



PIRAEUS BANK GROUP

Consolidated 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 November 9th, 2005 and they are available on the web site of Piraeus Bank at www.piraeusbank.gr

Index to the Consolidated Financial Statements

Notes	Page	Notes	Page
	Consolidated Income Statement	2	
	Consolidated Balance Sheet	3	
	Consolidated Statement of Changes in Equity	4	
	Consolidated Cash Flow Statement	5	
	Notes to the Consolidated Financial Statements		
1	General information about the Group	6	9 Net Trading Income
2	Summary of general accounting policies of the Group	6	10 Gains less losses from Investment securities
2.1	Basis of presentation of the consolidated financial statements	6	11 Other operating income
2.2	Consolidation	7	12 Staff costs
2.3	Foreign Currencies	7	13 Administrative expenses
2.4	Derivative Financial Instruments	8	14 Income tax expense
2.5	Interest Income and expense	8	15 Earnings per share
2.6	Fees and commission income and expense	8	16 Cash and Balances with the Central Bank
2.7	Trading securities and other financial assets at Fair Value	8	17 Treasury Bills and other eligible bills
2.8	Sale and repurchase agreements	8	18 Loans and advances to Credit Institutions
2.9	Investment portfolio	9	19 Derivative Financial Instruments
2.10	Loans and advances	9	20 Financial Assets at Fair Value through Profit and Loss (including trading securities)
2.11	Goodwill	10	21 Loans and advances to customers
2.12	Other intangible assets	10	22 Investment securities
2.13	Own property, plant and equipment	10	23 Investments in associated undertakings
2.14	Investment property	10	24 Goodwill and other intangible assets
2.15	Held for sale	11	25 Property, plant and equipment
2.16	Repossessed property	11	26 Investment property
2.17	Leased assets	11	27 Held for sale
2.18	Cash and cash equivalents	11	28 Other assets
2.19	Provisions	11	29 Due to Banks
2.20	Employee benefits	11	30 Due to customers
2.21	Deferred tax	12	31 Debt securities in issue
2.22	Borrowed funds	12	32 Other Borrowed Funds
2.23	Securitisation	12	33 Other Liabilities
2.24	Share capital	12	34 Other Provisions
2.25	Related party transactions	12	35 Deferred tax
2.26	Segment reporting	12	36 Retirement benefit obligations
2.27	Comparatives	12	37 Contingent liabilities and commitments
3	Financial Risk Management	13	38 Share Capital
3.1	Credit Risk	13	39 Other reserves and retained earnings
3.2	Geographical concentrations	13	40 Capital Adequacy
3.3	Market Risk	14	41 Dividend per share
3.4	Currency Risk	15	42 Cash and cash equivalents
3.5	Interest rate risk	15	43 Related party transactions
3.6	Liquidity risk	17	44 Acquisitions and disposals of subsidiaries and associates
3.7	Fair values of financial assets and liabilities	18	45 Post Balance Sheet events
3.8	Fiduciary activities	18	46 Adjustments due to transition to the IFRS
4	Critical accounting estimates and judgements	19	Table of adjustments on attributable equity at the beginning of the period
5	Business Segments	20	Reconciliation of Consolidated Balance sheet as at 31/12/2004
6	Net Interest Income	21	Reconciliation of Consolidated Balance sheet as at 30/09/2004
7	Net fees and commission income	21	Reconciliation of Consolidated Balance sheet as at 31/12/2003
8	Dividend income	21	Reconciliation of Consolidated Income Statement as at 31/12/2004
			Reconciliation of Consolidated Income Statement as at 30/09/2004
			Clarifications for the adjustments to the Balance Sheet
			Clarifications for the adjustments of the Income Statement
			Reconciliation of Consolidated Cash Flow for the period ended at 30/09/2004

CONSOLIDATED INCOME STATEMENT

	Note	Period from 1 January to	
		30 September 2005	30 September 2004
Interest and similar income	6	757,906	551,256
Interest expense and similar charges	6	(360,662)	(228,314)
NET INTEREST INCOME		397,244	322,942
Fee and commission income	7	120,345	94,449
Fee and commission expense	7	(18,338)	(17,697)
NET FEE AND COMMISSION INCOME		102,007	76,752
Dividend income	8	17,133	13,581
Net trading income	9	55,316	23,138
Gains less losses from investment securities	10	3,619	(2,398)
Other operating income	11	46,838	82,290
TOTAL NET INCOME		622,157	516,305
Staff costs	12	(189,771)	(178,022)
Administrative expenses	13	(137,316)	(117,272)
Depreciation and amortisation	24, 25	(30,842)	(28,801)
Gains/ Losses from sale of assets		4,369	11,817
Impairment losses on loans and advances	21	(66,629)	(54,045)
OPERATING PROFIT		(420,189)	(366,323)
Share of profit of associates		1,162	(1,507)
PROFIT BEFORE INCOME TAX		203,130	148,475
Income tax expense	14	(29,282)	(35,042)
PROFIT FOR THE PERIOD		173,848	113,433
Profit for the year attributable to the equity holders of Piraeus Bank		136,175	91,498
Minority Interest		37,673	21,935
 Earnings per share (in euro):			
-basic	15	0.69	0.47
-diluted	15	0.69	0.47

CONSOLIDATED BALANCE SHEET

	Note	30 September 2005	31 December 2004
ASSETS			
Cash and balances with central banks	16	3,080,276	1,158,567
Treasury bills and other eligible bills	17	272,237	150,943
Loans and advances to Credit Institutions	18	819,919	245,413
Derivative financial instruments	19	16,526	5,891
Trading securities	20	409,954	1,150,340
Other financial instruments at fair value through Profit and Loss	20	187,405	282,353
Loans and advances to customers (net of provisions)	21	14,485,554	11,705,213
Investment securities	22		
-Available for sale securities		596,674	472,332
-Held to maturity		89,312	18,156
Investments in associated undertakings	23	62,785	45,587
Intangible assets	24	177,442	120,092
Property, plant and equipment	25	783,055	754,473
Held for sale	27	36,260	-
Deferred tax assets	35	107,815	112,502
Inventories - property	28	170,807	169,725
Other assets	28	471,639	454,691
TOTAL ASSETS		21,767,660	16,846,278
LIABILITIES			
Due to Banks	29	2,807,570	1,687,787
Derivative financial instruments	19	38,533	43,701
Due to customers	30	12,961,660	10,867,932
Debt securities in issue	31	3,274,943	1,649,510
Other borrowed funds	32	402,450	392,799
Hybrid capital	32	201,152	193,572
Retirement benefit obligations	36	150,542	150,223
Other provisions	34	23,323	78,316
Deferred tax liabilities	35	38,675	29,490
Other liabilities	33	489,080	483,504
TOTAL LIABILITIES		20,387,928	15,576,834
EQUITY			
Ordinary shares	38	831,067	831,067
Share premium	38	365,733	365,733
Less: Treasury shares	38	(57,760)	(25,267)
Retained earnings and other reserves	39	(182,354)	(269,329)
Capital and reserves attributable to Piraeus Bank equity holders		956,686	902,204
Minority Interest		423,046	367,240
TOTAL EQUITY		1,379,732	1,269,444
TOTAL EQUITY AND LIABILITIES		21,767,660	16,846,278

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital	Share Premium	Treasury shares	Other reserves and retained earnings	Minority interests	TOTAL
Opening balance as at 1 January 2004		819,949	354,644	(14,623)	(352,976)	422,414	1,229,408
Purchases of Treasury shares	38			(22,698)			(22,698)
Sales of Treasury shares	38			15,647	567	666	16,880
Available for Sale Reserve	39				3		3
Profit for the period	39				91,498	21,935	113,433
Dividends of prior period					(59,273)	(7,495)	(66,768)
Movement in subsidiaries holding during the period						(99,135)	(99,135)
Currency translation differences and other adjustments					(3,451)		(3,451)
Balance as at 30 September 2004		819,949	354,644	(21,674)	(323,632)	338,385	1,167,672
Opening balance as at 1 October 2004		819,949	354,644	(21,674)	(323,632)	338,385	1,167,672
Share Capital issue	38	11,118	11,089				22,207
Purchases of Treasury shares	38			(36,898)			(36,898)
Sales of Treasury shares	38			33,305	4,819	4,406	42,530
Available for Sale Reserve	39				5,059		5,059
Profit for the period	39				35,836	26,689	62,525
Movement in subsidiaries holding during the period						(2,240)	(2,240)
Currency translation differences and other adjustments					8,589		8,589
Balance as at 31 December 2004		831,067	365,733	(25,267)	(269,329)	367,240	1,269,444
Opening balance as at 1 January 2005		831,067	365,733	(25,267)	(269,329)	367,240	1,269,444
Purchases of Treasury shares	38			(92,193)			(92,193)
Sales of Treasury shares	38			59,700	9,210	1,669	70,579
Available for Sale Reserve	39				19,310		19,310
Profit for the period	39				136,175	37,673	173,848
Dividend relating to the previous period					(80,103)	(18,565)	(98,668)
Acquisitions and movement in subsidiaries holding during the period						37,263	37,263
Transfer between other reserves and retained earnings							0
Interim dividend of Hellenic Investment Company S.A.					5,907		5,907
Distribution of reserves of Piraeus Sigma Devletoglou Securities S.A.					(8,933)	(2,233)	(11,166)
Currency translation differences and other adjustments					5,408		5,408
Balance as at 30 September 2005		831,067	365,733	(57,760)	(182,355)	423,047	1,379,732

CONSOLIDATED CASH FLOW STATEMENT

	Notes	30 September 2005	30 September 2004
<i>Cash flows from operating activities</i>			
Profit before tax		203,130	148,475
Adjustments to profit before tax			
Add: impairment for loans	21	66,629	54,045
Add: depreciation	24, 25	30,842	28,801
Add: retirement benefits	36	19,516	13,448
Gains (deduct)/ losses (add) from valuation of trading securities		(21,968)	(4,571)
Gains (deduct)/ losses (add) from investing activities		(27,042)	(26,306)
		<hr/>	<hr/>
<i>Cash flows from operating profits before changes in operating assets and liabilities</i>		271,106	213,892
<i>Changes in operating assets and liabilities:</i>			
Net (increase) / decrease in cash and balances with central Bank		(162,907)	(41,745)
Net (increase) / decrease in treasury bills and other eligible bills		(105,170)	55,700
Net (increase) / decrease in trading securities		841,992	835,973
Net (increase) / decrease in loans and advances to Credit Institutions		29,828	488
Net (increase) / decrease in loans and advances to customers		(2,868,042)	(1,386,307)
Net (increase) / decrease in other assets		(4,158)	(90,218)
Net increase / (decrease) in due to Banks		1,119,783	(1,525,318)
Net increase / (decrease) in amounts due to customers		2,093,729	988,261
Net increase / (decrease) in other liabilities		(58,393)	(35,767)
		<hr/>	<hr/>
Net cash from operating activities		1,157,769	(985,041)
<i>Cash flows from investing activities</i>			
Net proceeds from sale/ (purchases) of property, plant and equipment and intangible assets		(11,483)	(57,261)
Net proceeds from sale/ (purchases) of available-for-sale securities		(106,828)	(25,913)
Purchase of held-to-maturity securities		(71,155)	(10,344)
(Acquisition) / disposal of subsidiaries, net of cash acquired		(120,900)	(159,178)
(Acquisition) / disposal of associates		(13,845)	2,266
Other cashflows from investing activities		17,133	13,581
		<hr/>	<hr/>
Net cash from investing activities		(307,078)	(236,849)
<i>Cash flows from financing activities</i>			
Net proceeds from issue / (repayment) of debt securities		1,642,663	1,414,565
Net proceeds from (purchases)/ sales of treasury shares	38	(32,493)	(7,051)
Other cashflows from financing activities		(80,103)	(59,273)
		<hr/>	<hr/>
Net cash from financing activities		1,530,067	1,348,241
Effect of exchange rate changes on cash and cash equivalents		(1,006)	(431)
		<hr/>	<hr/>
Net increase/ (decrease) in cash and cash equivalents		2,379,752	125,920
Cash and cash equivalents at beginning of period	42	1,307,033	881,868
Cash and cash equivalents at end of period	42	3,686,785	1,007,788

1 General Information about the Group

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

Piraeus Bank (parent company) is incorporated and domiciled in Greece, provides services in the Balkans, Africa, the U.S. as well as Western Europe and employs 7,964 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 FTSE4Good 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 Group

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

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

2.1 Basis of presentation of the consolidated financial statements

These 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 periods ended after 1/1/2005, the IAS 34 "Interim financial statements", as well as IFRS 1 – "First Time Adoption of International Financial Reporting standards" for the first-time adoption of the International Financial Reporting Standards as at 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.
- The Group has made early adoption of the revised IAS 39 as from 1/1/2004.

