



## **PIRAEUS BANK GROUP**

# **Consolidated Interim Condensed Financial Statements**

30 June 2006

According to the International Financial  
Reporting Standards

The attached consolidated interim condensed financial statements have been approved by the Piraeus Bank S.A. Board of Directors on July 26th, 2006 and they are available on the web site of Piraeus Bank at [www.piraeusbank.gr](http://www.piraeusbank.gr)

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



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**CONSOLIDATED INTERIM INCOME STATEMENT**

	Note	Period from 1 January to		Period from 1 April to	
		30 June 2006	30 June 2005	30 June 2006	30 June 2005
Interest and similar income		713,940	471,943	378,567	258,707
Interest expense and similar charges		(392,847)	(216,098)	(208,475)	(122,476)
<b>NET INTEREST INCOME</b>		<b>321,093</b>	<b>255,845</b>	<b>170,092</b>	<b>136,231</b>
Fee and commission income		105,192	76,748	52,624	39,183
Fee and commission expense		(15,347)	(11,584)	(7,457)	(5,721)
<b>NET FEE AND COMMISSION INCOME</b>		<b>89,845</b>	<b>65,164</b>	<b>45,167</b>	<b>33,462</b>
Dividend income		10,467	15,855	8,652	12,107
Net trading income		20,204	34,408	8,129	15,380
Gains/ (losses) from investment securities	6	139,479	2,488	4,510	2,486
Other operating income		50,986	31,572	28,813	15,073
<b>TOTAL NET INCOME</b>		<b>632,074</b>	<b>405,332</b>	<b>265,363</b>	<b>214,739</b>
Staff costs		(143,257)	(124,007)	(73,515)	(65,982)
Administrative expenses		(110,430)	(86,530)	(61,545)	(47,930)
Depreciation and amortisation		(27,476)	(19,599)	(13,658)	(10,521)
Gains/ (losses) from sale of property, plant and equipment		7,929	3,040	(1,580)	1,631
Impairment losses on loans and advances	12	(38,904)	(44,065)	(13,920)	(23,223)
<b>OPERATING PROFIT</b>		<b>(312,138)</b>	<b>(271,161)</b>	<b>(164,218)</b>	<b>(146,025)</b>
Share of profit of associates		753	266	865	111
<b>PROFIT BEFORE INCOME TAX</b>		<b>320,689</b>	<b>134,437</b>	<b>102,010</b>	<b>68,825</b>
Income tax expense	7	(50,177)	(23,496)	(23,098)	(8,369)
<b>PROFIT FOR THE PERIOD</b>		<b>270,512</b>	<b>110,941</b>	<b>78,912</b>	<b>60,456</b>
Profit for the year attributable to the equity holders of Piraeus Bank		260,646	86,455	74,639	43,684
Minority Interest		9,866	24,486	4,273	16,772
<b>Earnings per share (in euro):</b>					
-basic	8	0.98	0.35	0.28	0.18
-diluted	8	0.98	0.35	0.28	0.18

**CONSOLIDATED INTERIM BALANCE SHEET**

<b>ASSETS</b>	<b>Note</b>	<b>30 June 2006</b>	<b>31 December 2005</b>
Cash and balances with central banks		1,815,074	1,570,219
Treasury bills and other eligible bills		165,221	221,977
Loans and advances to Credit Institutions	9	1,228,713	2,220,330
Derivative financial instruments - assets	10	43,775	22,741
Financial instruments at fair value through Profit and Loss	11	2,064,540	1,180,120
Loans and advances to customers (net of provisions)	12	18,206,135	15,451,119
Investment securities			
-Available for sale securities	13	921,651	685,584
-Held to maturity	13	91,705	95,555
Investments in associated undertakings	14	55,922	65,641
Intangible assets		182,943	202,238
Property, plant and equipment		489,170	431,176
Investment property		592,482	542,430
Held for sale		14,930	11,958
Deferred tax assets	19	133,866	137,218
Inventories - property		161,870	165,838
Other assets		477,090	541,335
<b>TOTAL ASSETS</b>		<b>26,645,087</b>	<b>23,545,479</b>
<b>LIABILITIES</b>			
Due to Banks	15	3,790,201	3,535,764
Derivative financial instruments - liabilities	10	40,365	37,591
Due to customers	16	14,974,695	13,196,528
Debt securities in issue	17	4,594,286	3,745,688
Other borrowed funds	18	401,430	402,362
Hybrid capital	18	199,532	201,178
Retirement benefit obligations	20	159,086	154,699
Other provisions		21,508	20,652
Current income tax liabilities		27,214	29,018
Deferred tax liabilities	19	51,873	60,223
Other liabilities	21	795,873	554,116
<b>TOTAL LIABILITIES</b>		<b>25,056,063</b>	<b>21,937,820</b>
<b>EQUITY</b>			
Ordinary shares	23	1,281,165	1,024,932
Share premium	23	71,443	330,643
Less: Treasury shares	23	(121,485)	(17,594)
Other reserves	24	63,015	96,203
Retained earnings	24	70,153	(55,758)
<b>Capital and reserves attributable to Piraeus Bank equity holders</b>		<b>1,364,291</b>	<b>1,378,426</b>
Minority Interest		224,733	229,233
<b>TOTAL EQUITY</b>		<b>1,589,024</b>	<b>1,607,659</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>26,645,087</b>	<b>23,545,479</b>

**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

	Note	Share Capital	Share Premium	Treasury shares	Other reserves	Retained earnings	Minority interests	TOTAL
<b>Opening balance as at 1 January 2005</b>		<b>831,067</b>	<b>365,733</b>	<b>(25,267)</b>	<b>75,133</b>	<b>(344,462)</b>	<b>367,239</b>	<b>1,269,443</b>
Purchases of treasury shares	23			(75,319)				(75,319)
Sales of treasury shares	23			30,985		4,927	1,559	37,471
Available for Sale Reserve	24				21,709			21,709
Profit after tax 1/1/2005 - 30/6/2005	24					86,455	24,486	110,941
Dividend relating to the previous period						(80,103)	(18,147)	(98,250)
Acquisition and movement in subsidiaries holding							27,328	27,328
Transfer between other reserves and retained earnings					13,226	(13,226)		0
Interim dividend of Hellenic Investment Company S.A.						5,907		5,907
Distribution of reserves of Piraeus Securities S.A.					(7,007)	(1,926)	(2,233)	(11,166)
Currency translation differences and other adjustments					(2,220)	5,677		3,457
<b>Balance as at 30 June 2005</b>		<b>831,067</b>	<b>365,733</b>	<b>(69,601)</b>	<b>100,841</b>	<b>(336,751)</b>	<b>400,232</b>	<b>1,291,521</b>

