



PIRAEUS BANK GROUP

Consolidated Financial Statements

30 June 2005

According to the International Financial
Reporting Standards

The attached financial statements have been approved by Piraeus Bank S.A. Board of Directors on 10.8.2005 and they are available on the web site of Piraeus Bank at www.piraeusbank.gr

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CONSOLIDATED INCOME STATEMENT

	Note	Period from 1 January to	
		30 June 2005	30 June 2004
Interest and similar income	6	471,943	368,595
Interest expense and similar charges	6	(216,098)	(151,266)
NET INTEREST INCOME		255,845	217,329
Fee and commission income	7	76,748	62,927
Fee and commission expense	7	(11,584)	(10,667)
NET FEE AND COMMISSION INCOME		65,164	52,260
Dividend income	8	15,855	11,025
Net trading income	9	34,408	32,229
Gains less losses from investment securities	10	2,488	(2,455)
Other operating income		31,572	40,726
TOTAL NET INCOME		405,332	351,114
Staff costs	11	(124,007)	(118,969)
Administrative expenses	12	(86,530)	(78,207)
Depreciation and amortisation	23, 24	(19,599)	(19,635)
Gains/Losses from sale of assets		3,040	11,527
Impairment losses on loans and advances	20	(44,065)	(37,854)
OPERATING PROFIT		(271,161)	(243,138)
Share of profit of associates		266	(64)
PROFIT BEFORE INCOME TAX		134,437	107,912
Income tax expense	13	(23,496)	(27,203)
PROFIT FOR THE PERIOD		110,941	80,709
Profit for the year attributable to the equity holders of Piraeus Bank		86,455	56,922
Minority Interest		24,486	23,787
Earnings per share (in euro):			
-basic	14	0.44	0.29
-diluted	14	0.44	0.29

CONSOLIDATED BALANCE SHEET

	Note	30 June 2005	31 December 2004
ASSETS			
Cash and balances with central banks	15	984,781	1,158,567
Treasury bills and other eligible bills	16	261,117	150,943
Loans and advances to Credit Institutions	17	409,998	245,413
Derivative financial instruments	18	28,925	5,891
Trading securities	19	1,037,932	1,150,340
Other financial instruments at fair value through Profit and Loss	19	241,336	282,353
Loans and advances to customers (net of provisions)	20	13,827,152	11,705,213
Investment securities	21		
-Available for sale securities		585,185	472,332
-Held to maturity		83,816	18,156
Investments in associated undertakings	22	61,906	45,587
Intangible assets	23	172,835	120,092
Property, plant and equipment	24	761,042	754,473
Held for sale	26	10,945	-
Deferred tax assets	34	103,171	112,502
Inventories - property	27	166,087	169,725
Other assets	27	492,220	454,691
TOTAL ASSETS		19,228,448	16,846,278
LIABILITIES			
Due to Banks	28	1,674,985	1,687,787
Derivative financial instruments	18	63,083	43,701
Due to customers	29	12,066,394	10,867,932
Debt securities in issue	30	2,810,835	1,649,510
Other borrowed funds	31	404,804	392,799
Hybrid capital	31	201,220	193,572
Retirement benefit obligations	35	147,904	150,223
Other provisions	33	21,774	78,316
Deferred tax liabilities	34	28,412	29,490
Other liabilities	32	517,516	483,504
TOTAL LIABILITIES		17,936,927	15,576,834
EQUITY			
Capital and reserves attributable to Piraeus Bank equity holders			
Ordinary shares	37	831,067	831,067
Share premium	37	365,733	365,733
Less: Treasury shares	37	(69,601)	(25,267)
Other reserves	38	100,841	75,133
Retained earnings	38	(336,751)	(344,461)
Capital and reserves attributable to Piraeus Bank equity holders		891,289	902,205
Minority Interest		400,232	367,239
TOTAL EQUITY		1,291,521	1,269,444
TOTAL EQUITY AND LIABILITIES		19,228,448	16,846,278

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2005

	Note	Share Capital	Share Premium	Treasury shares	Other reserves	Retained earnings	Minority interests	TOTAL
Opening balance as at 1 January 2004		819,949	354,644	(14,623)	52,508	(405,484)	422,414	1,229,408
Purchases of Treasury shares	37			(14,132)				(14,132)
Sales of Treasury shares	37			12,336		107	166	12,609
Available for Sale Reserve	38				(592)			(592)
Profit for the period	38					56,922	23,787	80,709
Dividends of prior period						(59,273)	(7,495)	(66,768)
Movement in subsidiaries holding during the period							(60,361)	(60,361)
Currency translation differences and other adjustments					1,007	(5,494)		(4,487)
Balance as at 30 June 2004		819,949	354,644	(16,419)	52,923	(413,222)	378,511	1,176,386
Opening balance as at 1 July 2004		819,949	354,644	(16,419)	52,923	(413,222)	378,511	1,176,386
Share Capital issue	37	11,118	11,089					22,207
Purchases of Treasury shares	37			(45,464)				(45,464)
Sales of Treasury shares	37			36,616		5,280	4,905	46,801
Available for Sale Reserve	38				5,654			5,654
Profit for the period	38					70,412	24,837	95,249
Movement in subsidiaries holding during the period							(41,015)	(41,015)
Transfer between other reserves and retained earnings					12,883	(12,883)		0
Currency translation differences and other adjustments					3,673	5,952		9,625
Balance as at 31 December 2004		831,067	365,733	(25,267)	75,133	(344,462)	367,239	1,269,443
Opening balance as at 1 January 2005		831,067	365,733	(25,267)	75,133	(344,462)	367,239	1,269,443
Purchases of Treasury shares	37			(75,319)				(75,319)
Sales of Treasury shares	37			30,985		4,927	1,559	37,471
Available for Sale Reserve	38				21,709			21,709
Profit for the period	38					86,455	24,486	110,941
Dividend relating to the previous period						(80,103)	(18,147)	(98,250)
Acquisitions and movement in subsidiaries holding during the period							27,328	27,328
Transfer between other reserves and retained earnings					13,226	(13,226)		0
Interim dividend of Hellenic Investment Company S.A.						5,907		5,907
Distribution of reserves of Piraeus Sigma Devletoglou Securities S.A.					(7,007)	(1,926)	(2,233)	(11,166)
Currency translation differences and other adjustments					(2,220)	5,677		3,457
Balance as at 30 June 2005		831,067	365,733	(69,601)	100,841	(336,751)	400,232	1,291,521