In preparing the Group's interim consolidated financial statements in accordance with IFRS 1, the Group 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 Group

- 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 Group has established hedge accounting policy and accounts for hedging when the conditions of IAS 39 are met. Group's hedge accounting is described in note 2.4.

- Estimates exception:

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

- Assets held for sale and discontinued operations exception:

The Group applies IFRS 5 for assets held for sale or discontinued operations. The Group's accounting principles for assets held for sale are described in note 2.15.

Exemptions from full retrospective application elected by the Group

- Business combinations exemption:

The Group has applied the business combinations exemption in IFRS 1. It has not restated any business combination for all business combinations that took place prior to the 1st of January 2004 transition date. Goodwill arising on consolidation due to these combinations that was written off directly to equity is not reinstated on transition to IFRS.

- Fair value as deemed cost exemption:

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

- Cumulative translation differences exemption:

The Group has elected to set the previously accumulated cumulative translation to zero at 1st of January 2004, since it did not apply IAS 21 retrospectively.

- Assets and liabilities of subsidiaries, associates and joint ventures exemption:

The financial statements of subsidiaries and associates in order to be included in the consolidation are adjusted according to IFRSs and the Groups' accounting policies.

Up to 31/12/2004 Piraeus Bank Group Consolidated financial statements were prepared according to the Greek Commercial Law 2190/1920 and the Greek Generally Accepted Accounting Principles, which in several cases, are different than those of the IFRS. Piraeus Bank Group 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 consolidated financial statements is the historical cost convention, as modified by the revaluation of the available for sale portfolio, financial assets and liabilities of the trading portfolio, derivative financial instruments, as well as investment property. The preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates, accounting policies and assumptions which affect the reported assets and liabilities, the recognition of contingent liabilities, as well as the recognition of income and expenses in the financial statements. The financial statements present the fair value of a company's financial position as at the date of their preparation.

2.2 Consolidation

The consolidated financial statements include the parent company, its subsidiaries and its associates. The companies which the Group has the intention to sell in a period shorter than 12 months are excluded from consolidation, following Management's decision.

A. Investments in Subsidiaries

Subsidiaries are all entities over which the parent company has control directly or indirectly through other Group subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are de-consolidated from the date that control ceases. Special purpose entities, over which the parent company has control, are also included among the Group subsidiaries.

The purchase method of accounting is used to account for the acquisition of subsidiaries of the Group. The cost of an acquisition is measured as the consideration given plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities are measured initially at fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

For the estimation of the fair values of identifiable assets and liabilities of newly acquired subsidiaries the method of purchase price allocation (PPA) is used.

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

The Group, for the purpose of securitisation, forms special purpose entities. These entities are fully consolidated in the Group's financial statements in cases where they are controlled by the Group.

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

B. Investments in associates

Associates are all entities over which the Group has significant influence but not control. Investments in associates are consolidated using the equity method of accounting and they are initially recognised in the balance sheet at cost.

The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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

Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in associates are recognised in the Balance Sheet. They represent the fair value of the Group's share in the associates' net assets, which includes goodwill identified on acquisition (net of any accumulated impairment loss).

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement.

The associates accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Foreign Currencies

The consolidated financial statements are presented in Euro, which is Piraeus Bank functional and presentation currency.

Assets and liabilities denominated in foreign currencies are measured on a daily basis according to the existing foreign exchange rates. The resulting gains and losses are recognised in the Income Statement. At the end of the period, 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 consolidated financial statements.

As for foreign subsidiaries, the income statements for the period are translated, for consolidation purposes, into euro according to the average year exchange rates of the measurement currencies against the euro, while the balance sheets of the foreign subsidiaries are translated according to the exchange rate prevailing on the date of the consolidated financial statements. The net assets of the foreign subsidiary are translated based on the historical rate prevailing on the date of acquisition. Exchange differences resulting from the translation of the foreign subsidiaries financial statements are transferred directly to equity.

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

2.4 Derivative financial instruments

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

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

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

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

- The hedge should be effective at initiation.
- 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.

2.5 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.

2.6 Fees and commission income and expense

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

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

2.7 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 Group is committed to the purchase or sale of those securities. The Group derecognises the financial assets when the existence of the control of the contractual rights related to these financial assets ceases. The cessation of the control of the contractual rights occurs when the financial asset is sold, expired or written-off, or when all related cash flows are transferred to a third party.

Interest income from the maintenance of trading securities is recorded to Interest Income. Dividends received are included in Dividend Income.

2.8 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.

2.9 Investment portfolio

Management determines the classification of its investments on the date of their acquisition.

A. Held to Maturity portfolio

The Held to Maturity Portfolio is the portfolio that the Group has the positive intent and ability to hold until Maturity.

Held to maturity investments are carried at amortised cost using the effective interest method, less any provision for impairment. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount for the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial asset's initial effective interest rate. Impairment losses are recognised in the Income Statement.

If part of the Held to Maturity portfolio is sold or reclassified before maturity date (unless IAS 39 criteria are met), then the Group 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 it is subject to Management intentions as to subsequent reclassification.

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

The available for sale portfolio is valued at fair value according to current bid prices or valuation pricing models, where the market prices are not available (according to IAS 39 regulations). The non realised gains or losses arising from changes in the fair value of securities classified as available for sale are recognised directly in equity (Available for Sale reserve). When securities of the available for sale portfolio are disposed of, all cumulative gains or losses previously recognised in equity are recognised in the Income Statement.

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.

2.10 Loans and advances

Loans and advances to customers are carried at amortised cost. If there is objective evidence that the Group will not be in a position to receive all payments due, as defined by the contract of the loan, an impairment loss is recognised. The amount of the impairment loss is the difference between the carrying amount and the recoverable amount of the loan. A receivable is subject to impairment when its carrying amount is greater than the expected recoverable amount. The term "receivable" includes loans and advances, documentary credits and letters of credit.

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

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

I. Significant financial difficulty of the issuer or the obligor.

II. A breach of contract (i.e. default or delinquency in interest or principal payments).

III. The Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider.

IV. It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

V. Data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

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

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 Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

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 Goodwill

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

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

Cash generating units are presented at the business segment note (note 5).

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

2.12 Other intangible assets

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

2.13 Own property, plant and equipment

Land is not depreciated.

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.

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

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 Group at the transition date to the IFRS (1/1/2004) measured own property, plant and equipment at fair values, as defined by independent certified valuers. These fair values are the "deemed cost" for own property, plant and equipment.

2.14 Investment Property

The Group classifies land and buildings held for investment purpose (i.e. earn rentals or for capital appreciation or for both) as investment property, which is stated at fair value, as determined by an independent certified valuer. The change of fair value of investment property is recorded to the income statement.

Property Valuation

According to the nature of property to be evaluated, the most appropriate valuation method is chosen. The methods among which the choice is made are briefly stated as follows:

- i. Comparables Method:** According to this method, the value of the property to be evaluated is defined by comparing properties with similar characteristics.
- ii. Residual Value:** This method is applied mainly in the estimation of the value of bare land which is to be developed or property requiring renovation. All the costs of achieving the completed development as well as the expected profit are deducted from an estimate of the value of that completed development to arrive at the value of the site. The result of this deduction is the residual value of the property. Finally, the present value derives by applying the discounting factor to the residual value of the estimated property.
- iii. Depreciated Replacement Cost Method:** Valuations based on Depreciated Replacement Cost Method are based on an estimate of the market value for the existing use of the land and the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation. The 2 estimates, that is the one for the market value of land and the one for the reproduction cost less allowances for physical deterioration, are summed-up, resulting in the current value of the property under valuation.

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

2.15 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.

2.16 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.

2.17 Leased assets

A. The Group is the Lessee

Lease payments under an operating lease, are recognised as an expense in the Income Statement of the lessee on a straight line basis over the lease term. In case where the Group is the lessee under a finance lease, fixed assets under the finance lease are recognised as assets and the respective obligation for the lease payments as a liability on the balance sheet. At the inception of the lease, fixed assets leased under finance leases are recognised on the balance sheet at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Leased assets are depreciated over 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.

B. The Group is the Lessor

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

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

2.18 Cash and cash equivalents

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

2.19 Provisions

Provisions are recognised when the Group 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.

2.20 Employee benefits

The International Financial Reporting Standard applied to 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 are 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 Group are funded through payments to insurance companies or social security foundations. Piraeus Bank Group pension obligations, relate both to defined contribution plans as well as defined benefit plans.

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

Defined benefit plans are pension plans that define an amount of pension benefit to be provided, usually as a function of one or more factors such as years of service, age and compensation. The difference between the defined contribution plans and the defined benefit plans is that in the defined benefit plans the employer is responsible for the payment of the agreed benefits to the employee.

B. Other post-retirement benefit obligations

The Group provides post-retirement benefits to its retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of 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 Group 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.

2.21 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 the valuation of available for sale investments and cash flow hedges 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 for these losses to be utilised against. The Group does not offset deferred tax assets against deferred tax liabilities and therefore these are presented in assets and liabilities respectively.

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; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Group's borrowed funds include: euro medium term note (EMTN), euro commercial paper (ECP), ETBA bonds, securitisation of mortgage loans, hybrid capital, subordinated loans and other debt securities.

2.23 Securitisation

The Group securitises financial assets. These assets are purchased by special purpose entities which in turn issue securities to investors.

2.24 Share capital

- a) Share capital issue costs: Costs directly attributable to the issue of share capital, are shown as a deduction in equity, net of tax.
- b) Dividends on ordinary shares are recognized in equity in the period in which they are approved by the 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 charged directly in equity.

2.25 Related party transactions

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

2.26 Segment reporting

The definition of business and geographical Group segments is based on the risks and returns which relate to the services and products provided by each segment of the Group. So, business segments were defined as primary segments, while geographical segments were defined as secondary segments. The Group has identified 4 business segments: Retail Banking, Corporate Banking, Investment Banking, Asset Management & Treasury. The Group has applied the 10% threshold for consolidated profits or consolidated assets. The total of reported segments amounts to more than 75% of the Group's total revenues.

2.27 Comparatives

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

3 Financial Risk Management

3.1 Credit risk

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

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

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

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

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

The counterparty creditworthiness as well as the credit exposures in line with the approved limits are monitored on a constant basis. 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 utilised, so that the procedures for the evaluation of creditworthiness are adjusted and controlled.

3.2 Geographical concentrations

The following note incorporates geographical concentrations of assets, liabilities, revenues and net revenues of the Group, as required by IAS 14.