	Note	Share Capital	Share Premium	Treasury shares	Other reserves	Retained earnings	Minority interests	TOTAL
<b>Opening balance as at 1 July 2005</b>		<b>831,067</b>	<b>365,733</b>	<b>(69,601)</b>	<b>100,841</b>	<b>(336,751)</b>	<b>400,232</b>	<b>1,291,521</b>
Mergers - cancellation of treasury shares		193,865	(35,090)		280	56,590	(233,036)	(17,391)
Purchases of treasury shares	23			(57,035)			(1,555)	(58,590)
Sales of treasury shares	23			109,042		7,811		116,853
Available for Sale Reserve	24				37,797			37,797
Profit after tax 1/7/2005 - 31/12/2005	24					177,318	(5,531)	171,787
Dividend relating to the previous period							(1,220)	(1,220)
Transfer between other reserves and retained earnings					4,311	(4,311)		0
Reserve for stock option plan					200			200
Utilization of legal reserve against the 1st time adoption adjustments					(51,667)	51,667		0
Acquisitions and movement in subsidiaries holding during the period							70,344	70,344
Currency translation differences and other adjustments					4,440	(8,082)		(3,642)
<b>Balance as at 31 December 2005</b>		<b>1,024,932</b>	<b>330,643</b>	<b>(17,594)</b>	<b>96,202</b>	<b>(55,758)</b>	<b>229,234</b>	<b>1,607,659</b>

<b>Opening balance as at 1 January 2006</b>		<b>1,024,932</b>	<b>330,643</b>	<b>(17,594)</b>	<b>96,202</b>	<b>(55,758)</b>	<b>229,234</b>	<b>1,607,659</b>
Capitalization of share premium reserve	23	256,233	(259,200)					(2,967)
Purchases of treasury shares	23			(103,961)				(103,961)
Sales of treasury shares	23			70				70
Available for Sale Reserve	24				(45,148)			(45,148)
Profit after tax 1/1/2006 - 30/6/2006	24					260,646	9,866	270,512
Dividend relating to the previous period						(107,435)	(8,428)	(115,863)
Transfer between other reserves and retained earnings	24				7,390	(7,390)		0
Reserve for stock option plan					2,640			2,640
Acquisitions, absorptions and movement in subsidiaries holding					(1,104)	(15,506)	(1,706)	(18,316)
Currency translation differences and other adjustments					3,035	(4,404)	(4,233)	(5,602)
<b>Balance as at 30 June 2006</b>		<b>1,281,165</b>	<b>71,443</b>	<b>(121,485)</b>	<b>63,015</b>	<b>70,153</b>	<b>224,733</b>	<b>1,589,024</b>

**CONSOLIDATED INTERIM CASH FLOW STATEMENT**

	Note	<u>From January 1st to</u> 30 June 2006	30 June 2005
<i>Cash flows from operating activities</i>			
Profit before tax		320,689	134,437
Adjustments to profit before tax			
Add: impairment losses on loans and advances	12	38,904	44,065
Add: depreciation and amortisation		27,476	19,599
Add: retirement benefit/ charge		11,915	15,038
Gains (deduct)/ losses (add) from valuation of trading securities		(8,434)	2,333
Gains (deduct)/ losses (add) from investing activities		(171,874)	(20,066)
Interest on debt securities and other borrowed funds		80,303	-
		<b>298,979</b>	<b>195,406</b>
<i>Cash flows from operating activities before changes in operating assets and liabilities</i>			
<i>Changes in operating assets and liabilities:</i>			
Net (increase)/ decrease in cash and balances with Central Bank		(41,980)	(64,675)
Net (increase)/ decrease in treasury bills and other eligible bills		39,624	(45,504)
Net (increase)/ decrease in trading securities		(757,876)	647,209
Net (increase)/ decrease in loans and advances to Credit Institutions		222,034	35,369
Net (increase)/ decrease in loans and advances to customers		(2,790,105)	(2,166,004)
Net (increase)/ decrease in other assets		60,933	(42,941)
Net increase/ (decrease) in due to Banks		254,437	(12,801)
Net increase/ (decrease) in amounts due to customers		1,778,166	1,198,463
Net increase/ (decrease) in other liabilities		186,613	(9,246)
		<b>(749,175)</b>	<b>(264,724)</b>
<i>Net cash flow from operating activities before income tax payment</i>			
Income tax paid		(5,085)	(12,339)
<b>Net cash flow from operating activities</b>		<b>(754,260)</b>	<b>(277,064)</b>
<b>Cash flows from investing activities</b>			
Net proceeds from purchases of property, plant and equipment		(139,682)	(108,226)
Net proceeds from sale of property, plant and equipment		27,607	77,559
Net proceeds from purchases of intangible assets		(7,057)	(6,105)
Net proceeds from sale of intangible assets		-	1,778
Purchases of available-for-sale securities	13	(484,184)	(172,579)
Net proceeds from sale of available-for-sale securities	13	302,754	76,752
Purchase of held-to-maturity securities	13	(8,064)	(78,196)
Net proceeds from maturity of held-to-maturity securities	13	8,779	12,573
Acquisition of subsidiaries		(44,162)	(39,174)
Disposal of subsidiaries		4,447	-
Acquisition of associates		(2,404)	(16,197)
Disposal of associates		9,881	-
Dividends receipts		21,601	-
<b>Net cash from investing activities</b>		<b>(310,484)</b>	<b>(251,815)</b>
<i>Cash flows from financing activities</i>			
Net proceeds from issue/ (repayment) of debt securities and other borrowed funds		775,875	1,161,325
Net proceeds from purchases of treasury shares	23	(103,961)	(75,319)
Net proceeds from sales of treasury shares	23	70	30,985
Other cashflows from financing activities		(58,746)	(60,830)
<b>Net cash from financing activities</b>		<b>613,238</b>	<b>1,056,161</b>
Effect of exchange rate differences on cash and cash equivalents		(1,502)	(1,349)
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>(453,008)</b>	<b>525,933</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>3,515,064</b>	<b>1,307,033</b>
<b>Cash and cash equivalents at end of period</b>		<b>3,062,056</b>	<b>1,832,966</b>

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

## **1 General Information about the Group**

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

Piraeus Bank (parent company) is incorporated and domiciled in Greece, provides services in the Balkans, Africa, the U.S.A. as well as Western Europe and employs 8,747 people.

