



## **PIRAEUS BANK GROUP**

# **Consolidated Interim Condensed Financial Statements**

30 September 2006

According to the International Financial  
Reporting Standards

The attached consolidated interim condensed financial statements have been approved by the Piraeus Bank S.A. Board of Directors on November 8th, 2006 and they are available on the web site of Piraeus Bank at [www.piraeusbank.gr](http://www.piraeusbank.gr)

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



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**Piraeus Bank Group - 30 September 2006**  
Amounts in thousand euros (Unless otherwise stated)

**CONSOLIDATED INTERIM INCOME STATEMENT**

	Note	Period from 1 January to		Period from 1 July to	
		30 September 2006	30 September 2005	30 September 2006	30 September 2005
Interest and similar income		1,145,579	757,906	431,639	285,963
Interest expense and similar charges		(645,033)	(360,662)	(252,186)	(144,564)
<b>NET INTEREST INCOME</b>		<b>500,546</b>	<b>397,244</b>	<b>179,453</b>	<b>141,399</b>
Fee and commission income		154,520	120,345	49,328	43,597
Fee and commission expense		(22,855)	(18,338)	(7,508)	(6,754)
<b>NET FEE AND COMMISSION INCOME</b>		<b>131,665</b>	<b>102,007</b>	<b>41,820</b>	<b>36,843</b>
Dividend income		11,096	17,133	629	1,278
Net trading income		20,990	55,316	786	20,908
Gains/ (losses) from investment securities	6	138,163	3,619	(1,316)	1,131
Other operating income		87,141	46,838	36,155	15,266
<b>TOTAL NET INCOME</b>		<b>889,601</b>	<b>622,157</b>	<b>257,527</b>	<b>216,825</b>
Staff costs		(218,083)	(189,771)	(74,826)	(65,764)
Administrative expenses		(163,584)	(137,316)	(53,154)	(50,786)
Depreciation and amortisation		(41,887)	(30,842)	(14,411)	(11,243)
Gains/ (losses) from sale of property, plant and equipment		9,153	4,369	1,224	1,329
Impairment losses on loans and advances	12	(53,573)	(66,629)	(14,669)	(22,564)
<b>OPERATING PROFIT</b>		<b>(467,974)</b>	<b>(420,189)</b>	<b>(155,836)</b>	<b>(149,028)</b>
Share of profit of associates		1,724	1,162	971	896
<b>PROFIT BEFORE INCOME TAX</b>		<b>423,351</b>	<b>203,130</b>	<b>102,662</b>	<b>68,693</b>
Income tax expense	7	(66,781)	(29,282)	(16,604)	(5,786)
<b>PROFIT FOR THE PERIOD</b>		<b>356,570</b>	<b>173,848</b>	<b>86,058</b>	<b>62,907</b>
Profit for the year attributable to the equity holders of Piraeus Bank		342,103	136,175	81,457	49,720
Minority Interest		14,467	37,673	4,601	13,187
<b>Earnings per share (in euro):</b>					
-basic	8	1.30	0.56	0.31	0.20
-diluted	8	1.29	0.56	0.31	0.20

**CONSOLIDATED INTERIM BALANCE SHEET**

	Note	30 September 2006	31 December 2005
<b>ASSETS</b>			
Cash and balances with central banks		1,486,567	1,570,219
Treasury bills and other eligible bills		176,376	221,977
Loans and advances to Credit Institutions	9	3,744,295	2,220,330
Derivative financial instruments - assets	10	45,266	22,741
Financial assets at fair value through Profit and Loss	11	412,647	1,180,120
Loans and advances to customers (net of provisions)	12	19,302,947	15,451,119
Investment securities			
-Available for sale securities	13	1,231,809	685,584
-Held to maturity	13	90,219	95,555
Investments in associated undertakings	14	57,165	65,641
Intangible assets		184,499	202,238
Property, plant and equipment		494,938	431,176
Investment property		589,726	542,430
Held for sale		14,006	11,958
Deferred tax assets	19	127,513	137,218
Inventories - property		173,750	165,838
Other assets		587,013	541,335
<b>TOTAL ASSETS</b>		<b>28,718,736</b>	<b>23,545,479</b>
<b>LIABILITIES</b>			
Due to Banks	15	4,723,185	3,535,764
Derivative financial instruments - liabilities	10	41,552	37,591
Due to customers	16	15,061,239	13,196,528
Debt securities in issue	17	5,241,937	3,745,688
Other borrowed funds	18	803,709	402,362
Hybrid capital	18	200,738	201,178
Retirement benefit obligations	20	149,527	154,699
Other provisions		18,747	20,653
Current income tax liabilities		32,204	29,018
Deferred tax liabilities	19	56,145	60,223
Other liabilities	21	725,571	554,116
<b>TOTAL LIABILITIES</b>		<b>27,054,554</b>	<b>21,937,820</b>
<b>EQUITY</b>			
Ordinary shares	23	1,281,165	1,024,932
Share premium	23	71,443	330,643
Less: Treasury shares	23	(148,376)	(17,594)
Other reserves	24	76,190	96,203
Retained earnings	24	160,688	(55,758)
<b>Capital and reserves attributable to Piraeus Bank equity holders</b>		<b>1,441,110</b>	<b>1,378,426</b>
Minority Interest		223,072	229,233
<b>TOTAL EQUITY</b>		<b>1,664,182</b>	<b>1,607,659</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>28,718,736</b>	<b>23,545,479</b>

**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

	Note	Share Capital	Share Premium	Treasury shares	Other reserves	Retained earnings	Minority interests	TOTAL
<b>Opening balance as at 1 January 2005</b>		<b>831,067</b>	<b>365,733</b>	<b>(25,267)</b>	<b>75,133</b>	<b>(344,462)</b>	<b>367,239</b>	<b>1,269,443</b>
Purchases of treasury shares	23			(92,193)				(92,193)
Sales of treasury shares	23			59,700		9,210	1,669	70,579
Available for Sale Reserve	24				19,310			19,310
Profit after tax 1/1/2005 - 30/9/2005	24					136,175	37,673	173,848
Dividend relating to the previous year						(80,103)	(18,565)	(98,668)
Acquisition and movement in subsidiaries holding							37,263	37,263
Transfer between other reserves and retained earnings					13,226	(13,226)		0
Interim dividend of Hellenic Investment Company S.A.						5,907		5,907
Distribution of reserves of Piraeus Securities S.A.					(7,007)	(1,926)	(2,233)	(11,166)
Currency translation differences and other adjustments					4,460	949		5,409
<b>Balance as at 30 September 2005</b>		<b>831,067</b>	<b>365,733</b>	<b>(57,760)</b>	<b>105,122</b>	<b>(287,476)</b>	<b>423,046</b>	<b>1,379,732</b>

	Note	Share Capital	Share Premium	Treasury shares	Other reserves	Retained earnings	Minority interests	TOTAL
<b>Opening balance as at 1 October 2005</b>		<b>831,067</b>	<b>365,733</b>	<b>(57,760)</b>	<b>105,122</b>	<b>(287,476)</b>	<b>423,046</b>	<b>1,379,732</b>
Absorption of companies - cancellation of treasury shares		193,865	(35,090)		280	56,590	(233,036)	(17,391)
Purchases of treasury shares	23			(40,161)			(1,665)	(41,826)
Sales of treasury shares	23			80,327		3,528		83,855
Available for Sale Reserve	24				40,196			40,196
Profit after tax 1/10/2005 - 31/12/2005	24					127,598	(18,718)	108,880
Dividend relating to the previous year							(802)	(802)
Transfer between other reserves and retained earnings					4,311	(4,311)		0
Reserve for stock option plan					200			200
Utilization of legal reserve against the 1st time adoption adjustments					(51,667)	51,667		0
Acquisitions and movement in subsidiaries holding							60,408	60,408
Currency translation differences and other adjustments					(2,240)	(3,354)		(5,594)
<b>Balance as at 31 December 2005</b>		<b>1,024,932</b>	<b>330,643</b>	<b>(17,594)</b>	<b>96,202</b>	<b>(55,758)</b>	<b>229,233</b>	<b>1,607,658</b>

