IRB) Approach for credit risk. It is noted that the Greek statutory and legislative framework requires that all Greek banks adopt the Basel II framework effective as of the beginning of 2008.

For the successful implementation of the new supervisory framework, a “Basel II” program managed by the Program Management Office of the Group Risk Management Division has been set up, in order to supervise the implementation of all relevant projects and to provide technical assistance to the Group’s units. The Program Management Office on a regular basis updates the Steering Committee for the Basel II transition, which consists of senior management executives and is responsible for the successful implementation of the program and thus Piraeus Group’s compliance with the new regulatory framework. To this direction, the Bank also works with consultant firm Ernst & Young, which assists in the implementation of the adoption projects, providing know-how in issues regarding infrastructures, as well as in specialized issues arising from the implementation of the Basel II framework.

The new framework, introducing operational risk as a new capital adequacy computation parameter, on top of the differentiation relating to credit and market risks, requires the establishment of best risk management practices. With respect to these requirements, the most important adaptations introduced so far for the Group pertain to the following areas:

1. its policies and procedures
2. its organizational structure and corporate governance principles
3. the risk assessment models and
4. the IT infrastructures, the data bases and risk management systems.

Piraeus Bank Group has set as its strategic goal the adoption of the Internal Ratings Based (IRB) Approach for the calculation of its capital requirements for credit risk. The calculation of capital requirements under the IRB approach probably will gradually start to be applied in specific portfolios within 2009 and is expected to be applied in all significant Group portfolios by the end of 2012.





Targets and Prospects of the Group

In 2007, all targets set in the 1st year of the Group's Business Plan 2007-2010 were achieved. Piraeus Group, enhanced both in terms of capital adequacy and liquidity, continues to grow in 2008 as well. The fundamentals for Greece, which generated 80% of operations and 87% of the Group's profitability for 2007, remain strong, whilst international activities are expected to continue their positive course at a particularly satisfying rate.

Piraeus Group has already established presence in 9 countries, including Cyprus where it started its operations recently, further improving the expansion of its activities and consolidating its presence in all the markets where it operates.

The acceleration of the Group's performance in the course of 2007 set the foundation for fulfilling the growth targets set for the next three-year period, according to the Business Plan published in October 2007. The Group's strategic financial targets for the period up to 2010 are the following:

- after tax profit CAGR by 24% (from €622 million in 2007), reaching €1.2 billion in 2010, out of which ¼ via international activities
- sustainability of after tax ROE above 25%
- improvement of "cost to income" efficiency ratio below 42%
- improvement of the loans in arrears more than 90 days ratio below 2.5%
- maintaining the overall capital adequacy ratio above 10% with core Tier I Ratio above 7.5%.

Piraeus Group vision remains its evolution into a strong regional financial organization in South Eastern Europe and Eastern Mediterranean and to become the main bank of service for medium-sized enterprises and individuals, having dedicated and skilled personnel and offering high returns to its shareholders. To this purpose, the Group's main strategic targets are the following:

- in Greece
 - capitalizing experience in the sector of small and medium-sized enterprises and retail banking, aiming at further strengthening its presence in these sectors of the market
 - increasing market share in all sectors of activity
- internationally
 - increasing the market penetration in all countries where it operates, through organic development and expansion of its branch network, so as for the international activities to contribute significantly to the Group's results

Committed to this vision, Piraeus Group aims at accomplishing these new targets set resulting in total assets of €80 billion by the end of 2010, 1,200 branches in Greece, South Eastern Europe and Egypt, as well as approximately 16,000 employees, holding a leading position in Greece and solid presence in the broader region.





Purchasing goods

Everything that signifies life is embraced by Piraeus Bank, the Bank with a human face.

