



PIRAEUS BANK S.A.

Financial Statements

30 September 2005

According to the International
Financial Reporting Standards

The attached financial statements have been approved by Piraeus Bank S.A. Board of Directors on 9.11.2005 and they are available in the web site of Piraeus Bank at www.piraeusbank.gr

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INCOME STATEMENT

	Note	Period from 1 January to	
		30 September 2005	30 September 2004
Interest and similar income	6	674,988	501,031
Other interest expense and similar charges	6	(341,411)	(214,612)
NET INTEREST INCOME		333,577	286,419
Fee and commission income	7	80,367	69,021
Fee and commission expense	7	(18,401)	(15,754)
NET FEE AND COMMISSION INCOME		61,966	53,267
Dividend income		50,471	20,753
Net trading income	8	6,067	(2,419)
Gains less losses from investment securities	9	8,679	(2,560)
Other operating income	10	12,200	24,774
TOTAL NET INCOME		472,960	380,234
Staff costs	11	(149,277)	(142,509)
Administrative expenses	12	(117,093)	(97,358)
Depreciation and amortisation	22,23	(20,686)	(20,143)
Gains/ (Losses) from sale of fixed assets		187	10,902
Impairment losses on loans and advances	19	(57,500)	(46,490)
TOTAL OPERATING EXPENSES		(344,369)	(295,598)
PROFIT BEFORE INCOME TAX		128,591	84,636
Tax	13	(17,914)	(18,650)
PROFIT FOR THE PERIOD		110,677	65,986
Earnings per share (in euro):			
- Basic	14	0.56	0.33
- Diluted	14	0.56	0.33

BALANCE SHEET

	Note	30 September 2005	31 December 2004
ASSETS			
Cash and balances with central banks	15	2,745,970	1,056,146
Treasury bills and other eligible bills		41,950	249
Loans and advances to Credit Institutions	16	941,802	292,692
Derivative financial instruments	17	15,421	5,362
Trading securities		210,967	790,957
Other financial instruments at fair value through Profit and Loss	18	187,405	282,353
Loans and advances to customers (less allowances)	19	13,600,644	11,416,089
Investment securities	20		
-Available for sale securities		319,742	317,165
Investments in subsidiaries	21	1,118,197	882,351
Investments in associated undertakings	21	40,768	25,819
Intangible assets	22	8,590	8,775
Property, plant and equipment	23,24	182,125	189,698
Deferred tax assets	32	91,325	105,800
Inventory-property	25	31,529	33,301
Other assets	25	235,865	276,362
TOTAL ASSETS		19,772,300	15,683,118
LIABILITIES			
Due to Banks	26	2,760,644	1,501,466
Derivative financial instruments	17	37,820	41,629
Due to customers	27	11,624,711	10,260,729
Debt securities in issue	28	3,248,065	1,672,429
Other borrowed funds	29	599,942	598,492
Retirement benefit obligations	33	147,942	148,256
Other provisions for risks	31	26,815	81,088
Deferred tax liabilities	32	21,124	19,387
Other liabilities	30	288,659	386,763
TOTAL LIABILITIES		18,755,722	14,710,240
EQUITY			
Ordinary shares	35	831,067	831,067
Share premium	35	365,733	365,733
Less: Treasury shares	35	(30,662)	(16,050)
Other reserves and retained earnings	36	(149,560)	(207,871)
TOTAL EQUITY		1,016,578	972,879
TOTAL EQUITY AND LIABILITIES		19,772,300	15,683,118

STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital	Share Premium	Treasury shares	Other reserves and retained earnings	TOTAL
Opening balance as at 1st January 2004		819,949	354,644	(188)	(225,672)	948,733
Purchases of treasury shares	35			(17,888)		(17,888)
Sales of treasury shares	35			11,595	(47)	11,548
Available for sale reserve	36				571	571
Dividends of prior period					(59,273)	(59,273)
Profit for the period	36				65,986	65,986
Other movements					176	176
Balance at 30th September 2004		819,949	354,644	(6,481)	(218,259)	949,853
Balance at 1st October 2004		819,949	354,644	(6,481)	(218,259)	949,853
Share capital issue	35	11,118	11,089			22,207
Purchases of treasury shares	35			(19,250)		(19,250)
Sales of treasury shares	35			9,681	738	10,419
Available for sale reserve	36				4,862	4,862
Profit for the period	36				3,445	3,445
Companies merged with absorption and other movements					1,343	1,343
Balance at 31st December 2004		831,067	365,733	(16,050)	(207,871)	972,879
Balance at 1st January 2005		831,067	365,733	(16,050)	(207,871)	972,879
Purchases of treasury shares	35			(57,001)		(57,001)
Sales of treasury shares	35			42,389	7,670	50,059
Available for sale reserve	36				20,473	20,473
Dividends of prior period					(80,103)	(80,103)
Profit for the period	36				110,677	110,677
Companies merged with absorption and other movements					(406)	(406)
Balance at 30th September 2005		831,067	365,733	(30,662)	(149,560)	1,016,578

CASH FLOW STATEMENT

	Note	30 September 2005	30 September 2004
Cash flows from operating activities			
Profit before Tax		128,591	84,636
Adjustments to profit before tax:			
Add: impairment for loans	19	57,500	46,490
Add: depreciation	22,23	20,687	20,143
Add: retirement benefits	33	19,516	13,448
Gains (deduct) /Losses (add) from valuation of trading securities		1,970	6,782
Gains (deduct) /Losses (add) from investing activities		(59,407)	(30,837)
		<hr/>	<hr/>
<i>Cash flows from operating profits before changes in operating assets and liabilities</i>		168,857	140,662
<i>Changes in operating assets and liabilities:</i>			
Net (increase) / decrease in cash and balances with central Bank		(10,186)	(5,169)
Net (increase) / decrease in treasury bills and other eligible bills		(41,701)	(160)
Net (increase) / decrease in trading securities		666,718	735,582
Net (increase) / decrease in loans and advances to Credit Institutions		(17,027)	(1,524,015)
Net (increase) / decrease in loans and advances to customers		(2,245,686)	(1,401,275)
Net (increase) / decrease in other assets		42,271	(90,007)
Net increase / (decrease) in due to Banks		1,259,178	(77,168)
Net increase / (decrease) in amounts due to customers		1,363,983	772,907
Net increase / (decrease) in other liabilities		(173,075)	20,716
		<hr/>	<hr/>
Net cash flow from operating activities		1,013,331	(1,427,928)
 <i>Cash flows from investing activities</i>			
Proceeds from sale/ (purchases) of property, plant and equipment and intangible assets		(12,742)	(9,438)
Proceeds from sale/ (purchases) of available-for-sale securities		6,137	(632)
(Acquisition) / disposal of subsidiaries, net of cash acquired		(227,506)	(108,339)
(Acquisition) / disposal of associates		(5,939)	(441)
Dividends from subsidiaries		42,955	12,159
Dividends from available for sale securities		7,338	7,888
		<hr/>	<hr/>
Net cash flow from investing activities		(189,757)	(98,804)
 Cash flows from financing activities			
Net proceeds from issue / (repayment) of debt securities		1,577,086	1,450,756
Dividends paid		(80,103)	(59,273)
(Net proceeds from purchases)/ sales of treasury shares	35	(14,612)	(6,294)
Other cashflows from financing activities		7,669	0
		<hr/>	<hr/>
Net cash flow from financing activities		1,490,040	1,385,189
Effect of exchange rate changes on cash and cash equivalents		(1,400)	1,067
		<hr/>	<hr/>
Net increase/ (decrease) in cash and cash equivalents		2,312,213	(140,475)
 Cash and cash equivalents at beginning of period	 38	 <hr/> 1,267,065	 <hr/> 935,348
Cash and cash equivalents at end of period	38	<hr/> 3,579,278	<hr/> 794,873

1 General Information about the Bank

Piraeus Bank S.A. is a banking institute operating in accordance with the provisions of Laws 2190/1920 on sociétés anonymes, 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 is incorporated and domiciled in Greece, operates both in London (U.K.) and Bulgaria (15 branches) and employs 4,409 people.

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

In August 2005, Moody's and Fitch agencies affirmed Piraeus Bank's credit rating and outlook, while Standard & Poor's agency affirmed its rating for Piraeus Bank in October 2005. Piraeus Bank's ratings, per rating agency, are summarized as follows:

Ratings from International Rating Agencies	Moody's	Standard & Poor's	Fitch
Long-term credit rating	Baa1	BBB	BBB+
Short-term credit rating	P-2	A-2	F2
Outlook	Stable	Positive	Stable

2 Summary of general accounting policies of the Bank

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

The amounts of the Financial Statements attached are expressed in thousand Euros.

2.1 Basis of presentation of the Bank's financial statements

These financial statements were prepared according to the International Financial Reporting Standards (IFRS) and interpretations that have been adopted by the European Union and their implementation is obligatory for the preparation of the financial statements for the period ended after 1/1/2005, the IAS 34 "Interim financial statements", as well as IFRS 1 – «First Time Adoption of International Financial Reporting standards» was implemented for the first-time adoption of the International Financial Reporting Standards as at 1/1/2004.

The Bank has made early adoption of the revised IAS 39 from 1/1/2004.

The following accounting standards were adopted:

- International financial reporting standards 1-3 and 5.
- International accounting standards 1, 2, 7, 8, 10-12, 14, 16-21, 23, 24, 26, 27-34 and 36-40.

In preparing the bank's interim financial statements in accordance with IFRS 1, the bank has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

Exceptions from full retrospective application followed by the Bank

- Derecognition of financial assets and liabilities exception:

Financial assets and liabilities derecognised before 1 January 2004 are not re-recognised under IFRS.

- Hedge accounting exception:

The bank has established hedge accounting policy and accounts for hedging when the conditions of IAS 39 are met. The bank's hedge accounting is described in note 2.3.

- Estimates exception:

There was no change in the estimates made by the management in the preparation of the financial statements under IFRS compared to the estimates made under the previous Greek GAAP.

Exemptions from full retrospective application elected by the Bank

- Fair value as deemed cost exemption:

The bank has elected to measure certain items of property, plant and equipment at fair value (appraisals undertaken by professionally qualified valuers) as at 1st of January 2004. This fair value is used as the deemed cost with which the assets are recognised in the transition balance sheet.

- Employee benefits exemption:

The bank has elected to recognise all cumulative actuarial gains and losses as at 1st of January 2004.

Up to 31/12/2004 Piraeus Bank financial statements were prepared according to the Greek Commercial Law 2190/1920 and the Greek Generally Accepted Accounting Principles, which in several cases, were different than those of the IFRS. Piraeus Bank Management has adopted accounting policies and financial risk management policies, so that the financial statements comply with the provisions of the IFRS and the respective articles of the amended Greek Commercial Law 2190/1920 and Law 3229/2004.

The main principle for the preparation of the 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 fixed assets held for investment. The preparation of the financial statements in conformity with IFRS requires the use of estimates, accounting policies and assumptions which affect the valuation of reported assets and liabilities, the recognition of contingent liabilities, as well as the recognition of income and expenses in the financial statements. The financial statements present the fair value of a company's financial position as at the date of their preparation.

2.2 Foreign currencies

Assets and liabilities denominated in foreign currencies are measured on a daily basis according to the existing foreign exchange rates. The resulting gains/ losses are recognised in the Income Statement. At year-end, assets and liabilities of branches abroad, denominated in foreign currencies are translated into euro using the exchange rates prevailing at the date of preparation of the financial statements.

2.3 Derivative Financial Instruments

The Bank holds derivative financial instruments both for its own interests (for profit-making or hedging purposes) and for the service of its clients needs.

