PIRAEUS BANK GROUP

Consolidated Financial Statements

31 December 2006

In accordance with the International Financial Reporting Standards

The attached financial statements have been approved by Piraeus Bank S.A. Board of Directors on January 30th, 2007 and they are available on the web site of Piraeus Bank at www.piraeusbank.gr

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

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DIRECTORS REPORT

Dear Shareholders,

Year 2006 was a positive one for global economy, whose real growth was 5.1% against 4.9% in 2005; advanced economies increased their GDP by 3.1%, while emerging and developing countries maintained their momentum, having grown by 7.3%. Main driver of world economy acceleration was the strengthening of European Union economies at a pace of 2.8% versus 1.8% in 2005, while in Eurozone GDP growth reached 2.4% against 1.3% in 2005. On the contrary, USA and Japanese economic growth accelerated slightly in 2006 versus 2005, i.e. by 3.4% and 2.7% (up from 3.2% and 2.6% respectively in 2005); at the same time, China and India continued their rapid growth during 2006, having increased their GDP by 10.0% and 8.3% respectively.

In 2006, the Greek economy presented a real increase above the European average, i.e. by 4.0% compared to 3.7% in 2005. Private consumption continued to be the dominant growth factor, while exports and investments also contributed positively to increasing the Greek GDP. The national consumer price index reached 3.2% at the end of 2006 on an annual basis, thus decreased compared to 2005 (3.4%). In the fiscal sector, the General Government deficit as a percentage of the GDP is estimated to have gone down to 2.6% from 5.2% in 2005, while public debt represented 104.1% of the GDP, achieving the goals that were set by the Greek government.

In this favourable macroeconomic environment, corporate climate and consumer confidence indices in Greece were improved during 2006. In this context, the Greek banking system enhanced its penetration into the country's economic activity, as depicted in the ratio 'credit to GDP' which climbed to 74% in 2006 against 67% in 2005. Simultaneously, Greek banks persisted with their extrovert activity towards markets of the broader geographic region, putting increasing importance into their international operations.

For Piraeus Bank Group, 2006 was another successful year, during which it achieved or surpassed the targets it had set. The momentum that has been developed in the last few years was continued and led to fast growth in all business segments of operation, enhancing both market shares, as well as profitability. The significant performance of 2006 has once again confirmed our customers' trust, our personnel's determination, as well as the Group's executives' efficiency.

The substantially boosted small and medium-sized enterprises' (SMEs) operations, the dynamic enhancement of household activities and the robust expansion of international operations were the cutting edge points of 2006. And this was in consistency with the Group's vision to become the main bank of service for SMEs, while also being strong in providing solutions to individuals' banking needs and to be distinguished as a significant regional 'player' in the banking sector of South Eastern Europe and Eastern Mediterranean.

Additionally, in 2006, the Group proceeded with its reinforcement in fields where up to now it lagged behind, yet it had set ambitious goals, such as asset management and wealth management, credit cards operations, as well as bancassurance.

Moreover, the strong position remained in areas where the Group has been a 'traditional player' and possesses significant expertise, such as leasing, stock brokerage activities, corporate banking and shipping, and electronic banking.

On top of that and despite the intense growth course the Group has presented, quality of provided customer service, as well as employee satisfaction have once again remained among top management priorities for 2006. Thus, Piraeus Bank ranked first in terms of customer satisfaction in the domestic market and employee satisfaction index.

At the same time, loan portfolio quality showed further improvement, resulting in a non performing loans (NPLs) ratio of 2.37% at 2006 year-end, having accomplished the target set for a ratio below 2.5% a year earlier; this performance led to a new goal for NPLs ratio below 2% within the following 4 years.

Dear Shareholders,

The consistency with our strategic choices and the momentum we have developed over the last years have led Piraeus Bank Group in 2006 to exceptional results. Net profit for 2006 increased by 65%, climbing to €435 mn. This performance has surpassed our initial guidance for net profit in excess of €380 mn. Before tax profit excluding trading gains increased by 91% and reached €388 versus €203 in 2005. Piraeus Bank Group presence both in Greece and abroad was underpinned, i.e. 87 new branches were established last year, out of which 28 in Greece and 59 abroad, as well as 1,102 new jobs were created, out of which 271 in Greece and 831 abroad.

At the end of December 2006, the Group's assets amounted to €30.9 bn, the loan portfolio to €20.8 bn, and deposits with debt securities to €23.0 bn, all increased by 31%. Total assets under management (deposits, retail bonds issued, wealth management, mutual funds and interbank) totalled €24.5 bn. The Group's human resources numbered 9,253 people (5,774 in Greece and 3,479 abroad), with 536 branches (301 domestic and 235 abroad). The number of customers in Greece reached 1.6 mn, while e-banking subscribers reached the level of 180,000.

The strong growth of loan portfolio was backed by the significant increase of the client deposits, as well as wholesale funding. In parallel, in 2006, Piraeus Bank proceeded to the issue of a new 10-year subordinated debt (Tier II) in the amount of €400 mn, under its Euro Medium Term Note (EMTN) programme, thus strengthening its regulatory capital and promoting vigorously the Group's growth course.

Therefore, based on basic earnings per share which amounted to €1.66 (on weighted average number of shares during 2006) and following the distribution of an interim dividend of €0.32 per share for 2006, the Bank's Board of Directors decided to propose to the Annual General Meeting of shareholders the distribution of a total dividend of €0.64 per share for the financial year of 2006. The proposed dividend is increased by 60% as compared to €0.40 in 2005 (adjusted dividend due to the distribution of 1 bonus share for 4 shares in 2006), while it corresponds to a 3.2% dividend yield based on average share price of 2006. It is stressed that the aim of Piraeus Bank's dividend policy is the continuous improvement of the dividend per share ratio, taking into account the course of net profits attributed to the Bank's shareholders, in addition to general market conditions.

It is worth noting that Piraeus Bank's share price increased correspondingly to the profitability of 2006, growing by 68% (against 24% of the banking index), thus continuing the very good performance of 2005 (+41%).

What also needs to be stressed is that the exceptionally positive course of 2006 profitability and the enhancement of Piraeus Bank's position during the same year were also reflected in the credit rating upgrade by Standard & Poor's credit agency to BBB+, as well as Piraeus Bank's outlook to positive by Fitch rating agency.

Completing the main points of Piraeus Bank Group's performance for 2006, the following ought to be mentioned:

• market share increase in Greece to 12.4% in loans and 11.2% in deposits, from 11.6% and 9.8% respectively at the end of 2005, due to the Group's volumes growth exceeding the rate of the market;
• impressive growth of small and medium-sized enterprises' loans through the branch network (36%), which combined with the enhancement of medium and large enterprises' loans, led to the increase of corporate loans market share in Greece to 16.5% at the end of 2006;
• significant reinforcement of mortgages (31%) and consumer loans (35%);
• market share strengthening in countries where the Group has operations;
• improvement of 'cost to income' ratio to 48.4% against 57.9% in 2005;
• improvement of after-tax return on equity (ROE) at 29.0% against 21.0% last year and return on assets (ROA) at 1.68% against 1.40% the previous year;
• retaining of the capital adequacy ratio in high levels (estimated at 11.3%, with Tier I at 7.5%) with total equity amounting to €1.8 bn.

The impressive performance of 2006 provides a solid base for the realization of Piraeus Bank Group's new 4-year Business Plan. By the end of the period 2007-2010, the Group aims to reach assets of €65 bn (more than doubling today's figure), loans of €52 bn, net profit of €1 bn and at least 900 branches both in Greece and abroad, while international operations are expected to contribute significantly (by at least 25%) to Group-level profitability.

The financial targets for the 4-year period 2007-2010 include the following:

• after tax profit CAGR by 24% (from €435 mn in 2006);
• pre tax profit excluding trading gains CAGR by 30% (from €388 mn in 2006);
• sustainability of after tax ROE at 30%;
• improvement of "cost to income" ratio below 44%;
• improvement of NPLs ratio below 2.0%.

Dear Shareholders,

Piraeus Bank Group invests strategically in issues of corporate governance and corporate social responsibility, while at the same time pursuing its successful business operations. Active evidence for this is provided by the adaptation of voluntary commitments to integrate social, cultural and environmental actions in the Bank's practices, in addition to or even exceeding what is imposed by the legal and regulatory framework, as well as the uninterrupted social and cultural initiatives.

Transparency in our structures and policies regarding stakeholders, i.e. shareholders, employees, customers, suppliers, the investment community as a whole and the society in general, consists our fundamental strategy and an inseparable part of our business culture.

Piraeus Bank completed 15 years of business activity the past year, following its privatisation in 1991, reaching the 4th place in the Greek market. Piraeus Group today constitutes a significant financial organisation in the broader geographical area, which is internationally accredited, and one of the ten largest organisations in the country in terms of capitalization, with great potential and a vision for growth.

The Chairman of the Board of Directors
Michalis G. Sallas

Attached: Explanatory report of the Board of Directors to the Shareholders General Meeting under article 11a Law 3371/2005.

EXPLANATORY REPORT

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

UNDER ARTICLE 11A LAW 3371/2005

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

I. The Bank’s share capital structure
The share capital of Piraeus Bank amounts to Euro one billion two hundred and eighty-eight million eight hundred and thirty thousand (1.288.830.000), divided into two hundred and seventy million one hundred and ninety five thousand and thirty one (270.195.031) ordinary shares with voting right and a par value of Euro four and seventy seven cents (4.77) each. The Bank’s shares are traded on the Athens Stock Exchange market.

The rights of the Bank’s shareholders with respect to their shares are proportional to the share capital stake to which the paid-in share value corresponds. Each share carries the rights stipulated by law and the Articles of Associations, and specifically:
• The right to dividends from the annual profits or liquidation profits of the Bank. A percentage of 35% of the net profits following deduction only of the regular reserve or 6% of the paid in capital (and in particular the largest of the two amount) is distributed from the profits of each year to the shareholders as an initial dividend while the distribution of an additional dividend is resolved upon by the General Meeting. Every shareholder registered on the register of shareholders kept by the Bank on the date of identification of those eligible, is entitled to dividends. The dividend of every share is paid to the shareholder within two (2) months from the date of the Ordinary General Meeting which approved the annual financial statements. The manner and place of payment of the dividend is announced through the press. The right to receive payment of the dividend is subject to a time limitation and the respective unclaimed amount goes to the State upon the lapse of 5 years from the end of the year during which the General Meeting approved the distribution of the said dividend,
• The right to reclaim the amount of one’s contribution during the liquidation or, similarly, the writing off of the capital representing the share, provided that this is resolved upon by the General Meeting,
• The right of pre-emption at every share capital increase of the Bank via cash payment or the issuance of new shares,
• The right to receive a copy of the financial statements and reports of the auditors and of the Board of Directors of the Bank,
• The right to participate in the General Meeting which constitutes the following rights: legitimacy, presence, participation in discussions, submission of proposals on the items of the agenda, entry of one’s opinions on the minutes of the Meeting and finally the right to vote,
• The General Assembly of the shareholders of the Bank retains all its rights during the winding up (in accordance with the paragraph 3 of the article 41 of the Articles of Association).

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

II. Restrictions on the assignment of the Bank's shares
The Bank’s shares may be assigned as stipulated by Law and there are no further restrictions on their assignment set out in the Articles of Association, given that they are immaterial shares listed on the Athens Stock Exchange.

III. Major direct and indirect stake-holding in the meaning of PD 51/1992
No individual shareholder (natural or legal person) may directly or indirectly hold a stake higher than 5% of the total number of shares of the Bank.

IV. Shares with special control rights
There are no Bank shares delivering special control rights to their holders.

V. Restrictions on voting rights
The Bank’s Articles of Association stipulate no restrictions on the voting rights emanating from the shares thereof.

VI. Agreements among shareholders of the Bank
The Bank is not aware of any agreements among its shareholders, which would result in restrictions on the assignment of its shares or exercise of the voting rights stemming from such shares.

VII. Regulations on the appointment and replacement of Board members and amendments to the Articles of Association
The regulations stipulated in the Bank's Articles of Association regarding the appointment and replacement of Board members and amendments thereto, are conformant to the provisions of Cod.Law. 2190/1920.

VIII. Authority of the Board to issue new shares or acquire treasury shares
A) According to the provisions under article 13, para. 1, indent b) of Cod. Law 2190/1920, the Bank’s Board of Directors has the power to, following a relevant decision of the General Meeting subject to the disclosure formalities under article 7b of Cod. Law 2190/1920, increase the Bank’s share capital through the issue of new shares, by resolution thereof made by majority of at least two-thirds (2/3) of its members. In such case, the share capital may be increased by no more than the share capital amount paid-up on the date when the Board of Directors was granted such power by the General Meeting. This power of the Board of Directors may be renewed by the General Meeting for a period that may not exceed five years per instance of renewal.

B) According to the provisions under article 13, para. 9 of Cod. Law 2190/1920, by decision of the General Meeting, a stock options plan may be established for the Board members and staff of the Bank in accordance with the specific terms of such decision. The decision of the General Meeting defines, in particular, the highest number of shares to be issued, which may not exceed, by law, 1/10 of the existing shares, if the optionees exercise their stock options (although stock options have been granted sparingly and only in connection with the Bank’s stock growth so far), the share price and stock options terms. The Board of Directors regulates by resolution any other relevant detail not otherwise regulated by the General Meeting, issues stock options certificates and shares for the optionees who have exercised their options, increasing the share capital accordingly and certifying such increase in December of every year.

In the implementation of the aforementioned provisions and pursuant to a resolution of the 2nd Repeated General Meeting of Shareholders dated May 16, 2005, a 4-year Plan was established for the acquisition of shares by the members of Board of Directors, senior officers and executives of the Bank and its subsidiary and affiliated (according to article 42e of act 2190/20) companies, including also companies with registered offices abroad, in the form of options for the acquisition of shares (stock option), on the basis of which, a maximum of 2.000.000 options may be granted for the acquisition of shares at the price of 12,20 euros per share (the "2nd Plan"). The 2nd Repeated General Meeting of the Bank's Shareholders held on 15.5.2006, resolved upon the increase of the share capital through the capitalization of reserve funds and the distribution of free shares to shareholders at a ratio of one free share per four existing shares. Moreover, by resolution of the same General Meeting, the maximum number of stock options was correspondingly adjusted to 2.500.000 options and the relevant acquisition price was adjusted to 9,76 euros per share, so that the total acquisition cost for the option holders would remain the same as before said capital increase.

During the first exercise period (i.e. 1 to 10 December 2006) 1.066.588 matured options were exercised and the amount of 10.409.898.88 euros was paid up in cash.

Pursuant to a resolution of the 2nd Repeated General Meeting of the Shareholders of the Bank held on the 15.5.2006, a 5-year Plan was established (the "3rd Plan") for the acquisition of shares by the members of Board of Directors, senior officers and executives of the Bank and its subsidiary and affiliated (according to article 42e of act 2190/20) companies, including also companies with registered offices abroad, in the form of granting option rights for the acquisition of shares (stock option), to be implemented in the years 2006, 2007, 2008, 2009 and 2010, concurrently and independently with the aforementioned 2nd Plan previously established by the General Meeting of the Bank's Shareholders on 16.5.2005.