12 Consolidated Income Statement

(Amounts in thousand EUROS)

Year ended

	31 December 2007	31 December 2006
Interest and similar income	2,662,084	1,674,818
Interest expense and similar charges	(1,745,115)	(959,680)
NET INTEREST INCOME	916,969	715,138
Fee and commission income	274,514	213,155
Fee and commission expense	(48,047)	(32,506)
NET FEE AND COMMISSION INCOME	226,467	180,649
Dividend income	10,307	18,511
Net trading income	49,671	34,926
Net income from financial instruments designated at fair value through profit or loss	11,625	(5,484)
Gains/ (Losses) from investment securities	172,385	138,979
Other operating income	245,686	141,293
TOTAL NET INCOME	1,633,109	1,224,012
Staff costs	(379,022)	(301,789)
Administrative expenses	(303,935)	(247,357)
Depreciation and amortisation	(66,062)	(55,419)
Gains/ (Losses) from sale of assets	12,202	11,971
Impairment losses on loans and receivables	(115,478)	(74,331)
Other provisions	(427)	(2,705)
TOTAL OPERATING EXPENSES	(852,722)	(669,630)
Share of profit of associates	4,927	2,167
PROFIT BEFORE INCOME TAX	785,313	556,549
Income tax expense	(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	2.14	1.57
- Diluted	2.13	1.56

(Amounts in thousand EUROS)

ASSETS	31 December 2007	31 December 2006
Cash and balances with central banks	3,400,169	1,885,146
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	4,506,731	1,964,900
Financial instruments at fair value through profit or loss	508,137	56,449
Loans and advances to customers (net of provisions)	30,288,785	20,426,615
Investment securities		
- Available for sale securities	1,383,628	1,300,126
- Held to maturity	110,356	99,880
Investments in associated undertakings	116,946	29,737
Intangible assets	264,635	192,291
Property, plant and equipment	863,430	524,087
Investment property	692,799	619,748
Held for sale	4,696	12,844
Deferred tax assets	144,397	100,253
Inventories - property	182,743	181,357
Other assets	1,049,963	689,270
TOTAL ASSETS	46,427,340	30,931,216
LIABILITIES		
Due to banks	10,705,784	4,882,851
Derivative financial instruments - liabilities	87,038	59,704
Due to customers	22,067,315	16,734,589
Debt securities in issue	7,788,572	5,261,513
Other borrowed funds	795,831	803,864
Hybrid capital	193,406	201,206
Retirement benefit obligations	169,604	153,232
Other provisions	3,750	11,744
Current income tax liabilities	97,851	47,017
Deferred tax liabilities	134,354	72,059
Other liabilities	1,074,256	871,017
TOTAL LIABILITIES	43,117,761	29,098,796
EQUITY		
Ordinary shares	1,617,977	1,288,830
Share premium	1,099,903	88,146
Less: Treasury shares	(250,863)	(97,302)
Other reserves	53,939	163,650
Retained earnings	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

(Amounts in thousand EUROS)	Attributable to equity holders						TOTAL
	Share Capital	Share Premium	Treasury shares	Other reserves	Retained earnings	Minority interests	
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	7,665	16,703		(4,981)			19,387
Purchases of treasury shares			(356,152)				(356,152)
Sales of treasury shares			276,444		29,119		305,563
Available for sale reserve				47,133			47,133
Profit after tax for the year 2006					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				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 31st 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	322,208	994,481					1,316,689
Issue of share capital due to the exercise of share options	6,939	17,276		(4,571)			19,644
Purchases of treasury shares			(188,639)				(188,639)
Sales of treasury shares and share options			35,079		2,973		38,052
Available for sale reserve				(94,651)			(94,651)
Profit after tax for the year 2007					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				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 31st December 2007	1,617,977	1,099,903	(250,862)	53,939	561,058	227,564	3,309,579

Consolidated Cash Flow Statement



(Amounts in thousand EUROS)	From January 1st to	
Cash flows from operating activities	31 December 2007	31 December 2006
Profit before tax	785,313	556,549
Adjustments to profit before tax		
Add: impairment for loans and advances and other provisions	115,905	74,331
Add: depreciation and amortisation	66,062	55,419
Add: retirement benefits	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	(51,021)	(15,510)
Purchases of available for sale securities	(956,724)	(924,957)
Disposals of available for sale securities	876,024	486,434
Purchase of held to maturity securities	(35,394)	(31,340)
Maturity of held to maturity securities	22,521	22,496
Acquisition of subsidiaries and participation in share capital increases	(64,536)	(80,231)
Disposals of subsidiaries	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	(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	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	5,062,568	4,381,289

12 Income Statement

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

(Amounts in thousand EUROS)

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

(Amounts in thousand EUROS)

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

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

Piraeus Bank S.A.
4, Amerikis st., 105 64
Athens, Greece
Tel.: +30 210 3335000
www.piraeusbank.gr