	As at 30 September 2005		As at 31 December 2004	
	Total assets	Total liabilities	Total assets	Total liabilities
Greece	18,827,560	14,905,572	14,961,149	12,930,471
South East Europe	1,382,149	926,365	727,494	425,208
Rest of Europe	359,661	3,452,458	603,547	1,758,111
U.S.A.	661,580	638,387	508,501	463,044
Africa	473,925	465,146	-	-
Share of associates	62,785	-	45,587	-
Total	21,767,660	20,387,928	16,846,278	15,576,834

	1/1-30/9/2005		1/1-30/9/2004	
	Revenues	Net Revenues	Revenues	Net Revenues
Greece	870,430	591,169	671,733	467,439
South East Europe	70,573	52,756	34,929	25,211
Rest of Europe	23,009	(44,236)	34,762	7,616
U.S.A.	24,870	17,318	20,892	16,039
Africa	12,275	5,150	-	-
Total	1,001,157	622,157	762,316	516,305

The negative net result in the geographical segment "Rest of Europe" derives from the cost of increasing Piraeus Bank equity through the issue of debt securities, subordinated loans (TIER II), hybrid capital (TIER I) and securitisation of mortgage loans from the European market with the involvement of special purpose entities. Without taking into consideration the aforementioned cost, the net revenues of the specific geographical segment would amount to € 4,6 million for the period 1/1-30/9/2005.

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

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

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

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

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

Geographic sector risk concentrations within the loans portfolio is analysed as follows:

	30 September 2005		31 December 2004	
	Total loans	Percentage	Total loans	Percentage
Greece	12,875,739	88.89%	10,721,325	91.59%
South East Europe	901,584	6.22%	419,607	3.58%
Rest of Europe	136,848	0.94%	294,838	2.52%
U.S.A.	336,943	2.33%	269,443	2.30%
Africa	234,440	1.62%	-	0.00%
Total	14,485,554	100%	11,705,213	100%

3.3 Market risk

Market risk is the risk of loss due to adverse changes in the level or the volatility of market prices and rates, including interest rates, equity prices, foreign exchange rates and commodity prices. Piraeus Bank Group is not exposed to commodity prices risk. Piraeus Bank Group applies up to date, generally accepted techniques for the measurement of market risk, such as Value-at-Risk (VaR), Earnings at Risk and Sensitivity Indicators.

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

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

The bank tests the validity of the Value-at-Risk estimates, by conducting a back-testing program for the trading book VaR. The Value-at-Risk estimate is compared on a daily basis against the actual change in the value of the portfolio, due to the changes in market prices. In 2004 there was one case, where the actual change in the value of the portfolio, was larger than the Value-at-Risk estimate, while in the nine month period of 2005, 3 such instances have been observed.

The Group trading book includes the fixed income desk, equity positions and positions in exchange traded derivatives listed in the Athens Derivatives Exchange. The equity positions are held mainly by the subsidiary Hellenic Investment Company and the exchange traded derivatives are held mainly by the subsidiary Piraeus Sigma Devletoglou Securities.

3.4 Currency risk

The Group is exposed to fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Management sets limits on the level of exposure by currency, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 30/9/2005. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by currency.

	EUR	USD	GBP	JPY	CHF	Other currencies	Total
At 30 September 2005							
Foreign exchange risk of assets							
Cash and balances with central Banks	2,888,548	68,408	5,384	2,060	1,417	114,459	3,080,276
Treasury bills and other eligible bills	41,950	43,286	-	-	-	187,001	272,237
Loans and advances to credit Institutions	193,315	602,399	8,216	-	2,435	13,554	819,919
Derivative financial instruments	(106,345)	20,433	-	101,641	-	797	16,526
Trading securities and other financial assets at fair value through profit and loss	475,570	17,777	-	72,118	-	31,894	597,359
Loans and advances to customers	12,804,257	1,086,411	17,903	78,527	104,659	393,797	14,485,554
Investment securities	322,868	282,288	-	-	-	80,830	685,986
Investments in associated undertakings	60,214	-	-	-	-	2,571	62,785
Goodwill and other intangible assets	152,740	23,458	-	-	-	1,244	177,442
Property, plant and equipment	744,262	15,492	-	-	-	23,301	783,055
Other assets	918,597	(42,795)	(1,353)	300	136	(88,364)	786,521
Total assets	18,495,976	2,117,157	30,150	254,646	108,647	761,084	21,767,660

	EUR	USD	GBP	JPY	CHF	Other currencies	Total
Foreign exchange risk of liabilities							
Due to banks	1,565,205	849,697	107,125	64,223	125,420	95,900	2,807,570
Derivative financial instruments	(77,405)	20,422	13	94,894	-	609	38,533
Due to customers	9,088,111	1,853,983	129,409	1,154,164	8,461	727,532	12,961,660
Debt securities in issue	3,107,568	73,520	90,259	-	-	3,596	3,274,943
Other borrowed funds & hybrid capital	599,455	4,146	-	-	-	-	603,601
Other liabilities	2,810,049	(731,550)	(298,250)	(1,055,208)	(25,356)	1,936	701,621
Total Liabilities	17,092,983	2,070,218	28,556	258,073	108,525	829,573	20,387,928
Net on-balance sheet position	1,402,993	46,939	1,594	(3,427)	122	(68,489)	1,379,732

At 31 December 2004							
Total assets	13,015,564	1,847,375	216,934	1,432,121	29,972	304,312	16,846,278
Total liabilities	11,762,151	1,857,875	212,790	1,430,053	28,855	285,111	15,576,834
Net on-balance sheet position	1,253,413	(10,500)	4,145	2,068	1,117	19,201	1,269,444

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 instruments because the present value of future cash flows (and in some cases, the cash flows themselves) changes when interest rates change.

Piraeus Bank Group monitors on a constant basis the interest rate risk on a consolidated basis according to the supervisory authorities and the Bank's internal regulations. More specifically, Piraeus Bank Group applies an Interest Rate Risk Management Policy, which provides for a variety of techniques such as calculations that rely on simple maturity and repricing schedules (Interest Rate Gap analysis), or sophisticated dynamic modeling techniques (dynamic simulation) that results in useful conclusions about the progress of the organisation's profitability in response to changes in interest rates.

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

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

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

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

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non interest bearing	Total
At 30 September 2005							
Assets							
Cash and balances with central banks	3,034,334	44,857	-	-	-	1,085	3,080,276
Treasury bills and other eligible bills	17,099	13,778	210,972	30,388	-	-	272,237
Loans and advances to credit institutions	698,311	46,742	73,307	1,559	-	-	819,919
Trading securities and other financial assets at fair value through profit and loss	95,348	128,622	35,165	63,633	124,580	150,011	597,359
Loans and advances to customers	9,755,998	3,027,386	1,097,500	722,465	376,953	(494,748)	14,485,554
Investment securities	36,748	14,356	37,663	177,049	127,540	292,630	685,986
Other assets	58,243	48,871	172,787	8,120	1,137	1,537,171	1,826,329
Total assets	13,696,081	3,324,612	1,627,394	1,003,214	630,210	1,486,149	21,767,660
Liabilities							
Due to banks	1,667,191	916,983	211,923	7,527	3,946	-	2,807,570
Due to customers	10,402,000	1,116,108	1,142,024	202,480	-	99,048	12,961,660
Debt securities in issue	972,249	1,082,498	496,235	(31,478)	755,439	-	3,274,943
Other borrowed funds & hybrid capital	201,214	398,242	-	4,145	-	-	603,601
Other liabilities	6,707	7,197	69,566	2,023	867	653,794	740,154
Total liabilities	13,249,361	3,521,028	1,919,748	184,697	-	752,842	20,387,928
Total interest sensitivity gap	446,720	(196,416)	(292,354)	818,517	630,210	733,307	1,379,732

The following tables include figures of the comparative period.

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non interest bearing	Total
At 31 December 2004							
Assets							
Cash and balances with central banks	1,047,028	-	-	20,686	2,824	88,029	1,158,567
Treasury bills and other eligible bills	7,159	29,710	72,369	41,705	-	-	150,943
Loans and advances to credit institutions	140,203	58,148	34,094	12,968	-	-	245,413
Trading securities and other financial assets at fair value through profit and loss	480,666	111,383	197,633	255,086	44,119	343,806	1,432,693
Loans and advances to customers	7,467,935	2,471,238	988,351	1,012,006	161,437	(395,754)	11,705,213
Investment securities	40,940	2,022	49,740	127,998	76,871	192,917	490,488
Other assets	11,438	1,188	187,265	7,303	203,542	1,252,225	1,662,961
Total assets	9,195,369	2,673,689	1,529,452	1,477,752	488,793	1,481,223	16,846,278
Liabilities							
Due to banks	1,015,727	295,035	366,556	7,088	-	3,380	1,687,786
Due to customers	9,150,805	969,115	393,192	168,274	7,388	179,158	10,867,932
Debt securities in issue	452,588	913,454	280,098	3,370	-	-	1,649,510
Other borrowed funds & hybrid capital	97,658	486,854	-	1,859	-	-	586,371
Other liabilities	23,376	28,138	89,510	1,899	369	641,943	785,235
Total liabilities	10,740,154	2,692,596	1,129,356	182,490	7,757	824,481	15,576,834
Total interest sensitivity gap	(1,544,785)	(18,907)	400,096	1,295,262	481,036	656,742	1,269,444

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

In addition, Piraeus Group applies more sophisticated methods of interest rate risk valuation. An example of such a sensitivity measure is the "Modified Duration" which denotes the change in the net present value of balance-sheet items in response to a change in interest rates, assuming parallel yield curve shifts.

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

"Dynamic Scenarios" are used in the implementation of "Dynamic Simulation" for assets and liabilities evolution, which assesses the sensitivity of the net interest income stream to movements in the yield curves.

3.6 Liquidity risk

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

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

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

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

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

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

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

Derivative financial instruments with positive fair values have been registered as assets and their fair values have been assigned in the appropriate time bands. Similarly, derivative financial instruments with negative fair values have been registered as liabilities.

	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	3,035,419	44,857	-	-	-	3,080,276
Treasury bills and other eligible bills	17,102	37,467	195,264	22,404	-	272,237
Loans and advances to credit institutions	701,861	9,173	8,771	100,114	-	819,919
Derivative financial instruments	1,118	33	895	13,203	1,277	16,526
Trading securities and other financial assets at fair value through profit and loss	205,287	126,049	35,329	70,173	160,521	597,359
Loans and advances to customers	3,902,503	1,193,732	1,176,744	4,262,699	3,949,876	14,485,554
Investment securities	27,453	14,356	35,266	205,468	403,443	685,986
Other assets	90,030	49,914	177,134	10,871	1,481,854	1,809,803
Total assets	7,980,773	1,475,581	1,629,403	4,684,932	5,996,971	21,767,660
Liabilities liquidity						
Due to banks	1,721,053	777,367	151,623	157,527	-	2,807,570
Derivative financial instruments	742	1,288	57	20,890	15,556	38,533
Due to customers	10,497,589	1,119,467	1,142,826	201,778	-	12,961,660
Debt securities in issue	667,591	1,043,944	764,418	43,551	755,439	3,274,943
Other borrowed funds & hybrid capital	-	-	-	4,146	599,456	603,602
Other liabilities	27,179	11,231	72,344	14,515	576,351	701,620
Total liabilities	12,914,154	2,953,297	2,131,268	442,407	1,946,802	20,387,928
Net Liquidity Gap	(4,933,381)	(1,477,716)	(501,865)	4,242,525	4,050,169	1,379,732
At 31 December 2004						
Total assets	5,482,959	1,135,387	1,375,983	4,513,755	4,338,194	16,846,278
Total liabilities	10,665,609	1,533,519	1,476,540	1,157,397	743,769	15,576,834
Net Liquidity Gap	(5,182,650)	(398,132)	(100,557)	3,356,358	3,594,425	1,269,444

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

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

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

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

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

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

3.7 Fair values of financial assets and liabilities

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

	Carrying Value		Fair Value	
	30 September 2005	31 December 2004	30 September 2005	31 December 2004
Financial assets				
Loans and advances to credit institutions	819,919	245,413	854,326	246,037
Loans and advances to customers (net of provisions)	14,485,554	11,705,213	15,125,447	11,812,579
Investment securities				
-held to maturity	89,312	18,156	88,616	19,972
Financial liabilities				
Due to banks	2,807,570	1,687,787	2,810,741	1,708,556
Due to customers	12,961,660	10,867,932	12,929,410	10,865,549
Debt securities in issue	3,274,943	1,649,510	3,275,491	1,654,738
Other borrowed funds and hybrid capital	603,602	586,371	602,595	585,316

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

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

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

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

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

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

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

3.8 Fiduciary activities

The Group provides services to third parties such as custody, trustee, corporate administration (including cases of companies under liquidation), investment management and advisory services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments.