Derivative financial instruments held by Piraeus Bank include Interest Rate Swaps, Futures, Credit Derivatives, Options, Asset Swaps, Forward Rate Agreements, as well as foreign exchange 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.

Hedge accounting

The Bank 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.
- The hedge effectiveness should be between 80%-125% at all times.
- Detailed documentation must be in place for all recognised hedging relationships.

Changes in the fair value of derivatives, that are designated and qualify as fair value hedges, are recorded in the income statement together with relevant changes in the fair value of the hedged portion of the underlying asset.

2.4 Interest income and expense

Interest income and expense refer to all interest bearing balance sheet items recognised on an accrual basis, according to the «effective interest rate», the rate that 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. Non performing loans are recorded at their recoverable amounts and therefore the interest income is recognised according to the effective interest rate.

2.5 Fees and commission income and expense

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

Transaction fees, either income or expense, relating to the recognition of financial instruments at amortized cost, such as loans, are deferred and recognised in the Income Statement throughout the life of the instrument using the effective interest method.

2.6 Trading securities and other financial assets at fair value

This category includes trading portfolio securities which were acquired for the purpose of profit-making from short-term price changes. These securities are initially recognised at cost (transaction costs included) 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 the net trading income. Asset Swaps are also included in this category.

The purchase/ sale of trading securities is recognised on a trade date basis, that is on the date on which the Bank is committed to the purchase or sale of those securities. The Bank 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.

2.7 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos'), as well as the respective liability to Credit Institutions or Customers are presented in the Balance Sheet as liabilities. 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.

2.8 Investment portfolio

Management determines the classification of its securities on the date of their acquisition

A. Held to Maturity portfolio

The Held to Maturity Portfolio is the portfolio that the Bank's Management has the positive intent and ability to hold until Maturity.

Held to maturity investments are carried at amortised cost using the effective yield 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. The impairment loss is charged to 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 Bank cannot classify any financial assets as held to maturity for the current year and the next 2 years.

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 a subsequent reclassification is possible.

Securities of the available for sale portfolio are initially recognised at cost (including transaction costs).

The available for sale portfolio is carried at fair value according to current bid prices or valuation pricing models, where the market for a financial asset is not active. 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/losses previously recognised in equity are recognised in the Income Statement.

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 occurred after the initial recognition of impairment loss in profit or loss.

2.9 Investments in Subsidiaries and Associates

Investments in associates are recognised in the Financial Statements initially at cost (including transaction costs).

The Asset Liability Committee (ALCO) of Piraeus Bank 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. Apart from the above mentioned pricing models and in order to assess the fair value of investments in subsidiaries and associates for impairment test reasons, the Committee takes also into account rapid sector fluctuations and Management decisions as to disposal, discontinuance or absorption of these companies.

In case where there is a permanent indication of impairment, the loss is charged to the Income Statement. More specifically, on the transition date (1/1/2004), the resulting losses were recorded as "1st time adoption adjustments" in Retained earnings.

2.10 Loans and advances

Loans drawn down by the Bank are carried at amortised cost. If there is objective evidence that the Bank 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 Bank 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.

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 other financial reorganisation.

V. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial 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).

If there is objective evidence that an impairment loss on a receivable or group of receivables exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the loss is recognised in the Income Statement.

The Bank first assesses whether objective evidence of impairment exists on an individual level, for those loans considered to be significant and on an individual or collective level, for those loans considered to be less significant. If the Bank 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.

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

2.11 Other intangible assets

Costs associated with the acquisition of software programs, which will probably generate economic benefits to the Bank, 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.

2.12 Own property, plant and equipment

Own property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment loss. Property, plant and equipment is reviewed for impairment loss whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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: up to 25 years

More specifically, the Bank at the transition date to the IFRS (01/01/2004) measured own property at fair values, as defined by independent certified valuers. These fair values became the "deemed cost" for own property.

2.13 Investment property

The Bank classifies land and buildings held for investment purposes (i.e. earn rentals or for capital appreciation or for both) as investment property, which is recorded at fair value, as determined by an independent certified valuer. The change of fair value of investment property is recorded in Profit and Loss Statement.

2.14 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 profit & loss.

2.15 Repossessed property

Fixed assets in this category have been acquired through auctions. Repossessed property is included in "Other assets" and is measured at amortised cost. In general, these assets will be sold in the future.

2.16 Leased assets

In case the Bank is the lessee under an operating lease, the lease payments are recognised as an expense in the Income Statement of the lessee on a straight-line basis over the lease term.

In case the Bank 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 the shorter of useful life and 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.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than 3 months maturity from the date of acquisition (initial maturity), such as: cash, cash and balances with Central Banks and loans and advances to Credit Institutions.

2.18 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.19 Employee benefits

The International Financial Reporting Standard applied to the employee benefits is IAS 19 "Employee Benefits", as modified in 2000 and 2002.

According to IAS 19, employee benefit plans must be classified either as defined contribution plans or defined benefit plans.

Before the IFRS first time adoption, both defined contribution plans and defined benefit plans were recorded on a cash basis in compliance with the existing greek accounting principles. After the IFRS first time adoption, defined benefit plans will be recorded based on independent actuary studies, as the standard requires the allocation of total cost over the service lives of the employees.

A. Pension obligations

The pension schemes adopted by Piraeus Bank are funded through payments to insurance companies or social security foundations.

Piraeus Bank pension obligations, relate both to defined contribution plans as well as defined benefit plans.

For defined contribution plans, the Bank pays contributions to publicly administered pension insurance funds (i.e. Social Security Foundation) and therefore the Bank 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 Bank 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 responsible for the payment of the agreed benefits to the employee.

B. Other post-retirement benefit obligations.

The Bank 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 employment, using a methodology similar to that for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

Actuarial gains and losses

Piraeus Bank has elected to use:

a. The "10% corridor" for Gains / Losses and recognise the net cumulative gains/losses which exceeded the greater of a) 10% of the net present value of the defined benefit obligation or b) 10% of the fair value of the plan assets.

b. The IFRS 1 option to recognise all cumulative actuarial gains / losses at the date of transition to the IFRSs.

Past service costs

Past service costs are recognised on a straight-line basis over the average period until the benefits become vested.

2.20 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. Currently enacted tax rates, as well as future tax rates according to tax law provisions are used in the determination of deferred income tax.

The principal temporary differences arise from allowances for loans, revaluation of certain financial assets (such as investment property) and retirement benefit obligations according to IAS 19. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax related to fair value valuation of the available for sale securities is charged or credited directly to equity.

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

The Bank does not offset deferred tax assets and liabilities, and therefore they are presented as assets and liabilities respectively.

2.21 Share Capital

a) Share capital issue costs: Costs directly attributable to the issue of share capital are shown as a reduction in equity, net of tax.

b) Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's Shareholders.

Dividends' income/ receivables are recorded in the income statement/ balance sheet, only when they are approved by the General Meetings of the companies.

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 included in equity.

2.22 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 using the effective interest rate method. Bank's borrowed funds include: euro medium term note (EMTN), euro commercial paper (ECP), ETBA bonds, securitisation of mortgage loans, hybrid capital and subordinated loans.

2.23 Related party transactions

Related parties include a) members of the Bank's Board of Directors and key management personnel of the Bank b) financially dependants and first degree relatives (husbands, children etc) of the Board of Directors and key management personnel c) companies having transactions with Piraeus Bank when the total cumulative participating interest in them (of members of Board of Directors and their dependants or first degree relatives) exceeds 20%. Transactions of similar nature are disclosed together. All Bank transactions with related parties are between knowledgeable, willing parties in an arm's length transaction.

2.24 Segment reporting

The definition of primary and secondary segments is based on the nature and origin of Piraeus Bank revenues. Therefore, business segments were defined as primary segments, while geographical segments were defined as secondary segments.

The Bank's activities relate to four business segments: Retail Banking, Corporate Banking, Investment Banking, Asset Management & Treasury.

For the identification of reportable segments the Bank applies the 10% threshold on Bank profits or Bank assets. The Bank reportable segments account for more than 75 per cent of total Piraeus Bank revenues.

2.25 Comparatives

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

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 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 Bank 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 or 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 Bank is involved is also examined, as well as the trends of the economic sub-sectors. Across all Bank Units, there are consistent procedures for the evaluation of the creditworthiness of counterparties and for setting up 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 Bank 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 consistent basis. Off balance sheet items 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, the portfolio structure and the population distribution of debtors. Historical data regarding the evolution of overdue accounts in combination with debtor characteristics are also utilised, so that the procedures for the evaluation of creditworthiness are adjusted and controlled.

3.2 Geographical concentrations

The following note incorporates geographical concentrations (secondary segment analysis) of assets, liabilities and revenues of the Bank, as required by IAS 14.

	As at 30 September 2005		As at 31 December 2004	
	Total assets	Total liabilities	Total assets	Total liabilities
Greece	19,105,867	14,840,016	14,865,822	12,489,703
Bulgaria	360,900	191,889	217,056	77,960
United Kindom	305,533	3,723,817	600,240	2,142,577
Total	19,772,300	18,755,722	15,683,118	14,710,240

	1/1-30/9/2005		1/1-30/9/2004	
	Revenues	Net Revenues	Revenues	Net Revenues
Greece	794,752	499,042	569,053	365,119
Bulgaria	16,276	13,939	33,126	7,503
United Kindom	21,744	(40,021)	8,421	7,612
Total	832,772	472,960	610,600	380,234

The negative net result in the geographical segment "United Kindom" derives from the cost of increasing Piraeus Bank equity through the issue of debt securities (ECP, EMTN), subordinated loans (TIER II) and hybrid capital (TIER I). Without taking into consideration the aforementioned cost, the net revenues of the specific geographical segment would amount to € 4.6 million for the period ended 30/09/2005.

The Bank operates in 4 main business segments (note 4) and in 3 countries. Greece is the main country of operations of Piraeus Bank. In Greece and Bulgaria, the areas of operation include all the primary business segments, while in the United Kingdom, the main business segments of operation are Corporate Banking, Investment Banking and Asset Management.

Geographic sector risk concentrations within the loans portfolio (after allowances for losses) is analysed as follows.

	As at 30 September 2005		As at 31 December 2004	
	Total loans	Percentage	Total loans	Percentage
Greece	13,143,590	96.64%	10,935,905	95.79%
Bulgaria	320,207	2.35%	185,346	1.62%
London	136,847	1.01%	294,838	2.58%
Total	13,600,644	100.00%	11,416,089	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 is not exposed to commodity prices risk. Piraeus Bank 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 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 Piraeus Bank 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 implements the RiskMetrics parametric Value-at-Risk methodology, assuming a one-day holding period and utilising a 99% confidence level. As the Value-at-Risk methodology does not evaluate risk attributable to extraordinary financial, or other occurrences, the risk assessment process includes a number of stress scenarios. The stress scenarios are based on the primary risk factors that can change the value of the balance sheet's figures.

The bank tests the validity of the Value-at-Risk estimates, by conducting a back-testing program for the trading book VaR of the bank. 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 during the period 1/1 - 30/9/2005 there were 3 such cases.

The bank's trading book includes the fixed income desk.

The Value-at-Risk estimate for 30/09/2005 was 3,23 m €, for the total trading book. This estimate consists of 0.13 m € interest rate risk, 2,85 m € equity risk and 1.33 m € foreign exchange risk. There is a reduction in the Value-at-Risk estimate of 1.08 m € due to the diversification effect of the portfolio.

For the fixed income activity, the interest rate risk is hedged with positions in interest rate swaps and in German government bond futures.

The Value-at-Risk estimate for the fixed income desk on 30/09/2005, was 0.15 m €, and the maximum, minimum and average price for the period 1/1-30/9/2005 were 1.99 m €, 0.17 m € and 0.41 m € respectively.

