Capital Adequacy and Risk Management Regulatory Disclosures

on a Consolidated Basis
for the Year 2017 (Pillar III)

PIRAEUS BANK

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1. General Information

1.1. Introduction

Piraeus Bank S.A. (hereinafter "the Bank") is a banking institute incorporated and headquartered in Greece, its registered office located at 4 Amerikis str., Athens, that operates in accordance with the provisions of law 2190/1920 on societés anonymes, law 4261/2014 on access to the activity of credit institutions and the prudential supervision of credit institutions, while at the same time complies with the Greek and European legal framework. Piraeus Bank S.A. and its subsidiaries (hereinafter "the Group") provide services in Southeastern and Western Europe.

2017 was a critical juncture for Piraeus Bank. From a financial point of view, this was the year which signaled the stabilization of the Bank's financial performance. The improvement in liquidity and asset quality accelerated and that was visible across financial ratios. On an institutional level, the year was characterized by the completion of the changes in the Board of Directors, incorporating members with international financial expertise and strengthening its corporate governance, in compliance with international best practices and regulatory rules. At the same time, Piraeus Bank has reinvigorated its top management, strengthening its executive management team. The institutional ring-fencing of the Bank allows further strengthening and unceasing operational continuity to the benefit of our shareholders, customers and employees.

1.2. Piraeus Bank Group Governance Framework

1.2.1. Group Corporate Governance Structure

As a company listed on the Athens Stock Exchange, Piraeus Bank applies the provisions on corporate governance of listed companies contained in law 3016/2002. In addition, as a financial institution supervised by the Single Supervisory Mechanism (SSM), the Bank applies the more stringent special provisions of law 4261/2014 and BoG Governor's Act No 2577/9.3.2006 regarding principles of operation of credit institutions and the criteria for evaluating their internal control systems.

Furthermore, Piraeus Bank has established and applies Corporate Governance and Operating Structure Regulations ("the Regulations"), which are an internal document of the Bank complementary to the provisions of its Articles of Association, which are its hierarchically superior operating regulations. The Corporate Governance and Operating Structure Regulations incorporate the regulations arising from the mandatory statutory framework as listed above and the best international corporate governance practices have been adopted, including the Organization for Economic Cooperation and Development (OECD) principles of corporate governance.

In the regulation, there is a detailed reference to the responsibilities and functioning of the core management bodies of the Bank. Under the framework for the continuing optimization of the operational structure of Piraeus Bank and Group, specific topics have been assigned by the Board of Directors (BoD) to these, amongst other, main committees:

- Audit Committee,
- Risk Management Committee,
- Remuneration Committee,
- Board Members' Nomination Committee,
- Strategic Planning Committee,
- Group Executive Committee.

Both the Bank's Articles and its regulation, which have been submitted to the Capital Market Commission in writing, are posted on the Bank's website,

(link: Piraeus Bank Group Website)

Information concerning Corporate Governance is also available in the Annual Financial Report 2017.

(link: Piraeus Bank Group Financial Statements)

1.2.2. Compliance with Pillar III Disclosure Requirements

This report constitutes the Pillar III disclosures mandate of the regulatory framework under Regulation (EU) No 575/2013 for the year 2017 and is available on the Bank's official website at:

(link: Piraeus Bank Group Pillar III Disclosures)

The information presented in this document, addresses the specific disclosure requirements set by article 99 of law 4261/2014, Illustrates the framework and technical criteria for calculating capital requirements, presents selected capital adequacy figures according to Regulation (EU) No 575/2013 and describes the overall risk management framework applied by Piraeus Bank Group.

The report does not constitute either a form of financial statement or an evaluation of the future financial situation or business expectation for Piraeus Bank Group. However, any differentiations between the figures illustrated in these disclosures and those presented in the year-end 2017 consolidated financial statements of the Group, are sufficiently reasoned.

1.2.3. Capital Adequacy and Risk Management Regulatory Disclosures Policy

Recognizing the increasing complexity of modern financial transactions and the need for complete information to investors about inherent risks, the Group has adopted a Capital Adequacy and Risk Management Regulatory Disclosures Policy (Pillar III Disclosures Policy) in order to:

- ensure valid public disclosures and compliance with the requirements of Pillar III,
- depict the framework and the policies for risk management, capital management and remuneration at Group level,
- respond and comply with the technical requirements on disclosures as specified by the European Banking Authority (EBA), and
- achieve harmonization with best practices of regulatory disclosures.

The internal Capital Adequacy and Risk Management Regulatory Disclosures Policy under Pillar III, sets out the principles governing Regulatory Disclosures of Pillar III within Piraeus Bank Group, outlines the roles and responsibilities of business units and Senior Management involved in the process of formation and review of the disclosures, defines the minimum amount (extent) as well as the means and frequency of information disclosed. The information provided in the Group's regulatory disclosures is subject to review by the Group Audit. The policy constitutes an integral part of the Group risk management framework.

In December 2016 the European Banking Authority published a "Final Report on the Guidelines on Disclosure Requirements under Part Eight of Regulation (EU) No 575/2013 ("EBA Guideline", EBA/GL/2016/11, version 2*), subsequently to the Basel Committee on Banking Supervision releasing a revised version of the Basel III Pillar III framework.

The EBA Guideline constitutes an own-initiative guideline to ensure the harmonized and timely implementation of the new Basel framework in the European Union. In this regard, these Guidelines do not change the substance of the regulatory disclosures regarding the requirements defined in Part Eight of the Capital Requirements Regulation (CRR).

However, they provide guidance on these disclosures from a presentational aspect, in particular by introducing more specific guidance and formats (Fixed and Flexible) through the use of tables and templates. The guidelines represent a significant step towards enhancing the consistency and comparability of institutions' regulatory disclosures in accordance with Part Eight of the CRR.

The guidelines do not waive, contradict or supersede the CRR disclosure requirements, which still apply entirely even in the case of those requirements that are only partially or not specified in these guidelines

Considering the above, the Group adopts the recommendations regarding the frequency and formatting of disclosures as defined in the CRR and the EBA Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 as of December 14th , 2016.

Based on the aforementioned policy and the EBA Guidelines on Disclosure Requirements under Part Eight of Regulation (EU) No 575/2013, the Group discloses this present report via the internet, on a consolidated basis, alongside with the Annual Financial Statements.

1.3. Scope of Regulatory Disclosures

1.3.1. Accounting Consolidation

Accounting consolidation is conducted according to the provisions of the International Financial Reporting Standards (IFRS). The consolidated financial statements include the financial statements of the Bank, its subsidiaries, its associates and joint ventures, i.e. entities controlled by the Bank. Subsidiaries are fully consolidated, while investments in associates/ joint ventures are consolidated using the equity method of accounting.

Subsidiaries are all entities over which the Group has control directly or indirectly through other Group subsidiaries. According to IFRS 10 “Consolidated Financial Statements”, the Group controls an entity when it has all of the following:

- power over the subsidiary,
- exposure or rights to variable returns from its involvement to the subsidiary and
- the ability to use its power over the subsidiary, in order to affect the amount of the Bank’s returns.

In order to assess the existence of control over the investee, the Group takes into account the voting rights, the potential voting rights, as well as any agreement (i.e. concession of management) between the Group and the investee or the Group and third parties which hold rights of the investee as well as any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activity at the time that decisions need to be made. The aforementioned rights are taken into account only when they are substantive, i.e. only when the Group has the practical ability to exercise them. Additionally, these rights should give the Group the ability to direct the relevant activities of the investee, i.e. the activities that mainly affect its returns.

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.

Associates are all entities over which the Group has significant influence (according to International Accounting Standards 28) but not a controlling interest. Significant influence is generally presumed when the Group holds between 20% and 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group has significant influence.

1.3.2. Regulatory Consolidation

The Group’s consolidation perimeter for regulatory reporting to the supervisory authorities does not differ from the accounting consolidation. Moreover:

- the proportional consolidation method is not used in any of the Group’s companies, neither regulatory wise, nor accounting wise,
- there are no other companies that are neither consolidated nor deducted from own funds.

The Group does not make use of the exemption contemplated in article 49 of the CRR, therefore the disclosure of table EU INS1 (Non deducted participations in insurance undertakings) does not apply.

In Appendix I, II and III, detailed lists of the Group’s subsidiaries, associates and joint venture companies that are included in the accounting consolidation are presented, along with a concise description of their activity, their country of incorporation and the participation percentage.

The following table provides a reconciliation of the Group's consolidated balance sheet as at 31 December 2017, on an accounting consolidation basis (Annual Financial Report 2017) to the Group's consolidated balance sheet under the regulatory scope of consolidation. As explained in Section 1.3.2, the basis of consolidation for financial accounting purposes does not differ from that used for prudential purposes. Moreover, it provides a breakdown of how carrying values under the scope of regulatory consolidation are allocated to the different risk frameworks laid out in Part Three of the CRR.

Table 01: EU LI1 – Differences between Accounting and Regulatory Scopes of Consolidation and the Mapping of Financial Statement Categories with Regulatory Risk Categories

2017 (€ 000's)	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR[1] framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with Central Banks	1,449,240	1,449,240	1,449,240				
Loans and advances to credit institutions	2,147,758	2,147,758	1,331,130	816,628		816,628	
Financial assets at fair value through profit or loss	1,499,824	1,499,824				1,499,824	
Derivative financial instruments - assets	459,993	459,993		459,993		459,993	
Reverse repos with customers	90,253	90,253		90,253		90,253	
Loans and advances to customers (net of provisions)	44,719,530	44,719,530	44,719,530				
Available for sale securities	2,203,803	2,203,803	2,203,803				
Debt securities - receivables	23,109	23,109	23,109				
Assets held for sale	18,110	18,110	18,110				
Investment property	1,120,627	1,120,627	1,120,627				
Investments in associated undertakings and joint ventures	251,374	251,374	251,374				
Property and equipment	1,041,435	1,041,435	1,041,435				
Intangible assets	300,771	300,771					300,771
Deferred tax assets	6,542,813	6,542,813	5,264,705				1,277,419
Other assets	3,264,380	3,264,380	3,264,380				
Assets from discontinued operations	2,283,542	2,283,542	2,196,047	688		77,310	10,184
Total Assets	**67,416,562**	**67,416,562**	**62,883,490**	**1,367,562**	**-**	**2,944,008**	**1,588,375**
Liabilities							
Due to credit institutions	11,435,086	11,435,086		1,544,517			
Due to customers	42,715,252	42,715,252					
Derivative financial instruments - liabilities	402,233	402,233		402,233		402,233	

[1] CCR: Counterparty Credit Risk

Table 01: EU LI1 – Differences between Accounting and Regulatory Scopes of Consolidation and the Mapping of Financial Statement Categories with Regulatory Risk Categories							
	a	b	c	d	e	f	g
			Carrying values of items				
2017 (€ 000's)	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR[1] framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Debt securities in issue	435,277	435,277					
Current income tax liabilities	2,437	2,437					
Deferred tax liabilities	34,432	34,432					
Retirement benefit obligations	194,162	194,162					
Other provisions	52,959	52,959					
Other liabilities	959,670	959,670					
Liabilities from discontinued operations	1,640,856	1,640,856		80,504		1,820	
Total liabilities	**57,872,365**	**57,872,365**	**-**	**2,027,254**	**-**	**404,054**	**-**

Note: The table does not include amounts from discontinued operations

1.4. Impediments to the Prompt Transfer of Funds

Regarding the Group's subsidiaries abroad, there was a gradual relaxation of the prohibition from local central banks against any form of placements from the subsidiaries to the Bank, given the unstable state of the Greek economy. Subsidiaries Banks can now proceed with repayment of granted loans and transfer of funds from the subsidiary to the Bank, but only up to a certain level and under specific conditions.

2. Risk Management Framework

2.1. Introduction

The Group places particular emphasis on the effective monitoring and management of its undertaken risks with a view of maintaining stability, financial soundness and continuity of operations, as well as achieving its strategic goals as these are set out in its business and restructuring plans, fully aligned with the budget, capital and liquidity planning, recovery plan and remuneration framework.

In this context, the Bank has in place a risk management framework that is driven by the Risk & Capital Strategy, which is approved by the Board of Directors and constitutes the Group's fundamental attitude towards risk management. A risk management framework, consistent across the Group entities, aims to foster sound corporate governance principles and risk culture, clear strategy and adequate policies, procedures and methodologies. This framework is supported by infrastructure and resources, in compliance with the regulatory framework and supervisory requirements.

2.2. Objectives

The key objectives of the risk management function & framework within the Group are the following:

- contribution in the successful management of the adverse effects of the prolonged recession on the Group's financial position and risk profile, in order to restore and safeguard its long-term viability at the best interest of the Group's stakeholders. Strong liquidity base, maintenance of capital adequacy and NPLs[2]/NPEs[3] resolution or reduction are key objectives in this context,
- fulfilment of the requirements of the Restructuring Plan and the associated commitments to European Commission, European Central Bank, International Monetary Fund, Directorate-General Competition, Hellenic Financial Stability Fund, Ministry of Finance & Bank of Greece,
- achievement of the Group's commitments and strategic plans while maintaining risks within acceptable levels,
- formation of a broader risk culture across all levels (strategic, tactical and operational) and functions of the Group,
- constant enhancement of the risk management framework, credit cycle approval, stress testing, capital and liquidity adequacy included, and monitoring of control, implementation and effectiveness in relation to both financial and non-financial risks, strengthening risk related policies and procedures,
- implementation of risk adjusted performance measures, risk based pricing, optimal capital and liquidity allocation,
- constant improvement of the Group's Internal Control System and Corporate Governance models using them as a strategic tool to enhance long-term value and sustainability.

[2] NPLs: Non Performing Loans

[3] NPEs: Non Performing Exposures

2.3. Risk Statement

As noted in the Directors' Report in the 2017 Annual Financial Report[4], the Management of Piraeus Bank Group vests particular interest in the deployment of sound risk monitoring and robust control mechanisms aiming at the preservation of stability and continuity of operations both at Bank and Group level.

To that end, the Group has established well-defined methodologies, processes and adequate mechanisms in order to identify, quantify, assess, control and continuously monitor the risks exposed to.

Further, the Group has developed a comprehensive Risk Appetite Framework (RAF) which consists of qualitative and quantitative risk appetite statements with established limits and early warning levels, aiming to promote a sound risk culture and bolster effective and transparent risk-adjusted strategic decision making. This includes, inter alia:

- Capital Adequacy and Leverage,
- Credit Risk,
- Concentration Risk,
- Country Risk,
- Market/ Liquidity Risk,
- Operational Risk.

The operating environment for FY 2017 was affected by the prolonged adverse macroeconomic conditions coupled with the systemic standstill. However, in 2017 Piraeus Bank Group took significant strides towards accelerating its balance sheet clean-up and has set its footprint for further reinforcement of balance sheet de-risking and cost of risk de-escalation going forward.

The Group will continue to develop and enhance its Risk Appetite Framework in alignment with the key goals and objectives of its strategic plan up to 2020 ["Agenda 2020", as introduced in May 2017]:

- de-risk the balance sheet; to be achieved through the operational, albeit not legal-wise, separation of the Bank in two operating pillars: the core banking activity "Piraeus Core Bank" and the non-core assets "Piraeus Legacy Unit (PLU)" as already reflected in the revised Bank structure,
- resize and focus,
- implement a profitable and sustainable business model, leveraging existing valued core client relationships,
- optimize capital allocation through the implementation of a risk appetite framework that includes a portfolio-based approach,
- strengthen risk monitoring and controls,
- adopt superior governance standards.

All being said, as reflected in the design and implementation of its strategic plan, it is of high priority for the Group to further develop sophisticated risk management practices along with robust supporting models as well as to improve risk awareness and risk culture across all levels of the organization.

[4] BoD Management Report 2017, Risk Management section

2.3.1. Risk & Capital Strategy 2017

The Risk & Capital Strategy (R&CS) constitutes the cornerstone of the risk management framework aiming to define its principles, according to the Board of Directors' guidelines and to support the effective implementation of the business objectives against current challenges. The Group focuses on maintaining an adequate risk management framework, which ensures effective risk and capital management processes and mechanisms, promoting risk culture and awareness across the Group. Via the R&CS, the Board of Directors defines and communicates to the Group the Risk Appetite Framework, the risk management objectives, the risk management principles and the risk governance.

More specifically, the Risk Appetite Framework is defined as the level and types of risk that the Group is willing to take on pursuit of its strategic and business objectives in compliance with the legal, regulatory and supervisory framework. The risk management principles reflect the policy governing the risk management cycle processes, i.e. identification, assessment, control, mitigation, monitoring and reporting as performed by all stakeholders under the 4-lines of defense model. The risk governance depicts the organizational structure, the reporting lines and the roles and responsibilities of all parties involved.

The R&CS aims to promote a sound risk culture across the Group, which is fundamental to the risk management framework, in order to bolster pro-active, effective and efficient risk management, encourage sound risk-taking and open communication about risks, ensuring that emerging risks are timely identified, assessed, escalated and managed by all parties involved.

The review process of the R&CS, on an annual basis, is rigorously followed requiring input and participation from the broader risk management function, which involves all 4-lines of defense units/bodies.

It should be underlined that the R&CS objectives are subject to the general economic, market and political conditions and take into consideration the regulatory framework and supervisory expectations, the Group's strategic orientation and corporate governance framework as well as best international practices.

2.3.2. Risk Profile 2017

Year 2017 was a turning point for the Greek Economy as it achieved a positive GDP growth rate, but also for the Greek banking system as it exhibited resilient operating profitability, reduction of its dependence from ECB financing, as well as reduction of the level of its non-performing exposures. For Piraeus Bank Group, year 2017 was a critical juncture, since it achieved the stabilization of its financial performance, while at the same time improved its liquidity and asset quality. Furthermore, the institutional ring-fencing, as a result of the changes in the Board of Directors and Executive Management team, allowed and strengthened its unceasing operational continuity.

In terms of the Group's asset quality during 2017, its Non-Performing Loan (NPL) ratio decreased, reaching 34.4% as of December 31st 2017 (31.12.2016: 36.6%), as a result of the increased Group's coverage ratio of loans in arrears over 90 days by cumulative provisions (75.0% in 31.12.2017 from 69.5% a year earlier).

The Group maintained its capital adequacy at sufficient levels, despite its aggressive provisioning strategy, with the Common Equity Tier 1 ratio (CET1) reaching 15.1% as of 31.12.2017, above the minimum threshold set by the regulatory authorities, as a result of the Group's latest supervisory review and evaluation process (SREP) assessment (Overall Capital Requirements of 13.625% for 2018).

The Group's Liquidity position has also significantly improved, thereby recovering its "Net Loans to Deposits" ratio at acceptable levels, 100.9%[5] as of 31.12.2017 (31.12.2016: 113.3%).In addition, the Group has tightly controlled its operational risks and effectively managed potential losses.

During 2017, the Group's Recovery Banking Unit (RBU) continued to work on a steady path, maintaining its high last year's performance and achieving the Group's NPE reduction targets for FY 2017, as these had been agreed upon with the HFSF and SSM. This is further demonstrated by the fact that, following Q1 2017 onwards, there was negative NPL formation for the Group and domestic operations.

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[5] Excluding seasonal agri-loan facility OPEKEPE.

It should be noted that in November 2015, Piraeus Bank received approval for the revised restructuring plan for 2015-2018. In order to be consistent with the obligations of the restructuring plan, the Group's business model:

- maintains a conservative approach to the undertaking of new risks, through strict credit criteria in customer selection and repayment ability,
- focuses on business and retail lending, predominantly in the Greek market, and does not aim at high-risk investment activities such as complex products and transactions,
- continues to implement structural improvement measures (such as policies and methods, organizational changes, development of systems and procedures) in order to mitigate and encounter risks and
- focuses on the effective management of delinquent loans.

Piraeus Bank's restructuring plan is being implemented, to date, according to the commitments assumed and within the set time limits.

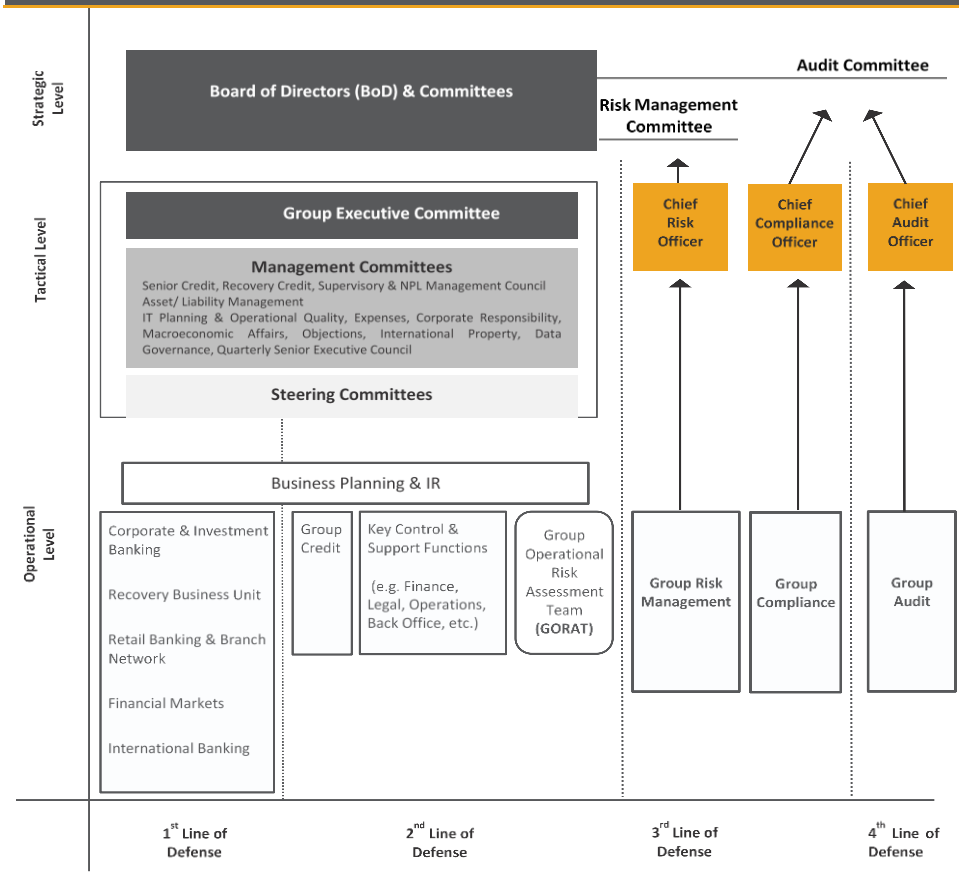
2.4. Risk Management Governance and Organization

2.4.1. Governance – 4 lines of Defense

The risk management governance framework aims to promote an effective and prudent management of all risks, ensuring appropriate allocation of responsibilities and accountability based on the risk origination, aiming at aligning the risk taking process with the Group's risk appetite, hence the Group's viability. A robust communication of risk information is essential across the Group with focus on maintaining risk awareness at all levels and in particular the Board of Directors and Senior Management levels.

The organizational structure of the Group complies with the current principles of the legal framework that governs the operation of the Bank as well as the institutional framework, which mostly comprises of BoG Governor's Act 2577/09.03.2016, the Relationship Framework Agreement with the HFSF, the EU Regulation No 575/2013 and the EU Directive 2013/36 (CRD IV). It is structured in such a way that ensures the Group's effective organization with distinct, transparent and consistent lines of responsibility. In addition to this, the Group has established detailed procedures comprising risk mitigation techniques for conducting the Group's operations, as well as adequate mechanisms for controlling them, in order to identify, manage, monitor and report risks.

Graph 01: Risk Management Governance – 4 Lines of Defense



It should be noted that the units of the Group belong to different lines of defense according to each type of risk undertaken, so as to ensure independence among different lines of defense. On the other hand, committees may engage in risk management activities which belong to more than one lines of defense.