4 Critical accounting estimates and judgements

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

1. Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment in every reporting period. In determining whether an impairment loss should be recorded in the income statement, the Group has set a methodology (described in note 2.10) 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 Group 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 relevant portion of the AFS reserve is recycled to the income statement of the period. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, evidence of deterioration in the financial health of the investee, industry and sector performance and changes in technology.

4. Income taxes

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

5 Business segments

The Group has identified the following business segments:

- Retail Banking
- Corporate Banking
- Investment Banking
- Asset Management & Treasury
- Other business segments including Real Estate, IT and other centralised services.

1/1-30/9/2005	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Treasury	Other business segments	Eliminations	Group
Revenues	617,361	197,287	35,172	76,782	74,555	-	1,001,157
Revenues from other business segments	78,410	7,447	669	66,127	6,272	(158,925)	0
Total revenues	695,771	204,734	35,841	142,909	80,827	(158,925)	1,001,157
Net Revenues	476,998	73,468	(2,739)	19,652	54,777	-	622,157
Net Revenues from other business segments	(14,858)	(8,039)	(2,728)	53,895	1,902	(30,172)	0
Total Net Revenues	462,140	65,429	(5,467)	73,547	56,679	(30,172)	622,157
Segment Results	119,663	29,495	(5,467)	56,360	3,079	-	203,130
Income tax expense							(29,282)
Profit after tax							173,848
Other segment items							
Depreciation	12,378	1,215	970	466	15,813	-	30,842
Impairment charge - loans	49,522	18,261	-	2	(1,156)	-	66,629
1/1-30/9/2004							
Revenues	427,567	144,181	38,426	59,681	92,461	-	762,316
Revenues from other business segments	56,963	5,975	285	16,253	9,513	(88,989)	0
Total revenues	484,530	150,156	38,711	75,934	101,974	(88,989)	762,316
Net Revenues	320,827	74,584	11,533	37,023	72,338	-	516,305
Net Revenues from other business segments	13,213	(897)	(3,222)	16,033	5,121	(30,248)	0
Total Net Revenues	334,040	73,687	8,311	53,056	77,459	(30,248)	516,305
Segment Results	97,117	36,369	(13,030)	22,303	5,716	-	148,475
Income tax expense							(35,042)
Profit after tax							113,433
Other segment items							
Depreciation	8,942	507	648	321	18,383	-	28,801
Impairment charge - loans	27,291	11,234	381	3	15,136	-	54,045
At 30 September 2005							
Segment assets	9,661,689	5,691,425	1,532,055	3,561,611	1,320,880	-	21,767,660
Segment liabilities	8,788,736	509,046	129,226	8,649,711	2,311,209	-	20,387,928
At 31 December 2004							
Segment assets	7,612,378	5,101,374	1,336,730	2,238,928	556,868	-	16,846,278
Segment liabilities	8,832,868	413,440	1,463	5,390,550	938,514	-	15,576,834

Geographical segments are set out in note 3.2

6 Net interest income

	1/1-30/9/2005	1/1-30/9/2004
Interest income		
Interest on fixed income securities	60,948	58,950
Interest income on loans and advances	543,423	426,460
Other Interest Income	153,535	65,846
Total interest income	757,906	551,256
Interest expense		
Customers deposits and interest from repos	(149,115)	(125,997)
Interest on debt securities in issue and on other borrowed funds	(60,308)	(21,166)
Other interest expenses	(151,239)	(81,151)
Total interest expense	(360,662)	(228,314)
Net Interest Income	397,244	322,942

7 Net fees and commission income

	1/1-30/9/2005	1/1-30/9/2004
Fees and commission income		
Commercial Banking	83,571	65,310
Investment Banking	26,047	19,249
Asset Management	10,727	9,890
Total fees and commission income	120,345	94,449
Fees and commission expense		
Commercial Banking	(6,886)	(9,598)
Investment Banking	(8,399)	(4,605)
Asset Management	(3,053)	(3,494)
Total fees and commission expense	(18,338)	(17,697)
Net fees and commission income	102,007	76,752

8 Dividend income

	1/1-30/9/2005	1/1-30/9/2004
Dividend from AFS securities	9,171	162
Dividend from trading securities	7,962	13,419
	17,133	13,581

9 Net trading income

	1/1-30/9/2005	1/1-30/9/2004
Gains less losses on FX dealing	8,681	7,091
Gains less losses on shares & mutual funds transactions	22,611	20,119
Gains less losses on derivatives transactions	(7,004)	(17,582)
Gains less losses on bonds transactions	7,699	11,569
Gains less losses on FX valuation	1,360	(2,001)
Gains less losses on shares & mutual funds valuation	26,205	(1,621)
Gains less losses on derivatives valuation	12,824	(5,000)
Gains less losses on bonds valuation	(17,060)	10,563
	55,316	23,138

10 Gains less losses from investment securities

	1/1-30/9/2005	1/1-30/9/2004
Gains less losses on AFS - Shares & Mutual Funds	1,385	(2,213)
Gains less losses on AFS - Bonds	411	(25)
Gains less losses on sale of Subsidiaries & Associates	1,823	(160)
	3,619	(2,398)

11 Other operating income

	1/1-30/9/2005	1/1-30/9/2004
Rental income	3,950	4,081
Other income from banking operations	4,149	3,479
Reversal of provisions	2,427	5,829
Income from real estate activities	18,679	28,496
Income from IT activities	5,362	4,865
Income from operating leasing	4,574	5,580
Income from courier services	-	7,233
Other operating income	7,697	22,727
	46,838	82,290

12 Staff costs

	1/1-30/9/2005	1/1-30/9/2004
Wages & salaries	(133,322)	(126,234)
Social insurance contributions	(26,705)	(24,201)
Other staff costs	(10,228)	(14,139)
Retirement benefit charges (note 36)	(19,516)	(13,448)
	(189,771)	(178,022)

The number of persons employed by the Group during 2005 was 7,964 (2004:5,934.) This increase resulted from the acquisition of the three new foreign bank subsidiaries and from the expansion of the foreign branch network.

13 Administrative expenses

	1/1-30/9/2005	1/1-30/9/2004
Rental expense for buildings	(23,851)	(21,213)
Taxes and duties (excl. income tax)	(19,514)	(13,521)
Promotion and advertising expenses	(16,217)	(8,726)
Servicing - promotion of banking products	(17,611)	(12,285)
Fees and third parties expenses	(18,631)	(19,810)
Other administrative expenses	(41,492)	(41,717)
	(137,316)	(117,272)

14 Income tax expense

	1/1-30/9/2005	1/1-30/9/2004
Current Tax	(23,349)	(31,619)
Deferred tax (Note 35)	(5,569)	(2,786)
Share of tax of associates	(364)	(637)
	(29,282)	(35,042)

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

Profit before tax	203,130	148,475
Tax calculated at the applicable tax rates	48,751	40,088
Income not subject to tax (tax effect)	(20,314)	(13,951)
Expenses not deductible (tax effect)	5,177	8,905
Utilisation of previously unrecognised tax losses	(4,332)	-
Income Tax	29,282	35,042

The weighted average applicable tax rate was approximately 24% (2004: 27%).

15 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of shares in issue during the period, excluding the average number of ordinary shares purchased by the Group and held as treasury shares. 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 38).

	1/1-30/9/2005	1/1-30/9/2004
Basic earnings per share		
Net profit attributable to shareholders	136,175	91,498
Weighted average number of shares in issue	196,176,511	194,811,859
Basic earnings per share (in euro)	0.69	0.47

No diluted earnings per share was calculated, because there were no dilutive potential ordinary shares.

16 Cash and Balances with the Central Bank

	30 September 2005	31 December 2004
Cash in Hand	168,928	148,145
Nostros and Sight Accounts with other banks	125,853	44,053
Balances with Central Banks	2,137,511	598,326
Cheques Clearing System - Central Bank	426,099	309,065
Included in cash and cash equivalents less than 90 days (Note 42)	2,858,391	1,099,589
Mandatory reserves with Central Banks	221,885	58,978
	3,080,276	1,158,567

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

17 Treasury Bills and other eligible bills

	30 September 2005	31 December 2004
Other Government Treasury Bills	59,608	43,485
Included in cash and cash equivalents less than 90 days (Note 42)	59,608	43,485
Greek Government Treasury Bills	41,950	249
Other Government Treasury Bills	170,679	107,210
	272,237	150,943

18 Loans and advances to Credit Institutions

	30 September 2005	31 December 2004
Placements with local Banks & Banks abroad	758,017	76,276
Cheques receivables	10,120	22,088
Reverse repurchase agreements	156	65,595
Included in cash and cash equivalents less than 90 days (Note 42)	768,293	163,959
Placements to Banks (more than 90 days)	49,871	78,428
Cheques receivables (more than 90 days)	1,755	3,025
	51,626	81,453
Total loans and advances to Credit Institutions	819,919	245,413

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

19 Derivative Financial Instruments

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

At 30 September 2005

	Notional amounts	Fair values	
		Assets	Liabilities
Derivatives held for trading			
Futures	16,200	-	104
Asset Swaps	204,319	-	18,805
Interest Rate Swaps	4,399,272	8,101	14,890
Options	-	189	-
Currency swaps	4,354,584	(120)	609
FX Forwards	217,918	-	20
Other derivative instruments	463,623	1,396	(1,226)
		9,566	33,202
Embedded equity derivatives			
Customer deposits linked to options	285,493	6,960	5,331
Total recognised derivative assets / liabilities		16,526	38,533

At 31 December 2004

	Notional amounts	Fair values	
		Assets	Liabilities
Derivatives held for trading			
Futures	612,198	-	39
Asset Swaps	511,494	-	25,582
Interest Rate Swaps	3,040,648	2,740	15,611
Options	342,195	528	2,033
FX Forwards	21,244	59	-
Other derivative instruments	142,000	2,127	-
		5,454	43,265
Embedded equity derivatives			
Customer deposits linked to options	48,681	437	436
Total recognised derivative assets/ liabilities		5,891	43,701

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

	30 September 2005	31 December 2004
Trading Securities		
Greek Government Bonds	186,102	630,357
Foreign Government Bonds	34,865	10,774
Corporate Entities Bonds	37,719	110,079
Bank Bonds	1,257	29,876
	259,943	781,086
Athens Stock Exchange Listed Shares	126,419	326,251
Foreign Stock Exchanges Listed Shares	19,900	43,003
Mutual funds	3,692	-
	150,011	369,254
Total trading securities	409,954	1,150,340
Other financial assets at fair value through profit and loss	187,405	282,353
Total	597,359	1,432,693

Other financial assets at fair value through profit and loss include asset swap bonds. Trading securities include bonds (€ 493 th.) with maturity less than 3 months from the date of acquisition and these are included in cash and cash equivalents (note 42).