Apart from the A.S.E. General Index, the Piraeus Bank share is included in a series of other indices, such as FTSE 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 και FTSE/ Med - 100.

## **2 General accounting policies of the Group**

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

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

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

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

## **4 Critical accounting estimates and judgements**

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

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

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

### *2. Fair value of derivatives*

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

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

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

### *4. Income taxes*

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



## 5 Business segments

Piraeus Bank Group has defined the following business segments:

**Retail Banking** - This segment includes the retail banking facilities of the Bank and its subsidiaries, which are addressed to retail customers and small to 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 advisory and stock exchange services, underwriting services and public listings, etc.).

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

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

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

At 30 June 2006	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Treasury	Other business segments	Eliminations	Group
Revenues	469,367	144,409	32,977	200,348	193,168	-	1,040,269
Revenues from other business segments	70,600	7,407	127	-	90,677	(168,811)	0
<b>Total revenues</b>	<b>539,967</b>	<b>151,816</b>	<b>33,104</b>	<b>200,348</b>	<b>283,845</b>	<b>(168,811)</b>	<b>1,040,269</b>
Net Revenues	408,384	72,611	25,666	25,960	99,453	-	632,074
Net Revenues from other business segments	(27,796)	(7,521)	(7,107)	-	70,625	(28,201)	0
<b>Total Net Revenues</b>	<b>380,588</b>	<b>65,090</b>	<b>18,559</b>	<b>25,960</b>	<b>170,078</b>	<b>(28,201)</b>	<b>632,074</b>
<b>Segment Results</b>	<b>141,860</b>	<b>15,494</b>	<b>17,633</b>	<b>15,112</b>	<b>130,590</b>	-	<b>320,689</b>
Income tax expense							(50,177)
<b>Profit after tax</b>							<b>270,512</b>
<b>Other segment items</b>							
Depreciation	12,631	2,490	489	355	11,511	-	27,476
Impairment losses on loans and advances	29,126	8,693	22	(1)	1,064	-	38,904
<b>At 30 June 2005</b>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Asset Management &amp; Treasury</b>	<b>Other business segments</b>	<b>Eliminations</b>	<b>Group</b>
Revenues	359,215	103,649	40,195	101,478	28,477	-	633,014
Revenues from other business segments	47,572	4,610	991	37,007	3,307	(93,487)	0
<b>Total revenues</b>	<b>406,787</b>	<b>108,259</b>	<b>41,186</b>	<b>138,485</b>	<b>31,784</b>	<b>(93,487)</b>	<b>633,014</b>
Net Revenues	284,406	43,060	27,949	23,329	26,588	-	405,332
Net Revenues from other business segments	(6,889)	(4,667)	(891)	31,653	(401)	(18,805)	0
<b>Total Net Revenues</b>	<b>277,517</b>	<b>38,393</b>	<b>27,058</b>	<b>54,982</b>	<b>26,187</b>	<b>(18,805)</b>	<b>405,332</b>
<b>Segment Results</b>	<b>82,793</b>	<b>23,357</b>	<b>15,736</b>	<b>13,352</b>	<b>(801)</b>	-	<b>134,437</b>
Income tax expense							(23,496)
<b>Profit after tax</b>							<b>110,941</b>
<b>Other segment items</b>							
Depreciation	7,203	311	661	201	11,223	-	19,599
Impairment losses on loans and advances	31,276	12,229	430	28	102	-	44,065
<b>At 30 June 2006</b>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Asset Management &amp; Treasury</b>	<b>Other business segments</b>	<b>Eliminations</b>	<b>Group</b>
Segment assets	13,126,582	6,115,229	229,263	4,046,380	3,127,633	-	26,645,087
Segment liabilities	10,763,177	577,448	205,254	7,915,099	5,595,085	-	25,056,063
<b>At 31 December 2005</b>							
Segment assets	10,961,074	5,917,041	144,016	3,848,719	2,674,630	-	23,545,480
Segment liabilities	8,665,757	1,214,510	126,769	6,498,504	5,432,281	-	21,937,821

## 6 Gains less losses from investment securities

	1st Semester 2006	1st Semester 2005
Gains less losses on AFS - shares and mutual funds	138,091	256
Gains less losses on AFS - bonds	252	312
Gains less losses on sale of subsidiaries and associates	1,136	1,920
	<b>139,479</b>	<b>2,488</b>

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

- a) the sale to institutional investors via an accelerated bookbuilding process of the entire number of Piraeus Bank's shares which were held by the companies "ING Greek Life Insurance Company S.A." and "ING Greek General Insurance Company S.A." and
- b) the sale of Piraeus Bank's entire holding of certificates of ING Groep N.V. shares through a series of moderated sales on Euronext Amsterdam.

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

## 7 Income tax expense

	1st Semester 2006	1st Semester 2005
Current Tax	(32,280)	(17,437)
Deferred tax (Note 19)	(17,842)	(5,914)
Share of tax of associates	(55)	(145)
	<b>(50,177)</b>	<b>(23,496)</b>

The tax ratio for 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 on 31/12/2005, in accordance with the provisions of article 9, par. 2 and 3 of Law 2992/2002, the Bank defined the amount of the income tax for the year 2005 according to a tax ratio, on its taxable profits, reduced by five (5) percentage points, namely 27% (32% minus 5%). For the year 2006, income tax will be defined according to a tax ratio, on the Bank's taxable profits, similarly reduced by five (5) percentage points, namely 24% (29% minus 5%). Furthermore, it should be noted that the provision of the Draft Law "National Board of Imports, tax arrangements and other provisions", which has been submitted to Parliament for voting, specifies that the tax benefit of companies which are entitled to a reduced tax ratio, based on the provisions of Law 2992/2002 (article 9, par. 1, 2 and 3), is allocated in equal sums in three consecutive accounting periods, starting with the accounting period within which the change was completed, and it concerns only the cash management of the specific tax amount.

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

## 8 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of shares in issue during the period, excluding the average number of ordinary shares purchased by the Group and held as treasury shares. Also, the diluted earnings per share have been calculated taking into account the share option plan, which was decided by the 2nd Iterative General Meeting on 16/05/2005. The total share options were granted on 29/8/2005 and it can be exercised by the share option holders beginning December 2006 (note 23).