3.4 Currency Risk

The Bank is exposed to effects of 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 Bank's exposure to foreign currency exchange rate risk as at 30/09/2005. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by currency:

	EUR	USD	GBP	JPY	CHF	Other currencies	Total
At 30 September 2005							
Foreign exchange risk of Assets							
Cash and Balances with Central Banks	2,708,305	17,495	3,797	2,059	1,164	13,150	2,745,970
Treasury Bills and other eligible bills	41,950	-	-	-	-	-	41,950
Loans and advances to Credit Institutions	424,040	505,619	3,226	-	-	8,917	941,802
Derivative Financial Instruments	(106,533)	20,433	-	101,641	-	(120)	15,421
Trading securities and other financial assets at fair value through profit and loss	325,018	744	-	72,118	-	492	398,372
Loans and advances to Customers	12,743,262	586,671	19,176	80,959	104,670	65,906	13,600,644
Investment securities	259,993	57,596	-	-	-	2,153	319,742
Investments in associated undertakings	39,271	-	-	-	-	1,497	40,768
Goodwill and other intangible assets	8,001	-	-	-	-	589	8,590
Property, plant and equipment	179,013	-	-	-	-	3,112	182,125
Other assets	1,465,541	(5,765)	(1,518)	297	139	18,222	1,476,916
Total assets	18,087,861	1,182,793	24,681	257,074	105,973	113,918	19,772,300
Foreign exchange risk of Liabilities							
Due to Banks	1,557,233	879,485	107,125	64,263	125,383	27,155	2,760,644
Derivative Financial Instruments	(77,509)	20,422	13	94,894	-	-	37,820
Due to Customers	9,266,207	975,293	126,147	1,153,136	5,915	98,013	11,624,711
Debt securities in issue	3,084,286	73,520	90,259	-	-	-	3,248,065
Other borrowed funds	599,942	-	-	-	-	-	599,942
Retirement Benefit Obligations	147,942	-	-	-	-	-	147,942
Other liabilities	2,480,614	(737,388)	(298,796)	(1,055,208)	(25,365)	(27,259)	336,598
Total Liabilities	17,058,715	1,211,332	24,748	257,085	105,933	97,909	18,755,722
Net on-balance sheet position	1,029,146	(28,539)	(67)	(11)	40	16,009	1,016,578
At 31 December 2004							
Total Assets	12,559,120	1,347,994	211,056	1,435,569	28,877	100,502	15,683,118
Total Liabilities	11,599,254	1,348,066	211,536	1,429,931	28,775	92,679	14,710,240
Net on-balance sheet position	959,866	(72)	(480)	5,639	102	7,823	972,878

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 loss to the bank due to adverse movements in interest rates. 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, liabilities, and off-balance-sheet (OBS) instruments because the present value of future cash flows (and in some cases, the cash flows themselves) change when interest rates change.

Piraeus Bank 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 definitive repricing intervals (e.g. sight deposits or savings accounts) or actual maturities (e.g. Open Accounts) are assigned to the time band up to one month.

In particular, the sight deposits, savings and current accounts assigned to the time band up to one month, are estimated at 5.8 billion EUR and represent 57,3% of the total "Liabilities to Customers", which have been assigned in this particular time band.

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".

Line "Net Notional Amounts of Derivative Financial Instruments" represents the net notional amounts of all interest-rate sensitive derivative financial instruments. The latter have been assigned in time bands, according to their repricing or maturity date.

At 30 September 2005	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non interest bearing	Total
Assets							
Cash and balances with central banks	2,745,970	-	-	-	-	-	2,745,970
Treasury bills and other eligible bills	15,128	-	26,822	-	-	-	41,950
Loans and advances to credit institutions	872,611	61,053	8,138	-	-	-	941,802
Trading securities and other financial assets at fair value through profit and loss	97,639	128,257	16,285	53,234	102,957	-	398,372
Loans and advances to customers	9,133,687	3,281,002	1,173,452	429,041	32,567	(449,105)	13,600,644
Investment securities	24,034	10,318	18,105	51,749	7,500	208,036	319,742
Other assets	-	-	-	-	-	1,723,820	1,723,820
Total assets	12,889,069	3,480,630	1,242,802	534,024	143,024	1,482,751	19,772,300
Liabilities							
Due to banks	1,714,429	893,222	146,568	6,425	-	-	2,760,644
Due to customers	10,068,519	952,646	408,957	116,627	-	77,962	11,624,711
Debt securities in issue	1,733,910	1,063,536	446,640	3,979	-	-	3,248,065
Other borrowed funds	200,000	399,942	-	-	-	-	599,942
Other liabilities	-	-	-	-	-	522,360	522,360
Total liabilities	13,716,858	3,309,346	1,002,165	127,031	0	600,322	18,755,722
Net notional amounts of Derivative Financial Instruments	865,355	(589,379)	(41,646)	(134,007)	(103,050)	-	-
Total interest sensitivity gap	37,566	(418,095)	198,991	272,986	39,974	882,429	-

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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 30 September 2005	EUR %	USD %	Other %
Assets			
Cash and balances with central banks	1.84	-	-
Treasury bills and other eligible bills	2.14	-	-
Loans and advances to credit institutions	2.17	3.99	2.60
Loans and advances to customers	4.74	4.36	3.96
Investment securities	4.99	6.05	4.50
Liabilities			
Due to banks	2.15	3.77	1.41
Due to customers	1.45	2.87	3.73
Debt securities in issue	2.21	3.76	4.46
Other borrowed funds	2.78	-	-

The following tables include figures of the comparative period:

At 31 December 2004	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non interest bearing	Total
Assets							
Cash and balances with central banks	1,056,146	-	-	-	-	-	1,056,146
Treasury bills and other eligible bills	100	-	149	-	-	-	249
Loans and advances to credit institutions	159,109	86,996	46,587	-	-	-	292,692
Trading securities and other financial assets at fair value through profit and loss	473,213	113,088	195,277	253,909	37,823	-	1,073,310
Loans and advances to customers	7,576,385	2,735,238	985,276	524,594	37,534	(442,938)	11,416,089
Investment securities	39,624	66	36,728	27,420	27,500	185,827	317,165
Other assets	-	-	-	-	-	1,527,468	1,527,468
Total assets	9,304,577	2,935,387	1,264,018	805,923	102,857	1,270,357	15,683,118
Liabilities							
Due to banks	932,154	280,850	282,036	6,426	-	-	1,501,466
Due to customers	8,894,919	901,495	254,688	105,855	6,563	97,211	10,260,730
Debt securities in issue	777,400	408,124	481,116	5,789	-	-	1,672,428
Other borrowed funds	200,000	398,492	-	-	-	-	598,492
Other liabilities	-	-	-	-	-	677,124	677,124
Total liabilities	10,804,473	1,988,960	1,017,840	118,069	6,563	774,335	14,710,240
Net notional amounts of Derivative Financial Instruments	515,068	650,183	(335,736)	(583,143)	(271,126)	-	
Total interest sensitivity gap	(984,828)	1,596,611	(89,559)	104,710	(174,832)	496,022	

At 31 December 2004	EUR %	USD %	Other %
Assets			
Cash and balances with central banks	1.71	-	-
Treasury bills and other eligible bills	2.16	-	-
Loans and advances to credit institutions	2.53	3.08	3.68
Loans and advances to customers	4.01	3.13	2.36
Investment securities	4.99	6.15	5.19
Liabilities			
Due to banks	2.21	2.32	2.13
Due to customers	1.50	1.66	3.30
Debt securities in issue	2.28	2.28	4.38
Other borrowed funds	2.85	-	-

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

In addition, Piraeus Bank applies "Modified Duration", a sensitivity measure, which denotes the change in the net present value of balance-sheet and off-balance-sheet items in response to a change in interest rates, assuming parallel yield curve shifts. In particular, a parallel shift of 100bp in yield curves would reduce the Bank's net present value by 54 m EUR.

Piraeus Bank also evaluates potential 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 changes in the factors take place instantaneously, may be interpreted as a special case of "Dynamic Scenarios", where, in contrast, the calculation encompasses several intervals, and market factors change for each of them.

"Dynamic Scenarios" are used in the implementation of "Dynamic Simulation", which assesses the sensitivity of the net interest income stream to movements in the yield curves. "Dynamic Simulation" approach includes not only possible market developments, but also the planned future actions of the Bank.

According to the "Dynamic Simulation" results, the negative impact on the annualised interest income of the Bank against an increase of 25 basis points in the interest rates, is estimated at +1 m EUR.

3.6 Liquidity Risk

Piraeus Bank 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 the risk that a financial institution will not be able to meet its obligations as they become due, because of a 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.

Liquidity Gap Analysis provides an overview of the expected cash flows, which arise from all balance sheet items. The cash flows are assigned and aggregated to 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 interest payments of contracts, whose cash flow profile consists of periodical amortizations, are not included in the table. The principal amounts are included in the calculations. Assets and liabilities in foreign currency are converted into EUR using forward FX rates.

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. that 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".

Derivative financial instruments with positive fair values have been registered as Assets and their fair values have been assigned in the appropriate time bands. Respectively, derivative financial instruments with negative fair values have been registered as Liabilities.

Net notional amounts of all derivative financial instruments have been assigned in time bands according to their maturity date. The arising result is presented in line "net notional amounts of derivative financial instruments".

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
At 30 September 2005						
Assets liquidity						
Cash and balances with central banks	2,745,970	-	-	-	-	2,745,970
Treasury bills and other eligible bills	15,128	-	26,822	-	-	41,950
Loans and advances to credit institutions	863,650	33,585	14,255	30,312	-	941,802
Derivative financial instruments	13	32	895	13,204	1,277	15,421
Trading securities and other financial assets at fair value through profit and loss	68,530	126,050	15,857	70,173	117,762	398,372
Loans and advances to customers	3,531,810	1,209,550	1,428,193	4,114,634	3,316,457	13,600,644
Investment securities	3,000	10,318	9,772	81,116	215,536	319,742
Other assets	-	-	-	-	1,708,399	1,708,399
Total assets	7,228,101	1,379,535	1,495,794	4,309,439	5,359,431	19,772,300

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Liabilities liquidity						
Due to banks	1,714,148	744,346	145,724	156,426	-	2,760,644
Derivative financial instruments	29	1,288	57	20,890	15,556	37,820
Due to customers	10,148,059	953,660	407,037	115,955	-	11,624,711
Debt securities in issue	634,626	1,045,951	428,307	389,181	750,000	3,248,065
Other borrowed funds	-	-	-	-	599,942	599,942
Other liabilities	-	-	-	-	484,540	484,540
Total liabilities	12,496,862	2,745,245	981,125	682,452	1,850,038	18,755,722
Net Notional Amounts of Derivative Financial Instruments	(1,741)	(82)	2,503	(113)	(4,090)	
Net Liquidity Gap	(5,270,502)	(1,365,792)	517,172	3,626,874	3,505,303	
At 31 December 2004						
Total assets	4,777,871	1,169,999	1,083,320	4,188,131	4,463,797	15,683,118
Total liabilities	10,342,308	1,595,009	878,381	1,029,623	864,919	14,710,240
Net Notional Amounts of Derivative Financial Instruments	(17,114)	2,053	1,905	1,575	(14,397)	
Net Liquidity Gap	(5,581,551)	(422,957)	206,844	3,160,083	3,584,481	

A Liquidity Risk Management Policy has been applied in all Bank 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.

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 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 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.

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 has issued a securitisation program based on mortgage pools with nominal amount of € 750 million. The liquidity benefits of the securitisation process derive from the conversion of illiquid assets into liquid funds.

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 Bank's balance sheet at their fair value.