From the above mentioned bonds as at 30/9/2005, including other financial assets at fair value through profit and loss, amount of € 310 million relates to fixed income securities, amount of € 104 million relates to floating rate securities (FRN) and amount of € 33 million relates to zero-coupons. The respective amounts as at 31/12/2004 are 722 million (fixed), € 262 million (FRN) and € 79 million (zero-coupon).

Net interest accrued on bonds, being incorporated in the respective balances, amounts to € 8 million (2004: € 12.0 million).

21 Loans and advances to customers

	30 September 2005	31 December 2004
Loans to individuals		
Mortgages	3,035,869	2,220,329
Consumer - Personal Loans	1,658,695	1,215,611
Credit Cards	333,689	257,892
Other	185,130	230,384
	5,213,383	3,924,216
Loans to corporate entities	9,766,419	8,244,090
Total loans and advances to customers	14,979,802	12,168,306
Less: Allowance for losses (impairment) on loans and advances to customers	(494,248)	(463,092)
Total loans and advances to customers (less allowances for losses)	14,485,554	11,705,213

From loans and advances to customers, amount € 2,596 million (2004: € 1,825 million) relates to fixed rate loans, whereas amount of € 12,384 million (2004: € 10,343 million) relates to floating rate loans.

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

Opening balance for the period (1/1/2005 and 1/1/2004 respectively)	463,092	479,890
Transfers from other provisions	8,001	-
Opening balance of new subsidiaries	9,128	-
Charge for the period	65,298	54,045
Write offs	(55,215)	(46,961)
Foreign exchange differences	3,944	(3,556)
Closing balance for the period (30/9/2005 and 30/9/2004 respectively)	494,248	483,418
Opening balance as at 1/10/2004		483,418
Charge for the period		36,168
Write offs		(55,745)
Foreign exchange differences		(749)
Balance as at 31/12/2004		463,092

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

In the above movement of impairment for losses on loans and advances, the charge for the period does not include amount € 1,331 thousand which relates to write-offs of impaired loans with direct charge of the Profit and Loss account for the period.

Loans and advances to customers include finance lease receivables:

	30 September 2005	31 December 2004
Gross investments in finance leases		
Not later than 1 year	223,516	196,096
Later than one year and not later than 5 years	398,723	351,293
Later than 5 years	335,225	317,969
	957,464	865,358
Unearned future finance income	(180,765)	(180,990)
Net investments in finance leases	776,699	684,368

Net investments in finance leases are analyzed as follows:

	30 September 2005	31 December 2004
Not later than 1 year	186,834	159,607
Later than one year and not later than 5 years	310,883	261,121
Later than 5 years	278,982	263,640
	776,699	684,368

22 Investment securities

	30 September 2005	31 December 2004
Available for sale securities - fair values		
Bonds & Other Fixed Income Securities		
Foreign Government Bonds	214,458	132,937
Corporate Entities Bonds	67,483	126,711
Bank Bonds	39,552	2,918
	321,493	262,566
Shares & Other variable Income securities		
Athens Stock Exchange Listed Shares	16,112	14,392
Foreign Stock Exchanges Listed Shares	84,211	74,735
Unlisted Shares	169,623	115,968
	269,946	205,096
Companies excluded from consolidation / under liquidation	5,235	4,670
Total available for sale securities - fair values	596,674	472,332
Held to maturity		
Foreign Government Bonds	87,233	17,417
Corporate Entities Bonds	2,079	739
	89,312	18,156
Total Investment securities	685,986	490,488

From the above bonds of the Available for Sale portfolio as at 30/9/2005, amount of € 343 million is fixed, € 56 million is floating rate (FRN) and € 11 million is zero-coupon. The respective amounts for 31/12/2004 are € 258 million (fixed) and € 23 million (FRN).

The movement in investment securities for the period 1/1-30/9/2005 may be summarised as follows:

	30 September 2005	31 December 2004
Available for sale securities		
Opening balance	472,332	423,509
Additions	240,786	99,525
Transfer from subsidiaries	88	15,636
Transfer from associates	519	-
Disposals	(124,931)	(66,585)
Transfer to held to maturity portfolio	(34,684)	-
Changes in fair value	25,796	140
Exchange differences	16,768	107
Balance at the end of the period	596,674	472,332

	30 September 2005	31 December 2004
Held to maturity		
Opening balance	18,156	1,334
Additions	38,829	17,323
Transfer from available for sale portfolio	34,684	-
Maturity of securities	(4,550)	(501)
Exchange differences	2,193	-
Balance at the end of the period	89,312	18,156

23 Investments in associated undertakings

	30 September 2005	31 December 2004
Opening balance	45,587	39,912
Additions	15,693	7,331
Share of profit/loss before tax	1,162	(990)
Share of tax	(364)	(666)
Transfer to the available for sale portfolio	(519)	-
Exchange differences	1,226	-
Balance at the end of the period	62,785	45,587

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

Company	Country	Participation %	30 September 2005		
			Profit / (Loss) before tax	Total assets	Total liabilities
ING PIRAEUS MUTUAL FUNDS S.A.	Greece	49.94%	755	8,075	1,365
EUROINVESTMENT & FINANCE LTD	Cyprus	32.94%	641	36,883	35,957
ING - PIRAEUS LIFE INSURANCE COMPANY	Greece	49.90%	333	43,347	37,861
'ISIODOS" VIOTIKI REGIONAL DEVELOPMENT & INVESTMENT COMPANY S.A.	Greece	37.00%	(10)	178	36
CRETE SCIENTIFIC AND TECHNOLOGY PARK MANAGEMENT & DEVELOPMENT COMF	Greece	30.45%	21	226	63
EVROS DEVELOPMENT COMPANY S.A.	Greece	30.00%	(68)	668	276
HELLENIC STEEL COMPANY S.A.	Greece	30.83%	1,091	145,316	132,485
ETANAL S.A.	Greece	25.00%	(69)	1,977	1,540
STALKO S.A. - ELECTRICAL EQUIPMENT INDUSTRIAL COMPANY S.A.	Greece	25.00%	176	5,960	2,864
P. MANESSIS BROS S.A.	Greece	24.83%	829	8,036	2,064
GREEK LEATHER PROCESSING INDUSTRY S.A.	Greece	43.79%	(150)	16,256	7,875
ILIOU GROUP - COMMERCIAL GARDENING ITEMS & HOLDING COMPANY S.A.	Greece	24.48%	210	14,630	9,670
PROJECT ON LINE S.A.	Greece	40.00%	(382)	1,807	599
MONASTIRIOU TECHNICAL DEVELOPMENT CO. S.A.	Greece	33.35%	100	22,240	12,215
LAKKOS MIKELLI REAL ESTATE LTD	Cyprus	40.00%	(11)	24,601	396
EL-EYWON HOSPITAL	Egypt	24.57%	96	4,494	571
ALEXANDRIA FOR DEVELOPMENT AND INVESTMENT	Egypt	19.35%	135	9,973	6,265
NILE SHOES COMPANY	Egypt	34.57%	(14)	1,828	1,033
EGYPTIAN COMMERCIAL INSURANCE CO.	Egypt	35.19%	(3)	34	21
EGYPTIAN INTEGRATED STORAGE CO.	Egypt	35.19%	-	184	39
REBICAT	Greece	16.67%	(29)	3,080	4
ABIES	Greece	16.67%	(36)	9,645	3
EUROTERRA	Greece	16.67%	(181)	51,607	3,390
APE COMMERCIAL PROPERTY (former PIRAEUS COMMERCIAL PROPERTY))	Greece	27.80%	(2)	54	4
APE FIXED ASSETS (former PIRAEUS FIXED ASSETS)	Greece	27.80%	(2)	54	4
Company	Country	Participation %	31 December 2004		
			Profit / (Loss) before tax	Total assets	Total liabilities
ING PIRAEUS ASSET MANAGEMENT S.A.	Greece	49.90%	(95)	4,851	574
EUROINVESTMENT & FINANCE LTD	Cyprus	32.94%	(9,341)	38,632	38,360
ING - PIRAEUS LIFE INSURANCE COMPANY	Greece	49.90%	1,467	41,711	35,887
GLOBAL CAPITAL LTD	Cyprus	23.81%	(772)	3,012	1,073
'ISIODOS" VIOTIKI REGIONAL DEVELOPMENT & INVESTMENT COMPANY S.A.	Greece	37.00%	(39)	178	24
CRETE SCIENTIFIC AND TECHNOLOGY PARK MANAGEMENT & DEVELOPMENT COMPANY S.A.	Greece	30.45%	16	226	77
ING PIRAEUS MUTUAL FUNDS S.A.	Greece	40.00%	770	3,224	1,266
EVROS DEVELOPMENT COMPANY S.A.	Greece	30.00%	(57)	668	208
HELLENIC STEEL COMPANY S.A.	Greece	30.83%	402	145,316	132,962
ETANAL S.A.	Greece	25.00%	(25)	1,532	1,020
STALKO S.A. - ELECTRICAL EQUIPMENT INDUSTRIAL COMPANY S.A.	Greece	25.00%	215	5,960	2,600
P. MANESSIS BROS S.A.	Greece	24.83%	(275)	7,697	1,938
GREEK LEATHER PROCESSING INDUSTRY S.A.	Greece	43.79%	297	16,256	8,239
ILIOU GROUP - COMMERCIAL GARDENING ITEMS & HOLDING COMPANY S.A.	Greece	24.48%	189	14,630	9,390
PROJECT ON LINE S.A.	Greece	40.00%	(422)	2,249	445
MONASTIRIOU TECHNICAL DEVELOPMENT CO. S.A.	Greece	19.99%	738	22,690	8,798
LAKKOS MIKELLI REAL ESTATE LTD	Cyprus	40.00%	(37)	24,399	461

24 Goodwill and other intangible assets

Cost	Goodwill	Software	Other intangible	Total
Opening balance as at 1 January 2004	25,645	43,963	12,896	82,504
Additions	71,252	7,095	8,524	86,871
Disposals/ Write - offs	-	(54)	(26)	(80)
Balance as at 31 December 2004	96,897	51,004	21,394	169,295
Accumulated depreciation				
Opening balance as at 1 January 2004	-	(34,153)	(6,629)	(40,782)
Charge for the period	-	(5,674)	(2,770)	(8,444)
Write-offs	-	23	-	23
Accumulated depreciation at 31 December 2004	-	(39,804)	(9,399)	(49,203)
Net book value at 31 December 2004	96,897	11,200	11,995	120,092
Cost				
Opening balance as at 1 January 2005	96,897	51,004	21,394	169,295
Additions	57,556	4,859	2,780	65,195
Write-offs	-	(6)	(652)	(658)
Balance as at 30 September 2005	154,453	55,857	23,522	233,832
Accumulated depreciation				
Opening balance as at 1 January 2005	-	(39,804)	(9,399)	(49,203)
Charge for the period	-	(4,777)	(2,410)	(7,187)
Accumulated depreciation at 30 September 2005	-	(44,581)	(11,809)	(56,390)
Net book value at 30 September 2005	154,453	11,276	11,713	177,442

25 Property, plant and equipment

Cost	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
Opening balance as at 1 January 2004	345,128	172,020	73,388	83,935	96,964	771,435
Additions	16,879	17,707	15,834	41,450	10,509	102,379
Transfers	-	-	(3,801)	-	-	(3,801)
Disposals	-	(329)	-	(16,191)	-	(16,520)
Write offs	(5,146)	(726)	-	-	-	(5,872)
Reclassifications of opening balances	26,266	(33,986)	-	-	-	(7,720)
Balance as at 31 December 2004	383,127	154,686	85,421	109,194	107,473	839,901
Accumulated depreciation						
Opening balance as at 1 January 2004	(11,366)	(100,664)	-	(33,811)	(41,896)	(187,737)
Charge for the year	(4,262)	(18,742)	-	(17,249)	(6,693)	(46,946)
Transfers	7,651	(572)	-	(350)	(256)	6,473
Disposals	25	295	-	10,553	126	10,999
Reclassifications	-	5,274	-	-	256	5,530
Accumulated Depreciation 31 December 2004	(7,952)	(114,409)	0	(40,857)	(48,463)	(211,681)
Net book value as at 31 December 2004	375,175	40,277	85,421	68,337	59,010	628,220

Certain amounts of land and buildings, furniture, electronic & other equipment and investment property were reclassified in order to improve the presentation of the movement in fixed assets, without altering the total net book value of own property, plant and equipment.