<b>Basic earnings per share</b>	1/1 - 30/6/2006	1/1 - 30/6/2005	1/4 - 30/6/2006	1/4 - 30/6/2005
Net profit attributable to shareholders	260,646	86,455	74,639	43,684
Weighted average number of shares in issue	265,574,263	245,216,781	264,222,538	244,296,353
Basic earnings per share (in euros)	0.98	0.35	0.28	0.18
<b>Diluted earnings per share</b>	1/1 - 30/6/2006	1/1 - 30/6/2005	1/4 - 30/6/2006	1/4 - 30/6/2005
Net profit attributable to shareholders	260,646	86,455	74,639	43,684
Weighted average number of shares in issue	265,574,263	245,216,781	264,222,538	244,296,353
Adjustment for share options	1,168,849	-	1,227,155	-
Weighted average number of shares in issue for the diluted earnings per share calculation	266,743,112	245,216,781	265,449,693	244,296,353
Diluted earnings per share (in euros)	0.98	0.35	0.28	0.18

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

## 9 Loans and advances to Credit Institutions

	<b>30 June 2006</b>	<b>31 December 2005</b>
Placements with Banks	1,212,955	2,058,633
Cheques receivables	12,753	17,796
Reverse repurchase agreements	3,005	143,901
<b>Total loans and advances to Credit Institutions</b>	<b>1,228,713</b>	<b>2,220,330</b>

## 10 Derivative Financial Instruments

### At 30 June 2006

	<b>Notional amounts</b>	<b>Fair values</b>	
		<b>Assets</b>	<b>Liabilities</b>
<b>Derivatives held for trading</b>			
Futures	44,000	851	-
Asset swaps	255,515	2,507	9,642
Interest rate swaps	5,704,236	29,827	31,952
Options	300,000	169	86
Currency swaps	2,732,381	(1,945)	60
FX forwards	67,326	2,565	1,945
Other derivative instruments	348,053	1,332	(1,190)
		<b>35,306</b>	<b>42,495</b>
<b>Embedded equity derivatives</b>			
Customer deposits linked to options	278,206	7,280	(2,657)
<b>Derivatives held for fair value hedging</b>			
Interest rate swaps	106,875	1,189	527
<b>Total derivative assets/ liabilities</b>		<b>43,775</b>	<b>40,365</b>

### At 31 December 2005

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

## 11 Financial Assets at Fair Value through Profit and Loss (including trading securities)

### Trading Securities

	<b>30 June 2006</b>	<b>31 December 2005</b>
Greek Government Bonds	1,733,432	941,824
Foreign Government Bonds	3,013	43,989
Corporate Entities Bonds	31,348	22,310
Bank Bonds	706	1,253
	<b>1,768,499</b>	<b>1,009,376</b>
Athens Stock Exchange Listed Shares	60,488	57,412
Foreign Stock Exchange Listed Shares	14,097	16,415
Mutual funds	3,823	3,938
	<b>78,408</b>	<b>77,765</b>
<b>Total trading securities</b>	<b>1,846,907</b>	<b>1,087,141</b>
<b>Other financial assets at fair value through profit and loss</b>	<b>217,633</b>	<b>92,979</b>
<b>Total</b>	<b>2,064,540</b>	<b>1,180,120</b>

## 12 Loans and advances to customers

	30 June 2006	31 December 2005
<b>Loans to individuals</b>		
Mortgages	3,900,615	3,385,589
Consumer - Personal Loans	2,156,512	1,774,516
Credit Cards	398,003	353,162
Other	158,924	189,504
	<u>6,614,054</u>	<u>5,702,771</u>
<b>Loans to corporate entities</b>	<u>12,029,296</u>	<u>10,181,377</u>
<b>Total loans and advances to customers</b>	<b>18,643,350</b>	<b>15,884,148</b>
Less: Impairment on loans and advances	(437,215)	(433,029)
<b>Total loans and advances to customers (less allowances for losses)</b>	<u><b>18,206,135</b></u>	<u><b>15,451,119</b></u>

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

<b>Opening balance for the period (1/1/2006 and 1/1/2005 respectively)</b>	433,029	463,092
Transfers from other provisions	-	8,001
Opening balance of new subsidiaries	-	9,128
Charge for the year	37,367	41,195
Write offs	(30,904)	(53,754)
Foreign exchange differences	(2,277)	4,107
<b>Closing balance for the period (30/6/2006 and 30/6/2005 respectively)</b>	<u><b>437,215</b></u>	<u><b>471,769</b></u>
<b>Opening balance 1/7/2005</b>		471,769
Opening balance of new subsidiaries		24,345
Charge for the period		26,497
Write offs		(83,926)
Foreign exchange differences		(5,656)
<b>Closing balance 31/12/2005</b>		<u><b>433,029</b></u>

In the above movement of impairment for losses on loans and advances, the charge for the period for the first semester of 2006 does not include amount of € 1,537 thousand which relates to the charge for the period for impairment on other assets. Also, the charge for the period for the first semester of 2005 does not include a) amount € 1,331 thousand which relates to write-offs of loans that were impaired with direct charge of the Profit and Loss account for the period and b) amount of € 1,539 thousand which relates to the charge for the period for provisions of other receivables.

## 13 Investment securities

	30 June 2006	31 December 2005
<b>Available for sale securities</b>		
<b>Bonds and Other fixed income securities</b>		
Foreign Government Bonds	221,631	245,632
Greek Government Bonds	57,180	-
Corporate Entities Bonds	105,377	86,161
Bank Bonds	42,476	36,779
	<u>426,664</u>	<u>368,572</u>
<b>Shares &amp; Other variable income securities</b>		
Athens Stock Exchange Listed Shares	351,129	28,266
Foreign Stock Exchanges Listed Shares	3,258	153,117
Unlisted shares	140,600	135,629
	<u>494,987</u>	<u>317,012</u>
<b>Total available for sale securities</b>	<u><b>921,651</b></u>	<u><b>685,584</b></u>
<b>Held to maturity securities</b>		
Foreign Government Bonds	91,705	94,035
Corporate Entities Bonds	-	1,520
<b>Total held to maturity securities</b>	<u><b>91,705</b></u>	<u><b>95,555</b></u>
<b>Total Investment securities</b>	<u><b>1,013,356</b></u>	<u><b>781,139</b></u>

During the 1st semester of 2006, Piraeus Bank Group acquired 44,686,199 shares which equal to 8.19% of the share capital of "Bank of Cyprus Public Company Ltd". The shares of Bank of Cyprus, of total value € 339,958,953.08, are included in Athens Stock exchange listed shares in available for sale portfolio.