The first governance dimension of the risk management function is comprised of 4 lines of defense:

- First line of defense relates to units generating revenues, close to risk origination, conducting business such as lending, trading, asset management and sales, engaged in the identification and control of the risks related to their activities. The units should operate under a limits framework, in order to maximize yield based on the Group risk appetite and the overall R&C Strategy. The first line of defense bears the responsibility for the risks that originate within its operations (risk owners). Additionally, all Group units are operational risk owners due to the nature of operational risk, including business units and units involved in the development of strategic plans. The committees with responsibilities falling under the first line of defense perform such activities at the tactical level, while the Board of Directors performs activities at the strategic level. First line of defense is mainly performed by the Corporate and Investment Banking, Non-Core Business & Restructuring Portfolio, Retail Banking Branch Network & Deposits, Financial Markets and International Banking.

- Second line of defense is mainly responsible for the ex-ante risk control performed prior to risk taking. In this manner, the second line of defense controls and/or supports the activities of the first line, by among others, overseeing the implementation of the credit policy and -in general- by reviewing and approving, whenever necessary, the pre-evaluations or risk generated at the first line. The committees with responsibilities falling under the second line of defense, perform such activities at tactical level, while the Board of Directors performs respective activities at strategic level. Second line of defense is mainly performed by specialized units such as Group Credit, Group Finance, Group Legal and Group Operations including Back Office Financial Markets and Group Administration Support. Within the second line of defense, units comprising the Group Operational Risk Assessment Team (GORAT) assess and control activities pertaining to operational risk.

- Third line of defense: The Group Risk Management and Group Compliance are responsible for the post assessment as well as the on-going control and monitoring of risks, i.e. establishment and close monitoring of the implementation of limits, participation in the risk assessment of new products/processes and credit lines, developing, implementing and periodically assessing methodologies and tools for the early identification, measurement, mitigation, monitoring, reporting and overall management of the risks. Group Risk Management reports on the Group's risk profile and all related issues to the Risk Management Committee (BoD Committee) which undertakes responsibilities at the strategic level. In addition, Group Compliance ensures that the Group complies with the applicable legal and regulatory frameworks and establishes and implements appropriate procedures and policies. The unit reports on all related issues to the Audit Committee (BoD Committee) which undertakes responsibilities at the strategic level.

- Fourth line of defense: The Group Audit is responsible for the independent audit (ex-post) of the overall risk management framework of the Group with regards to the adequacy and effectiveness of the policies and procedures that consist it. The audit findings and recommendations are reported to the management of the Bank and the Audit Committee which undertakes fourth line of defense responsibilities at the strategic level.

The second governance dimension is comprised of three levels:

- Strategic level (BoD / BoD Committees): Risk management functions performed by the Board of Directors. They are assigned with the responsibility to provide guidelines, monitor and supervise the establishment and implementation of the risk management framework.

- Tactical level (Senior Management Bodies / Executive and Administrative Committees / Steering Committees): Risk management functions performed by the Senior Management and Bank Executives. They are assigned with the approval of policies and processes for identifying and managing risks and establishing adequate systems and controls to ensure that the overall risk profile remains within the risk appetite framework or other strategic limits appropriately approved by the BoD, as well as any regulatory restrictions.

- Operational level: Risk management functions performed by all Group units, i.e. business units including units with primary role in decision making process, support units as well as units which belong to the Internal Control System of the Group. Risk management, at this level, is implemented by means of appropriate controls incorporated into the relevant operational procedures and guidelines approved by the BoD or the Senior Management.

All lines of defense are expected to play complementary roles for sound risk management practices. The Group ensures an effective structure to enforce clear segregation of duties and independence in the reporting hierarchy for the four lines of defense. The third and fourth lines need to have access to all Bank's data, expertise and independence to provide opinion and information to the BoD. It should be noted that the external auditors and the supervisory authorities, within their authorities, contribute to the overall assessment and continuous transformation of the risk management function

2.4.2. Risk Management Committee

The Risk Management Committee is responsible for exercising its duties in order to assist the Board of Director's work with regard to the following:

- existence of the appropriate strategy for the risks undertaken and the definition of the risk appetite statements and limits, as well as the supervision of their implementation,
- establishment of principles and rules that shall govern the risk management process, regarding the identification, assessment, measurement, monitoring, control and mitigation of risks,
- development of the risk management framework and the incorporation of appropriate risk management policies during the business decision-making process,
- Bank compliance through strict and reliable procedures with respect to the regulatory framework for risk management functions.

The Risk Management Committee is designated by the Bank's Board of Directors and consists of non-executive members of the BoD, who possess the appropriate knowledge, skills and specialization, in order to comprehend and monitor the risk management strategy of the institution. The Chairman of the Committee is designated by the BoD and must possess significant experience in commercial banking and preferably in risk and capital management, as well as familiarity with the local and international regulatory framework.

In the Risk Management Committee, the representative of the Hellenic Financial Stability Fund (HFSF) participates, with full voting rights. Also, present are the observers for the Monitoring Trustee and the HFSF.

The Committee convenes, upon its Chairman's invitation, as many times as considered necessary in order to accomplish its mission, but not less than once (1) a month. Each member of the Committee is entitled to request the convocation of the Committee in writing for the discussion of specific issues. During 2017, the Risk Management Committee held 13 meetings in total.

The Group's Chief Risk Officer, Head of the Group Risk Management, is designated by the BoD as the Executive Secretary of the Committee and exercises duties as designated by the applicable regulatory framework (currently the BoG Governor's Act 2577/09.03.2006).

The Risk Management Committee's mission is to:

- ensure that the Bank has in place comprehensive risk management strategy and risk appetite framework. The Bank's risk appetite framework is articulated through a series of quantitative and qualitative statements for key risk categories (credit risk, market risk, liquidity risk, operational risk and capital adequacy) and respective limits, including risk capacity levels,
- ensure that all types of risks resulting from the Bank's activities, are dealt with effectively,
- ensure that the risk appetite framework of the Bank is communicated explicitly to the entire Bank and constitutes the basis, upon which risk management policies as well as risk limits are established, both at the business and regional level of the Group,
- ensure the consistency of risk management functions at Group level.

Towards the achievement of its mission, the Committee undertakes the following duties and responsibilities:

- determines the risk and capital strategy, in a manner appropriate towards the achievement of the business objectives, at Bank and Group level,
- ensures the incorporation of the risk management framework in the business decision-making process (e.g. decisions pertaining to the introduction of new products and services, the risk-adjusted pricing of products and services, as well as the measurement of the risk adjusted performance and the capital allocation) at Bank and Group level,
- determines principles and rules that shall govern the risk management function, regarding the identification, assessment, measurement, monitoring, control and mitigation of risks,
- determines the type, quantity, form and frequency of communicated information regarding issues related to risk management,
- evaluates annually:
    - the adequacy and the effectiveness of the risk management policies of the Bank and Group, particularly compliance with the risk appetite limits,
    - the appropriateness of the limits and the overall adequacy in relation to the type and exposure level of risks undertaken.
- formulates proposals and recommends corrective measures to the BoD in case it detects a weakness or any deviations in the implementation of the risk and capital strategy,
- sets out, annually or more frequently if required, revision proposals and corrective actions to the BoD concerning the risk and capital strategy and the risk appetite framework, including the assessment of appropriateness of the business / restructuring plan of the Bank in relation to the risks undertaken,
- ensures the adequacy of the available resources in technical means, such as the appropriate methodologies, modeling tools, data sources and competent personnel in order to assess: a) any changes in the quality of assets under different assumptions (macroeconomic and market) and b) the risks that such changes may set in the financial stability of the institution,
- proceeds and approves accordingly any amendments of the Credit Policy that require the modification of the approved risk appetite framework,
- ensures the appropriate supervision and control mechanisms for the monitoring and the effective management of troubled assets.

During 2017, the Committee, inter alia, proceeded to the:

- evaluation and submission of amendments to the Board of Directors in respect to the Risk & Capital Strategy and Risk Appetite Framework,
- assessment of the adequacy and effectiveness of the risk management policies and in particular, of compliance with the established risk appetite limits and early warning levels,
- overview and update of the Board of Directors on Risk Management's reports regarding the profile of the key risks undertaken as well as the alignment with the risk management framework and risk appetite limits,
- overview and update of the Board of Directors on the troubled assets' management, including:
    - non-performing loans (NPLs and NPEs) and pertinent operational targets for their reduction,
    - loans under restructuring or under negotiation,
    - exposures written off for accounting purposes but for which the Bank still claims partial or complete recovery.
- evaluation and submission of amendments to the Board of Directors in respect to the development, documentation, re-assessment and monitoring of the:
    - implementation of the Internal Capital Adequacy Assessment Process,

  - implementation of the Internal Liquidity Adequacy Assessment Process,
  - Recovery Plan,
  - Liquidity Coverage Ratio Restoration Plan.
- evaluation and submission of amendments to the Board of Directors in respect to Credit Policy, Write-off Policy, Impairment Policy and Business Continuity Policy.

2.4.3. Group Risk Management

Group Risk Management is an independent unit in relation to other units of the Bank which have revenue generating activities and/or are accountable for transactions. The unit carries out responsibilities of Risk Management and Credit Risk Control in accordance with the BoG Governor's Act 2577/09.03.2006 and law 4261/2014.

Group Risk Management is responsible for the design, development and implementation of the Bank's policies on risk management and capital adequacy in accordance with the directions of the Board of Directors, which covers the full range of Bank activities for all types of risk. Group Risk Management is subject to review by Group Audit as to the adequacy and effectiveness of risk management framework (policies, methodologies and procedures).

The Group's Chief Risk Officer (CRO), head of Group Risk Management, participates in all major executive committees, including the Group Executive Committee, and has a dual reporting line to the Risk Management Committee (RMC) and the Bank's Chief Executive Officer (CEO), with direct access to the Chairman of the RMC, whenever deemed necessary. In the Senior Credit, Recovery Credit and Asset Liability Management Committees, the CRO preserves a veto right.

The Board of Directors appoints the Head of the Group Risk Management (CRO) upon recommendation of the Risk Management Committee and his appointment or replacement following the approval of the Risk Management Committee is communicated to the Bank of Greece and the Single Supervisory Mechanism.

The Chief Risk Officer's main responsibilities include, inter alia:

- monthly reporting to the Board of Directors through the Risk Management Committee on matters falling under the jurisdiction of Group Risk Management, including an opinion statement on NPE/NPL management and performance,
- overseeing and monitoring the implementation of the risk management policies and, also, timely reporting to the Risk Management Committee, with regards to the risk exposure/profile as well as the risk and capital strategy,
- monitoring of the Group's risk profile in accordance with the approved risk appetite limits. Any breaches/deviations from the limits are reported timely to the Risk Management Committee,
- approval of the Bank's Credit Policy, overseeing its implementation and promptly reporting any deviation from policy or potential conflict with the approved risk appetite limits to the Risk Management Committee,
- approval and monitoring of the risk-adjusted performance and pricing measurement tools relevant to decision making,
- establishment and monitoring of the implementation of limits and adherence to the policy governing relations with Connected Borrowers and reporting any overrides to the Risk Management Committee,
- participation in the decision-making process for determining the financing terms, which are not subject to pre-determined or general parameters,
- participation in the formulation of recommendations and proposals to the Management and, through the Risk Management Committee to the Board of Directors, regarding changes in the composition of the Bank's portfolios, for restructuring/forbearance of existing loans and differentiations in the provisioning policy,
- participation in the supervisory authorities' assessment processes for the adequacy of internal and supervisory capital,

- supervision and coordination of the activities of the Risk Management units of the Bank and Group Subsidiaries.

In addition, the key responsibilities of the Group Risk Management are stated thereafter:

- develop, evaluate, and recommend amendments to the Chief Risk Officer, with respect to the risk management framework for the Group's activities, according to international best practices as well as the legal, regulatory and supervisory requirements. Ensure that the framework is reviewed at least annually or ad hoc in case there are (a) changes in Group's strategy or business model, or (b) changes in the regulatory framework, business environment or/and in the macroeconomic conditions. In particular, Group Risk Management develops the strategy, policies and procedures in relation to the:
    - identification, assessment, measurement, management/control, monitoring and reporting of potential and actual risk exposures,
    - establishment, allocation and monitoring of appropriate risk limits (e.g., credit, market, liquidity and operational risks) in cooperation with the relevant committees and units of the Group,
    - capital management objectives.
- monitor the implementation of the risk management framework, including the risk and capital strategy, along with the regulatory requirements and the Management's guidelines,
- monitor the adherence to the approved risk appetite framework on an ongoing basis and inform accordingly the Chief Risk Officer,
- oversee the alignment of the Risk & Capital Strategy with the Business Plan, Restructuring Plan, Funding Plan, Budget, ICAAP, ILAAP and Recovery Plan,
- develop, conduct, monitor and report the Group's Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP),
- produce and report the capital adequacy requirements under Pillar I (e.g. credit, market and operational risks),
- document and report the capital adequacy and risk management regulatory disclosures under Pillar III,
- supervise the development and harmonization of the Subsidiaries' risk management frameworks with the Group's framework and practices,
- develop awareness about risk exposure, promote risk management culture and support in risk matters all units across the Group,
- participate in the development of the Bank's Credit Policy,
- lead and coordinate the design and execution of Group-wide solvency stress tests. Exercise periodic and / or temporary stress tests with base and adverse scenarios tailored to the nature and scope of the operations of the Group for all types of risk,
- establish loan impairment models, including validation of individual impairment models, as well as the validation of portfolio segmentation decisions and all parameters used for collective assessment,
- assess new products and activities or significant changes to existing ones prior to their introduction.

During 2017, the Group Risk Management participated in major strategic initiatives, including:

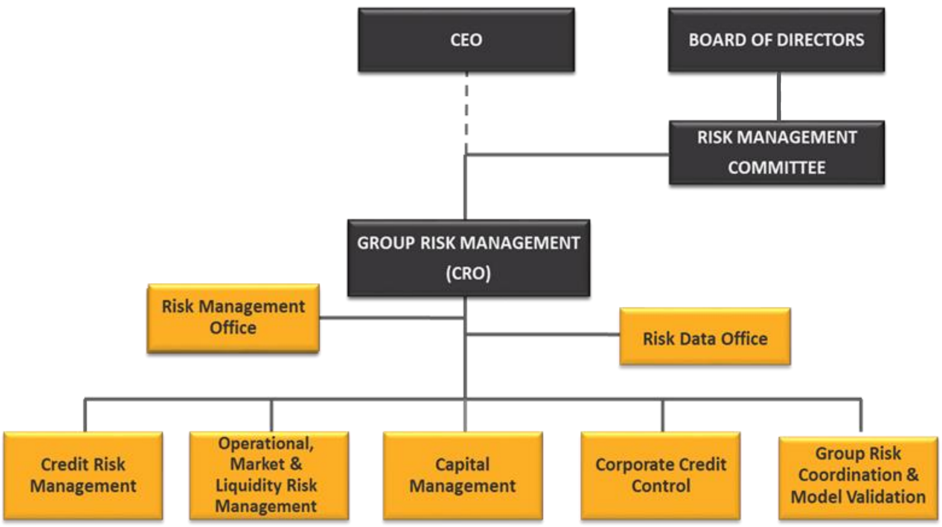
- implementation of IFRS 9 Standards,
- implementation of EBA/SSM Stress Test Exercise,
- development of Data Governance Framework,
- development of Value Based Management Framework,

- implementation of MIFID II Framework.

In addition, Group Risk Management key initiatives in 2017 related to:

- Risk and capital strategy & risk appetite framework,
- Risk based pricing methodologies and tools,
- Model validation framework,
- Risk data quality,
- Capital & Liquidity awareness,
- Interest Rate Risk in Banking Book (IRRBB) framework,
- Recovery Plan,
- Industry limits,
- Enhancements of Internal Control System,
- CRD IV liquidity.

Graph 02: Risk Management Organizational Structure



2.4.4. Credit Risk Management Unit

The unit is responsible for the development and implementation of the credit risk management framework (policies, methodologies and procedures) on the basis of the Risk & Capital Strategy of the Group and relevant requirements of supervisory authorities. The framework covers the management of the credit risks which are undertaken in general by the Group or to which it may be exposed, including their identification, measurement, monitoring, control, mitigation and reporting. The unit also defines the criteria for early warning system and recommends the appropriate procedures and measures for credit risk monitoring. On a regular basis, it reports credit risk related information to Management, Board of Directors and the supervisory authorities. It also monitors/coordinates the activity of the subsidiaries' Risk Management units.

2.4.5. Operational, Market and Liquidity Risk Management Unit

The unit is responsible for the development and implementation of the framework (policies, methodologies and procedures) relating to the management of operational, market and liquidity risks on the basis of the Risk & Capital Strategy of the Group and relevant requirements of supervisory authorities. The framework covers the management of the aforementioned risks which are undertaken in general by the Group or to which it may be exposed, including their identification, measurement, monitoring, control, mitigation and reporting. On a regular basis, it reports market, liquidity and operational risk related information to the Management, the Board of Directors and supervisory authorities. Also, it coordinates and participates the Internal Liquidity Adequacy Assessment Process (ILAAP) as well as the formation and revision of the Bank's Recovery Plan. In addition, it monitors/coordinates the activities of Group Operational Risk Assessment Team (GORAT) and the subsidiaries' Risk Management units.

2.4.6. Capital Management Unit

The unit is responsible for the development and implementation of the Group-wide policies and methodologies relating to capital adequacy management, the regulatory capital (Pillar I) and internal capital (ICAAP) of the Group, on the basis of the risk & capital strategy and all relevant requirements of the supervisory authorities. The main activities of the unit include the calculation of capital requirements against all types of risks that the Group undertakes or to which it may be exposed. The unit ensures that every activity which exposes the Group to credit, market, liquidity and operational risks is adequately captured, processed and subject to capital requirements. On a regular basis it reports capital adequacy information to the Management, the Board of Directors and supervisory authorities.

2.4.7. Corporate Credit Control Unit

The unit is responsible of the development and implementation of evaluation and overview of the credit risk embedded in the corporate portfolio of the Group, on the basis of the risk & capital strategy and credit policy of the Group and relevant requirements of supervisory authorities. It performs independent systematic evaluations of the quality of approved loan exposures (post-approval) as well as of the monitoring practices of credit risk embedded in the corporate portfolio of the Bank, its subsidiaries and of the Leasing and Factoring subsidiaries in Greece and abroad. On a regular basis, it proposes corrective actions and practices and monitors the implementation for the timely and effective management of high (quantitative and qualitative) credit risk, as well necessary reports on matters of its authority to the Management and the Board of Directors. It also supports CRO, as a member of Senior Credit and Recovery Credit Committees, on complex credit limits (ex-approval).

2.4.8. Group Risk Coordination & Model Validation (GRC & MV)

The unit leads the annual review process of the Risk & Capital Strategy, including the risk appetite framework and supervises the subsidiaries' risk management framework, providing continuous support and expertise in alignment with the Group practices.

Within H2 2017, the role of the unit was enhanced via the establishment of a Model Validation sub-unit to ensure independent (from development process) validation of the Bank's models.

3. Capital Management

3.1. Capital Adequacy

The regulatory framework requires financial institutions to maintain a minimum level of regulatory capital related to risks undertaken. The Total Capital Ratio is defined as the ratio of regulatory capital over the total risk exposure amount of on and off balance sheet items.

Capital adequacy is monitored by the responsible bodies of the Bank and is submitted quarterly to the supervisory authority, the Single Supervisory Mechanism, through the relevant competent authority, the Bank of Greece.

The main objectives related to the Group's capital adequacy management are the following:

- comply with the capital requirements regulation according to the supervisory framework,
- preserve the Group's ability to continue unhindered its operations,
- retain a sound and stable capital base supportive of the Bank's management business plans,
- maintain and enhance existing infrastructures, policies, procedures and methodologies for the adequate coverage of supervisory needs, in Greece and abroad.

The Group applies the following methodologies for the calculation of Pillar I capital requirements:

- the standardized approach for calculating credit risk,
- the mark-to-market method for calculating counterparty credit risk,
- the standardized approach for calculating market risk,
- the standardized approach for calculating credit valuation adjustment risk and
- the standardized approach for calculating operational risk.

As of December 31st 2017, the Group's Common Equity Tier 1 (CET1) ratio stood at 15.1%, covering the minimum regulatory thresholds.

The calculation of the capital adequacy ratios of the Group, takes into account the deferred tax assets which have been recognized on the basis of the relevant provisions of the IFRS.

Under Regulation (EU) No 575/2013 (CRR), deferred tax assets which are based on the future profitability of the Group, are deducted from CET1 capital if they exceed specific limits. However, it is allowed -under conditions- to credit institutions to transform deferred tax assets, that have been recognized due to losses from the Private Sector Involvement (PSI) and accumulated provisions due to credit risk in relation to existing receivables as of June 30th 2015, into directly enforceable claims (tax credits) against the Greek State. In that case, these tax credits are not deducted from the CET1, but are included in the risk weighted assets (RWAs) of the Group.

Additional information regarding the recognition of deferred tax assets for the calculation of the Group's capital adequacy ratios, is available in the Annual Financial Report 2017, chapter 4.16.

(link: Piraeus Bank Group Financial Statements)

The Group’s capital adequacy ratios, as well as its total capital requirements against credit, market and operational risks, were as follows:

Table 02: Selected Capital Adequacy Figures for PB Group		
€ mn	***2017***	***2016***
Common Equity Tier 1 Capital (CET1)	7,711	9,003
Tier 1 Capital (T1)	7,711	9,003
Total Own Funds	**7,711**	**9,003**
Risk Weighted Assets	**50,986**	**53,238**
Common Equity Tier 1 Capital Ratio (%)	15.1%	16.9%
Tier 1 Capital Ratio (%)	15.1%	16.9%
Capital Adequacy Ratio (%)	**15.1%**	**16.9%**

The table below shows RWA and regulatory capital requirements broken down by risk types and model approaches compared to the previous year-end results:

Table 03: EU OV1 – Overview of RWA					
2017 (€ 000's)			RWA		Minimum Capital Requirements
			2017	2016	2017
	1	**Credit risk (excluding CCR)**	**44,762,900**	**47,933,330**	**3,581,032**
Article 438(c)(d)	2	*Of which the standardised approach*	*44,762,900*	*47,933,330*	*3,581,032*
Article 438(c)(d)	3	*Of which the foundation IRB (FIRB) approach*			
Article 438(c)(d)	4	*Of which the advanced IRB (AIRB) approach*			
Article 438(d)	5	*Of which equity IRB under the simple risk-weighted approach or the IMA*			
Article 107 Article 438(c)(d)	6	**CCR**	**342,539**	**171,531**	**27,403**
Article 438(c)(d)	7	*Of which mark to market*	*325,995*	*157,775*	*26,080*
Article 438(c)(d)	8	*Of which original exposure*			
	9	*Of which the standardised approach*			
	10	*Of which internal model method (IMM)*			
Article 438(c)(d)	11	*Of which risk exposure amount for contributions to the default fund of a CCP*			
Article 438(c)(d)	12	*Of which CVA*	*16,545*	*13,756*	*1,324*
Article 438 (e)	13	**Settlement risk**	**22**	**12**	**2**
Article 449(o)(i)	14	**Securitisation exposures in the banking book (after the cap)**			
	15	*Of which IRB approach*			

2017 (€ 000's)			RWA		Minimum Capital Requirements
			2017	2016	2017
	16	*Of which IRB supervisory formula approach (SFA)*			
	17	*Of which internal assessment approach (IAA)*			
	18	*Of which standardised approach*			
Article 438 (e)	19	**Market risk**	**261,829**	**232,636**	**20,946**
	20	*Of which the standardised approach*	*261,829*	*232,636*	*20,946*
	21	*Of which IMA*			
Article 438 (e)	22	**Large exposures**			
Article 438(f)	23	**Operational risk**	**3,454,677**	**3,376,478**	**276,374**
	24	*Of which basic indicator approach*			
	25	*Of which standardised approach*	*3,454,677*	*3,376,478*	*276,374*
	26	*Of which advanced measurement approach*			
Article 437(2), Article 48 and Article 60	27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**2,163,795**	**1,523,602**	**173,104**
Article 500	28	**Floor adjustment**			
	29	**Total**	**50,985,761**	**53,237,589**	**4,078,861**

The overall decrease of €2.3 bn is mainly reflected by the decrease in credit risk RWAs. Credit risk RWAs are €3.2 bn lower resulting mainly from the decrease in loan book net exposures.

