

PIRAEUS BANK ANNUAL REPORT 2014



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Concept & Design: MNP
Photography & Photo Editing: Marios Theologis - Math Studio
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Hard copies of the Report are available upon request to the Business Planning & IR Group:
4, Amerikis Str., GR-105 64, Athens, T: +30 210 3335026
Investor_Relations@piraeusbank.gr

Last update of Piraeus Bank Corporate Responsibility Report: May 6, 2015



HISTORIC OVERVIEW

HISTORIC OVERVIEW

1916–1975

The early years

- **1916**, establishment of Piraeus Bank.
- **1918**, The shares of Piraeus Bank were listed on the ATHEX.
- **1963**, Piraeus Bank was integrated into the Emporiki Bank Group in Greece.
- **1975**, Piraeus Bank came under State control as within The Emporiki Bank Group.

1991–1999

Development and creation of “Critical Mass”

- **1991**, privatisation of Piraeus Bank.
- **1992**, year of restructuring, reform and growth. Participation in Private Investment Fund, later renamed Piraeus Investment SA (1995).
- **1993**, Establishment of Piraeus Leasing SA, Piraeus Mutual Funds SA and Insurance Agency SA.
- **1996**, establishment of Tirana Bank IBC in Albania.
- **1997**, absorption of assets and liabilities of Chase Manhattan Bank in Athens. Acquisition of 30% of Sigma Securities SA with agreement on the acquisition of an additional 21% (1998).
- **1998**, acquisition of Macedonia - Thrace Bank. Acquisition of Credit Lyonnais Hellas. Agreement on the acquisition of a majority stake of Xiosbank (completion at the beginning of 1999). Agreement on the acquisition of a 56% stake in Marathon National Bank of New York (completion at the beginning of 1999).
- **1999**, absorption of the assets and liabilities of National Westminster Bank in Greece. Operational and administrative integration of the three commercial banks of the Group: Piraeus Bank, Macedonia-Thrace Bank and Xiosbank. Agreement on the acquisition of Pater Credit Bank in Romania (integrated into the Group in April 2000 as Piraeus Bank Romania SA). Establishment of the London Branch.

2000–2003

Integration of IT systems and processes

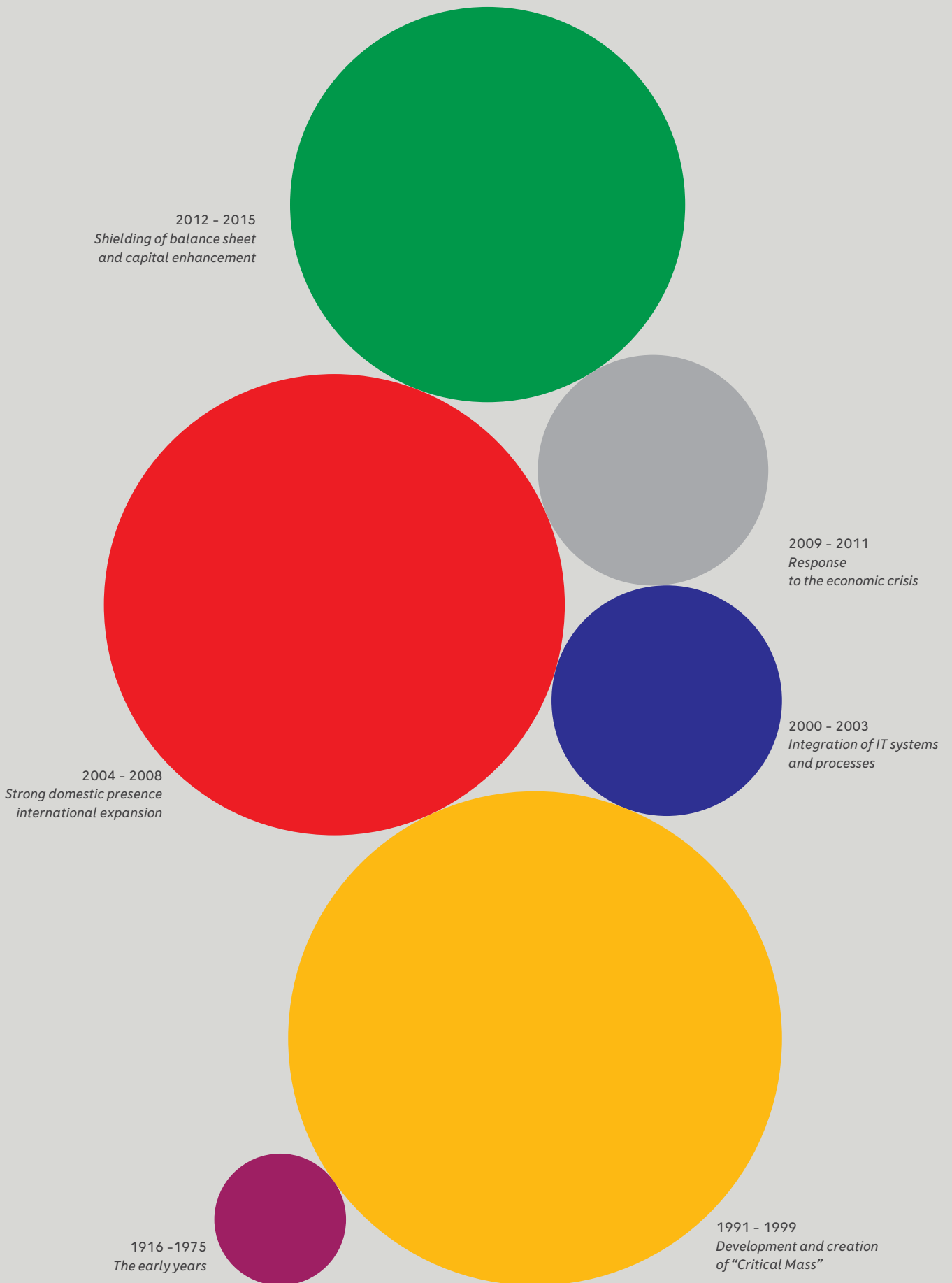
- **2000**, merger by absorption of Macedonia-Thrace Bank and Xiosbank with Piraeus Bank. Undertaking administration of the Participative Army Fund’s main building («Megaron»), by subsidiary PICAR. Creation of winbank, the 1st integrated e-banking platform in Greece.
- **2001**, completion of asset management and investment banking sectors’ reorganisation by: merger of similar mutual funds, integration of Xios Securities and Macedonia-Thrace Securities into Sigma Securities SA, sale of Piraeus Bank Prime Bank and purchase of part of its assets and customers by Piraeus Bank. Agreement of the acquisition of ETVAbank, which extended the market shares in banking, leasing and third-party wealth management.
- **2002**, completion of a 57.8% acquisition of ETVA Bank.
- **2003**, Merger by absorption of ETVAbank by Piraeus Bank, Piraeus Investment SA by Hellenic Investment Company and ETVA Leasing by Piraeus Leasing SA.