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

	30 June 2006	31 December 2005
<b>Movement of the available for sale securities</b>		
Opening balance	685,584	472,332
Additions	484,183	304,915
Disposals	(302,754)	(180,414)
Transfer from subsidiaries	4,915	88
Transfer from associates	-	19,152
Transfer to associates	(1,879)	-
Transfer to the held to maturity portfolio	-	(34,684)
Changes in fair value	71,064	87,183
Exchange differences	(19,462)	17,012
<b>Balance at the end of the period</b>	<b>921,651</b>	<b>685,584</b>

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

	30 June 2006	31 December 2005
<b>Movement of the held to maturity securities</b>		
Opening balance	95,555	18,156
Additions	8,064	58,227
Transfer from the available for sale portfolio	-	34,683
Maturity of securities	(8,779)	(18,776)
Exchange differences	(3,135)	3,265
<b>Balance at the end of the period</b>	<b>91,705</b>	<b>95,555</b>

#### 14 Investments in associated undertakings

The Group's interest in associates is as follows:

Company	30 June 2006	
	Country	Participation %
ING - PIRAEUS LIFE INSURANCE COMPANY	Greece	49.90%
'ISIODOS' VIOTIKI REGIONAL DEVELOPMENT & INVESTMENT COMPANY S.A.	Greece	37.00%
CRETE SCIENTIFIC AND TECHNOLOGY PARK MANAGEMENT & DEVELOPMENT COMPANY S.A.	Greece	30.45%
EVROS DEVELOPMENT COMPANY S.A.	Greece	30.00%
ETANAL S.A.	Greece	25.00%
STALKO S.A. - ELECTRICAL EQUIPMENT INDUSTRIAL COMPANY S.A.	Greece	25.00%
PROJECT ON LINE S.A.	Greece	40.00%
MONASTIRIOU TECHNICAL DEVELOPMENT CO. S.A.	Greece	33.35%
BORG EL ARAB (PBE SAE)	Egypt	24.19%
ALEXANDRIA FOR DEVELOPMENT AND INVESTMENT	Egypt	19.35%
NILE SHOES COMPANY	Egypt	34.60%
EGYPTIAN INSURANCE CONSULTANT	Egypt	35.19%
EGYPTIAN INTEGRATED STORAGE CO.	Egypt	35.19%
REBICAT	Greece	16.67%
ABIES	Greece	16.67%
EUROTERRA	Greece	16.67%
APE COMMERCIAL PROPERTY	Greece	27.80%
APE FIXED ASSETS	Greece	27.80%
SOLVENCY INTERNATIONAL S.A. OF INVESTMENTS AND PARTIC. INTERESTS	Greece	36.75%
DELPHI ADVANCED RESEARCH TECHNOLOGIES LTD	Cyprus	21.25%

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

## 15 Due to Banks

	30 June 2006	31 December 2005
Amounts due to Central Banks	1,536	3,959
Deposits from other Banks	3,246,751	2,910,008
Other obligations to Banks	537,386	477,027
Repurchase agreement - banks	4,528	144,770
	<b>3,790,201</b>	<b>3,535,764</b>

## 16 Due to customers

	30 June 2006	31 December 2005
Current and sight deposits	4,033,880	3,519,488
Savings accounts	3,500,081	3,402,934
Term deposits	7,009,589	5,915,499
Other accounts	298,330	212,527
Repurchase agreements	132,815	146,080
	<b>14,974,695</b>	<b>13,196,528</b>

## 17 Debt securities in issue

	Currency	Average interest rate (%)		30 June 2006	31 December 2005
		1st Semester 2006	2005		
ETBA bonds	EUR	2.63%	2.26%	656,750	438,139
Euro Commercial Paper (Short term securities)	EUR	2.64%	2.22%	1,619,318	1,528,820
	USD	4.77%	3.62%	89,127	80,939
	GBP	4.60%	4.72%	60,489	31,955
	JPY	0.33%	-	6,856	-
				<u>1,775,790</u>	<u>1,641,714</u>
Euro Medium Term Note (Medium/ long term securities)	EUR	2.96%	2.53%	1,472,699	920,262
	USD	4.87%	3.73%	22,138	16,789
				<u>1,494,837</u>	<u>937,051</u>
Securitisation of mortgage loans	EUR	2.68%	2.32%	663,250	725,130
Other debt securities	BGN	6.67%	6.67%	3,659	3,654
				<u>3,659</u>	<u>3,654</u>
				<b>4,594,286</b>	<b>3,745,688</b>

The Euro Commercial Paper (ECP) short term securities in issue retained a balance of over € 1.5 billion with a parallel increase of the level of average maturity and a decrease of the interest spread. The issue of securities concerning the Euro Medium Term Note Program (EMTN) was addressed to local investors through private placement from the beginning of 2006.

During the first quarter of 2006, the reissue of € 50 million of the 5 year benchmark bond (December 2005) was completed, increasing the total amount of the issue to € 500 million. Also, the Bank issued a new 3 year benchmark senior debt of € 500 million. The nominal coupon is 3 month Euribor increased by 20 basis points.

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

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

## 18 Other borrowed funds

	Currency	Average interest rate (%)		30 June 2006	31 December 2005
		1st Semester 2006	2005		
Hybrid capital (Tier I)	EUR	3.82%	3.39%	199,532	201,178
Subordinated loans (Tier II)	EUR	3.22%	2.74%	397,497	398,124
Other borrowed funds	USD	8.38%	6.88%	3,933	4,238
				<u>3,933</u>	<u>4,238</u>
				<b>600,962</b>	<b>603,540</b>

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

Subordinated debt (TIER II) has been issued by Piraeus Group Finance PLC on 29/9/2004. Subordinated debt has 10 years duration and is callable by the issuer after 5 years. The nominal coupon is 3 month Euribor increased by 60 basis points.

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

Accrued interest of other borrowed funds is included in the respective amounts of other borrowed funds.

The Group has not had any defaults of principal, interest or redemption amounts during the period on its above other borrowed funds.