3.2. Leverage

The CRD IV regulatory framework recognizes the need of monitoring a ratio that is not risk sensitive, in order to depict more effectively the financial state of the Group and to complement the prudential requirements set by the minimum capital adequacy thresholds. The objective is to limit excessive leverage from on and off balance sheet items in the European Banking System.

Piraeus Bank Group monitors and submits to the regulatory authorities the leverage ratio, as defined in Regulation (EU) No 2015/62 of October 10th 2014. Group Risk Management regularly reports to the management body its evolution and suggests suitable limits.

The sound capital base of Group, along with the extensive deleveraging which is still reflected in the Greek banking system, drastically reduces the risk of excessive leverage. As a result, the leverage ratio of Piraeus Bank Group with reference date December 31st 2017 stood at 11.7% (11.1% using a fully phased-in definition of Tier 1 capital), significantly over the 3% minimum threshold proposed under CRR2.

Table 04: Group Leverage Ratio	
€ mn	**2017**
Regulatory Capital for Leverage Ratio	7,711
Total Leverage Ratio Exposure	65,992
Leverage Ratio	**11.7%**

Following the adoption of Regulation (EU) No 200/2016 on the Group's leverage ratio, detailed disclosures are presented in Appendix III.

3.3. Major Developments on Capital Adequacy

3.3.1. Background

During 2017, Piraeus Bank Group maintained adequate levels of regulatory capital, while at the same time secured the unhindered execution of the Group's restructuring plan. The Group's capital base managed to absorb the cost of credit risk related to the aggressive balance sheet management strategy adopted, resulting in outperforming asset quality targets, strengthening coverage and accelerating the clean-up of the balance sheet.

3.3.2. Sale of Subsidiaries

Abiding with the commitments of the Group's Restructuring Plan, as amended and approved by the EC in November 2015 following the agreement of a European Stability Mechanism (ESM) support programme for Greece in August 2015, the Bank promoted its further disengagement from non-core banking activities.

During 2017 the following transactions took place:

On December 21st the Bank announced the signing of an agreement with JC Flowers for the sale of 100% of Piraeus Bank Romania. The transaction is capital neutral to the Bank and is expected to be completed in the first semester of 2018.

On October 14th that Bank signed a share purchase agreement (SPA) for the sale of its Serbian subsidiary, namely Piraeus Bank Beograd, to Direktna Banka. The deal is expected to be finalized within the first semester of 2018.

The Bank agreed to the sale of the car rental company AVIS to AVIS Europe Holdings and Otokoc, as the ultimate purchasers. The completion of the sale transaction took place in March 2018.

In addition, the Bank signed an SPA on August 11th with Attica Group for swapping the 40% stake of Hellenic Seaways with an 8.4% stake of Attica Group. At the same time Attica Group bought or signed SPAs for 98.4% of Hellenic Seaways, thus creating significant synergies. Completion expected to take place within the first semester of 2018.

3.4. Regulatory Framework

3.4.1. Banking Union - Single Supervision

On November 4th 2014, the Single Supervisory Mechanism (SSM) was activated on the grounds of implementing the necessary policies for the integration of the European banking system. Earlier, on October 15th 2013, the European Commission adopted Regulation (EU) No 1024/2013, conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions, as well as its publication on the official journal of the European Union on October 29th 2013 (activated 5 days following that event).

The Single Supervisory Mechanism, which consists of the European Central Bank (ECB) and the National Competent Authorities (NCA), supervises over 6,000 financial institutions in countries that are part of the Euro zone, as well as financial institutions of countries not in the Eurozone, but that choose to participate on a voluntary basis. Following SSM's activation, the European Central Bank directly supervises all systemically important institutions, including Piraeus Bank S.A..

3.4.2. Single Rulebook

On July 17th 2013, the CRD IV regulatory framework for prudential supervision of financial institutions was introduced, implementing the proposals of the Bank of International Settlements (BIS) for strengthening the resilience of the banking system (Basel III regulatory framework). It consists of Regulation (EU) No 575/2013 (CRR) and Directive 2013/36/EU (CRD). As of January 1st 2014, it replaced Directive 2006/48 and 2006/49.

For Regulation (EU) No 575/2013, no transposition in national law was required, while the Directive was incorporated into Greek law under law 4261/2014, replacing law 3601/2007.

An online version of all the core documents of the regulatory framework of financial institutions can be accessed via the following address:

(link: EBA-Interactive-Single-Rulebook)

3.4.3. The CRD IV Regulatory Framework

The CRD IV regulatory framework provides a stricter control framework as far as measurement, monitoring and management of undertaken risks is concerned, coupled with more detailed disclosure requirements (Pillar III). For its full implementation, a transitional period was provided, detailing the timeline in which financial institutions have to fully adjust to the new requirements.

Within the framework:

- emphasis is given on Common Equity Tier 1 capital (CET1),
- the following capital adequacy minimum requirements are defined:
  - for the Common Equity Tier 1 ratio, a minimum threshold of 4,5%,
  - for the Tier 1 ratio, a minimum threshold of 6%,
  - for the Total Capital ratio, a minimum threshold of 8%.
- financial institutions maintain capital buffers comprising of Common Equity Tier 1 capital, for which a transitional period up to 2018 is provided,
- financial institutions monitor credit valuation adjustment risk and maintain adequate capital (CVA),
- financial institutions monitor central counterparty risk,
- financial institutions calculate a leverage ratio, for monitoring excessive leverage,
- financial institutions calculate a Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for monitoring liquidity risk.

Piraeus Bank underwent an extensive implementation process of the regulatory framework, in which all subsidiaries actively participated, by upgrading all relevant policies and procedures, adopting new dataset specifications and applying new parameter sets on its capital requirements calculation engines.

3.4.4. Single Resolution Mechanism

On January 1st 2016, the Single Resolution Mechanism (SRM) for Eurozone Banks, to which Piraeus Bank is a part of, became fully operational. The SRM ensures that if, despite tighter supervision, a bank that belongs to the SRM has serious difficulties, its resolution can be treated effectively and with minimum cost to taxpayers and the real economy. The SRM will apply in practice the strict rules of the directive for the recovery and resolution of credit institutions (Directive 2014/59).

Based on the SRM, a Single Resolution Fund (SRF) was established in the Eurozone that is under the control of a Single Resolution Board (SRB). SRF ensures the availability of medium term funding support whereas SRB consists of representatives from the European Commission, the ECB and the competent national authorities. The European Commission will decide whether and when a bank should be placed under resolution regime and will set the framework for the use of resolution tools and the Single Resolution Fund, based on the recommendations of the SRB.

3.4.5. Monitoring Trustee

Following the Second Economic Adjustment Programme for Greece and in the context of the commitments undertaken by the Hellenic Republic towards the European Commission, KPMG was appointed as the Monitoring Trustee of the Bank. The Monitoring Trustee is responsible for overseeing the implementation of the Bank's Restructuring Plan and all the commitments accompanying it, in line with EU state aid rules. This includes, inter alia, verifying compliance with proper corporate governance rules (Commitments on Corporate Governance and Commercial Operations).

In this context, representatives of the Monitoring Trustee participate as observers in the meetings of the Board and in executive committees and other important committees, including the Risk Management and Audit Committees.

3.4.6. Bank Resolution and Recovery Directive (BRRD)

On June 2nd 2014 the European Parliament and the Council of the European Union approved the Bank Resolution and Recovery Directive (EU) 2014/59/EU. BRRD is part of the Single Rulebook which is enforced in the EU financial institutions market and establishes a common framework for the resolution and recovery of credit institutions and investment firms.

The Directive provides a common resolution regime in the EU that allows authorities not only to deal with failing institutions but also ensures cooperation between home and host authorities. In the future, shareholders and creditors should first and foremost undertake the costs of bank failure in order to minimize moral hazard and risks to taxpayers.

On July 23rd 2015, BRRD was incorporated into Greek legislation and was put in force through law 4335/2015. Law 4335/2015 was established following the negotiations for a new financial support program with the participation of the European Stability Mechanism (ESM) with the exception of provisions regarding the bail-in tool. The Bank of Greece was named by virtue of law 4335/2015 the national resolution authority for the financial institutions. The Hellenic Deposit and Investment Guarantee Fund was appointed the national resolution fund for the effective application of the resolution tools to financial institutions.

To avoid institutions structuring their liabilities in a way that impedes the effectiveness of the bail in or other resolution tools, and to avoid the risk of contagion or a bank run, the directive requires that institutions meet at all times a robust minimum requirement for own funds and eligible liabilities (MREL).

The form of MREL includes capital instruments (CET1, AT1, T2), other subordinated debt, senior debt and other eligible liabilities. The level and eligibility of liabilities for MREL is individually determined for each institution by the relevant resolution authority on the basis of a set of harmonized criteria.

If failure of the bank would adversely impact financial stability, the level of MREL should be sufficient to ensure that the conditions for use of the Single Resolution Fund would be met.

Regarding the implementation and design of the MREL framework for O-SIIs[6], a final report was published by the European Banking Authority on 14th December 2016, which details eligible liabilities and other modifications of the MREL.

Currently, the Group is not subject to a MREL ratio requirement.

3.4.7. Further Strengthening the Resilience of EU Banks (CRD V and CRR2)

On November 23rd 2016, the European Commission proposed a comprehensive legislative reforms package to further strengthen the resilience of Banks in the European Union. The package incorporates changes to the current regulatory framework (CRD IV package), agreed within the Basel Committee and the FSB[7], and includes among others:

- new, more risk-sensitive methodologies for calculating market risk and counterparty credit risk capital requirements (FRTB and CCR-SA respectively),
- a binding leverage ratio of 3% to safeguard institutions against excessive leverage,

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[6] O-SIIs: Other Systemically Important Institutions

[7] FSB: Financial Stability Board

- a binding net stable funding ratio (NSFR) to address the excessive reliance on short-term wholesale funding and to reduce long-term funding risk.

3.5. Regulatory Own Funds

Piraeus Bank Group's Regulatory Own Funds as of 31.12.2017, as defined in Regulation (EU) No 575/2013, are comprised of Common Equity Tier 1 capital (CET1).

Common Equity Tier 1 capital includes:

- shareholders' equity (common shares) plus share premium and contingent convertible bonds,
- available for sale reserve and other reserves,
- retained profit or loss and minority interests.

Treasury Shares are excluded from CET1 capital.

Regulatory adjustments on Common Equity Tier 1 capital, as defined in Regulation (EU) No 575/2013, include mainly:

- intangible assets,
- goodwill,
- deferred tax assets relying on future profitability,
- part of the minority interests, according to the rules set in Article 84 of the CRR.

Tables 05 and 06 present the Group's Regulatory Own Funds structure as well as their reconciliation with Accounting Own Funds, as depicted in the Annual Financial Report of 2017.

Table 05: Regulatory Own Funds

(€ 000's)	2017	2016
Share Capital (common shares)	2,619,955	2,619,955
Share Premium	13,074,688	13,074,688
Contingent Convertible bonds	2,040,000	2,040,000
Less: Treasury Shares	(379)	(842)
Available for Sale Reserve	79,467	(7,877)
Legal Reserve and Other Reserves	(68,445)	(57,968)
Retained Earnings	(8,326,871)	(8,004,333)
Minority Interest	125,782	160,115
Less: Intangible Assets	(310,267)	(282,036)
Total Regulatory Adjustments to Common Equity Tier 1 Capital	(1,523,206)	(539,077)
Total Common Equity Tier 1 Capital	**7,710,725**	**9,002,626**
Hybrid Capital	-	-
Total Regulatory Adjustments to Additional Tier 1 Capital	-	-
Total Additional Tier 1 Capital	-	-
Total Tier 1 Capital	**7,710,725**	**9,002,626**
Subordinated Debt	-	-
Total Regulatory Adjustments to Additional Tier 2 Capital	-	-
Total Tier 2 Capital	-	-
Total Regulatory Capital	**7,710,725**	**9,002,626**

Table 06: Reconciliation of Accounting Own Funds with Regulatory Own Funds		
2017 (€ 000's)	**Financial statements note**	**Amount**
Share Capital (common shares)	40	2,619,955
Share Premium	40	13,074,688
Contingent Convertible bonds	40	2,040,000
Less: treasury shares	40	(379)
Total Reserves	41	11,022
Retained earnings	41	(8,326,871)
Equity Attributable to PB Shareholders		**9,418,415**
Minority Interests		**125,782**
Total Own Funds (before regulatory adjustments)		**9,544,198**
CET1 Regulatory adjustments		**(1,833,473)**
Goodwill	27	(40,945)
Intangible Assets	14 & 27	(269,322)
Minority Interest		(95,593)
Deferred tax assets that rely on future profitability and arise from temporary differences		(882,088)
Deferred tax assets that rely on future profitability and do not arise from temporary differences		(396,704)
Other Regulatory Adjustments to Common Equity Tier 1 Capital		(148,821)
Common Equity Tier 1 Capital		**7,710,725**
Additional Tier 1 (AT1) capital		-
Total regulatory adjustments to AT1 capital		-
Tier 2 (T2) capital		-
Total regulatory adjustments to T2 capital		-
Total Regulatory Capital		**7,710,725**

3.5.1. IFRS 9 Regulatory Transitional Arrangements

The Group has adopted the provisions of Regulation (EU) No 2017/2395, amending Regulation (EU) No 575/2013, "as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State".

These transitional arrangements permit banks to add back to their capital base a proportion of the IFRS 9 impact due to expected credit loss provisions during the first five years of use. The proportion that banks may add back starts at 95% in 2018, and reduces to 25% by 2022.

Piraeus Bank Group remains satisfactorily capitalized following the adoption of IFRS 9 which, based on the transitional impact, will result in a 24 bps decrease in the Common Equity Tier 1 ratio (CET1 ratio 14.88%). On a fully loaded IFRS 9 impact basis, as at January 1st 2018, the Common Equity Tier 1 ratio decreases by 382 bps (CET1 ratio 11.30%). Both the above mentioned Capital Ratios were calculated on a CRD IV transitional basis as at December 31st 2017 for consistency.

3.6. Analysis of Risk Weighted Assets and Associated Capital Requirements

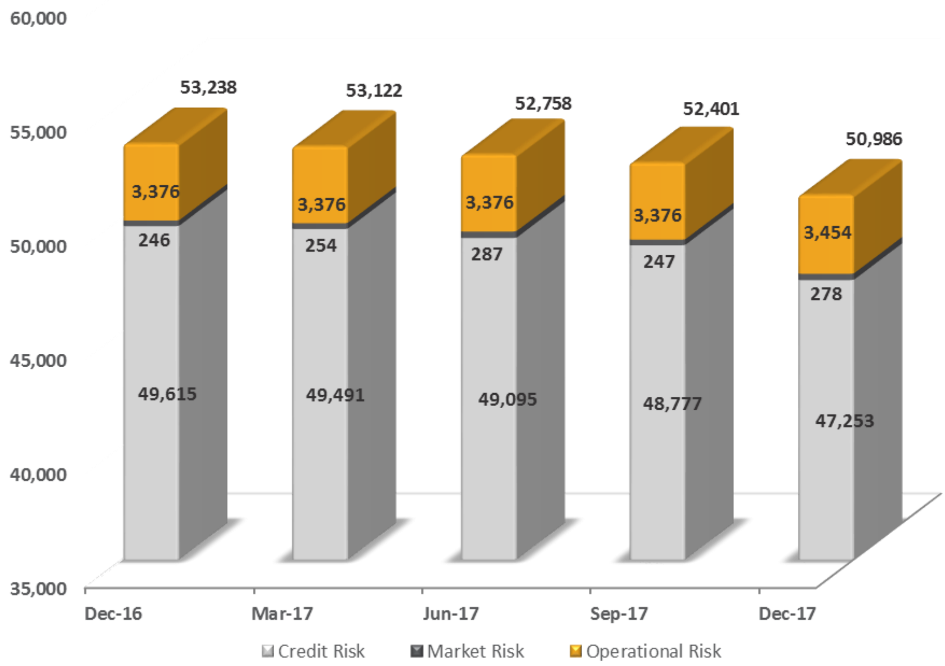
The Group's capital requirements for year-end 2017, amounted to €4.1 bn. Credit risk accounts for 92.7% of total risk weighted assets, operational risk accounts for 6.8%, while market risk for less than 1% of the Group's total risk weighted assets. The Group's risk weighted assets and capital requirements, as of December 31st 2017, were as follows:

Table 07: Pillar I Risk Weighted Assets and Capital Requirements

2017 (€ 000's)	Risk Weighted Assets	Capital Requirements
Credit Risk and Counterparty Credit Risk	**47,252,689**	**3,780,215**
Central governments or central banks	6,411,877	512,950
Regional governments or local authorities	27,707	2,217
Public sector entities	15,831	1,266
Institutions	470,807	37,665
International organisations	-	-
Corporates	7,454,714	596,377
Retail	2,270,415	181,633
Secured by mortgages on immovable property	7,542,860	603,429
Claims in the form of CIU	37,715	3,017
Items associated with particularly high risk	40,601	3,248
Equity Exposures	484,159	38,733
Covered Bonds	18,747	1,500
Exposures in default	17,571,549	1,405,724
Other items	4,905,710	392,457
Market Risk	**278,395**	**22,272**
Debt Instruments	43,624	3,490
Equity	58,474	4,678
Foreign Exchange	158,685	12,695
Credit Valuation Adjustment	16,545	1,324
Other Market Risks	1,067	85
Operational Risk	**3,454,677**	**276,374**
Total	**50,985,761**	**4,078,861**

Notes: A coefficient of 8% is applied in order to convert risk weighted assets to regulatory capital. "Other Market Risks" include commodity risk, non-delta risks and settlement risk

Graph 03: Risk Weighted Assets Evolution (€ mn)



During the financial year of December 2016 to December 2017, the total risk weighted assets of the Group were reduced by €2.3 bn, as a result of the active management of the balance sheet, following the implementation of the Group's strategy and approved restructuring plan.

3.7. Internal Capital Adequacy Assessment Process (ICAAP)

The Internal Capital Adequacy Assessment Process (ICAAP) is an inextricable part of Pillar II of Basel III regulatory framework. ICAAP aims ultimately to ensure that the Group has sufficient capital to cover all material risks that it is or might be exposed to on an ongoing basis.

The Group has established an ICAAP framework that addresses recent developments in the regulatory landscape. The framework has been designed in accordance with EU Regulation No 575/2013 (CRR) and the guidelines for the Supervisory Review and Evaluation Process (SREP) by the European Banking Authority (EBA), while also considering further guidance provided by the European Central Bank (ECB) in the context of the Single Supervisory Mechanism (SSM).

The ICAAP is well integrated with the Group's risk management framework. It is executed by the Group Risk Management, while the design and the implementation of the ICAAP are under the ultimate responsibility of the Board of Directors and in particular the members of the Risk Management Committee. Towards further strengthening the ICAAP governance, two new Committees have been established (Market Scenario Steering Committee & Group Planning Steering Committee), that support the scenarios' generation and steer the Group's capital planning process.

The Risk Identification Process is a fundamental, dynamic part of the Risk and Capital Strategy, primarily performed, in a systematic-continuous way, by all 4 lines of defense units of the Group in the context of their activities and ensuring a holistic cross-risk perspective.

The Group established a formal, independent Risk Identification Process to optimize, validate and communicate the results, ensuring completeness of the Group's "risk universe". This year, the Group further formalizes and strengthens the process, in the context of the annual review of the Risk & Capital Strategy (2017), aiming at enhancing transparency and understanding of the existing and emerging inherent risks and addressing regulatory requirements/guidelines.

The purpose of ICAAP is to identify and measure all major risks that the Group is currently exposed to, extending beyond those addressed within the regulatory requirements of Pillar I and to ensure that adequate capital is available to cover those according to the risk profile and appetite. In addition, the ICAAP assesses the capital adequacy on a forward-looking basis under base and adverse scenarios, in line with the business plan that is in effect.

ICAAP consists of a planning and a monitoring component. The former is conducted on an annual basis and concerns the assessment of the Group's capital adequacy, considering both Pillar I and ICAAP capital requirements, the available capital resources and the respective projections going forward in line with the business plan. The projections' time horizon has been set up to 3 years. The latter component is essential for the ongoing monitoring and reporting with respect to the assessment of the various ICAAP elements of the Group, covering both risk profile and capital adequacy, as well as key financials (balance sheet & income statement) and the respective drivers. The entities in scope of Piraeus Group's ICAAP are all entities covered in Pillar I, i.e. all Group entities (domestic and overseas) within the regulatory consolidation perimeter.

The methodologies utilized for the capital requirements calculation under ICAAP are based on advanced/internal model based approaches to the applicable extent, while other types of approaches have been adopted for additional risks covered under ICAAP, including stress testing related approaches (i.e. impact of instantaneous stress/shocks to key risk drivers/factors on existing positions).

Quantitative limits and qualitative statements within the Group's risk appetite address key ICAAP elements, particularly with respect to capital adequacy, the evaluation of which is the primary objective of the Group's ICAAP. Moreover, the results of the risk and capital assessment performed under the ICAAP are utilized in order to provide feedback to the risk appetite and to the overall Risk & Capital Strategy in terms of assessing the resilience of the various capital and risk limits/tolerance thresholds that have been set and, if necessary, consider their revision, taking into account the available capital resources, the composition and adequacy of which are also assessed within the ICAAP.

Capital planning and stress testing is a key component of the ICAAP and is explicitly interrelated with the business planning process of the Group. The projection and evaluation of capital adequacy on a forward-looking basis is performed under base, varied adverse macroeconomic scenarios, and through reverse stress testing. Assumptions and respective projections of balance sheet and income statement elements under the Group's business plan feed into the capital adequacy assessment process. Moreover, within the planning process of ICAAP, key business assumptions, projected capital adequacy and risk profile are reviewed in order to ensure the adherence to risk appetite limits and the resilience of the business plan, in line with the objective of the Group to maintain a strong and stable capital base that safeguards the ability to continue its operations smoothly and supports its business and strategic plans.

3.8. European Banking Authority 2018-Wide Stress Test

On January 31st 2018, the European Banking Authority (EBA), in coordination with the Single Supervisory Mechanism (the "SSM"), launched the 2018 EU-wide stress test (2018 ST), which is designed to provide supervisors, banks and other market participants with a common analytical framework to consistently compare and assess the resilience of EU banks to economic shocks and to challenge the capital position of EU banks. No pass-fail capital threshold has been included, as the results of the exercise are designed to serve as an input to the Supervisory Review and Evaluation Process (SREP).

The 2018 ST exercise is carried out on a sample of banks covering broadly 70% of the banking sector in the euro area. The methodology was published in November 2017 and is to be applied to the baseline and adverse scenarios of the exercise over a period of 3 years, from 2018 to 2020. The stress test is run at the highest level of consolidation and carried out on the basis of actual figures as at 31 December 2017, under the assumption of a static balance sheet. It is also noted that for the first time IFRS 9 accounting standard is incorporated in the exercise.

The baseline scenario of the exercise is in line with the December 2017 forecast published by the European Central Bank (ECB). The adverse scenario was developed by the ESRB and the ECB in close cooperation with competent authorities, the EBA and national central banks and assumes the materialization of a number of systemic risks, which are currently deemed as representing the most material threats to the stability of the EU banking sector.

The 2018 ST announced macroeconomic parameters for Greece milder compared to the EBA 2015 Greek stress test (so called “Greek Comprehensive Assessment 2015”). As an example, the cumulative 3 year GDP in the baseline scenario of the 2018 ST stands at 7.3% vs. -0.9% in 2015 Greek ST, while the respective numbers for the adverse scenario are -3.2% in 2018 ST vs -6.9% in 2015 ST. Furthermore, the cumulative 3-year residential house prices in the baseline scenario of the 2018 ST are forecast at 1.0% vs. -13.5% in 2015 ST, while the respective numbers for the adverse scenario are -16.6% in 2018 ST vs -24.4% in 2015 ST.