Within the framework of the 3rd Plan, a maximum of 4.028.820 options may be granted for the acquisition of Bank shares, at the price of 17,25 euros per share.
During the first exercise period (i.e. 1 to 10 December 2006) 540.400 matured options were exercised and the amount of 9.321.900 was paid up in cash.
The total amount of 19.731.798.88 euros has been paid in respect of both aforementioned Stock Option Plans.
The Board of Directors convened on 27/12/2006 and resolved upon the increase of the share capital of the Bank by the amount of 7.665.332.76 euros with the issuance of 1.606.988 ordinary registered voting shares, each having a nominal value of 4,77 euros, whereas the amount of 12.066.466.12 euros has been credited to the par value account. Such increase, pursuant to the express provision of art. 13 para. 9 of C.DL. 2190/1920, does not entail an amendment of the Articles of the Bank. The payment of the aforementioned amount was certified by relevant resolution of the Board of Directors dated 28/12/2006.

C) According to the provisions under article 16, paras. 5 to 13, of the Cod. Law 2190/1920, companies listed on the Athens Stock Exchange may, by decision of the General Meeting of their shareholders, acquire treasury shares not exceeding 10% of total shares through the Athens Stock Exchange, for the purpose of supporting their stock exchange price and according to the terms and conditions set out under the aforementioned paragraphs of article 16 of Cod. Law 2190/1920. In the meeting held on 12.04.2006, the Ordinary Meeting of shareholders of the Bank, making use of the above possibility provided by the Law, decided that the Bank should acquire, through the Athens Stock Exchange, no more than 21,487,043 treasury shares, equivalent to 10% of total existing shares, in the period 25/04/2006 to 12/04/2007, in order to support the stock exchange price of its share, in a price range between € 5 (minimum) and € 50 (maximum). In the context of implementing the aforementioned General Meeting decision, the Bank’s Board of Directors defines by resolution, prior to the start of the individual trading period, the principal trading terms, in particular the maximum number of treasury shares to be acquired, maximum and minimum price and time period when shares shall be acquired.

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

X. Agreements with Board members of staff of the Bank
There are no agreements between the Bank and its Board members or staff providing for the payment of any compensation specifically in the event of resignation or dismissal without cause, or termination of their mandate or employment as a result of a public offer. The provisions formed for retirement compensations, as a result of the provisions of Law 3371/2005, amounted to € 146,860 thousand on 31.12.2006. The above amount is divided into €26,738 thousand for Board members of the Bank, and € 4,800 thousand for staff members who held General Director, Deputy General Director and Assistant General Director positions.

Michalis G. Sallas
The Chairman of the Board of Directors
and Managing Director

Amounts in thousand euro (Unless otherwise stated)

CONSOLIDATED INCOME STATEMENT

	Note	Year ended	
		31 December 2006	**31 December 2005**
Interest and similar income	6	1,674,818	1,109,656
Interest expense and similar charges	6	(959,680)	(550,936)
NET INTEREST INCOME		**715,138**	**558,720**
Fee and commission income	7	213,155	168,639
Fee and commission expense	7	(32,506)	(25,030)
NET FEE AND COMMISSION INCOME		**180,649**	**143,609**
Dividend income	8	18,511	19,465
Net trading income	9	29,442	67,595
Gains/ (Losses) from investment securities	10	138,979	34,276
Other operating income	11	141,293	77,155
TOTAL NET INCOME		**1,224,012**	**900,820**
Staff costs	12	(301,789)	(264,884)
Administrative expenses	13	(247,357)	(214,130)
Depreciation and amortisation	24, 25	(55,419)	(47,046)
Gains/ (Losses) from sale of assets		11,971	4,561
Impairment losses on loans and advances	21	(74,331)	(69,023)
Other provisions	34	(2,705)	(7,426)
TOTAL OPERATING EXPENSES		**(669,630)**	**(597,948)**
Share of profit of associates	23	2,167	1,747
PROFIT BEFORE INCOME TAX		**556,549**	**304,619**
Income tax expense	14	(100,099)	(21,892)
PROFIT FOR THE YEAR		**456,450**	**282,727**
Profit for the year attributable to the equity holders of Piraeus Bank		**434,649**	**263,773**
Minority Interest		**21,801**	**18,954**
Earnings per share attributable to equity holders (in euro):			
-basic	15	1.66	1.06
-diluted	15	1.65	1.06

The notes on pages 11 to 51 are an integral part of these consolidated financial statements.

Amounts in thousand euros (unless otherwise stated)

CONSOLIDATED BALANCE SHEET

	Note	31 December 2006	31 December 2005
ASSETS			
Cash and balances with central banks	16	1,885,146	1,570,219
Treasury bills and other eligible bills	17	165,226	221,977
Loans and advances to Credit Institutions	18	2,626,853	2,220,330
Derivative financial instruments - assets	19	56,435	22,741
Financial instruments at fair value through profit or loss	20	2,021,348	1,180,120
Loans and advances to customers (net of provisions)	21	20,426,615	15,451,119
Investment securities			
-Available for sale securities	22	1,300,126	685,584
-Held to maturity	22	99,880	95,555
Investments in associated undertakings	23	29,737	65,641
Intangible assets	24	192,291	202,238
Property, plant and equipment	25	524,087	431,176
Investment property	26	619,748	542,430
Assets held for sale	27	12,844	11,958
Deferred tax assets	35	100,253	137,218
Inventories - property	28	181,357	165,838
Other assets	28	689,270	541,335
TOTAL ASSETS		**30,931,216**	**23,545,479**
LIABILITIES			
Due to Banks	29	4,882,851	3,535,764
Derivative financial instruments - liabilities	19	59,704	37,591
Due to customers	30	16,734,589	13,196,528
Debt securities in issue	31	5,261,513	3,745,688
Other borrowed funds	32	803,864	402,362
Hybrid capital	32	201,206	201,178
Retirement benefit obligations	36	153,232	154,699
Other provisions	34	11,744	20,653
Current income tax liabilities		47,017	29,018
Deferred tax liabilities	35	72,059	60,223
Other liabilities	33	871,017	554,116
TOTAL LIABILITIES		**29,098,796**	**21,937,820**
EQUITY			
Ordinary shares	38	1,288,830	1,024,932
Share premium	38	88,146	330,643
Less: Treasury shares	38	(97,302)	(17,594)
Other reserves	39	163,650	96,203
Retained earnings	39	172,877	(55,758)
Capital and reserves attributable to Piraeus Bank equity holders		**1,616,201**	**1,378,426**
Minority interest		216,219	229,233
TOTAL EQUITY		**1,832,420**	**1,607,659**
TOTAL LIABILITIES AND EQUITY		**30,931,216**	**23,545,479**

Amounts in thousand euro (Unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders						
		Share Capital	**Share Premium**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Minority interests**	**TOTAL**
Opening balance as at 1 January 2005		**831,067**	**365,733**	**(25,267)**	**75,133**	**(344,462)**	**367,240**	**1,269,444**
Mergers - cancellation of treasury shares		193,865	(35,090)		280	56,590	(233,036)	(17,391)
Interim dividend of Hellenic Investment Company S.A.	38					5,907		5,907
Purchases of treasury shares	38			(132,354)				(132,354)
Sales of treasury shares	38			140,027		12,738	4	152,769
Available for sale reserve	39				59,506			59,506
Profit after tax for the year 2005	39					263,773	18,955	282,728
Dividends of prior period						(80,103)	(19,367)	-99,470
Transfers between other reserves and retained earnings					17,537	(17,537)		0
Distribution of reserves of Piraeus Securities S.A.					(7,007)	(1,926)	(2,233)	(11,166)
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 during the period							97,671	97,671
Currency translation differences and other adjustments					2,220	(2,405)		(185)
Balance as at 31 December 2005		**1,024,932**	**330,643**	**(17,594)**	**96,202**	**(55,758)**	**229,234**	**1,607,659**
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	38	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	38			(356,152)				(356,152)
Sales of treasury shares	38			276,444		29,119		305,563
Available for sale reserve	39				47,133			47,133
Profit after tax for the year 2006	39					434,649	21,800	456,449
Prior year dividends						(107,435)	(8,428)	(115,863)
Interim dividend for year 2006						(85,948)		(85,948)
Transfer between other reserves and retained earnings					22,630	(22,630)		0
Reserve for stock option plans					8,360			8,360
Acquisitions, absorptions and movement in subsidiaries holding					(2,891)	(17,980)	(22,290)	(43,161)
Currency translation differences and other adjustments					(2,803)	(1,140)	(4,097)	(8,040)
Balance as at 31 December 2006		**1,288,830**	**88,146**	**(97,302)**	**163,650**	**172,877**	**216,219**	**1,832,420**

Amounts in thousand euros (Unless otherwise stated)

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Year ended 31 December 2006	Year ended 31 December 2005
Cash flows from operating activities			
Profit before tax		556,549	304,619
Adjustments to profit before tax			
Add: impairment for loans		74,331	69,023
Add: depreciation and amortisation charges	24, 25	55,419	47,046
Add: retirement benefits	36	24,825	25,399
(Gains)/ losses from valuation of trading securities		(20,862)	(26,532)
(Gains)/ losses from investing activities		(220,061)	(50,434)
Cash flows from operating profits before changes in operating assets and liabilities		470,201	369,121
Changes in operating assets and liabilities:			
Net (increase)/ decrease in cash and balances with Central Bank		9,128	(178,936)
Net (increase)/ decrease in treasury bills and other eligible bills		104,127	(67,326)
Net (increase)/ decrease in trading securities		(799,897)	253,431
Net (increase)/ decrease in loans and advances to Credit Institutions		83,257	(4,406)
Net (increase)/ decrease in loans and advances to customers		(5,041,588)	(3,853,523)
Net (increase)/ decrease in other assets		(156,594)	(59,900)
Net increase/ (decrease) in due to Banks		1,347,087	1,847,977
Net increase/ (decrease) in amounts due to customers		3,538,061	2,328,597
Net increase/ (decrease) in other liabilities		260,741	(71,097)
Net cash from operating activities before income tax payment		(185,477)	563,937
Income tax paid		(15,477)	(29,018)
Net cash inflow/ (outflow) from operating activities		**(200,954)**	**534,919**
Cash flows from investing activities			
Net proceeds from purchases of property, plant and equipment		(201,808)	(216,585)
Net proceeds from sale of property, plant and equipment		44,682	115,646
Net proceeds from purchases of intangible assets		(15,510)	(56,832)
Net proceeds from sale of intangible assets		-	3,085
Purchases of available-for-sale securities		(924,957)	(304,915)
Net proceeds from sale of available-for-sale securities		486,434	205,862
Purchase of held-to-maturity securities	22	(31,340)	(58,227)
Net proceeds from maturity of held-to-maturity securities	22	22,496	18,776
Acquisition of subsidiaries, net of cash acquired	43	(80,231)	(266,011)
Disposal of subsidiaries, net of cash disposed	43	(10,910)	108,812
Acquisition of associates		(4,271)	(16,742)
Disposal of associates		9,961	-
Dividends receipts		32,533	-
Other cashflows from investing activities		-	19,465
Net cash inflow/ (outflow) from investing activities		**(672,921)**	**(447,666)**
Cash flows from financing activities			
Net proceeds from issue of share capital	38	19,731	-
Net proceeds from issue/ (repayment) of debt securities and other borrowed funds		1,917,355	2,113,347
Net proceeds from purchases of treasury shares	38	(356,152)	(132,354)
Net proceeds from sales of treasury shares		305,563	140,027
Other cashflows from financing activities		(145,394)	(3,469)
Net cash inflow/ (outflow) from financing activities		**1,741,103**	**2,117,551**
Effect of exchange rate changes on cash and cash equivalents		(1,003)	3,227
Net increase/ (decrease) in cash and cash equivalents		**866,225**	**2,208,031**
Cash and cash equivalents at beginning of year	41	**3,515,064**	**1,307,033**
Cash and cash equivalents at end of year	41	**4,381,289**	**3,515,064**

1 General Information about the Group

Piraeus Bank S.A. is a banking institute operating in accordance with the provisions of Law 2190/1920 on societés anonymes, Law 2076/1992 on credit institutions, and other relevant laws.

According to article 2 of its Statute, the scope of the company is to execute, on its behalf or on behalf of third parties, any and every operation acknowledged or delegated by law to banks.

Piraeus Bank (parent company) is incorporated and domiciled in Greece. The address of its registered office is 4 Amerikis st., Athens. Piraeus Bank and its subsidiaries (together " the Group") provide services in the Southeast Europe, Africa, the U.S., as well as Western Europe. The Group employs 9,253 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.

2 Summary of general accounting policies of the Group

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

The amounts of the financial statements attached are expressed in thousand Euros.

2.1 Basis of presentation of the consolidated financial statements

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

(a) Amendments to published standards effective in 2006

IAS 19 (Amendment) "Employee Benefits" is mandatory for the accounting periods beginning on or after 1 January 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses, adoption of this amendment only impacts the format and extent of disclosures presented in the accounts.

(b) The following new standards, amendments to standards and interpretations have been issued, but are not effective for 2006 and have not been early adopted:

- IFRS 7, "Financial Instruments: Disclosures" and a complementary amendment to IAS 1, "Presentation of Financial Statements Capital Disclosures", (effective from 1/1/2007). IFRS 7 introduces new disclosures relating to financial instruments.

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

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

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

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

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

2.2 Consolidation

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

A. Investments in Subsidiaries
Subsidiaries are all entities over which the parent company has control directly or indirectly through other Group subsidiaries by holding more than 50% of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are de-consolidated from the date that control ceases. Special purpose entities, which the parent company controls, are also included among the Group subsidiaries.

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

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

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

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

C. Investments in associates
Associates are all entities over which the Group has significant influence (according to the regulations of IAS 28) but not control. Investments in associates are consolidated using the equity method of accounting and they are initially recognised in the balance sheet at cost. They represent the fair value of the Group's share in the associates' net assets, which includes goodwill identified on acquisition (net of any accumulated impairment loss).

The Group's share of its associates' post acquisition profits or losses is recognised in the income statement, and the share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

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

2.3 Foreign Currencies

a) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in euros, which is Piraeus Bank's functional and presentation currency.

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

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

Exchange differences resulting from the translation of the foreign subsidiaries financial statements are transferred directly to equity in the currency translation reserve.

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

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

2.4 Derivative financial instruments

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

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

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

Hedge accounting

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

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

- The hedge should be effective at initiation.

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

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

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

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

(a) Fair value hedge

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

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

(b) Cash flow hedge

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

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

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

(c) Net investment hedge

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

(d) Derivatives that do not qualify for hedge accounting

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

2.5 Recognition of deferred day one profit and loss

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

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

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

2.6 Interest income and expense

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

2.7 Fees and commission income and expense

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

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

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

2.8 Dividend income

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

2.9 Financial assets at fair value through Profit or Loss

This category includes trading portfolio securities which were acquired for the purpose of profit-making from short-term price changes as well as other financial assets at fair value through profit or loss (asset swaps). These securities are initially recognised at fair value and they are subsequently measured at fair value according to current market prices. All the realised gains/ losses from the sale of securities, as well as the non–realised gains and losses from the measurement at fair value, are included in net trading income.

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

2.10 Sale and repurchase agreements

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

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

2.11 Investment portfolio

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

Held to maturity investments are derecognized when either the ability to receive cash flows has ceased or the Group has transferred substantially the risks and rewards to third parties.

B. Available for Sale portfolio
Available for sale portfolio includes those investments intended to be held for an indefinite period of time and which may be sold in response to needs of liquidity or changes in interest rates, exchange rates or equity prices. The classification of investments as available for sale is not binding and it is subject to Management intentions as to subsequent reclassification to the held to maturity portfolio.