## 19 Deferred income tax

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

	<b>30 June 2006</b>	<b>31 December 2005</b>
<b>Deferred tax liabilities</b>		
Adjustment for depreciation of property, plant and equipment	1,653	1,391
Investment property valuation	5,188	5,084
Derivative financial instruments valuation	4,852	7,486
Financial assets at fair value through profit and loss	92	92
Securities valuation	19,995	19,265
Recognition of commission according to effective interest rate calculation	4,780	4,245
Impairment of receivables	3,191	7,958
Deferred tax liability of purchase price allocation exercise	4,604	5,330
Other deferred tax liabilities	7,518	9,372
	<b>51,873</b>	<b>60,223</b>
<b>Deferred tax assets</b>		
Pensions and other post retirement benefits	39,115	41,065
Impairment of receivables	5,839	5,686
Other provisions	918	851
Financial assets at fair value through profit and loss	485	437
Derecognition of intangible assets	4,982	4,105
Securities valuation	16,117	8,842
Derivative financial instruments valuation	6,729	9,470
Recognition of tax loss	6,316	5,631
Impairment of securities	40,181	44,171
Recognition of commission according to effective interest rate calculation	11,106	12,324
Other deferred tax assets	2,078	4,636
	<b>133,866</b>	<b>137,218</b>
<b>Net deferred tax asset/ (liability)</b>	<b>81,993</b>	<b>76,995</b>

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

	<b>1st Semester 2006</b>	<b>1st Semester 2005</b>
Pensions and other post retirement benefits	(1,950)	314
Impairment of receivables	4,920	(4,680)
Recognition of commission according to effective interest rate calculation	(1,752)	446
Investment property valuation	(103)	-
Derivative financial instruments valuation	(107)	(1,594)
Recognition of tax loss	685	-
Adjustment for depreciation of property, plant and equipment	(263)	(953)
Derecognition of intangible assets	876	1,270
Financial assets at fair value through profit and loss	47	(51)
Securities valuation	(68)	-
Other provisions	67	(64)
Impairment of securities	(3,990)	-
Deferred tax of purchase price allocation exercise	726	-
Deferred tax on the profit realized from the sale of ING GROEP N.V.	(16,227)	-
Other deferred tax charges	(703)	(602)
	<b>(17,842)</b>	<b>(5,914)</b>

During the 1st semester 2006, amount € 22,840 th was transferred from the available for sale reserve (note 24) to the Profit and Loss for the period, of which amount € 16,227 th relates to the gain from the sale of ING GROEP N.V. shares so that the respective gains can be free for future distribution, capitalisation or offset of securities valuation losses.

## 20 Post retirement benefit obligations

### 1) Piraeus Bank

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

No actuarial study has been carried out as at 30/06/2006. The liability and the relevant expense at this date was based on the results of the actuarial study at 31/12/2005.

	<b>30 June 2006</b>	<b>31 December 2005</b>
<b>Amounts recognised in the balance sheet</b>		
Pension schemes - funded	79,615	83,080
Other post retirement benefits - not funded	73,850	61,758
	<b>153,465</b>	<b>144,838</b>
Provision for outstanding annual leaves	2,288	6,445
Provision for voluntary leave plan 12/2003	-	163
<b>Total liability</b>	<b>155,753</b>	<b>151,446</b>
	<b>1st Semester 2006</b>	<b>1st Semester 2005</b>
<b>Amounts recognised in the Income statement</b>		
Pension schemes - funded	(2,377)	5,192
Other post retirement benefits - not funded	13,979	9,765
	<b>11,602</b>	<b>14,957</b>

#### A) Pension schemes - funded

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

	<b>30 June 2006</b>	<b>31 December 2005</b>
Present value of funded obligations	99,114	161,644
Fair value of plan assets	(11,102)	(34,382)
	<b>88,012</b>	<b>127,262</b>
Unrecognised actuarial losses	(8,397)	(44,182)
<b>Liability in the balance sheet</b>	<b>79,615</b>	<b>83,080</b>

Funded benefits comprise the Auxiliary Pension Fund of Emporiki Bank (TEAPETE). 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 (ETEM) 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 6, 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. 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 and Loss for the period. Although TEAPETE is no longer among funded benefits, it is featured as part of funded benefits on 30/6/2006 for comparison purpose.

The amounts recognised in the Income Statement are as follows:

	<b>1st Semester 2006</b>	<b>1st Semester 2005</b>
<b>Pension schemes - Income statement</b>		
Current service cost	2,343	2,103
Interest cost	2,630	3,182
Expected return on plan assets	(358)	(559)
Net actuarial (gains)/ losses recognised for the period	35,784	303
Losses/ (gains) on curtailment	(42,745)	-
Additional cost	(31)	163
<b>Total, included in staff costs</b>	<b>(2,377)</b>	<b>5,192</b>

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

<b>Opening balance for the semester 1/1/2005</b>	<b>75,743</b>
Movement for the period	5,192
Contributions paid by the Bank	(1,372)
<b>Closing balance for the semester 30/6/2005</b>	<b>79,563</b>
<b>Opening balance for the period 1/7/2005</b>	<b>79,563</b>
Movement for the period	5,029
Contributions paid by the Bank	(1,512)
<b>Closing balance for the year 2005</b>	<b>83,080</b>



<b>Opening balance for the semester 1/1/2006</b>	<b>83,080</b>
Movement for the period	(2,377)
Contributions paid by the Bank	<u>(1,088)</u>
<b>Closing balance for the semester 30/6/2006</b>	<b><u>79,615</u></b>

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

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

	<b>30 June 2006</b>	<b>31 December 2005</b>
Present value of funded obligations	93,450	79,152
Unrecognised actuarial losses	(13,832)	(17,394)
Unrecognised past service cost	<u>(5,768)</u>	<u>-</u>
<b>Liability in the balance sheet</b>	<b><u>73,850</u></b>	<b><u>61,758</u></b>

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

The amounts recognised in the income statement are as follows:

	<b>1st Semester 2006</b>	<b>1st Semester 2005</b>
<b>Income statement</b>		
Current service cost	2,358	2,255
Interest cost	1,479	1,668
Net actuarial gains/ losses for the period	3,561	40
Past service cost	6,379	-
Additional cost	<u>202</u>	<u>5,802</u>
<b>Total included in staff costs</b>	<b><u>13,979</u></b>	<b><u>9,765</u></b>

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

<b>Opening balance for the semester 1/1/2005</b>	<b>62,324</b>
Movement for the period	9,765
Contributions paid by the Bank	<u>(12,396)</u>
<b>Closing balance for the semester 30/6/2005</b>	<b><u>59,693</u></b>

<b>Opening balance for the period 1/7/2005</b>	<b>59,693</b>
Movement for the period	4,127
Contributions paid by the Bank	<u>(2,062)</u>
<b>Closing balance for the year 2005</b>	<b><u>61,758</u></b>