2004–2008

Strong domestic presence international expansion

- **2004**, acquisition of Interbank New York by the Group’s subsidiary Marathon Banking Corporation and merger by absorption by Marathon Bank. Merger of Devletoglou Securities SA into Sigma Securities SA and ETVA Insurance Agency by Piraeus Insurance Agency SA, and integration of Piraeus Finance, Piraeus Investment Consulting and Piraeus Equities Holding into Piraeus Bank.
- **2005**, acquisition of 99.7% of Piraeus Eurobank AD in Bulgaria (renamed Piraeus Bank Bulgaria AD). Acquisition of 80% of Piraeus Atlas Banka AD in Serbia (renamed Piraeus Bank Beograd AD). Acquisition of 69.3% of Egyptian Commercial Bank in Egypt and shareholding increased to 87%, and 97% in August (renamed Piraeus Bank Egypt).

HISTORIC OVERVIEW OF PIRAEUS BANK



- **2006**, merger and operational integration of the branch network in Bulgaria with Piraeus Bank Bulgaria.
- **2007**, acquisition of remaining share capital (20%) of Piraeus Securities SA. Acquisition of the Greek operations of car rental company AVIS. Acquisition of International Commerce Bank in Ukraine (renamed JSC Piraeus Bank ICB). Acquisition of the branch network of Arab Bank in Cyprus. Extension of Cooperation agreement with ING Group for provision of life bancassurance services. Completion of €1.35 bn share capital increase through cash payment.
- **2008**, establishment of Piraeus Bank Cyprus Ltd. Increase of investment in Piraeus Leasing SA to 100% and delisting of Piraeus Leasing from the ATHEX (completed on 27 January 2009).

2009-2011

Response to the economic crisis

- **2009**, issuance of redeemable preference shares without voting rights to the Hellenic Republic, under Law 3723/2008 for a total amount of €370 mn. Agreement with Victoria General Insurance Company SA –subsidiary of ERGO International in Greece and member of the German insurance Group Munich Re- for the implementation of a 10-year exclusive cooperation in the general insurance field. Merger of AVIS και Best Leasing.
- **2010**, Creation of winbank Direct (www.winbankdirect.gr), the first online channel for the delivery of banking services in Greece.
- **2011**, completion of a share capital increase for a total amount of €0.8 bn Issuance of additional redeemable preference shares without voting rights to the Hellenic Republic, under Law 3723/2008, for a total amount of €380 mn. Participation in the PSI, with the repurchase of all of Greek government bonds, amounting to €7.7 bn, resulting in an overall impairment recognized in financial year 2011 and amounting to €5.9 bn before taxes.

2012-2015

Shielding of balance sheet and capital enhancement

- **2012**, acquisition of the selected assets and liabilities of ATEbank, which was placed under special liquidation, following a decision of the Resolution Measures Committee of the Bank of Greece. Sale of the Bank's subsidiary Marathon banking Corporation (98.8%) to investors Bancorp Inc in New York. Acquisition of the total shareholding of Societe Generale (99.1%) in Geniki Bank. Participation in the Buy-Back Programme, to reduce the public debt.
- **2013**, March 26: Signing of agreement for acquisition of all deposits, loans and branches in Greece of Bank of Cyprus, Cyprus Popular Bank and Hellenic Bank, including loans and deposits of their subsidiaries in Greece (leasing, factoring and Investment Bank of Greece - IBG).
April 18: Agreement for the sale of stake (93.27%) in the share capital of ATEbank Romania SA to the amount of €10.3 mn (completed on December 18, 2013).
April 21: Agreement with Millennium BCP for acquisition of the total share of Millennium Bank Greece (completed on June 19, 2013).
June 11-25: Share Capital Increase by €8,429, as decided by the General Meeting of Share-holders held on April 23, 2013 and the Board of Directors' resolution on May 29, 2013.

June 23: Integration of systems of ex-ATEbank in the single IT environment of Piraeus Bank.

July 14: Integration of systems of Hellenic Bank in a single IT environment of Piraeus Bank.

October 28: Integration of Bank of Cyprus's systems into Piraeus Bank's single environment.

November 17: Integration of Cyprus Popular Bank's systems in Piraeus Bank's single IT environment.

December 8: Legal merger and systems' integration of Millennium Bank SA to the Group's environment, completing all acquired banking activities' integration, except for GENIKI Bank.

- **2014**, March 18: Issuance and placement of €500 mn three year senior unsecured bonds in the international debt capital markets, in order to obtain medium term liquidity.
April 10: Completion of capital increase that raised €1.75 bn, through contribution in cash issuance of ordinary registered shares and the cancellation of the pre-emption rights of existing shareholders.
May 21: Redemption of the Hellenic Republic's Preference Shares in the amount of €750 mn (Law 3723/2008).
August: Announcement of agreement for sale of 100% of stake in ATEbank Insurance SA to ERGO Insurance Group, subsidiary of Munich Re.
October: The results of the Comprehensive Assessment of the ECB, the EBA and the BoG, were announced. With the Dynamic Balance Sheet, Piraeus Bank noted a Common Equity Tier 1 (CET1) of 11.4% in the basic scenario and a 6.7% in the adverse scenario.
November: Approval of the Bank's merger with Geniki Geniki Bank SA by absorption of the latter by the former. Additionally, the project of systems' integration of Geniki Bank into the uniform environment of Piraeus Bank's IT systems was successfully completed.
- **2015**, April: Announcement of acquisition of the selected assets and liabilities of Panellinia Bank.

TARGETS

Piraeus Group's medium-term key principle targets are to ensure liquidity, capital adequacy and asset quality as well as to achieve efficiency. Safeguarding of the new Group's financial position as well as maximization of its contribution to the re-launching the Greek economy and strengthening of its competitiveness also constitute key strategic goals for Piraeus Bank Group.