<b>Opening balance as at 1 January 2006</b>		<b>1,024,932</b>	<b>330,643</b>	<b>(17,594)</b>	<b>96,202</b>	<b>(55,758)</b>	<b>229,233</b>	<b>1,607,658</b>
Capitalization of share premium reserve	23	256,233	(259,200)					(2,967)
Purchases of treasury shares	23			(206,088)				(206,088)
Sales of treasury shares	23			75,306		7,199		82,505
Available for Sale Reserve	24				(26,932)			(26,932)
Profit after tax 1/1/2006 - 30/9/2006	24					342,103	14,467	356,570
Dividend relating to the previous year						(107,435)	(8,428)	(115,863)
Transfer between other reserves and retained earnings	24				7,374	(7,374)		0
Reserve for stock option plan					3,960			3,960
Acquisitions, absorptions and movement in subsidiaries holding					(1,782)	(21,347)	(9,062)	(32,191)
Currency translation differences and other adjustments					(2,632)	3,300	(3,139)	(2,471)
<b>Balance as at 30 September 2006</b>		<b>1,281,165</b>	<b>71,443</b>	<b>(148,376)</b>	<b>76,190</b>	<b>160,688</b>	<b>223,071</b>	<b>1,664,182</b>

**CONSOLIDATED INTERIM CASH FLOW STATEMENT**

	Note	From January 1st to 30 September 2006	30 September 2005
<i>Cash flows from operating activities</i>			
Profit before tax		423,351	203,130
Adjustments to profit before tax			
Add: impairment losses on loans and advances	12	53,573	66,629
Add: depreciation and amortisation		41,887	30,842
Add: retirement benefit charge		17,545	19,516
Gains (deduct)/ losses (add) from valuation of trading securities		(12,506)	(21,968)
Gains (deduct)/ losses (add) from investing activities		(195,584)	(27,042)
Interest on debt securities and other borrowed funds		136,879	-
		<b>465,145</b>	<b>271,107</b>
<i>Cash flows from operating activities before changes in operating assets and liabilities</i>			
<i>Changes in operating assets and liabilities:</i>			
Net (increase)/ decrease in cash and balances with Central Bank		11,182	(162,907)
Net (increase)/ decrease in treasury bills and other eligible bills		32,936	(105,170)
Net (increase)/ decrease in trading securities		772,673	841,992
Net (increase)/ decrease in loans and advances to credit institutions		56,224	29,828
Net (increase)/ decrease in loans and advances to customers		(3,900,381)	(2,868,042)
Net (increase)/ decrease in other assets		(67,339)	(4,158)
Net increase/ (decrease) in due to Banks		1,187,421	1,119,783
Net increase/ (decrease) in amounts due to customers		1,864,711	2,093,729
Net increase/ (decrease) in other liabilities		121,027	(46,054)
		<b>543,599</b>	<b>1,170,108</b>
<i>Net cash flow from operating activities before income tax payment</i>			
Income tax paid		(8,051)	(12,339)
<b>Net cash flow from operating activities</b>		<b>535,548</b>	<b>1,157,769</b>
<b>Cash flows from investing activities</b>			
Net proceeds from purchases of property, plant and equipment		(151,283)	(157,925)
Net proceeds from sale of property, plant and equipment		35,246	154,081
Net proceeds from purchases of intangible assets		(9,628)	(7,639)
Purchase of available-for-sale securities	13	(890,210)	(240,786)
Net proceeds from sale of available-for-sale securities	13	419,405	133,958
Purchase of held-to-maturity securities	13	(13,130)	(71,155)
Net proceeds from maturity of held-to-maturity securities	13	15,668	-
Acquisition of subsidiaries		(64,249)	(120,900)
Disposal of subsidiaries		4,447	-
Acquisition of associates		(2,461)	(13,845)
Disposal of associates		9,901	-
Dividends receipts		25,873	-
Other cashflows from investing activities		-	17,133
<b>Net cash from investing activities</b>		<b>(620,421)</b>	<b>(307,078)</b>
<i>Cash flows from financing activities</i>			
Net proceeds from issue/ (repayment) of debt securities and other borrowed funds		1,775,488	1,642,663
Net proceeds from purchases of treasury shares	23	(206,088)	(92,193)
Net proceeds from sales of treasury shares	23	75,306	59,700
Other cashflows from financing activities		(60,273)	(80,103)
<b>Net cash from financing activities</b>		<b>1,584,433</b>	<b>1,530,067</b>
Effect of exchange rate differences on cash and cash equivalents		(3,065)	(1,006)
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>1,496,495</b>	<b>2,379,752</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>3,515,064</b>	<b>1,307,033</b>
<b>Cash and cash equivalents at end of period</b>		<b>5,011,559</b>	<b>3,686,785</b>

The notes on pages 6 to 20 are an integral part of these consolidated interim condensed financial statements.

## 1 General Information about the Group

Piraeus Bank S.A. is a banking institution operating in accordance with the provisions of Law 2190/1920 on sociétés anonymes, Law 2076/1992 on credit institutions, and other relevant laws. According to article 2 of its Statute, the object of the company is to execute, on its behalf or on behalf of third parties, any and every operation acknowledged or delegated by law to banks.

Piraeus Bank (parent company) is incorporated and domiciled in Greece, provides services in the Balkans, Egypt, the U.S.A. as well as Western Europe and employs 8,979 people.

Apart from the A.S.E. General Index, the Piraeus Bank share is included in a series of other indices, such as FTSE/ATHEX-20, Standard MSCI Greece, MSCI Europe, MSCI EAFE, DJ Euro Stoxx, DJ Euro Stoxx Banks, DJ Euro Stoxx Economic Sector Financial, FTSE4 Good Europe, FTSE4 Good Global and FTSE/ Med - 100.

It is noted that Standard & Poor's on 10/10/2006 has upgraded the long-term credit rating of Piraeus Bank S.A. to BBB+ from BBB, while short-term rating was sustained at A-2, and Fitch Ratings upgraded on 9/8/2006 Piraeus Bank's individual rating to B/C from C, as well as the credit rating outlook to positive from stable.

## 2 General accounting policies of the Group

The same accounting policies and methods of computation as those in the annual consolidated financial statements for the year ended 31 December 2005 have been followed.

The amounts of the consolidated interim condensed financial statements attached are expressed in thousand euros.

## 3 Basis of presentation of the consolidated interim condensed financial statements

The consolidated interim condensed financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" and they should be read along with the Group's annual consolidated financial statements for the year ended 31 December 2005, which are the first annual financial statements that have been prepared in accordance with International Financial Reporting Standards (IFRS).

## 4 Critical accounting estimates and judgements

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

### 1. *Impairment losses on loans and advances*

The Group reviews its loan portfolios to assess impairment in every reporting period. In determining whether an impairment loss should be recorded in the income statement, the Group has set a methodology and uses various assumptions as to whether there is any indication of impairment of the loan portfolio. The methodology and assumptions used are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

### 2. *Fair value of derivatives*

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

### 3. *Impairment of the available for-sale investments*

The available for sale investments are carried out at fair value; any fluctuations in the fair value are recorded in the available for sale reserve. The bank determines that the available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. When this occurs the AFS reserve is transferred to the income statement of the period. This determination of what is significant or prolonged decline in fair value requires judgement. Also, judgement is required for the estimation of the fair value of investments that are not listed in a market. The fair value of the non listed available for sale investments is determined through various financial models taking also into account other factors such as evidence of deterioration in the financial health of the investee and industry and sector performance.