<b>Opening balance for the semester 1/1/2006</b>	<b>61,758</b>
Movement for the period	13,979
Contributions paid by the Bank	<u>(1,887)</u>
<b>Closing balance for the semester 30/6/2006</b>	<b><u>73,850</u></b>

The main actuarial assumptions used are as follows:

	<b>30 June 2006</b>	<b>31 December 2005</b>
Discount rate	4.25%	4.25%
Expected return on plan assets	4.25%	4.25%
Future increase of salaries	4.00%	4.00%
Future increase of pensions	2.50%	2.50%

**2) Subsidiaries**

No actuarial study has been carried out as at 30/06/2006. The liability and the relevant expense at this date was based on the results of the actuarial study at 31/12/2005. The total amount of the liability related to the Group subsidiaries is € 3,333 th (2005: € 3,253 th). Therefore, the total retirement benefit obligation for the Group amounts to € 159,086 th (2005: € 154,699 th). The total charge in profit and loss for the period ended 30/6/2006 resulting from the defined benefit obligation plans of the Bank and the Group subsidiaries is € 11,602 th and € 313 th respectively.

## 21 Other liabilities

	30 June 2006	31 December 2005
Deferred income and accrued expenses	112,833	124,431
Withholding taxes and contributions	32,088	24,601
Obligations under finance leases	205,317	172,590
Other liabilities	445,635	232,494
	<b>795,873</b>	<b>554,116</b>

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.

## 22 Contingent liabilities and commitments

### A) Legal procedures

There are no pending legal actions against the Group as at 30/6/2006 which would significantly affect its financial position.

### B) Capital commitments

As at 30/06/2006 the Group had the following capital commitments:

	30 June 2006	31 December 2005
Letters of guarantee	1,928,850	1,785,141
Letters of credit	197,897	138,231
Commitments to extent credit	5,969,788	6,121,793
	<b>8,096,535</b>	<b>8,045,165</b>

### C) Assets pledged

	30 June 2006	31 December 2005
Balances with central banks	81,404	63,694
Trading securities	97,824	97,499
Investment securities	83,251	77,155
	<b>262,479</b>	<b>238,348</b>

### D) Operating lease commitments and receivables

Commitments from operating leasing contracts are analysed as follows:

	30 June 2006	31 December 2005
Up to 1 year	26,326	27,258
From 1 to 5 years	112,539	115,992
More than 5 years	230,693	235,379
	<b>369,558</b>	<b>378,629</b>

The future minimum lease receivables under non-cancellable operating leases are analysed as follows:

	30 June 2006	31 December 2005
<b>Receivables from operating leases</b>		
Up to 1 year	16,676	16,165
From 1 to 5 years	22,033	19,222
	<b>38,709</b>	<b>35,387</b>

## 23 Share capital

	Share Capital	Share Premium	Treasury Shares	Total
<b>At 1 January 2005</b>	831,067	365,733	(25,267)	1,171,533
Mergers - cancellation of treasury shares	193,865	(35,090)	-	158,775
Purchases of treasury shares	-	-	(132,354)	(132,354)
Sales of treasury shares	-	-	140,027	140,027
<b>At 31 December 2005</b>	<b>1,024,932</b>	<b>330,643</b>	<b>(17,594)</b>	<b>1,337,981</b>
<b>At 1 January 2006</b>	1,024,932	330,643	(17,594)	1,337,981
Capitalization of share premium	256,233	(259,200)	-	(2,967)
Purchases of treasury shares	-	-	(103,961)	(103,961)
Sales of treasury shares	-	-	70	70
<b>At 30 June 2006</b>	<b>1,281,165</b>	<b>71,443</b>	<b>(121,485)</b>	<b>1,231,123</b>

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

	Number of shares		
	Issued shares	Treasury shares	Net number of shares
<b>Opening balance at 1st January 2006</b>	<b>214,870,434</b>	<b>(1,026,741)</b>	<b>213,843,693</b>
Purchases of treasury shares	-	(4,758,292)	(4,758,292)
Sales of treasury shares	-	61,151	61,151
Sales of treasury shares	53,717,609	(1,162,578)	52,555,031
<b>Balance at 30 June 2006</b>	<b>268,588,043</b>	<b>(6,886,460)</b>	<b>261,701,583</b>

All issued shares are fully paid. 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.

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

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

#### **Share option plans**

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

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

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

The total number of share options was granted on 29/8/2005 at a price of € 12.20 per share and they can be exercised beginning December 2006. The exercise dates of the total number of granted share options according to the share option scheme are as follows:

Exercise date	Exercise price	Fair value of options	Number of share options
30/11/2006	12.20	3.73	1,000,000
30/11/2007	12.20	3.59	500,000
30/11/2008	12.20	3.44	500,000
			<b>2,000,000</b>

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 prices (€ 15.98 as at 29/8/2005), exercise price, dividend yield, discount interest rate (2.17%, 2.25% and 2.39% for the years 2006, 2007 and 2008 respectively) and volatility of share prices (17.50%).

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

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

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

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

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

## 24 Other reserves and retained earnings

	30 June 2006	31 December 2005
Legal reserve	21,173	22,916
Extraordinary reserve	3,268	503
Available for sale reserve	17,356	62,504
Currency translation reserve	(407)	3,521
Other reserves	21,625	6,759
<b>Total other reserves</b>	<u>63,015</u>	<u>96,203</u>
Retained earnings	70,153	(55,758)
<b>Total other reserves and retained earnings</b>	<u>133,168</u>	<u>40,445</u>
	<b>30 June 2006</b>	<b>31 December 2005</b>
<b>Other reserves</b>		
Opening balance	96,203	75,133
Mergers - cancellation of treasury shares	-	280
Available for sale reserve	(45,148)	59,506
Distribution of reserves of Piraeus Securities S.A.	-	(7,007)
Transfer between other reserves and retained earnings	7,390	17,537
Reserve for stock option plan	2,640	200
Utilization of legal reserve against the IFRS 1st time adoption adjustments	-	(51,667)
Differences from currency translations and other adjustments	1,931	2,221
<b>Closing balance</b>	<u>63,015</u>	<u>96,203</u>
	<b>30 June 2006</b>	<b>31 December 2005</b>
<b>Available for sale reserve</b>		
Opening Balance	62,504	2,998
Gains/ losses from the valuation of AFS bonds	(3,313)	3,500
Gains/ losses from the valuation of AFS shares	74,337	83,683
Deferred income taxes	20,623	(21,166)
Recycling of the AFS reserve	(136,959)	(7,578)
Foreign exchange differences and other adjustments	164	1,067
<b>Closing balance</b>	<u>17,356</u>	<u>62,504</u>
	<b>30 June 2006</b>	<b>31 December 2005</b>
<b>Retained earnings</b>		
Opening balance	(55,758)	(344,462)
Mergers - cancellation of treasury shares	-	56,590
Profit after tax for the period/ year	260,646	263,773
Dividends of prior period	(107,435)	(80,103)
Gains/ losses from sales of treasury shares	-	12,738
Transfer between other reserves and retained earnings	(7,390)	(17,537)
Interim dividend of Hellenic Investment Company S.A.	-	5,907
Distribution of reserves of Piraeus Securities S.A.	-	(1,926)
Utilization of legal reserve against the 1st time adoption adjustments	-	51,667
Foreign exchange differences and other adjustments	(19,910)	(2,405)
<b>Closing balance</b>	<u>70,153</u>	<u>(55,758)</u>