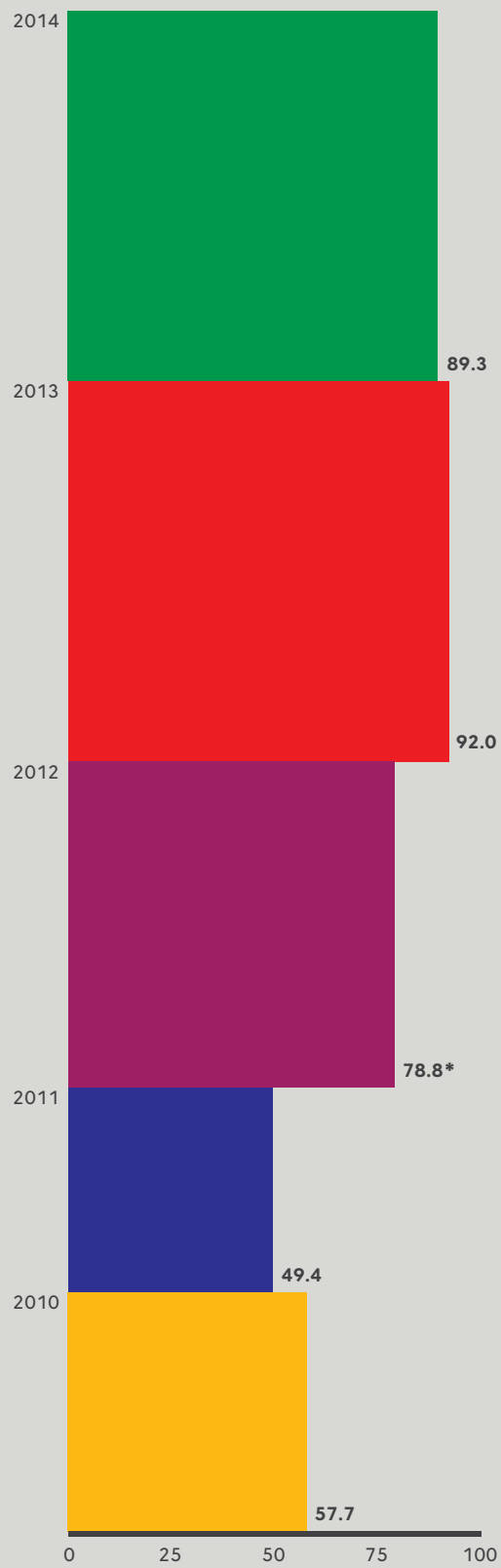
Piraeus Bank will continue to focus on medium and small-sized enterprises as well as retail banking through its branch network in Greece and abroad as well as its alternative e-banking networks. At the same time, the Bank's financing of large enterprise and infrastructure projects is also significant.

KEY FINANCIAL DATA

- Operations in Greece with a leading position in the market and in 9 other countries, 5 of which are EU members.
- 1,175 branches¹, of which 803 in Greece and 372 abroad.
- 21,244 employees¹, 15,539 in Greece and 5,705 abroad: of a young age (39 years old on average), IT familiar, well-trained and flexible in adopting new methods and practices.
- Leadership in support of green and agricultural entrepreneurship.
- Leadership in environmentally- and user-friendly e-banking, by means of the integrated e-banking winbank platform.
- 6 mn customers¹ in Greece and the countries where the Group operates.
- Steadily among the first in classification banks in Greece in customer satisfaction and loyalty.
- Contribution to society, the environment and culture through a framework of systematised actions and initiatives.

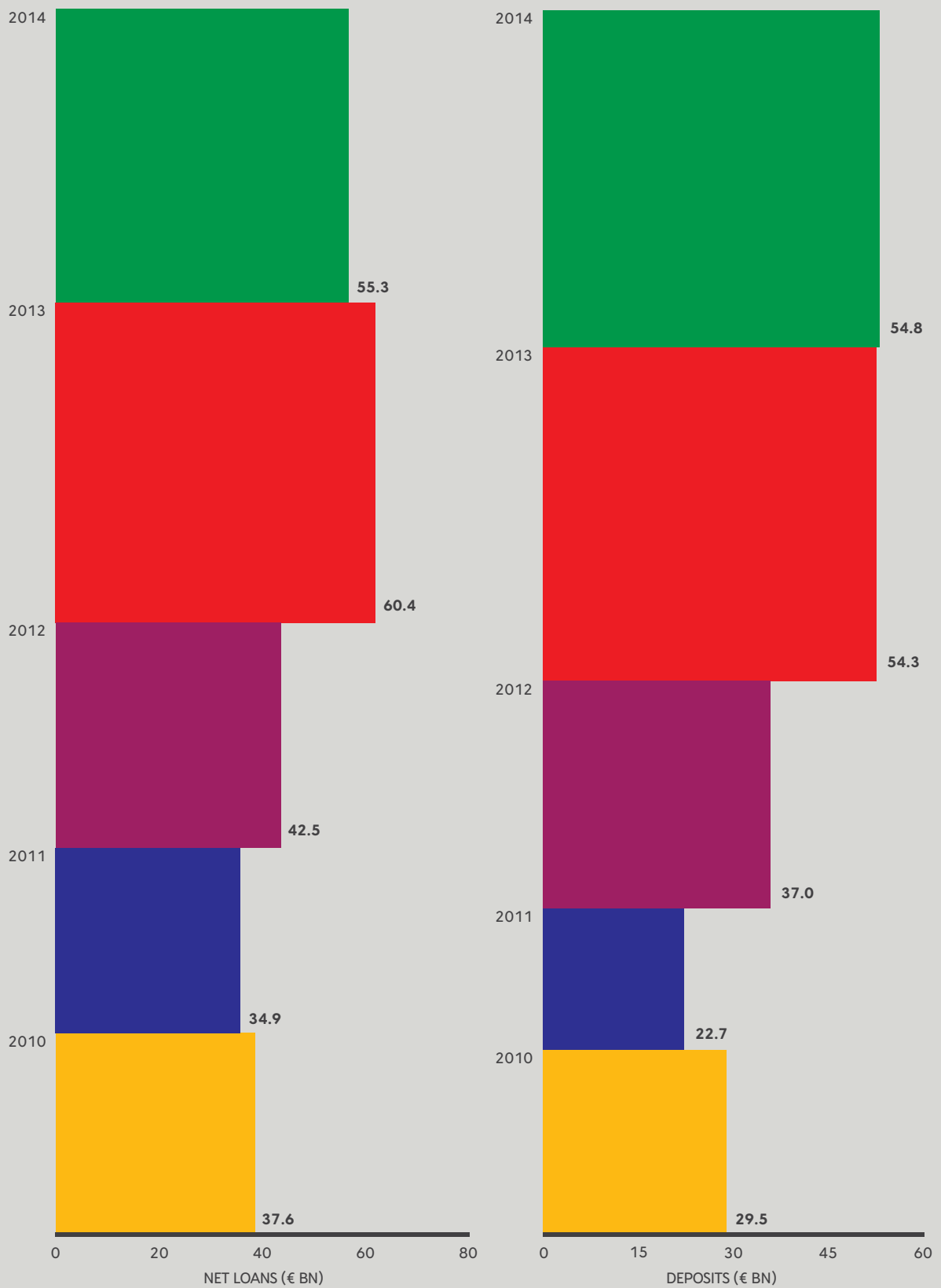
¹ December 31, 2014 data.