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

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

When there is objective evidence that an available for sale asset is impaired, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in profit or loss. This cumulative loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

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

2.12 Loans and advances to customers

Loans and advances to customers are initially recognized at fair value (plus any transaction costs) and subsequently are carried at amortised cost. If there is objective evidence that the Group will not be in a position to receive all payments due, as defined by the contract of the loan, an impairment loss is recognised. The amount of the impairment loss is the difference between the carrying amount and the recoverable amount of the loan.

A receivable is subject to impairment when its carrying amount is greater than the expected recoverable amount. The term "receivable" includes loans and advances, documentary credits and letters of credit.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the recoverable amount of the financial asset or group of financial assets is estimated and an impairment loss is recognised. The amount of the loss is recognised in the Income Statement.

Objective evidence that a financial asset or group of assets is impaired or it is not collectable are the following events:

I. Significant financial difficulty of the issuer or the obligor.
II. A breach of contract (i.e. default or delinquency in interest or principal payments).
III. The Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider.
IV. It is becoming probable that the borrower will enter bankruptcy or financial reorganisation.
V. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- Adverse changes in the payment status of borrowers in the group (i.e. increase in the number of delayed payments due to sector problems), or
- National or local economic conditions that correlate with defaults on the assets in the group (i.e. increase in the unemployment rate for a geographical area of borrowers, decrease in the value of property placed as guarantee for the same geographical area, or unfavourable changes in the operating conditions of a sector, which affect the borrowers of this specific group).

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

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

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

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

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

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

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

2.13 Intangible assets

2.13a Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's share of the net assets of the acquired subsidiary on the date of acquisition. Goodwill on acquisition of companies that occurred before 1 January 2004 was recorded as a reduction in equity (according to IFRS 1). Goodwill on acquisitions of companies that occurred after 1 January 2004 is recognized at cost as an intangible asset and it is reviewed for impairment on each balance sheet date.

For the purpose of impairment testing, goodwill acquired is allocated to each of the acquirer's cash generating units. When an impairment loss is recognized in a cash generating unit, this loss at first reduces goodwill which has been allocated in this unit and subsequently reduces the value of assets which along with goodwill are part of the cash generating unit. An impairment loss recognized for goodwill is not reversed in a subsequent period, according to the requirements of IAS 36. Cash generating units are presented at the business segment note (note 5).

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

2.13b Software

Costs associated with the acquisition of software programs, which will probably generate economic benefits to the Group, are recognised as intangible assets. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications or software upgrade expenses are recognised as capital improvement and they are added to the original cost of the software, as long as they can be measured reliably. Computer software is amortised over a period of 3-4 years.

2.13c Other intangible assets

Other intangible assets include intangible assets recognised through the purchase price allocation exercise for acquisitions of subsidiaries. Other intangible assets can include customer relationships, branch network, trademarks. Other intangible assets are depreciated, on a straight line basis, over a period of 5 years and are tested for impairment on an annual basis.

2.14 Own property, plant and equipment

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

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

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

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

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

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

2.15 Investment property

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

Land held under operating lease is classified and accounted for as investment property when the definition of investment property is met.

Investment property is measured initially at cost, including related transaction costs. After initial recognition, investment property is carried at fair value, as this is estimated by an external independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the following valuation methods are used:

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

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

iii. Depreciated Replacement Cost Method: Valuations based on Depreciated Replacement Cost Method are based on an estimate of the market value for the existing use of the land and the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation. The 2 estimates, that is the one for the market value of land and the one for the reproduction cost less allowances for physical deterioration, are summed-up, resulting in the current value of the property under valuation.

iv. Profit Method: The purpose of this method is to estimate the annual income which an investor is entitled to and then capitalise it by using an appropriate unit rate, the so called All Risk Yield (ARY).

These valuations are reviewed annually by external independent valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property.

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

Changes in fair value are recorded in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

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

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

2.16 Assets held for sale

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

2.17 Inventories property

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

2.18 Leased assets

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

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

The capital element is used as a reduction of the outstanding liability and the finance charge at the income statement is allocated to periods during the lease term.

B. The Group is the Lessor
In case where the Group is the Lessor under a finance lease, the present value of the lease payments is recognised as a receivable in the balance sheet. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

In case where the Group is the Lessor under an operating lease, the assets held under the operating lease are stated and carried in the financial statements like the other –non leased assets- of similar nature. Lease income of the Group is recognised over the term of the lease.

2.19 Cash and cash equivalents

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

2.20 Provisions

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

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

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

2.21 Financial guarantee contracts

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

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

Any increase in the liability relating to guarantees is taken to the income statement under other operating expenses.

2.22 Employee benefits

A. Pension obligations
The pension schemes adopted by Piraeus Bank Group are funded through payments to insurance companies or social security foundations. Piraeus Bank Group pension obligations, relate both to defined contribution plans as well as defined benefit plans.

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

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

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

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

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

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

The proceeds received, net of any directly attributable transaction cost, are credited to share capital and share premium when the options are exercised.

2.23 Deferred tax

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

The principal temporary differences arise from depreciation of property, plant and equipment, recognition of commission according to the effective interest rate, valuation of securities at fair value through profit or loss or equity, revaluation of certain financial assets (such as investment property) and retirement benefit obligations according to IAS 19. Deferred tax assets are recognised to the extend that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax related to the valuation of available for sale investments and cash flow hedges, which are charged or credited to equity, is also credited or charged directly to equity and is subsequently recognised in the Income statement together with the deferred gain or loss.

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

2.24 Borrowed funds

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

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

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

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

2.25 Securitisation

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

2.26 Share capital

a) Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of share capital are shown as a deduction in equity, net of tax.

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

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

2.27 Related party transactions

Related parties include a) Members of the Bank's Board of Directors and key management personnel of the Bank b) Members of the Board of Directors / key management personnel of the most important Group Subsidiaries c) Close family and financially dependants (husbands, wives, children etc) of the Board of Directors members and key management personnel d) companies having transactions with Piraeus Bank Group, when the total cumulative participating interest in them (of members of Board of Directors, key management personnel and their dependants / close family) exceeds 20%. Transactions of similar nature are disclosed together. All transactions with related parties are between knowledgeable, willing parties in an arm's length transaction.

2.28 Fiduciary activities

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

2.29 Segment reporting

The definition of business and geographical Group segments is based on the risks and returns which relate to the services and products provided by each segment of the Group.

So, business segments were defined as primary segments, while geographical segments were defined as secondary segments. The Group has identified 4 main business segments: Retail Banking, Corporate Banking, Investment Banking, Asset Management & Treasury.

The Group has applied the 10% threshold for consolidated profits or consolidated assets. The total of reported segments amounts to more than 75% of the Group's total revenues.

2.30 Offsetting financial instruments

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

2.31 Comparatives

Certain accounts of the previous year's financial statements have been adjusted in order to become comparable to the corresponding accounts of the current year.

3 Financial Risk Management

3.1 Credit risk

Credit risk is the risk of default of a counterparty, regarding its contractual obligations. Specifically in the case of loans, it is the risk of a counterparty to default on a part, or all of its debt.

The Management of Piraeus Bank Group gives great consideration to the proper management of credit risk, as this type of risk is connected with the majority of the activities undertaken by the Group units. More specifically, credit risk is maintained at controlled levels, by defining a strategy of growth activities with corresponding limits, at counterparty level, at geographic level or at activity sector level.

The evaluation of counterparty's creditworthiness plays key role in establishing the corresponding limit. This evaluation is based on both quantitative and qualitative characteristics of the counterparty. At the same time, the state of the general economy of the countries in which the Group is involved is also examined, as well as the trends of the economic sub-sectors. Across all Group Units, there are consistent procedures for the evaluation of the creditworthiness of counterparties and for setting of the respective credit limits.

The methods of evaluation of counterparty creditworthiness are differentiated according to whether they apply to central governments, banks, corporations or individuals. More specifically, there are different methods for the evaluation of creditworthiness of corporations, depending on the size and type of the corporate entity. For larger corporations, the evaluation is based mainly on the economic aspects and an analysis of the sector to which the corporations belong, while for smaller businesses emphasis is given on their qualitative characteristics.

During the approval process, total credit risk is assessed per debtor or group of associated debtors (One Obligor Concept), taking into consideration the total credit limit that the client was assigned at Group level. In establishing credit limits, any guarantees or collaterals that may reduce the total exposure to credit risk, are also taken into account.

The counterparty creditworthiness as well as the credit exposures in line with the approved limits are monitored on a constant basis. Derivative financial instruments and credit exposure due to settlement risk is also taken into account, when calculating credit exposures.

Specifically for derivatives, the potential future credit exposure is taken into account, by estimating the current net position and applying appropriate factors on the notional amounts of the transactions, according to type, maturity etc. Even though the credit exposures due to derivatives are limited in comparison to credit exposures due to loans, these are taken into account during the credit approval process and are part of the limits that have been approved for a given counterparty.

With regard to personal loans, Piraeus Bank places emphasis on the implementation of modern credit risk management methods, such as credit scoring models, portfolio structure and population distribution of debtors. Historical data regarding the evolution of overdue accounts in combination with debtor characteristics are utilised, so that the procedures for the evaluation of creditworthiness are adjusted and controlled.

Amounts in thousand euros (Unless otherwise stated)

3.2 Geographical concentrations

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

As at 31 December 2006	Total assets	Total liabilities	Revenues	Net Revenues	Credit commitments	Capital expenditure
Greece	26,119,502	19,997,191	1,900,727	1,218,485	8,752,648	200,397
South East Europe	2,247,401	1,421,758	164,747	118,198	246,908	28,338
Rest of Europe	1,209,689	6,499,052	53,943	(162,683)	24,477	5
U.S.A.	608,600	534,612	38,161	21,994	98,600	1,388
Africa	746,024	646,183	58,620	28,018	239,172	9,502
Total	**30,931,216**	**29,098,796**	**2,216,198**	**1,224,012**	**9,361,805**	**239,630**

As at 31 December 2005	Total assets	Total liabilities	Revenues	Net Revenues	Credit commitments	Capital expenditure
Greece	20,369,365	15,797,326	1,278,797	847,570	7,690,428	87,632
South East Europe	1,415,085	1,031,935	105,781	79,956	158,192	29,089
Rest of Europe	521,095	3,907,074	31,117	(62,308)	17,718	67
U.S.A.	644,451	619,289	34,838	23,677	97,652	517
Africa	595,483	582,196	26,253	11,925	81,175	13,564
Total	**23,545,479**	**21,937,820**	**1,476,786**	**900,820**	**8,045,165**	**130,869**

The negative net result in the geographical segment "Rest of Europe" derives from the cost of increasing Piraeus Bank equity through the issue of debt securities, subordinated loans (TIER II), hybrid capital (TIER I) and securitisation of mortgage loans from the European market with the involvement of special purpose entities. Without taking into consideration the aformentioned cost, the net revenues of the specific geographical segment would amount to € 12.5 million for the year 2006 (2005: € 9.9 million).

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

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

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

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

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

Geographic sector risk concentrations within the loans and advances to customers (net of provisions) is analysed as follows:

	31 December 2006		31 December 2005	
	Total loans	Percentage	Total loans	Percentage
Greece	17,553,707	85.94%	13,620,617	88.15%
South East Europe	1,366,414	6.69%	927,552	6.00%
Rest of Europe	734,410	3.60%	295,571	1.91%
U.S.A.	374,181	1.83%	349,003	2.26%
Africa	397,903	1.95%	258,376	1.67%
Total	**20,426,615**	**100.00%**	**15,451,119**	**100.00%**

3.3 Market risk

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

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

The Value-at-Risk measure is an estimate of the potential loss in the net present value of a portfolio, over a specified period (holding period) and with a specified confidence level. Piraeus Bank Group implements the RiskMetrics parametric Value-at-Risk methodology, assuming a one-day holding period and utilising a 99% confidence level. As the Value-at-Risk methodology does not evaluate risk attributable to extraordinary financial, or other occurrences, the risk assessment process includes a number of stress scenarios. The stress scenarios are based on the primary risk factors that can change the value of the balance sheet of the business units.

The bank tests the validity of the Value-at-Risk estimates, by conducting a back-testing program for the trading book VaR. The Value-at-Risk estimate is compared on a daily basis against the actual change in the value of the portfolio, due to the changes in market prices. In 2004 there was one case, where the actual change in the value of the portfolio, was larger than the Value-at-Risk estimate, while in 2005 and 2006 three and four instances have been observed, respectively.

The Group trading book includes positions in bonds, stocks, foreign exchange and exchange traded derivatives.

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

12 months to 31 December 2006 (amounts in millions euro)

	Group Trading Book Total VAR	VAR-Interest Rate Risk	VAR Stock Market Risk	VAR Foreign Exchange Risk	Diversification Effect
Low	0.61	0.18	0.27	0.24	-1.72
High	3.73	1.93	1.41	3.64	-0.34
Average	1.27	0.74	0.55	0.73	-0.75

12 months to 31 December 2005 (amounts in millions euro)

	Group Trading Book Total VAR	VAR-Interest Rate Risk	VAR Stock Market Risk	VAR Foreign Exchange Risk	Diversification Effect
Low	0,93	0,13	0,40	0,26	-2,81
High	8,75	1,96	8,58	2,89	-0,55
Average	5,47	0,45	5,22	1,05	-1,25

3.4 Currency risk

The Group is exposed to fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Management sets limits on the level of exposure by currency, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31/12/2006. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by currency.

	EUR	USD	GBP	JPY	CHF	Other currencies	Total
At 31 December 2006							
Foreign exchange risk of assets							
Cash and balances with central Banks	1,587,272	82,966	5,231	1,691	1,810	206,176	1,885,146
Treasury bills and other eligible bills	29,749	12,802	-	-	-	122,675	165,226
Loans and advances to credit institutions	1,808,409	773,800	4,472	-	2,930	37,242	2,626,853
Derivative financial instruments - assets	(55,877)	24,060	5	88,247	-	-	56,435
Financial instruments at fair value through Profit or Loss	1,957,899	16,614	-	12,326	-	34,509	2,021,348
Loans and advances to customers (net of provisions)	17,998,705	1,172,733	64,465	35,582	450,062	705,068	20,426,615
Investment securities	1,002,970	269,577	-	-	-	127,459	1,400,006
Investments in associated undertakings	27,176	-	-	-	-	2,561	29,737
Goodwill and other intangible assets	141,314	19,975	-	-	-	31,002	192,291
Property, plant and equipment	1,034,264	3,791	-	-	-	105,780	1,143,835
Other assets	1,178,265	(64,321)	9,872	2,059	(5,512)	(136,639)	983,724
Total assets	**26,710,146**	**2,311,997**	**84,045**	**139,905**	**449,290**	**1,235,833**	**30,931,216**

Amounts in thousand euros (Unless otherwise stated)

	EUR	USD	GBP	JPY	CHF	Other currencies	Total
Foreign exchange risk of liabilities							
Due to Banks	3,167,259	1,166,065	150,524	2,551	137,623	258,829	4,882,851
Derivative financial instruments - liabilities	(47,901)	24,509	-	80,507	4	2,585	59,704
Due to customers	12,643,978	1,997,498	143,983	955,352	7,243	986,535	16,734,589
Debt securities in issue	4,903,237	255,374	89,061	10,193	-	3,648	5,261,513
Other borrowed funds & hybrid capital	1,001,274	3,796	-	-	-	-	1,005,070
Other liabilities	3,209,383	(1,159,998)	(300,838)	(905,593)	299,887	12,228	1,155,069
Total Liabilities	**24,877,230**	**2,287,244**	**82,730**	**143,010**	**444,757**	**1,263,825**	**29,098,796**
Net on-balance sheet position	**1,832,916**	**24,753**	**1,315**	**(3,105)**	**4,533**	**(27,992)**	**1,832,420**
At 31 December 2005							
Total assets	19,630,406	2,581,430	27,824	182,285	113,187	1,010,347	23,545,479
Total liabilities	18,063,475	2,538,415	30,529	185,518	113,004	1,006,879	21,937,820
Net on-balance sheet position	**1,566,931**	**43,015**	**-2,705**	**(3,233)**	**183**	**3,468**	**1,607,659**

Other liabilities include currency equivalents of asset swaps, as well as synthetic deposits.