	Carrying amounts		Fair value	
	30 September 2005	31 December 2004	30 September 2005	31 December 2004
Financial assets				
Loans and advances to credit institutions	941,802	292,692	943,318	293,437
Loans and advances to customers	13,600,644	11,416,089	14,327,654	11,995,157
Financial liabilities				
Due to banks	2,760,644	1,501,466	2,762,564	1,519,942
Due to customers	11,624,711	10,260,729	11,618,063	10,264,712
Debt securities in issue	3,248,065	1,672,429	3,251,939	1,671,498
Other borrowed funds	599,942	598,492	602,209	597,415

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

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

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

f) The fair value of other borrowed funds 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 Bank provides services to third parties such as custody, trustee, corporate administration/ liquidation of companies and advisory services to third parties which involve the Bank making purchase and sale decisions in relation to a wide range of financial instruments.

4 Critical accounting estimates and judgements

The bank 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 bank 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 bank has set a methodology (described in note 2.10) 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 available-for-sale equity investments

The bank determines that available-for-sale equity 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 requires judgement. In making this judgement, the bank evaluates among other factors, evidence of deterioration in the financial health of the investee and industry and sector performance.

4. Income taxes

The bank 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 fiscal year. Where the final income tax expense is different from the amounts that were initially recorded, differences will impact the income tax and deferred tax provisions in the period in which the tax computation is finalised.

5 Business segments

The Bank has identified the following business segments:

- Retail Banking
- Corporate Banking
- Investment Banking
- Asset Management & Treasury
- Other business segments including other centralised services.

Geographical concentrations are analysed in note 3.2.

An analysis of income and other financial figures is presented below.

<u>1/1-30/9/2005</u>	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Treasury	Other business segments	Total
Revenues	538,500	169,089	59,770	25,740	39,673	832,772
Net Revenues	358,874	45,894	28,530	19,444	20,218	472,960
Segment Results	84,753	21,587	17,724	4,527	-	128,591
Profit before tax						128,591
Income tax expense						(17,914)
Profit after tax						110,677
Other segment items						
Depreciation	7,368	402	5	427	12,484	20,686
Impairment charge - loans	42,354	15,144	-	2	-	57,500

<u>1/1-30/9/2004</u>	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Treasury	Other business segments	Total
Revenues	372,087	131,855	33,209	23,295	50,154	610,600
Net Revenues	260,304	62,400	10,418	17,313	29,799	380,234
Segment Results	63,244	26,552	(11,319)	6,159	-	84,636
Profit before tax						84,636
Income tax expense						(18,650)
Profit after tax						65,986
Other segment items						
Depreciation	6,615	254	4	275	12,995	20,143
Impairment charge - loans	25,907	11,067	-	1	9,515	46,490

At 30 September 2005						
Segment assets	9,644,591	5,015,388	1,366,995	3,375,953	369,373	19,772,300
Segment liabilities	10,873,063	460,581	-	5,196,380	2,225,698	18,755,722

At 31 December 2004						
Segment assets	7,143,139	4,639,899	1,303,569	1,880,524	715,987	15,683,118
Segment liabilities	9,788,862	385,961	-	3,830,899	704,517	14,710,240

6 Net Interest Income

	1/1-30/9/2005	1/1-30/9/2004
Interest income		
Interest on fixed income securities	66,573	67,846
Interest income on loans and advances	505,343	412,342
Other Interest Income	103,072	20,843
Total interest income	674,988	501,031
Interest expense		
Customer deposits and interest from repos	(128,275)	(115,309)
Interest on debt securities in issue and on other borrowed funds	(65,031)	(20,981)
Other Interest Expenses	(148,105)	(78,322)
Total interest expense	(341,411)	(214,612)
Net Interest Income	333,577	286,419

7 Net fees and commission income

	1/1-30/9/2005	1/1-30/9/2004
Fees and commission income		
Commercial Banking	64,923	55,440
Investment Banking	4,588	4,982
Asset Management	10,856	8,599
Total fees and commission income	80,367	69,021
Fees and commission expense		
Commercial Banking	(11,919)	(11,866)
Investment Banking	(1,335)	(1,951)
Asset Management	(5,147)	(1,937)
Total fees and commission expense	(18,401)	(15,754)
Net fees and commission income	61,966	53,267

8 Net trading income

	1/1-30/9/2005	1/1-30/9/2004
Gains less losses on FX dealing	4,897	7,048
Gains less losses on shares & mutual funds transactions	361	4,683
Gains less losses on derivatives transactions	(5,771)	(17,036)
Gains less losses on bonds transactions	7,341	11,669
Gains less losses on FX valuation	1,208	(2,001)
Gains less losses on shares & mutual funds valuation	-	(6,791)
Gains less losses on derivatives valuation	12,106	(5,000)
Gains less losses on bonds valuation	(14,075)	5,009
	6,067	(2,419)

9 Gains less losses from investment securities

	1/1-30/9/2005	1/1-30/9/2004
Gains less losses on shares & mutual Funds (Available for Sale portfolio)	8,248	(2,530)
Gains less losses on bonds (Available for Sale portfolio)	431	(30)
	8,679	(2,560)

10 Other operating income

	1/1-30/9/2005	1/1-30/9/2004
Rental income	1,232	2,155
Other income from banking operations	3,936	3,363
Reversal of provisions	-	5,657
Income from services to Group subsidiaries	2,993	3,193
Other operating income	4,039	10,406
	12,200	24,774

11 Staff costs

	1/1-30/9/2005	1/1-30/9/2004
Wages & salaries	(101,582)	(98,504)
Social insurance contributions	(20,582)	(18,681)
Other staff costs	(7,597)	(11,876)
Voluntary redundancy costs	(19,516)	(13,448)
	(149,277)	(142,509)

The number of staff employed by Piraeus Bank as at 30 September 2005 was 4,409 against 4,191 at the end of 2004. The average number of persons employed by the Bank during the period 1/1-30/09/2005 was 4,300.

12 Administrative expenses

	1/1-30/9/2005	1/1-30/9/2004
Rental expense for buildings	(23,102)	(20,877)
Taxes & duties	(15,321)	(10,241)
Promotion and advertising expenses	(12,406)	(7,606)
Servicing - promotion of banking products	(26,517)	(19,970)
Fees and third parties expense	(11,911)	(11,180)
Other administrative expenses	(27,836)	(27,484)
	(117,093)	(97,358)

13 Income tax expense

	1/1-30/9/2005	1/1-30/9/2004
Current Tax	(7,732)	(16,441)
Deferred Tax (Note 32)	(10,182)	(2,209)
	(17,914)	(18,650)

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

	1/1-30/9/2005	1/1-30/9/2004
Profit before tax	128,591	84,636
Tax calculated at the applicable tax rates	(34,720)	(25,390)
Income not subject to tax	20,829	11,470
Expenses not deductible	(4,023)	(4,730)
Tax	(17,914)	(18,650)

The largest difference arising in income not subject to tax relates to the non-distribution of dividends from Hellenic Investment Company S.A. for the years 2004-2005.

Tax authorities have audited Piraeus Bank's tax position for the years up to and including 2003. For the unaudited tax years a provision has been raised according to International Financial Reporting Standards (IFRS).

14 Earnings per share

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of shares in issue during the period, excluding the average number of ordinary shares purchased by Piraeus Bank. There are no potential dilutive events affecting earnings per share as the first options of the 4 year share option plan, which was decided by the second repeated General Meeting on 16/05/2005, will be issued on 30/11/2005 (note 34).

	1/1-30/9/2005	1/1-30/9/2004
Basic and diluted earnings per share		
Profit after tax (thousand euros)	110,677	65,986
Weighted average number of shares in issue	198,353,972	197,149,773
Basic and diluted earnings per share (in euros)	0.56	0.33

15 Cash and Balances with the Central Bank

	30 September 2005	31 December 2004
Cash in Hand	135,381	136,384
Nostros and Sight Accounts with other banks	54,447	36,520
Balances with Central Banks	2,114,107	566,639
Cheques Clearing System - Central Bank	419,535	304,289
Included in cash and cash equivalents less than 90 days (Note 38)	2,723,470	1,043,832
Mandatory reserves with Central Banks	22,500	12,314
	2,745,970	1,056,146

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

16 Loans and advances to Credit Institutions

	30 September 2005	31 December 2004
Placements with Banks	855,315	144,935
Cheques receivables	-	12,703
Reverse repurchase agreements	-	65,595
Included in cash and cash equivalents less than 90 days (Note 38)	855,315	223,233
Placements with Banks (above 90 days)	86,487	69,459
	941,802	292,692

The interest rates for the total of loans and advances to credit institutions are floating.

17 Derivative Financial Instruments

Derivative Financial Instruments held by the Bank include Currency Forwards, Interest Rate Futures, Interest rate or/and Currency Swaps, Call / Put Options on interest and/or currency, which are initially recognised at cost (including all relevant realised costs) and are subsequently remeasured on a daily basis at their fair value. Fair values are obtained from quoted markets prices in active markets and option pricing models as appropriate. Derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair values are negative.

At 30 September 2005

	Contract/Notional Amount	Fair values	
		Assets	Liabilities
Derivatives held for trading			
Futures	16,200	-	-
Asset Swaps	204,319	-	18,805
Interest Rate Swaps	4,399,272	8,101	14,891
FX Forwards	217,918	-	20
Currency Swaps	4,354,584	(120)	-
Other derivative instruments	463,623	1,397	(1,227)
		9,378	32,489
Embedded equity derivatives			
Customer deposits linked to options	284,576	6,043	5,331
Total recognised derivative assets / liabilities		15,421	37,820

At 31 December 2004

	Contract/Notional Amount	Fair values	
		Assets	Liabilities
Derivatives held for trading			
Futures	242,300	-	-
Asset Swaps	511,494	-	25,582
Interest Rate Swaps	3,040,648	2,740	15,610
Options	48,761	-	-
FX Forwards	21,244	59	-
Other derivative instruments	142,000	2,127	-
		4,925	41,192
Embedded equity derivatives			
Customer deposits linked to options	48,681	437	436
Total recognised derivative assets / liabilities		5,362	41,629

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

Trading Securities

	30 September 2005	31 December 2004
Greek Government Bonds	186,102	630,357
Foreign Government Bonds	493	10,773
Corporate Entities Bonds	24,372	119,951
Bank Bonds	-	29,876
Total trading securities	210,967	790,957
Other financial assets at fair value through profit and loss	187,405	282,353
Total	398,372	1,073,310

Other financial assets at fair value through profit and loss include asset swap bonds. Trading securities include bonds (€ 493 th.) with expiry date less than 3 months from the date of acquisition and therefore, they are included in cash and cash equivalents (note 38).

From the above mentioned bonds as at 30/9/2005, amount of € 289 million relates to fixed income securities, amount of € 76 million relates to floating rate securities (FRN) and finally amount of € 33 million relates to zero-coupons. The respective amounts as at 31/12/2004 are 740 million (fixed), € 256 million (FRN) and € 77 million (zero-coupon).

Net interest accrued on bonds, being incorporated in the respective balances, amounts to € 8 million (2004: € 11.4 million).

19 Loans and advances to customers

	30 September 2005	31 December 2004
Loans to individuals		
Mortgages	2,962,543	2,186,007
Consumer / Personal Loans	1,272,957	857,618
Credit Cards	317,781	257,569
Other	143,729	188,250
	4,697,010	3,489,444
Loans to corporate entities	9,352,739	8,369,582
Total loans and advances to customers	14,049,749	11,859,026
Less: Allowance for losses (impairment) on loans and advances to customers	449,105	442,938
Total loans and advances to customers (after allowance for losses)	13,600,644	11,416,088

From loans and advances to customers, amount € 1,545 million (2004: € 928,6 million) relates to fixed rate loans, whereas amount of € 12,504.7 million (2004: € 10,930.4 million) relates to floating rate loans.