GROUP TOTAL ASSETS (€ BN)



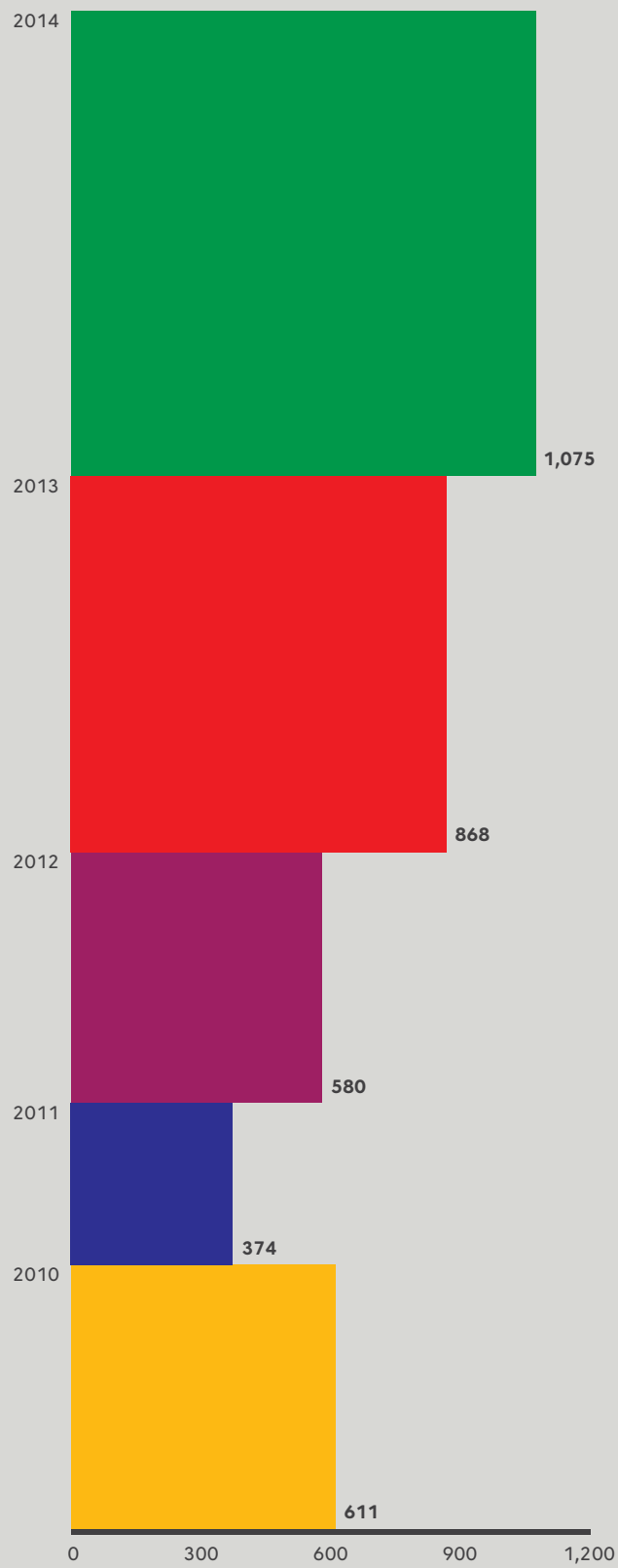
* Pro-forma for the capital increase of €8.4 bn.

GROUP NET LOANS AND DEPOSITS (€ BN)



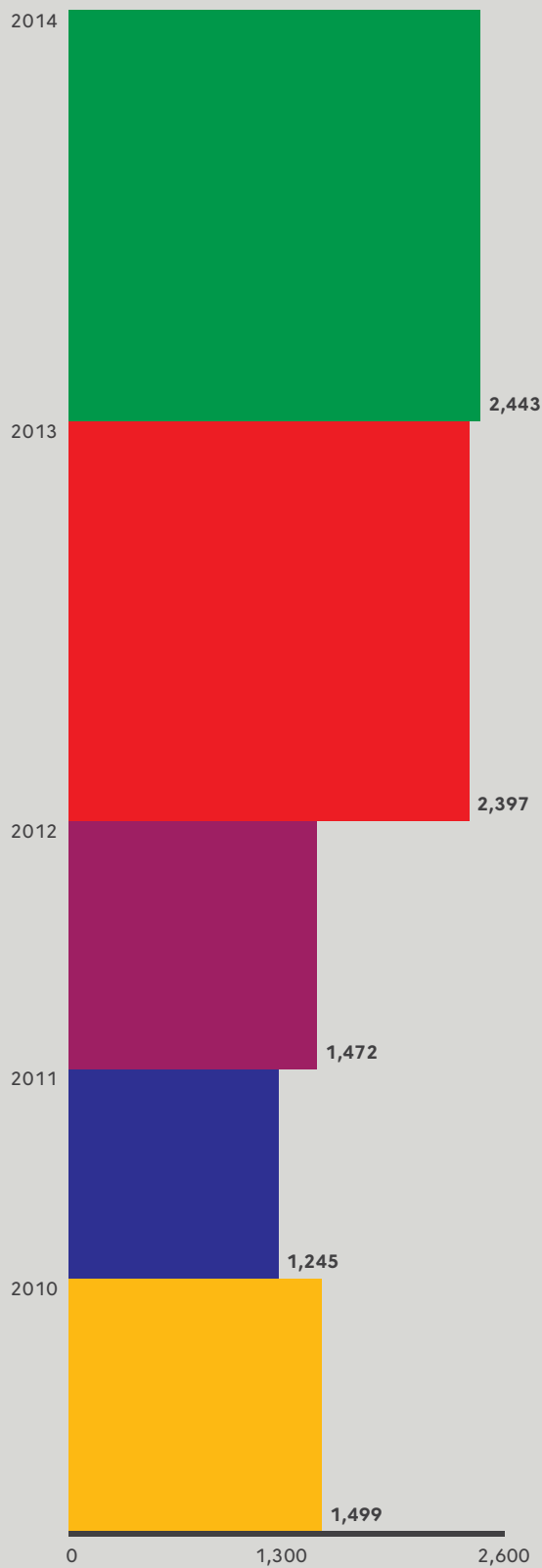
Loans' data for 2012-2014 exclude seasonal agri-loan.