CONSOLIDATED CASH FLOW STATEMENT

	Notes	30 June 2005	30 June 2004
Cash flows from operating activities			
Profit before tax		134,437	107,912
Adjustments to profit before tax			
Add: impairment for loans	20	44,065	37,855
Add: depreciation	23,24	19,599	19,635
Add: retirement benefits		3,472	7,482
Gains (deduct) /Losses (add) from valuation of trading securities		2,333	(5,639)
Gains (deduct) /Losses (add) from investing activities		(20,066)	(24,900)
		<hr/>	<hr/>
<i>Cash flows from operating profits before changes in operating assets and liabilities</i>		183,840	142,345
<i>Changes in operating assets and liabilities:</i>			
Net (increase) / decrease in cash and balances with central Bank		(64,675)	(25,619)
Net (increase) / decrease in treasury bills and other eligible bills		(45,505)	(56,902)
Net (increase) / decrease in trading securities		647,209	652,817
Net (increase) / decrease in loans and advances to Credit Institutions		35,369	5,069
Net (increase) / decrease in loans and advances to customers		(2,166,004)	(1,169,158)
Net (increase) / decrease in other assets		(42,941)	(187,646)
Net (increase) / decrease in due to Banks		(12,801)	(96,388)
Net (increase) / decrease in amounts due to customers		1,198,463	833,153
Net (increase) / decrease in other liabilities		(10,019)	97,945
		<hr/>	<hr/>
Net cash from operating activities		(277,064)	195,616
<i>Cash flows from investing activities</i>			
Proceeds from sale/purchases of property, plant and equipment and intangible assets		(34,994)	(52,356)
Proceeds from sale/purchases of available-for-sale securities		(95,827)	(28,969)
Purchase of held-to-maturity securities		(65,623)	(10,615)
Acquisition / disposal of subsidiaries, net of cash acquired		(39,174)	(100,054)
Acquisition / disposal of associates		(16,197)	(849)
		<hr/>	<hr/>
Net cash from investing activities		(251,815)	(192,843)
<i>Cash flows from financing activities</i>			
Net proceeds from issue / repayment of debt securities		1,161,325	308,099
Net proceeds from purchases/sales of treasury shares	37	(44,334)	(1,796)
Other cashflows from financing activities		(60,830)	(60,599)
		<hr/>	<hr/>
Net cash from financing activities		1,056,161	245,704
Effect of exchange rate changes on cash and cash equivalents		(1,349)	(1,561)
		<hr/>	<hr/>
Net increase/ (decrease) in cash and cash equivalents		525,933	246,916
Cash and cash equivalents at beginning of period	41	1,307,033	881,868
Cash and cash equivalents at end of period	41	1,832,966	1,128,784

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, Egypt, the U.S. as well as Western Europe and employs 7.767 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.

On 03.06.2004 Moody's agency upgraded Piraeus Bank's Group long term deposit rating to Baa1 from Baa2. Standard & Poor's agency upgraded the outlook of Piraeus Bank Group to positive on 01.09.2004, while Fitch rating agency affirmed Piraeus Bank's Group credit rating and outlook on 01.08.2005.

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 thousands 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.

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) will be used.

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

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.

All of the above derivative financial instruments are initially recognised at cost (including transactions costs) and they 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 plan 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

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.

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.

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 opening IFRS balance sheet date (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:

- Comparables Method:** According to this method, the value of the property to be evaluated is defined by comparing properties with similar characteristics.
- 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.
- 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.
- 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 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 (initial maturity), 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:

- 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.
- 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 fair value re-measurement 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.

2.23 Treasury shares

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

2.24 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 Bank transactions with related parties are between knowledgeable, willing parties in an arm's length transaction.

2.25 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.

2.26 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 June 2005		As at 31 December 2004	
	Total assets	Total liabilities	Total assets	Total liabilities
Greece	16,430,874	13,009,376	14,961,149	12,930,471
South East Europe	1,172,736	815,130	727,494	425,208
Rest of Europe	381,732	2,952,791	603,547	1,758,111
U.S.A.	699,372	677,218	508,501	463,044
Africa	481,829	482,411	-	-
Share of associates	61,905	-	45,587	-
Total	19,228,448	17,936,926	16,846,278	15,576,834

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

	As at 30 June 2005		As at 30 June 2004	
	Revenues	Net Revenues	Revenues	Net Revenues
Greece	562,308	389,461	454,984	322,905
South East Europe	39,672	29,756	21,961	15,344
Rest of Europe	15,815	(25,096)	22,263	2,239
U.S.A.	15,219	11,211	13,839	10,626
Total	633,014	405,332	513,047	351,114

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 (subsidiaries). Without taking into consideration the aforementioned cost, the net revenues of the specific geographical segment would amount to € 4,5 million for the first semester of 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, 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.

The Group operates also in Egypt (Africa) and the predominant activities are related to Retail Banking and Corporate Banking. The Group's subsidiary Egyptian Commercial Bank S.A.E. was acquired at the end of the first semester of 2005 and therefore it has not contributed to the consolidated results of the Group for the current period.

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

	30 June 2005		31 December 2004	
	Total loans	Percentage	Total loans	Percentage
Greece	12,372,319	89.48%	10,721,325	91.59%
South East Europe	770,395	5.57%	419,607	3.58%
Rest of Europe	146,195	1.06%	294,838	2.52%
U.S.A.	320,140	2.32%	269,443	2.30%
Africa	218,103	1.58%	-	0.00%
Total	13,827,152	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 during the 1st semester of 2005 there were 3 such cases.

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 30/6/2005. 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 June 2005							
Foreign exchange risk of Assets							
Cash and Balances with Central Banks	800,698	77,265	9,134	1,089	1,580	95,015	984,781
Treasury Bills and other eligible bills	34,911	45,812	-	-	-	180,394	261,117
Loans and advances to Credit Institutions	74,468	218,573	2,637	993	152	113,175	409,998
Derivative Financial Instruments	(97,846)	18,371	2,696	103,383	2,329	(8)	28,925
Trading securities - Other financial assets at fair value through profit and loss	1,115,702	25,896	2,406	102,973	1,194	31,097	1,279,268
Loans and advances to Customers	12,135,524	1,117,975	18,762	82,518	116,196	356,177	13,827,152
Investment securities	376,288	221,074	-	-	-	71,640	669,002
Investments in associated undertakings	61,905	-	-	-	-	-	61,905
Goodwill and other intangible assets	148,129	23,653	-	-	-	1,053	172,835
Property, plant and equipment	725,867	14,714	-	-	-	20,461	761,042
Other assets	(520,711)	841,106	203,770	405,198	(89,212)	(67,728)	772,423
Total assets	14,854,935	2,604,439	239,405	696,154	32,239	801,276	19,228,448
Foreign exchange risk of Liabilities							
Due to Banks	860,046	665,812	19,301	52,264	16,137	61,425	1,674,985
Derivative Financial Instruments	(67,209)	27,519	606	102,167	-	-	63,083
Due to Customers	8,810,153	1,856,649	125,724	533,515	8,856	731,497	12,066,394
Debt securities in issue	2,675,540	36,013	88,177	7,454	-	3,651	2,810,835
Other borrowed funds	599,886	4,133	-	-	-	2,005	606,024
Other liabilities	503,678	23,677	4,119	5,150	5,986	25,091	567,701
Retirement Benefit Obligations	147,904	-	-	-	-	-	147,904
Total Liabilities	13,529,998	2,613,803	237,927	700,550	30,979	823,669	17,936,926
Net on-balance sheet position	1,324,937	(9,364)	1,478	(4,396)	1,260	-22,393	1,291,522
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 (OBS) 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.

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 June 2005							
Assets							
Cash and balances with central banks	983,475	-	-	-	-	1,306	984,781
Treasury bills and other eligible bills	22,420	11,780	189,655	37,262	-	-	261,117
Loans and advances to credit institutions	357,556	19,528	30,296	2,618	-	-	409,998
Trading securities - Other financial assets at fair value	1,001,053	(39,676)	143,030	23,536	129,434	21,891	1,279,268
Loans and advances to customers	8,814,361	3,386,426	977,680	924,643	107,297	(383,255)	13,827,152
Investment securities	83,922	4,646	36,938	168,939	101,798	272,758	669,001
Other assets	62,811	2,607	18,686	223,375	-	1,489,652	1,797,131
Total assets	11,325,598	3,385,311	1,396,285	1,380,373	338,529	1,402,352	19,228,448
Liabilities							
Due to banks	996,293	284,191	382,053	9,753	-	2,695	1,674,985
Due to customers	9,864,608	1,100,709	734,358	200,895	-	165,824	12,066,394
Debt securities in issue	1,563,369	1,137,631	105,444	4,391	-	-	2,810,835
Other borrowed funds	201,220	400,671	-	4,133	-	-	606,024
Other liabilities	11,794	49,263	3,800	7,743	-	706,088	778,688
Total liabilities	12,637,284	2,972,465	1,225,655	226,915	-	874,607	17,936,926
Total interest sensitivity gap	(1,311,686)	412,846	170,630	1,153,458	338,529	527,745	1,291,522