The 2018 ST covers Piraeus Bank S.A. as a consolidated Group, including all subsidiaries and branches, both domestic and international. All applicable risk groups as per the 2018 EBA ST methodology are covered in the Bank’s stress test results, including net interest income, credit risk, market risk, conduct risk and other operational risks, as well as other pertinent P&L and capital risks.

The results are expected to be announced for European banks in November 2018. The four Greek banks will undergo the same stress test under EBA scenarios and methodologies, however in order to complete the test before the end of the 3rd ESM stability support program for Greece, the time table will be accelerated and the results are expected to be published in May 2018.

3.9. Supervisory Review and Evaluation Process (SREP)

The Supervisory Review and Evaluation Process (SREP) refers to the common methodology and standards used by the ECB in its role under the SSM. SREP is used by supervisors to review the risks that institutions undertake and decide whether capital (and liquidity) resources are adequate.

In accordance with Article 97 of the Capital Requirements Directive (CRD IV), supervisors regularly review the arrangement, strategies, process and mechanisms implemented by banks and evaluate:

- the risks to which the institution might be exposed,
- the risks the institution might pose to the financial system in general,
- the risks revealed by stress testing.

For the implementation of the aforementioned process, ECB introduced a mandatory Pillar II capital requirement. Failure to comply with this requirement may impose direct legal implications for banks.

Following the completion of the Supervisory Review and Evaluation Process (SREP) for year 2017, the European Central Bank (ECB) notified the Group of its new total SREP capital requirement (TSCR), which applies from January 1st 2018. According to this decision, Piraeus Bank is required to maintain at all times, on a consolidated basis, a Total SREP Capital Ratio (TSCR) of 11.75%.

The TSCR of 11.75% includes:

- the minimum Pillar I own funds requirement of 8%, in accordance with article 92(1) of regulation (EU) No 575/2013, and
- an additional Pillar II own funds requirement of 3.75%, as per article 16(2) of Regulation 1024/2013/EU, to be held in excess of the minimum own funds requirement.

In addition to the TSCR, the Group is also subject to the Overall Capital Requirement (OCR) which includes the applicable combined buffer requirement as defined in article 121 (6) of Law 4261/2014. The combined buffer requirement for 2018, consists exclusively of the phase-in capital conservation buffer of 1.875%. Taking into consideration the above, the OCR ratio amounts to 13.625%.

At December 31st 2017, Piraeus Bank Group’s CET1 capital ratio stood at 15.1%, exceeding the SREP regulatory requirements.

4. Credit Risk and Counterparty Credit Risk

Credit risk is defined as the potential risk that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions. Credit risk is the most significant risk for the Group and therefore its effective monitoring and management constitutes a top priority for senior management. The Group's exposure to credit risk arises mostly from corporate and retail credit, various investments, OTC transactions, derivatives transactions, as well as from transactions settlement. The amount of risk associated with such credit exposures depends on various factors, including general economic conditions, market developments, debtor's financial condition, amount/type/duration of exposure and the existence of collateral and guarantees.

The implementation of the Credit Policy, that describes the principles of credit risk management of the Group, ensures effective and uniform credit risk monitoring and control. Piraeus Bank Group applies a uniform policy and practice with respect to the credit assessment, approval, renewal and monitoring procedures. All credit limits are reviewed and/or renewed at least annually and the responsible approval authorities are determined, based on the size and the category of the total credit risk exposure undertaken by the Group for each debtor or group of connected debtors (one obligor principle).

Under the Group Risk Management, Credit Risk Management operates with the objective of identifying, monitoring and managing credit risk, according to the Risk Appetite Framework, as approved by the Board of Directors, in compliance with the respective obligations towards the supervisory authorities. Gross loans before provisions amounted to €60.3 bn at year end 2017[8]. Total loans in Greece reached €58.2bn, while loans from international operations amounted to €2 bn.

Furthermore, by business line, Group business loans amounted to €39.6 bn, accounting for 66% of the total loan portfolio, while retail loans amounted to €20.7 bn, or 34% of the total loan portfolio.

In this chapter, there are tables depicting the Group's assumed credit risk in various risk sensitive dimensions. The presentational approach followed, is to include discontinued operations in tables that use capital adequacy dimensions, since the discontinued status does not warranty exclusion from prudential requirement calculation purposes. On the other hand, tables presenting the credit quality of the loan book, do not include discontinued operations for comparability reasons to the financial statements.

The table below presents the on-balance sheet and off-balance sheet exposures subject to Credit Risk (CR) and Counterparty Credit Risk (CCR), net of value adjustments and provisions.

Table 08: EU CRB-B - Total and Average Net Amount of Exposures

2017 (€ 000's)		a	b
		Net Value of Exposures at the End of the Period	Average Net Exposures over the Period
16	Central governments or central banks	10,048,332	9,180,383
17	Regional governments or local authorities	133,262	140,762
18	Public sector entities	18,759	18,291
19	Multilateral development banks	21,900	10,950
20	International organisations	23,885	5,279,640
21	Institutions	4,317,552	7,864,868

[8] Including seasonal agri-loan of €1.6bn to OPEKEPE.

Table 08: EU CRB-B - Total and Average Net Amount of Exposures			
2017 (€ 000's)		a	b
		Net Value of Exposures at the End of the Period	Average Net Exposures over the Period
22	Corporates	10,148,148	10,342,475
23	*Of which: SMEs*	*2,040,712*	*2,065,087*
24	Retail	5,105,161	5,226,241
25	*Of which: SMEs*	*2,401,223*	*2,430,766*
26	Secured by mortgages on immovable property	16,451,921	16,845,022
27	*Of which: SMEs*	*6,263,295*	*6,438,781*
28	Exposures in default	17,467,272	18,375,224
29	Items associated with particularly high risk	27,067	35,506
30	Covered bonds	37,493	18,747
32	Collective investments undertakings	37,714	40,876
33	Equity exposures	470,265	454,912
34	Other exposures	6,475,129	6,422,642
35	**Total standardised approach**	**70,783,861**	**80,256,537**
36	**Total**	**70,783,861**	**80,256,537**

The table below presents the net values of loans and off-balance sheet exposures, analysed by residual maturity, before applying credit conversion factors and credit risk mitigation techniques. Exposures are disclosed in the columns corresponding to their contractual maturity. When the amount is repaid in instalments, the exposure is allocated in the maturity bucket corresponding to the instalment.

Table 09: EU CRB-E – Maturity of Exposures							
2017 (€ 000's)		a	b	c	d	e	f
		Net Exposure Value					
		On Demand	<= 1 year	> 1 year <= 5 years	> 5 years	No Stated Maturity	Total
7	Central governments or central banks	76,991	1,385,397	262,563	7		1,724,959
8	Regional governments or local authorities	2,705	22,632	75,039	32,887	95	133,358
9	Public sector entities	166	3,599	13,803	412		17,981
10	Multilateral development banks						
11	International organisations		3	3	1		6
12	Institutions	517,471	65,457	706,077	37		1,289,043
13	Corporates	606,993	2,769,846	4,896,580	1,081,113	24,136	9,378,668
14	Retail	932,079	865,558	1,726,392	569,058	96,528	4,189,615
15	Secured by mortgages on immovable property	526,580	2,341,630	5,907,705	7,301,375	221,227	16,298,517
16	Exposures in default		1,622,224	2,448,325	2,112,736	11,408,121	17,591,406
17	Items associated with						

Table 09: EU CRB-E – Maturity of Exposures							
2017 (€ 000's)		a	b	c	d	e	f
		Net Exposure Value					
		On Demand	<= 1 year	> 1 year <= 5 years	> 5 years	No Stated Maturity	Total
	particularly high risk						
18	Covered bonds						
20	Collective investments undertakings						
21	Equity exposures						
22	Other exposures						
23	**Total standardised approach**	**2,662,985**	**9,076,346**	**16,036,487**	**11,097,627**	**11,750,107**	**50,623,552**
24	**Total**	**2,662,985**	**9,076,346**	**16,036,487**	**11,097,627**	**11,750,107**	**50,623,552**

The table below presents a comprehensive analysis of credit risk on-balance-sheet and off-balance-sheet exposures analyzed by regulatory exposure class.

Table 10: EU CR1-A– Credit Quality of Exposures by Exposure Class and Instruments							
2017 (€ 000's)		a	b	c	e	f	g
		Gross carrying values of		Specific credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted Exposures	Non-Defaulted Exposures				(a+b-c)
16	Central governments or central banks		9,691,942			34,215	9,691,942
17	Regional governments or local authorities	10,855	134,104	3,146		619	141,812
18	Public sector entities	11,502	18,805	5,921		365	24,385
19	Multilateral development banks		21,900				21,900
20	International organisations		18				18
21	Institutions		1,347,197	1		(1)	1,347,196
22	Corporates	14,420,518	10,136,411	7,357,350		1,229,466	17,199,579
23	*Of which: SMEs*	*8,412,714*	*2,024,518*	*4,303,265*			*6,133,967*
24	Retail	6,627,150	5,311,756	3,731,729		237,906	8,207,177
25	*Of which: SMEs*	*3,451,432*	*2,453,546*	*1,708,099*			*4,196,880*
26	Secured by mortgages on immovable property	11,355,316	16,643,503	4,416,821		509,583	23,581,997
27	*Of which: SMEs*	*6,776,028*	*6,361,885*	*2,845,234*			*10,292,678*
28	Exposures in default	32,425,340		14,963,475	5,718,957		17,461,865
29	Items associated with particularly high risk		27,067				27,067
30	Covered bonds		37,493				37,493
31	Claims on institutions and corporates with a short-term credit assessment						
32	Collective investments undertakings		37,714				37,714
33	Equity exposures		470,265				470,265
34	Other exposures		6,475,129				6,475,129
35	**Total standardised approach**	**32,425,340**	**50,353,303**	**15,514,968**	**5,718,957**	**2,012,153**	**67,263,674**

Table 10: EU CR1-A– Credit Quality of Exposures by Exposure Class and Instruments							
		a	b	c	e	f	g
		Gross carrying values of					Net values
2017 (€ 000's)		Defaulted Exposures	Non-Defaulted Exposures	Specific credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	(a+b-c)
36	Total	32,425,340	50,353,303	15,514,968	5,718,957	2,012,153	67,263,674
37	*Of which: Loans*	*31,523,183*	*43,614,615*	*15,459,233*	*5,718,957*	*2,012,153*	*59,678,565*
38	*Of which: Debt securities*	*22,834*	*2,728,453*				*2,751,287*
39	*Of which: Off-balance-sheet exposures*	*400,003*	*4,489,555*	*55,736*			*4,833,822*

Notes: The table includes amounts from discontinued operations, but does not include items not subject to credit risk or items directly deducted from Common Equity Tier 1 capital. Exposures in default amounts and the relevant Credit Risk Adjustment Charges of the period are analyzed in their original asset class and are not included in the "Total Standardized Approach" totals.

Accumulated write-offs include amounts from exposures where the total extinguishment of all the institution's rights (by expiry of the statute of limitations period, forgiveness or other causes) has not yet occurred or until recovery, thus extending the reference period beyond 2017. As a result, these figures are not directly comparable to the Credit Risk Adjustment Charges or the write-off amounts of 2017.

4.1. Credit Risk Measurement and Reporting Systems

Reliable credit risk measurement is a top priority within the Group's risk management framework. The continuous development of infrastructure, systems and methodologies aimed at quantifying and evaluating credit risk is essential in order to timely and efficiently support Management and the business units in relation to decision making, policy formulation and compliance with regulatory requirements.

4.1.1. Loans and Advances

For credit risk measurement and monitoring purposes of loans and advances, the following are performed at a counterparty level:

- the debtor's creditworthiness and probability of default on its contractual obligations are systematically assessed,
- the Group's probability of potential recovery in the event of the debtor defaulting on its obligations is estimated based on existing collateral and guarantees provided.

The Group assesses the creditworthiness of borrowers and estimates the probability of default on their obligations by applying credit rating models appropriate to their special characteristics and features. These models combine financial and statistical analysis together with the expert judgement of responsible officers. Whenever possible, the models are tested by benchmarking against externally available information.

Borrowers are rated when their credit limit is initially determined and thereafter re-rated on at least an annual basis. The ratings are also updated in cases when there is available information that may have a significant impact on the level of credit risk. The Group regularly tests the predictive capability of the creditworthiness evaluation and rating models, thus ensuring its potential of accurately depicting credit risk and allowing for the timely implementation of measures addressing potential problems.

4.1.2. Corporate Credit

All corporate customers are assigned to credit rating grades, which correspond to different levels of credit risk and relate to different default probabilities. Each rating grade is associated with a specific customer relationship policy.

Additional information regarding the ratings classification and the credit lending policy is available in the Annual Financial Report 2017, chapter 4.1.2.

(link: Piraeus Bank Group Financial Statements)

4.1.3. Retail Credit

Regarding the retail credit portfolio, there are scorecards of client credit assessment in the retail banking portfolio covering different stages of the credit cycle.

Additional information regarding scorecards of client credit assessment is available in the Annual Financial Report 2017 chapter 4.1.2.

(link: Piraeus Bank Group Financial Statements)

4.1.4. Recovery Based on Existing Collateral, Security and Guarantees

Along with the assessment of the counterparties' creditworthiness, rating evaluation and during the process of setting/reviewing credit limits, the Group estimates the recovery rate related to the exposure, in the event the debtors default on their contractual obligations. The estimation of the recovery rate is based on the type of credit and the existence as well as the quality of any collateral/security. According to standard practice, the lower the rating of a borrower, the greater the collateral/security required, so that the recovery rate is as high as possible in case of borrowers defaulting on their contractual obligations to the Group.

4.1.5. Risk Based Pricing

Aiming at integrating risk parameters into the decision-making process and particularly the new financing, the Bank has developed a risk based pricing methodology that incorporates the cost of credit risk as well as other risk and administration costs. The Bank is examining the implementation work streams in consistency with the Bank's corporate strategy.

4.1.6. Securities and Other Bills

The Group holds a portfolio of sovereign, bank and corporate debt, including Greek and international issues. For the proper management and monitoring of risks, all positions in securities are subject to approved limits, according to the Group's policies and procedures.

For the measurement and evaluation of credit risk entailed in debt securities and other bills, external ratings from rating agencies are used.

The amount of the Group's exposure to credit risk from debt securities and other bills is monitored for each portfolio category according to the relevant IFRS provisions.

4.1.7. Concentration Risk

Credit risk concentration may arise from various types of inadequate risk diversification within a portfolio. Major types of credit risk concentration encountered in loan portfolios are the following:

- name concentration which is associated with inadequate risk diversification arising from large exposures to individual counterparties or groups of connected counterparties,
- sector concentration which arises from large exposures to customer groups affected by common factors such as the macroeconomic environment, geographic location, industry activity, currency etc.

The Group monitors concentration risk on a regular basis, through a reporting framework which respectively informs Senior Management and the supervisory authorities. In addition to monitoring supervisory limits, the Group has set internal limits within the Risk Appetite Framework, which are revised annually.

Additional information regarding concentration risk is available in the Annual Financial Report 2017 chapter 4.1.4.

(link: Piraeus Bank Group Financial Statements)

The table below presents an analysis of credit risk exposures by major industries before the application of credit conversion factors and credit risk mitigation techniques.

Table 11: EU CRB-D – Concentration of Exposures by Industry

		a	b	c	d	e	f	g	h	i	j	l	m	n	o	p	q	r	s	t	u
	2017 (€ 000's)	Accommodation & food service activities	Administrative & Support Service	Agriculture, forestry & fishing	Arts, entertainment & recreation	Construction	Education	Electricity, gas, steam and air conditioning supply	Human health & social activities	Information & communication	Manufacturing	Mining & quarrying	Other service activities	Professional, scientific & technical activities	Public Administration & defense, compulsory social security	Real estate activities	Transportation & storage	Water supply, sewerage, waste management & remediation activities	Wholesale & retail trade, Repair of motor vehicles & motorcycles	Other	Total
7	Central governments or central banks		1,452										213		1,646,502					8,043,775	**9,691,942**
8	Regional governments or local authorities		207		12			2,104					1,457		129,422			8		52	**133,262**
9	Public sector entities	328			515	1	159		1	1	1	53	4,322	90	2,641	546	5,117	4,958	1	23	**18,759**
10	Multilateral development banks																			21,900	**21,900**
11	International organisations												18								**18**
12	Institutions												127,394							1,219,802	**1,347,196**
13	Corporates	106,224	114,139	110,342	159,366	510,680	2,386	1,435,840	42,613	126,075	1,305,985	30,477	2,695,068	132,773		100,375	1,404,095	5,864	733,553	969,902	**9,985,757**
14	Retail	70,983	38,567	150,076	9,021	73,764	10,709	164,554	27,824	22,407	221,759	6,246	3,562,457	62,445	245	9,973	69,105	4,318	480,163	118,771	**5,103,386**
15	Secured by mortgages on immovable property	1,416,992	113,401	470,015	20,490	894,543	58,771	69,516	323,954	41,115	1,349,373	6,325	9,058,815	292,013	2,289	518,270	174,644	13,394	1,527,648	100,352	**16,451,921**
16	Exposures in default	1,395,960	129,878	389,639	107,684	1,669,466	38,476	64,406	171,086	288,240	2,188,138	35,659	5,746,842	266,875	13,449	1,173,576	1,298,512	19,827	2,362,690	101,463	**17,461,865**
17	Items associated with particularly high risk																			27,067	**27,067**
18	Covered bonds																			37,493	**37,493**
20	Collective investments undertakings																			37,714	**37,714**
21	Equity exposures																			470,265	**470,265**
22	Other exposures																			6,475,129	**6,475,129**
23	**Total standardised approach**	**2,990,487**	**397,644**	**1,120,072**	**297,087**	**3,148,455**	**110,501**	**1,736,419**	**565,479**	**477,839**	**5,065,255**	**78,761**	**21,196,585**	**754,195**	**1,794,548**	**1,802,740**	**2,951,473**	**48,370**	**5,104,054**	**17,623,709**	**67,263,674**
24	**Total**	**2,990,487**	**397,644**	**1,120,072**	**297,087**	**3,148,455**	**110,501**	**1,736,419**	**565,479**	**477,839**	**5,065,255**	**78,761**	**21,196,585**	**754,195**	**1,794,548**	**1,802,740**	**2,951,473**	**48,370**	**5,104,054**	**17,623,709**	**67,263,674**

Notes: The table Includes amounts from discontinued operations, but does not include items not subject to credit risk or items directly deducted from Common Equity Tier 1 capital.

4.1.8. Country Risk

The Group's cross-border activities expose the entity to country risk. Country risk reflects the risk of economic losses and the decrease in value of the Group 's net assets, arising from one or more of the following reasons:

- a deterioration in the economic, political and social conditions prevailing in countries in which the Group operates,
- the possibility of expropriation and nationalization of assets by the government,
- default on external or internal government debt,
- the application of restrictive measures with regards to fund transferring,
- the possibility of significant currency depreciation.

For timely and effective monitoring of country risk, the Bank has established a framework for evaluation and management according to which specific country limits are established, monitored and evaluated on a regular basis (at least annually). For country risk assessment, both quantitative and qualitative criteria are used, taking into account the evolution of risk parameters and the volume/structure of the Group's country exposures.

The table below presents an analysis of credit risk exposures by geographical areas before the application of credit conversion factors and credit risk mitigation techniques.

Table 12: EU CRB-C – Geographical Breakdown of Exposures

2017 (€ 000's)		a	b	c	e	f	h	I	j	n
		Net Value								
		Greece	Romania	Bulgaria	Albania	Ukraine	United Kingdom	Germany	Other countries	Total
7	Central governments or central banks	8,701,350	413,778	253,730	154,614	17,423			151,047	**9,691,942**
8	Regional governments or local authorities	131,115	43		2,104					**133,262**
9	Public sector entities	12,042	6,716		2					**18,759**
10	Multilateral development banks								21,900	**21,900**
11	International organisations			18						**18**
12	Institutions	45,484	9,387	96,099		13,015	641,515	206,010	335,684	**1,347,196**
13	Corporates	8,144,734	159,195	139,121	35,815	49,341	9,998	672	1,446,881	**9,985,757**
14	Retail	4,489,448	218,869	161,084	62,267	28,654	2,285	1,815	138,964	**5,103,386**
15	Secured by mortgages on immovable property	15,006,863	612,690	339,835	67,363	5,940	74,168	23,362	321,700	**16,451,921**
16	Exposures in default	15,378,686	346,540	205,871	69,869	3,805	17,805	4,599	1,434,690	**17,461,865**
17	Items associated with particularly high risk	27,067								**27,067**
18	Covered bonds	37,493								**37,493**
20	Collective investments undertakings	37,714							1,741	**39,455**
21	Equity exposures	465,794	287	2,442					17,220	**485,744**
22	Other exposures	6,172,247	94,116	137,001	48,379	6,166				**6,457,909**
23	**Total standardised approach**	**58,650,038**	**1,861,622**	**1,335,202**	**440,413**	**124,344**	**745,770**	**236,459**	**3,869,827**	**67,263,674**
24	**Total**	**58,650,038**	**1,861,622**	**1,335,202**	**440,413**	**124,344**	**745,770**	**236,459**	**3,869,827**	**67,263,674**

Notes: The table includes amounts from discontinued operations, but does not include items not subject to credit risk or items directly deducted from Common Equity Tier 1 capital.

4.1.9. Counterparty Credit Risk

Counterparty Credit Risk (CCR) is defined as the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Additional information regarding counterparty credit risk is available in the Annual Financial Report 2017 chapter 4.1.6.

(link: Piraeus Bank Group Financial Statements)

Counterparty credit risk is applicable to:

- OTC derivative transactions,
- repurchase transactions,
- credit derivatives,
- long settlement transactions.

Exposure values for counterparty credit risk, are measured in accordance with the mark-to-market method. More specifically, the exposure value for a derivative transaction is the sum of the current replacement cost of the contract (if it's positive) and the Potential Future Exposure (PFE). For determining the potential future exposure, the notional amount of the underlying instruments is multiplied by an applicable regulatory coefficient, which takes into account the transaction type and the remaining maturity.

The table below presents the distribution of exposure values deriving from PB Group's derivative and security financing transactions (SFTs) per contract type, before and after credit risk mitigation techniques, incurred CVA and netting.

Table 13: Exposure Value of Derivatives and SFT's per Contract Type 2017 (€ 000's)

	Contract Type	Original Exposure	Financial Collateral and Contractual Netting	Exposure (E*)	Capital Requirements
1	Cross Currency Interest Rate Swaps	94,264	47,755	46,509	976
2	Interest Rate Swaps	435,621	52,769	382,852	5,517
3	Foreign-exchange transactions	33,870	11,155	22,715	601
4	Repurchase agreements	2,478,085	1,466,316	1,011,769	16,342
5	Reverse Repurchase agreements	907,379	883,936	23,443	1,093
6	Other Derivatives	43,327	582	42,744	1,551
7	**Total**	**3,992,545**	**2,462,513**	**1,530,033**	**26,080**

Notes: Exposure value for derivatives is comprised of the contract's replacement cost and the potential future exposure add-on

The following table presents exposure values after credit risk mitigation techniques, incurred CVA and netting on residual maturity bands for the Group's derivative and security financing transactions.

Table 14: Exposure Value of Derivatives and SFT's by Residual Maturity 2017 (€ 000's)

		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	>5 years	Total
1	Derivative Financial Instruments	32,650	21,279	19,710	22,145	399,035	494,820
2	Repurchase Agreements	1,025,830	6,444	2,938	0	0	1,035,212
3	**Total**	**1,058,480**	**27,724**	**22,648**	**22,145**	**399,035**	**1,530,033**

Piraeus Bank Group manages counterparty credit risk by setting appropriate credit limits, requiring adequate financial collateral and signing master netting agreements.

As far as netting agreements are concerned, Piraeus Group has signed ISDA[9] and GMRA[10] master netting agreements with a number of financial institutions. These agreements, where deemed necessary, are complemented with the standardized form of Credit Support & EFSF Annexes. For calculating the capital requirements of a netting set, where netting leads to a net obligation for PB Group, the current replacement cost is calculated as zero. Furthermore, depending on the net to gross ratio derived from all replacement costs in a netting set, the potential future exposure of the netting set is appropriately adjusted.