GROUP PRE-PROVISION PROFIT (€ MN)

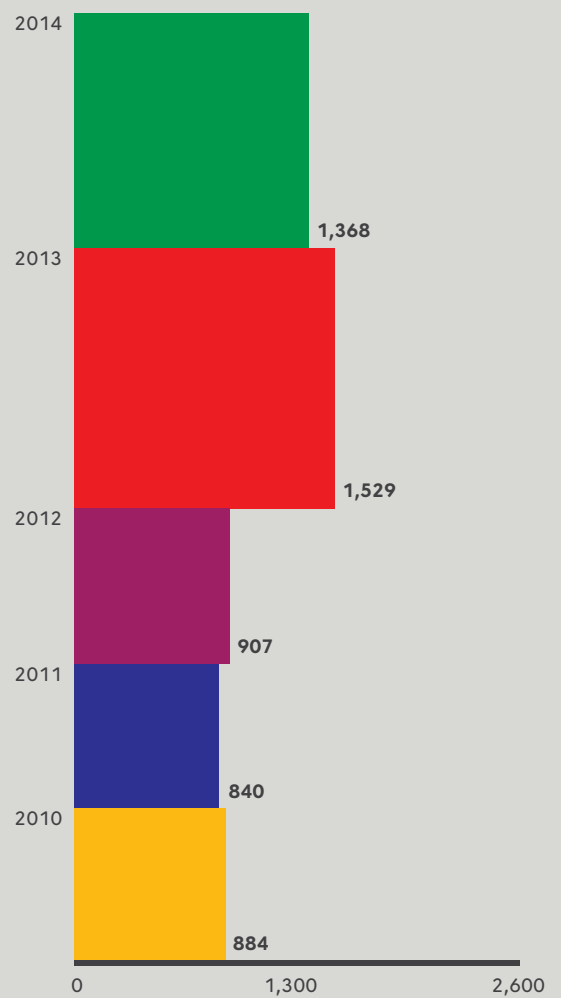


Data for 2012-2014 exclude one-off revenues associated with acquisitions.

GROUP NET REVENUES (€ MN)

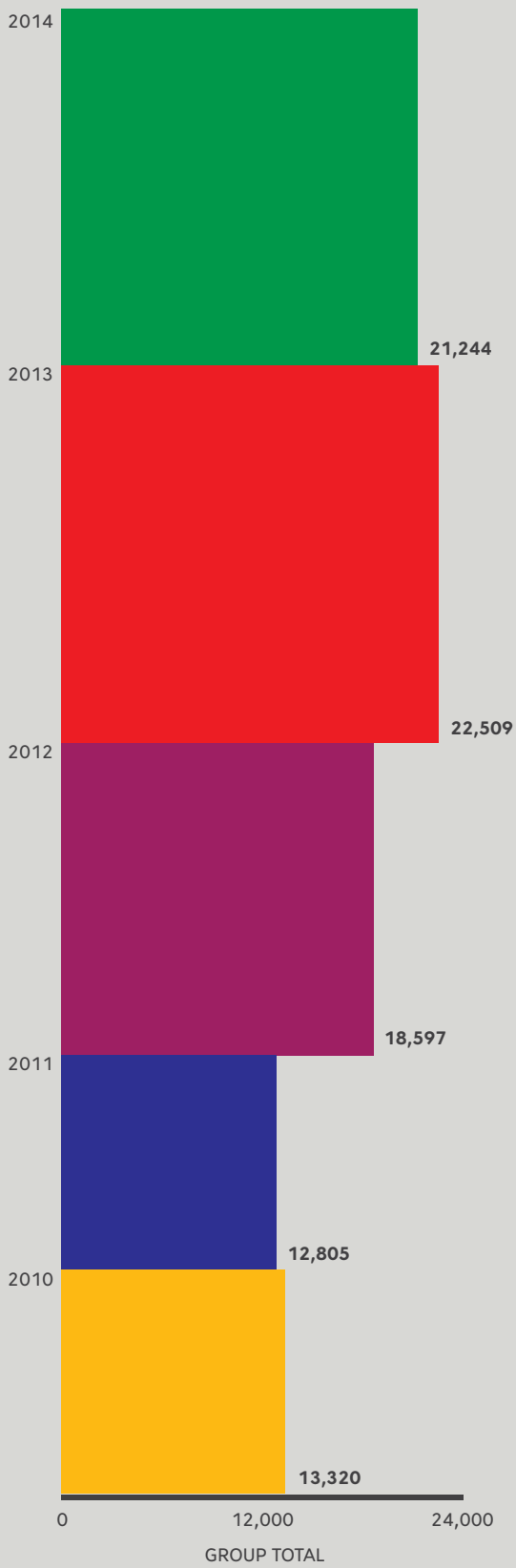


GROUP OPERATING COSTS (€ MN)