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 - Other financial assets at fair value	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	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 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 June 2005						
Assets liquidity						
Cash and balances with central banks	984,781	-	-	-	-	984,781
Treasury bills and other eligible bills	23,399	45,789	191,929	-	-	261,117
Loans and advances to credit institutions	323,523	17,794	35,744	32,937	-	409,998
Derivative financial instruments	260	32	1,169	26,254	1,210	28,925
Trading securities and other financial assets at fair value	999,061	(125,625)	114,904	76,730	214,198	1,279,268
Loans and advances to customers	3,338,733	1,061,224	1,328,346	5,182,658	2,916,191	13,827,152
Investment securities	82,281	9,584	112,112	164,519	300,505	669,001
Other assets	109,139	18,986	198,891	76,819	1,364,371	1,768,206
Total assets	5,861,177	1,027,784	1,983,095	5,559,917	4,796,475	19,228,448
Liabilities liquidity						
Due to banks	1,028,756	286,457	206,723	153,049	-	1,674,985
Derivative financial instruments	2,056	178	3,289	33,983	23,577	63,083
Due to customers	9,982,164	1,130,954	731,864	200,158	21,254	12,066,394
Debt securities in issue	414,989	770,586	448,716	425,409	751,135	2,810,835
Other borrowed funds	-	-	-	4,133	601,891	606,024
Other liabilities	23,658	57,714	72,940	11,946	549,347	715,605
Total liabilities	11,451,623	2,245,889	1,463,532	828,678	1,947,204	17,936,926
Net Liquidity Gap	(5,590,446)	(1,218,105)	519,563	4,731,239	2,849,271	1,291,522
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.

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 June 2005	31 December 2004	30 June 2005	31 December 2004
Financial assets				
Loans and advances to credit institutions	409,998	245,413	411,328	246,037
Loans and advances to customers (net of provisions)	13,827,152	11,705,213	14,459,754	11,812,579
Investment securities				
-held to maturity	83,816	18,156	84,057	19,972
Financial liabilities				
Due to banks	1,674,985	1,687,787	1,692,220	1,708,556
Due to customers	12,066,394	10,867,932	12,059,577	10,865,549
Debt securities in issue	2,810,835	1,649,510	2,815,659	1,654,738
Other borrowed funds and hybrid capital	606,024	586,371	605,531	585,316

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

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

c) This category investment securities includes 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 estimated fair value of amounts due to banks is based on discounted cash flows using money market interest rates, appropriate for the remaining term to maturity.

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

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 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 AFS reserve is transferred to the income statement of the period. This determination of what is significant or prolonged requires judgement. In making this judgement, the 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 operates and is subject to income taxes in various countries. 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 and Treasury
- Other business segments including Real Estate, IT and other centralised services.

1st Semester 2005	Retail Banking	Corporate Banking	Investment Banking	Asset Management and Treasury	Other business segments	Eliminations	Group
Revenues	359,215	103,649	40,195	101,478	28,477	-	633,014
Revenues from other business segments	(47,572)	(4,610)	(991)	(37,007)	(3,307)	93,487	0
Total revenues	311,643	99,039	39,204	64,471	25,170	93,487	633,014
Net Revenues	284,406	43,060	27,949	23,329	26,588	-	405,332
Net Revenues from other business segments	(6,889)	(4,667)	(891)	31,653	(401)	(18,805)	0
Total Net Revenues	277,517	38,393	27,058	54,982	26,187	(18,805)	405,332
Segment Results	82,793	23,357	15,736	13,352	(801)	-	134,437
Income tax expense							(23,496)
Profit after tax							110,941
Other segment items							
Depreciation	7,203	311	661	201	11,223	-	19,599
Impairment charge - loans	31,276	12,229	430	28	102	-	44,065
1st Semester 2004							
Revenues	263,061	97,471	55,672	50,930	45,913	-	513,047
Revenues from other business segments	(38,512)	(3,922)	(1,359)	(6,827)	(6,440)	57,060	0
Total revenues	224,549	93,549	54,313	44,103	39,473	57,060	513,047
Net Revenues	212,622	46,149	39,418	43,500	9,425		351,114
Net Revenues from other business segments	(12,132)	428	1,151	(6,734)	(3,479)	20,766	0
Total Net Revenues	200,490	46,577	40,569	36,766	5,946	20,766	351,114
Segment Results	54,737	22,218	16,455	41,874	(27,372)	-	107,912
Income tax expense							(27,203)
Profit after tax							80,709
Other segment items							
Depreciation	8,115	224	436	253	10,607	-	19,635
Impairment charge - loans	24,570	12,508	-	-	776	-	37,854
At 30 June 2005							
Segment assets	10,826,719	4,372,303	1,100,518	1,799,573	1,129,335	-	19,228,448
Segment liabilities	11,456,672	313,629	30,179	5,274,150	862,295	-	17,936,926
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

	1st Semester 2005	1st Semester 2004
Interest income		
Interest on fixed income securities	38,423	41,449
Interest income on loans and advances and finance leases	340,669	284,960
Other Interest Income	92,851	42,186
	<u>471,943</u>	<u>368,595</u>
Interest expense		
Customers deposits and interest from repos	(92,582)	(82,497)
Interest on debt securities in issue and on other borrowed funds	(36,840)	(10,871)
Other Interest Expenses	(86,676)	(57,898)
	<u>(216,098)</u>	<u>(151,266)</u>
Net Interest Income	<u>255,845</u>	<u>217,329</u>

7 Net fees and commission income

	1st Semester 2005	1st Semester 2004
Fees and commission income		
Commercial Banking	49,690	38,533
Investment Banking	18,525	14,382
Asset Management	8,533	10,012
Total fees and commission income	<u>76,748</u>	<u>62,927</u>
Fees and commission expense		
Commercial Banking	(3,678)	(5,261)
Investment Banking	(4,907)	(2,640)
Asset Management	(2,999)	(2,766)
Total fees and commission expense	<u>(11,584)</u>	<u>(10,667)</u>
Net fees and commission income	<u>65,164</u>	<u>52,260</u>

8 Dividend income

	1st Semester 2005	1st Semester 2004
Dividend from AFS Securities	8,234	162
Dividend from Trading Securities	7,621	10,864
	<u>15,855</u>	<u>11,026</u>

9 Net trading income

	1st Semester 2005	1st Semester 2004
Gains less losses on FX dealing	3,712	5,108
Gains less losses on shares & mutual funds transactions	10,750	20,129
Gains less losses on derivatives transactions	(6,070)	(5,629)
Gains less losses on bonds transactions	3,882	6,949
Gains less losses on FX valuation	2,710	(2,143)
Gains less losses on shares & mutual funds valuation	23,705	5,268
Gains less losses on derivatives valuation	2,415	(7,952)
Gains less losses on bonds valuation	(6,695)	10,500
	<u>34,409</u>	<u>32,230</u>

10 Gains less losses from investment securities

	1st Semester 2005	1st Semester 2004
Gains less losses on AFS - Shares & Mutual Funds	256	(2,460)
Gains less losses on AFS - Bonds	312	5
Gains less losses on sale of Subsidiaries & Associates	1,920	-
	<u>2,488</u>	<u>(2,455)</u>

11 Staff costs

	1st Semester 2005	1st Semester 2004
Wages & salaries	(85,573)	(84,192)
Social insurance contributions	(19,271)	(17,749)
Other staff costs	(6,471)	(9,074)
Voluntary Redundancy Costs	(9,220)	(473)
Retirement benefit charges	(3,472)	(7,481)
	(124,008)	(118,969)

The average number of persons employed by the Group during 2005 was 7,767 (2004:5,934.)