The movement of accumulated depreciation for the period ended as at 31.12.2004 includes depreciation of Piraeus Best Leasing of amount € 16,344 thousand which was included in "other operating income" in the Consolidated Income Statement.

2005 Cost	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
Opening balance as at 1 January 2005	383,127	154,686	85,421	109,194	107,473	839,901
Opening balance of new subsidiaries	1,841	2,027	5,022	26	301	9,217
Additions	51,870	18,466	46,046	22,720	10,702	149,804
Transfers	(831)	426	(4,385)	(33,559)	281	(38,068)
Disposals	(64,936)	(4,323)	(1,259)	(10,991)	-	(81,509)
Write-offs	-	(103)	-	(11)	(459)	(573)
Currency translation differences	693	644	34	62	535	1,968
Balance as at 30 September 2005	371,764	171,823	130,879	87,441	118,833	880,740

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

	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
Accumulated depreciation						
Opening balance as at 1 January 2005	(7,952)	(114,409)	0	(40,857)	(48,463)	(211,681)
Opening balance of new subsidiaries	(1,646)	(2,590)	-	(206)	(1,083)	(5,525)
Charge for the period	(2,722)	(13,759)	-	(8,686)	(6,480)	(31,647)
Transfers	22	(80)	-	16,284	(56)	16,170
Disposals	796	3,718	-	6,056	-	10,570
Write - offs	-	100	-	10	351	461
Currency translation differences	324	(980)	-	(7)	(1,014)	(1,677)
Accumulated Depreciation as at 30 September 2005	(11,178)	(128,000)	-	(27,406)	(56,745)	(223,329)
Closing net book value 30 September 2005	360,586	43,823	130,879	60,035	62,088	657,411

The movement of accumulated depreciation for the period ended as at 30.9.2005 includes depreciation of Best Leasing of amount € 7,992 thousand which was included in "other operating income" in the Consolidated Income Statement.

26 Investment Property

2004	
Cost	
Opening balance	108,007
Additions	16,856
Disposals	(2,186)
	122,677
Reclassifications of opening balances	3,576
Balance as at 31/12/2004	126,253
2005	
Cost	
Opening balance	126,253
Opening balance of new subsidiaries	9,782
Revaluations	127
Additions	8,121
Transfers	(6,332)
Disposals	(12,300)
Write offs	(6)
Balance as at 30/09/2005	125,645

27 Held for sale

2005	
Cost	
Opening balance	0
Additions and balances of new subsidiaries	27,469
Transfers	8,791
Balance as at 30/9/2005	36,260

28 Other assets

	30 September 2005	31 December 2004
Prepaid expenses & accrued income	102,187	37,576
Prepaid taxes & taxes withheld	62,842	47,422
Claims from tax authorities & the State	54,981	52,948
Inventories - property	170,807	169,725
Other assets	251,629	316,745
	642,446	624,416

Other assets include customer receivables, inventories of subsidiaries, contributions of Sigma Devletoglou Securities S.A. to the Athens exchange Auxiliary and Guarantee funds and other accounts with debit balances that result from the daily transactions of the Group.

29 Due to Banks

	30 September 2005	31 December 2004
Amounts due to Central Banks	1,836	3,029
Deposits from other Banks	2,703,663	1,508,430
Other obligations to Banks	101,027	150,189
Repurchase agreement - Credit Institutions	1,044	26,139
	2,807,570	1,687,787

Due to banks includes amount of € 157 million which relates to deposits from banks with duration 1-5 years. Balances due to banks bear floating rates.

30 Due to customers

	30 September 2005	31 December 2004
Deposits		
Current and sight deposits	3,171,568	2,404,413
Savings account	3,288,265	2,988,898
Term deposits	6,196,338	4,660,856
Other accounts	166,563	163,757
Repurchase agreements	138,926	650,008
	12,961,660	10,867,932

31 Debt securities in issue

	Average interest rate (%)		30 September 2005	31 December 2004
	1/1-30/9/2005	2004		
€ Euro Medium Term Note (Medium/long term securities)	2.54%	2.54%	418,615	349,234
€ Euro Commercial Paper (Short term securities)	2.41%	2.35%	1,678,403	820,122
ETBA bonds	2.27%	2.27%	418,891	480,154
Securitisation of mortgage loans	2.30%	-	755,439	-
Other debt securities (foreign subsidiaries)			3,595	-
			3,274,943	1,649,510

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.

Piraeus Bank completed its first Residential Mortgage Backed Securitisation (RMBS) of € 750 million. The issue was undertaken through the UK- based Estia Mortgage Finance PLC that was established for this purpose. The bonds are callable by the issuer after 9 years and have an average cost of 3month Euribor plus 18 bps.

32 Other borrowed funds

	Average interest rate (%)		30 September 2005	31 December 2004
	1/1-30/9/2005	2004		
Hybrid capital (Tier I)	3.39%	3.40%	201,152	193,572
Subordinated loans (Tier II)	2.74%	2.78%	398,303	392,799
Other subordinated loans (foreign subsidiaries)			4,147	-
			603,602	586,371

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

33 Other liabilities

	30 September 2005	31 December 2004
Deferred income & accrued expenses	128,051	77,561
Dividends payable	602	340
Withholding taxes and contributions	24,067	22,928
Other liabilities	336,360	382,675
	489,080	483,504

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

34 Other provisions

The movement in other provisions may be summarised as follows:

	30 September 2005	31 December 2004
Opening balance	78,316	65,144
Charge for the period	4,817	19,501
Utilisation of provisions	(59,810)	(20,537)
Transfers-Adjustments	-	14,208
Balance at the end of the period	23,323	78,316

The decrease of provisions for taxes as at 30/09/2005 relates to the payment of tax for 2004, as well as to the completion of the Bank's tax audit for the years up to and including 2003 (€ 13,946 thousands)

35 Deferred tax

Deferred income taxes for Piraeus Bank 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 of Hellenic Investment Company S.A. (2004: 30%). Finally, the weighted average tax rate for the Group takes into account the low tax rate for Piraeus Real Estate Investment Company S.A. and Hellenic Investment Company S.A. and equals approximately to 24% (2004: 27%), based on which the relevant calculations have been carried out.

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	5,523
Investment property valuation	5,216	-
Derivative financial instruments valuation	3,576	16,235
Financial assets at fair value through profit and loss	4,389	-
Available for sale reserve	3,037	-
Adjustment of tax rates	(805)	-
Recognition of commission according to effective interest rate calculation	537	356
Impairment of other receivables	6,513	-
Other deferred tax liabilities	14,953	8,817
	38,675	30,930
Adjustment for deferred tax liability of Piraeus Leasing S.A.		(1,440)
		29,490
Deferred tax assets		
Pensions and other post retirement benefits	44,391	43,256
Provision for loan impairment	16,143	15,353
Other provisions	4,315	861
Financial assets at fair value through profit and loss	443	506
Derecognition of intangible assets	5,252	6,123
Available for sale reserve	12,321	16,187
Derivative financial instruments valuation	10,120	18,916
Adjustment of tax rates	(4,408)	-
Tax loss carried forward	3,887	-
Recognition of commission according to effective interest rate calculation	10,985	10,467
Other deferred tax assets	4,366	875
	107,815	112,544
Adjustment for deferred tax asset of Piraeus Leasing S.A.		(42)
		112,502
Net deferred tax asset/ liability	69,140	83,012

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

	30 September 2005
Pensions and other post retirement benefits	1,135
Provision for loan impairment	790
Recognition of commission according to effective interest rate calculation	337
Investment property valuation	(5,216)
Derivative financial instruments valuation	3,862
Tax loss carried forward	3,887
Adjustment for depreciation of property, plant and equipment	4,264
Derecognition of intangible assets	(871)
Adjustment of tax rates	(3,603)
Financial assets at fair value through profit and loss	(4,452)
Other provisions	3,454
Impairment of other receivables	(6,513)
Other deferred tax charges	(2,643)
	(5,569)

Deferred tax of € 6,903 th. that related to the valuation of the available for sale securities for the period ended as at 30/9/2005, was not recorded in P/L for the period but instead in the available for sale reserve (note 39) as per the IFRS regulations. In addition, adjustment for deferred tax liability and deferred tax asset by Piraeus Leasing of amount € 1,440 th. and € 42 th. respectively did not affect the profit and loss for the period, as they related to first time adoption adjustments.

36 Retirement benefit obligations

1) Piraeus Bank

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

As at 30/9/2005 no actuarial report was prepared. The balances for the specific period were based on the results of the actuarial report prepared as at 31/12/2004.

	30 September 2005	31 December 2004
Amounts recognised in the balance sheet		
Pension schemes	81,372	75,743
Other post retirement benefits	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
	147,942	148,256
	30 September 2005	30 September 2004
Amounts recognised in the Income Statement		
Pension schemes	7,707	7,320
Other post retirement benefits	11,809	6,128
	19,516	13,448

A) Pension schemes

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
Current service cost	3,155	2,238
Interest cost	4,773	3,961
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	7,320

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

	30 September 2005	31 December 2004
Opening book amount	75,743	68,673
Movement for the period	7,707	9,760
Contributions paid	(2,078)	(2,690)
Closing book amount	81,372	75,743

B) Other post retirement benefits

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

	30 September 2005	31 December 2004
Present value of unfunded obligations	68,119	69,834
Unrecognised actuarial losses	(7,451)	(7,510)
Liability in the balance sheet	60,668	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	968
Total included in staff costs	11,809	6,128

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

	30 September 2005	31 December 2004
Opening book amount	62,324	63,206
Movement for the period	11,809	9,233
Contributions paid	(13,465)	(10,116)
Closing book amount	60,668	62,324

The principal actuarial assumptions used were as follows:

	30 September 2005	31 December 2004
Discount rate	5.0%	5.00%
Expected return on plan assets	5.0%	5.00%
Future salary increases	4.0%	4.00%
Future pension increases	2.5%	2.50%

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.

2) Subsidiaries

The majority of the Group subsidiaries has not entered any defined benefit obligation schemes, since its staff is insured by the public insurance fund IKA TEAM. Thus, retirement benefit obligations are accounted for based on Law 2112 and according to the past services offered to the subsidiaries. The total amount of the liability related to the Group subsidiaries is € 2,600 th (2004:€ 1,967 th).

Therefore, the total retirement benefit obligation for the Group amounts to € 150.5 million (2004:€ 150.2 million).

37 Contingent liabilities and commitments

A) Legal procedures

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

B) Capital commitments

As at 30/09/2005 the Group had the following capital commitments.