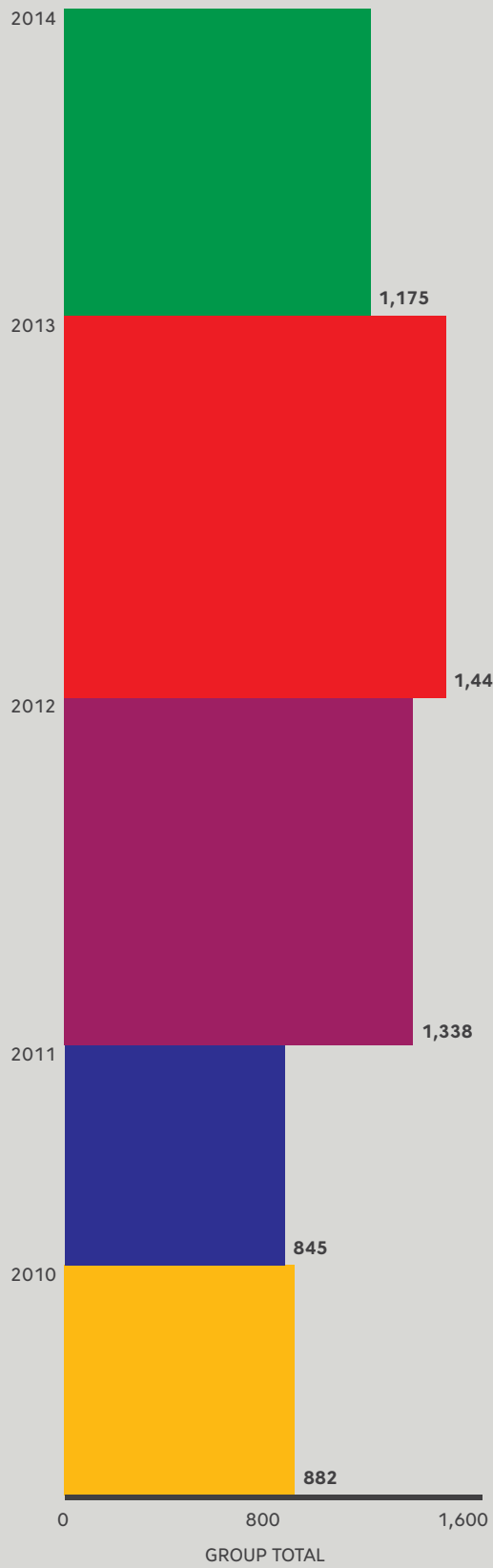


Data for 2012-2014 exclude one-off results associated with the acquisitions.

EMPLOYEES



BRANCH NETWORK



CONSOLIDATED DATA (€ mn)

Selected Balance Sheet Figures	31.12.14	31.12.13	CHANGE
Assets	89,290	92,010	-3%
Deposits	54,831	54,279	1%
Gross Loans before Adjustments ¹	72,983	76,114	-4%
Cumulative Provisions ¹	(15,840)	(13,748)	15%
Total Equity	7,322	8,543	-14%
Selected P&L Results	FY 2014	FY 2013	CHANGE
Net Interest Income	2,000	1,662	20%
Net Fees & Commission Income	333	287	16%
Net Trading Income & Gain Less Losses from Investment Securities	(29)	147	-
Other Operating Income & Dividend Income ²	220	3,850	-
Net Revenues	2,524	5,945	-58%
- of which one-off Results ³	0	3,810	-
Personnel Expenses	(772)	(885)	-13%
Administrative Expenses	(604)	(626)	-3%
Depreciation	(157)	(127)	24%
Total Operating Costs	(1,533)	(1,637)	-6%
- of which one-off Integration Costs ⁴	(165)	(233)	-
Pre-Provision Income (PPI)	991	4,308	-
Share of Profit of Associates	5	(29)	-
Impairment on Loans ²	(3,757)	(2,218)	69%
Impairment on other Assets & other Impairments	(286)	(314)	-9%
Pre-Tax Results	(3,047)	1,748	-
Income Tax	1,068	769	39%
Share of Bank Shareholders in Result after Tax	(1,972)	2,532	-
Profit after Tax from Discontinued Operations	7	30	-

¹ Gross loans on 31.12.2013 and 31.12.2014 include seasonal loans of €1.9 bn and €1.8 bn respectively to OPEKEPE for the disbursement of EU agricultural subsidies, which were repaid in February 2014 and February 2015 respectively.

² 2014 includes income of €39 mn from positive adjustment from acquired loans in income balances and expense provisions respectively.

³ Analysis of one-off revenue: 2013, negative goodwill due to acquisitions.

⁴ One-off expenses in 2013 and 2014, mainly resulting from acquisition integrations and the Voluntary Exit Scheme.

CHAIRMAN'S LETTER

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INTERNATIONAL ENVIRONMENT AND ECONOMIC DEVELOPMENTS

In 2014, the global economy continued to grow at a similar pace (3.3%) versus 2013. For 2015, a slight acceleration in the growth rate is expected globally at 3.5% as GDP growth in the developed economies is expected to rise to 2.4% versus 1.8% in 2014, with emerging economies to dropping marginally to 4.3% from 4.4%. The growth rate in the Eurozone is expected at 1.5% (from 0.9% in 2014) mainly due to the positive effects of the European Central Bank's (ECB) Quantitative Easing (QE) programme.

The decisions and actions of the Central Banks are expected to influence significantly the economic developments in 2015 as well. Regarding the Eurozone in particular, in 2014 the ECB reduced its base interest rate to 0.05% and decided on the implementation of Targeted Longer Term Refinancing Operations (TLTRO) aiming to provide liquidity to the real economy. In early 2015, the ECB proceeded with further easing of its monetary policy by expanding its balance sheet through purchase of securities (including sovereign bonds) amounting €60 bn monthly, for a period beginning March 2015 up until September 2016, in order to bring again inflation below and close to the level of 2%. The aforementioned programme could be extended beyond September 2016 in the case that this inflation target is not attained. Consequently, by the end of 2016, the ECB's monetary policy is due to be loosen, a view which is confirmed by the evolution of inflation forecasts by the European Commission and the ECB (at 0.0% in 2015, 1.5% in 2016 and 1.8% in 2017).

DEVELOPMENTS IN THE GREEK ECONOMY AND THE GREEK BANKING SYSTEM

In 2014, signs of stabilization in the Greek economy became visible, while for the first time since April 2010, the Greek government issued a 3-year and a 5-year sovereign bond, at the same time with the bonds issues of all four systemic banks.

In relation to macroeconomic indicators, it is noted that in 2014, real GDP marked a 0.8% increase, after an extended period of recession that commenced back in 2008 (aggregate change -25.5%). The consumer price index fell 1.3% in 2014 versus a 0.9% contraction in 2013. The unemployment rate in 2014 remained high with a slight decrease beginning Q2

onwards. More specifically, unemployment in 2014 reached an average 26.5% versus 27.5% in 2013 (Q4 2014: 26.1%). Regarding public finances, in 2014 the economy produced primary surplus (0.4% of GDP); however, the contraction of nominal GDP which is attributable to deflation, is estimated to bring the ratio of public debt to GDP slightly higher (approx. 177%).

The Greek banking system, having strengthened its position in 2013–2014 through share capital increases, participated successfully in the Comprehensive Assessment of the ECB, the EBA and the BoG, the results of which were announced at the end of October 2014.