### 4. *Income taxes*

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

## 5 Business segments

Piraeus Bank Group has defined the following business segments:

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

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

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

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

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

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

At 30 September 2006	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Treasury	Other	Eliminations	Group
Revenues	753,231	233,324	49,782	283,150	238,005	-	1,557,492
Revenues from other business segments	107,890	11,513	190	-	149,552	(269,148)	-3
<b>Total revenues</b>	<b>861,121</b>	<b>244,837</b>	<b>49,972</b>	<b>283,150</b>	<b>387,557</b>	<b>(269,148)</b>	<b>1,557,489</b>
Net Revenues	627,418	118,265	39,548	28,847	75,526	-	889,604
Net Revenues from other business segments	(54,224)	(13,022)	(8,655)	-	117,037	(41,139)	(3)
<b>Total Net Revenues</b>	<b>573,194</b>	<b>105,243</b>	<b>30,893</b>	<b>28,847</b>	<b>192,563</b>	<b>(41,139)</b>	<b>889,601</b>
<b>Segment Results</b>	<b>211,718</b>	<b>24,202</b>	<b>27,374</b>	<b>11,426</b>	<b>148,631</b>	<b>-</b>	<b>423,351</b>
Income tax expense							(66,781)
<b>Profit after tax</b>							<b>356,570</b>
<b>Other segment items</b>							
Depreciation	19,560	4,078	654	532	17,063	-	41,887
Impairment losses on loans and advances	38,414	12,166	35	-	2,958	-	53,573

At 30 September 2005	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Treasury	Other	Eliminations	Group
Revenues	617,361	197,287	35,172	76,782	74,555	-	1,001,157
Revenues from other business segments	78,410	7,447	669	66,127	6,272	(158,925)	0
<b>Total revenues</b>	<b>695,771</b>	<b>204,734</b>	<b>35,841</b>	<b>142,909</b>	<b>80,827</b>	<b>(158,925)</b>	<b>1,001,157</b>
Net Revenues	476,998	73,468	(2,739)	19,652	54,777	-	622,157
Net Revenues from other business segments	(14,858)	(8,039)	(2,728)	53,895	1,902	(30,172)	0
<b>Total Net Revenues</b>	<b>462,140</b>	<b>65,429</b>	<b>(5,467)</b>	<b>73,547</b>	<b>56,679</b>	<b>(30,172)</b>	<b>622,157</b>
<b>Segment Results</b>	<b>119,663</b>	<b>29,495</b>	<b>(5,467)</b>	<b>56,360</b>	<b>3,079</b>	<b>-</b>	<b>203,130</b>
Income tax expense							(29,282)
<b>Profit after tax</b>							<b>173,848</b>
<b>Other segment items</b>							
Depreciation	12,378	1,215	970	466	15,813	-	30,842
Impairment losses on loans and advances	49,522	18,261	-	2	(1,156)	-	66,629

At 30 September 2006	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Treasury	Other	Eliminations	Group
Segment assets	13,540,164	6,052,951	268,348	5,388,625	3,468,648	-	28,718,736
Segment liabilities	9,983,031	521,984	158,867	9,885,685	6,504,987	-	27,054,554

<b>At 31 December 2005</b>							
Segment assets	10,961,074	5,917,041	144,016	3,848,719	2,674,629	-	23,545,479
Segment liabilities	8,665,757	1,214,510	126,769	6,498,504	5,432,280	-	21,937,820

## 6 Gains less losses from investment securities

	<b>1/1-30/9/2006</b>	<b>1/1-30/9/2005</b>
Gains less losses on AFS - shares and mutual funds	137,789	1,385
Gains less losses on AFS - bonds	(427)	411
Gains less losses on sale of subsidiaries and associates	801	1,823
	<b>138,163</b>	<b>3,619</b>

In compliance with the Strategic Alliance Agreement dated 18/1/2002 of Piraeus Bank and the companies "ING Greek Life Insurance Company S.A." and "ING Greek General Insurance Company S.A." on the liquidation of their respective cross-shareholdings, the following events took place during the first quarter of 2006:

a) the sale to institutional investors via an accelerated bookbuilding process of the entire number of Piraeus Bank's shares which were held by the companies "ING Greek Life Insurance Company S.A." and "ING Greek General Insurance Company S.A." and

b) the sale of Piraeus Bank's entire holding of certificates of ING Groep N.V. shares through a series of moderated sales on Euronext Amsterdam.

The gain before tax from the above transactions was € 129.8 million and it was recorded in Piraeus Bank's books.

## 7 Income tax expense

	<b>1/1-30/9/2006</b>	<b>1/1-30/9/2005</b>
Current Tax	(41,888)	(23,349)
Deferred tax (Note 19)	(24,808)	(5,569)
Share of tax of associates	(85)	(364)
	<b>(66,781)</b>	<b>(29,282)</b>

The tax ratio for legal entities in Greece, in accordance with the provisions in force of article 109, par. 1 of Law 2238/94, amounts to 32% for the year 2005 and 29% for the year 2006.

However, upon completion of the merger with the Hellenic Investment Company during 2005, in accordance with the provisions of article 9, par. 2 and 3 of Law 2992/2002, the Bank defined the amount of the income tax for the year 2005 according to a tax ratio, on its taxable profits, reduced by five (5) percentage points, namely 27% (32% minus 5%). For the year 2006, income tax will be defined according to a tax ratio, on the Bank's taxable profits, similarly reduced by five (5) percentage points, namely 24% (29% minus 5%). Furthermore, it should be noted that the article 7 of Law 3470/2006 (Government Gazette Issue 132 A/28.6.2006) "National Board of Imports, tax arrangements and other provisions" specifies that the tax benefit of companies which are entitled to a reduced tax ratio, based on the provisions of Law 2992/2002 (article 9, par. 1, 2 and 3), is allocated in equal sums in three consecutive accounting periods, starting with the accounting period within which the change was completed, and it concerns only the cash management of the specific tax amount.

For the subsidiaries operating abroad, the tax has been calculated according to the respective nominal tax rates.

## 8 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of shares in issue during the period, excluding the average number of ordinary shares purchased by the Group and held as treasury shares. Also, the diluted earnings per share have been calculated taking into account the 2nd and 3rd program of share option plan (note 23).

	<b>1/1-30/9/2006</b>	<b>1/1-30/9/2005</b>	<b>1/7 - 30/9/2006</b>	<b>1/7 - 30/9/2005</b>
<b>Basic earnings per share</b>				
Net profit attributable to shareholders	342,103	136,175	81,457	49,720
Weighted average number of shares in issue	263,256,466	245,219,925	258,838,086	245,225,782
Basic earnings per share (in euros)	1.30	0.56	0.31	0.20
<b>Diluted earnings per share</b>				
Net profit attributable to shareholders	342,103	136,175	81,457	49,720
Weighted average number of shares in issue	263,256,466	245,219,925	258,838,086	245,225,782
Adjustment for share options	1,385,747	64,610	1,796,101	236,014
Weighted average number of shares in issue for the diluted earnings per share calculation	264,642,213	245,284,535	260,634,187	245,461,796
Diluted earnings per share (in euros)	1.29	0.56	0.31	0.20

The weighted average number of shares for the calculation of the basic and diluted EPS has been adjusted in accordance with the requirements of IAS 33 proportionally from 1/1/2005, in order to take into account the bonus issue (1 free new share for every 4 old shares) which was decided by the 2nd Iterative General Meeting on 15/5/2006.