	30 September 2005	31 December 2004
Letters of guarantee	1,446,219	1,515,906
Letters of credit	102,502	75,342
Commitments to extent credit	5,884,887	5,238,655
	7,433,608	6,829,903

C) Assets pledged

	30 September 2005	31 December 2004
Trading securities	93,079	97,440
Investment securities	75,189	-
	168,268	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	12,661	7,624
From 1 to 5 years	51,854	47,413
More than 5 years	99,247	91,372
	163,762	146,409

38 Share capital

	Share Capital	Share Premium	Treasury Shares	Total
At 1 January 2004	819,949	354,644	(14,623)	1,159,970
Issue of shares	11,118	11,089	-	22,207
Purchase of treasury shares	-	-	(59,596)	(59,596)
Sale of treasury shares	-	-	48,952	48,952
At 31 December 2004	831,067	365,733	(25,267)	1,171,533
At 1 January 2005	831,067	365,733	(25,267)	1,171,533
Purchase of treasury shares	-	-	(92,193)	(92,193)
Sale of treasury shares	-	-	59,700	59,700
At 30 September 2005	831,067	365,733	(57,760)	1,139,040

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

	Number of shares		
	Issued shares	Treasury shares	Net number of shares
Opening balance at 1st January 2004	197,578,101	(2,277,136)	195,300,965
Issue of shares	2,678,905	-	2,678,905
Purchases of treasury shares	-	(5,796,110)	(5,796,110)
Sales of treasury shares	-	5,779,927	5,779,927
Balance at 31st December 2004	200,257,006	(2,293,319)	197,963,687
Opening balance at 1st January 2005	200,257,006	(2,293,319)	197,963,687
Purchases of treasury shares	-	(6,669,765)	(6,669,765)
Sales of treasury shares	-	4,729,437	4,729,437
Balance at 30 September 2005	200,257,006	(4,233,647)	196,023,359

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 in the period of three years or not distributed to staff, they must be cancelled out according to the procedure which is predicted by Law 2190 and the decisions made by the Athens Stock Exchange.

Shares option plan

The 2nd repeated General Meeting of Piraeus Bank shareholders that took place on 16/5/2005 decided upon the initiation of a 4 year share option plan for the Board members and the executives and senior management of the Bank and its related (according to the article 42e of Law 2190/1920) companies. The above plan 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. The plan participants can be the Bank's Board members and 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 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 2008.

39 Other reserves and retained earnings

	30 September 2005	31 December 2004
Legal reserve	58,341	57,047
Extraordinary reserve	441	6,334
Available for sale reserve	22,308	2,998
Currency translation reserve	5,144	3,678
Other reserves	18,888	5,076
Total other reserves	105,122	75,133
Retained earnings	(287,476)	(344,461)
Total other reserves and retained earnings	(182,354)	(269,328)

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

	30 September 2005	31 December 2004
Other reserves movement		
Opening balance	75,133	52,508
Available for sale reserve	19,310	5,062
Distribution of reserves of Piraeus Sigma Devletoglou Securities S.A.	(7,007)	-
Transfer between other reserves and retained earnings	13,226	12,883
Differences from currency translations and other adjustments	4,460	4,680
	105,122	75,133

	30 September 2005	31 December 2004
Available for sale reserve movement		
Opening Balance	2,998	(2,064)
Gains/ losses from the valuation of AFS bonds (note 22)	3,544	(1,043)
Gains/ losses from the valuation of AFS shares (note 22)	22,252	4,612
Deferred income taxes (note 35)	(6,903)	320
Recycling of the accumulated fv adj for AFS securities (note 10)	(1,796)	501
Foreign exchange differences and other adjustments	2,213	672
Net book amount	22,308	2,998

	30 September 2005	31 December 2004
Retained earnings movement		
Opening balance	(344,462)	(405,484)
Profit for the period	136,175	127,334
Dividends of prior period	(80,103)	(59,273)
Gains/ losses from sales of treasury shares	9,210	5,387
Transfer between other reserves and retained earnings	(13,226)	(12,883)
Interim dividend of Hellenic Investment Company S.A.	5,907	-
Distribution of reserves of Piraeus Sigma Devletoglou Securities S.A.	(1,926)	-
Differences from currency translations and other adjustments	949	457
	(287,476)	(344,462)

40 Capital Adequacy

The estimated capital adequacy ratio at the end of the period 1/1-30/9/2005, remained at high levels to 11.1% according to the regulations of Bank of Greece for the transition to IFRS, with the estimated Tier 1 to 8.9%.

41 Dividend per share

Dividends for the current period are not accounted for until they have been ratified at the Annual General Meeting. At the meeting on April 7 2005, a dividend in respect of 2004 of € 0.40 per share was proposed, amounting to a total of € 80,102,802.40. Due to the dividend's approval, it is not presented as part of equity as at 30 September 2005.

42 Cash and cash equivalents

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

	30 September 2005	31 December 2004
Cash and balances with central banks (Note 16)	2,858,391	1,099,589
Treasury bills and other eligible bills (Note 17)	59,608	43,485
Loans and advances to Credit Institutions (Note 18)	768,293	163,959
Trading securities (Note 20)	493	-
	3,686,785	1,307,033

43 Related party transactions

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

	Board of Directors members and key management personnel	
	30 September 2005	31 December 2004
Loans	149,484	39,349
Deposits	30,923	32,437
Director's Remuneration	30 September 2005	31 December 2004
Salaries and other remuneration	6,297	6,456
Post employment benefits	2,005	2,803
	8,302	9,259
	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

44 Acquisitions and disposals of subsidiaries and associates

In the period from 1/1/2005 to 30/9/2005, acquisitions and reclassifications regarding the Group that took place are the following:

The Group acquired the majority shareholding in three Banks abroad according to the Group's line for expansion in Balkans and in East Mediterranean. More specifically, the Bank obtained the majority of shares of Atlas Banka AD (Serbia & Montenegro), Eurobank AD (Bulgaria) and Egyptian Commercial Bank (Egypt) (the Bank increased its participation afterwards). Also, increased its participation in the subsidiaries Tirana Bank (Albania) and Marathon Banking Corporation (USA).

The Group completed the merger of subsidiaries as follows:

The Bank absorbed Piraeus Redfin SA
 ING Piraeus Mutual funds SA absorbed ING Piraeus asset management SA
 ETBA Finance SA absorbed Piraeus financial economic research SA
 General construction and development SA absorbed Piraeus Prodefin SA
 ETBA Industrial Estates SA absorbed Industrial Estates ETBA SA
 Diagonios SA absorbed Piraeus Multiconstruction SA

The resolution and liquidation of the companies Chineridge LTD, Fairholme Enterprises LTD, Gibdale Overseas LTD, Mayboil LTD and Runius Overseas LTD was realized. The assets and liabilities of these companies were distributed to the shareholders.

The Bank obtained direct participation to the companies ABC Professional SA, Lazaridis Marbles SA, Abies SA, Rebicat SA, Euroterra SA, ND Development SA, Komotini real estate development SA, Property Horizon SA and Diagonios SA.

The companies Piraeus Property SA, Piraeus Development SA, Piraeus Developer SA, APE Commercial Property SA, APE Fixed Assets SA, Piraeus Buildings SA (participation which was sold), Piraeus Constructions and Instreamline SA, were incorporated.

The Bank increased its direct percentage of participation to the companies E-Vision SA, Multicollection SA, Piraeus Multifin SA, Piraeus Factoring SA, Piraeus Botifin SA, Piraeus Insurance Agency SA and Electra SA, while the direct percentages of participation to the companies Piraeus real estate investment property SA, APE Commercial Property SA (ex Piraeus Commercial Property) and APE Fixed Assets SA (ex Piraeus Fixed Assets), were decreased.

45 Post Balance Sheet events

On October 5th 2005, Piraeus Bank signed an agreement to sell "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. The above mentioned merger will be completed by the end of November 2005.

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%.

46 ADJUSTMENTS DUE TO TRANSITION TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Piraeus Bank Group has adopted and applied International Financial statements for periods ending after January 31, 2005. The accompanied financial statements of the Group for the period 1/1-30/9/2005, have been prepared in accordance with the IFRSs and the accounting principles of the Group described in note 2.

The transition date for the Group was the 1st of January 2004, for which date the transition consolidated balance sheet was prepared. The consolidated financial statements prepared for the period beginning on 1st of January 2004 and for which the accounting principles of the Group 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 Group's interim consolidated financial statements in accordance with IFRS 1, the Group 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 Group

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 Group has established hedge accounting policy and accounts for hedging when the conditions of IAS 39 are met. Group's hedge accounting is described in note 2.4.

III. Estimates exception

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

IV. Assets held for sale and discontinued operations exception

The Group applies IFRS 5 for assets held for sale or discontinued operations. The Group's accounting principles for assets held for sale are described in note 2.15.

Exemptions from full retrospective application elected by the Group

I. Business combinations exemption

The Group has applied the business combinations exemption in IFRS 1. It has not restated any business combination for all business combinations that took place prior to the 1st of January 2004 transition date. Goodwill arising on consolidation due to these combinations that was written off directly to equity is not reinstated on transition to IFRS.

II. Fair value as deemed cost exemption

The Group 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.

III. Employee benefits exemption

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

IV. Cumulative translation differences exemption

The Group has elected to set the previously accumulated cumulative translation to zero at 1st of January 2004, since it did not apply IAS 21 retrospectively.

V. Assets and liabilities of subsidiaries, associates and joint ventures exemption

The financial statements of subsidiaries and associates in order to be included in the consolidation are adjusted according to IFRSs and the Groups' accounting policies.

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

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

	<u>1 January 2005</u>	<u>1 January 2004</u>
Equity at the beginning of the period (Greek Accounting Standards)	1,214,933	1,342,199
Provision for retirement benefit obligations	(136,838)	(136,838)
Adjustments due to revaluation of fixed assets	618	38,059
Derecognition of intangible assets	(29,043)	(29,043)
Impairment of investments	(59,834)	(86,475)
Impairment of available for sale securities	(52,329)	(52,329)
Adjustment for loan provisions according to IAS 39	(63,530)	(100,650)
Adjustment for loan commission income according to IAS 39	(25,363)	(25,363)
Adjustment for the recognition of finance leases	7,114	7,114
Adjustment for dividends	(36,931)	65,636
Provision for tax liabilities	(14,503)	(16,000)
Recognition of deferred tax assets / (liabilities)	87,983	87,983
Increase / (decrease) of available for sale securities reserve	5,351	(2,064)
Total goodwill from acquisitions in 2004	97,893	0
Negative goodwill for companies consolidated first time under IFRS	19,559	19,559
Minority interests for companies consolidated first time under IFRS	72,218	90,726
Profit after tax according to IFRS	175,960	0
Valuation of trading securities at fair values	4,101	4,101
Recognition of derivative financial instruments and other adjustments	2,085	22,793
Equity at the beginning of the period (According to IFRS)	1,269,444	1,229,408