On November 4, 2014, the ECB assumed responsibility of supervising the banks in the Eurozone, with direct supervision of 120 important bank groups, including Piraeus Bank Group, representing 80% of total banking sector assets in the EU. The Single Supervisory Mechanism (SSM) constitutes one of the three pillars of the European Banking Union (the other two being the Single Resolution Mechanism –SRM– and the Deposit Guarantee Scheme). It is a new system in bank supervision, made up of the ECB and the relevant national authorities of the participating countries, whose basic aim is to contribute to the safety and soundness of banking institutions and to the stability of the European financial system by ensuring consistent performance monitoring.

Regarding the fundamentals of the Greek banking market, total outstanding loan balance followed a negative trend in 2014 (-2% annually), with limiting of the deleveraging trend versus previous years. The respective change in deposits was -2% in 2014. The deposit outflow trend that commenced in December 2014 continued in early 2015, yet was offset by the liquidity-providing measures of the Eurosystem, amounting to €107 bn at the end of March 2015, thus reversing the downward trend during the first 9 months of 2014 (in September 2014 €43 bn). At the same time, the ECB's decision on 4 February 2015 not to accept Greek state bonds and Greek state-guaranteed bonds as collateral after 11th February 2015 has redirected the Greek banking sector within ELA mechanism, a decision that is anticipated to be reconsidered based on the successful course of the implementation of the support programme for the Greek economy that was extended to 30.06.2015.

Regarding asset quality, the Greek banking market loans in arrears over 90 days ratio stood at 34% in September 2014 from 32% at year-end 2013 with the coverage ratio of loans in arrears by cumulative provisions increasing to 54% (September 2014) from 49% at year-end 2013. Finally, regarding capital adequacy, Common Equity Tier 1 significantly improved, rising to 15.2% in September 2014 while the total capital adequacy ratio reached 15.4% respectively (from 13.4% at end 2013), mainly due to the capital increases of the 4 systemic banks in the first half of 2014.

DEVELOPMENTS REGARDING PIRAEUS BANK GROUP

The most important events for Piraeus Group, on an business level, during 2014 and up to the publication and up to the publication of the financial statements were the following:

- on March 6, 2014, the Bank of Greece (BoG) published the capital needs of the Greek banks, as they arose from the simulation exercise performed in collaboration with the consulting firms of BlackRock Solutions and Rothschild. The capital needs for Piraeus Bank were estimated at €425 mn in the basic scenario and at €757 mn in the adverse scenario. The main factors that shaped the capital requirements were the expected losses from

- credit risk not only during the June 2013 – December 2016 period but for the entire total maturity of the loan portfolio, based on BlackRock’s diagnostic assessment of the quality of the portfolio as well as a series of scenarios by the BoG regarding the future internal capital generation, making a conservative adaptation of the Bank’s Restructuring Plan;
- on March 18, 2014, the issuance of a 3- year senior bond of €500 mn to international markets for medium-term liquidity was completed. The bond is of fixed interest with annual 5% yield;
 - on April 10, 2014, Piraeus Bank announced the conclusion of a share capital increase of €1.75 bn. through contribution in cash and the issuance of ordinary registered shares and the cancellation of the pre-emption rights of the existing shareholders. The new shares were made available by public offering in Greece and by a book building process organized outside Greece for international institutional and other eligible investors;
 - on May 21, 2014, Piraeus Bank fully redeemed the total amount of preference shares to the Hellenic Republic (Pillar I Law 3723/2008) amounting €750 mn issued by the Bank;
 - on May 30, 2014, during its session, the Bank’s Board of Directors decided on the commencement of the required actions for the merger by acquisition of Geniki Bank SA;
 - on July 23, 2014, the European Commission announced the approval of the Restructuring Plan of Piraeus Bank, as submitted to the European Commission (DG Competition) through the Ministry of Finance on 19.06.14. The European Commission noted that Piraeus Bank’s Restructuring Plan is in line with EU State Aid rules. The measures already implemented and those included in the Restructuring Plan, will enable the Bank to fully restore its long term viability, which was adversely affected mainly the PSI Greek-bond exchange programme in early 2012 as well as the effects of the prolonged recession in Greece;
 - on August 14, 2014 the Bank announced the agreement for the sale of 100% of its share capital in ATE Insurance to ERGO Insurance Group, a subsidiary of Munich Re, for the total agreed amount of €90 mn in cash, which is subject to the usual adjustments for the change in net worth until the completion of the agreement. The transaction is in the process of the approval of the supervisory authorities;
 - on October 26, 2014, the results of the Comprehensive Assessment of the ECB, the EBA and the BoG, were announced. The exercise was based on the Balance Sheet of December 31, 2013 (“Static Balance Sheet”) and the restructuring plan for Piraeus Bank (“Dynamic Balance Sheet”). Both were simulated on the assumption of “basic” and “adverse” scenarios. With the Dynamic Balance Sheet, Piraeus Bank recorded a Common Equity Tier 1 (CET1) of 11.4% in the basic scenario and a 6.7% in the adverse scenario, with minimum requirements at 8.0% and 5.5% respectively. The Static Balance Sheet, combined with the €1.75 bn share capital increase of April 2014, following the pay-off of the €750 mn in Greek State preference bonds, led the CET-1 ratio to 10.7% and 6.1% in the basic and adverse scenarios respectively. These ratios do not take into account the benefit deriving from a conversion of the deferred tax assets to deferred tax credit, according to the provisions of L.4303/2014;
 - following the Bank’s BoD decision on October 7, 2014, an Extraordinary General Meeting was held on October 30, 2014, which approved the merger by acquisition of between the Bank and its subsidiary Geniki Bank SA. On November 20, 2014 the General Electronic Commercial Registry (G.E.M.I.) registered the decision No 61164/20.11.2014 of the Ministry of Development & Competitiveness regarding the approval of the merger of the Bank with its subsidiary Geniki Bank SA by absorption of the latter by the former. Additionally, on November 23, 2014, the project of system integration of Geniki Bank into the uniform environment of Piraeus Bank’s IT systems was successfully completed;
 - on November 25, 2014 the Bank’s Management announced the review of some of the estimates regarding future cash flows of its loan portfolio. The reviewed estimates were based on updated information and changes in the legal framework. Following the changes in the Management’s estimates regarding future cash flows of the Group’s loan portfolio, increased provisions were made for 2014 to the amount of €3.7 bn, with total loan

- provisions at year-end 2014 amounting €15.8 bn;
- the Extra Ordinary General Meeting of Shareholders on December 19, 2014 approved the Bank's inclusion in the special regime enacted by Article 27A of Law 4172/2013, as in force, regarding the voluntary conversion of deferred tax assets arising from temporary differences into final and settled claims against the Greek State through the creation of a special reserve and the free issuance and allocation to the Greek State of securities (conversion rights) representing the right to acquire ordinary shares.