3.5 Interest rate risk

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

Changes in interest rates affect the bank's earnings by changing its net interest income and the level of other interest-sensitive income and operating expenses. Changes in interest rates also affect the underlying value of the bank's assets and liabilities because the present value of future cash flows (and in some cases, the cash flows themselves) changes when interest rates change. Accordingly, an effective risk management process that assesses, monitors and help maintain interest rate risk within prudent levels (through effective hedging, where relevant), is essential to the safety and soundness of the Group.

Piraeus Bank Group applies an Interest Rate Risk Management Policy, which provides for a variety of techniques such as calculations that rely on simple maturity and repricing schedules (Interest Rate Gap analysis), or sophisticated dynamic modeling techniques (dynamic simulation) that results in useful conclusions about the development of the Organization's profitability in response to changes in interest rates.

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

The table below summarises the Bank's exposure to Interest Rate Risk according to an Interest Rate Gap. Those assets and liabilities lacking actual maturities (e.g. open accounts) or definitive repricing intervals (e.g. sight deposits or savings accounts) are assigned to the time band up to one month. In the table, assets and liabilities in foreign currency are converted into EUR using spot FX rates and only principal amounts are included; the interest payments are excluded from the calculations.

The positive fair value of derivative financial instruments is included in "Other Assets" under the heading "Non interest bearing", while the negative fair value of derivative financial instruments is included in "Other Liabilities".

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non interest bearing	Total
At 31 December 2006							
Assets							
Cash and balances with central banks	1,797,740	15,066	-	-	-	72,340	1,885,146
Treasury bills and other eligible bills	26,893	27,911	110,422	-	-	-	165,226
Loans and advances to credit institutions	2,551,265	50,457	24,447	680	4	-	2,626,853
Financial instruments at fair value through Profit or Loss	1,463,850	133,229	163,824	93,031	78,751	88,663	2,021,348
Loans and advances to customers (net of provisions)	9,163,589	8,396,160	1,549,986	1,260,710	291,371	(235,201)	20,426,615
Investment securities	406,508	30,228	61,586	174,197	120,422	607,065	1,400,006
Other assets	95,788	31,305	112,796	22,697	45,859	2,097,577	2,406,022
Total assets	**15,505,633**	**8,684,356**	**2,023,061**	**1,551,315**	**536,407**	**2,630,444**	**30,931,216**
Liabilities							
Due to banks	3,203,450	1,112,542	541,997	4,029	18,196	2,637	4,882,851
Due to customers	12,894,589	1,763,458	1,732,342	202,572	22,335	119,293	16,734,589
Debt securities in issue	1,766,455	1,983,717	470,905	427,574	612,862	-	5,261,513
Other borrowed funds & hybrid capital	602,297	398,976	-	-	3,797	-	1,005,070
Other liabilities	61,209	6,627	238,458	22,226	31,702	854,551	1,214,773
Total liabilities	**18,528,000**	**5,265,320**	**2,983,702**	**656,401**	**688,892**	**976,481**	**29,098,796**
Total interest rate sensitivity gap	**(3,022,367)**	**3,419,036**	**(960,641)**	**894,914**	**(152,485)**	**1,653,963**	**1,832,420**

Amounts in thousand euros (Unless otherwise stated)

The table below summarises the effective interest rate by major currencies for monetary financial instruments not carried at fair value through profit or loss.

At 31 December 2006	EUR %	USD %
Assets		
Cash and balances with central banks	0.97	0.65
Treasury bills and other eligible bills	3.11	2.54
Loans and advances to credit institutions	3.70	5.44
Loans and advances to customers (net of provisions)	6.32	6.80
Investment securities	6.12	5.45
Liabilities		
Due to Banks	3.67	5.33
Due to customers	2.47	4.45
Debt securities in issue	3.59	5.41
Other borrowed funds & hybrid capital	4.39	8.65

The following tables include figures of the comparative year.

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non interest bearing	Total
At 31 December 2005							
Assets							
Cash and balances with central banks	1,416,213	13,332	-	-	-	140,674	1,570,219
Treasury bills and other eligible bills	16,900	47,165	146,205	11,706	-	-	221,977
Loans and advances to credit institutions	2,008,590	182,237	28,206	1,261	4	32	2,220,330
Financial instruments at fair value through Profit or Loss	904,969	(23,330)	76,426	67,265	77,816	76,975	1,180,120
Loans and advances to customers (net of provisions)	10,827,759	2,723,106	1,096,223	920,308	144,675	(260,952)	15,451,119
Investment securities	56,764	2,220	75,970	191,789	143,738	310,658	781,139
Other assets	61,444	47,180	50,982	17,134	91	1,943,744	2,120,575
Total assets	**15,292,638**	**2,991,911**	**1,474,012**	**1,209,463**	**366,323**	**2,211,131**	**23,545,479**
Liabilities							
Due to banks	2,244,399	758,820	521,172	7,265	137	3,971	3,535,764
Due to customers	10,768,819	960,206	940,661	349,845	5,998	170,999	13,196,528
Debt securities in issue	1,113,265	1,489,967	410,755	6,364	725,338	-	3,745,688
Other borrowed funds & hybrid capital	199,919	398,124	-	4,239	-	1,259	603,540
Other liabilities	9,470	6,004	208,556	2,632	1,615	628,023	856,300
Total liabilities	**14,335,872**	**3,613,121**	**2,081,143**	**370,345**	**733,088**	**804,252**	**21,937,820**
Total interest rate sensitivity gap	**956,766**	**(621,211)**	**(607,131)**	**839,118**	**(366,764)**	**1,406,879**	**1,607,658**

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

In addition, Piraeus Bank Group applies “Modified Duration”, a sensitivity measure, which denotes the change in the net present value of balance sheet items in response to a change in interest rates, assuming yield changes.

Piraeus Bank Group also evaluates potential financial losses under stressful market conditions. Possible stress scenarios include abrupt changes in the level of interest rates, changes in the slope and the shape of the yield curves, or changes in the volatility of market rates. These scenarios, where factor changes take place instantaneously, may be interpreted as a special case of “Dynamic Scenarios”.

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

Amounts in thousand euros (Unless otherwise stated)

3.6 Liquidity risk

Piraeus Bank Group acknowledges that, in order to be able to meet liabilities promptly and without losses, it is essential to effectively manage liquidity risk.

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

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

For this purpose the Group uses the liquidity gap analysis which provides an overview of the expected cash flows, arising from all balance sheet items. The cash flows are assigned and aggregated into time-bands according to when they occur.

The table below analyses assets and liabilities into relevant time periods based on the remaining period at balance sheet date to the contractual maturity date. The loans amortisation table, which does not include interest payments, presents the loan balances according to their payment timetable. Assets and liabilities in foreign currency are converted into EUR using forward FX rates.

It is noted that for transactions for which the cash flow profile consists of regular principal and interest payments, the principal payments only are included in the calculations. The assumptions made are that scheduled payments to the bank are honoured in full and on time and in addition, all contractual payments are discharged in full – e.g. depositors will withdraw their money rather than roll it over on maturity. Those assets and liabilities lacking actual maturities (e.g. open accounts, sight deposits, or savings accounts) are assigned to the time band up to one month.

Shares, fixed assets and other assets and liabilities are included under the heading “over 5 years”.

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
At 31 December 2006						
Assets liquidity						
Cash and balances with central banks	1,869,084	15,201	824	37	-	1,885,146
Treasury bills and other eligible bills	26,893	27,911	110,422	-	-	165,226
Loans and advances to credit institutions	2,538,010	47,010	29,531	12,298	4	2,626,853
Derivative financial instruments - assets	519	1,276	5,915	41,559	7,166	56,435
Trading securities and other financial assets at fair value through Profit or Loss	958,835	113,048	215,742	116,305	617,418	2,021,348
Loans and advances to customers (net of provisions)	5,331,942	1,686,605	1,537,555	5,444,522	6,425,991	20,426,615
Investment securities	4,681	19,274	432,106	218,119	725,826	1,400,006
Other assets	168,358	40,499	113,531	26,670	2,000,529	2,349,587
Total assets	**10,898,322**	**1,950,824**	**2,445,626**	**5,859,510**	**9,776,934**	**30,931,216**

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Liabilities liquidity						
Due to banks	3,222,026	598,836	539,711	504,082	18,196	4,882,851
Derivative financial instruments - liabilities	46	652	8,564	37,271	13,171	59,704
Due to customers	13,005,775	1,781,903	1,730,557	194,019	22,335	16,734,589
Debt securities in issue	829,784	1,276,853	813,228	1,645,150	696,498	5,261,513
Other borrowed funds & hybrid capital	4,704	144	-	3,797	996,425	1,005,070
Other liabilities	60,197	8,661	282,458	14,813	788,940	1,155,069
Total liabilities	**17,122,532**	**3,667,049**	**3,374,518**	**2,399,132**	**2,535,565**	**29,098,796**
Net Liquidity Gap	**(6,224,210)**	**(1,716,225)**	**(928,892)**	**3,460,378**	**7,241,369**	**1,832,420**
At 31 December 2005						
Total assets	8,526,080	793,230	2,135,779	5,364,781	6,725,610	**23,545,479**
Total liabilities	13,893,912	2,401,832	1,975,167	1,784,144	1,882,766	**21,937,820**
Net Liquidity Gap	**(5,367,832)**	**(1,608,602)**	**160,613**	**3,580,637**	**4,842,844**	**1,607,659**

Amounts in thousand euros (Unless otherwise stated)

A Liquidity Risk Management Policy has been applied in all Group units since the end of 2003. This policy is adjusted to internationally applied practices and regulatory environments and adapted to the specific activities and organisational structure of Piraeus Bank Group. The policy specifies the principal liquidity risk assessment definitions and methods, defines the roles and responsibilities of the units and staff involved and sets out the guidelines for liquidity crisis management. The policy is focused on the liquidity needs expected to emerge, in a week's or month's time, on the basis of hypothetical liquidity crisis scenarios.

Furthermore, the Policy defines a contingency funding plan to be used in the case of a liquidity crisis. Such a crisis can take place either due to a Piraeus Bank Group specific event or a general market event. Triggers and warning signals serve as indicators of when the contingency plan should be put into operation.

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

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

The maintenance of liquid securities portfolios, expansion of "large diversion" deposit accounts (savings accounts), enrichment of time deposit products of over one month, expansion of alternative financing sources (European Commercial Paper) and prolongation of liabilities’ maturity through the issues of bonded loans (issue of Euro Medium Term Notes, issue of Subordinated notes Tier II, issue of Hybrid Capital Tier I) are measures, which are taken to minimize liquidity risk.

Piraeus Bank Group has securitised mortage loans of nominal value € 750 million. This securitisation increases liquidity since non readilly converted funds into cash can be converted as such.

3.7 Fair values of financial assets and liabilities

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

	Carrying Value		Fair Value	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Financial assets				
Loans and advances to credit institutions	2,626,853	2,220,330	2,677,722	2,221,324
Loans and advances to customers (net of provisions)	20,426,615	15,451,119	20,948,191	16,045,877
Investment securities				
-held to maturity	99,880	95,555	99,880	95,456
Financial liabilities				
Due to banks	4,882,851	3,535,764	4,887,054	3,532,913
Due to customers	16,734,589	13,196,528	16,698,299	13,188,751
Debt securities in issue	5,261,513	3,745,688	5,262,786	3,740,792
Other borrowed funds and hybrid capital	1,005,070	603,540	1,041,553	607,784

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

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

c) Investment securities include interest-bearing assets held to maturity. Fair value for held to maturity items is estimated using quoted market prices. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics, or by discounting cash flows.

d) The fair value of due to banks is based on discounted cash flows using money market interest rates, appropriate for the remaining term to maturity.

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

f) The fair value of debt securities in issue is calculated based on quoted prices. Where quoted market prices are not available, the estimated fair value is based on other debt securities with similar credit, yield and maturity characteristics or by discounting cash flows.

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

3.8 Fiduciary activities

The Group provides custody services to third parties for a wide range of financial instruments. These services include procedures such as safekeeping of securities, clearing and settlement of securities transactions in the Greek market and abroad, execution of corporate actions, income collection etc, on behalf of individuals and companies. Those assets and income arising thereon are not included in the Group’s financial statements. The above mentioned services give rise only to operational risk. At the balance sheet date, the Group had custody accounts amounting to approximately € 19.7 billion (2005: € 15.5 billion).

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 (described in note 2.12) 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 financial instruments

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

3. Impairment of Available for-sale portfolio

The Available for sale portfolio is recorded at fair value. Changes of fair value are recorded in the AFS reserve. The Group determines that Available-for-sale portfolio is impaired when there has been a significant or prolonged decline in the fair value below its cost. When this occur the AFS reserve is transferred to the income statement of the period. This determination of what is significant or prolonged requires judgement. The determination of the fair value of the Available for sale portfolio, when quoted market prices are not available, is based on several valuation pricing models, which also requires judgement. In making these judgements, the Group evaluates among other factors, evidence of deterioration in the financial health of the investee, industry and sector performance.

4. Securitisations and special purpose entities

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

5. Held to maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available for sale. The investments would therefore be remeasured at fair value.

6. *Income taxes*

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

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 and stock exchange services, underwriting services and public listings, etc.).

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

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

Amounts in thousand euros (Unless otherwise stated)

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

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

Results of other business segments include amount of € 129.8 million which relates to the sale of ING GROEP N.V. (note 10).

1/1-31/12/2005	**Retail Banking**	**Corporate Banking**	**Investment Banking**	**Asset Management & Treasury**	**Other business segments**	**Eliminations**	**Group**
Revenues	756,465	247,920	39,213	315,368	117,820	-	1,476,786
Revenues from other business segments	107,958	10,178	1,237	-	110,279	(229,652)	0
Total revenues	**864,423**	**258,098**	**40,450**	**315,368**	**228,099**	**(229,652)**	**1,476,786**
Net revenues	651,065	119,439	30,341	95,100	4,875	-	900,820
Net revenues from other business segments	(23,532)	(11,536)	(3,355)	-	85,755	(47,332)	0
Total net revenues	**627,533**	**107,903**	**26,986**	**95,100**	**90,630**	**(47,332)**	**900,820**
Segment results	**165,665**	**41,740**	**15,363**	**75,085**	**5,019**	-	**302,872**
Share of profit of associates							1,747
Profit before tax							**304,619**
Income tax expense							(21,892)
Profit after tax							**282,727**
Other segment items							
Capital expenditure	43,827	16,043	611	266	60,009	-	**120,756**
Depreciation and amortisation	16,918	1,904	1,285	589	26,350	-	**47,046**
Impairment charge - loans	49,244	17,592	-	1	2,186	-	**69,023**
At 31 December 2006							
Segment assets	14,675,733	6,284,682	164,053	6,212,550	3,594,198	-	**30,931,216**
Segment liabilities	11,040,754	647,745	125,737	10,985,252	6,299,308	-	**29,098,796**
At 31 December 2005							
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**

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

Revenues and net revenues from other business segments include revenues and net revenues derived from transactions, governed by normal commercial terms and conditions, between business segments.