RECONCILIATION OF CONSOLIDATED BALANCE SHEET AS AT 31st of DECEMBER 2004

	Note	GREEK GENERAL ACCOUNTING PRINCIPLES	EFFECT OF IFRS FIRST TIME ADOPTION	I.F.R.S.
ASSETS				
Cash and balances with central banks	a	1,113,954	44,614	1,158,567
Treasury bills and other eligible bills		145,453	5,490	150,943
Loans and advances to Credit Institutions	a	278,241	(32,828)	245,413
Derivative financial instruments	f	0	5,891	5,891
Trading securities	b	0	1,150,340	1,150,340
Other financial assets at fair value through profit or loss	b	0	282,353	282,353
Loans and advances to customers	c	12,261,628	(556,415)	11,705,213
Bonds and other-fixed income securities	b	1,219,931	(1,219,931)	0
Shares and other variable income securities less third party rights	b	562,135	(562,135)	0
Investment securities	b	0	490,488	490,488
Investment in affiliated companies	b	0	45,587	45,587
Investment in non associated companies	b	54,753	(54,753)	0
Investments in associated undertakings	b	332,918	(332,918)	0
Goodwill and other intangible assets		32,656	87,436	120,092
Property, plant and equipment	e	189,336	565,137	754,473
Deferred tax assets	g	0	112,502	112,502
Inventories - property		0	169,725	169,725
Other assets		399,931	54,760	454,691
TOTAL ASSETS		16,590,936	255,344	16,846,278
LIABILITIES				
Due to Banks		1,714,347	(26,560)	1,687,787
Derivative financial instruments	f	0	43,701	43,701
Due to customers		10,838,992	28,940	10,867,932
Debt securities in issue		1,649,706	(196)	1,649,510
Other borrowed funds		388,924	3,875	392,799
Hybrid capital		193,573	(1)	193,572
Retirement benefit obligations	h	4,738	145,485	150,223
Other provisions		24,325	53,991	78,316
Deferred tax liabilities	g	0	29,490	29,490
Other liabilities		561,397	(77,893)	483,504
TOTAL LIABILITIES		15,376,002	200,832	15,576,834
EQUITY				
Capital and reserves attributable to Piraeus Bank equity holders				
Ordinary shares		831,067	0	831,067
Share premium		366,810	(1,077)	365,733
Less: Treasury shares		(27,738)	2,471	(25,267)
Other reserves and retained earnings	i	105,542	(374,870)	(269,328)
Consolidation differences	i	(318,511)	318,511	0
		957,170	(54,965)	902,205
Minority Interest		257,764	109,475	367,239
TOTAL EQUITY		1,214,934	54,510	1,269,444
TOTAL EQUITY AND LIABILITIES		16,590,936	255,342	16,846,278

RECONCILIATION OF CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2004

	Note	GREEK GENERAL ACCOUNTING PRINCIPLES	EFFECT OF IFRS FIRST TIME ADOPTION	I.F.R.S.
ASSETS				
Cash and balances with central banks	a	614,017	67,909	681,926
Treasury bills and other eligible bills		158,217	694	158,911
Loans and advances to Credit Institutions	a	356,773	(95,085)	261,688
Derivative financial instruments	f	0	12,468	12,468
Trading securities		0	1,117,465	1,117,465
Other financial assets at fair value through profit or loss	b	0	285,926	285,926
Loans and advances to customers (net of provisions)	c	11,675,061	(574,212)	11,100,849
Bonds and other-fixed income securities	b	1,225,908	(1,225,908)	0
Shares and other variable income securities less third party rights	b	412,854	(412,854)	0
Investment securities	b	0	460,369	460,369
Investment in affiliated companies	b	0	38,580	38,580
Investment in non associated companies	b	62,310	(62,310)	0
Investments in associated undertakings	b	455,473	(455,473)	0
Goodwill and other intangible assets		37,094	97,109	134,203
Property, plant and equipment	e	159,674	576,584	736,258
Deferred tax assets	g	0	134,716	134,716
Inventories - property		0	174,944	174,944
Other assets		390,772	70,725	461,497
TOTAL ASSETS		15,548,153	211,647	15,759,800
LIABILITIES				
Due to Banks		756,340	5,697	762,037
Derivative financial instruments	f	0	56,179	56,179
Due to customers		10,913,022	(87,809)	10,825,213
Debt securities in issue		1,720,655	37	1,720,692
Other borrowed funds		402,521	(2,493)	400,028
Retirement benefit obligations	h	11,139	149,115	160,254
Other provisions		39,410	(39,410)	0
Deferred tax liabilities	g	0	65,678	65,678
Other liabilities		376,468	225,578	602,046
TOTAL LIABILITIES		14,219,555	372,572	14,592,127
EQUITY				
Capital and reserves attributable to Piraeus Bank equity holders				
Ordinary shares		819,949	0	819,949
Share premium		355,531	(887)	354,644
Less: Treasury shares		(26,693)	5,019	(21,674)
Other reserves and retained earnings	i	269,491	(593,124)	(323,633)
Consolidation differences	i	(347,598)	347,598	0
		1,070,681	(241,394)	829,288
Minority Interest		257,917	80,469	338,386
TOTAL EQUITY		1,328,598	(160,925)	1,167,674
TOTAL EQUITY AND LIABILITIES		15,548,153	211,647	15,759,800

RECONCILIATION OF CONSOLIDATED BALANCE SHEET AS AT 31st of DECEMBER 2003

	Note	GREEK GENERAL ACCOUNTING PRINCIPLES	EFFECT OF IFRS FIRST TIME ADOPTION	I.F.R.S.
ASSETS				
Cash and balances with central banks	a	785,912	61,796	847,708
Treasury bills and other eligible bills		117,706	(31,754)	85,952
Loans and advances to Credit Institutions	a	219,947	(89,674)	130,273
Derivative financial instruments	g	0	4,236	4,236
Trading securities	b	0	2,189,038	2,189,038
Other financial assets at fair value through profit or loss	b	0	37,052	37,052
Loans and advances to customers (net of provisions)	c	10,278,344	(517,050)	9,761,294
Bonds and other-fixed income securities	b	1,857,005	(1,857,005)	0
Shares and other variable income securities less third party rights	b	533,138	(533,138)	0
Investment securities	b	0	424,843	424,843
Investment in affiliated companies	b	0	39,912	39,912
Investment in non associated companies	b	73,491	(73,491)	0
Investments in associated undertakings	b	390,941	(390,941)	0
Goodwill and other intangible assets	d	43,245	(1,523)	41,722
Property, plant and equipment	e	150,329	537,233	687,562
Deferred tax assets	g	0	139,210	139,210
Inventories -property		0	187,186	187,186
Other assets		284,480	71,903	356,383
TOTAL ASSETS		14,734,538	197,834	14,932,371
LIABILITIES				
Due to Banks		2,283,203	4,151	2,287,354
Derivative financial instruments	f	0	46,930	46,930
Due to customers		9,928,652	(91,700)	9,836,952
Debt securities in issue		688,377	13,817	702,194
Other borrowed funds		3,959	2	3,961
Retirement benefit obligations	h	12,137	137,470	149,607
Other provisions		51,890	(51,890)	0
Deferred tax liabilities	g	0	67,517	67,517
Other liabilities		424,121	184,326	608,447
TOTAL LIABILITIES		13,392,339	310,623	13,702,962
EQUITY				
Capital and reserves attributable to Piraeus Bank equity holders				
Ordinary shares		819,949	0	819,949
Share premium		355,531	(887)	354,644
Less: Treasury shares		(19,767)	5,143	(14,624)
Other reserves and retained earnings	i	82,192	(435,166)	(352,974)
Consolidation differences	i	(221,985)	221,985	0
		1,015,920	(208,925)	806,995
Minority Interest		326,278	96,136	422,414
TOTAL EQUITY		1,342,198	(112,789)	1,229,409
TOTAL EQUITY AND LIABILITIES		14,734,537	197,834	14,932,371

**RECONCILIATION OF CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED
AS AT 31ST DECEMBER 2004**

	Note	GREEK GENERAL ACCOUNTING PRINCIPLES	EFFECT OF IFRS FIRST TIME ADOPTION	I.F.R.S.
Interest and similar income	j	781,372	(24,521)	756,851
Interest expense and similar charges	j	(334,751)	19,351	(315,400)
NET INTEREST INCOME		446,621	(5,170)	441,451
Fee and commission income	j	156,245	(27,107)	129,138
Fee and commission expense	j	(22,621)	(1,130)	(23,751)
NET FEE AND COMMISSION INCOME		133,624	(28,237)	105,387
Dividend income	k	20,134	(2,746)	17,388
Net trading income		82,155	(10,507)	71,648
Gains less losses from investment securities		0	(1,355)	(1,355)
Other operating income		13,771	92,421	106,192
TOTAL NET INCOME		696,305	44,406	740,711
Staff costs	l	(191,134)	(47,425)	(238,559)
Administrative expenses		(170,616)	(7,759)	(178,375)
Depreciation and amortisation	m	(46,368)	7,322	(39,046)
Gains/losses from sale of property, plant and equipment		0	12,534	12,534
Impairment losses on loans and advances and other provisions		(88,318)	(1,895)	(90,213)
OPERATING EXPENSES		(496,436)	(37,223)	(533,659)
OPERATING PROFIT		199,869	7,183	207,052
Extraordinary income & expenses	n	17,152	(17,152)	0
Share of profit of associates		0	(990)	(990)
PROFIT BEFORE INCOME TAX		217,021	(10,959)	206,062
Income tax expense		37,876	(7,772)	30,104
PROFIT FOR THE PERIOD		179,145	(3,187)	175,958
Profit for the year attributable to the equity holders of Piraeus Bank		142,459	(15,124)	127,335
Minority Interest		36,686	11,940	48,626
Earnings per share (in euros)				
-basic		0.71		0.65
-diluted		0.71		0.65

**RECONCILIATION OF CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED
AS AT 30 SEPTEMBER 2004**

	Note	GREEK GENERAL ACCOUNTING PRINCIPLES	EFFECT OF IFRS FIRST TIME ADOPTION	I.F.R.S.
Interest and similar income	j	575,744	(24,488)	551,256
Interest expense and similar charges	j	(244,970)	16,656	(228,314)
NET INTEREST INCOME		330,774	(7,832)	322,942
Fee and commission income	j	109,292	(14,844)	94,448
Fee and commission expense	j	(13,608)	(4,089)	(17,697)
NET FEE AND COMMISSION INCOME		95,684	(18,933)	76,751
Dividend income	k	18,474	(4,893)	13,581
Net trading income		41,150	(18,012)	23,138
Gains less losses from investment securities		0	(2,398)	(2,398)
Other operating income		9,530	72,760	82,290
TOTAL NET INCOME		495,612	20,692	516,305
Staff costs	l	(135,819)	(42,203)	(178,022)
Administrative expenses		(117,245)	(17)	(117,262)
Depreciation and amortisation	m	(34,535)	5,734	(28,801)
Gains/losses from sale of property, plant and equipment		0	11,817	11,817
Impairment losses on loans and advances		(64,874)	10,819	(54,055)
OPERATING EXPENSES		(352,473)	(13,850)	(366,323)
OPERATING PROFIT		143,139	6,842	149,982
Extraordinary income & expenses	n	14,161	(14,161)	0
Share of profit of associates		0	(1,507)	(1,507)
PROFIT BEFORE INCOME TAX		157,300	(8,825)	148,475
Income tax expense		(28,483)	(6,559)	(35,042)
PROFIT FOR THE PERIOD		128,817	(15,384)	113,433
Profit for the year attributable to the equity holders of Piraeus Bank		109,306	(17,808)	91,498
Minority Interest		19,511	2,424	21,935
Earnings per share (in euro):				
-basic				0.47
-diluted				0.47

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 Group 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 derecognised.

e) Property, plant and equipment

Property, plant and equipment were categorised as own property and investment property. The Group 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 Group 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 and minority interest

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

Clarifications for 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 recognized 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 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 CONSOLIDATED 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	(954,662)	(30,379)	(985,041)
Net cash flow from investing activities	(154,186)	(82,663)	(236,849)
Net cash flow from financing activities	1,063,660	284,581	1,348,241
Effect of exchange rate changes on cash and cash equivalents		(431)	(431)
Net increase/ (decrease) in cash and cash equivalents	(45,188)	171,108	125,920
Cash and cash equivalents at beginning of period	1,012,244	(130,376)	881,868
Cash and cash equivalents at end of period	967,056	40,732	1,007,788

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.