## 9 Loans and advances to Credit Institutions

	<b>30 September 2006</b>	<b>31 December 2005</b>
Placements with Banks	3,730,144	2,058,633
Cheques receivables	11,060	17,796
Reverse repurchase agreements	3,091	143,901
<b>Total loans and advances to Credit Institutions</b>	<b>3,744,295</b>	<b>2,220,330</b>

## 10 Derivative Financial Instruments

At 30 September 2006

	Notional amounts	Fair values	
		Assets	Liabilities
<b>Derivatives held for trading</b>			
Futures	28,600	281	-
Asset swaps	100,915	1,041	10,659
Interest rate swaps	6,245,899	31,654	30,518
Options	800,000	561	162
Currency swaps	2,401,903	(1,453)	12
FX forwards	119,345	3,261	2,564
Other derivative instruments	446,747	1,350	(1,162)
		<b>36,695</b>	<b>42,753</b>
<b>Embedded equity derivatives</b>			
Customer deposits/ loans linked to options	274,842	8,348	(2,773)
<b>Derivatives held for fair value hedging</b>			
Interest rate swaps	114,024	223	1,572
<b>Total derivative assets/ liabilities</b>		<b>45,266</b>	<b>41,552</b>

At 31 December 2005

	Notional amounts	Fair values	
		Assets	Liabilities
<b>Derivatives held for trading</b>			
Futures	7,600	-	49
Asset swaps	104,701	-	15,274
Interest rate swaps	4,273,519	12,136	14,919
Currency swaps	2,714,496	(491)	-
FX forwards	68,589	2,503	2,556
Other derivative instruments	137,222	1,489	(1,092)
		<b>15,637</b>	<b>31,706</b>
<b>Embedded equity derivatives</b>			
Customer deposits/ loans linked to options	287,328	6,612	3,883
<b>Derivatives held for fair value hedging</b>			
Interest rate swaps	69,246	492	2,002
<b>Total derivative assets/ liabilities</b>		<b>22,741</b>	<b>37,591</b>

## 11 Financial Assets at Fair Value through Profit and Loss

	<b>30 September 2006</b>	<b>31 December 2005</b>
<b>Trading Securities</b>		
Greek Government Bonds	214,126	941,824
Foreign Government Bonds	48,819	43,989
Corporate Entities Bonds	24,773	22,310
Bank Bonds	714	1,253
	<b>288,432</b>	<b>1,009,376</b>
Athens Stock Exchange Listed Shares	47,088	57,412
Foreign Stock Exchange Listed Shares	14,009	16,415
Mutual funds	3,678	3,938
	<b>64,775</b>	<b>77,765</b>
<b>Total trading securities</b>	<b>353,207</b>	<b>1,087,141</b>
<b>Other financial assets at fair value through profit and loss</b>	<b>59,440</b>	<b>92,979</b>
<b>Total</b>	<b>412,647</b>	<b>1,180,120</b>

## 12 Loans and advances to customers

	30 September 2006	31 December 2005
<b>Loans to individuals</b>		
Mortgages	4,156,605	3,385,589
Consumer - Personal Loans	2,305,813	1,774,516
Credit Cards	396,209	353,162
Other	133,778	189,504
	<u>6,992,405</u>	<u>5,702,771</u>
<b>Loans to corporate entities</b>	<u>12,674,881</u>	<u>10,181,377</u>
<b>Total loans and advances to customers</b>	<b>19,667,286</b>	<b>15,884,148</b>
Less: Impairment on loans and advances	(364,339)	(433,029)
<b>Total loans and advances to customers (less allowances for losses)</b>	<u><b>19,302,947</b></u>	<u><b>15,451,119</b></u>

### Movement in impairment for losses on loans and advances

<b>Opening balance for the period (1/1/2006 and 1/1/2005 respectively)</b>	433,029	463,092
Transfers from other provisions	-	8,001
Opening balance of new subsidiaries	-	9,128
Charge for the period	51,023	65,298
Write offs	(117,244)	(55,215)
Foreign exchange differences	(2,469)	3,944
<b>Closing balance for the period (30/9/2006 and 30/9/2005 respectively)</b>	<u><b>364,339</b></u>	<u><b>494,248</b></u>
<b>Opening balance 1/10/2005</b>		494,248
Opening balance of new subsidiaries		24,345
Charge for the period		2,394
Write offs		(82,465)
Foreign exchange differences		(5,493)
<b>Closing balance 31/12/2005</b>		<u><b>433,029</b></u>

In the above movement of impairment for losses on loans and advances, the charge for the period 1/1-30/9/2006 does not include amount of € 2,550 thousand which relates to the charge for the period for impairment on other assets. Also, the charge for the period 1/1-30/9/2005 does not include amount € 1,331 thousand which relates to the write-off of loans to the Profit and Loss account for the period.

## 13 Investment securities

### Available for sale securities

	30 September 2006	31 December 2005
<b>Bonds and Other fixed income securities</b>		
Foreign Government Bonds	192,842	245,632
Greek Government Bonds	385,778	-
Corporate Entities Bonds	112,227	86,161
Bank Bonds	36,549	36,779
	<u>727,396</u>	<u>368,572</u>
<b>Shares &amp; Other variable income securities</b>		
Athens Stock Exchange Listed Shares	367,834	28,266
Foreign Stock Exchanges Listed Shares	3,924	153,117
Unlisted shares	132,655	135,629
	<u>504,413</u>	<u>317,012</u>
<b>Total available for sale securities</b>	<u><b>1,231,809</b></u>	<u><b>685,584</b></u>
<b>Held to maturity securities</b>		
Foreign Government Bonds	90,219	94,035
Corporate Entities Bonds	-	1,520
<b>Total held to maturity securities</b>	<u><b>90,219</b></u>	<u><b>95,555</b></u>
<b>Total Investment securities</b>	<u><b>1,322,028</b></u>	<u><b>781,139</b></u>

During the period 1/1 - 30/9/2006, Piraeus Bank Group acquired 44,686,199 shares which equal to 8.13% of the share capital of "Bank of Cyprus Public Company Ltd". The shares of Bank of Cyprus, of total value € 358,135,207.62, are included in Athens Stock exchange listed shares in available for sale portfolio.

**Piraeus Bank Group - 30 September 2006**  
Amounts in thousand euros (Unless otherwise stated)

	30 September 2006	31 December 2005
<b>Movement of the available for sale securities</b>		
Opening balance	685,584	472,332
Additions	890,210	304,915
Disposals	(419,405)	(180,414)
Transfer from subsidiaries	4,915	88
Transfer from associates	-	19,152
Transfer to associates	(1,879)	-
Transfer to the held to maturity portfolio	-	(34,684)
Changes in fair value	90,459	87,183
Exchange differences	(18,075)	17,012
<b>Balance at the end of the period</b>	<b>1,231,809</b>	<b>685,584</b>

Note 6 is related to the sale of ING GROEP N.V.'s shares.  
In early 2006, the sale of the 66% of "Interattica S.A" at the price of € 2,706 th. was finalized.