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

	30 September 2005	31 December 2004
Balance at 1 January (1/1/2005 and 1/1/2004 respectively)	442,938	462,985
Charge for the period	56,169	46,490
Loans written-off	(53,362)	(43,431)
Foreign exchange differences	3,360	(2,745)
Balance at end of period (30/9/2005 and 30/9/2004 respectively)	449,105	463,299
Balance at 1/10/2004		463,299
Charge for the period		29,664
Loans written-off		(50,740)
Foreign exchange differences		715
Balance at 31/12/2004		442,938

The charge for the period 1/1-30/09/2005 (€ 56,169 thousand) does not include amount of € 1,331 thousand which relates to write-offs of loans with relevant charge of the Income Statement for the period.

20 Investment securities

	30 September 2005	31 December 2004
Available for sale securities - fair values		
Bonds & other fixed income securities		
Foreign Government Bonds	11,946	10,000
Corporate Entities Bonds	60,637	118,420
Bank Bonds	39,123	2,918
	111,706	131,338
Shares & other variable Income securities		
Listed shares	94,102	89,128
Unlisted shares	113,934	96,699
	208,036	185,827
Total available for sale securities	319,742	317,165

From the above bonds as at 30/9/2005, amount of € 88 million, € 13 million is floating rate (FRN) and 11 zero coupon. The respective amounts for 31/12/2004 are € 108 million (fixed) and € 23 million (FRN).

Net interest accrued on bonds, being incorporated in the respective balances, amounts to € 2.3 million.

The movement for the available for sale portfolio is summarised as follows:

	317,165	299,817
Opening balance (1/1/2005 and 1/1/2004 respectively)		
Additions	64,562	48,684
Disposals	(102,932)	(33,581)
Transfers from associates	1,222	-
Changes in fair value (note 36)	35,524	2,153
Exchange differences	4,201	92
Closing balance (30/9/2005 and 31/12/2004 respectively)	319,742	317,165

21 Investments in Subsidiaries and Associates

The investments of Piraeus Bank in Subsidiaries and Associates are:

Company	Activity	% holding	Country
A. Subsidiaries			
1 MARATHON BANKING CORPORATION	Banking Activities	82.52%	USA
2 TIRANA BANK I.B.C.	Banking Activities	88.72%	Albania
3 PIRAEUS BANK ROMANIA S.A.	Banking Activities	99.99%	Romania
4 ATLAS BANKA A.D.	Banking Activities	80.00%	Serbia
5 EUROBANK A.D.	Banking Activities	99.66%	Bulgaria
6 EGYPTIAN COMMERCIAL BANK S.A.	Banking Activities	87.97%	Egypt
7 PIRAEUS ASSET MANAGEMENT EUROPE S.A.	Mutual Funds Management	99.94%	Luxemburg
8 PIRAEUS LEASING S.A.	Finance Leasing	85.56%	Greece
9 PIRAEUS LEASING ROMANIA SRL	Finance Leasing	99.39%	Romania
10 PIRAEUS INSURANCE AGENCY S.A.	Insurance Brokerage	100.00%	Greece
11 TIRANA LEASING S.A.	Finance Leasing	100.00%	Albania
12 PIRAEUS SIGMA DEVLETGOU SECURITIES S.A.	Stock Exchange Operations	80.00%	Greece
13 PIRAEUS GROUP CAPITAL LTD	Debt Securities Issue	100.00%	United Kingdom
14 PIRAEUS LEASING BULGARIA	Finance Leasing	100.00%	Bulgaria
15 PIRAEUS ENTERPRISERS 1 LTD	Holding company	100.00%	Cyprus
16 PIRAEUS ENTERPRISERS 2 LTD	Holding company	100.00%	Cyprus
17 PIRAEUS ENTERPRISERS 3 LTD	Holding company	100.00%	Cyprus
18 PIRAEUS ENTERPRISERS 4 LTD	Holding company	100.00%	Cyprus
19 PIRAEUS GROUP FINANCE P.L.C.	Debt Securities Issue	100.00%	United Kingdom
20 MULTI COLLECTION S.A.	Assessment and collection of commercial debts	51.00%	Greece
21 PIRAEUS FACTORING S.A.	Corporate factoring	100.00%	Greece
22 PIRAEUS MULTIFIN S.A.	Financing for motor vehicles	87.50%	Greece
23 ETBA FINANCE S.A.	Special liquidations	100.00%	Greece
24 E-VISION S.A.	Holding company	100.00%	Greece
25 SOLVENCY INTERNATIONAL S.A. OF INVESTMENTS AND PARTIC. INTERESTS	Holding company	87.56%	Greece
26 PIRAEUS BOTIFIN S.A.	Financial Management and operation of investments/construction activities	100.00%	Greece
27 PICAR S.A.	City Link Areas Management	100.00%	Greece
28 PIRAEUS REAL ESTATE INVESTMENT PROPERTY S.A.	Property Management	31.23%	Greece
29 BULFINA S.A.	Property Management	100.00%	Bulgaria
30 PIRAEUS NNT S.A.	Accounting and tax consulting	40.00%	Greece
31 GENERAL CONSTRUCTION AND DEVELOPMENT CO.SA	Property development / holding company	66.70%	Greece
32 PIRAEUS DIRECT SERVICES S.A.	Call center services	1.00%	Greece
33 ELECTRA S.A. (ex ELECTRA OF NOTHERN GREECE S.A.)	Commerce of lighting products	100.00%	Greece
34 KOMOTINI REAL ESTATE DEVELOPMENT S.A.	Property Management	100.00%	Greece
35 DIAGONIOS S.A.	Construction company	100.00%	Greece
36 ND DEVELOPMENT S.A.	Construction company/ tourist services	100.00%	Greece
37 PROPERTY HORIZON S.A.	Holding company	100.00%	Greece
38 HELLENIC INVESTMENT COMPANY S.A.	Investment Company	48.09%	Greece
39 ETBA INDUSTRIAL ESTATES S.A.	Development / Management of Industrial Areas	65.00%	Greece
40 PIRAEUS PROPERTY S.A.	Real estate, hotels/ tourist services	99.83%	Greece
41 PIRAEUS DEVELOPMENT S.A.	Real estate, development/ tourist services	99.83%	Greece
42 PIRAEUS CONSTRUCTIONS S.A.	Real estate, development/ tourist services	99.83%	Greece
43 PIRAEUS DEVELOPER S.A.	Real estate, development/ tourist services	99.83%	Greece
44 ESTIA MORTGAGE FINANCE P.L.C.	Special purpose entity for securitisation of mortgage loans	-	United Kingdom

Piraeus Bank - 30 September 2005
Amounts in thousand euros (Unless otherwise stated)

B. Associates	Activity	% holding	Country
1 EUROINVESTMENT & FINANCE LTD	Banking, Asset Management, real estate operations	32.94%	Cyprus
2 ING PIRAEUS MUTUAL FUNDS S.A.	Mutual Funds Management	49.94%	Greece
3 ING - PIRAEUS LIFE INSURANCE COMPANY	Life insurance, medical insurance and accidents insurance	49.90%	Greece
4 VIOTIKI REGIONAL DEVELOPMENT & INVESTMENT COMPANY S.A.	Investment and development activities	37.00%	Greece
5 PARK MANAGEMENT & DEVELOPMENT COMPANY S.A.	Scientific and technology park management	30.45%	Greece
6 HELLENIC STEEL COMPANY S.A.	Steel products	30.83%	Greece
7 GREEK LEATHER PROCESSING INDUSTRY S.A.	Processing and production of leather products	43.79%	Greece
8 ETANAL S.A.	Management of Fish Trading Center	25.00%	Greece
9 STALKO S.A.	Electrical equipment production	25.00%	Greece
10 P. MANESSIS BROS S.A.	Tourism - commercial enterprises operation	24.83%	Greece
11 EVROS DEVELOPMENT COMPANY S.A.	Business consultants	30.00%	Greece
12 ILIOU GROUP-COMM. GARDENING ITEMS & HOLDING COMPANY S.A.	Production and commerce of ceramic products	24.48%	Greece
13 REBICAT	Property Management	10.00%	Greece
14 ABIES	Property Management	10.00%	Greece
15 EUROTERRA	Property Management	10.00%	Greece
16 LAKKOS MIKELLI REAL ESTATE LTD	Property Management	40.00%	Cyprus
17 APE COMMERCIAL PROPERTY S.A.	Real estate, development/ tourist services	27.80%	Greece
18 APE FIXED ASSETS S.A.	Real estate, development/ tourist services	27.80%	Greece

The movement for investments in associates is analysed as follows:

	30 September 2005	31 December 2004
Opening Balance	25,819	23,317
Additions	16,134	2,469
Transfers to available for sale portfolio	(1,222)	-
Exchange differences	37	33
Closing balance	40,768	25,819

22 Intangible assets

	Software	Other intangible	Total
At 1 January 2004	36,620	1,515	38,135
Additions	5,948	121	6,069
Write - offs	-	(7)	(7)
At 31 December 2004	42,568	1,629	44,197
Accumulated depreciation at 1st January 2004			
Opening balance	(29,655)	(1,283)	(30,938)
Depreciation charge	(4,355)	(129)	(4,484)
Accumulated depreciation at 31 December 2004	(34,010)	(1,412)	(35,422)
Net book value 31/12/2004	8,558	217	8,775
	Software	Other intangibles	Total
At 1 January 2005	42,568	1,629	44,197
Additions	3,101	204	3,305
At 30 September 2005	45,669	1,833	47,502
Accumulated depreciation at 1st January 2005			
Opening balance	(34,010)	(1,412)	(35,422)
Depreciation charge	(3,413)	(77)	(3,490)
Accumulated depreciation at 30 September 2005	(37,423)	(1,489)	(38,912)
Net book value 30/9/2005	8,246	344	8,590

23 Property, plant and equipment

	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
At 1 January 2004						
Cost						
Opening balance	44,884	116,838	16,122	6,509	89,200	273,553
Cost of leased assets offset against accumulated depreciation (1)-Opening balance	7,651	1,562	-	-	-	9,213
Leased assets purchased in 2004 (2)-Opening balance	27,220	822	-	-	-	28,042
Cost of leased assets offset against accumulated depreciation (3)	(7,651)	(1,562)	-	-	-	(9,213)
Additions	2,975	15,338	444	434	10,928	30,119
Transfers	-	-	(3,911)	-	(772)	(4,683)
Disposals	(4,733)	(42)	-	(326)	(1,525)	(6,626)
Write - offs	-	(127)	-	-	-	(127)
At 31 December 2004	70,346	132,829	12,655	6,617	97,831	320,278
Accumulated depreciation at 1st January 2004						
Opening balance	-	(89,041)	-	(5,055)	(40,357)	(134,453)
Depreciation of leased assets offset against cost (4)-Opening balance	(7,651)	(1,561)	-	-	-	(9,212)
Depreciation of leased assets offset against cost (5)	7,651	1,561	-	-	-	9,212
Depreciation charge	(3,162)	(12,070)	-	(533)	(6,462)	(22,227)
Disposals	-	56	-	302	1,513	1,871
Disposals of assets written off	-	84	-	-	-	84
Reclassifications of opening balances	1,856	(500)	-	-	-	1,356
Accumulated depreciation at 31 December 2004	(1,306)	(101,471)	0	(5,286)	(45,306)	(153,369)
Net book value 31/12/2004	69,040	31,358	12,655	1,331	52,525	166,909

Due to the the purchase of all leased assets within 2004, for analysis and reconciliation purposes, the additional lines 1- 4 are presented. The amounts of lines 1, 3, 4, 5 are offset. The balance of line 2 relates to purchases of fixed assets during 2004.