The following table provides an analysis on the effects of netting agreements and collateral for exposure to counterparty risk.

Table15: EU CCR5-A – Impact of Netting and Collateral held on Exposure Values

		a	b	c	d	e
	2017 (€ 000's)	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1	Derivatives	488,134	70,342	417,792		417,792
2	SFTs					
3	Cross-product netting					
4	**Total**	**488,134**	**70,342**	**417,792**		**417,792**

It should be noted that, given the current state of the interbank market, no material changes are expected on the Group's collateral postings due to rating downgrades. As of year-end 2017, the Group had no positions on credit derivatives.

4.2. Credit Risk Mitigation & Control

4.2.1. Credit Limits

Piraeus Group sets credit limits in order to manage and control its credit risk exposures and concentration risk and define the maximum acceptable level of risk undertaken. Credit limits define the maximum acceptable level of undertaken risk per counterparty, group of counterparties, credit rating, product, sector of economic activity and country. Additionally, limits are set and applied against exposures to financial institutions. The Group's total exposure to credit risk, including financial institutions, is further controlled by the application of sublimits that address on and off-balance sheet exposures.

In order to set customer limits, the Group takes into consideration any collateral or security provided, which reduce the level of risk assumed. The Group categorizes the risk of credits into risk classes, based on the type of collateral/security associated and their liquidation potential. The maximum credit limits that may be approved per risk class are determined by the Board of Directors. In Piraeus Group, no credit is approved by one sole person since the procedure regularly requires the approval of a minimum of three authorized officers, with the exception of consumer loans and credit cards, with the prerequisite that all criteria set in the credit policy are met. Approval authorities are designated based on the level of risk exposure and their role in contributing to the quality of the Group's total credit portfolio is particularly significant.

Credit limits are set with an effective duration of up to twelve months and they are subject to annual or more frequent review. The responsible approval authorities may, in special circumstances, set a shorter duration than twelve months. The outstanding balances along with their corresponding limits are monitored and any limit excesses are timely reported and dealt with accordingly.

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[9] ISDA: International Swaps and Derivatives Association

[10] GMRA: Global Master Repurchase Agreement

4.2.2. Collateral Use

Along with the evaluation of the creditworthiness of counterparties, the Group estimates the recovery rate against exposures, when limits are set or reviewed. This estimation is based on the type of debt claim and the existence of any connected collateral or/and guarantees.

According to standard practice, when a borrower's credit rating is low, then additional collateral/guarantees are requested, in order to secure a higher recovery rate to account for the borrowers default probability.

The Group receives collateral or security against its credit to customers, minimizing thus the overall credit risk and ensuring the timely repayment of its debt claims.

For this scope, the Group has defined categories of acceptable collateral and has incorporated them in its Credit Policy. The Group regards collateral as liquid assets, which are pledged to secure timely repayment of its debt claims, while on the other hand, the Group considers guarantees as assets that are not easily liquidated.

Main types of acceptable collateral are the following:

- Pledged deposits and cheques,
- Greek government guarantees,
- Guarantees by the Credit Guarantee Fund for Small and Very Small Enterprises (TEMPME),
- Bank letters of guarantee,
- Pledged financial instruments such as stocks, bonds, bills or mutual fund shares,
- Mortgages on real estate property,
- Ship mortgages,
- Receivables.

The collateral/security associated with a credit is initially evaluated during the credit approval process, based on their current or fair value and is reevaluated at regular intervals.

The table provides an analysis of credit risk exposures before and after the application of credit conversion factors and credit risk mitigation techniques, as well as RWAs and RWA densities broken down by regulatory exposure classes and a split in on- and off-balance sheet exposures.

Table 16 EU CR4 – Credit Risk Exposure and CRM effects (STD approach)

2017 (€ 000's)		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	Exposure classes	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	9,691,753	189	10,581,099	3	6,409,562	61%
2	Regional government or local authorities	132,755	1,349	130,001	153	27,707	21%
3	Public sector entities	14,993	3,812	13,887	1,944	15,831	100%
4	Multilateral development banks	21,900		21,900			0%
5	International organisations	3	15	3	3		0%
6	Institutions	1,329,084	18,113	1,426,673	15,001	239,876	17%
7	Corporates	7,564,692	2,571,719	6,646,093	776,267	7,370,326	99%
8	Retail	3,681,450	1,630,306	3,202,115	216,050	2,270,164	66%

Table 16 EU CR4 – Credit Risk Exposure and CRM effects (STD approach)							
2017 (€ 000's)		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
Exposure classes		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
9	Secured by mortgages on immovable property	16,380,043	263,459	15,863,927	123,984	7,542,860	47%
10	Exposures in default	32,024,744	400,596	16,474,211	138,568	17,563,439	106%
11	Higher-risk categories	27,067		27,067		40,601	150%
12	Covered bonds	37,493		37,493		18,747	50%
14	Collective investment undertakings	37,714		37,714		37,714	100%
15	Equity	470,265		470,265		484,159	103%
16	Other items	6,475,129		6,475,129		4,905,710	76%
17	**Total**	**77,889,085**	**4,889,558**	**61,407,578**	**1,271,973**	**46,926,695**	**75%**

Notes: The table includes amounts from discontinued operations, but does not include items not subject to credit risk or items directly deducted from Common Equity Tier 1 capital.

4.2.3. Collateral Valuation

Collateral/security is valued initially during the credit approval based on its current or fair value and is then revalued regularly.

Bonds received as collateral are valued on a daily basis and monitored through a collateral system that takes into account the specific characteristics of every contract.

Equities listed in the stock exchange are also taken into account. Their valuation is based on the official daily closing prices of the previous day for each share while the entire valuation process is conducted in the collateral system.

According to the regulatory framework, real-estate collateral is evaluated at least once a year in case of commercial real estate and once every three years in case of residential real estate.

The table provides an analysis of unsecured and secured credit risk exposures and credit risk exposures secured by various credit risk mitigants for all loans and debt securities accompanied by the carrying amounts of the total exposures, which are in default.

Table 17 EU CR3 – CRM techniques (Overview)						
2017 (€ 000's)		a	b	c	d	e
		Exposures unsecured – Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	27,895,115	31,783,451	21,085,089	793,128	
2	Total debt securities	3,730,806				
3	**Total exposures**	**31,625,920**	**31,783,451**	**21,085,089**	**793,128**	
4	*Of which defaulted*	*4,393,742*	*12,700,428*	*7,271,876*	*422,013*	

For the correct interpretation of the figures presented in the table above, the following are noted:

- Exposures unsecured - Carrying amount: Includes the carrying amount of exposures (net of allowances/impairments) that do not benefit from a credit risk mitigation technique,
- Exposures to be secured: Includes the carrying amount of exposures (net of allowances/impairments) that have at least one credit risk mitigation mechanism (collateral, financial guarantees, credit derivatives) associated with them,
- Exposures secured by collateral: Includes the carrying amount of exposures (net of allowances/impairments) partly or totally secured by collateral (CRR eligible collateral include cash, stocks, bonds, mortgages on immovable property),
- Exposures secured by financial guarantees: Includes the carrying amount of exposures (net of allowances/impairments) partly or totally secured by financial guarantees,
- Exposures secured by credit derivatives: Includes the carrying amount of exposures (net of allowances/impairments) partly or totally secured by credit derivatives.

The allocation of the carrying amount of multi-secured exposures to their different credit risk mitigation mechanisms is made by order of priority, starting with the CRM mechanism expected to be called first in the event of a loss, and within the limits of the carrying amount of the secured exposures.

In case an exposure is secured by collateral and other CRM mechanisms, the carrying amount of the exposures secured by collateral is the remaining share of the exposures secured by collateral after consideration of the shares of the exposures already secured by other mitigation mechanisms expected to be called beforehand in the event of a loss, without considering over-collateralization.

4.2.4. Credit-Related Commitments

The Group uses credit-related commitments to provide customers with funds when requested. These commitments entail credit risk and mainly concern letters of credit and letters of guarantee.

The remaining duration of credit-related commitments is systematically analyzed and monitored, since in general, commitments with longer duration entail greater risk compared to those with shorter duration.

4.3. Impairment Policy

The Group assesses on a regular basis whether there is any objective evidence that a financial asset or group of financial assets is impaired. To this extent and at each reporting period, the Group uses a very analytical method of calculating the allowance for impairment losses on loans and advances to customers (impairment test) for the purpose of creating adequate provisions coverage for this portfolio, according to the provisions of IFRS. The allowance for impairments on loans and advances to customers for the Group is approved by the Provisioning Committee.

An asset is impaired when its current book value is greater than its expected future recoverable proceeds. The loan's expected future recoverable proceeds consist of the present value of the estimated future cash flows of the financial asset or group of financial assets and the present value of any liquidated collateral, in the cases of the obligor's inability to fulfill its commitments. In the case of significant and material evidence that the Group will not be in a position to collect all due amounts according to the contractual terms of any agreement, a provision amount is calculated in order to reduce the asset's carrying value. The allowance for impairment on loans and advances to customers is the difference between the asset's current book value and the recovered asset's proceeds.

The criteria that the Group, according to IAS 39, considers as objective evidence of impairment for any financial asset or group of financial assets are described in Annual Financial Report Section 2.15.

(link: Piraeus Bank Group Financial Statements)

Impairment assessment is conducted individually for all loans that the Group considers individually significant, and collectively for all loans that are not considered individually significant. Bank's individually significant loans, are considered those loans which exceed €1 million at borrower level, while for the Group the individually significant loans depend on the size of the loan portfolios of each subsidiary company. The assessment of impairment is conducted collectively for claims (portfolios of claims) with common risk characteristics that individually are not considered significant. Furthermore, collective assessment includes loans that are not individually impaired. Loans and advances to customers that are individually assessed but for which no impairment loss is calculated due to adequate collateral are excluded from the collective impairment assessment.

Additional information regarding the impairment policy for individual provisions, the collective assessment for business loan portfolio and retail loan portfolio is available in the Annual Financial Report 2017, note 4.1.9 to 4.1.10.

(link: Piraeus Bank Group Financial Statements)

The Group's coverage ratio of loans in arrears over 90 days by cumulative provisions reached 75% and respectively for Greece 75.6%, resulting in a particularly high level of cumulative provisions over gross loans ratio of the Group, which reached 25.8%.

The following table provides an analysis on the development in the Groups stock of general and specific credit risk adjustments held against loans and debt securities that are defaulted or impaired.

Table 18: EU CR2-A – Changes in the Stock of General and Specific Credit Risk Adjustments

	2017 (€ 000's)	a **Accumulated Specific Credit Risk Adjustment**
1	Opening balance	16,940,842
2	Increases due to amounts set aside for estimated loan losses during the period	2,040,960
3	Decreases due to amounts reversed for estimated loan losses during the period	(28,168)
4	Decreases due to amounts taken against accumulated credit risk adjustments	(2,536,775)
5	Transfers between credit risk adjustments	
6	Impact of exchange rate differences	(164,697)
7	Business combinations, including acquisitions and disposals of subsidiaries	
8	Other adjustments	(711,655)
9	**Closing balance**	**15,540,506**
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	(6,516)
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	

Notes: The table does not include amounts from discontinued operations

The following table provides an analysis on the development in the Groups stock of defaulted loans and debt securities.

Table 19: EU CR2-B – Changes in the Stock of Defaulted and Impaired Loans and Debt Securities		
2017 (€ 000's)		a
		Gross Carrying Value Defaulted Exposures
1	**Opening balance**	**34,939,699**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	3,134,506
3	Returned to non-defaulted status	(2,277,908)
4	Amounts written off	(2,594,129)
5	Other changes	(771,421)
6	**Closing balance**	**32,430,747**

Notes: The table includes amounts from discontinued operations. "Other changes" include, among others, outflows from loan repayments, direct sales, debt asset swaps and collateral liquidations.

4.4. Non Performing and Forborne Exposures

The Group has incorporated the EBA definitions of 'nonperforming' and 'forborne' exposures. The EBA definition of non-performing captures those exposures that have material exposures which are more than 90 days past due or the debtor is assessed as unlikely to pay its credit obligations in full without the realization of collateral, regardless of the existence of any past due amounts. Any debtors that are in default for regulatory purposes or impaired under the applicable accounting framework are considered to be unlikely to pay.

The Group's loans in arrears over 90 days ratio was 34.4% in December 2017 from 36.6% in December 2016, declining to € 20.7 bn from € 24.4 bn, while the respective ratio for domestic operations was 34.2% from 36.5% respectively. The Group's non-performing exposures (NPEs) over total gross loans ratio stood at 54.5% at the end of December 2017, decreasing by € 3.3 bn compared to December 2016, while the respective ratio for Piraeus Bank stood at 52.6%.

The following table provides an ageing analysis of accounting on-balance-sheet past-due exposures regardless of their impairment status.

Table 20: EU CR1-D – Ageing of Past-Due Exposures				
2017 (€ 000's)		1	2	3
Gross Carrying Values		Loans	Debt securities	Total Exposures
a	≤ 30 days	4,133,679		4,133,679
b	> 30 days ≤ 60 days	1,487,056		1,487,056
c	> 60 days ≤ 90 days	1,171,104		1,171,104
d	> 90 days ≤ 180 days	1,584,286		1,584,286
e	> 180 days ≤ 1 year	566,393		566,393
f	> 1 year	18,570,749		18,570,749

Notes: The table does not include amounts from discontinued operations.

The following table provides an analysis of the Group's credit quality of loans and off-balance-sheet exposures, per NACE code, before applying credit conversion factors and credit risk mitigation techniques.

Table21: EU CR1-B – Credit Quality of Exposures by Industry or Counterparty Types

	2017(€ 000's)	a	b	c	e	f	g
		Gross Carrying Values of		Specific credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted Exposures	Non-Defaulted Exposures				(a+b-c)
1	Accommodation & food service activities	1,952,619	1,602,479	589,151	44,976	105,768	**2,965,947**
2	Administrative & Support Service	262,620	255,843	137,858	15,086	12,271	**380,605**
3	Agriculture, forestry & fishing	604,985	702,741	225,198	27,038	4,997	**1,082,529**
4	Arts, entertainment & recreation	367,214	193,236	264,068	509	71,136	**296,382**
5	Construction	3,454,470	1,436,619	1,836,526	264,682	351,052	**3,054,563**
6	Education	56,292	70,719	19,464	1,146	5,805	**107,547**
7	Electricity, gas, steam and air conditioning supply	163,380	1,680,786	125,302	118	38,925	**1,718,864**
8	Human health & social activities	322,688	390,631	156,580	2,850	19,680	**556,740**
9	Information & communication	593,164	185,792	309,825	164,216	62,296	**469,131**
10	Manufacturing	4,139,127	2,823,774	2,001,185	311,402	332,790	**4,961,716**
11	Mining & quarrying	68,313	33,676	35,956	2,848	8,851	**66,033**
12	Professional, scientific & technical activities	600,350	474,003	347,216	76,736	12,925	**727,138**
13	Public Administration & defense, compulsory social security	19,907	1,780,040	7,567	171	34,574	**1,792,379**
14	Real estate activities	2,156,249	596,343	989,193	25,196	101,812	**1,763,399**
15	Transportation & storage	2,446,350	1,650,783	1,170,522	185,218	432,451	**2,926,611**
16	Water supply, sewerage, waste management & remediation activities	50,776	22,115	31,330	1,591	3,159	**41,561**
17	Wholesale & retail trade, Repair of motor vehicles & motorcycles	4,483,411	2,662,768	2,198,235	715,200	315,563	**4,947,944**
18	Other services	10,509,999	18,308,363	4,985,148	3,751,287	98,734	**23,833,214**
19	**Total**	**32,251,913**	**34,870,712**	**15,430,324**	**5,590,272**	**2,012,792**	**51,692,301**

Notes: The table does not include amounts from discontinued operations

The following table provides an analysis of the Group's credit quality of loans and off-balance-sheet exposures, per incorporation country, before applying credit conversion factors and credit risk mitigation techniques.

2017 (€ 000's)		a	b	c	e	f	g
		Gross Carrying Values of		Specific credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted Exposures	Non-Defaulted Exposures				(a+b-c)
1	Greece	27,983,940	30,539,530	13,138,637	4,142,641	1,511,354	**45,384,833**
2	Romania	639,700	149,922	338,490	11,072	839	**451,133**
3	Bulgaria	271,439	945,839	69,460	251,101	(6,670)	**1,147,818**
5	Albania	103,093	215,598	34,299	58,370	976	**284,392**
6	Ukraine	24,641	107,653	22,538	42,802	1,797	**109,757**
7	United Kingdom	35,337	711,320	17,724	528,878	87,914	**728,933**
8	Germany	6,865	186,252	2,483	25	(40)	**190,634**
10	Other geographical areas	3,186,897	2,014,597	1,806,692	555,384	416,623	**3,394,802**
11	**Total**	**32,251,913**	**34,870,712**	**15,430,324**	**5,590,272**	**2,012,792**	**51,692,301**

Table 22: EU CR1-C – Credit Quality of Exposures by Geography

Notes: The table does not include amounts from discontinued operations

The Group adopted the implementing technical standards (ITS) of the European Banking Authority (EBA) relating to forborne loans, in alignment with the Bank of Greece Executive Committee Act No. 42/30.5.14 as it was amended from the Act No. 47/ 9.2.2015 and Act No. 102/30.8.2016, for the "Supervisory framework for the management of loans in arrears and non-performing loans".

The alignment of the Restructuring Policy of the Group with the relevant EBA definitions and Bank of Greece guidelines, was backed up with the creation of new structures and procedures, development of new information systems and modifications on existing applications, in order to achieve effective and reliable management of past due loans, by performing viable restructurings and monitoring the effectiveness of various types of forbearance.

Forborne loans are defined as exposures arising from loan agreements that have been subject to forbearance measures. The measures are considered as a concession of the Bank to a borrower who is facing or is about to face financial difficulties in fulfilling its financial obligations. Forbearance may involve conversion of contractual terms and conditions and / or refinancing of debts.

According to EBA technical standards, in order for a forborne loan to exit the forborne classification, it has to be at least for two years in performing status as, there should be no concern on full repayment, no impairment and reoccurrence of forbearance and also significant payments should have taken place within the last twelve months.

Forbearance measures do not lead to derecognition unless the loan is altered in a manner that the terms under the modified contract are substantially different from those under the original contract.

Loans in forbearance status are assessed for impairment either on individual or collective basis, according to the Impairment Policy.

Additional information regarding restructuring policy as well as analysis of restructured loans per portfolio is available in the Annual Financial Report 2017 chapter’s 4.1.11 and 4.4.1 - 4.4.5

As of December 31st 2017 forborne loans accounted for €14.8 bn.

(link: Piraeus Bank Group Financial Statements)

The following table provides an overview of the Groups gross carrying value of non-performing and forborne exposures (before any allowance/impairments but after considering write-offs) as per the Commission Implementing Regulation (EU) No 680/2014.

Table 23: EU CR1-E – Non-Performing and Forborne Exposures				
	2017 (€ 000's)	010	020	030
		Debt Securities	Loans and Advances	Off-balance-sheet Exposures
a	**Gross carrying amount of performing and non-performing exposures**	**23,109**	**63,228,226**	**4,640,513**
b	*Of which performing but past due > 30 days and <= 90 days*		*931,843*	
c	*Of which performing forborne*		*3,688,404*	*18,307*
d	*Of which non-performing*	*18,097*	*32,856,063*	*397,480*
e	*Of which defaulted*	*18,097*	*31,846,519*	*397,480*
f	*Of which impaired*		*27,812,293*	
g	*Of which forborne*		*11,086,311*	*42,952*
	Accumulated impairment and provisions and negative fair value adjustments due to credit risk			
h	On performing exposures		(538,914)	150
i	*Of which forborne*		*(132,004)*	*0*
j	On non-performing exposures		(15,001,592)	
k	*Of which forborne*		*(3,620,449)*	
	Collaterals and financial guarantees received			
l	On non-performing exposures		15,787,537	274,017
m	*Of which forborne*	*23,109*	*8,960,764*	*23,249*

Notes: The table does not include amounts from discontinued operations

4.5. Securitization

According to the minimum requirements set by Regulation (EU) No 575/2013, with reference date December 31st 2017, there was no significant transfer of credit risk from securitizations, since the Group retained almost in full every tranche in each securitization. All underlying loans are risk weighted using the standardized approach for credit risk.

For securitization exposures, where the Group acts as an investor, external credit ratings from Moody's Investors Service, Standard & Poor's Rating Services and Fitch Ratings are utilized. On December 31st 2017, the Group did not hold any investments in securitizations.

Finally, no interest rate risk exists from securitization positions in the trading book.

4.6. External Credit Assessment Institutions (ECAIs)

Piraeus Bank Group uses external credit ratings of the following institutions, for regulatory capital calculation purposes, under the Standardised Approach and CRD IV:

- Moody's Investors Service,
- Fitch Ratings,
- Standard & Poor's Rating Services,
- ICAP Group S.A.

These institutions have been evaluated and acknowledged by the competent authorities as approved external credit assessment institutions.

Table 24: ECAI Credit Quality Step Mapping

Rating Agency	1	2	3	4	5	6
Moody's Investors Service	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	B1 to B3	Caa1 to C
Fitch Ratings	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	CCC+ to C
Standard & Poor's Rating Services	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	CCC+ to C
ICAP Group S.A.	-	AA, A	BB, B	C, D	E, F	G, H

Piraeus Group uses ratings by Moody's Investors Service, Fitch Ratings and Standard & Poor's Rating Services, for the "Credit exposures against Financial Institutions" and "Credit exposures against Central Governments/Central Banks" asset classes. ICAP ratings are used for credit exposures against corporate customers incorporated in Greece, according to Regulation (EU) No 575/2013.

If there are multiple ratings for a specific exposure, the Group follows the prescribed regulation in order to determine the exposure's risk weight. In particular, if for a specific exposure there are two ratings available then the rating leading to the higher risk weight is selected. In case where there are more than two available ratings, initially the two ratings leading to the lower risk weights are chosen and then from the aforesaid two choices, the one corresponding to the higher risk weight is selected.

4.7. Capital Requirements - Standardized Approach

4.7.1. Credit Risk

The following table provides an analysis of credit risk exposures (after the application of credit conversion factors and credit risk mitigation techniques) per regulatory exposure class, assigned to the standardized approach risk weights. Unrated items are split out separately.

Table 25 EU CR5 – Exposures by Asset Class (Standardised approach)

	2017 (€ 000's)	Risk weight								Total	Of which unrated
	Exposure Classes	0%	20%	35%	50%	75%	100%	150%	250%		
1	Central governments or central banks	5,418,002	46,800		961		4,259,084		856,255	**10,581,102**	7,512,965
2	Regional government or local authorities		128,051				2,104			**130,155**	130,000
3	Public sector entities						15,831			**15,831**	15,831
4	Multilateral development banks	21,900								**21,900**	3,650
5	International organisations	6								**6**	6
6	Institutions	579,902	758,665		60,030		11,432	31,645		**1,441,674**	55,010
7	Corporates		27,264		675,173		5,982,755	737,168		**7,422,360**	4,956,658
8	Retail					3,418,164				**3,418,164**	3,338,309
9	Secured by mortgages on immovable property			8,304,886	4,563,359	1,656,358	1,334,688	128,621		**15,987,912**	14,914,461
10	Exposures in default						14,711,459	1,901,320		**16,612,779**	16,004,078
11	Higher-risk categories							27,067		**27,067**	27,067
12	Covered bonds				37,493					**37,493**	
14	Collective investment undertakings						37,714			**37,714**	37,714
15	Equity						461,002		9,263	**470,265**	470,265
16	Other items	1,385,516	226,618		5,219		4,857,777			**6,475,129**	6,459,266
17	**Total**	**7,405,325**	**1,187,398**	**8,304,886**	**5,342,234**	**5,074,522**	**31,673,846**	**2,825,822**	**865,518**	**62,679,551**	**53,925,281**

Notes: The table includes amounts from discontinued operations but does not include items directly deducted from Common Equity Tier 1 capital.