	30 September 2006	31 December 2005
<b>Movement of the held to maturity securities</b>		
Opening balance	95,555	18,156
Additions	13,130	58,227
Transfer from the available for sale portfolio	-	34,683
Maturity of securities	(15,668)	(18,776)
Exchange differences	(2,798)	3,265
<b>Balance at the end of the period</b>	<b>90,219</b>	<b>95,555</b>

**14 Investments in associated undertakings**

Company	30 September 2006	
	Country	Participation %
ING - PIRAEUS LIFE INSURANCE COMPANY	Greece	49.90%
'ISIODOS' VIOTIKI REGIONAL DEVELOPMENT & INVESTMENT COMPANY S.A.	Greece	37.00%
CRETE SCIENTIFIC AND TECHNOLOGY PARK MANAGEMENT & DEVELOPMENT COMPANY S.A.	Greece	30.45%
EVROS DEVELOPMENT COMPANY S.A.	Greece	30.00%
ETANAL S.A.	Greece	25.00%
STALKO S.A.	Greece	25.00%
PROJECT ON LINE S.A.	Greece	40.00%
MONASTIRIOU TECHNICAL DEVELOPMENT CO. S.A.	Greece	33.35%
BORG EL ARAB COMPANY	Egypt	25.70%
ALEXANDRIA FOR DEVELOPMENT AND INVESTMENT	Egypt	20.56%
NILE SHOES COMPANY	Egypt	36.77%
PIRAEUS INSURANCE CONSULTANT	Egypt	37.39%
EGYPTIAN INTEGRATED STORAGE CO.	Egypt	37.39%
REBICAT	Greece	16.67%
ABIES	Greece	16.67%
EUROTERRA	Greece	15.89%
APE COMMERCIAL PROPERTY REAL ESTATE TOURIST AND DEVELOPMENT S.A.	Greece	27.80%
APE FIXED ASSETS REAL ESTATE TOURIST AND DEVELOPMENT S.A	Greece	27.80%
SCIENS INTERNATIONAL INVESTMENTS AND HOLDINGS S.A.	Greece	36.75%
DELPHI ADVANCED RESEARCH TECHNOLOGIES LTD	Cyprus	21.25%

Company	31 December 2005	
	Country	Participation %
ING - PIRAEUS LIFE INSURANCE COMPANY	Greece	49.90%
'ISIODOS' VIOTIKI REGIONAL DEVELOPMENT & INVESTMENT COMPANY S.A.	Greece	37.00%
CRETE SCIENTIFIC AND TECHNOLOGY PARK MANAGEMENT & DEVELOPMENT COMPANY S.A.	Greece	30.45%
ING PIRAEUS MUTUAL FUNDS S.A.	Greece	49.94%
EVROS DEVELOPMENT COMPANY S.A.	Greece	30.00%
ETANAL S.A.	Greece	25.00%
STALKO S.A.	Greece	25.00%
PROJECT ON LINE S.A.	Greece	40.00%
MONASTIRIOU TECHNICAL DEVELOPMENT CO. S.A.	Greece	33.35%
EL-EYWON HOSPITAL	Egypt	24.57%
ALEXANDRIA FOR DEVELOPMENT AND INVESTMENT	Egypt	19.35%
NILE SHOES COMPANY	Egypt	34.57%
PIRAEUS INSURANCE CONSULTANT	Egypt	35.19%
EGYPTIAN INTEGRATED STORAGE CO.	Egypt	35.19%
REBICAT	Greece	16.67%
ABIES	Greece	16.67%
EUROTERRA	Greece	16.67%
APE COMMERCIAL PROPERTY REAL ESTATE TOURIST AND DEVELOPMENT S.A.	Greece	27.80%
APE FIXED ASSETS REAL ESTATE TOURIST AND DEVELOPMENT S.A	Greece	27.80%
SCIENS INTERNATIONAL INVESTMENTS AND HOLDINGS S.A.	Greece	42.56%
DELPHI ADVANCED RESEARCH TECHNOLOGIES LTD	Cyprus	20.47%

Note 26 is related to the changes that took place in the investments in associated undertakings portfolio.

## 15 Due to Banks

	30 September 2006	31 December 2005
Amounts due to Central Banks	51,956	3,959
Deposits from other Banks	3,931,381	2,910,008
Other obligations to Banks	738,803	477,027
Repurchase agreement - banks	1,045	144,770
	<b>4,723,185</b>	<b>3,535,764</b>

Other obligations to Banks include the balance of the Schuldschein loan. Piraeus Bank has concluded (September 2006) a Schuldschein loan of € 200 million with a maturity of 5 years and a coupon of 3 month Euribor increased by 20 basis points, therefore increasing the outstanding balance of the Schuldschein to € 650 million as at 30/9/2006 against € 450 million as at 31/12/2005.

## 16 Due to customers

	30 September 2006	31 December 2005
Current and sight deposits	3,717,955	3,519,488
Savings accounts	3,510,508	3,402,934
Term deposits	7,539,263	5,915,499
Other accounts	203,067	212,527
Repurchase agreements	90,446	146,080
	<b>15,061,239</b>	<b>13,196,528</b>

## 17 Debt securities in issue

	Currency	Average interest rate (%)		30 September 2006	31 December 2005
		1/1-30/9/2006	2005		
ETBA bonds	EUR	2.75%	2.26%	703,648	438,139
Euro Commercial Paper (Short term securities)	EUR	2.80%	2.22%	2,112,833	1,528,820
	USD	5.02%	3.62%	183,645	80,939
	GBP	4.64%	4.72%	88,308	31,955
	JPY	0.33%	-	10,037	-
				<b>2,394,822</b>	<b>1,641,714</b>
Euro Medium Term Note (Medium/ long term securities)	EUR	3.10%	2.53%	1,479,622	920,262
	USD	5.03%	3.73%	25,186	16,789
				<b>1,504,808</b>	<b>937,051</b>
Securitisation of mortgage loans	EUR	2.83%	2.32%	635,044	725,130
Other debt securities	BGN	6.67%	6.67%	3,614	3,654
				<b>5,241,937</b>	<b>3,745,688</b>

The Euro Commercial Paper (ECP) short term securities in issue amounted to € 2 billion without any change in the level of average maturity or the interest spread. The issue of securities concerning the Euro Medium Term Note Program (EMTN) was addressed to local investors through private placement from the beginning of 2006.

In January 2006, the reissue of € 50 million of the 5 year benchmark bond was completed. Also, the Bank issued (March 2006) a new 3 year benchmark senior debt of € 500 million. The nominal coupon is 3 month Euribor increased by 20 basis points.

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

Other debt securities have been issued by Piraeus Bank Bulgaria on 19/7/2004 with duration 5 years and they are not callable.

## 18 Other borrowed funds

	Currency	Average interest rate (%)		30 September 2006	31 December 2005
		1/1-30/9/2006	2005		
Hybrid capital (Tier I)	EUR	3.97%	3.39%	200,738	201,178
Subordinated loans (Tier II)	EUR	3.36%	2.74%	799,760	398,124
Other borrowed funds	USD	8.60%	6.88%	3,949	4,238
				<b>1,004,447</b>	<b>603,540</b>

Hybrid capital (TIER I) has been issued by Piraeus Group Capital PLC on 27/10/2004. Tier I has a call option within 10 years. The nominal coupon is 3 month Euribor increased by 125 basis points. Hybrid capital is a long term debenture and as such it is treated for tax purposes according to the combined regulations of Law 2238/1994 (article 12, par. 9c), Law 2879/2000 (article 26), Law 3091/2002 (article 25, par. 4), and Law 3049/2002 (article 24, para. 1).

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

Other borrowed funds have been issued by Marathon Bank on 18/12/2001 and have a duration of 30 years. Other borrowed funds have a call option that can be exercised on 18/12/2006. The nominal coupon is 3 month Libor increased by 360 basis points.