12 Administrative expenses

Rental expense for buildings	(15,262)	(14,555)
Taxes and duties (excl. income tax)	(11,726)	(8,785)
Promotion and advertising expenses	(9,839)	(4,969)
Servicing - promotion of banking products	(13,104)	(9,335)
Fees and third parties expenses	(10,409)	(11,503)
Other administrative expenses	(26,190)	(29,060)
	(86,530)	(78,207)

13 Income tax expense

	1st Semester 2005	1st Semester 2004
Current Tax	(17,437)	(26,740)
Deferred Tax (Note 34)	(5,914)	(59)
Share of tax of associates	(145)	(404)
	(23,496)	(27,203)

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	134,437	107,912
Tax calculated at the applicable tax rates	36,298	32,374
Income not subject to tax	(14,243)	(12,240)
Expenses not deductible	3,985	7,069
Utilisation of previously unrecognised tax losses	(2,544)	-
Tax	23,496	27,203

The weighted average applicable tax rate was approximately 27% (2004: 30%).

14 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 37).

	1st Semester 2005	1st Semester 2004
Basic earnings per share		
Net profit attributable to shareholders	86,455	56,922
Weighted average number of shares in issue	196,174,841	194,787,119
Basic earnings per share (in euro)	0.44	0.29

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

15 Cash and Balances with the Central Bank

	30 June 2005	31 December 2004
Cash in Hand	209,057	148,145
Nostros and Sight Accounts with other banks	105,796	44,053
Balances with Central Banks	287,306	598,326
Cheques Clearing System - Central Bank	258,969	309,065
Included in cash and cash equivalents less than 90 days (Note 41)	861,128	1,099,589
Mandatory reserves with Central Banks	123,653	58,978
	984,781	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.

16 Treasury Bills and other eligible bills

	30 June 2005	31 December 2004
Greek Government Treasury Bills	17,338	-
Other Government Treasury Bills	90,816	43,485
Included in cash and cash equivalents less than 90 days (Note 41)	108,154	43,485
Greek Government Treasury Bills	34,911	249
Other Government Treasury Bills	118,052	107,210
	261,117	150,943

17 Loans and advances to Credit Institutions

	30 June 2005	31 December 2004
Placements with local Banks & Banks abroad	310,069	76,276
Cheques receivables	24,769	22,088
Reverse repurchase agreements	29,076	65,595
Included in cash and cash equivalents less than 90 days (Note 41)	363,914	163,959
Placements to Banks (more than 90 days)	46,084	78,428
Cheques receivables	-	3,025
	46,084	81,453
Total loans and advances to Credit Institutions	409,998	245,413

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

18 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, which are initially recognised at cost (including all relevant realised costs) and are subsequently remeasured on a daily basis at their fair value. Fair values are obtained from quoted market prices in active markets and option pricing models as appropriate. Derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair values are negative. 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 June 2005

	Notional amounts	Fair values	
		Assets	Liabilities
Derivatives held for trading			
Futures	3,453,817	-	239
Asset Swaps	256,140	72	25,970
Interest Rate Swaps	3,804,391	11,971	20,817
Options	235,618	209	1,719
Currency swaps	1,332,413	10,065	10,148
FX Forwards	75,136	-	69
Other derivative instruments	368,512	1,463	(1,011)
		23,780	57,951
Embedded equity derivatives			
Customer deposits linked to options	303,334	5,145	5,132
Total recognised derivative assets / (liabilities)		28,925	63,083

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

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

Trading Securities	30 June 2005	31 December 2004
Greek Government Bonds	687,640	630,357
Foreign Government Bonds	27,038	10,774
Corporate Entities Bonds	21,533	110,079
Bank Bonds	4,821	29,876
	741,032	781,086
Athens Stock Exchange Listed Shares	263,822	326,251
Foreign Stock Exchanges Listed Shares	29,626	43,003
Mutual funds	3,452	-
	296,900	369,254
Total trading securities	1,037,932	1,150,340
Other financial assets at fair value through profit and loss	241,336	282,353
Total	1,279,268	1,432,693

Other financial assets at fair value through profit and loss include asset swap bonds. Trading securities include bonds (€ 499.769 th.) with expire date less than 3 months from the date of acquisition and therefore they are included in cash and cash equivalents (note 41).

From the above mentioned bonds as at 30/6/2005, including other financial assets at fair value through profit and loss, amount of € 292 million relates to fixed income securities, amount of € 137 million relates to floating rate securities (FRN) and finally amount of € 553 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 € 17.5 million (2004: € 12.0 million).

20 Loans and advances to customers

	30 June 2005	31 December 2004
Loans to individuals		
Mortgages	2,758,646	2,220,329
Consumer - Personal Loans	1,508,313	1,215,611
Credit Cards	318,978	257,892
Other	144,531	230,384
	4,730,468	3,924,216
Loans to corporate entities	9,568,453	8,244,090
Total loans and advances to customers	14,298,921	12,168,306
Less: Allowance for losses (impairment) on loans and advances to customers	(471,769)	(463,092)
Total loans and advances to customers (less allowances for losses)	13,827,152	11,705,213

From loans and advances to customers, amount € 2,071.1 million (2004: € 1,825 million) relates to fixed rate loans, whereas amount of € 12,227.8 million (2004: € 10,343 million) relates to floating rate loans.

Net interest accrued on loans, incorporated in the respective balances, amounts to € 45.4 million (2004: € 39.9 million).

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	41,195	37,854
Write offs	(53,754)	(46,752)
Foreign exchange differences	4,107	(1,970)
Closing balance for the period (30/6/05 and 30/6/04 respectively)	471,769	469,022

Opening balance as at 1/7/2004	469,022
Charge for the period	52,359
Write offs	(55,954)
Foreign exchange differences	(2,335)
Balance as at 31/12/2004	463,092

The charge for the period of impairment for losses on loans and advances as at 30/6/2005 does not include a) amount € 1,331 thousand which relates to write-offs of loans that were impaired with direct charge of the Profit and Loss account for the period and b) amount of € 1,539 thousand which relates to the charge for the period for provisions of other receivables.

21 Investment securities

	30 June 2005	31 December 2004
Available for sale securities - fair values		
Bonds & Other Fixed Income Securities		
Foreign Government Bonds	165,530	132,937
Greek Government Bonds	5,099	-
Corporate Entities Bonds	117,534	126,711
Bank Bonds	25,575	2,918
	313,738	262,566
Shares & Other variable Income securities		
Athens Stock Exchange Listed Shares	13,161	14,392
Foreign Stock Exchanges Listed Shares	79,446	74,735
Unlisted Shares	173,621	115,968
	579,966	467,662
Companies excluded from consolidation / under liquidation	5,219	4,670
Total available for sale securities - fair values	585,185	472,332
Held to maturity		
Foreign Government Bonds	81,113	17,417
Corporate Entities Bonds	2,703	739
Total held to maturity	83,816	18,156
Total Investment securities	669,001	490,488

From the above bonds of the Available for Sale portfolio as at 30/6/2005, amount of € 293 million is fixed, € 21 million is floating rate (FRN) and € 1 million is zero-coupon. The respective amounts for 31/12/2004 are € 240 million (fixed) and € 23 million (FRN). The held to maturity securities as at 30/6/2005 and 31/12/2005 are fixed-rate.