4.7.2. Counterparty Credit Risk (CCR)

The following table provides a comprehensive analysis of the methods used to calculate CCR regulatory requirements and the main parameters used within each method.

Table 26: EU CCR1 – Analysis of CCR Exposure by Approach

	2017 (€ 000's)	a	b	c	f	g
		Notional	Replacement cost/current market value	Potential future credit Exposure	EAD post CRM	RWAs
1	Mark to market	11,421,018	417,792	77,028	1,530,033	325,994
2	Original exposure					
3	Standardised approach					
4	IMM (for derivatives and SFTs)					
5	*Of which securities financing transactions*	*3,025,367*			*1,035,212*	*217,941*
6	*Of which derivatives and long settlement transactions*	*8,395,651*	*417,792*	*77,028*	*494,820*	*325,994*
7	*Of which from contractual cross-product netting*					
8	Financial collateral simple method (for SFTs)					
9	Financial collateral comprehensive method (for SFTs)	3,025,367			1,035,212	217,941
10	VaR for SFTs					
11	**Total**	**11,421,018**	**417,792**	**77,028**	**1,530,033**	**325,994**

Notes: The table includes amounts from discontinued operations.

The following table provides an analysis of the Groups exposures and capital requirements to central counterparties (CCPs) arising from transactions, margins and contributions to default funds.

Table 27: EU CCR8– Exposures to CCPs

	2017 (€ 000's)	a	b
		EAD[11] post CRM	RWAs
1	**Exposures to QCCPs (total)**	6,645	318
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which:		
3	*(i) OTC derivatives*		
4	*(ii) Exchange-traded derivatives*		
5	*(iii) SFTs*		
6	*(iv) Netting sets where cross-product netting has been approved*		
7	Segregated initial margin		
8	Non-segregated initial margin		
9	Prefunded default fund contributions	5,055	
10	Alternative calculation of own funds requirements for exposures	1,590	318

[11] EAD: Exposure at Default

The following table provides an analysis of the counterparty credit risk exposures after the application of credit risk mitigation techniques broken down by standardized approach risk weights and regulatory asset classes.

Table 28 EU CCR3: – Standardised approach – CCR Exposures by Regulatory Portfolio and Risk

	2017 (€ 000's)	Risk weight							Total	Of which unrated
	Exposure Classes	0%	10%	20%	50%	75%	100%	150%		
1	Central governments or central banks	327,060					2,315		**329,374**	2,315
2	Regional government or local authorities									
3	Public sector entities									
4	Multilateral development banks									
5	International organisations	23,868							**23,868**	
6	Institutions			1,048,570	33,350		4,542		**1,086,463**	132,968
7	Corporates				264		84,194	5,456	**89,915**	82,321
8	Retail					413			**413**	291
9	Institutions and corporates with a short-term credit assessment									
10	Other items									
11	**Total**	**350,927**		**1,048,570**	**33,615**	**413**	**91,051**	**5,456**	**1,530,033**	**217,895**

Notes: The table includes amounts from discontinued operations.

The following table provides a breakdown of all types of collateral, within the Group (cash, sovereign debt, corporate bonds, etc.) posted or received by banks to support or reduce CCR exposures related to derivative transactions or to securities financing transactions (SFTs), including transactions cleared through a CCP.

Table 29: EU CCR5-B – Composition of Collateral for Exposures to CCR

	2017 (€ 000's)	a	b	c	d	e	f
		Collateral used in derivative transactions				Collateral used in SFTs	
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash - Domestic Currency	-	6,720	-	405,600	903	888
2	Cash - Foreign Currency	-	-	-	-	-	-
3	Debt Instruments	-	-	-	-	-	-
4	**Total**	**-**	**6,720**	**-**	**405,600**	**903**	**888**

5. Market Risk

Market risk is defined as the risk of incurring losses due to adverse changes in the level or the volatility of market prices and rates, including equity prices, interest rates, commodity prices and currency exchange rates, as well as changes in their correlation.

The Group has established a Group-wide market risk limit system. The adequacy of the system and the limits are reviewed annually. The adherence to the limits structure is monitored by the Group's Market Risk Management and the responsible units at a subsidiary level as well. Piraeus Bank has adopted and applied widely accepted techniques for the measurement of market risk.

Due to the expansion of international activities, the Group constantly enhances its infrastructure and closely monitors the evolution of market risks at a subsidiary level, as well as on a consolidated basis. A Market Risk Management Policy has been in place in all Group units since the beginning of 2003. On the basis of this policy, every Group unit has been assigned specific market risk limits, which are monitored on a continuous basis, both from local as well as from Group Risk Management.

During 2017 there was a decrease in the Group's position in Greek Government Treasury bills by €523 mn and an increase in Greek Government Bonds (GGB) by €11 mn. The increase in GGB's resulted from an increase of €21 mn in AFS[12] and a decrease of €10 mn in Trading book. Under the framework of the EFSF/ESM bond exchange scheme, the sale of EFSF & ESM Bonds of €13.1 bn took place.

5.1. Measurement

The Value-at-Risk (VaR) measure is an estimate of the maximum potential loss in the net present value of a portfolio, over a specified period and within a specified confidence level. The Group implements the parametric Value-at-Risk methodology. Value-at-Risk is measured for the positions in the trading book as well as the available for sale portfolio.

The method employed is considered to produce adequate results in cases where there are no significant non-linear risk factors (such as when there are no large option positions in the portfolio) and the returns on investment follow the normal distribution. The trading and available for sale portfolios do not have significant option positions and therefore the current methodology for the VaR estimation is considered as adequate.

Equity risk is estimated by using the beta mapping approach for VaR. This method employs the stock betas relative to the main stock index of the market where each share is traded. The beta mapping approach is considered to produce satisfactory results for a well-diversified portfolio of stocks. The main drawback of this method is that for a non-well diversified portfolio, equity risk may be overestimated or underestimated. Moreover, for corporate bond issues the volatilities and correlations used have been assigned to other interest rate curves, as the majority of companies do not have an adequate number of issues for a yield curve to be constructed from them. The lack of data for corporate issuers is expected and their assignment of similarly rated issuers' curves is deemed satisfactory, especially since the market for corporate issues is illiquid.

The Group tests the validity of the estimated Value-at-Risk by conducting a back-testing program for the trading book. The Value-at-Risk estimate is compared on a daily basis against the actual change in the value of the portfolio, due to changes in market prices. When back testing results show repetitive and inexplicable exceptions, the VaR model is considered inadequate. During 2017, only one exception occurred implying that the risk assessment model is performing effectively.

It is worth noting that the back-testing process does not take into account commissions or profits from intraday trading or intraday position change ("clean"-back testing).

Additionally, the Group monitors the evolution of assumed risks using sensitivity indicators and thus calculating the effect of changes in the level of market prices to the value of all on and off

[12] AFS: Available for Sale

balance sheet items, so as to have a complete view on the level and evolution of risk factors. An additional key method for the measurement of assumed risks is the regular application of stress testing scenarios, measuring the effect of extreme adverse changes in market prices on the value of the Group's assets & liabilities.

5.1.1. Interest Rate Risk

Interest rate risk is a major risk category and pertains to the potential negative effects on the Group's financial position, as a result of exposure to general interest rate variability. It is imperative for the Group to assume this type of risk, on a going concern basis. However, the maintenance of significant interest rate positions may adversely affect the Group's interest income and financial position.

Interest rates variations affect the Group's results, changing the net interest income, as well as the value of other revenues or expenses that are sensitive to interest rate changes. Interest rate changes also affect the value of assets and liabilities, since the present value of future cash flows (or even the cash flows themselves) changes upon interest rate variations. Therefore, it is imperative for the Group to apply an efficient risk management process that assesses and monitors interest rate risk and keeps it within acceptable and approved levels (through the effective use of hedging techniques when appropriate).

The interest rate gap analysis allows for the assessment of interest rate risk through the Earnings-at-Risk (EaR) measure, which expresses the impact on projected earnings over a specified period, caused by a change in interest rates across all maturities and currencies.

The trading book value at risk estimate decreased in 2017 due to a reduction in Greek Government Bonds.

Table 30: Daily Value at Risk of the Trading Portfolio

	2017 (€ mn)	29.12.2017	31.12.2016	31.12.2015
1	VaR Interest Rate Risk	0.21	0.37	2.81
2	VaR Equity Risk	-	-	-
3	VaR FX Risk	0.48	0.82	2.68
4	VaR Commodity Risk	0.01	-	-
5	Diversification effect	(0.18)	(0.38)	(1.68)
6	**Group Trading Book - Total VaR**	**0.52**	**0.81**	**3.81**

5.2. Capital Requirements - Standardized Approach

As a result of the containment of the trading book volume during the last years, position risk has been materially constrained. The main drivers for market risk capital requirements currently are general interest rate risk and FX risk.

Table 31: EU MR1 – Market Risk under the Standardised Approach

	2017 (€ 000's)	a	b
		RWAs	Capital Requirements
	Outright products		
1	Interest rate risk (general and specific)	43,624	3,490
2	Equity risk (general and specific)	58,474	4,678
3	Foreign exchange risk	156,924	12,554

Table 31: EU MR1 – Market Risk under the Standardised Approach			
2017 (€ 000's)		a	b
		RWAs	Capital Requirements
4	Commodity risk	826	66
	Options		
5	Simplified approach		
6	Delta-plus method	1,982	159
7	Scenario approach		
8	Securitisation (specific risk)		
9	**Total**	**261,829**	**20,946**

5.2.1. Credit Valuation Adjustment (CVA)

According to Regulation (EU) No 575/2013, beginning January 1st 2014, Piraeus Bank Group is obliged to maintain adequate capital levels against credit valuation adjustment risk. The risk derives from an adjustment to the mid-market valuation of a portfolio of transactions with a counterparty. That adjustment reflects the current market value of the credit risk of the counterparty to the institution, but does not reflect the current market value of the credit risk of the institution to the counterparty (unilateral CVA approach).

Piraeus Bank Group uses the standardized approach for calculating CVA, while on December 31st 2017 the relevant capital requirements amounted to €1.3 mn.

Table 32: EU CCR2 – CVA Capital Charge			
2017 (€ 000's)		a	b
		Exposure value	RWAs
1	Total portfolios subject to the advanced method		
2	(i) VaR component (including the 3× multiplier)		
3	(ii) SVaR component (including the 3× multiplier)		
4	All portfolios subject to the standardised method	51,679	16,545
EU4	Based on the original exposure method		
5	**Total subject to the CVA capital charge**	**51,679**	**16,545**

6. Operational Risk

6.1. Introduction

Piraeus Bank Group acknowledges its exposure to operational risk, which stems from its day-to-day operation and the implementation of its business and strategic goals.

The Group aims at the continuous improvement of operational risk management, through the implementation and the ongoing development of an integrated and adequate operational risk management framework that conforms to the best practices and regulatory requirements.

6.2. Operational Risk Definition

Operational Risk is defined as the risk of loss deriving from inadequate or failed internal processes, people and systems or from external events.

According to the Group’s Risk & Capital Strategy, the following sub-types of operational risk are identified:

- risk from internal fraud: the risk of losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity/ discrimination events, which involves at least one internal party,
- risk from external fraud: the risk of losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party,
- risk from employment practices and workplace safety: the risk of losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/ discrimination events,
- risk from business practices: the risk of losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product,
- risk of damage to physical assets: the risk of losses arising from loss or damage to physical assets from natural disaster or other events,
- business continuity risks (people, premises): the risk of losses arising from disruption of business or system failures,
- other execution failure risks: the risk of losses from failed transaction processing or process management, from relations with trade counterparties and vendors.

In addition, operational risk includes:

- Legal and compliance risk: legal and compliance risks are considered as an operational risk subcategory and is defined as the risk of legal and regulatory sanctions, financial loss and/or the impact on the reputation of the Group arising due to circumvention or non-compliance with the legislative and regulatory framework, contractual obligations, and code of conduct related to its activities. It also includes the exposure to new regulations, newly enacted laws as well as to changes in interpretations of existing laws,
- Conduct risk: the risk of loss arising from inappropriate supply in providing financial services including cases of willful or negligent misconduct. It also includes suitability appropriateness and best execution failures. Conduct risk is associated to legal and compliance risk.
- Model Risk: the potential loss the Group may incur, as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models.
- Systems - information and communication technology (ICT) risk: the current or prospective risk of loss due to the inappropriateness or failure of the hardware and

software of technical infrastructures, which can compromise the availability, integrity, accessibility and security of such infrastructures and of data.

- Cyber risk, as part of ICT risk, is related to online activities, internet trading, electronic systems, IT infrastructure - networks as well as data. The risk is the probability of an act or event and the adverse effect that may have on the organization or person and their information assets (software, hardware and data).

ICT risks include:

- ICT availability and continuity risks,
- ICT security risks,
- ICT change risks,
- ICT data integrity risks,
- ICT outsourcing risks.

- Money-laundering/terrorism financing (ML/TF) risk: the possibility of financial loss and negative reputational impact, deriving from utilization of Group's services and products for money-laundering or terrorism financing purposes.
- Reputational risk: the current or prospective risk to the Group's earnings, own funds or liquidity arising from damage to the Group's reputation, loss of confidence in or disaffection with the Group by investors, depositors or interbank-market participants.
- Environmental & social risk (E&S risks): the risk deriving from the Group's and its loan customers' or investees' business activities with negative impact on environment or society. The E&S risks are at least associated with credit, market, legal, reputational risks.

Outsourcing risk: the risk deriving from outsourcing assignments, mainly due to dependency on third parties and/or their failure to meet contractual obligations. Indicatively, the outsourcing risks are associated to financial loss, penalty/fine, scrutiny by the supervisor, negative impact on reputation, business disruption, loss of expertise and control of the Group's operations. Associated risks include operational, reputational, compliance, counterparty, concentration, systemic, legal, country and other risks. Outsourcing means the agreement of any kind between an institution and a service provider, according to which the service provider performs a process, provides a service or operates an activity that, otherwise, would be performed, provided or operated by the credit institution itself. (BoG Act 2597/2007).

6.3. Framework

The operational risk management framework, documented through methodologies and processes, covers the identification, assessment, measurement, mitigation and monitoring of operational risk, across all business activities and supporting functions of the Group, focusing simultaneously in the preventive and corrective mitigation of this risk. Furthermore, it ensures the dissemination of a common and comprehensible perception of the management of this type of risk to all the parties involved.

The operational risk management framework, the development and maintenance of which is under the responsibility of Operational Risk Management, is considered as an integral part of the Group risk management framework, has been approved by the Risk Management Committee, is reviewed on a regular basis and is adjusted according to the Group's total risk exposure and risk appetite.

The operational risk management framework is applied to the Piraeus Bank and Group subsidiaries, in Greece and abroad. It is adjusted according to the size and range of the Bank's and subsidiaries' activities, as well as according to any local regulatory requirements. The supervision and coordination of the framework implementation across the Group, as well as of its respective methodologies, is centrally undertaken by Operational Risk Management. The basic principles of operational risk management are the following:

- operational risk is assumed and managed locally, at a unit level, as close as possible to its source,
- operational risk management framework includes:

- organizational structure & responsibilities for the management of operational risk,
- operational risk appetite (statements, limits & indicators),
- processes regarding:
    - risk and control self-assessment,
    - key risk indicators,
    - action plans,
    - extreme scenario analysis,
    - incidents and losses collection,
    - capital requirements and Value at Risk (VaR) calculation,
    - operational risk mitigation techniques and
    - framework of internal and external reports.

- the Group has a documented and adequate Internal Control System (ICS), which consists of a broad array of internal controls and processes that cover, on a continuous basis, all Group's activities, ensuring effective and secure operation,
- the Internal Control System includes the Business Continuity Plan (BCP), aiming at eliminating any negative impact which may occur by crisis situations within the activity of the Group,
- the Group is committed to systematically manage environmental and social risks, to which may be exposed as a result of its business activities. The management of these risks is implemented through the environmental and social management system (ESMS) as established in Group Environmental and Social Policy,
- a risk management program, aiming at mitigation of Information and Communication Technology (ICT) and cyber risks, has been developed and documented[13] by Group IT Security and Control Unit.

In 2017, the Group undertook an important initiative to further strengthen the Internal Control System. The design of the relevant project, focuses mainly on:

- upgraded roles of operational risk liaisons within the business units' structures. Liaisons, will act as central points of reference for issues related to the implementation of the operational risk management framework and the reinforcement of ICS,
- central role of Operational Risk Management (ORM) unit in ICS management, with secondary reporting line of liaisons to ORM.

In addition, in 2017 the Group continued the implementation of projects related to improvements in operations and infrastructures, aiming at the further enhancement of the operational risk management framework.

These projects, indicatively include the following:

- further development of processes and infrastructures for the collection and management of operational risk incidents and losses,
- gradual integration of all operational risk management operations into the new management platform, which has already been deployed and used,
- development of infrastructure and procedures for the collection and reporting of incidents and losses associated with ICT risks.

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[13] "Information Security Risk Assessment Methodology – Information Security Management Framework (27.09.2016)"

6.3.1. Conduct risk

Operational Risk Management unit applies methodologies and procedures for the systematic monitoring of indicators and measurements related to conduct risk and for providing relevant information to the Management.

In addition, a broad framework of governance mechanisms, strategic directions, policies and procedures reflects the Management's view to addressing conduct risk. This framework indicatively includes:

- the qualitative statements in Group's RAF, expressing Group's commitment to avoid incidents related to conduct risk,
- the principles adopted in Group's Remuneration Policy, in order to prevent incentives for excessive risk-taking or incentives for obtaining short-term benefit against the Bank and its customers,
- the involvement of Risk Management, Compliance and Internal Audit units, in the process of designing new products and services,
- the control mechanisms at all stages of creation, distribution, and promotion of products and services,
- the policies, procedures and controls, developed to support transparency of transactions with customers, transparency in contractual terms, provision of products and services that respond to customers' needs, provision of clear information to customers, compliance of advertisements' content with applicable transparency rules, security in all types of transactions and at all servicing channels, confidentiality and protection of data regarding customers etc.,
- the Customer Complaints Management unit, which is responsible for the examination and handling of customer complaints, as well as for the provision of relevant information to Management, product units and supervisors,
- the regular surveys, conducted for collecting information on customers' satisfaction,
- the procedures and principles adopted in order to achieve the best possible result for clients, when executing orders in financial instruments,
- the policies and procedures adopted in order to identify conflict of interest situations,
- the categorization of customers depending on their knowledge and experience in financial instruments, and the diversification of their handling in the context of ensuring their maximum level of protection,
- the organizational structures and the procedures developed for preventing situations of privileged information abuse and of market manipulation,
- whistle Blowing policy for managing anonymous and confidential reports and complaints associated with significant irregularities, omissions, or other punishable acts,
- the policies and methods through which (apart from what is mentioned above) the Bank communicates its principles, views and attitude in relation to business practices and ethical behavior (indicatively: Code of Conduct, Anti Bribery Policy, AML Policy, labor relations framework, Corporate Responsibility Principles, training to staff with emphasis on issues of Bank's corporate culture, vision and model of values etc).

6.3.2. Information and Communication Technology (ICT) Risk

The Group acknowledges that:

- information Technology (IT) is a key resource in pursuing business, regular and strategic objectives, with growing importance,
- with enhanced complexity and reliance on IT, related risks are increased and new risks may arise (e.g. cyber-terrorism),
- regulatory and supervisory requirements, along with penalties for non-compliance become stricter. Supervisory Review and Evaluation Process (SREP), Principles for

Effective Risk Data Aggregation and Risk Reporting (BCBS239), and the forthcoming General Data Protection Regulation (effective May 2018) for instance, have placed ICT risk management and data protection on center stage.

ICT risks are thoroughly addressed to within the risk management framework:

- Risk and Capital Strategy and Risk Appetite Framework encompass technology risks,
- ICT risk governance ensures that senior management are informed about, have oversight of, and, assess the ICT strategy and risks.

ICT risks identification, assessment, monitoring, mitigation and reporting is adequately documented in policies and internal processes within the Group's operational risk management framework.

6.4. Risk Appetite

The quantitative statements of operational risk appetite framework are related to key measurable indicators for which specific risk appetite limits are defined in order to maintain this risk at acceptable levels.

The qualitative statements of operational risk appetite framework reflect the Group's level of tolerance regarding incidents and losses, indicatively, related to insufficiency of internal control system, corruption, negative impact on bank's reputation and corporate image, cybercrime etc.

All quantitative and qualitative statements of the operational risk appetite framework are monitored on a continuous basis by Operational Risk Management.

6.5. Risk & Control Self-Assessment (RCSA)

The purpose of the risk & control self-assessment (RCSA) is the establishment of a standardized and transparent approach for the identification, assessment, monitoring, measurement, control and mitigation of potential operational risks inherent in the activities of each unit, according to the perception and understanding of the unit's personnel (self-assessment).

Risk assessment process includes the following:

- identification of potential risks by analyzing business processes,
- recognition of meaningful risks,
- assessment of potential risks in terms of probability of occurrence and magnitude of (financial and qualitative) impacts,
- potential risk criticality assessment and unit's risk profile evaluation,
- establishment and monitoring of action plans and key risk indicators.

The Group, through the implementation of the RCSA methodology across all activities, units and subsidiaries aims to:

- enhance the awareness of units' personnel regarding the identification and management of operational risk across all Group's activities,
- assess the level of operational risk exposure for all Group's units and monitor its evolution,
- prevent and mitigate operational risk through the implementation of action plans, so that the level of exposure to operational risk can approach the target that is set by the unit itself,
- assess the required internal capital (Pillar II) for the coverage of potential operational risk losses.

The results from the RCSA process are reported by Operational Risk Management to key stakeholders (e.g. Heads of assessed units, Group Operational Risk Assessment Team, Chief Risk Officer) while consolidated RCSA results are regularly reported to the Risk Management Committee and the Group Executive Committee. Detailed categorization of potential risks and their sources allows discernible monitoring and reporting.

6.6. Operational Risk Incidents and Losses

Operational risk incidents and losses are consistently collected and monitored at Group level. Each business and support unit of the Bank and the subsidiaries, is responsible for the detailed and comprehensive recording of incident data. Incidents and losses are recorded as close as possible to the source of the risk, aligned to operational risk management framework.

A detailed analysis and reporting of operational risk incidents and losses is prepared and communicated by Operational Risk Management on a regular basis or / and ad hoc (in cases of significant incidents and losses) to the relevant business areas, the Risk Management Committee, the Group Executive Committee and the supervisory authorities.

The majority of historical operational risk incident and losses derive from the following major categories:

- provisions and customer compensations due to inappropriate business practices (conduct risk),
- fines and penalties for non-compliance to regulatory framework (e.g. Labor and Supervisory Authorities),
- fraudulent and other external activities (e.g. robberies),
- damage to physical assets (burglary/vandalisms).

6.7. Mitigation & Control

The Group, aiming at the optimum management of operational risk that arises from its activities, has adopted appropriate control and mitigation methods which are briefly described in the following paragraphs.

6.7.1. Internal Control System (ICS)

Piraeus Bank Group systematically monitors the adequacy and effectiveness of its existing Internal Control System which covers all Group's activities and directly implements corrective actions required for the continuous management and mitigation of the operational risk.

6.7.2. ICS Improvement Projects (Action Plans)

Within operational risk management framework, the Group takes the appropriate and necessary measures in order to improve the Internal Control System.

Action Plan definition is driven either by the identification and assessment of critical potential risks (RCSA processes), or the occurrence of actual incidents and losses.

6.7.3. Internal Audit Findings

Risk identification and assessment process (RCSA) benefits by taking into account and utilizing regular and / or special internal audit findings.

The utilization of these findings aims at:

- the creation of a common understanding and culture for the identification and assessment of risks that are common subject for operational risk management and internal audit functions,
- the achievement of synergies in the definition and prioritization of the necessary corrective actions (action plans) regarding the improvement of the existing control environment.

6.7.4. Risk Assessment of New Products, Processes & Activities

Risk Management units and specifically Operational Risk Management participates in the risk assessment of Group's new products, processes and activities, or proposed significant changes.