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

## 19 Deferred income tax

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

	30 September 2006	31 December 2005
<b>Deferred tax liabilities</b>		
Adjustment for depreciation of property, plant and equipment	1,814	1,391
Investment property valuation	5,188	5,084
Derivative financial instruments valuation	1,728	7,486
Financial assets at fair value through profit and loss	92	92
Securities valuation	27,425	19,265
Recognition of commission according to effective interest rate calculation	4,999	4,245
Impairment of receivables	3,191	7,958
Deferred tax liability of purchase price allocation exercise	4,374	5,330
Other deferred tax liabilities	7,334	9,372
	<b>56,145</b>	<b>60,223</b>
	<b>30 September 2006</b>	<b>31 December 2005</b>
<b>Deferred tax assets</b>		
Pensions and other post retirement benefits	36,796	41,065
Impairment of receivables	5,738	5,686
Other provisions	885	851
Financial assets at fair value through profit and loss	442	437
Derecognition of intangible assets	4,280	4,105
Securities valuation	10,573	8,842
Derivative financial instruments valuation	3,404	9,470
Recognition of tax losses	7,597	5,631
Impairment of securities	40,882	44,171
Recognition of commission according to effective interest rate calculation	11,197	12,324
Other deferred tax assets	5,719	4,636
	<b>127,513</b>	<b>137,218</b>
	<b>71,368</b>	<b>76,995</b>

### Net deferred tax asset/ (liability)

The deferred tax in profit and loss for the period (note 7) is analysed as follows:

	1/1-30/9/2006	1/1-30/9/2005
Pensions and other post retirement benefits	(4,269)	1,135
Impairment of receivables	4,818	790
Recognition of commission according to effective interest rate calculation	(1,881)	337
Investment property valuation	(104)	(5,216)
Derivative financial instruments valuation	(308)	3,862
Recognition of tax losses	1,966	3,887
Adjustment for depreciation of property, plant and equipment	(423)	4,264
Derecognition of intangible assets	175	(871)
Adjustment of tax rates	-	(3,603)
Financial assets at fair value through profit and loss	5	(4,452)
Securities valuation	(1,217)	-
Other provisions	34	3,454
Impairment of securities	(3,288)	-
Deferred tax of purchase price allocation exercise	956	-
Deferred tax on the profit realized from the sale of ING GROEP N.V.	(24,339)	-
Impairment of other receivables	-	(6,513)
Other deferred tax charges	3,067	(2,643)
	<b>(24,808)</b>	<b>(5,569)</b>

During the period 1/1-30/9/2006, deferred tax of amount € 19,181 th relating to sales or valuation of the available for sale securities did not affect the profit and loss for the period but instead increased the available for sale reserve according to the relevant IFRS regulations.

## 20 Retirement benefit obligations

### 1) Piraeus Bank

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

No actuarial study has been carried out as at 30/09/2006. The liability and the relevant expense at this date was based on the results of the actuarial study at 31/12/2005.

<b>Amounts recognised in the balance sheet</b>	<b>30 September 2006</b>	<b>31 December 2005</b>
Pension schemes - funded	66,806	83,080
Other retirement benefits - not funded	77,149	61,758
	<b>143,955</b>	<b>144,838</b>
Provision for outstanding annual leaves	2,013	6,445
Provision for voluntary leave plan 12/2003	-	163
<b>Total liability</b>	<b>145,968</b>	<b>151,446</b>
<b>Amounts recognised in the Income statement</b>	<b>1/1-30/9/2006</b>	<b>1/1-30/9/2005</b>
Pension schemes - funded	(546)	7,707
Other retirement benefits - not funded	17,785	11,809
	<b>17,239</b>	<b>19,516</b>

#### A) Pension schemes - funded

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

	<b>30 September 2006</b>	<b>31 December 2005</b>
Present value of funded obligations	86,940	161,644
Fair value of plan assets	(11,845)	(34,382)
	<b>75,095</b>	<b>127,262</b>
Unrecognised actuarial losses	(8,289)	(44,182)
<b>Liability in the balance sheet</b>	<b>66,806</b>	<b>83,080</b>

Although TEAPETE is no longer among funded benefits, for the period ended 30/9/2006 and for comparison purposes, it is featured as part of the funded benefits as a liability to the Pension Fund for Bank Employees (ETAT) and the Special Auxiliary Pension Fund for the Salaried (ETEAM). During the 3rd quarter of 2006, Piraeus Bank paid 2 of the 10 instalments to the Pension Fund for Bank Employees (ETAT) and the Special Auxiliary Pension Fund for the Salaried (ETEAM) which relate to the liability for the years 2005 - 2006 following the use of the provisions of Law 3371/2005.

The amounts recognised in the Income Statement are as follows:

<b>Pension schemes - Income statement</b>	<b>1/1-30/9/2006</b>	<b>1/1-30/9/2005</b>
Current service cost	3,217	3,155
Interest cost	3,581	4,773
Expected return on plan assets	(459)	(839)
Net actuarial (gains)/ losses recognised for the period	35,892	455
Losses/ (gains) on curtailment	(42,745)	-
Additional cost	(32)	163
<b>Total, included in staff costs</b>	<b>(546)</b>	<b>7,707</b>

The movement in the liability as recognised in the Balance Sheet is as follows:

<b>Opening balance at 1/1/2005</b>	<b>75,743</b>
Movement for the period	7,707
Contributions paid by the Bank	(2,078)
<b>Closing balance for the period ended 30/9/2005</b>	<b>81,372</b>
<b>Opening balance for the period 1/10/2005</b>	<b>81,372</b>
Movement for the period	2,515
Contributions paid by the Bank	(807)
<b>Closing balance for the year 2005</b>	<b>83,080</b>
<b>Opening balance at 1/1/2006</b>	<b>83,080</b>
Movement for the period	(546)
Contributions paid by the Bank	(15,729)
<b>Closing balance for the period ended 30/9/2006</b>	<b>66,805</b>

**B) Other retirement benefits - not funded**

The amounts recognised in the Balance Sheet are determined as follows:

	30 September 2006	31 December 2005
Present value of unfunded obligations	94,682	79,152
Unrecognised actuarial losses	(13,688)	(17,394)
Unrecognised past service cost	(3,845)	-
<b>Liability in the balance sheet</b>	<b>77,149</b>	<b>61,758</b>

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

The amounts recognised in the income statement are as follows:

	1/1-30/9/2006	1/1-30/9/2005
<b>Income statement</b>		
Current service cost	3,386	3,382
Interest cost	2,147	2,502
Net actuarial (gains)/ losses recognised for the period	3,748	60
Past service cost	8,302	-
Additional cost	202	5,865
<b>Total included in staff costs</b>	<b>17,785</b>	<b>11,809</b>

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

<b>Opening balance at 1/1/2005</b>	<b>62,324</b>
Movement for the period	11,809
Contributions paid by the Bank	(13,465)
<b>Closing balance for the period ended 30/9/2005</b>	<b>60,668</b>
<b>Opening balance for the period 1/10/2005</b>	<b>60,668</b>
Movement for the period	2,082
Contributions paid by the Bank	(992)
<b>Closing balance for the year 2005</b>	<b>61,758</b>
<b>Opening balance at 1/1/2006</b>	<b>61,758</b>
Movement for the period	17,785
Contributions paid by the Bank	(2,394)
<b>Closing balance for the period ended 30/9/2006</b>	<b>77,149</b>

The main actuarial assumptions used are as follows:

	30 September 2006	31 December 2005
Discount rate	4.25%	4.25%
Expected return on plan assets	4.25%	4.25%
Future increase of salaries	4.00%	4.00%
Future increase of pensions	2.50%	2.50%

**2) Subsidiaries**

No actuarial study has been carried out as at 30/09/2006. The liability and the relevant expense at this date was based on the results of the actuarial study at 31/12/2005. The total amount of the liability related to the Group subsidiaries is € 3,559 th (2005: € 3,253 th). Therefore, the total retirement benefit obligation for the Group amounts to € 149,527 th (2005: € 154,699 th). The total charge in profit and loss for the period ended 30/9/2006 resulting from the defined benefit obligation plans of the Bank and the Group subsidiaries is € 17,239 th and € 306 th respectively.