The movement in investment securities for the first semester of 2005 may be summarised as follows:

	30 June 2005	31 December 2004
Available for sale securities		
Opening balance	472,332	423,509
Additions	172,579	99,525
Transfer from subsidiaries	-	15,636
Transfer from associates	519	-
Disposals	(51,944)	(66,585)
Transfer to held to maturity portfolio	(34,684)	-
Changes in fair value	21,878	140
Exchange differences	4,506	107
Impairment	(1)	-
Balance at the end of the period	585,185	472,332
Held to maturity		
Opening balance	18,156	1,334
Additions	41,509	17,323
Transfer from available for sale portfolio	34,684	-
Maturity of securities	(12,708)	(501)
Exchange differences	2,180	-
Impairment	(5)	-
Balance at the end of the period	83,816	18,156

22 Investments in associated undertakings

	30 June 2005	31 December 2004
Opening balance	45,587	39,912
Additions	15,381	7,331
Share of profit/loss before tax	266	(990)
Share of tax	(145)	(666)
Transfer to the available for sale portfolio	(519)	-
Exchange differences	1,336	-
Balance at the end of the period	61,906	45,587

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

Company	Country	30 June 2005			
		Participation %	Profits / (Losses)	Total assets	Total liabilities
ING PIRAEUS MUTUAL FUNDS S.A.	Greece	49.94%	246	7,992	1,817
EUROINVESTMENT & FINANCE LTD	Cyprus	32.94%	507	37,618	36,828
ING - PIRAEUS LIFE INSURANCE COMPANY	Greece	49.90%	(104)	41,600	36,444
'ISIODOS" VIOTIKI REGIONAL DEVELOPMENT & INVESTMENT COMPANY S.A.	Greece	37.00%	(7)	178	32
CRETE SCIENTIFIC AND TECHNOLOGY PARK MANAGEMENT & DEVELOPMENT COMPANY S.A.	Greece	30.45%	14	226	77
EVROS DEVELOPMENT COMPANY S.A.	Greece	30.00%	(45)	668	208
HELLENIC STEEL COMPANY S.A.	Greece	30.83%	727	145,316	132,699
ETANAL S.A.	Greece	25.00%	(15)	1,532	1,020
STALKO S.A. - ELECTRICAL EQUIPMENT INDUSTRIAL COMPANY S.A.	Greece	25.00%	119	5,960	2,897
P. MANESSIS BROS S.A.	Greece	24.83%	(218)	7,492	2,449
GREEK LEATHER PROCESSING INDUSTRY S.A.	Greece	43.79%	(250)	16,256	7,975
ILIOU GROUP - COMMERCIAL GARDENING ITEMS & HOLDING COMPANY S.A.	Greece	24.48%	180	14,630	9,390
PROJECT ON LINE S.A.	Greece	40.00%	(248)	1,732	284
MONASTIRIOU TECHNICAL DEVELOP. CO. S.A.	Greece	33.35%	100	22,240	12,183
LAKKOS MIKELLI REAL ESTATE LTD	Cyprus	40.00%	(20)	24,639	465
EL-EYWON HOSPITAL	Egypt	19.36%	-	5,169	1,386
ALEXANDRIA FOR DEVELOPMENT AND INVESTMENT	Egypt	15.25%	-	9,869	6,300
NILE SHOES COMPANY	Egypt	27.23%	-	1,859	1,032
EGYPTIAN COMMERCIAL INSURANCE CO.	Egypt	27.72%	-	33	4
EGYPTIAN INTEGRATED STORAGE CO.	Egypt	27.72%	-	182	39
REBICAT	Greece	16.67%	(16)	2,993	380
ABIES	Greece	16.67%	(22)	9,701	851
EUROTERRA	Greece	16.67%	(25)	51,979	3,325

Company	Country	31 December 2004			
		Participation %	Profits / (Losses)	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 DEVELOP.CO. S.A.	Greece	19.99%	738	22,690	8,798
LAKKOS MIKELLI REAL ESTATE LTD	Cyprus	40.00%	(37)	24,399	461

23 Goodwill and other intangible assets

	Goodwill	Software	Other intangible	Total
At 1 January 2004	25,645	43,963	12,896	82,504
Additions	22,115	4,365	12,018	38,498
Disposals/ Write - offs	-	(54)	(26)	(80)
At 30 June 2004	47,760	48,274	24,888	120,922
Accumulated depreciation at 1 January 2004				
Opening balance	-	(34,153)	(6,629)	(40,782)
Charge for the period	-	(2,943)	(1,459)	(4,402)
Write-offs	-	23	-	23
Accumulated depreciation at 30 June 2004	-	(37,073)	(8,088)	(45,161)
Net book value at 30 June 2004	47,760	11,201	16,800	75,761
At 1 July 2004	47,760	48,274	24,888	120,922
Additions	49,137	2,730	-	51,867
Write - offs	-	-	(3,494)	(3,494)
At 31 December 2004	96,897	51,004	21,394	169,295
Accumulated depreciation at 1 July 2004				
Opening balance	-	(37,073)	(8,088)	(45,161)
Opening balance of companies not consolidated in 2004	-	242	533	775
Charge for the period	-	(2,973)	(1,844)	(4,817)
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
At 1 January 2005	96,897	51,004	21,394	169,295
Additions	51,823	3,716	2,389	57,928
Write-offs	-	(6)	(652)	(658)
At 30 June 2005	148,720	54,714	23,131	226,565
Accumulated depreciation at 1 January 2005				
Opening balance	-	(39,804)	(9,399)	(49,203)
Charge for the period	-	(3,165)	(1,362)	(4,527)
Accumulated depreciation at 30 June 2005	-	(42,969)	(10,761)	(53,730)
Net book value at 30 June 2005	148,720	11,745	12,370	172,835

24 Property, plant and equipment

2004	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
Cost						
Opening balance as at 1 January 2004	345,128	172,020	73,388	83,935	96,964	771,435
Additions	7,863	5,298	13,495	21,593	6,761	55,010
Transfers	-	-	(347)	-	-	(347)
Disposals	(710)	(222)	-	(5,438)	-	(6,370)
	352,281	177,096	86,536	100,090	103,725	819,728
Reclassifications of opening balances	26,266	(33,986)	-	-	-	(7,720)
Balance as at 30 June 2004	378,547	143,110	86,536	100,090	103,725	812,008
Accumulated Depreciation 1 January 2004						
Opening balance	(11,365)	(100,663)	-	(33,811)	(41,896)	(187,735)
Charge for the year	(2,595)	(7,757)	-	(8,380)	(4,069)	(22,801)
Transfers	(349)	-	-	3,575	-	3,226
Disposals	-	239	-	-	-	239
Write - offs	-	-	-	-	-	0
Accumulated Depreciation 30 June 2004	(14,309)	(108,181)	-	(38,616)	(45,965)	(207,071)
Net book value as at 30 June 2004	364,238	34,929	86,536	61,474	57,760	604,937

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

2004	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
Cost						
Opening balance as at 1 July 2004	378,547	143,110	86,536	100,089	103,725	812,007
Additions	9,016	12,409	2,339	19,858	3,748	47,370
Transfers			(3,454)			(3,454)
Disposals	(4,436)	(107)		(10,753)		(15,296)
Write offs		(726)				(726)
Balance as at 31 December 2004	383,127	154,686	85,421	109,194	107,473	839,901
Accumulated Depreciation 1 July 2004						
Opening balance	(14,309)	(108,181)	-	(38,616)	(45,965)	(207,071)
Charge for the period	(1,667)	(10,210)	-	(8,869)	(2,624)	(23,370)
Transfers	8,001	(572)	-	(3,925)		3,504
Disposals	23	55	-	10,553	126	10,757
	(7,952)	(118,908)	-	(40,857)	(48,463)	(216,180)
Reclassifications of opening balances	-	4,499	-	-	-	4,499
Accumulated Depreciation 31 December 2004	(7,952)	(114,409)	-	(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 Best Leasing of amount € 16.344 thousand which was included in "other operating income" in the Consolidated Income Statement.