Geographical segments are set out in note 3.2

Amounts in thousand euros (Unless otherwise stated)

6 Net interest income

	1/1-31/12/2006	1/1-31/12/2005
Interest income		
Interest on fixed income securities	132,215	85,107
Interest income on loans and advances	1,112,832	774,396
Interest on loans and advances to credit institutions	132,567	60,821
Interest rate swaps	199,778	108,055
Other interest income	97,426	81,277
Total interest income	**1,674,818**	**1,109,656**
Interest expense		
Interest on customer deposits and repos	(345,037)	(202,069)
Interest on debt securities in issue and on other borrowed funds	(184,070)	(84,208)
Interest on due to Banks	(132,569)	(70,761)
Interest rate swaps	(204,956)	(122,755)
Interest expense from finance leases of investment property	(20,282)	(10,911)
Other interest expense	(72,766)	(60,232)
Total interest expense	**(959,680)**	**(550,936)**
Net Interest Income	**715,138**	**558,720**

Accrued interest for impaired loans is € 17,324 thousand.

7 Net fees and commission income

	1/1-31/12/2006	1/1-31/12/2005
Fees and commission income		
Commercial banking	135,701	118,877
Investment banking	59,521	33,848
Asset management	17,933	15,914
Total fees and commission income	**213,155**	**168,639**
Fees and commission expense		
Commercial banking	(16,411)	(13,947)
Investment banking	(15,823)	(10,719)
Asset management	(272)	(364)
Total fees and commission expense	**(32,506)**	**(25,030)**
Net fees and commission income	**180,649**	**143,609**

8 Dividend income

	1/1-31/12/2006	1/1-31/12/2005
Dividend from AFS securities	14,525	10,262
Dividend from trading securities	3,986	9,203
	18,511	**19,465**

9 Net trading income

	1/1-31/12/2006	1/1-31/12/2005
Gains less losses on FX dealing	12,470	12,571
Gains less losses on shares and mutual funds transactions	(1,213)	35,918
Gains less losses on derivatives transactions	(1,748)	(6,351)
Gains less losses on bonds transactions	(1,932)	7,346
Gains less losses on FX valuation	1,002	(1,450)
Gains less losses on shares and mutual funds valuation	12,573	21,798
Gains less losses on derivatives valuation	13,985	17,253
Gains less losses on bonds valuation	(5,695)	(19,490)
	29,442	**67,595**

10 Gains less losses from investment securities

	1/1-31/12/2006	1/1-31/12/2005
Gains less losses on AFS - Shares and Mutual Funds	140,017	25,448
Gains less losses on AFS - Bonds	(617)	515
Gains less losses on sale of Subsidiaries and Associates	(421)	8,313
	138,979	**34,276**

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 and after tax from the above transactions was € 129.8 million and € 97.4 miilion respectively and it was recorded in Piraeus Bank's books.

Amounts in thousand euros (Unless otherwise stated)

11 Other operating income

	1/1-31/12/2006	1/1-31/12/2005
Income from activities of real estate companies (rental income and result from the valuation of investment property)	81,161	13,175
Income from the operations of ETBA Industrial Estates S.A.	18,318	20,091
Income from IT activities	6,863	7,651
Income from operating leasing	5,207	5,207
Rental income	379	483
Other income from banking operations	606	6,456
Return of taxes - contributions	5,785	7,368
Other operating income	22,974	16,724
	141,293	**77,155**

The increase of the income from real estate activities during the year 2006 is mainly due to PICAR SA, the company that operates the Citylink building at the centre of Athens. For the largest part of 2005, the building was under construction, whereas during 2006 it was brought to capacity. As a result, PICAR SA rental income and income from the valuation of the building by an independent valuer (Lambert Smith Hampton) was € 56.7 million in 2006 compared to € 6.4 million in 2005. It should be noted that the Citylink building has been accounted for as a finance lease and as such, it has increased the interest expense of the Group by € 20.3 million in 2006 compared to € 10.9 million in 2005 (note 6).

Receivables from operating leases are as follows:

Receivables from operating leases	**31 December 2006**	**31 December 2005**
Up to 1 year	41,093	16,165
From 1 to 5 years	133,771	19,222
More than 5 years	2,780,647	-
	2,955,511	**35,387**

In year 2006, the increase in receivables from operating leases relates mainly to the rentals from the operation of Citylink.

12 Staff costs

	1/1-31/12/2006	1/1-31/12/2005
Wages & salaries	(217,778)	(183,983)
Social insurance contributions	(46,206)	(38,462)
Other staff costs	(12,980)	(17,040)
Retirement benefit charges (note 36)	(24,825)	(25,399)
	(301,789)	**(264,884)**

Wages and salaries include amount of € 8,360 thousand which relates to the total cost of the stock option plans (note 38) for the year 2006. The respective amount for the year 2005 is € 200 thousand. The total cost for the stock option plans includes the cost of the share options granted to the members of the Board of Directors and key management personnel (note 42).

The number of persons employed by the Group during 2006 was 9,253 (2005: 8,151.). The average number of persons employed by the Group during the year 1/1-31/12/2006 was 8,702.

13 Administrative expenses

	1/1-31/12/2006	1/1-31/12/2005
Rental expense	(36,336)	(32,521)
Taxes and duties (excl. income tax)	(34,973)	(29,135)
Promotion and advertising expenses	(36,233)	(28,258)
Servicing - promotion of banking products	(26,018)	(22,748)
Fees and third parties expenses	(37,808)	(29,276)
Other administrative expenses	(75,989)	(72,192)
	(247,357)	**(214,130)**

14 Income tax expense

	1/1-31/12/2006	1/1-31/12/2005
Current Tax	(61,806)	(42,280)
Deferred tax (note 35)	(37,966)	20,993
Share of tax of associates (note 23)	(327)	(605)
	(100,099)	**(21,892)**

The tax rate for Greek legal entities, in accordance with the provisions in force of article 109, par. 1 of Law 2238/94, amounts to 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 rate, on its taxable profits, reduced by five (5) percentage points, namely 27% (32% minus 5%). For the year 2006, income tax was defined according to a tax rate, 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 rate, 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 (Albania: 20%, Bulgaria: 15%, Romania: 16%, U.S.A.: 40%, Serbia: 10% and Egypt: 20%).

Amounts in thousand euros (Unless otherwise stated)

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

Profit before tax	556,549	304,619
Tax calculated	(138,684)	(82,247)
Income not subject to tax (corresponding tax)	48,662	10,365
Non deductible expenses (corresponding tax)	(5,536)	(8,551)
Deferred tax (charge)/ credit in Profit or Loss	-	52,619
Effect of different tax rates applied abroad	(6,131)	(4,069)
Additional tax 3% on fixed assets income	(39)	(51)
Utilisation of previously unrecognised tax losses	1,629	10,042
Income Tax	**(100,099)**	**(21,892)**

During 2005, deferred tax asset on the impairment of securities was recorded in profit or loss in order to be offset against future profits from stock exchange transactions, according to article 38, Law 2238.

15 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of shares in issue during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares. For the calculation of the diluted earnings per share, all the dillutive potential ordinary shares are taken into consideration. The two share option schemes (note 38) is the only case of dilutive potential ordinary shares for the Group. Specifically, the difference in the number of shares that arises from the comparison of a) the number of shares that would have been issued at fair value based on the consideration received from the exercise of the share options and b) the number of shares issued due to the exercise of the share options is added on the weighted average number of ordinary shares used for the calculation of the basic earnings per share.

	1/1-31/12/2006	1/1-31/12/2005
Basic earnings per share		
Net profit attributable to shareholders	434,649	263,773
Weighted average number of shares in issue	262,353,739	248,030,513
Basic earnings per share (in euro)	1.66	1.06

	1/1-31/12/2006	1/1-31/12/2005
Diluted earnings per share		
Net profit attributable to shareholders	434,649	263,773
Weighted average number of shares in issue	262,353,739	248,030,513
Adjustment for share options	1,490,743	191,953
Weighted average number of shares in issue for the diluted earnings per share calculation	263,844,482	248,222,466
Diluted earnings per share (in euros)	1.65	1.06

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 proportionaly 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.

16 Cash and balances with the Central Bank

	31 December 2006	31 December 2005
Cash in hand	304,539	196,232
Nostros and sight accounts with other banks	175,830	109,366
Balances with central banks	796,556	686,913
Cheques clearing system - central bank	379,434	339,793
Included in cash and cash equivalents less than 90 days (Note 41)	**1,656,359**	**1,332,304**
Mandatory reserves with central banks	228,787	237,915
	1,885,146	**1,570,219**

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

17 Treasury bills and other eligible bills

	31 December 2006	31 December 2005
Greek government treasury bills	6,366	-
Other government treasury bills	88,202	47,193
Included in cash and cash equivalents less than 90 days (Note 41)	**94,568**	**47,193**
Greek government treasury bills	29,748	40,103
Other government treasury bills	40,910	134,681
	165,226	**221,977**

Other government treasury bills refer to treasury bills issued by Albania, Egypt and U.S.A., which are held by Group subsidiaries in these countries.Treasury bills and other eligible bills are fixed rate and were mainly issued for a duration of 12 months. Treasury Bills and other eligible bills are valued as the securities included in the financial assets at fair value through profit or loss portfolio.

Amounts in thousand euros (Unless otherwise stated)

18 Loans and advances to credit Institutions

	31 December 2006	31 December 2005
Placements with local banks and banks abroad	2,603,641	1,979,417
Cheques receivables	9,954	11,152
Reverse repurchase agreements	10,655	143,901
Included in cash and cash equivalents less than 90 days (Note 41)	**2,624,250**	**2,134,470**
Placements to banks (more than 90 days)	2,603	79,216
Cheques receivables (more than 90 days)	-	6,644
	2,603	**85,860**
Total loans and advances to credit institutions	**2,626,853**	**2,220,330**

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

19 Derivative financial instruments

Derivative financial instruments held by the Group include Currency Forwards, Interest Rate Futures, Interest rate or/and Currency Swaps, Call / Put Options on interest and/or currency. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair values on a daily basis. Fair values are obtained from quoted market prices in active markets and option pricing models, where market prices are not available. Derivative financial instruments with positive fair values are recognised as assets and derivative financial instruments with negative fair values are recognised as liabilities.

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

At 31 December 2005	**Notional amounts**	**Fair values**	
		Assets	**Liabilities**
Derivatives held for trading			
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
Options	-	137	137
Other derivative instruments	137,222	1,352	(1,229)
		15,637	**31,706**
Embedded equity derivatives			
Customer deposits/ loans linked to options	287,328	6,612	3,883
Derivatives held for fair value hedging			
Interest rate swaps	69,246	492	2,002
Total recognised derivative assets/ liabilities		**22,741**	**37,591**

Piraeus Bank Group undertakes most of its transactions in foreign exchange and interest rate contracts with other financial institutions. Specifically for interest rate swaps, approximately 91% of its transactions are with financial institutions (notional amount). These transactions are taken with a diversified portfolio of counterparties. The top three counterparties account for 75% of the total outstanding notional amount of interest rate swaps. The remaining 25% is executed through a number of counterparties. The ratio of the fair value of all derivatives (assets) to loans and advances to credit institutions is 1.72%.

Amounts in thousand euros (Unless otherwise stated)

20 Financial assets at fair value through Profit or Loss

Trading securities	**31 December 2006**	**31 December 2005**
Foreign government bonds	723	1,097
Corporate entities bonds	5,285	-
Bank bonds	104	-
Included in cash and cash equivalents less than 90 days (Note 41)	**6,112**	**1,097**
Greek government bonds	1,749,419	941,824
Foreign government bonds	48,515	42,892
Corporate entities bonds	28,870	22,310
Bank bonds	-	1,253
	1,826,804	**1,008,279**
Athens stock exchange listed shares	112,476	57,412
Foreign stock exchanges listed shares	15,589	16,415
Mutual funds	3,918	3,881
Non listed shares	-	57
	131,983	**77,765**
Total trading securities	**1,964,899**	**1,087,141**
Other financial assets at fair value through profit or loss	56,449	92,979
Total	**2,021,348**	**1,180,120**

Other financial assets at fair value through profit and loss include asset swap bonds.

From the above mentioned bonds as at 31/12/2006, including other financial assets at fair value through profit and loss, amount of € 1,678 million relates to fixed income securities, amount of € 190 million relates to floating rate securities (FRN) and amount of € 21 million relates to zero-coupons. The respective amounts as at 31/12/2005 are 946 million (fixed), € 79 million (FRN) and € 77 million (zero-coupon).

Net interest accrued on bonds, included in the respective balances, amounts to € 38 million (2005: € 21.0 million).

Following the completion of the merger of Sciens International Investment & Holding S.A. with the company Diolkos Closed-End Fund S.A., and the introduction into the Athens Stock Exchange of the new shares on 12/12/2006, Piraeus Bank participation in Sciens International Investment & Holding S.A. was reduced from 36.75% to 25.80%. Based on a) the above mentioned reduction in the percentage held, b) the Bank's intention to further reduce the participation in Sciens International Investment & Holding S.A. in the near future and c) the Bank's representation on the board of directors of Sciens S.A. with two non executive members out of total seven members that do not participate in policy making processes, including participation in dividend distribution decision, Sciens International Investment & Holding S.A. was transferred to the trading portfolio (included in Athens Stock Exchange listed shares).

21 Loans and advances to customers

	31 December 2006	**31 December 2005**
Loans to individuals		
Mortgages	4,442,182	3,385,589
Consumer - personal loans	2,345,776	1,774,516
Credit cards	431,806	353,162
Other	126,722	189,504
	7,346,486	**5,702,771**
Loans to corporate entities	**13,457,961**	**10,181,377**
Total loans and advances to customers	**20,804,447**	**15,884,148**
Less: Allowance for losses (impairment) on loans and advances to customers	(377,832)	(433,029)
Total loans and advances to customers (less allowances for losses)	**20,426,615**	**15,451,119**

Out of the total loans and advances to customers, the amount € 2,904 million (2005: € 2,677 million) relates to fixed rate loans, whereas the amount of € 17,900 million (2005: € 13,207 million) relates to floating rate loans.

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

Opening balance for the year (1/1/2006 and 1/1/2005 respectively)	433,029	463,092
Transfers from other provisions	-	8,001
Opening balance of new subsidiaries	-	33,473
Charge for the year	74,135	67,692
Write offs	(127,404)	(137,680)
Balances of subsidiaries sold	(47)	-
Foreign exchange differences	(1,881)	(1,549)
Closing balance for the year (31/12/2006 and 31/12/2005 respectively)	**377,832**	**433,029**

Amounts in thousand euros (Unless otherwise stated)

The charge for the year 2006 (€ 74,331thousand) in the income statement includes amount of € 196 thousand which relates to impairment of other assets. The charge for the year 2005 (€ 69,023 thousand) includes amount of € 1,331 thousand which relates to write - offs of loans with direct charge to the Income Statement for the year.