At the Annual General Meeting of the Piraeus Bank Shareholders which was held at 12/4/2006, a dividend payment of € 0.50 per share for the fiscal year 2005 was approved. The total dividend is € 107.435.217.

## 25 Related party transactions

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

	<b>Board of Directors members and key management personnel</b>	
	<b>30 June 2006</b>	<b>31 December 2005</b>
Loans	129,043	83,785
Deposits	46,898	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 30/6/2006 are € 10.2 million.

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

	<b>30 June 2006</b>	<b>31 December 2005</b>
<b>Director's remuneration</b>		
Salaries and other remuneration	3,693	8,419
Post employment benefits	-	1,596
	<b>3,693</b>	<b>10,015</b>

### Associates

	<b>30 June 2006</b>	<b>31 December 2005</b>
Deposits	12,921	10,964
Loans	31,930	22,214
	<b>1st Semester 2006</b>	<b>1st Semester 2005</b>
Interest on deposits	(28)	(67)
Interest on loans	527	332

## 26 Acquisitions and disposals of subsidiaries and associates

In the period from 1/1/2006 to 30/6/2006, 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 AD (former Piraeus Eurobank AD) was completed. The Bank covered in full the subsequent share capital increase of Piraeus Bank Bulgaria A.D. by the amount of € 10 million. The Bank also covered in full the share capital increase of its subsidiary in Romania, Piraeus Bank Romania, by the amount of € 25 million. The indirect shareholding of Piraeus Bank in Sudanese Egyptian Bank, established in Sudan, was reduced.

Piraeus Bank enacted obligatory Public Offering to the minority shareholders of Euroinvestment & Finance Public Ltd, established in Cyprus. The deadline for the statement of interest of the minority shareholders ended on 21.03.2006, whereas the shareholding of Piraeus Bank in the share capital of Euroinvestment & Finance Public Ltd following this public offering reached 84,96% compared to the previous shareholding of 81,87%, and with purchases through Cyprus Stock Exchange the total shareholding reached 85,01%.

The Bank obtained direct participation (6,07%) 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 purchased (100%) of the share capital of the companies Maples Invest & Holding S.A. and Margetson Invest & Finance S.A., established in British Virgin Islands, Vitria Investments S.A. established in Panama and Capital Investments & Finance S.A. established in Liberia.

The following companies were incorporated in 2006: Trieris Real Estate Ltd and Trieris Real Estate Management Ltd (British Virgin Islands), Piraeus Broker Bulgaria (insurance broker company based in Bulgaria). These companies did not have any activity as at 30/6/2006 and they will be consolidated as at 30/9/2006.

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

Piraeus Bank has reduced its direct shareholding in Solvency International SA and acquired indirect shareholding in Borg El Arab (based in Egypt).

Piraeus Bank has increased its shareholding in Piraeus Constructions SA and has proceeded in changing the name of the company to Piraeus Mutual Funds SA and the activity to mutual funds management.

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

The notarial deed for the absorption of E-Vision from Piraeus Bank SA was signed. The procedure for the absorption is expected to be completed within the second semester of 2006.

Piraeus Sigma Devletoglou SA has been renamed to Piraeus Securities SA, Piraeus Atlas Banka SA has been renamed to Piraeus Bank AD Beograd, Diagonios SA has been renamed to Piraeus Real Estate SA.

## **27 Post Balance Sheet events**

In mid July 2006, Piraeus Bank proceeded to the issue of a Lower Tier II subordinated bond in the amount of € 400 million, under its EMTN (Euro Medium Term Note) Programme. This bond issue further strengthens Piraeus Bank's capital base, while increasing the tenor of its outstanding debt.

Athens, July 26th 2006

CHAIRMAN OF THE BOARD OF DIRECTORS  
and MANAGING DIRECTOR

VICE - CHAIRMAN OF THE BOARD OF DIRECTORS  
and DEPUTY MANAGING DIRECTOR

FINANCE DIRECTOR

MICHALIS G. SALLAS

THEODORE N. PANTALAKIS

CONSTANTINOS I. LIAPIS

**REVIEW REPORT OF THE CERTIFIED AUDITORS - ACCOUNTANTS**

To the Shareholders of PIRAEUS BANK S.A.

We have reviewed the accompanying condensed interim consolidated balance sheet of Piraeus Bank S.A. (the "Bank") and its subsidiaries (the "Group") as of 30 June 2006 and the related condensed interim consolidated statements of income, cash flows and changes in shareholders' equity for the six months ended 30 June 2006. Our review covered the six month period as a whole, and therefore we have not reviewed the financial information relating to the three month period 1 April to 30 June 2006, which is presented in the income statement of the accompanying condensed interim consolidated financial statements. These condensed interim financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these condensed interim financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400, as required by the Greek Standards on Auditing. This Standard requires that we plan and perform the review to obtain moderate assurance about whether the condensed company and consolidated interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements for the six monthly period ended 30 June 2006 have not been properly prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Without qualifying our review opinion, we draw attention to the fact that of the total Retirement Benefit Obligations amounting to Euro 159 million, which mainly relate to the Bank's liability arising from its participation in defined benefit plans, the amount of Euro 59 million has been determined, as a result of the Bank being subject to the conditions of Law 3371/2005 regarding social security regulation of banking institutions, based on an economical study that was carried out by the relevant Ministry and was ratified by Law 3455/2006. The settlement of the above obligations is expected to be finalized by a Presidential Decree.

**PRICEWATERHOUSECOOPERS** 

July 26, 2006