	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
2005						
Cost						
Opening balance	70,346	132,829	12,655	6,617	97,831	320,278
Additions	4,998	7,668	3,499	217	6,592	22,974
Transfers	-	588	(1,559)	-	43	(928)
Disposals	(15,703)	(2,865)	-	(101)	-	(18,669)
Write - offs	-	(56)	-	(1)	(459)	(516)
At 30 September 2005	59,641	138,164	14,595	6,732	104,007	323,139
Accumulated depreciation at 1st January 2005						
Opening balance	(1,307)	(101,412)	0	(5,286)	(45,306)	(153,311)
Depreciation charge	(1,327)	(10,220)	-	(363)	(5,286)	(17,196)
Disposals	652	2,761	-	101	-	3,514
Write - offs	-	51	-	1	350	402
Accumulated depreciation at 30 September 2005	(1,982)	(108,820)	0	(5,547)	(50,242)	(166,591)
Net book value 30 September 2005	57,659	29,344	14,595	1,185	53,765	156,548

24 Investment Property

2004

Cost

Opening net book amount	18,891
Reclassifications of opening balances	1,000
Additions	10,865
Disposals	(6,832)
Transfers	(1,135)
At 31 December 2004	22,789

2005

Cost

Opening net book amount	22,789
Additions	3,592
Disposals	(804)
At 30 September 2004	25,577

25 Other assets

	30 September 2005	31 December 2004
Inventory property	31,529	33,301
Prepaid expenses & accrued Income	67,153	28,747
Prepaid taxes & taxes withheld	25,056	12,868
Claims from tax authorities & the Greek State	44,738	43,970
Dividends receivable	542	861
Other Assets	98,376	189,915
	267,394	309,663

26 Due to Banks

	30 September 2005	31 December 2004
Deposits from other Banks	2,670,515	1,475,266
Other Obligations to Banks	90,129	61
Repurchase agreement - Credit Institutions	-	26,139
	2,760,644	1,501,466

Balances due to banks bear floating rates.

27 Due to customers

	30 September 2005	31 December 2004
Deposits - Corporate Customers		
Sight deposits	1,687,238	1,313,995
Term deposits	2,567,484	2,027,622
Other deposits	40,477	38,802
Retail Customers		
Savings account	3,109,042	2,800,876
Sight deposits	977,102	820,366
Term deposits	2,965,727	2,460,716
Other deposits	12,410	12,524
Repurchase agreements		
Corporate	172,783	285,960
Retail	14,486	402,617
Cheques payable and remittances	77,962	97,250
	11,624,711	10,260,729

28 Debt securities in issue

	Average interest rate (%)		30 September 2005	31 December 2004
	30 September 2005	31 December 2004		
ETBA bonds	2.27%	2.27%	418,891	480,154
€ Euro Commercial Paper	2.41%	2.35%	1,684,349	843,041
€ Euro Medium Term Note	2.54%	2.54%	420,419	349,234
Securitisation of mortgage loans	2.30%	-	724,406	-
			3,248,065	1,672,429

The increased number of the Euro Commercial Paper (ECP) securities in issue was accompanied by the constant decrease of the interest rate spread and the stable average maturity. The issue of securities concerning the Euro Medium Term Note Program (EMTN) was addressed to local investors through private placement.

Euro Commercial Paper and Euro Medium Term Note programs are raised through the subsidiary Piraeus Group Finance and they are included in debt securities in issue instead of customers deposits for presentation purposes.

Piraeus Bank completed its first Residential Mortgage Backed Securitisation (RMBS) in the amount of € 750 million. The issue 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.

29 Other borrowed funds

	Average interest rate (%)		30 September 2005	31 December 2004
	30 September 2005	31 December 2004		
Hybrid Capital (TIER I)	3.39%	3.40%	201,237	200,000
Subordinated debt (TIER II)	2.74%	2.78%	398,705	398,492
			599,942	598,492

Hybrid capital with infinite life and call option within 10 year has been issued by Piraeus Group Capital PLC. Subordinated debt has been issued by Piraeus Group Finance PLC with 10 years duration and are callable by the issuer after 5 years.

On 31/12/2004 the accrued interest of the debt securities in issue and other borrowed funds is included in other liabilities. The respective amounts as at 30/09/2005 were transferred to debt securities in issue and other borrowed funds.

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

30 Other liabilities

	30 September 2005	31 December 2004
Retirement benefit obligations	147,942	148,256
Prepaid income & accrued expenses	74,861	48,466
Withheld tax and contributions	12,922	16,031
Other liabilities	200,876	322,265
	436,601	535,018

Other liabilities include mainly € 143 million (2004: € 134 million) that relates to transactions with interbank systems (DIAS) and other accounts with credit balances that result from the daily transactions of the Bank.

As at 31/12/2004 and 30/9/2005, there are no liabilities arising from financial leasing.

31 Other provisions

	30 September 2005	31 December 2004
Opening balance	81,087	60,123
P&L charge for the period	390	16,273
Utilization of provisions	(54,662)	(19,875)
Transfers - Adjustments	-	24,566
Net book amount	26,815	81,087

The reduction in provisions and tax liabilities as at 30/9/2005 is due to the tax payments for year 2004 and the completion of the bank's tax audit up to and including year 2003 (amount € 13,946 th. was used).

32 Deferred tax liabilities

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 32% less a 5% discount due to the forecoming merger with Hellenic Investment Company S.A. (2004: 30%).

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

	30 September 2005	31 December 2004
Deferred tax liabilities		
Adjustment for depreciation of property, plant and equipment	1,259	734
Derivative financial instruments valuation	3,576	16,235
Securities at fair value through P&L	4,297	-
Available for sale reserve	3,037	-
Recognition of commission according to effective interest rate calculation	537	356
Adjustment of tax rates	(805)	-
Other deferred tax liabilities	9,223	2,062
	21,124	19,387

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Amounts in thousand euros (Unless otherwise stated)

	30 September 2005	31 December 2004
Deferred tax assets		
Pensions and other post retirement benefits	44,260	43,187
Provision for loan impairment	13,332	12,665
Intangible assets derecognition	4,708	6,001
Derivative financial instruments valuation	10,120	18,917
Available for sale reserve	12,320	15,314
Adjustment of tax rates	(4,408)	-
Recognition of commission according to effective interest rate calculation	10,985	9,716
Other deferred tax assets	8	-
	91,325	105,800
Net deferred tax asset/ liability	70,201	86,413

The deferred tax charge in the Income Statement is analysed as follows:

	30 September 2005	30 September 2004
Deferred tax (Income Statement)		
Pensions and other post retirement benefits	1,073	1,786
Provision for loan impairment	(6,764)	(8,851)
Recognition of commission according to effective interest rate calculation	1,030	2,310
Derivative financial instruments valuation	(5,097)	547
Adjustment for depreciation of property, plant and equipment	(525)	(352)
Intangible assets derecognition	(1,295)	(1,787)
Adjustment of tax rates	(3,603)	-
Other differed tax charges	4,999	4,138
	(10,182)	(2,209)

Deferred tax of 6.030 thousand euros, that relates to the valuation of the available for sale securities for the period 1/1-30/9/2005, was not recorded in Profit and Loss for the period but instead in the Available for Sale Reserve as per the IFRS regulations.

33 Retirement benefit obligations

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.

There has been no actuarial study as at 30/9/2005. The statement of provision at this date was based on the results of the study made as at 31/12/2004.

	30 September 2005	31 December 2004
Amounts recognised in the balance sheet		
Pension schemes-funded	81,372	75,743
Other post retirement benefits - not funded	60,670	62,324
	142,042	138,067
Provision for outstanding annual leaves	5,891	5,891
Provision for voluntary leave plan 12/2003	9	4,298
Total obligation	147,942	148,256
Income statement		
Pension schemes-funded	7,707	7,320
Other post retirement benefits - not funded	11,809	6,128
	19,516	13,448

A) Pension schemes - funded

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

	30 September 2005	31 December 2004
Present value of funded obligations	135,784	108,446
Fair value of plan assets	(33,886)	(11,723)
	101,898	96,723
Unrecognised actuarial losses	(20,526)	(20,980)
Liability in the balance sheet	81,372	75,743

The amounts recognised in the Income Statement are as follows:

	30 September 2005	30 September 2004
Pension schemes - Income statement		
Current service cost	3,155	2,238
Interest cost	4,773	3,962
Expected return on plan assets	(839)	(793)
Net actuarial (gains)/ losses recognised in year	455	-
Past service cost	-	1,914
Additional cost	163	-
Total, included in staff costs	7,707	7,321

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

Opening balance for 2004	68,673
Movement for the period	9,760
Contributions paid by the Bank	(2,690)
Closing balance for 2004	75,743
Opening balance at 1/1/2005	75,743
Movement for the period	7,707
Contributions paid by the Bank	(2,078)
Closing balance at 30/9/2005	81,372

B) Other post retirement benefits - not funded

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

	30 September 2005	31 December 2004
Present value of funded obligations	68,119	69,834
Unrecognised actuarial losses	(7,449)	(7,510)
Liability in the balance sheet	60,670	62,324

The amounts recognised in the income statement are as follows:

	30 September 2005	30 September 2004
Income statement		
Current service cost	3,382	2,720
Interest cost	2,502	2,440
Net actuarial gains/ losses in the year	60	-
Additional cost	5,865	967
Total included in staff costs	11,809	6,127

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

Opening balance for 2004	63,206
Movement for the period	9,234
Contributions paid by the Bank	(10,116)
Closing balance for 2004	62,324
Opening balance as at 1/1/2005	62,324
Movement for the period	11,811
Contributions paid by the Bank	(13,465)
Closing balance as at 30/9/2005	60,670

The main actuarial assumptions used are as follows:

	30 September 2005	31 December 2004
Discount rate	5.0%	5.0%
Expected return on plan assets	5.0%	5.0%
Future increase of salaries	4.0%	4.0%
Future increase of pensions	2.5%	2.5%

Piraeus Bank and its employees are still claiming from an insurance fund an amount of € 23 million approximately, which relates to excess contributions of the Bank and its employees.

34 Contingent liabilities and commitments

A) Legal procedures

There are no pending legal actions against the Bank as at 30/09/2005 which would affect its financial position.

B) Capital commitments

As at 30/09/2005 the Bank had the following capital commitments:

	30 September 2005	31 December 2004
Letters of guarantee	1,342,396	1,450,086
Letters of credit	71,103	68,756
Commitments to extent credit	5,778,718	5,123,447
	7,192,217	6,642,289

C) Assets pledged

	30 September 2005	31 December 2004
Trading securities	79,016	97,440

D) Operating lease commitments

Commitments from operating leasing contracts are analysed as follows:

	30 September 2005	31 December 2004
Up to 1 year	36,450	32,947
From 1 to 5 years	158,673	142,408
More than 5 years	325,900	288,947
	521,023	464,302

35 Share capital

	Ordinary shares	Share premium	Treasury shares	Total
At 1 January 2004	819,949	354,644	(188)	1,174,405
Issue of share capital	11,118	11,089	-	22,207
Purchases/ sales treasury shares	-	-	(15,862)	(15,862)
At 31 December 2004	831,067	365,733	(16,050)	1,180,750
At 1 January 2005	831,067	365,733	(16,050)	1,180,750
Purchases/ sales treasury shares	-	-	(14,612)	(14,612)
At 30 September 2005	831,067	365,733	(30,662)	1,166,138

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

	Number of shares		Net number of shares
	Issued shares	Treasury shares	
Opening balance at 1st January 2004	197,578,101	(27,285)	197,550,816
Issue of share capital	2,678,905	-	2,678,905
Purchases of treasury shares	-	(3,642,850)	(3,642,850)
Sales of treasury shares	-	2,285,710	2,285,710
Balance at 31st December 2004	200,257,006	(1,384,425)	198,872,581
Opening balance at 1st January 2005	200,257,006	(1,384,425)	198,872,581
Purchases of treasury shares	-	(3,866,825)	(3,866,825)
Sales of treasury shares	-	3,200,000	3,200,000
Balance at 30 September 2005	200,257,006	(2,051,250)	198,205,756

All issued shares are fully paid. During the General Meeting of shareholders of the Bank at 7.4.2005 it was decided, according to the article 16 par.5-14 of codified Law 2190/1920, the purchase of own shares in order to support the Bank's share price at the stock exchange. 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.