Loans and advances to customers include finance lease receivables:

	31 December 2006	31 December 2005
Gross investments in finance leases		
Not later than 1 year	310,709	246,065
Later than one year and not later than 5 years	624,782	446,927
Later than 5 years	547,971	361,728
	1,483,462	**1,054,720**
Unearned future finance income	**(352,284)**	**(209,272)**
Net investments in finance leases	**1,131,178**	**845,448**

Net investments in finance leases are analysed as follows:

	31 December 2006	31 December 2005
Not later than 1 year	248,052	201,154
Later than one year and not later than 5 years	466,756	345,778
Later than 5 years	416,370	298,516
	1,131,178	**845,448**

22 Investment securities

Available for sale securities - fair values	31 December 2006	31 December 2005
Bonds and Other Fixed Income Securities		
Greek government bonds	355,826	-
Foreign government bonds	166,830	245,632
Corporate entities bonds	132,626	86,161
Bank bonds	37,442	36,779
	692,724	**368,572**
Shares and Other variable Income securities		
Athens stock exchange listed shares	471,109	28,266
Foreign stock exchanges listed shares	3,393	153,117
Unlisted shares	132,900	135,629
	607,402	**317,012**
Total available for sale securities - fair values	**1,300,126**	**685,584**
Held to maturity		
Foreign government bonds	99,880	94,035
Corporate entities bonds	-	1,520
Total held to maturity	**99,880**	**95,555**
Total Investment securities	**1,400,006**	**781,139**

From the above bonds of the investment portfolio as at 31/12/2006, amount of € 377 million is fixed, € 414 million is floating rate (FRN) and € 2 million is zero-coupon. The respective amounts for 31/12/2005 are € 305 million (fixed), € 157 million (FRN) and € 2 million is zero-coupon.

During 2006, Piraeus Bank Group acquired 44,686,753 shares which corresponds to 8.08% of the share capital of “Bank of Cyprus Public Company Ltd”. The shares of Bank of Cyprus of total value € 462,954,761.08, are included in Athens Stock exchange listed shares in the available for sale portfolio.

The movement in investment securities may be summarised as follows:

Movement of the available for sale securities	31 December 2006	31 December 2005
Opening balance	685,584	472,332
Additions	927,956	304,915
Tranfer from subsidiaries	4,915	88
Tranfer from associates (note 23)	-	19,152
Tranfer to associates (note 23)	(1,879)	-
Disposals	(488,192)	(180,414)
Tranfer to held to maturity portfolio	-	(34,684)
Changes in fair value	198,274	87,183
Foreign exchange differences	(26,532)	17,012
Balance at the end of the year	**1,300,126**	**685,584**

Amounts in thousand euros (Unless otherwise stated)

Note 10 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.

Movement of the held to maturity securities	31 December 2006	31 December 2005
Opening balance	95,555	18,156
Additions	31,340	58,227
Tranfer from available for sale portfolio	-	34,683
Maturity of securities	(22,496)	(18,776)
Foreign exchange differences	(4,519)	3,265
Balance at the end of the year	**99,880**	**95,555**

23 Investments in associated undertakings

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

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

Piraeus Bank controls directly and indirectly through subsidiary the 19.22% and 19.99% of the voting power of Euroterra and Abies respectively. Euroterra and Abies are consolidated as associates, according to the regulations of IAS 28, due to the fact that the Bank is represented on the board of directors of these companies with one member out of total seven members. Piraeus Bank controls 20% of the voting power of Rebicat.

Company	Country	Participation %	Profit / (Loss) before tax	Total revenues	Total assets	Total liabilities
		31 December 2005				
ING - PIRAEUS LIFE INSURANCE COMPANY	Greece	49.90%	1,621	25,350	47,000	40,658
'ISIODOS'' VIOTIKI REGIONAL DEVELOPMENT & INVESTMENT COMPANY S.A.	Greece	37.00%	(14)	75	178	39
CRETE SCIENTIFIC AND TECHNOLOGY PARK MANAGEMENT & DEVELOPMENT COMPANY S.A.	Greece	30.45%	45	84	226	48
ING PIRAEUS MUTUAL FUNDS S.A.	Greece	49.94%	630	19,380	8,968	3,121
EVROS DEVELOPMENT COMPANY S.A.	Greece	30.00%	(150)	1,360	668	358
ETANAL S.A.	Greece	25.00%	(93)	342	1,977	1,563
STALKO S.A.	Greece	25.00%	400	5,428	5,960	2,718
PROJECT ON LINE S.A.	Greece	40.00%	682	716	1,807	951
MONASTIRIOU TECHNICAL DEVELOPMENT CO. S.A.	Greece	33.35%	534	7,207	17,572	7,143
EL-EYWON HOSPITAL	Egypt	24.57%	292	1,426	4,417	83
ALEXANDRIA FOR DEVELOPMENT AND INVESTMENT	Egypt	19.35%	258	1,304	9,579	5,372
NILE SHOES COMPANY	Egypt	34.57%	(15)	1,340	1,756	983
PIRAEUS INSURANCE CONSULTANT	Egypt	35.19%	(6)	40	32	23
EGYPTIAN INTEGRATED STORAGE CO.	Egypt	35.19%	-	-	176	36
REBICAT	Greece	16.67%	(45)	-	3,113	58
ABIES	Greece	16.67%	71	-	9,675	75
EUROTERRA	Greece	16.67%	(109)	90	53,866	3,961
APE COMMERCIAL PROPERTY REAL ESTATE TOURIST & DEVELOPMENT S.A.	Greece	27.80%	(5)	-	58	3
APE FIXED ASSETS REAL ESTATE TOURIST & DEVELOPMENT S.A	Greece	27.80%	(5)	-	59	4
SCIENS INTERNATIONAL INVESTMENTS AND HOLDINGS S.A.	Greece	42.56%	(487)	-	80,799	16,268
DELPHI ADVANCED RESEARCH TECHNOLOGIES LTD	Cyprus	20.47%	2	384	192	80

Amounts in thousand euros (Unless otherwise stated)

The movement of investment in associates is analysed as follows:

	31 December 2006	31 December 2005
Opening balance	65,641	45,587
Additions	4,271	18,142
Disposals	(10,258)	-
Transfer from subsidiaries	-	34,018
Share of profit/ loss before tax	2,167	1,747
Share of tax (note 14)	(327)	(605)
Transfer to the trading portfolio (note 20)	(33,177)	-
Transfer to the available for sale portfolio (note 22)	-	(19,152)
Transfer to the portfolio of subsidiaries	-	(14,166)
Transfer from the available for sale portfolio (note 22)	1,879	-
Foreign exchange differences	(459)	70
Balance at the end of the period	**29,737**	**65,641**

Note 20 is related to the transfer of the partiicipation in Sciens International Investment & Holding S.A to the trading portfolio.

24 Goodwill and other intangible assets

2005

Cost	**Goodwill**	**Software**	**Other intangible**	**Total**
Opening balance as at 1 January 2005	96,897	51,004	21,394	169,295
Additions/ opening balance of new subsidiaries	41,936	9,417	47,415	98,768
Write-offs/ Disposals	-	(241)	(5,001)	(5,242)
Foreign exchange differences	2,473	34	962	3,469
Balance as at 31 December 2005	**141,306**	**60,214**	**64,770**	**266,290**
Accumulated depreciation				
Opening balance as at 1 January 2005	-	(39,804)	(9,399)	(49,203)
Opening balance of new subsidiaries	-	(819)	(1,703)	(2,522)
Charge for the year	-	(6,502)	(7,601)	(14,103)
Write-offs/ Disposals	-	77	1,920	1,997
Foreign exchange differences	-	(71)	(149)	(220)
Accumulated depreciation at 31 December 2005	**-**	**(47,119)**	**(16,932)**	**(64,051)**
Net book value at 31 December 2005	**141,306**	**13,095**	**47,838**	**202,239**

Other intangible assets include intangible assets of subsidiaries acquired in 2005 and were recognised after the completion of the purchase price allocation exercise.

2006

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

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

Amounts in thousand euros (Unless otherwise stated)

25 Property, plant and equipment

2005	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
Cost						
Opening balance as at 1 January 2005	383,127	154,686	85,421	109,194	107,473	839,901
Opening balance of new subsidiaries	1,841	4,875	6,785	874	5,155	19,530
Additions	33,706	29,799	1,655	30,576	15,603	111,339
Transfers	(109,710)	96	(65,443)	(33,648)	2,661	(206,044)
Disposals	(71,185)	(7,168)	(4,443)	(16,402)	(8,719)	(107,917)
Write offs	-	(116)	(15)	(25)	(459)	(615)
Foreign exchange differences	598	885	175	5	658	2,321
Balance as at 31 December 2005	**238,377**	**183,057**	**24,135**	**90,574**	**122,372**	**658,515**
Accumulated depreciation						
Opening balance as at 1 January 2005	(7,952)	(114,409)	-	(40,857)	(48,463)	(211,681)
Opening balance of new subsidiaries	(1,680)	(3,959)	-	(356)	(1,992)	(7,987)
Charge for the year	(4,534)	(18,274)	-	(11,868)	(9,077)	(43,753)
Transfers	937	(312)	-	16,346	(785)	16,186
Disposals	836	5,232	-	8,957	4,636	19,661
Write - offs	735	113	-	15	351	1,214
Foreign exchange differences	(58)	(580)	-	49	(389)	(978)
Accumulated Depreciation 31 December 2005	**(11,716)**	**(132,189)**	**0**	**(27,714)**	**(55,719)**	**(227,338)**
Net book value as at 31 December 2005	**226,661**	**50,868**	**24,135**	**62,860**	**66,653**	**431,177**

The above charge for the year 2005 (€ 43,753 thousand): a) includes depreciation of Best Leasing of amount € 10,891 thousand which was included in "Other operating income" in the Consolidated Income Statement and b) does not include amount of € 81 thousand which relates to depreciation expense of companies which were fully consolidated as at 30/9/2005, whereas as at 31/12/2005 were consolidated as associates.

2006	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
Cost						
Opening balance as at 1 January 2006	238,377	183,057	24,135	90,574	122,372	658,515
Opening balance of new subsidiaries	-	-	-	11	-	11
Additions	33,314	30,584	49,193	29,995	25,186	168,272
Transfers	15,423	4,097	(32,720)	(1,675)	14,645	(230)
Disposals	(12,325)	(3,091)	(404)	(21,223)	(208)	(37,251)
Write-offs	-	(240)	-	(45)	(3,956)	(4,241)
Foreign exchange differences	(890)	(324)	1,066	569	(603)	(182)
Balance as at 31 December 2006	**273,899**	**214,083**	**41,270**	**98,206**	**157,436**	**784,894**

	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
Accumulated depreciation						
Opening balance as at 1 January 2006	(11,716)	(132,189)	0	(27,714)	(55,719)	(227,338)
Opening balance of new subsidiaries	-	-	-	(11)	-	(11)
Charge for the year	(6,066)	(20,971)	-	(13,133)	(10,784)	(50,954)
Transfers	(90)	(224)	-	(85)	134	(265)
Disposals	545	2,879	-	11,052	208	14,684
Write - offs	-	240	-	45	2,070	2,355
Foreign exchange differences	512	198	-	54	(42)	722
Accumulated Depreciation 31 December 2006	**(16,815)**	**(150,067)**	**-**	**(29,792)**	**(64,133)**	**(260,807)**
Net book value as at 31 December 2006	**257,084**	**64,016**	**41,270**	**68,414**	**93,303**	**524,087**

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

Amounts in thousand euros (Unless otherwise stated)

26 Investment property

	2006	2005
Opening balance	542,430	126,253
Opening balance of new subsidiaries	-	30,040
Revaluations	50,540	3,103
Additions	55,837	248,236
Transfers	(20,609)	166,700
Disposals	(9,284)	(31,902)
Foreign exchange differences	834	-
Balance at the end of the year	**619,748**	**542,430**

Rental income from investment property amounts to € 30,621 thousand (2005: € 14,115 thousand). Operating expenses of investment property that is rented to third parties equal to € 4,324 thousand (2005: € 4,791 thousand).

Out of the total transfers during 2006, amount € 17,329 thousand was transferred from investment property to inventories property and relates to property that does not meet any more the IFRS investment property requirements due to change in its use.

Investment property is presented at fair value, as this is estimated by a certified independent valuer (Lambert Smith Hampton) on an annual basis. Fair value is determined by the market prices or if market prices are not available, valuation models are used as described in section 2.15. The total fair value of investment property under finance leases as at 31/12/2006 is € 422,128 thousand (2005: € 339,381 thousand).

27 Held for sale

2005	
Cost	
Opening balance	0
Additions and balances of new subsidiaries	28,781
Transfers	(12,210)
Disposals	(4,417)
Impairment	(196)
Balance as at 31/12/2005	**11,958**

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

The loss from the sale of assets held for sale during 2006 was € 23 thousand (2005: € 2,032 thousand) and has been included in the profit and loss statement in line "Gains/ losses from sale of assets".

Assets held for sale include assets, mainly land and buildings, acquired by foreign bank subsidiaries in Egypt and Bulgaria in settlement of their loan portfolio. The sale procedure is lengthy and it is expected to finalise in 2007.

28 Other assets

	31 December 2006	31 December 2005
Prepaid expenses and accrued income	169,917	113,909
Prepaid taxes and taxes withheld	69,138	66,255
Claims from tax authorities and the State	62,324	60,771
Inventories - property	181,357	165,838
Other items	387,891	300,400
	870,627	**707,173**
Current other assets	322,388	227,277
Non current other assets	548,239	479,896
	870,627	**707,173**

Amounts in thousand euros (Unless otherwise stated)

Inventories property as at 31/12/2006 include property of ETBA VIPE of amount € 132.4 million (2005: € 135.2 million) and property acquired by the Bank through auctions of amount € 45.7 million (2005: € 28.4 million).

Other items include customer receivables, inventories of subsidiaries and other accounts with debit balances that result from the daily transactions of the Group.

29 Due to banks

	31 December 2006	31 December 2005
Amounts due to central banks	2,587	3,959
Deposits from other banks	4,201,518	2,910,008
Other obligations to banks	673,974	477,027
Repurchase agreement - credit institutions	4,772	144,770
	4,882,851	**3,535,764**

Balances due to banks bear floating rates.

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

30 Due to customers

	31 December 2006	31 December 2005
Current and sight deposits	4,034,418	3,519,488
Savings account	3,626,365	3,402,934
Term deposits	8,773,949	5,915,499
Other accounts	241,704	212,527
Repurchase agreements	58,153	146,080
	16,734,589	**13,196,528**

Due to customers include blocked deposits of € 198 million (2005: € 102 million).

Customer deposits (corporate and retail excluding cheques payable and repos) with floating rates are € 13,838 million (2005: € 12,295 million) and fixed rates are € 2,714 million (2005: € 901 million).