The assessment aims at integrating the appropriate control and risk management mechanisms, to ensure effective treatment and mitigation of potential risks.

In case of significant risk exposure, deriving from the introduction of a new product/process, Group Risk Management units may not consent to the release of the specific product/process if the proposed improvements are not implemented.

6.7.5. Insurance Coverage

The Group recognizes insurance as a significant operational risk mitigation technique. Insurance policies provide coverage against financial losses resulting from certain types of operational risk incidents.

Insurance policies cover the main operations and assets of the Group and are annually adjusted by the responsible units, in collaboration with GORAT and Senior Management, taking into account the current business environment conditions and international practices.

Main insurance policies conducted by the Group cover fraud, indemnity, cyber liability, property and equipment and general liability.

6.7.6. Human Resources Training

Personnel training, enhances staff competence and awareness on identification, management and mitigation of operational risks.

Training activities involve all Group employees and include:

- training programs related to the implementation of the operational risk management framework,
- training for the identification and mitigation of specific risks e.g. external fraud (genuineness of banknotes and documents, safety procedures in case of robbery), and risks related to money laundering and terrorism financing,
- personnel training on Business Continuity Plan (BCP),
- personnel training on products and services to ensure proper promotion and sales,
- training programs regarding the Group's vision, model of values and business ethics,
- posting and publication of instructions and notes on corporate Intranet,
- regulatory required training programs of employees involved in the promotion of investment and insurance products.

6.7.7. Group Business Continuity Plan

The Group has established a Business Continuity Management Policy to manage and minimize the negative impacts that may affect the continuity of Group's operation in emergency crisis situations.

The Business Continuity Plan in combination with the Disaster Recovery Site and the Disaster Recovery Plan ensure uninterrupted organization operation, effective management of operational risk and full compliance with the regulatory framework (BoG Governor's Act 2577/2006).

6.8. Monitoring & Reporting

The operational risk management reporting framework ensures the submission of timely, complete and accurate information to the Senior Management, responsible Committees, supervisory authorities and third parties.

The reporting framework is supported by the new operational risk management platform that the Group has installed and which will be gradually deployed throughout the Group in order to achieve the maximum automation and the data integration in respect with the most significant operational risk management processes (such as RCSA, Action Plan and KRI monitoring, incident and losses management and calculation of VaR).

Indicative categories of operational risk management reports include:

- internal reporting to Senior Management and Board of Directors, regarding information indicatively related to the evolution of Group's risk profile, the main operational risk indicators in relation to the corresponding limits of the risk appetite framework, the top potential operational risks as well as the top operational risk losses, the evolution of risks and losses per risk category and the evolution of VaR.,

- external reporting: which includes the regulatory reports as required by the current regulatory framework (solo/group basis) and the reports to third parties such as the rating agencies.

6.9. Capital Requirements - Standardized Approach

Piraeus Bank has adopted the standardized approach for calculating operational risk capital requirements, on a solo and consolidated basis, through the allocation of its gross income into the eight (8) regulatory business lines, according to Regulation (EU) No 575/2013:

- Corporate Finance,
- Trading and Sales,
- Retail Banking,
- Commercial Banking,
- Payment & Settlement,
- Agency Services,
- Asset Management,
- Retail Brokerage.

Table 33: Operational Risk Capital Requirements

2017 (€ 000's)	Capital Requirements
Corporate Finance	49
Trading and Sales	(20,799)
Retail Banking	181,790
Commercial Banking	90,795
Payment & Settlement	9,848
Agency Services	746
Asset Management	12,818
Retail Brokerage	1,128
Total	**276,374**

7. Equity Exposures Not Included in the Trading Portfolio

Available for sale shares are intended to be held for an indefinite period of time and may be sold in response to needs of liquidity or changes in interest rates, exchange rates or equity prices.

Regular way purchases and sales of available for sale shares are recognized at the transaction date, meaning the date on which the Group commits to purchase or sale the shares.

Shares of the available for sale portfolio are initially recognized at fair value (plus transaction costs directly attributable to the acquisition of the financial asset) and subsequently carried at fair value according to current bid prices or valuation pricing models, in case the market prices are not available (in accordance with IAS 39 provisions).

The fair value of domestic and overseas listed shares is determined according to current bid prices (market price). The total value of listed shares of Piraeus Bank Group, within the available for sale securities category, is €23.9 mn as December 31st 2017.

Unrealized gains or losses arising from changes in the fair value of the aforementioned shares are recognized directly in equity (available for sale reserve). When shares of the "Available for Sale securities" portfolio are disposed of, all cumulative gains or losses previously recognized in equity are recognized in the income statement.

Shares of the "Available for Sale securities" portfolio are derecognized when the ability to receive cash flows has ceased or the Group has transferred substantially all risks and rewards to third parties.

The Group reviews at each reporting date whether there is an indication of permanent impairment (significant or prolonged decreases in fair value compared to acquisition cost) for the available for sale shares based on several pricing models. Significant or prolonged decline of the fair value is defined as: a) the decline in fair value below the cost of the investment for more than 40% or b) the twelve-month period decline in fair value for more than 25% of acquisition cost.

The aforementioned models include the Price-to-Book Value ratio (P/BV), the Price-to-Earnings per share ratio (P/E) or the deviation from market value for listed shares with similar characteristics. When there is objective evidence of impairment of a share in the available for sale portfolio, the cumulative loss that has been recognized directly in equity is recycled to profit or loss. This cumulative loss is the difference between the acquisition cost and current fair value less any impairment loss on that share previously recognized in profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale cannot be reversed through Profit or Loss.

Table 34: Available for Sale Investments

		2017 (€ 000's)
1	Athens stock exchange listed shares	23,884
2	Foreign stock exchange listed shares	18
3	Unlisted shares	174,588
4	Mutual Funds	81,104
5	Other variable income securities	21,979
6	**Total**	**301,573**

Additionally, it is noted that the total realized gains / losses on sales of available for sale shares and other variable income securities amounted to a profit of € 1.9 mn for 2017.

The total net amount of unrealized gains on revaluation of the aforementioned shares amounted to € 11.3 mn at 31.12.2017.

8. Interest Rate Risk in the Banking Book

Interest rate risk in the banking book (IRRBB) is the risk to earnings or capital arising from adverse changes in the absolute level of interest rates. It mainly arises from:

- Repricing risk, which is related to the timing mismatch in the maturity and repricing of assets and liabilities,
- Yield curve risk, arising from changes in the slope and the shape of the yield curve.

The main source of interest rate risk of the banking book are financial instruments that carry a fixed interest rate, especially those whose rate is fixed for a long period of time, such as mortgage or consumer loans and fixed rate debt securities.

Piraeus Bank Group acknowledges that effective risk management of interest rate risks is essential to the safety and soundness of banking institution and thus monitors and controls interest rate risk closely and on a continuous basis, through its interest rate risk management policy and by adopting risk assessment techniques based on the interest rate gap analysis.

On April 2016, the Basel Committee on Banking Supervision issued standards for IRRBB. Based on these standards, Piraeus Bank initiated a project of enhancement of its IRRBB framework, risk profile capabilities and calculation methods (static vs. dynamic) and incorporation of IRRBB in the current limit management framework. The project aims to assess the current framework gaps versus the SREP requirements, focusing on employed methodologies and governance structure, and their integration in the existing risk management framework. Moreover, it will review the data availability and the current IT system capabilities for IRRBB monitoring, assessing and reporting.

The Group assesses the sensitivity of its balance sheet items to potential changes in interest rates by adopting the static Earnings at Risk (EaR) measure and the Economic Value of Equity (EVE). Specifically:

- EaR: The interest income sensitivity is assessed through a static gap analysis approach, considering cash flows according to their contractual characteristics. In principle, the sensitivity to interest income changes is assessed through applying interest rate shifts according to the relevant scenarios to the rolling gaps for the remaining time to the end of year 1 horizon.
- EVE: the total economic value of equity is composed by the book values of non-interest bearing assets and liabilities as well as the present value of the interest-rate sensitive assets and liabilities. The expected cash flows include principal and interest according to the contractual characteristics, including the repricing and maturity profile. The effect of interest rate shocks has been assessed through the full revaluation of positions under different scenarios.

Indicatively, interest rate sensitivity estimates for the above risk metrics, for a potential parallel upward shift of 200 basis points in yield curves for main currencies as of December 29th 2017, are presented in the following table.

Table 35: Changes in Net Interest Income (NII) and Economic Value of Equity (EVE)				
2017 (€ 000's)	**EUR**	**USD**	**CHF**	**Other**
Δ(EVE)	(602.88)	(4.31)	14.35	(9.68)
Δ(NII)	(161.28)	(4.11)	1.82	(4.86)

Δ(EVE) derives from the interest rate sensitive assets, thus items such as property, plant, & equipment as well as equity, are excluded from the calculation. In addition, due to the current market situation, no EVE indicator and relevant risk appetite limits have been established in the risk capital strategy for 2017, whereas in the context of the risk capital strategy, only the balance sheet EVE 200 is included as a supporting indicator only.

9. Liquidity Risk

Liquidity risk management is associated with Bank's ability to maintain adequate liquidity positions in order to meet its financial obligations promptly and without losses. In order to manage this risk, current and future liquidity requirements are monitored thoroughly, along with the respective needs for funding, depending on the projected maturity of outstanding transactions. In general, liquidity management is a process of balancing cash flows within time bands, so that, under normal conditions, the Group may meet all its financial obligations, as they become due.

9.1. Liquidity Risk Framework

All Group units have applied a uniform Liquidity Risk Management Policy for the effective management of liquidity risk. This policy is consistent with the globally applied practices and supervisory regulations, and adapted to the individual activities and structures of Piraeus Bank Group. The liquidity risk management framework of Piraeus Bank Group includes policies, methodologies and procedures, as well as specified roles and responsibilities of parties involved. Indicatively, it includes:

- Risk Strategy & Risk Appetite Framework and Statements on Liquidity,
- Liquidity Risk Policy,
- Stress Testing Framework,
- Liquidity Cost Allocation Mechanism / Funds Transfer Pricing or FTP,
- Funding Plan,
- Contingency Funding Plan,
- Recovery Plan,
- Liquidity Buffer & Collateral Management (LBCM) Process.

As previously mentioned since November 2014, Piraeus Bank Group is supervised by the Single Supervisory Mechanism (SSM) of the European Central Bank (ECB), in collaboration with the Bank of Greece and submits a wide range of regulatory reporting on a regular and periodic basis.

Piraeus Bank Group calculates the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), on a monthly and quarterly basis respectively, according to Regulation (EU) No. 575/2013 in implementation of Basel III at European level and the European supervisory framework harmonization (Single Rulebook). However, the Liquidity Coverage Ratio is not considered an appropriate liquidity risk ratio for credit institutions receiving funding through the emergency liquidity assistance mechanism (ELA).

Under the European Directive 2013/36, credit institutions are required to have comprehensive policies, procedures and systems to ensure adequate monitoring of liquidity risk. In accordance with the said directive, Piraeus Bank's Market and Liquidity Risk Management has submitted to SSM, the Report on the Internal Liquidity Adequacy Assessment Process (ILAAP) in years 2016 and 2017, which contains the rules governing the management of liquidity risk and the main results of current and future bank's liquidity position evaluation. In addition, within the framework of the ICAAP and ILAAP procedures, the Bank examined stress test scenarios (Stress Testing) and assessed their impact on the liquidity position and on the mandatory liquidity ratios.

In addition, during 2017 the Group participated in ECB's Short Term Exercises (STE) and submitted Additional Liquidity Monitoring Metrics (ALMM) reports on a monthly basis and updated Recovery Plan and LCR Restoration Plan Review on a periodical basis to SSM.

9.2. Liquidity Risk Highlights for 2017

During the year 2017 the Bank has reduced its Central Bank funding reliance through the sale of its EFSF and ESM bonds portfolio and by expanding the rest of its funding sources, namely by increasing its customer deposits, drawing funds from the market through the issuance of its new covered bond series and by furthering its activity in the interbank repo market on the back of non-ECB eligible collateral.

Piraeus Bank Group's customer deposits increased during 2017 by €0.32 bn, recording a positive trend since May and throughout the rest of the year, reaching a total balance of €42.61 bn at 31.12.2017, in comparison to €42.29 bn at 2016. It should be here noted that, the above 31.12.2017 deposits balance has been adjusted downwards, since Romanian and Serbian operations have been classified as discontinued (€1.19 bn deposits adjustment in total).

In 2017, Piraeus Bank Group carried out deleveraging of its assets through the sale of its EFSF and ESM bonds portfolio of €11.75 bn by participating in the relevant ECB's repurchase program of securities issued by European supranational euro-area agencies (EFSF / ESM Bond Exchange program).

The aforementioned bonds balances reduction led to the reduction of the Bank's interbank repos on the back of EFSF bonds by €5.77 bn (elimination of EFSF repo balances in the year end 2017). Simultaneously, during the same year the Group furthered its activity in the interbank repo market on the back of non-ECB eligible collateral by €1.27 bn, reaching year end 2017 balances of €1.37 bn, of which €1.32 bn repo transactions on the back of the Bank's own securitization and covered bond issues and €58.2 mn on the back of Greek government treasury bills. Overall, funding drawn through the interbank repo market was reduced in 2017 by €4.52 bn, reaching year end balances of €1.37 bn (2016: €5.89 bn).

During the last quarter of 2017 the Bank issued a new series of Covered bonds of €500 mn and raised €370 mn of funding through private placements in the market, while the remaining €130 mn of the issue was retained. The new issue increased Piraeus Bank's long-term funding at a relatively low cost, thereby aiding further its ELA funding reduction effort and the gradual restoration of its money markets access.

All of the changes described above contributed in the reduction of the Group's overall liquidity drawn from central banks (ECB and ELA) by €11.17 bn, reaching the amount of €9.73 bn at 31.12.2017, in comparison to €20.9 bn at 2016. In particular, emergency liquidity mechanism (ELA) funding reached the amount of €5.7 bn, in comparison to €11.9 bn at 2016, while European Central Bank (ECB) funding reached the amount of €4.03 bn, in comparison to €9 bn at 2016.

Finally, the long-term funding from ECB (TLTRO) remained unchanged compared to the end of 2016, at the amount of €4 bn.

10. Unencumbered Assets

The Group is funded through its asset refinancing transactions, mainly by the European Central Bank, the Bank of Greece, the Central Banks of the regions where its subsidiaries operate and the interbank market, through repurchase agreements using bonds as collateral.

The repurchase agreements, using bonds as collaterals, are under GMRA - CSA contracts and are carried through interbank counterparties.

From a total of unencumbered assets of €51,060 mn, an amount of €15,299 mn that includes Goodwill, Property, Plant and Equipment, Liabilities from derivative financial instruments and other assets cannot be used for refinancing under normal conditions.

Table 36: A - Encumbered and Unencumbered Assets

2017 (€ mn)		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA[14] and HQLA[15]		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	16,372	3,046			51,060	290		
030	Equity instruments					325			
040	Debt securities	3,046	3,046	2,957	2,957	356	290	72	15
050	*Of which: covered bonds*								
060	*of which: asset backed securities*								
070	*of which: issued by general governments*	*3,024*	*3,024*	*2,935*	*2,935*	*307*	*275*	*19*	
080	*of which: issued by financial corporations*	*22*	*22*	*22*	*22*	*31*	*15*	*31*	*15*
090	*of which: issued by non-financial corporations*					*18*		*23*	
120	Other assets	13,327		-	-	50,379		-	-

[14] EHQLA: Extremely High Quality Liquid Assets

[15] HQLA: High Quality Liquid Assets

2017 (€ mn)		Fair value of encumbered collateral received or own debt securities issued	of which notionally eligible EHQLA and HQLA	Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	of which EHQLA and HQLA
		010	030	040	060
130	**Collateral received by the reporting institution**				
140	Loans on demand				
150	Equity instruments				
160	Debt securities	757	757	127	38
170	*of which: covered bonds*				
180	*of which: asset-backed securities*				
190	*of which: issued by general governments*	*757*	*757*	*106*	*38*
200	*of which: issued by financial corporations*				
210	*of which: issued by non-financial corporations*			*21*	
220	Loans and advances other than loans on demand				
230	Other collateral received				
231	*of which: …*				
240	*Own debt securities issued other than own covered bonds or asset-backed securities*				
241	*Own covered bonds and asset-backed securities issued and not yet pledged*				
250	*Total assets, collateral received and own debt securities issued*				

Table 37: B - Collateral Received

2017 (€ mn)		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	**11,943**	**17,129**

Table 38: C - Sources of Encumbrance

11. Remuneration Policy

Piraeus Bank has established a Remuneration Policy, which, as an integral part of the Group's Corporate Governance, aims at discouraging excessive risk taking while enhancing the values and long term interests of the Group.

Based on the framework defined in BoG's Act 2650/19.01.2012, as well as later regulations of Law 4261/2014 (concerning remuneration policy), article 450 of EU Regulation No 575/2013 and EU Regulation No 604/2014, the Remuneration Policy is in line with the Group's corporate strategy and supports a performance-driven culture that aligns the organization's goals with those of interested parties, employees, management and shareholders.

The remuneration setting procedures are clear, written and internally transparent.

11.1. Basic Principles

The Remuneration Policy is based on the following principles:

- Performance maximization
- Attracting and retaining talents
- Aligning remuneration and rewards with profitability, risk, capital adequacy, risk to liquidity and sustainable growth
- Compliance with the regulatory framework
- Internal transparency
- Avoidance of excessive risk taking

11.2. Remuneration Committee

The Remuneration Committee is responsible for the preparation, the monitoring of the implementation and the periodic review of the Bank's Remuneration Policy. The Committee consists of non-executive Board Members, the majority of which, including the Chairman of the Committee, are independent. The Committee takes into consideration the long term interests of shareholders, investors and other stakeholders of the Bank, and is oriented towards the long term prudent management of the institution and the prevention or minimization of potential conflicts of interest that could burden such management.

The Committee's function and responsibilities are governed by its regulation framework. Its responsibilities include among others:

- The preparation of remuneration-related decisions, ultimately taken by the Board of Directors, that should correspond to the authorities and duties, specialization, performance and accountabilities of the members of the Board and affect the risks that the Bank undertakes and manages, as well as the monitoring of these decisions' implementation.
- The concern that during the evaluation of the mechanisms adopted to align the Remuneration Policy with the risks undertaken, all kinds of risks along with the Bank's liquidity and capital adequacy, are taken into account.
- The assurance of the participation of responsible units of the bank (Risk Management, Compliance, Internal Audit, Human Resources, and Strategic Planning) in the preparation, review and consistent implementation of the Remuneration Policy, as well as that of external consultants, when deemed necessary by the Board of Directors.

11.3. Other Involved Parties

The Remuneration Policy is designed by the Group Human Resources, with the contribution of the Group Risk Management, Compliance and Internal Audit. It is submitted to the Remuneration Committee which in turn, proceeds with any potential necessary changes or alterations, before submitting it to the Board of Directors for final approval. The non-Executive Board Members approve the Remuneration Policy.

Independent control units contribute to the design and preparation of the Remuneration Policy, nevertheless, they are primarily involved in the policy's review and monitoring process that is conducted at least annually.

The non-Executive Board Members could, if and when they deem it necessary, co-operate with external consultants for the preparation/review of the policy. It should be noted that during 2017, no external consultants participated in the preparation or review of the Bank's Remuneration Policy.

11.4. Remuneration Structure

Total remuneration may include - besides fixed - variable components too, ensuring a link between compensation and long-term business efficiency. Under all cases, the fixed component represents the basic proportion of an employee's total remuneration.

Variable remuneration can be provided to reward performance based on pre-defined quantitative and qualitative objectives. Such objectives are linked to the employee's performance, the business unit's performance, the overall organization's/Group's performance and long-term business goals. The criteria used to assess the award of variable remuneration include indicatively among others, profitability, capital adequacy, efficiency, change management, staff development etc. The variable remuneration, including the deferred portion, is paid or vested only if it is sustainable according to the financial situation of the Group and is justified based on results.

It should be noted that the performance evaluation of staff having risk and control responsibilities, is not connected with the outcome/performance of the processes/units they control.

In order to enhance the connection between variable remuneration and the Group's long-term objectives, the award of variable remuneration is spread over time and the amounts awarded for both deferred and not deferred variable components, are not only paid in cash, but in other instruments as well (e.g. shares).

11.5. Criteria for Cancellation / Refund of Variable Remuneration

The Bank has the right to cancel the award of deferred variable remuneration, if certain performance indicators are not satisfied. The same can happen in cases of detected and verified incidents of non-compliance with existing rules and/or processes.

In addition, in cases where it is proven ex-post, that variable remuneration has wrongfully been awarded, the total amount of deferred variable remuneration can be cancelled.

Without prejudice to the provisions of labor law, in cases of proven bad intent or deceit for the award of variable remuneration, the Bank can claim back from an employee a full refund of any paid variable compensation.

11.6. Proportionality Principle

The Bank applies the existing regulatory framework on remuneration using the proportionality principle, by taking into account its nature, size, internal organization and complexity of activities.

11.7. Remuneration Disclosures

The tables below present by business area, aggregate quantitative information on the remuneration of Senior Management and of staff whose activities have a material impact on Group's risk profile.

Table 39: Aggregate Quantitative Information on Remuneration per Business Area

2017 (€ 000's)	Total Number of Staff per Area	Total Fixed Remuneration	Total Variable Remuneration
Investment Banking	14	1,736	4
Retail Banking	96	8,112	89
Asset Management	14	603	0
Corporate Functions	50	6,223	18
Independent Control Functions	34	1,950	6
Other Functions	16	1,175	0

Notes: "Total Fixed Remuneration" includes severance payment amounts due to Voluntary Exit Scheme (VES). The Voluntary Exit Scheme (VES) implemented by Piraeus Group was formulated according to general criteria. The Scheme was addressed to all employees in Piraeus Bank and its Greek subsidiaries, with indefinite term employment contracts and in-house lawyers. VES severance payments were not associated with risk assumption as per the Bank of Greece Governors Act 2650/19.01.2012. The VES was duly approved by the Hellenic Financial Stability Fund (HFSF).

Table 40: Aggregate Quantitative Information on Remuneration of Staff Categories that have Material Impact on the Group's Risk Profile

2017 (€ 000's)	Board Members	Senior Management	Categories of staff whose actions have a material impact on the Group's risk profile
Total number of staff per category:	**86**	**18**	**224**
Total fixed remuneration:	**6,568**	**3,065**	**19,800**
Total variable remuneration, of which		**12**	**118**
In cash		*12*	*118*
In shares			
Share-linked instruments			
Other types			
Total deferred variable remuneration split into			
Vested:			
Unvested:			
Total amount of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments			
Number of staff receiving new sign-on payment within the year			
Total amount of sign-on payments within the year			
Number of staff receiving severance payments within the year			

Table 40: Aggregate Quantitative Information on Remuneration of Staff Categories that have Material Impact on the Group’s Risk Profile			
2017 (€ 000’s)	Board Members	Senior Management	Categories of staff whose actions have a material impact on the Group's risk profile
Total amount of severance payments within the year			
Highest amount of severance payments awarded to a single person within the year			

Notes: “Senior Management” is included in the categories of staff whose actions have a material impact on the Group’s risk profile. “Vested deferred variable remuneration” and “Unvested deferred variable remuneration” of current year are also included in “Total Variable Remuneration”.