2005	Land and buildings	Furniture, electronic and other equipment	Assets under construction	Other tangible assets	Leasehold improvements	Total
Cost						
Opening balance as at 1 January 2005	383,127	154,686	85,421	109,194	107,473	839,901
Opening balance of new subsidiaries	1,841	2,027	5,022	26	301	9,217
Additions	31,816	11,044	26,721	14,819	6,532	90,932
Transfers	(605)	203	(3,755)	(33,594)	319	(37,432)
Disposals	(64,579)	(3,166)	-	(6,892)	-	(74,637)
Write-offs	-	(69)	-	(11)	(337)	(417)
Currency translation differences	454	351	(401)	9	510	923
Balance as at 30 June 2005	352,054	165,076	113,008	83,551	114,798	828,487
Accumulated Depreciation as at 1 January 2005						
Opening balance	(7,952)	(114,409)	-	(40,857)	(48,463)	(211,681)
Opening balance of new subsidiaries	(1,646)	(2,590)	-	(206)	(1,083)	(5,525)
Charge for the period	(2,278)	(8,874)	-	(5,581)	(3,784)	(20,517)
Transfers	22	216	-	16,284	183	16,705
Disposals	797	3,717	-	3,819	-	8,333
Write - offs	-	65	-	11	(16)	60
Currency translation differences	(60)	(1,122)	-	(2)	(1,329)	(2,513)
Accumulated Depreciation as at 30 June 2005	(11,117)	(122,997)	-	(26,532)	(54,492)	(215,138)
Closing net book value 30 June 2005	340,937	42,079	113,008	57,019	60,306	613,349

Property plant and equipment does not include a) property acquired through auction by Piraeus Bank and b) the industrial areas property of "ETBA Industrial Areas S.A". The difference between fair value and cost per books of the above property amounts to € 135 million according to certified independent valuers.

The movement of accumulated depreciation for the period ended as at 30.6.2005 includes a) depreciation of Best Leasing of amount € 5,198 thousand which was included in "other operating income" in the Consolidated Income Statement and b) depreciation of amount € 247 thousand of Egyptian Commercial Bank which did not affect the Income Statement, since ECB was acquired at the end of the period.

25 Investment Property

2004	
Cost	
Opening balance	108,007
Additions	16,856
Disposals	(2,186)
	<u>122,677</u>
Reclassifications of opening balances	3,576
	<u>126,253</u>

2005

Cost

Opening balance	126,253
Opening balance of new subsidiaries	9,782
Additions	19,650
Transfers	1,604
Disposals	(9,597)
	<u>147,692</u>

26 Held for sale

2005

Cost

Opening balance	0
Additions	10,945
Balance as at 30.6.2005	<u>10,945</u>

27 Other assets

	30 June 2005	31 December 2004
Prepaid expenses & accrued income	76,306	37,576
Prepaid taxes & taxes withheld	65,336	47,422
Claims from tax authorities & the Greek State	46,838	52,948
Inventories - property	166,087	169,725
Other Assets	303,740	316,745
	<u>658,307</u>	<u>624,416</u>

28 Due to Banks

	30 June 2005	31 December 2004
Amounts due to Central Banks	1,537	3,029
Deposits from other Banks	1,591,235	1,508,430
Other obligations to Banks	81,187	150,189
Repurchase agreement - Credit Institutions	1,026	26,139
	<u>1,674,985</u>	<u>1,687,787</u>

Balances due to banks bear floating rates.

29 Due to customers

	30 June 2005	31 December 2004
Deposits		
Current and sight deposits	3,003,589	2,404,413
Savings account	3,148,159	2,988,898
Term deposits	5,593,768	4,660,856
Other accounts	233,734	163,757
Repurchase agreements	87,144	650,008
	<u>12,066,394</u>	<u>10,867,932</u>

30 Debt securities in issue

	Average interest rate (%)		30 June 2005	31 December 2004
	1st semester of 2005	2004		
€ Euro Medium Term Note (Medium/long term securities)	2.53%	2.54%	417,585	349,234
€ Euro Commercial Paper (Short term securities)	2.41%	2.35%	1,177,265	820,122
ETBA bonds	2.29%	2.27%	461,198	480,154
Securitisation of mortgage loans	2.30%	-	751,135	-
Other debt securities			3,652	-
			<u>2,810,835</u>	<u>1,649,510</u>

The increase in the number of securities in issue concerning the Euro Commercial Paper program (ECP) was accompanied by a constant decrease in the interest rate spread and an increase in their 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) in the amount of € 750 million. The issue was undertaken through UK- based Estia Mortgage Finance PLC. The bonds are callable by the issuer after 9 years and have an average cost of Euribor 18 bps.

31 Other borrowed funds

	Average interest rate (%)		30 June	2005	31 December
	1st semester of 2005	2004			
Hybrid capital (Tier I)	3.39%	3.40%		201,220	193,572
Subordinated loans (Tier II)	2.72%	2.78%		398,667	392,799
Other subordinates loans				6,137	-
				606,024	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 30/06/2005 were transferred at debt securities in issue and other borrowed funds.

32 Other liabilities

	30 June	31 December
	2005	2004
Deferred income & accrued expenses	97,759	77,561
Dividends payable	5,535	340
Withholding taxes and contributions	33,089	22,928
Other liabilities	381,132	382,675
	517,515	483,504

33 Other provisions

	30 June	31 December
	2005	2004
Provisions for taxes	4,384	34,793
Other provisions	17,390	43,523
	21,774	78,316

The decrease of provisions for taxes as at 30/06/2005 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)

34 Deferred tax

Deferred income taxes for Piraeus Bank Group 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 absorption of Hellenic Investment Company S.A. (2004: 30%).

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

	30 June	31 December
	2005	2004
Deferred income tax liabilities		
Property, plant and equipment depreciation adjustment	6,476	5,523
Derivative financial instruments valuation	12,179	16,235
Revaluation of effective tax rates	(537)	-
Recognition of commission according to effective interest rate calculation	2,630	356
Other deferred income tax liabilities	7,664	8,817
	28,412	30,930
Adjustment for deferred tax liability of Piraeus Leasing S.A.		(1,440)
		29,490

Deferred income tax assets

Pensions and other post retirement benefits	43,570	43,256
Provision for loan impairment	10,673	15,353
Other provisions	797	861
Securities at fair value through Profit and Loss	455	506
Intangible assets derecognition	7,393	6,123
Negative available for sale reserve	14,179	16,187
Derivative financial instruments valuation	13,267	18,916
Revaluation of effective tax rates	(2,939)	-
Recognition of commission according to effective interest rate calculation	13,187	10,467
Other deferred income tax assets	2,589	875
	103,171	112,544
Adjustment for deferred tax asset of Piraeus Leasing S.A.		(42)
		112,502
Net deferred tax asset	74,759	(83,012)

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

	30 June 2005
Pensions and other post retirement benefits	314
Provision for loan impairment	(4,680)
Recognition of commission according to effective interest rate calculation	446
Derivative financial instruments valuation	(1,594)
Property, plant and equipment depreciation adjustment	(953)
Intangible assets derecognition	1,270
Revaluation of effective tax rates	(2,402)
Securities at fair value through Profit and Loss	(51)
Other provisions	(64)
Other	1,800
	(5,914)

Deferred tax movement in the 1st semester of 2005

Deferred tax of € 941 th. that related to the valuation of the available for sale securities for the first semester of 2005, was not recorded in P/L for the period but instead in the available for sale reserve 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.