31 Debt securities in issue

		Average interest rate (%)			
	Currency	2006	2005	31 December 2006	31 December 2005
ETBA bonds	EUR	2.87%	2.26%	791,606	438,139
Euro Commercial Paper (Short term securities)	EUR	3.00%	2.22%	1,558,903	1,528,820
	USD	5.13%	3.62%	227,783	80,939
	GBP	4.75%	4.72%	89,061	31,955
	JPY	0.39%	-	10,193	-
				1,885,940	1,641,714
Euro Medium Term Note (Medium/long term securities)	EUR	3.30%	2.53%	1,941,362	920,262
	USD	5.21%	3.73%	27,591	16,789
				1,968,953	937,051
Securitisation of mortgage loans	EUR	3.09%	2.32%	611,366	725,130
Other debt securities	BGN	6.67%	6.67%	3,648	3,654
				5,261,513	**3,745,688**

The Euro Commercial Paper (ECP) short term securities in issue amounted to € 2 billion without significant change in the level of average maturity or the interest spread.

Securities issuance activity through the Euro Medium Term Note Program (EMTN), from the beginning of 2006, included local investors through private placements. In January 2006, the reissue for € 50 million of the 5 year benchmark bond was completed. The Bank issued (March 2006) a new 3 year € 500 million benchmark senior debt with a nominal coupon of 3 month Euribor plus 20 basis points. Also, the Bank issued (October 2006) a new 5 year € 500 million benchmark senior debt with a nominal coupon of 3 month Euribor plus 25 basis points.

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

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

32 Hybrid capital and other borrowed funds

		Average interest rate (%)			
	Currency	2006	2005	31 December 2006	31 December 2005
Hybrid capital (Tier I)	EUR	4.15%	3.39%	201,206	201,178
Subordinated loans (Tier II)	EUR	3.62%	2.74%	800,067	398,124
Other borrowed funds	USD	6.60%	6.88%	3,797	4,238
				1,005,070	**603,540**

Amounts in thousand euros (Unless otherwise stated)

Hybrid capital (TIER I) has beed 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.

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, a nominal coupon 3 month Libor increased by 360 basis points, and a call option that can be exercised on 18/12/2006. The call option was exercised on 18/12/2006. Marathon Bank issued new borrowed funds on 15/12/2006, non callable for 5 years, with a fixed coupon of 6.6%.

Accrued interest of hybrid capital and 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 hybrid capital and other borrowed funds during the year.

33 Other liabilities

	31 December 2006	31 December 2005
Deferred income and accrued expenses	170,717	124,431
Obligations under finance leases	224,199	172,540
Withholding taxes and contributions	33,692	24,601
Other liabilities	442,409	232,544
	871,017	**554,116**
Current other liabilities	295,863	227,358
Non current other liabilities	575,154	326,758
	871,017	**554,116**

Other liabilities 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.

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

Gross liabilities from finance leases	31 December 2006	31 December 2005
Not later than 1 year	23,046	18,979
Later than one year and not later than 5 years	339,348	262,655
Later than 5 years	1,975,017	1,963,527
	2,337,411	**2,245,161**
Future finance expense	(2,113,212)	(2,072,621)
Net liabilities from finance leases	**224,199**	**172,540**

Net liabilities from finance leases may be analyzed as follows:

	31 December 2006	31 December 2005
Not later than 1 year	15,862	11,838
Later than one year and not later than 5 years	78,858	58,578
Later than 5 years	129,479	102,124
	224,199	**172,540**

Liabilities under finance leases consist of the liability (€ 197million) arising from the finance lease agreement for the Citylink building, signed by the Group subsidiary Picar SA, of total duration fifty years.

34 Other provisions

The movement in other provisions may be summarised as follows:

	31 December 2006	31 December 2005
Opening balance	20,653	58,560
Charge for the year	2,705	7,426
Utilisation of provisions	(11,139)	(45,333)
FX differences	(475)	-
Balance at the end of the year	**11,744**	**20,653**

Other provisions relate mainly to provisions for unaudited tax years.

Amounts in thousand euros (Unless otherwise stated)

35 Deferred tax

Deferred income taxes for Piraeus Bank are calculated on all temporary differences under the liability method using a nominal tax rate of 29% less a 5% discount due to the merger with of Hellenic Investment Company S.A., that is 24% (2005: 27%). The nominal tax rates of Group subsidiaries are different compared to the nominal tax rate of the Bank (note 14).

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

	31 December 2006	31 December 2005
Deferred tax liabilities		
Adjustment for depreciation of property, plant and equipment	1,813	1,391
Investment property valuation	10,710	5,084
Derivative financial instruments valuation	3,928	7,486
Financial assets at fair value through profit or loss	-	92
Securities valuation	35,121	19,265
Recognition of commision according to effective interest rate calculation	5,711	4,245
Impairment of receivables	3,191	7,958
Deferred tax liability of purchase price allocation exercise	4,144	5,330
Other deferred tax liabilities	7,441	9,372
	72,059	**60,223**
Deferred tax assets		
Pensions and other post retirement benefits	38,583	41,065
Impairment of receivables	4,415	5,686
Other provisions	-	851
Financial assets at fair value through profit and loss	-	437
Derecognition of intangible assets	2,473	4,105
Securities valuation	11,417	8,842
Derivative financial instruments valuation	4,814	9,470
Recognition of tax losses	6,298	5,631
Impairment of securities	13,619	44,171
Recognition of commision according to effective interest rate calculation	11,680	12,324
Other deferred tax assets	6,954	4,636
	100,253	**137,218**
Net deferred tax asset	**28,194**	**76,995**

The amount of € 32.5 million, that relates to the gain from the sale of ING GROEP N.V. shares, formed a reserve according to Law 2238 (article 38) and was offset against the deferred tax asset (impairment of securities) due to the existence of the reserve (with a debit balance) according to Law 2238 (article 38) as at 31/12/2005.

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

	2006	2005
Net deferred tax asset as at 1 January	**76,995**	**83,013**
Effect of deferred tax in profit or loss	(37,966)	20,993
Sale/ valuation of the available for sale portfolio	(10,835)	(26,540)
Other temporary differences	-	929
Adjustment for net deferred tax asset of Piraeus Leasing S.A.	-	(1,400)
Net deferred tax asset as at 31 December	**28,194**	**76,995**

The movement of deferred tax in profit and loss for the period (note 14) is analysed as follows:

	2006	2005
Pensions and other post retirement benefits	(2,482)	(2,191)
Impairment of loans	3,496	(17,626)
Recognition of commision according to effective interest rate calculation	(2,110)	(2,032)
Investment property valuation	(5,626)	(5,084)
Derivative financial instruments valuation	(1,098)	(697)
Recognition of tax losses	667	5,631
Adjustment for depreciation of property, plant and equipment	(422)	4,133
Derecognition of intangible assets	(1,632)	(2,018)
Financial assets at fair value through profit and loss	(345)	(161)
Securities valuation	(2,448)	(6,073)
Other provisions	(851)	(10)
Deferred tax of purchase price allocation exercise	1,187	-
Deferred tax on the profit realized from the sale of ING GROEP N.V.	(32,452)	-
Impairment of securities	1,901	44,171
Foreign exchange differences and other temporary differences	4,249	2,950
	(37,966)	**20,993**

During the year 2006, deferred tax of amount € 10,835 thousand relating to sales and valuation of the available for sale securities did not affect the profit and loss for the year, but instead decreased the available for sale reserve according to the relevant IFRS regulations.

Amounts in thousand euros (Unless otherwise stated)

36 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.

The actuarial study has been carried out as at 31/12/2006. The estimation of the liability at this date was based on the results of this study and it is as follows:

	31 December 2006	31 December 2005
Amounts recognised in the balance sheet		
Pension schemes-funded	70,226	83,080
Other post retirement benefits - not funded	76,634	61,758
	146,860	**144,838**
Provision for outstanding annual leaves	1,864	6,445
Provision for voluntary leave plan 12/2003	-	163
Total obligation	**148,724**	**151,446**

	1/1-31/12/2006	1/1-31/12/2005
Income statement		
Pension schemes-funded	(3,270)	(10,222)
Other post retirement benefits - not funded	(18,631)	(13,891)
	(21,901)	**(24,113)**

A) Pension schemes - funded

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

	31 December 2006	31 December 2005
Present value of funded obligations	91,441	161,644
Fair value of plan assets	(12,061)	(34,382)
	79,380	**127,262**
Unrecognised actuarial (losses)/ gains	(9,154)	(44,182)
Liability in the balance sheet	**70,226**	**83,080**

The Bank made use of the provisions of Law 3371/05 in order to transfer the insured and the retired of TEAPETE into the Special Auxiliary Pension Fund for the Salaried (ETEAM) and the Pension Fund for Bank Employees (ETAT). The total cost amounts to € 59.6 million (€ 9.7 million shall be paid to ETEAM and € 49.9 million shall be paid to ETAT). Such cost was specified on the basis of a special financial study stipulated by law, was ratified by the Parliament with Law 3455/2006, article 26, and was published in the Official Gazette 84, bulletin A (18/4/2006). This amount shall be paid in 10 equal instalments of € 7.1 million each. Out of these instalments, the 2 instalments of amount € 14.2 million were paid during 2006. On April 1, 2006 the current value of these instalments amounted to € 58.6 million. On April 1, 2006, the accumulated provision of the Bank for TEAPETE benefits amounted to € 66.2 million. Due to the above estimation of the liability, the difference on the provision amount was recorded in the profit or loss for the year. Although TEAPETE is no longer among funded benefits, it is featured as part of funded benefits on 31/12/2006 for comparison purpose.

The amounts recognised in the income statement are as follows:

	1/1-31/12/2006	1/1-31/12/2005
Pension schemes - Income statement		
Current service cost	(4,091)	(4,206)
Interest cost	(4,533)	(6,365)
Expected return on plan assets	561	1,118
Net actuarial gains/ (losses) recognised in year	(38,009)	(606)
Additional gains/ (cost)	42,802	(163)
Total, included in staff costs	**(3,270)**	**(10,222)**

The movement in the defined benefit obligation for the year 2006 is analysed as follows:

	31 December 2006	31 December 2005
Beginning of year	**161,644**	**130,746**
Current service cost	4,091	4,206
Interest cost	4,532	6,365
Contributions by plan participants	1,932	3,951
Benefits paid from the fund	(1,693)	(7,085)
Benefits paid directly by the employer	(14,268)	-
Expenses	(43)	(36)
Additional (gains)/ cost	(67,579)	163
Net actuarial (gains)/ losses recognised in year	2,825	23,334
End of year	**91,441**	**161,644**

Amounts in thousand euros (Unless otherwise stated)

The movement in the fair value of plan assets of the year 2006 is analysed as follows:

	2006	2005
Beginning of year	**34,382**	**34,023**
Expected return on plan assets	561	1,118
Employer contributions	1,856	2,884
Employee contributions	1,932	3,952
Benefits paid	(1,693)	(7,085)
Expenses	(43)	(36)
Assets gains/ (losses)	(198)	(474)
Additional gains/ (cost)	(24,736)	-
End of year	**12,061**	**34,382**

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

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

	31 December 2006	31 December 2005
Opening balance	83,080	75,743
Movement for the year	3,270	10,222
Contributions paid by the employer	(1,856)	(2,885)
Benefits paid directly by the employer	(14,268)	-
Closing balance	**70,226**	**83,080**

B) Other post retirement benefits - not funded

The amounts recognised in the balance sheet are as follows:

	31 December 2006	31 December 2005
Present value of unfunded obligations	91,819	79,152
Unrecognised actuarial (losses)/ gains	(13,262)	(17,394)
Unrecognized past service cost	(1,923)	-
Liability in the balance sheet	**76,634**	**61,758**

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

The movement in the defined benefit obligation for the year 2006 is analysed as follows:

	31 December 2006	31 December 2005
Opening balance	**79,152**	**69,834**
Current service cost	4,413	4,509
Interest cost	2,816	3,336
Benefits paid by the employer	(3,755)	(14,457)
Additional (gains)/ cost	(3,720)	5,967
Past service cost	12,147	-
Actuarial (gains)/ losses recognised in year	766	9,963
End of year	**91,819**	**79,152**

The amounts recognised in the income statement are as follows:

Income Statement	**1/1-31/12/2006**	**1/1-31/12/2005**
Current service cost	(4,413)	(4,509)
Interest cost	(2,816)	(3,336)
Net actuarial gains/ (losses) recognised in year	(3,935)	(79)
Past service cost recognized	(10,224)	-
Additional gains/ (cost)	2,757	(5,967)
Total included in staff costs	**(18,631)**	**(13,891)**

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

	2006	2005
Opening balance	61,758	62,324
Movement for the year	18,631	13,891
Benefits paid by by the employer	(3,755)	(14,457)
Closing balance	**76,634**	**61,758**

The pricipal actuarial assumptions used were as follows:

	31 December 2006	31 December 2005
Discount rate	4.50%	4.25%
Expected return on plan assets	4.00%	4.25%
Future increase of salaries	4.00%	4.00%
Future increase of pensions	2.50%	2.50%

Amounts in thousand euros (Unless otherwise stated)

2) Subsidiaries

For the estimation of the liability relating to defined benefit obligation plans of Group subsidiaries an actuarial study has been carried out. The total amount of the liability related to the Group subsidiaries is € 4,508 thousand (2005:€ 3,253 thousand). The total charge in profit and loss for the year 2006 resulting from the defined benefit obligation plans of the Bank and the Group subsidiaries is € 21,901 thousand (2005: € 24,113 thousand) and € 2,924 thousand (2005: € 1,286 thousand) respectively.

The total liability of Piraeus Bank Group relating to retirement benefit obligations and the relevant charge in profit and loss for the years 2006 and 2005 is presented below:

	2006	2005
Retirement benefit obligations as at 1 January	**154,699**	**150,223**
Movement for the year	24,825	25,399
Contributions paid	(21,548)	(17,342)
Provision for outstanding annual leaves	(4,581)	554
Provision for voluntary leave plan 12/2003	(163)	(4,135)
Retirement benefit obligations as at 31 December	**153,232**	**154,699**

37 Contingent liabilites and commitments

A) Legal procedures
For the legal proceedings outstanding against the Group as at 31/12/2006, no provision has been made, as according to the opinion of the Bank's legal affairs division no significant loss will arise.

B) Credit commitments
As at 31/12/2006 the Group had the following credit commitments.

	31 December 2006	31 December 2005
Letters of guarantee	1,974,449	1,785,141
Letters of credit	197,744	138,231
Commitments to extent credit	7,189,612	6,121,793
	9,361,805	**8,045,165**

C) Assets pledged

	31 December 2006	31 December 2005
Balances with central banks	-	63,694
Trading securities	195,865	97,499
Investment securities	55,751	77,155
	251,616	**238,348**

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

	31 December 2006	31 December 2005
Up to 1 year	27,056	27,258
From 1 to 5 years	114,565	115,992
More than 5 years	236,344	235,379
	377,965	**378,629**

38 Share capital

	Share Capital	Share Premium	Treasury Shares	Total
At 1 January 2005	831,067	365,733	(25,267)	1,171,533
Absorption of companies - cancellation of treasury shares	193,865	(35,090)	-	158,775
Purchase of treasury shares	-	-	(132,354)	(132,354)
Sale of treasury shares	-	-	140,027	140,027
At 31 December 2005	**1,024,932**	**330,643**	**(17,594)**	**1,337,981**
At 1 January 2006	1,024,932	330,643	(17,594)	1,337,981
Capitalization of share premium	256,233	(259,200)	-	(2,967)
Issue of share capital from the exercise of share options under the 2nd & 3rd share option plans	7,665	16,703	-	24,368
Purchase of treasury shares	-	-	(356,152)	(356,152)
Sale of treasury shares	-	-	276,444	276,444
At 31 December 2006	**1,288,830**	**88,146**	**(97,302)**	**1,279,674**

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

	Number of shares		
	Issued shares	Treasury shares	Net number of shares
Opening balance at 1st January 2005	200,257,006	(2,293,319)	197,963,687
Issue of shares due to absorption	16,653,425	-	16,653,425
Cancellation of 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
Balance at 31st December 2005	**214,870,434**	**(1,026,741)**	**213,843,693**

Amounts in thousand euros (Unless otherwise stated)

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

The share capital is fully paid-in. 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 (taking into consideration 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.