**21 Other liabilities**

	30 September 2006	31 December 2005
Deferred income and accrued expenses	130,167	124,431
Withholding taxes and contributions	22,372	24,601
Obligations under finance leases	208,265	172,590
Other liabilities	364,767	232,494
	<b>725,571</b>	<b>554,116</b>

Other liabilities (€ 364.8 million) include mainly liabilities due to transactions with interbank systems (DIAS), creditors' balances and other accounts with credit balances that result from the daily transactions of the Group.

## 22 Contingent liabilities and commitments

### A) Legal procedures

There are no pending legal actions against the Group as at 30/9/2006 which would significantly affect its financial position.

### B) Capital commitments

As at 30/09/2006 the Group had the following capital commitments:

	30 September 2006	31 December 2005
Letters of guarantee	2,079,730	1,785,141
Letters of credit	183,007	138,231
Commitments to extent credit	6,432,367	6,121,793
	<b>8,695,104</b>	<b>8,045,165</b>

### C) Assets pledged

	30 September 2006	31 December 2005
Balances with central banks	67,062	63,694
Trading securities	199,797	97,499
Investment securities	66,973	77,155
	<b>333,832</b>	<b>238,348</b>

### D) Operating lease commitments and receivables

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

	30 September 2006	31 December 2005
Up to 1 year	26,928	27,258
From 1 to 5 years	114,514	115,992
More than 5 years	234,666	235,379
	<b>376,108</b>	<b>378,629</b>

Receivables from operating leases are as follows:

	30 September 2006	31 December 2005
<b>Receivables from operating leases</b>		
Up to 1 year	16,547	16,165
From 1 to 5 years	21,421	19,222
	<b>37,968</b>	<b>35,387</b>

## 23 Share capital

	Share Capital	Share Premium	Treasury Shares	Total
<b>At 1 January 2005</b>	831,067	365,733	(25,267)	1,171,533
Absorption of companies - cancellation of treasury shares	193,865	(35,090)	-	158,775
Purchases of treasury shares	-	-	(132,354)	(132,354)
Sales of treasury shares	-	-	140,027	140,027
<b>At 31 December 2005</b>	<b>1,024,932</b>	<b>330,643</b>	<b>(17,594)</b>	<b>1,337,981</b>

	Share Capital	Share Premium	Treasury Shares	Total
<b>At 1 January 2006</b>	1,024,932	330,643	(17,594)	1,337,981
Capitalization of share premium	256,233	(259,200)	-	(2,967)
Purchases of treasury shares	-	-	(206,088)	(206,088)
Sales of treasury shares	-	-	75,306	75,306
<b>At 30 September 2006</b>	<b>1,281,165</b>	<b>71,443</b>	<b>(148,376)</b>	<b>1,204,232</b>

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

	Number of shares		Net number of shares
	Issued shares	Treasury shares	
<b>Opening balance at 1st January 2005</b>	<b>200,257,006</b>	<b>(2,293,319)</b>	<b>197,963,687</b>
Issue of shares	16,653,425	-	16,653,425
Cancellation of treasury shares	(2,039,997)	-	(2,039,997)
Purchases of treasury shares	-	(9,044,013)	(9,044,013)
Sales of treasury shares	-	10,310,591	10,310,591
<b>Balance at 31st December 2005</b>	<b>214,870,434</b>	<b>(1,026,741)</b>	<b>213,843,693</b>

**Piraeus Bank Group - 30 September 2006**  
Amounts in thousand euros (Unless otherwise stated)

	Number of shares		Net number of shares
	Issued shares	Treasury shares	
<b>Opening balance at 1st January 2006</b>	<b>214,870,434</b>	<b>(1,026,741)</b>	<b>213,843,693</b>
Purchases of treasury shares	-	(9,994,989)	(9,994,989)
Sales of treasury shares	-	4,123,777	4,123,777
Issue of new shares	53,717,609	(1,162,578)	52,555,031
<b>Balance at 30 September 2006</b>	<b>268,588,043</b>	<b>(8,060,531)</b>	<b>260,527,512</b>

All issued shares are fully paid. The 2nd Iterative General Meeting of Piraeus Bank shareholders, held on 15/5/2006, decided to increase the share capital by € 256,232,994.93 by capitalization of part of the share premium reserve account, and issue 53,717,609 new common registered shares to be distributed to shareholders - one (1) free new share for every four (4) old shares.

Further to the above increase, the Bank's share capital now amounts to € 1,281,164,965.11 divided in 268,588,043 common registered shares of a nominal value € 4.77 each.

During the Annual General Meeting of shareholders of the Bank at 12/4/2006 it was decided, according to the article 16 par. 5 -14 of codified Law 2190/1920, the purchase of treasury shares in order to support the Bank's share price at the stock exchange, up to a total number of 26,858,804 shares (under the condition of the share capital increase of the Bank by € 256,232,994.93 by the Iterative General Meeting), which is 10% of the total number of the Bank's issued shares, as this has finally resulted from the share capital increase decided by the 2nd Iterative General Meeting of Piraeus Bank shareholders held on 15/5/2006. The minimum and maximum purchase price for the shares is between € 5 and € 50, while the purchase must take place the latest by 12/4/2007. If these shares are not sold within the period of three years or not distributed to staff, they must be cancelled according to the special procedure provided by Law 2190 and the decisions made by the Athens Stock Exchange.

### Share option plans

a) The 2nd Iterative General Meeting of Piraeus Bank shareholders that took place on 16/5/2005 decided upon the initiation of a 4 year share option plan for the Board members and the executives and senior management of the Bank and its related (according to the article 42e of Law 2190/1920) companies. The above plan is in force and being implemented during the years 2005, 2006, 2007 and 2008. According to the above plan no more than 2,000,000 new ordinary shares of the Bank can be issued, which corresponds to less than 1% of the total number of Piraeus Bank shares, according to the article 13 par. 9 of Law 2190/1920.

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

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

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

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

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

The fair value of options granted has been determined using the Black-Scholes valuation model. The significant inputs into the model are share prices, exercise price, dividend yield, discount interest rate and volatility of share prices.

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

This share option plan will be implemented during the year 2006, 2007, 2008, 2009 and 2010, parallel and independently from the plan resolved by the General Meeting of Piraeus Bank's shareholders on 16/5/2005. On the 30th of November of each year that the plan will be in force, 1/5 of the total number of granted share options will vest and each holder will be able to exercise the vested options. Share options obtained but not exercised in a previous year will be exercisable in a following year along with the share options vested at that time, until the expiry date of the plan in December 2010.

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

Exercise date	Exercise price	Fair value of options	Number of share options
30/11/2006	17.25	4.84	805,764
30/11/2007	17.25	4.84	805,764
30/11/2008	17.25	4.83	805,764
30/11/2009	17.25	4.81	805,764
30/11/2010	17.25	4.69	805,764
			<u>4,028,820</u>

The fair value of options granted has been determined using the Black-Scholes valuation model. The significant inputs into the model are share prices, exercise price, dividend yield, discount interest rate and volatility of share prices.