35 Retirement benefit obligations

1) Piraeus Bank

The defined benefit obligation is calculated by 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 30/6/2005 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 June 2005	31 December 2004
Amounts recognised in the balance sheet		
Pension schemes	79,563	75,743
Other post retirement benefits	59,693	62,324
	139,256	138,067
Provision for outstanding annual leaves	5,891	5,891
Provision for voluntary leave plan 12/2003	-	4,298
Provision for voluntary leave plan	401	-
	145,548	148,256
Amounts recognised in the Income Statement		
Pension schemes	5,193	4,880
Other post retirement benefits	9,765	4,271
	14,957	9,151

A) Pension schemes

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

	30 June 2005	31 December 2004
Present value of funded obligations	110,007	108,446
Fair value of plan assets	(9,766)	(11,723)
	100,241	96,723
Unrecognised actuarial losses	(20,678)	(20,981)
Liability in the balance sheet	79,563	75,742

The amounts recognised in the Income Statement are as follows:

	30 June 2005	30 June 2004
Income statement		
Current service cost	2,103	1,492
Interest cost	3,182	2,641
Expected return on plan assets	(559)	(529)
Net actuarial (gains) losses recognised in year	303	-
Past service cost	-	1,276
Additional cost	163	-
Total, included in staff costs	5,192	4,880

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

	30 June 2005	31 December 2004
Opening book amount	75,743	68,673
Movement for the period	5,193	9,760
Contributions paid	(1,372)	(2,690)
Closing book amount	79,564	75,743

B) Other post retirement benefits

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

	30 June 2005	31 December 2004
Present value of unfunded obligations	67,164	69,834
Unrecognised actuarial losses	(7,471)	(7,510)
Liability in the balance sheet	59,693	62,324

The amounts recognised in the income statement are as follows:

	30 June 2005	30 June 2004
Income Statement		
Current service cost	2,255	1,813
Interest cost	1,668	1,627
Net actuarial gains/ losses in the year	40	-
Additional cost	5,802	831
Total included in staff costs	9,765	4,271

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

	30 June 2005	31 December 2004
Opening book amount	62,324	63,206
Movement for the period	9,765	9,233
Contributions paid	(12,396)	(10,116)
Closing book amount	59,693	62,323

The principal actuarial assumptions used were as follows:

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

Piraeus Bank and its employees are still claiming from an insurance fund an amount of € 23 million approximately, which relates to exceeding 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 € 2,356 th (2004:€ 1,967 th). Therefore, the total retirement benefit obligation for the Group amounts to € 147,904 th (2004:€ 150,223 th).

36 Contingent liabilities and commitments

A) Legal procedures

There are no pending legal actions against the Group as at 30/06/2005 which would significantly affect its financial position.

B) Capital commitments

As at 30/06/2005 the Group had the following capital commitments.

	30 June 2005	31 December 2004
Letters of guarantee	1,567,333	1,515,906
Letters of credit	111,280	75,342
Commitments to extent credit	5,708,945	5,238,655
	<u>7,387,558</u>	<u>6,829,903</u>

C) Assets pledged

	30 June 2005	31 December 2004
Trading securities	113,722	97,440
Investment securities	41,142	-
	<u>154,864</u>	<u>97,440</u>

D) Operating lease commitments

Commitments from operating leasing contracts are analyzed as follows:

	30 June 2005	31 December 2004
Up to 1 year	11,062	7,624
From 1 to 5 years	49,055	47,413
More than 5 years	93,866	91,372
	<u>153,983</u>	<u>146,409</u>

37 Share capital

	Share Capital €'000	Share Premium €'000	Treasury Shares €'000	Total €'000
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	-	-	(75,319)	(75,319)
Sale of treasury shares	-	-	30,985	30,985
At 30 June 2005	831,067	365,733	(69,601)	1,127,199

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		(5,557,374)	(5,557,374)
Sales of treasury shares		2,599,167	2,599,167
Balance at 30 June 2005	200,257,006	(5,251,526)	195,005,480

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.

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.

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.

38 Other reserves and retained earnings

	30 June 2005	31 December 2004
Legal reserve	57,458	57,047
Extraordinary reserve	70	6,334
Available for sale reserve	24,707	2,998
Currency translation reserve	23	3,678
Other reserves	18,584	5,076
Total other reserves	100,842	75,133
Retained earnings	(336,751)	(344,461)
Total other reserves and retained earnings	(235,909)	(269,328)
Other reserves movement	30 June 2005	31 December 2004
Opening balance	75,134	52,508
Available for sale reserve	21,709	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	(2,220)	4,681
	100,842	75,134
Retained earnings movement	30 June 2005	31 December 2004
Opening balance	(344,462)	(405,484)
Profits for the period	86,455	127,334
Dividends of prior period	(80,103)	(59,273)
Gains/ losses from sales of treasury shares	4,927	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	5,677	457
	(336,751)	(344,462)

39 Capital Adequacy

The estimated capital adequacy ratio at the end of the first semester of 2005, remained at high levels to 10.7% according to the regulations of Bank of Greece for the transition to IFRS, with the estimated Tier 1 to 8.2%.

40 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 June 2005.

41 Cash and cash equivalents

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

	30 June 2005	31 December 2004
Cash and balances with central banks (Note 15)	861,128	1,099,589
Treasury bills and other eligible bills (Note 16)	108,154	43,485
Loans and advances to Credit Institutions (Note 17)	363,914	163,959
Trading securities (Note 19)	499,769	-
	<u>1,832,965</u>	<u>1,307,033</u>

42 Related party transactions

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

	<u>Board of Directors members and key management personnel</u>	
	30 June 2005	31 December 2004
Loans outstanding	89,514	39,349
Deposits	155,304	32,437
Director's Remuneration	30 June 2005	31 December 2004
Salaries and other remuneration	4,769	6,456
Post employment benefits	1,597	2,803
	<u>6,366</u>	<u>9,259</u>
Associates	30 June 2005	31 December 2004
Deposits	9,170	9,496
Interest / expense	67	126
Loans	17,574	15,793
Interest / income	332	528

43 Acquisitions and disposals of subsidiary companies

The acquisitions and reclassifications regarding the Group that took place during the first semester of 2005 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). 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

- 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 Bank increased its direct percentage of participation to the companies E-Vision SA, Multicollection SA, Piraeus Multifin SA, Piraeus Factoring SA and Electra SA, while the direct percentage of participation to the company Piraeus real estate investment property SA, was decreased.

- The companies Piraeus Property SA, Piraeus Development SA, Piraeus Developer SA, Piraeus Commercial Property SA, Piraeus Fixed Assets SA, Piraeus Buildings SA, Piraeus Constructions and Instreamline SA, were incorporated.

44 Post Balance Sheet events

As at 28 July 2005, Piraeus Bank sold 2,000,000 treasury shares to foreign institutional investors for 16 euros per share. This sale results in the increase of the capital base by 32 million, and at the same time strengthens the liquidity of the share of the Bank.

On August 1st 2005, Fitch Ratings, the International Rating Agency, announced that it affirmed Piraeus Bank's Long Term rating at +BBB and short-term at F-2, keeping its outlook stable. According to Fitch, the affirmation of credit rating reflects Piraeus Bank's improving underlying operating profitability, good capital adequacy and strengthening domestic competitiveness.

Except for the above mentioned events, there were no other significant post balance sheet events that relate to the Group and for which disclose would be required by IFRS.