Shares option plan

The 2nd repeated General Meeting of Piraeus Bank shareholders 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 will be in force and 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.

The exercise price will be 12.20 Euros per share. Those entitled to participate to the above plan are Board members, as well as executives who are employed by the Bank or its related companies, as well as executives who are employed by the Bank or its related companies for at least six months and will continue to be in service by the exercise date of the options.

On the 30th of November of each year, 1/4 of the total number of share options will be vested, and each holder will be 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 will not be lower than the percentage increase of the Athens Stock Exchange Bank Index for the equivalent period.

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 of the year 2008.

36 Other reserves and retained earnings

	30 September 2005	31 December 2004
Legal reserve	51,667	51,653
Available for sale reserve	23,553	3,080
Other reserves	332	66
1st time adoption adjustments	(439,782)	(439,782)
Retained earnings	214,670	177,111
Total other reserves and retained earnings	(149,560)	(207,872)

Movements in reserves for the period were as follows:

Legal reserve	30 September 2005	31 December 2004
Opening balance	51,653	46,822
Transfer from retained profits	-	3,922
Absorption of companies and other movements	14	909
Net book amount	51,667	51,653

In accordance with the requirements of Law 2190/1920, legal reserve is formed by appropriation of profit and it is not available for distribution to the shareholders. Also in accordance to the above Law, 5% of the annual net profit of the Bank is transferred to the legal reserve, until this reserve represents 1/3 of the share capital of the Bank.

Available for sale reserve	30 September 2005	31 December 2004
Opening Balance	3,080	(2,353)
Gains/ losses from the valuation of AFS bonds (note 20)	4,560	-
Gains/ losses from the valuation of AFS shares (note 20)	30,964	4,612
Deferred income taxes (note 32)	(6,030)	320
Recycling of the accumulated fv adj for AFS securities (note 9)	(8,679)	501
Foreign exchange differences and other adjustments	(342)	-
Net book amount	23,553	3,080

Retained earnings	30 September 2005	31 December 2004
Opening book amount	177,111	169,575
Profit for the period	110,677	69,431
Transfer to legal reserve	-	(3,922)
Dividend for prior year	(80,103)	(59,273)
Profits / (losses) from sales of treasury shares	7,670	691
Absorption of companies and other movements	(685)	609
Net book amount	214,670	177,111

37 Dividend per share

At the meeting on April 7 2005, a dividend in respect of 2004 of € 0.40 per share of total amount € 80,102,802.40 was proposed. Due to this approval, the dividend is not included in total equity as at 30/09/2005.

38 Cash and cash equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents comprises the following balances with less than 3 months maturity from the date of their acquisition.

	30 September 2005	31 December 2004
Cash and balances with central banks (Note 15)	2,723,470	1,043,832
Loans and advances to Credit Institutions (Note 16)	855,315	223,233
Trading Securities (Note 18)	493	-
	3,579,278	1,267,065

39 Related parties transactions

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

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Amounts in thousand euros (Unless otherwise stated)

	Board of Directors members and key management personnel	
	30 September 2005	31 December 2004
Loans	149,484	38,329
Deposits	30,923	31,840
Director's remuneration		
Salaries and other remuneration	6,297	6,456
Post employment benefits	2,005	2,803
	8,302	9,259

Bank's balances from transactions to subsidiaries and associates and the relevant results are as follows:

I. Subsidiaries	30 September 2005	31 December 2004
Assets		
Cash and Balances with Central Bank	2,836	-
Loans and advances to Credit Institutions	289,518	123,647
Trading securities	2,291	17,099
Loans and advances to customers	1,527,692	1,393,728
Other assets	17,199	19,867
Total	1,839,536	1,554,341

Liabilities	30 September 2005	31 December 2004
Due to Banks	51,570	12,220
Due to customers	482,469	225,988
Debt securities in issue	2,829,174	1,192,313
Other borrowed funds	599,942	598,492
Other liabilities	17,882	7,252
Total	3,981,037	2,036,265

Revenues	30 September 2005	30 September 2004
Interest and similar income	43,486	32,354
Fee and commission income	4,404	2,810
Net trading income	(45)	(125)
Other operating income	3,653	3,429
Total	51,498	38,468

Expenses	30 September 2005	30 September 2004
Interest expense and similar charges	60,691	16,793
Fee and commission expense	9,447	5,670
General administrative expenses	24,573	19,986
Total	94,711	42,449

II. Associates	30 September 2005	31 December 2004
Deposits	7,374	9,496
Interest / expense	99	126
Loans	17,174	15,793
Interest / income	539	528

40 Post Balance Sheet events

On October 5th 2005, Piraeus Bank signed an agreement to sell its 100% subsidiary "Instreamline Information Technology Services S.A." to "Euronet Electronic Funds Transfer Services Hellas Ltd", for the amount of EUR 14.7 million. Instreamline SA has provided Piraeus Bank Group with credit and debit card production and processing services as well as payment services.

On October 11th 2005, Standard & Poor's, the international rating agency, announced that it affirmed Piraeus Bank's long-term rating at BBB and short-term at A-2, with positive outlook.

On October 18th 2005, the 2nd Iterative General Meeting of Piraeus Bank's Shareholders resolved the merger of the Bank with the "Hellenic Investment Company SA", by absorption of the latter by the former. According to the Draft Merger Agreement approved by the General Meeting, the share exchange ratio is set at 4.82 shares of the absorbed company to 1 share of the absorbing company. Moreover, the General Meeting resolved the amendment of article 5 of the Articles of Association, so that the registered share capital of the Bank will increase to EUR 1,024,931,970.18, divided into 214,870,434 registered voting shares of a par value of EUR 4.77 each, after the merger. In addition, the General Meeting approved the integration of the Bank's branch network in Bulgaria with the branch network of Eurobank A.D., the Bulgarian subsidiary owned by 99.66%. The above mentioned merger will be completed by the end of November 2005.

41 Adjustments due to transition to the International Financial Reporting Standards

Piraeus Bank has adopted and applied International Financial statements for periods ending after January 31, 2005. The accompanied financial statements of the bank for the period ended June 30, 2005, have been prepared in accordance with the IFRSs and the accounting principles of the bank described in note 2.

The transition date for the bank was the 1st of January 2004, for which date the transition balance sheet was prepared. The financial statements prepared for the period beginning on 1st of January 2004 and for which the accounting principles of the bank have been applied are described in note 2 and they are used as comparatives for the period beginning on 1st of January 2005.

In preparing the bank's interim financial statements in accordance with IFRS 1, the bank has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

Exceptions from full retrospective application followed by the Bank

I. Derecognition of financial assets and liabilities exception

Financial assets and liabilities derecognised before 1 January 2004 are not re-recognised under IFRS.

II. Hedge accounting exception

The bank has established hedge accounting policy and accounts for hedging when the conditions of IAS 39 are met. The bank's hedge accounting is described in note 2.3.

III. Estimates exception

There was no change in the estimates made by the management in the preparation of the financial statements under IFRS compared to the estimates made under the previous Greek GAAP.

Exemptions from full retrospective application elected by the Bank

I. Fair value as deemed cost exemption

The bank has elected to measure certain items of property, plant and equipment at fair value (appraisals undertaken by professionally qualified valuers) as at 1st of January 2004. This fair value is used as the deemed cost with which the assets are recognised in the transition balance sheet.

II. Employee benefits exemption

The bank has elected to recognise all cumulative actuarial gains and losses as at 1st of January 2004.

The required, by the International Financial Reporting Standards, reconciliations of Equity, Balance Sheet and Income Statement are presented below.

**TABLE OF ADJUSTMENTS ON EQUITY AT THE BEGINNING OF THE PERIOD
 BETWEEN GREEK AND INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Under the scope of the adoption of International Financial Reporting Standards, Piraeus Bank recorded the following adjustments, according to the regulations of these standards and more specifically of IFRS 1 "First time adoption of International Financial Reporting Standards".

	1 January 2005	1 January 2004
Equity at the beginning of period (Greek Accounting Standards)	1,299,272	1,303,457
Provision for retirement benefit obligation	(136,018)	(136,018)
Adjustment due to revaluation of fixed assets	331	37,772
Derecognition of intangible assets	(27,381)	(27,381)
Impairment of investments	(192,534)	(192,534)
Impairment of available for sale securities	(44,569)	(44,569)
Adjustments for loan provisions according to IAS 39	(53,947)	(91,067)
Adjustments for loan commission income according to IAS 39	(22,015)	(22,015)
Adjustment for dividends	0	59,273
Provision for tax liabilities	(14,503)	(16,000)
Recognition of deferred tax assets / liabilities	84,749	84,749
Increase / decrease of available for sale securities	5,433	(2,353)
Valuation of trading securities at fair values	2,911	2,911
Profit after tax according to IFRS	69,431	0
Recognition of derivative financial instruments and other adjustments	1,719	(7,492)
Equity at the beginning of period (IFRS)	972,879	948,734

RECONCILIATION OF BALANCE SHEET AS AT 31st of DECEMBER 2004

	Notes	GREEK GENERAL ACCOUNTING PRINCIPLES	EFFECT OF IFRS FIRST TIME ADOPTION	I.F.R.S.
ASSETS				
Cash and balances with central banks	a	1,019,535	36,611	1,056,146
Treasury bills and other eligible bills		245	4	249
Loans and advances to Credit Institutions	c	327,156	(34,464)	292,692
Derivative financial instruments	f	0	5,362	5,362
Trading securities	b	0	790,957	790,957
Other financial instruments at fair value through Profit and Loss	b	0	282,353	282,353
Bonds and other fixed-income securities	b	1,079,966	(1,079,966)	0
Loans and advances to customers (net of provisions)	c	11,545,147	(129,058)	11,416,089
Shares and other variable income securities less third parties rights	b	201,478	(201,478)	0
Investment securities	b	0	317,165	317,165
Investments in subsidiaries	b	1,071,806	(189,455)	882,351
Investments in associated undertakings	b	30,285	(4,466)	25,819
Intangible assets	d	29,905	(21,130)	8,775
Property, plant and equipment	e	164,988	24,710	189,698
Deferred tax assets	g	0	105,800	105,800
Inventory - property		0	33,301	33,301
Other assets		300,911	(24,549)	276,362
TOTAL ASSETS		15,771,422	(88,303)	15,683,118
LIABILITIES				
Due to Banks		1,590,684	(89,218)	1,501,466
Derivative financial instruments	f	0	41,629	41,629
Due to customers		11,355,302	(1,094,573)	10,260,729
Debt securities in issue		475,448	1,196,981	1,672,429
Other borrowed funds		598,492	0	598,492
Retirement benefit obligations	h	3,977	144,279	148,256
Other provisions		32,237	48,851	81,088
Deferred tax liabilities	g	0	19,387	19,387
Other liabilities		416,010	(29,246)	386,764
TOTAL LIABILITIES		14,472,150	238,090	14,710,240
EQUITY				
Ordinary shares		831,067	0	831,067
Share premium		366,810	(1,077)	365,733
Less: Treasury shares		(16,050)	0	(16,050)
Other reserves and retained earnings	i	117,445	(325,316)	(207,871)
TOTAL EQUITY		1,299,272	(326,393)	972,879
TOTAL EQUITY AND LIABILITIES		15,771,422	(88,303)	15,683,118