## 24 Other reserves and retained earnings

	30 September 2006	31 December 2005
Legal reserve	21,140	22,916
Extraordinary reserve	3,266	503
Available for sale reserve	35,572	62,504
Currency translation reserve	486	3,521
Other reserves	15,726	6,759
<b>Total other reserves</b>	<b>76,190</b>	<b>96,203</b>
Retained earnings	160,688	(55,758)
<b>Total other reserves and retained earnings</b>	<b>236,878</b>	<b>40,445</b>
	<b>30 September 2006</b>	<b>31 December 2005</b>
<b>Other reserves</b>		
Opening balance	96,203	75,133
Absorption of companies - cancellation of treasury shares	-	280
Available for sale reserve	(26,932)	59,506
Distribution of reserves of Piraeus Securities S.A.	-	(7,007)
Transfer between other reserves and retained earnings	7,374	17,537
Reserve for stock option plan	3,960	200
Utilization of legal reserve against the IFRS 1st time adoption adjustments	-	(51,667)
Differences from currency translations and other adjustments	(4,414)	2,221
<b>Closing balance</b>	<b>76,190</b>	<b>96,203</b>
	<b>30 September 2006</b>	<b>31 December 2005</b>
<b>Available for sale reserve</b>		
Opening Balance	62,504	2,998
Gains/ (losses) from the valuation of AFS bonds	(2,476)	3,500
Gains/ (losses) from the valuation of AFS shares	93,691	83,683
Deferred income taxes	17,704	(21,166)
Recycling of the AFS reserve	(136,656)	(7,578)
Foreign exchange differences and other adjustments	805	1,067
<b>Closing balance</b>	<b>35,572</b>	<b>62,504</b>
	<b>30 September 2006</b>	<b>31 December 2005</b>
<b>Retained earnings</b>		
Opening balance	(55,758)	(344,462)
Absorption of companies - cancellation of treasury shares	-	56,590
Profit after tax for the period/ year	342,103	263,773
Dividends of prior year	(107,435)	(80,103)
Gains/ (losses) from sales of treasury shares	7,199	12,738
Transfer between other reserves and retained earnings	(7,374)	(17,537)
Interim dividend of Hellenic Investment Company S.A.	-	5,907
Distribution of reserves of Piraeus Securities S.A.	-	(1,926)
Utilization of legal reserve against the 1st time adoption adjustments	-	51,667
Foreign exchange differences and other adjustments	(18,047)	(2,405)
<b>Closing balance</b>	<b>160,688</b>	<b>(55,758)</b>

At the Annual General Meeting of the Piraeus Bank Shareholders which was held at 12/4/2006, a dividend payment of € 0.50 per share (€ 0.40 adjusted for the new number of shares issued after the distribution to shareholders one new free share for every four old shares) for the fiscal year 2005 was approved. The total dividend amounted to € 107,435,217.

## 25 Related party transactions

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

	<b>Board of Directors members and key management personnel</b>	
	<b>30 September 2006</b>	<b>31 December 2005</b>
Loans	129,327	83,785
Deposits	46,034	34,326

The balance of letters of guarantees, letters of credits and derivatives to the members of the board of directors and to the key management personnel as at 30/9/2006 are € 10.1 million.

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

	<b>30 September 2006</b>	<b>31 December 2005</b>
<b>Director's remuneration</b>		
Salaries and other remuneration	9,659	8,419
Post employment benefits	-	1,596
	<b>9,659</b>	<b>10,015</b>

	<b>30 September 2006</b>	<b>31 December 2005</b>
<b>Associates</b>		
Deposits	16,461	10,964
Loans	54,078	22,214
	<b>1/1-30/9/2006</b>	<b>1/1-30/9/2005</b>
Interest on deposits	58	99
Interest on loans	1,036	539

## 26 Acquisitions and disposals of subsidiaries and associates

In the period from 1/1/2006 to 30/9/2006, the following changes took place in the Group's portfolio of subsidiaries and associates:

The absorption of the branches in Bulgaria from Piraeus Bank subsidiary Piraeus Bank Bulgaria A.D. (former Piraeus Eurobank A.D.) was completed. The Bank covered in full the subsequent share capital increase of Piraeus Bank Bulgaria A.D. by the amount of € 10 million. The Bank also covered in full the share capital increase of its subsidiary in Romania, Piraeus Bank Romania, by the amount of € 25 million. The indirect shareholding of Piraeus Bank in Sudanese Egyptian Bank, established in Sudan, was reduced.

Piraeus Bank enacted obligatory Public Offering to the minority shareholders of Euroinvestment & Finance Public Ltd, established in Cyprus. The deadline for the statement of interest of the minority shareholders ended on 21/03/2006, whereas the shareholding of Piraeus Bank in the share capital of Euroinvestment & Finance Public Ltd following this public offering reached 84,96% compared to the previous shareholding of 81.87%, and with purchases through Cyprus Stock Exchange the total shareholding reached 85.01%.

The Bank obtained direct participation to the company Philoktimatiki LTD, established in Cyprus, up to now indirect subsidiary through Euroinvestment and Finance Public Ltd. Philoktimatiki LTD obtained majority shareholding in companies Shinefocus Ltd. and Polytron Properties Ltd., both established in Cyprus.

Piraeus Bank purchased (100%) of the share capital of the companies Maples Invest & Holding S.A. and Margetson Invest & Finance S.A, established in British Virgin Islands, Vitria Investments S.A. established in Panama and Capital Investments & Finance S.A. established in Liberia.

The subsidiary companies Trieris Real Estate Management Ltd and Trieris Real Estate Ltd were incorporated and established both in British Virgin Islands. The subsidiaries Piraeus Insurance Brokerage EOOD and Piraeus Insurance Reinsurance Broker Romania SRL were incorporated and established in Bulgaria and Romania respectively, with main scope insurance and reinsurance brokerage activities. The subsidiary company Piraeus Real Estate Consultants was incorporated and established in Romania. From the above mentioned companies, Piraeus Insurance Brokerage EOOD has been consolidated as at 30/9/2006, whereas the rest of the companies will be consolidated on 31/12/2006 as they had not started operations as at 30/9/2006.

Piraeus Banks' shareholding in ING Piraeus Mutual Funds S.A. and the indirect shareholding in El-Eywon Hospital (based in Egypt) were sold.

Piraeus Bank has reduced its direct shareholding in Sciens International Investments and Holdings S.A. (former Solvency International S.A.) to 36.75%. The company Borg El Arab, established in Egypt, became indirect associate company of Piraeus Bank.

Piraeus Direct Services S.A. credit cards segment has been transferred to ABC Professional Systems S.A., which was renamed to Piraeus Cards S.A.

On 14/07/2006, the absorption of the holding company e-Vision S.A. by Piraeus Bank was completed. Consequently, Piraeus Bank acquired direct shareholding in the following companies: Exodus S.A., Project on Line, Piraeus Cards and Piraeus Direct Services S.A.

Piraeus Sigma Devletoglou S.A. has been renamed to Piraeus Securities S.A., Piraeus Atlas Banka S.A. has been renamed to Piraeus Bank Beograd A.D., Diagonios S.A. has been renamed to Piraeus Real Estate S.A. and Piraeus Insurance Agency S.A. has been renamed to Piraeus Insurance and Reinsurance Brokerage S.A. due to the enhancement of the company from insurance agency to broker agency. Also, Piraeus Constructions S.A. has been renamed to Piraeus Mutual Funds S.A. and the activity of the company has been changed to mutual funds management.

## **27 Post Balance Sheet events**

On 12/10/2006 the launch of a new 5-Year senior bond issue in the amount of € 500 million was concluded. The bond was issued under Piraeus Bank's Euro Medium Term Note programme and the issuer is Piraeus Bank's subsidiary Piraeus Group Finance PLC.

On 8/11/2006, the Board of Directors declared the distribution of an interim dividend of € 0.32 per share as part of the dividend for the fiscal year 2006.