45 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 ended June 30, 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**

	1 January 2005	1 January 2004
Attributable Equity opening balance (Greek Accounting Standards)	957,169	1,015,921
Provision for employment benefit	(136,823)	(136,823)
Impact from revaluation of assets	618	38,059
Derecognition of intangible assets	(28,635)	(28,635)
Impairment of subsidiaries	(59,834)	(86,475)
Impairment of AFS portfolio	(52,329)	(52,329)
Adjustment to impairment of loans according to IAS 39	(61,224)	(98,344)
Adjustment to fee & commission income related to loans according to IAS 39	(23,940)	(23,940)
Finance Lease recognition	4,210	4,210
Adjustments on Dividends	(30,468)	59,273
Provision for tax liabilities	(14,503)	(16,000)
Recognition of deferred tax asset/liability	87,482	87,482
Movement of AFS reserve	5,351	(2,064)
Goodwill from acquisitions	97,893	0
Negative goodwill from first-time consolidated companies	19,559	19,559
Profit after tax according to IFRS	127,334	0
Valuation of trading portfolio to fair value	4,101	4,101
Valuation of derivatives and other adjustments	6,243	22,999
Attributable Equity opening balance (International Financial Reporting Standards)	902,204	806,994

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	44,613	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	255,342	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	j	10,838,992	28,940	10,867,932
Debt securities in issue	j	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 of JUNE 2004

	Note	GREEK GENERAL ACCOUNTING PRINCIPLES	EFFECT OF IFRS FIRST TIME ADOPTION	I.F.R.S.
ASSETS				
Cash and balances with central banks	a	1,063,124	85,880	1,149,004
Treasury bills and other eligible bills		148,663	679	149,342
Loans and advances to Credit Institutions	a	265,521	(103,453)	162,068
Derivative financial instruments	f	0	21,477	21,477
Other financial assets at fair value through profit or loss	b	0	1,566,177	1,566,177
Loans and advances to customers (net of provisions)	c	11,455,399	(562,802)	10,892,597
Bonds and other-fixed income securities	b	1,369,616	(1,369,616)	0
Shares and other variable income securities less third party rights	b	433,442	(433,442)	0
Investment securities	b	0	462,745	462,745
Investment in affiliated companies	b	0	40,293	40,293
Investment in non associated companies	b	52,485	(52,485)	0
Investments in associated undertakings	b	415,910	(415,910)	0
Goodwill and other intangible assets		39,844	35,917	75,761
Property, plant and equipment	e	150,036	569,851	719,887
Deferred tax assets	g	0	137,343	137,343
Inventories - property		0	114,950	114,950
Other assets		352,832	185,310	538,142
TOTAL ASSETS		15,746,872	282,914	16,029,786
LIABILITIES				
Due to Banks		2,127,672	63,294	2,190,966
Derivative financial instruments	f		69,451	69,451
Due to customers	j	10,763,046	(92,942)	10,670,104
Debt securities in issue	j	1,007,239	3,054	1,010,293
Other borrowed funds		4,113	(8)	4,105
Hybrid capital		0	-	0
Retirement benefit obligations	h	11,542	144,912	156,454
Other provisions		59,314	(59,314)	0
Deferred tax liabilities	g	0	66,115	66,115
Other liabilities		404,731	281,179	685,910
TOTAL LIABILITIES		14,377,657	475,741	14,853,398
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		(22,887)	6,468	(16,419)
Other reserves and retained earnings	i	204,686	(564,986)	(360,300)
Consolidation differences	i	(278,808)	278,808	0
		1,078,471	(280,597)	797,875
Minority Interest		290,744	87,769	378,513
TOTAL EQUITY		1,369,215	(192,828)	1,176,388
TOTAL EQUITY AND LIABILITIES		15,746,872	282,913	16,029,786

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	0	0
Other financial assets at fair value through profit or loss	b	0	2,226,090	2,226,090
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	197,833	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	j	9,928,652	(91,700)	9,836,952
Debt securities in issue	j	688,377	13,817	702,194
Other borrowed funds		3,959	2	3,961
Hybrid capital		0	-	0
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	-	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	k	781,372	(24,521)	756,851
Interest expense and similar charges	k	(334,751)	19,351	(315,400)
NET INTEREST INCOME		446,621	(5,170)	441,451
Fee and commission income	k	156,245	(27,107)	129,138
Fee and commission expense	k	(22,621)	(1,130)	(23,751)
NET FEE AND COMMISSION INCOME		133,624	(28,237)	105,387
Dividend income	l	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	m	(191,134)	(47,425)	(238,559)
Administrative expenses		(170,616)	(6,089)	(176,705)
Depreciation and amortisation	n	(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)	(3,565)	(91,883)
OPERATING EXPENSES		(496,436)	(37,223)	(533,659)
OPERATING PROFIT		199,869	7,183	207,052
Extraordinary income & expenses	o	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				0.65
-diluted		0.71		0.65

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

	Note	GREEK GENERAL ACCOUNTING PRINCIPLES	EFFECT OF IFRS FIRST TIME ADOPTION	I.F.R.S.
Interest and similar income	k	378,120	(9,525)	368,595
Interest expense and similar charges	k	(160,716)	9,450	(151,266)
NET INTEREST INCOME		217,404	(75)	217,329
Fee and commission income	k	76,976	(14,049)	62,927
Fee and commission expense	k	(10,558)	(109)	(10,667)
NET FEE AND COMMISSION INCOME		66,418	(14,158)	52,260
Dividend income	l	17,474	(6,449)	11,025
Net trading income		39,870	(7,641)	32,229
Gains less losses from investment securities		-	(2,455)	(2,455)
Other operating income		5,882	34,843	40,725
TOTAL NET INCOME		347,048	4,065	351,114
Staff costs	m	(89,855)	(29,114)	(118,969)
Administrative expenses		(77,627)	(580)	(78,207)
Depreciation and amortisation	n	(24,215)	4,580	(19,635)
Gains/losses from sale of property, plant and equipment		0	11,527	11,527
Impairment losses on loans and advances		(45,541)	7,687	(37,854)
OPERATING EXPENSES		(237,238)	(5,900)	(243,138)
OPERATING PROFIT		109,810	(1,835)	107,976
Extraordinary income & expenses	o	13,866	(13,866)	0
Share of profit of associates			(64)	(64)
PROFIT BEFORE INCOME TAX		123,676	(15,764)	107,912
Income tax expense		(24,489)	(2,714)	(27,203)
PROFIT FOR THE PERIOD		99,187	(18,478)	80,709
Profit for the year attributable to the equity holders of Piraeus Bank		79,123	(22,201)	56,922
Minority Interest		20,064	3,723	23,787
Earnings per share (in euro):				
-basic				0.29
-diluted				0.29

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.

j) Due to customers - Debt securities in issue

The balances of ECP and EMTN were reclassified to debt securities in issue.

Clarifications for the adjustments of the Income Statement

k) 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.

l) Dividend income

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

m) 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.

n) 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.

o) 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.

Report of the Auditor's

To the Shareholders of PIRAEUS BANK S.A.

We have reviewed the accompanying interim consolidated financial statements of PIRAEUS BANK SA (the "Bank") and its subsidiaries (the "Group"), for the six-month period ended 30 June 2005. These interim consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these interim consolidated financial statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements of the Group have not been properly prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Without qualifying our conclusion, we draw attention to the fact that of the total Retirement Benefit Obligations amounting to Euro 147.9 million which relates to the Group's liability arising from its participation in defined benefit plans based on an actuarial valuation, the amount of Euro 62 million may differ as a result of the Bank's application to the requirements of Law 3371/2005, regarding social security regulation of the banking institutions. In such a case, the impact on the Group's obligations, which cannot be presently estimated, will be determined as a result of an economical study to be carried out by the relevant Ministry, and ratified by Law.

PricewaterhouseCoopers

August 10, 2005