12. Appendices

12.1. Appendix I: EU LI3 Differences in the scopes of consolidation

2017	a	b	c	d	e	f	f
		Method of regulatory consolidation					
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	Equity Method	Description of the entity
Tirana Bank I.B.C. S.A.	Full consolidation	X					Banking activities
Piraeus Bank Romania S.A.	Full consolidation	X					Banking activities
Piraeus Bank Beograd A.D.	Full consolidation	X					Banking activities
Piraeus Bank Bulgaria A.D.	Full consolidation	X					Banking activities
JSC Piraeus Bank ICB	Full consolidation	X					Banking activities
Piraeus Asset Management Europe S.A.	Full consolidation	X					Mutual funds management
Piraeus Leasing Romania S.A.	Full consolidation	X					Collects receivables
Piraeus Insurance and Reinsurance Brokerage S.A.	Full consolidation	X					Insurance and reinsurance brokerage
Tirana Leasing Sh.A.	Full consolidation	X					Finance leases
Piraeus Securities S.A.	Full consolidation	X					Stock exchange operations
Piraeus Group Capital LTD	Full consolidation	X					Debt securities issue
Piraeus Group Finance P.L.C.	Full consolidation	X					Debt securities issue
Piraeus Factoring S.A.	Full consolidation	X					Corporate factoring
Picar S.A.	Full consolidation	X					City Link areas management
Bulfina E.A.D	Full consolidation	X					Property management
General Construction and Development Co. S.A.	Full consolidation	X					Property development/ holding company

2017	a	b	c	d	e	f	f
		Method of regulatory consolidation					
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	Equity Method	Description of the entity
Pireaus Direct Services S.A.	Full consolidation	X					Call center services
Komotini Real Estate Development S.A.	Full consolidation	X					Property management
Piraeus Real Estate S.A.	Full consolidation	X					Construction company
ND Development S.A.	Full consolidation	X					Property management
Property Horizon S.A.	Full consolidation	X					Property management
ETVA Industrial Parks S.A.	Full consolidation	X					Development/ management of industrial areas
Piraeus Development S.A.	Full consolidation	X					Property management
Piraeus Asset Management S.A.	Full consolidation	X					Mutual funds management
Piraeus Buildings S.A.	Full consolidation	X					Property development
Estia Mortgage Finance PLC	Full consolidation	X					SPE for securitization of mortgage loans
Euroinvestment & Finance Public LTD	Full consolidation	X					Asset management, real estate operations
Lakkos Mikelli Real Estate LTD	Full consolidation	X					Property management
Philoktimatiki Public LTD	Full consolidation	X					Land and property development
Philoktimatiki Ergoliptiki LTD	Full consolidation	X					Construction company
IMITHEA S.A.	Full consolidation	X					Organization, operation and management of hospital units
Piraeus Green Investments S.A.	Full consolidation	X					Holding company
New Up Dating Development Real Estate and Tourism S.A.	Full consolidation	X					Property, tourism & development company
Sunholdings Properties Company LTD	Full consolidation	X					Land and property development
Capital Investments & Finance S.A.	Full consolidation	X					Investment company
Vitria Investments S.A.	Full consolidation	X					Investment company

2017	a	b	c	d	e	f	f
		Method of regulatory consolidation					
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	Equity Method	Description of the entity
Piraeus Insurance Brokerage EOOD	Full consolidation	X					Insurance brokerage
Trieris Real Estate Management LTD	Full consolidation	X					Management of Trieris Real Estate Ltd
Piraeus Real Estate Consultants S.R.L.	Full consolidation	X					Construction company
Piraeus Leases S.A.	Full consolidation	X					Finance leases
Multicollection S.A.	Full consolidation	X					Assessment and collection of commercial debts
Olympic Commercial & Tourist Enterprises S.A.	Full consolidation	X					Operating leases- Rent-a-Car and long term rental of vehicles
Piraeus Rent Doo Beograd	Full consolidation	X					Operating Leases
Estia Mortgage Finance II PLC	Full consolidation	X					SPE for securitization of mortgage loans
Piraeus Leasing Doo Beograd	Full consolidation	X					Finance leases
Piraeus Real Estate Bulgaria EOOD	Full consolidation	X					Construction company
Piraeus Real Estate Egypt LLC	Full consolidation	X					Property management
Piraeus Insurance Agency S.A.	Full consolidation	X					Insurance - agency
Piraeus Capital Management S.A.	Full consolidation	X					Venture capital fund
Axia Finance PLC	Full consolidation	X					SPE for securitization of corporate loans
Praxis I Finance PLC	Full consolidation	X					SPE for securitization of consumer loans
Axia Finance III PLC	Full consolidation	X					SPE for securitization of corporate loans
Praxis II Finance PLC	Full consolidation	X					SPE for securitization of consumer loans
Axia III APC LIMITED	Full consolidation	X					SPE for securitization of corporate loans
Praxis II APC LIMITED	Full consolidation	X					SPE for securitization of consumer loans
PROSPECT N.E.P.A.	Full consolidation	X					Yachting management

2017	a	b	c	d	e	f	f
		Method of regulatory consolidation					
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	Equity Method	Description of the entity
R.E Anodus LTD	Full consolidation	X					Consultancy services for real estate development and investments
Pleiades Estate S.A.	Full consolidation	X					Property management
Solum Limited Liability Company	Full consolidation	X					Property management
O.F. Investments Ltd	Full consolidation	X					Investment company
DI.VI.PA.KA S.A.	Full consolidation	X					Administrative and managerial body of the Kastoria industrial park
Piraeus Equity Partners Ltd.	Full consolidation	X					Holding company
Piraeus Equity Advisors Ltd.	Full consolidation	X					Investment advise
Achaia Clauss Estate S.A.	Full consolidation	X					Property management
Piraeus Equity Investment Management Ltd	Full consolidation	X					Investment management
Piraeus FI Holding Ltd	Full consolidation	X					Holding company
Piraeus Master GP Holding Ltd	Full consolidation	X					Investment advice
Piraeus Clean Energy GP Ltd	Full consolidation	X					General partner of Piraeus Clean Energy LP
Piraeus Clean Energy Holdings LTD	Full consolidation	X					Holding Company
Bulfinance E.A.D.	Full consolidation	X					Property Management
Zibeno I Energy S.A.	Full consolidation	X					Energy generation through renewable energy resources
Kosmopolis A' Shopping Centers S.A.	Full consolidation	X					Shopping Center's Management
Zibeno Investments Ltd	Full consolidation	X					Holding Company
Asset Management Bulgaria EOOD	Full consolidation	X					Travel - rental services and property management
R.E. Anodus SRL	Full consolidation	X					Real Estate Development

2017	a	b	c	d	e	f	f
		Method of regulatory consolidation					
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	Equity Method	Description of the entity
Linklife Food & Entertainment Hall S.A.	Full consolidation	X					Operation of Food and Entertainment Halls
ATE Insurance Romania S.A.	Full consolidation	X					Insurance
Arigeo Energy Holdings Ltd	Full consolidation	X					Holding Company in Renewable Energy
Proiect Season Residence SRL	Full consolidation	X					Real Estate Development
Piraeus Jeremie Technology Catalyst Management S.A.	Full consolidation	X					Management of Venture Capital Fund
Geniki Financial & Consulting Services S.A.	Full consolidation	X					Financial & Consulting Services
Special Financial Solutions S.A. (former Geniki Insurance Agency S.A.)	Full consolidation	X					Advising, consultancy, organizational and training services.
Geniki Information S.A.	Full consolidation	X					Assessment and collection of commercial debts
KPM Energy S.A.	Full consolidation	X					Energy generation and exploitation through renewable energy resources
Solum Enterprise LLC	Full consolidation	X					Property management
Centre of Sustainable Entrepreneurship Excelixi S.A. (former Atexcelixi S.A.)	Full consolidation	X					Consulting Services - Hotel - Training & Seminars
General Business Management Investitii S.R.L.	Full consolidation	X					Development of Building Projects
Mille Fin S.A.	Full consolidation	X					Vehicle Trading
Piraeus Direct Solutions S.A.	Full consolidation	X					Advising, consultancy, organizational and training services.
Kion Mortgage Finance Plc	Full consolidation	X					SPE for securitization of mortgage loans
R.E Anodus Two Ltd	Full consolidation	X					Holding and Investment Company
Beta Asset Management Eood	Full consolidation	X					Rent and Management of Real Estate
Sinitem Llc	Full consolidation	X					Sale and Purchase of Real Estate
Tellurion Ltd	Full consolidation	X					Holding Company

2017	a	b	c	d	e	f	f
		Method of regulatory consolidation					
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	Equity Method	Description of the entity
Tellurion Two Ltd	Full consolidation	X					Holding Company
Entropia Ktimatiki S.A.	Full consolidation	X					Property Management
Akinita Ukraine LLC	Full consolidation	X					Real Estate Development
Daphne Real Estate Consultancy SRL	Full consolidation	X					Real Estate Development
Alecsandri Estates SRL	Full consolidation	X					Real Estate Development
Rhesus Development Projects SRL	Full consolidation	X					Real Estate Development
Piraeus Real Estate Tirana Sh.P.K.	Full consolidation	X					Real Estate Development
Varna Asset Management EOOD	Full consolidation	X					Real Estate Development
Marathon 1 Greenvale Rd LLC	Full consolidation	X					Real Estate Development
Priam Business Consultancy SRL	Full consolidation	X					Real Estate Development
Cielo Concultancy Sh.p.k.	Full consolidation	X					Holding and Investment Company
Edificio Enterprise Sh.p.k.	Full consolidation	X					Holding and Investment Company
Tierra Projects Sh.p.k.	Full consolidation	X					Holding and Investment Company
Piraeus ACT Services S.A.	Full consolidation	X					Accounting and tax consulting
A.C.T. B.A.S. S.A. (former P – PAYROLL S.A.)	Full consolidation	X					Counseling services for Payroll and Labour Affairs
ETVA Fund Management S.A.	Full consolidation	X					Management of venture capital mutual funds
ETVA Development S.A.	Full consolidation	X					Investment and development activities, in accordance with the principles of Sustainable Development
Cyprus Leasing S.A.	Full consolidation	X					Finance leases
Gama Asset Management EOOD	Full consolidation	X					Real Estate Development
Delta Asset Management EOOD	Full consolidation	X					Real Estate Development

2017	a	b	c	d	e	f	f
		Method of regulatory consolidation					
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	Equity Method	Description of the entity
Besticar Limited	Full consolidation	X					Holding Company
Besticar Bulgaria EOOD	Full consolidation	X					Collects receivables
Besticar EOOD	Full consolidation	X					Collects receivables from problematic clients
Hellenic Fund for Sustainable Development	Full consolidation	X					Close end Venture capital fund
Trieris Two Real Estate LTD	Full consolidation	X					Holding, Investment and Real Estate Portfolio Management
PIRAEUS RENEWABLE INVESTMENTS LIMITED	Full consolidation	X					Holding Company
PRI WIND I LIMITED	Full consolidation	X					Holding Company
PRI WIND II LIMITED	Full consolidation	X					Holding Company
PRI WIND III LIMITED	Full consolidation	X					Holding Company
Euroak S.A. Real Estate	Full consolidation	X					Real Estate Investment
Euroterra S.A.	Full consolidation	X					Real Estate Development
Rebikat S.A.	Full consolidation	X					Real Estate Development
Abies S.A.	Full consolidation	X					Real Estate Development
WH South Wind Hellas Ltd	Full consolidation	X					Holding Company
Emadierio Solar Energy & Investments Ltd	Full consolidation	X					Energy generation and exploitation through renewable energy resources
Josharton Ltd	Full consolidation	X					Holding Company
Anemos Ipirou Anonymi Energeiaki Etaireia	Full consolidation	X					Energy generation and exploitation through renewable energy resources
Aioliki Mbeleheri S.A.	Full consolidation	X					Energy generation and exploitation through renewable energy resources
Aiolikon Artas E.E.	Full consolidation	X					Energy generation and exploitation through renewable energy resources

2017	a	b	c	d	e	f	f
		Method of regulatory consolidation					
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	Equity Method	Description of the entity
Aiolikon Evritanias Morforahi E.E.	Full consolidation	X					Energy generation and exploitation through renewable energy resources
Aiolikon Evritanias Ouranos E.E.	Full consolidation	X					Energy generation and exploitation through renewable energy resources
DMX Aioliki Marmariou - Agathi LLP	Full consolidation	X					Energy generation and exploitation through renewable energy resources
DMX Aioliki Marmariou - Rigani LLP	Full consolidation	X					Energy generation and exploitation through renewable energy resources
DMX Aioliko Rodopi 2 E.E.	Full consolidation	X					Energy generation and exploitation through renewable energy resources
Crete Scient. & Tech. Park Manag. & Dev. Co. S.A.	Equity method					X	Scientific and technology park management
Evros' Development Company S.A.	Equity method					X	European community programs management
Trastor Real Estate Investment Company	Equity method					X	Real Estate Investment Company
APE Commercial Property Real Estate Tourist and Development S.A.	Equity method					X	Holding Company
APE Fixed Assets Real Estate Tourist and Development S.A.	Equity method					X	Real estate, development/ tourist services
Trieris Real Estate LTD	Equity method					X	Property management
APE Investment Property S.A.	Equity method					X	Real estate, development/ tourist services
Sciens International Investments & Holding S.A.	Equity method					X	Holding company
Exodus S.A. (Former Exus S.A.)	Equity method					X	Information technology & software
Piraeus - TANEO Capital Fund	Equity method					X	Close end Venture capital fund
Teiresias S.A.	Equity method					X	Inter banking company. Development, operation and management of information systems
PJ Tech Catalyst Fund	Equity method					X	Close end Venture capital fund

2017	a	b	c	d	e	f	f
		Method of regulatory consolidation					
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	Equity Method	Description of the entity
Pyrrichos S.A.	Equity method					X	Property management
Hellenic Seaways Maritime S.A.	Equity method					X	Maritime transport - Coastal shipping
Gaia S.A.	Equity method					X	Software services
Olganos Real Estate S.A.	Equity method					X	Property management/Electricity Production from Hydropower Stations
Exus Software Ltd.	Equity method					X	IT products Retailer
Marfin Investment Group Holdings S.A.	Equity method					X	Holding Company
Selonda Aquaculture S.A.	Equity method					X	Fish Farming
NIREUS Aquaculture S.A.	Equity method					X	Fish Farming
Unisoft S.A.	Equity method					X	Software services
A.E.P. ELAIONA S.A.	Equity method					X	Property management

12.2. Appendix II: Own Funds

2017 (€ 000's)		AMOUNTS SUBJECT TO PREREGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	15,694,643	
Capital instruments subscribed by public authorities in emergency situations	2,040,000	
Own CET1 instruments	(379)	
Retained earnings	(8,326,871)	
Accumulated other comprehensive income (and any other reserves)	11,022	
Funds for general banking risk		
Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		
Minority interests (amount allowed in consolidated CET1)	125,782	119,492
Independently reviewed interim profits net of any foreseeable charge or dividend		
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**9,544,198**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments (negative amount)		
Intangible assets (net of related tax liability) (negative amount)	(310,267)	
Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(396,704)	(177,807)
Fair value reserves related to gains or losses on cash flow hedges		
Negative amounts resulting from the calculation of expected loss amounts		
Any increase in equity that results from securitised assets (negative amount)		
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(1,035)	
Defined-benefit pension fund assets (negative amount)		
Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		
Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negatvie amount)		
Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		

2017 (€ 000’s)		AMOUNTS SUBJECT TO PREREGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		
Other regulatory adjustments applied to Common Equity Tier 1	(131,893)	
Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(882,088)	(220,522)
Amount exceeding the 15% threshold (negative amount)		
Losses for the current financial year (negative amount)		
Foreseeable tax charges relating to CET1 items (negative amount)		
Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	(95,593)	
Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	(15,893)	
Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		
Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(1,833,473)**	
Common Equity Tier 1 (CET1) capital	**7,710,725**	**0**
Additional Tier 1 (AT1) capital: instruments		
Capital instruments and the related share premium accounts		
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		
Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		
Additional Tier 1 (AT1) capital before regulatory adjustments		
Additional Tier 1 (AT1) capital: regulatory adjustments		
Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		
Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		

2017 (€ 000's)		AMOUNTS SUBJECT TO PREREGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (ie. CRR residual amounts)		
Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		
Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		
Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR		
Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		
Total regulatory adjustments to Additional Tier 1 (AT1) capital		
Additional Tier 1 (AT1) capital		
Tier 1 capital (T1 = CET1 + AT1)	**7,710,725**	
Tier 2 (T2) capital: instruments and provisions		
Capital instruments and the related share premium accounts		
Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		
Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		
Credit risk adjustments		
Tier 2 (T2) capital before regulatory adjustment		
Tier 2 (T2) capital: regulatory adjustments		
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		
Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		
Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		
Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		
Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		

2017 (€ 000's)		AMOUNTS SUBJECT TO PREREGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		
Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		
Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR		
Total regulatory adjustments to Tier 2 (T2) capital		
Tier 2 (T2) capital		
Total capital (TC = T1 + T2)	**7,710,725**	

12.3. Appendix III: Leverage Ratio

CRR Leverage Ratio - Disclosure Template		(€ 000's)
	Reference date	Dec. 31, 2017
	Entity name	Piraeus Bank S.A.
	Level of application	Group
Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures		
		Applicable Amounts
1	Total assets as per published financial statements	67,416,562
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	
4	Adjustments for derivative financial instruments	32,550
5	Adjustments for securities financing transactions "SFTs"	1,035,212
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1,626,471
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	
7	Other adjustments	(4,118,345)
8	**Total leverage ratio exposure**	**65,992,450**
Table LRCom: Leverage ratio common disclosure		
		CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	66,049,000
2	(Asset amounts deducted in determining Tier 1 capital)	(3,774,613)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**62,274,387**
Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	417,792
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	75,439
EU-5a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(343,732)
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	**Total derivative exposures (sum of lines 4 to 10)**	**149,499**
Securities financing transaction exposures		

12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	906,881
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	1,035,212
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**1,942,093**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	4,889,558
18	(Adjustments for conversion to credit equivalent amounts)	3,263,087
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**1,626,471**
	Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)	
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
	Capital and total exposures	
20	**Tier 1 capital**	**7,710,725**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**65,992,450**
	Leverage ratio	
22	**Leverage ratio**	**11.7%**
	Choice on transitional arrangements and amount of derecognised fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	0

	Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	**CRR leverage ratio exposures**
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**64,897,324**
EU-2	**Trading book exposures**	**1,576,446**
EU-3	**Banking book exposures, of which:**	**63,320,877**
EU-4	Covered bonds	37,493
EU-5	Exposures treated as sovereigns	9,713,663
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	146,861
EU-7	Institutions	2,145,711
EU-8	Secured by mortgages of immovable properties	16,188,462
EU-9	Retail exposures	3,473,079
EU-10	Corporate	7,504,291
EU-11	Exposures in default	17,117,004
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	6,994,312

12.4. Appendix IV: Capital Instruments' Main Features Template

Disclosure according to Article 3 in Commission implementing regulation (EU) No 1423/2013

	Capital instruments' main features	PB Athens S.A.
1	Issuer	Piraeus Bank S.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Greek
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier I
5	Post-transitional CRR rules	Eligible
6	Eligible at solo/(sub-)consolidated/solo & (sub-) consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Contingent Convertible Bonds subscribed by the Hellenic Financial Stability Fund
8	Amount recognized in regulatory capital (currency in million, as of most recent reporting date)	EUR 2,040m
9	Nominal amount of instrument	EUR 2,040m
9a	Issue price	100 per cent
9b	Redemption price	100 per cent of Nominal amount
10	Accounting classification	Liability - amortized cost
11	Original date of issuance	02-Dec-15
12	Perpetual or dated	Perpetual
13	Original maturity date	-
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates, and redemption amount	At any time @100% (+ accrued interest)
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed for the first 7 years
18	Coupon rate and any related index	CPN = 8% to Dec-2021; post 2021: CPN = Prevailing 7Y Mid-Market Swap Rate + 7.543%
19	Existence of a dividend stopper	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Convertible
24	If convertible, conversion trigger (s)	**Automatic Conversion:** The securities shall automatically convert into ordinary shares if: • At any time, the CET1 ratio of the Issuer, calculated on a consolidated basis or a solo basis, falls below 7% • 2 annual interest payments are missed (in whole or in

	Capital instruments' main features	PB Athens S.A.
		part, which need not be consecutive) **Optional Conversion:** Optional to the holder on the 7th anniversary from the Issue Date
25	If convertible, fully or partially	**In case of Automatic Conversion:** Full Conversion **In case of Optional Conversion:** Full or Partial Conversion
26	If convertible, conversion rate	The number of common shares issued on conversion is determined as 116% of the nominal amount of the outstanding securities divided by the conversion price (which shall be equal to the offer price subject to market standard adjustments in the event of certain corporate actions)
27	If convertible, mandatory or optional conversion	**In case of Automatic Conversion:** Mandatory **In case of Optional Conversion:** Optional
28	If convertible, specify instrument type convertible into	Ordinary Shares of the Issuer
29	If convertible, specify issuer of instrument it converts into	Piraeus Bank S.A.
30	Write-down features	No
31	If write-down, write-down trigger (s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Common Equity Tier 1
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	-

PB Group's participation in International Sustainability Initiatives and Harmonisation with International Standards

UN Global Compact:

More than 9,000 companies participate in the UN Global Compact, actively promoting its ten principles in the areas of human and labour rights, environment and anti-corruption.

UNEP FI:

More than 200 financial institutions have signed the UNEP Statement of Commitment by Financial Institutions on Sustainable Development. They commit to consider the environment, society and sustainable development in their business decisions.

UNEP FI Positive Impact Manifesto:

Piraeus Bank is the only Greek bank to co-sign (together with nine international banks), the Positive Impact Manifesto for the Transition to Inclusive Green Economy, following the annual General Meeting of UNEP FI.

UNEP FI Declaration of Intent on Energy Efficiency:

In 2015, Piraeus Bank signed UNEP FI's Declaration of Intent on Energy Efficiency acknowledging that the financial sector is uniquely placed to channel finance to activities and investments that promote energy efficiency.

Caring for Climate:

Piraeus Bank is a signatory to the United Nations Global Compact Statement "Caring for Climate". The Statement, signed by 453 organisations, aims to motivate businesses to tackle climate change.

Paris Pledge for Action:

Since 2015, Piraeus Bank supports the Paris Climate Agreement at COP21 as well as its implementation and that the ambition set out by the Paris Agreement is met or exceeded.

GRI Standards:

More than 9,000 organisations compose their Corporate Responsibility Reports according to the GRI Sustainability Reporting Framework. Piraeus Bank's 2016 Sustainable Development Report follows the new GRI Standards and its content is externally assured. Since 2013, the Group abides by the International Standard Guidelines for Social Responsibility ISO 26000, with the aim of optimally incorporating social responsibility into the Organisation's values and principles.

EU Community of Practice Finance and Biodiversity:

Since 2015, Piraeus Bank participates in the EU Community of Practice Finance and Biodiversity (EU CoP F@B).

Declaration of Antwerp:

Piraeus Bank has endorsed the Declaration of Antwerp, raising the issue of refocusing the ecosystem services framework on the principles of sustainability and social justice.

CSR HELLAS:

Since 2007, Piraeus Bank has been a full member of CSR Hellas, actively participating in initiatives concerning the promotion of Corporate Responsibility and best practices applied in Greek businesses.

PB Group's Corporate Responsibility Distinctions

FTSE4Good Emerging Index:

Piraeus Bank is a constituent of the FTSE4Good Emerging Index, following its launch in December 2016. The FTSE4Good index is an extension to the FTSE4Good Index series, designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices.

The FTSE4Good Emerging Index includes 457 companies from emerging markets, 80 of them are in the financial sector. Nine Greek companies are included in the Index (among them the four systemic banks).

Corporate Responsibility Index (CRI):

Piraeus Bank is the only Greek Bank to receive a Diamond distinction for its Corporate Responsibility by the Corporate Responsibility Institute. Piraeus Bank participated in the Institute's annual assessment (CR Index) for the 9th year.

CDP:

Piraeus Bank's score in CDP improved in 2016 by two levels and is now in the "Management B" (the scale being from A + to D-). It is the only Greek bank at this level, which confirms Piraeus Bank's initiatives to tackle climate change and actions to integrate the risks and opportunities arising from climate change, in its core business.

Ethibel EXCELLENCE Investment Register:

Piraeus Bank is included in the Ethibel EXCELLENCE Investment Register. This selection by Forum ETHIBEL indicates that the company performs better than average in its sector in terms of Corporate Social Responsibility.

EMAS:

Piraeus Bank's Environmental Management System is certified under the European EMAS regulation (Eco-Management Audit Scheme) and ISO 14001:2015, for all the Bank's branches and administration buildings.