RECONCILIATION OF BALANCE SHEET AS AT 30th of SEPTEMBER 2004

	Notes	GREEK GENERAL ACCOUNTING PRINCIPLES	EFFECT OF IFRS FIRST TIME ADOPTION	I.F.R.S.
ASSETS				
Cash and balances with central banks	a	506,313	54,685	560,998
Treasury bills and other eligible bills		175	3	178
Loans and advances to Credit Institutions	c	399,375	(58,262)	341,113
Derivative financial instruments	f	0	12,292	12,292
Trading securities	b	0	825,128	825,128
Other financial instruments at fair value through Profit and Loss	b	0	285,926	285,926
Bonds and other fixed-income securities	b	1,090,426	(1,090,426)	0
Loans and advances to customers (net of provisions)	c	11,009,360	(157,893)	10,851,467
Shares and other variable income securities less third parties rights	b	115,119	(115,119)	0
Investment securities	b	0	297,503	297,503
Investments in subsidiaries	b	1,128,316	(262,806)	865,510
Investments in associated undertakings	b	30,584	(6,826)	23,758
Intangible assets	d	33,880	(24,942)	8,938
Property, plant and equipment	e	138,446	47,044	185,490
Deferred tax assets	g	0	123,069	123,069
Inventory - property		0	36,310	36,310
Other assets		307,447	(8,156)	299,291
TOTAL ASSETS		14,759,441	(42,470)	14,716,971
LIABILITIES				
Due to Banks		645,826	167	645,993
Derivative financial instruments	f	0	55,995	55,995
Due to customers		11,515,292	(1,286,461)	10,228,831
Debt securities in issue		452,455	1,302,473	1,754,928
Retirement benefit obligations	h	398,492	0	398,492
Other provisions		10,626	147,667	158,293
Deferred tax liabilities	g	37,243	35,486	72,729
Other liabilities		0	39,149	39,149
TOTAL LIABILITIES		13,373,248	393,869	13,767,117
EQUITY				
Ordinary shares		819,949	0	819,949
Share premium		355,531	(887)	354,644
Less: Treasury shares		(6,482)	0	(6,482)
Other reserves and retained earnings	i	217,195	(435,453)	(218,258)
TOTAL EQUITY		1,386,193	(436,340)	949,853
TOTAL EQUITY AND LIABILITIES		14,759,441	(42,471)	14,716,971

RECONCILIATION OF BALANCE SHEET AS AT 31st of DECEMBER 2003

	Notes	GREEK GENERAL ACCOUNTING PRINCIPLES	EFFECT OF IFRS FIRST TIME ADOPTION	I.F.R.S.
ASSETS				
Cash and balances with central banks	a	725,503	50,760	776,263
Treasury bills and other eligible bills		18	0	18
Loans and advances to Credit Institutions	c	235,107	(51,121)	183,986
Derivative financial instruments	f	0	3,152	3,152
Trading securities	b	0	1,816,384	1,816,384
Other financial instruments at fair value through Profit and Loss	b	0	37,052	37,052
Bonds and other fixed-income securities	b	1,755,383	(1,755,383)	0
Loans and advances to customers (net of provisions)	c	9,642,957	(149,021)	9,493,936
Shares and other variable income securities less third parties rights	b	216,500	(216,500)	0
Investment securities	b	0	299,816	299,816
Investments in subsidiaries	b	996,377	(239,206)	757,171
Investments in associated undertakings	b	42,555	(19,238)	23,317
Intangible assets	d	39,282	(32,085)	7,197
Property, plant and equipment	e	128,060	58,974	187,034
Deferred tax assets	g	0	125,681	125,681
Inventory - property		0	38,938	38,938
Other assets		210,001	(3,344)	206,657
TOTAL ASSETS		13,991,743	(35,141)	13,956,603
LIABILITIES				
Due to Banks		2,169,802	206	2,170,008
Derivative financial instruments	f	0	46,872	46,872
Due to customers		9,677,523	(221,598)	9,455,925
Debt securities in issue		465,095	237,569	702,664
Retirement benefit obligations	h	11,568	136,019	147,587
Other provisions		49,777	10,348	60,125
Deferred tax liabilities	g	0	41,005	41,005
Other liabilities		314,521	69,163	383,684
TOTAL LIABILITIES		12,688,286	319,584	13,007,870
EQUITY				
Ordinary shares		819,949	0	819,949
Share premium		355,531	(887)	354,644
Less: Treasury shares		(188)	0	(188)
Other reserves and retained earnings	i	128,165	(353,837)	(225,672)
TOTAL EQUITY		1,303,457	(354,724)	948,733
TOTAL EQUITY AND LIABILITIES		13,991,743	(35,141)	13,956,603

RECONCILIATION OF PROFIT FOR THE PERIOD ENDED AT 31st DECEMBER 2004

	Notes	GREEK GENERAL ACCOUNTING PRINCIPLES	EFFECT ON IFRS FIRST TIME ADOPTION	I.F.R.S.
Interest and similar income	j	698,260	(12,419)	685,841
Interest expense and similar charges	j	(315,443)	16,764	(298,679)
NET INTEREST INCOME		382,817	4,345	387,162
Fee and commission income	j	119,851	(23,889)	95,962
Fee and commission expense	j	(21,770)	134	(21,636)
NET FEE AND COMMISSION INCOME		98,081	(23,755)	74,326
Dividend income	k	22,963	0	22,963
Net trading income		16,743	(15,782)	961
Gains less losses from investment securities		0	(518)	(518)
Other operating income		15,275	20,753	36,028
TOTAL NET INCOME		535,879	(14,957)	520,923
Staff costs	l	(162,578)	(27,463)	(190,041)
Administrative expenses		(151,404)	1,986	(149,418)
Depreciation and amortisation	m	(39,759)	13,048	(26,711)
Gain / (Losses) from sale of property, plant and equipment		0	10,288	10,288
Impairment losses on loans and advances		(82,177)	6,023	(76,154)
TOTAL OPERATING EXPENSES		(435,918)	3,882	(432,036)
Extraordinary income and expenses	n	14,198	(14,198)	0
PROFIT BEFORE INCOME TAX		114,159	(25,273)	88,887
Income tax expense		(23,348)	3,892	(19,456)
PROFIT FOR THE PERIOD		90,811	(21,381)	69,431
Earnings per share (in euros)				
- basic				0.35
- diluted				0.35

RECONCILIATION OF PROFIT FOR THE PERIOD ENDED AT 30th SEPTEMBER 2004

	Notes	GREEK GENERAL ACCOUNTING PRINCIPLES	EFFECT ON IFRS FIRST TIME ADOPTION	I.F.R.S.
Interest and similar income	j	513,512	(12,481)	501,031
Interest expense and similar charges	j	(229,630)	15,018	(214,612)
NET INTEREST INCOME		283,882	2,537	286,419
Fee and commission income	j	85,784	(16,763)	69,021
Fee and commission expense	j	(15,772)	18	(15,754)
NET FEE AND COMMISSION INCOME		70,012	(16,745)	53,267
Dividend income	k	22,727	(1,974)	20,753
Net trading income		9,377	(11,796)	(2,419)
Gains less losses from investment securities		0	(2,560)	(2,560)
Other operating income		10,537	14,237	24,774
TOTAL NET INCOME		396,535	(16,301)	380,234
Staff costs	l	(115,947)	(26,562)	(142,509)
Administrative expenses		(101,134)	3,776	(97,358)
Depreciation and amortisation	m	(29,309)	9,166	(20,143)
Gain / (Losses) from sale of property, plant and equipment		0	10,902	10,902
Impairment losses on loans and advances		(61,855)	15,365	(46,490)
TOTAL OPERATING EXPENSES		(308,245)	12,647	(295,598)
Extraordinary income and expenses	n	12,949	(12,949)	0
PROFIT BEFORE INCOME TAX		101,239	(16,603)	84,636
Income tax expense		(19,063)	413	(18,650)
PROFIT FOR THE PERIOD		82,176	(16,190)	65,986
Earnings per share (in euros)				
- basic				0.33
- diluted				0.33

Clarifications for the adjustments to the Balance Sheet

a) Cash and balances with central bank

The balance according to the IFRS also includes the amount of sight accounts with other Banks, which was transferred from Loans and advances to Credit Institutions.

b) Securities portfolios

According to the requirements of IAS 39, securities were categorised as financial assets at fair value through Profit and Loss (including the trading portfolio) and investments securities. For the accounting treatment of securities, the requirements of IAS 39 were followed. An impairment test for investments was carried out and the amount of impairment was recorded, where necessary.

c) Loans and advances to customers

The review for impairment of loans and advances to customers was performed based on a mechanism developed by the Bank according to the provisions of IAS 39. Furthermore, accrued interest was reclassified to loans from other assets that were presented according to Greek GAAP.

d) Intangible assets

The intangible assets which did not satisfy the criteria for recognition according to IAS 38 were derecognized.

e) Property, plant and equipment

Property, plant and equipment were categorised as own property and investment property. The Bank has assigned to an independent certified valuer the valuation of property at fair values (deemed cost), as allowed by IFRS 1. The resulting surplus was recorded in equity.

f) Derivative Financial Instruments

According to IAS 39, the Bank has recognised derivative financial instruments on the balance sheet at fair values.

g) Deferred taxation

According to IAS 12, deferred tax assets and deferred tax liabilities were recognised according to the temporary taxable differences of assets and liabilities.

h) Retirement benefit obligations

An actuarial report according to IAS 19 was prepared by an independent qualified actuary for the estimation of the obligation from defined benefit plans. A provision was raised for the obligation resulting from the actuarial report.

i) Equity

The adjustments for the transition to the IFRS are presented in detail in the table of reconciliation of equity as at 1/1/2004 and 1/1/2005.

Clarifications on the adjustments of the Income Statement

j) Interest and commission income

Interest and commission income was recognized in the Income statement according to the effective interest rate as per the provisions of IAS 18 and 39.

k) Dividend income

Dividend income that was approved by the companies' General Meetings was recognised to the Income Statement.

l) Staff costs

Staff costs include the cost of the employees' defined benefit plans as per the actuarial report carried out. In addition, staff bonus which according to the Greek GAAP was presented to the Appropriation table, is an expense according to the IFRS.

m) Depreciation

The IFRS depreciation rates are based on the useful life of the tangible and intangible assets compared to the tax depreciation rates employed in the financial statements per local GAAP.

n) Extraordinary items

According to the IFRS, the recognition of extraordinary items in the financial statements is not allowed, in most cases. As a result, the relevant figure was reclassified.

RECONCILIATION OF CASH FLOW FOR THE PERIOD ENDED AT 30th SEPTEMBER 2004

	GREEK GENERAL ACCOUNTING PRINCIPLES	EFFECT ON IFRS FIRST TIME ADOPTION	I.F.R.S.
Net cash flow from operating activities	(119,321)	(1,308,607)	(1,427,928)
Net cash flow from investing activities	(142,138)	43,334	(98,804)
Net cash flow from financing activities	212,747	1,172,442	1,385,189
Effect of exchange rate changes on cash and cash equivalents		1,067	1,067
Net increase/ (decrease) in cash and cash equivalents	(48,712)	(91,763)	(140,475)
Cash and cash equivalents at beginning of period	950,668	(15,320)	935,348
Cash and cash equivalents at end of period	901,956	(107,083)	794,873

The adjustments mainly relate to:

- a) Cash and cash equivalents under IFRS -in contrast to Greek general accounting principles- do not include the loans and advances to central Banks and to credit institutions that mature in more than 90 days from date of acquisition.
- b) Reclassifications.