The 2nd Iterative General Meeting of Piraeus Bank shareholders, held on 15/05/2006, 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.

In the Board of Directors' meeting on 27/12/2006 it was decided to proceed to an increase in the Bank's share capital by € 7,665,332.76 issuing 1,606,988 new registered voting shares at a par value of € 4.77 each. The above increase was paid cash by the optionees of the 2nd and 3rd Stock Options Plans, who exercised their stock options, according to the relevant decisions of the General Meeting of Shareholders and the executing resolutions issued by the Board of Directors. The amount payable by the optionees for the purchase of the shares amounts to €19,731,798.88 in total, of which € 7,665,332.76 accounts for the share capital and the remaining € 12,066,466.12 accounts for the above par value. In addition, amount € 4.980.856 that relates to the cost of the exercised share options was transferred to the share premium from the reserve for share option plans, according to the IFRS regulations. Following the above increase, the Bank's total share capital rises to € 1,288,830,297.87 divided into 270,195,031 registered voting shares, each at a par value of €4.77.

Share option plans

2nd share option plan

The 2nd Iterative General Meeting of Piraeus Bank shareholders that took place on 16/5/2005 decided upon the initiation of a 4 year share option plan for the Board members and the executives and senior management of the Bank and its related (according to the article 42e of Law 2190/1920) companies. The above plan is in force and being 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 at the time the decision was taken, according to the article 13 par. 9 of Law 2190/1920.

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

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

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

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

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

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

In December 2006, 1,066,588 share options of the 2nd share option scheme were exercised. The total amount paid by the holders of the share options for the purchase of the shares was € 10,409,898.88.

3rd share option plan

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

Amounts in thousand euros (Unless otherwise stated)

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	3.33	805,764
30/11/2007	17.25	3.33	805,764
30/11/2008	17.25	3.33	805,764
30/11/2009	17.25	3.32	805,764
30/11/2010	17.25	3.24	805,764
			4,028,820

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

In December 2006, 540,400 share options of the 3rd share option scheme were exercised. The total amount paid by the holders of the share options for the purchase of the shares was € 9,321,900.00.

39 Other reserves and retained earnings

	31 December 2006	31 December 2005
Legal reserve	41,512	22,916
Extraodinary reserve	(457)	503
Available for sale reserve	109,637	62,504
Currency translation reserve	(1,566)	3,521
Other reserves	14,524	6,759
Total other reserves	**163,650**	**96,203**
Retained earnings	172,877	(55,758)
Total other reserves and retained earnings	**336,527**	**40,445**

	31 December 2006	31 December 2005
Other reserves movement		
Opening balance	96,203	75,133
Mergers - cancellation of treasury shares	-	280
Available for sale reserve	47,133	59,506
Distribution of reserves of Piraeus Sigma Devletoglou Securities S.A.	-	(7,007)
Transfer from retained earnings	4,034	1,770
Formation of legal reserve	18,596	15,767
Reserve for stock option plan	8,360	200
Transfer to share premium due to exercise of share options	(4,981)	-
Utilization of legal reserve against the 1st time adoption adjustments	-	(51,667)
Differences from currency translations and other adjustments	(5,695)	2,221
Closing balance	**163,650**	**96,203**

Legal reserve is mandatory (article 44, Law 2190/1920), non-distributtable and it is formed by transferring at least 5% of net profits until this reserve represents one third of the Bank’s share capital.

Available for sale reserve movement	31 December 2006	31 December 2005
Opening balance	62,504	2,998
Gains/ (losses) from the valuation of AFS bonds (note 22)	(1,082)	3,500
Gains/ (losses) from the valuation of AFS shares (note 22)	198,079	83,683
Deferred income taxes (note 35)	(12,104)	(21,166)
Recycling of the accumulated valuation for AFS securities	(137,501)	(7,578)
Foreign exchange differences and other adjustments	(259)	1,067
Closing balance	**109,637**	**62,504**

Amounts in thousand euros (Unless otherwise stated)

Retained earnings movement	**31 December 2006**	**31 December 2005**
Opening balance	(55,758)	(344,462)
Mergers - cancellation of treasury shares	-	56,590
Profit after tax for the year	434,649	263,773
Dividends of prior period	(107,435)	(80,103)
Interim dividend for 2006	(85,948)	-
Gains/ (losses) from sales of treasury shares	29,119	12,738
Transfer to other reserves	(22,630)	(17,537)
Interim dividend of Hellenic Investment Company S.A.	-	5,907
Distribution of reserves of Piraeus Sigma Devletoglou Securities S.A.	-	(1,926)
Utilization of legal reserve against the 1st time adoption adjustments	-	51,667
Acquisitions, absorptions and movement in subsidiaries holding	(17,980)	-
Differences from currency translations and other adjustments	(1,140)	(2,405)
Closing balance	**172,877**	**(55,758)**

40 Dividend per share

The Board of Directors decided and will propose, at the General Meeting of Piraeus Bank which will be held on April 3, 2007, € 0.64 dividend per share for the year 2006 in comparison to € 0.50 for the year 2005 (€ 0.40 adjusted for the new number of shares issued after the distribution to shareholders of one new free share for every four old shares). Out of the total amount of dividend per share (€ 0.64), an interim dividend of € 0.32 per share was paid in December 2006 in accordance with the decision of the Board of Directors of 8/11/2006. The interim dividend (€ 0.32 per share) was recognised as a deduction in the Bank's equity during 2006.

41 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with less than 3 months maturity from the date of their acquisition.

	31 December 2006	**31 December 2005**
Cash and balances with central banks (Note 16)	1,656,359	1,332,304
Treasury bills and other eligible bills (Note 17)	94,568	47,193
Loans and advances to credit institutions (Note 18)	2,624,250	2,134,470
Trading securities (Note 20)	6,112	1,097
	4,381,289	**3,515,064**

42 Related party transactions

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

	Board of Directors members and key management personnel	
	31 December 2006	**31 December 2005**
Loans	103,646	83,785
Deposits	56,048	34,326

Letters of guarantees and letters of credits to the members of the board of directors and to the key management personnel as at 31/12/2006 are € 9.5 million (2005: € 10.1 million). The total income and expense on loans and deposits to/ from members of the board of directors and to key management personnel for the year 2006 is € 4.9 million and € 0.4 million respectively.

Loans and letters of guarantees issued to related parties represent an insignificant part of total loans and letters of guarantees issued by the Group, respectively. Loans and letters of guarantees have been issued to related parties in the normal course of business, within the approved credit policies and Group procedures, adequately collateralised. Loans to related parties are performing and no provision has been raised for their balances.

Director's Remuneration	**31 December 2006**	**31 December 2005**
Salaries and other remuneration	11,561	8,419
Post employment benefits	-	1,596
	11,561	**10,015**

The total cost for the share options granted to Board of Directors members and key management personnel is € 3.3 million (2005: € 164 thousand) (note 12). The total amount of provisions for Board of Directors members and key management personnel is € 31.5 million as at 31/12/2006. This amount has been included in retirement benefit obligation (note 36).

Amounts in thousand euros (Unless otherwise stated)

	Associates	
	31 December 2006	**31 December 2005**
Deposits	21,624	10,964
Interest expense	(205)	(159)
Loans	4,252	22,214
Interest income	227	730

43 Acquisitions and disposals of subsidiaries and associates

In the period from 1/1/2006 to 31/12/2006, 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.

Piraeus Bank increased its shareholding percentage in Tirana Bank IBC by 2.0%, against an amount of consideration paid of € 0.64 million. In this way, Piraeus Bank shareholding in Tirana Bank IBC resulted in 90.72%. Later on, Piraeus Bank participated in the share capital increase of the same subsidiary, with the amount of € 4.54 million, without altering its shareholding percentage.

Piraeus Bank increased its shareholding percentage in Piraeus Bank Beograd by 11.77%, against an amount of consideration paid of € 7.67 million. In this way, Piraeus Bank shareholding in Piraeus Bank Beograd resulted in 100%. Later on, Piraeus Bank participated in the share capital increase of the same subsidiary, with the amount of € 5.96 million, without altering its shareholding percentage.

Piraeus Bank increased its shareholding percentage in Piraeus Bank Egypt by 7.37%, against an amount of consideration paid of € 7.69 million, increasing in this way its shareholding percentage to 95.34%.

Piraeus Bank increased its shareholding percentage in Piraeus Leasing S.A. by 1.20%, against an amount of total consideration paid of € 1.77 million, increasing in this way its shareholding percentage to 86.76%. Similarly, Piraeus Bank increased its shareholding percentage in Piraeus Real Estate Investment Property S.A. by 0.37%, against an amount of total consideration paid of € 0.54 million, increasing in this way its shareholding percentage to 38.17%.

Piraeus Bank increased its shareholding percentage in Piraeus Multifin S.A. by 12.50%, against an amount of total consideration paid of € 5.50 million, increasing in this way its shareholding percentage to 100%.

Piraeus Bank covered the total amount of share capital increase of Piraeus Leasing Romania, that is € 5.0 million, increasing its direct shareholding percentage to 99.80%.

The 100% shareholding percentage in the company C.T.S. S.A. was transferred from Piraeus Bank to Piraeus Leasing S.A., against an amount of consideration paid of € 0.054 million. Subsequently, Piraeus Leasing S.A. covered in full the share capital increase of C.T.S. S.A through the amount of € 0.13 million.

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.

On 2.09.2006 Piraeus Bank and Piraeus Securities S.A. acquired a percentage of shareholding of 78.25% and 19.56% respectively in S.S.I.E. PIRAEUS SECURITIES ROMANIA S.A. (former European Securities S.A.), against a total amount of consideration paid of € 0.82 million.

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 Polytropon Properties Ltd., both established in Cyprus.

Piraeus Bank Egypt obtained the majority shareholding in the companies Piraeus Egypt Asset Management, Piraeus Egypt Leasing Co. and Piraeus Egypt Brokerage Co., as well as a minority shareholding in Borg El Arab (all based in Egypt).

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 subsidiary companies Trieris Real Estate Management Ltd and Trieris Real Estate Ltd were incorporated and established both in British Virgin Islands. Subsequently, Piraeus Bank decreased its shareholding in Trieris Real Estate Ltd from 100% to 24.13% due to share capital increase (in which Piraeus Bank participated with € 3.65 million) and the company has been included in the associates portfolio. The subsidiaries Piraeus Insurance Brokerage EOOD (subsidiary of Piraeus Bank Bulgaria) 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 (subsidiary of Piraeus Real Estate S.A.) was incorporated and established in Romania. From the above mentioned companies, Piraeus Insurance Brokerage EOOD was consolidated as at 30/9/2006, whereas the rest of the companies have been consolidated as at 31/12/2006.

Piraeus Banks' shareholding in ING Piraeus Mutual Funds S.A. (49.94%) was sold. The associate companies Iliou Group-Commercial S.A., Greek Leather Processing Industry S.A. and P. Manesis Bros. S.A. were disposed of. Piraeus Bank Egypt's minority shareholding in El-Eywon Hospital (based in Egypt) was sold.

Amounts in thousand euros (Unless otherwise stated)

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 Bank and European Reliance General Insurances S.A. have reached an agreement, so that Piraeus Bank acquires a 30% stake in the share capital of European Reliance General Insurances S.A. The completion of the above agreement is subject to the approval of the General Meeting of the Shareholders of European Reliance General Insurances S.A. and the supervising and administrative authorities.

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., Piraeus Eurobank A.D. has been renamed to Piraeus Bank Bulgaria 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. Moreover, 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.

The Group's investments in subsidiaries at 2006 which are described above, are analysed in the table as follows:

	2006	**2005**
Participation in share capital increases	52,831	136,162
Increase of shareholding in Group subsidiaries	24,045	169,732
Incorporation of companies	2,055	2,028
	78,931	307,922
Acquisition of subsidiaries	1,719	92,824
Less: Cash and cash equivalents of subsidiaries acquired	(419)	(134,735)
Total	**80,231**	**266,011**

During 2006, the goodwill (note 24) raised from the acquisition of subsidiaries and the increase of shareholding in Group subsidiaries was € 6,710 thousand (2005: € 41,936 thousand).

During 2006, the Group sold in full its shareholding in the subsidiary company Sudanese Egyptian Bank (70.62%) based in Sudan. The details of assets and liabilities disposed are as follows:

Cash and cash equivalents	22,727
Loans and advances to credit institutions	11,035
Loans and advances to customers (net of provisions)	25,678
Investment securities	10,583
Other assets	9,270
Due to banks	(1,258)
Due to customers	(59,253)
Other liabilities	(1,755)
Total equity	**17,027**
Proceeds from sale of Sudanese Egyptian Bank	11,757
Less: Cash and cash equivalents of the subsidiary sold	(22,727)
Net cash inflow/ (outflow) on sale	**(10,970)**

Furthemore, during 2006 the Group sold in full its shareholding in the subsidiary company Ktimatoependitiki Tourist and Development S.A. (100%) against a disposal consideration of € 60 th.

Amounts in thousand euros (Unless otherwise stated)

44 Post Balance Sheet events

The Board of Directors of Piraeus Bank on an extraordinary meeting held on January 11th, 2007 resolved to proceed with the submission of a voluntary public offer to the shareholders of Marfin Popular Bank Public Co Ltd. The aforementioned voluntary public offer will aim at the acquisition of at least 40% and up to 100% of the share capital of Marfin Popular Bank Public Co Ltd and the consideration will consist of one share of Piraeus Bank S.A. for every 5.70 shares of Marfin Popular Bank Public Co Ltd, as determined by the fair and reasonable value of the two companies. Piraeus Bank shares offered on consideration will derive from a share capital increase of Piraeus Bank S.A. in favor of the shareholders of Marfin Popular Bank Public Co Ltd. The aforementioned voluntary public offer will be subject to the approval of the share capital increase by the Piraeus Bank S.A. Shareholders Extra-ordinary General Assembly, which will be convened for this purpose on February 12th, 2007, as well as to obtaining all necessary approvals by the competent regulatory authorities both in Cyprus and Greece.

Athens, January 30th 2007

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

Independent auditor's report

To the Shareholders of "Piraeus Bank S.A"

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of "Piraeus Bank S.A." (the "Bank"), and its subsidiaries (the "Group") which comprise the consolidated balance sheet as of 31 December 2006 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

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

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

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

Opinion
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as endorsed by the European Union.

Report on Other Legal and Regulatory Requirements

The information included in the Board of Director's report, setout in pages 3 to 6, is consistent with the financial statements.

PRICEWATERHOUSECOOPERS

268 Kifissias Avenue
152 32 Chalandri
Soel Reg No 113

Athens, 14 February 2007
The Certified Auditor Accountant

Vassilios Goutis
SOEL Reg No 10411

The auditors report has been translated to the English language from the Greek Language original.