Finally, on April 17, 2015 Piraeus Bank announced the acquisition of the “healthy” part of Panellinia Bank following a tender offer launched by the Bank of Greece. The “healthy” assets and liabilities of Panellinia absorbed by Piraeus Bank regard the acquisition perimeter identified by the BoG and comprise (based on 31 December 2014 data) €645 mn in liabilities, of which €574 mn customer deposits, €372 mn in assets, of which €280 mn net loans, 26 branches and 163 employees. The difference of €273 mn between the provisional fair value of and liabilities of the absorbed bank are covered in full by the Hellenic Deposit and Investment Guarantee Fund (HDIGF).

EVOLUTION OF PIRAEUS GROUP VOLUMES AND RESULTS IN 2014

Regarding Piraeus Group's financial performance in the year 2014, total assets at the end of December 2014 amounted €89.3 bn. The Group's total deposits amounted to €54.8 bn on 31.12.2014. The Group's deposits in Greece amounted to €49.4 bn, representing a 29% share of the total domestic deposit market. Deposits of the Group's international operations stood at €5.4 bn.

The Group's gross loans before adjustments at the end of December 2014 amounted to €73.0 bn. Total loans in Greece were €66.1 bn, of which €1.8 bn involved the disbursement of a seasonal loan to OPEKEPE (Greek Payment and Control Agency for Guidance and Guarantee Community Aid) for the payment of EU agricultural subsidies to about 650 thousands of Greek farmers (the amount was repaid in full in the first two months of 2015). Loans stemming from international operations amounted to €6.9 bn at year-end 2014. Per customer category, total Group business loan portfolio stood at €48.1 bn, representing 66% of the total, whereas retail loans amounted to €24.9 bn i.e. 34% of the total loan portfolio. Net loans amounted to €57.1 bn, with Piraeus Group's loans to deposits ratio having improved significantly to 101% versus 111% in 2013 (excluding the seasonal loan to OPEKEPE for both time incidents).

The Group's loans in arrears over 90 days (NPLs) ratio increased – though at a slower rate than 2013 – to 38.8% of gross loans at the end of December 2014. In Greece the respective NPL ratio reached 39.0% at the end of 2014 (ratios exclude the seasonal loan to OPEKEPE). The NPLs>90 days coverage by cumulative provisions ratio for the Group stood at 57.4% and for the domestic operations 57.2%. It is worth mentioning that the particularly high level of the cumulative provisions to gross loans ratio for the Group that amounted to 22.3% at the end of December 2014 (excluding the seasonal loan to OPEKEPE) and the fact that after a series of quarters with a rise in new loans in arrears, Q4 2014 was the first to note a stabilization in the amount of new loans in arrears and a decrease in Greece, as a consequence of the economic conditions and of the intensive efforts of the Bank's Recovery Banking Unit (RBU).

The Group's net interest income stood at €2.0 bn in 2014. Net commission income amounted to €0.3 bn, of which 88% were contributed from commercial banking operations. Net operating revenue for 2014 stood at €2.5 bn.

The Group's operating costs for 2014 amounted €1.5 bn. Costs include €70 mn in extraordinary expenses from the voluntary exit scheme (VES) in Greece and regard one-off severance pay for employees who left through the scheme and €95 mn regard other extraordinary expenses for integration and rationalization of acquisitions.

As a result of the above, Group recurring pre-tax and provision profit for 2014 amounted €1.1 bn. Full year 2014 results were burdened by significant impairment losses for loans and receivables which amounted to €3.7 bn, due to the prolonged recession in Greece and as a result of the aforementioned change in the Management's estimates regarding future cash flows of the Group's loan portfolio. These provisions as a percentage of loans reached 5% in 2014.

The Group pre-tax results amounted to losses of €3.0 bn, while after tax results attributable to shareholders from continuing operations for the full year 2014 amounted to losses of €2.0 bn (€1 bn deferred tax).

The Group's total equity at the end of December 2014 amounted €7.3 bn. The total Group capital adequacy ratio (in the framework of Basel III) at the end of December 2014 stood at 12.5% and the Common Equity Tier I ratio at 12.4%.

At the end of December 2014, the Group's branch network comprised 1,175 branches, 803 of which were in Greece and 372 in 9 other countries. The branch network in Greece was reduced in 2014 by 234 branches, as a result of the rationalization programme following the acquisitions. On December 31, 2014 the Group employed 22,173 people, 16,468 in Greece and 5,705 abroad. It should be noted that in Q4 2014, the voluntary exit scheme (VES) was implemented in Greece, which approx. 1,000 employees from the Bank and its subsidiaries made use of.

At the end of December 2014, the Group's international operations comprised 10% of its total assets, 32% of the total branch network and 26% of the total human resources.

PROSPECTS FOR THE DEVELOPMENT OF PIRAEUS BANK GROUP'S ACTIVITIES DURING 2015

In 2014, the Greek economy showed signs of gradual recovery, achieving GDP growth for the first time in 6 years, primary fiscal surplus, a surplus in balance of external transactions, labor cost containment and slight drop in unemployment.

The Greek economy is moving towards a new era with new, internationalized demands while the banking sector is undergoing intense changes deriving from new supervisory requirements, dramatic technological developments and differentiated business activities. This direction requires implementing reforms that will facilitate the restructuring of the Greek economy, which the State and the business world shall have to apply with a strong sense of responsibility.

Piraeus Bank, as the largest systemic bank in Greece, faces the challenges of 2015 with great responsibility and sets priorities, among which the most important are enhancement of liquidity, the most effective possible management of non-performing loans with new methods and tools, further improvement in operating costs, return to profitability as well as further increase in quality of customer servicing.

Piraeus Bank supports systematically the efforts to restore the Greek economy while also supporting initiatives targeted at the development of entrepreneurship and enhancement of competitiveness. Towards this direction, the Bank will continue to move in this direction with all its efforts in 2015 as well.

A handwritten signature in black ink, consisting of a stylized 'M' followed by a series of loops and a final vertical stroke.

Michalis G. Sallas
Chairman of the Board of Directors

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ECONOMY DEVELOPMENTS

ECONOMY DEVELOPMENTS

INTERNATIONAL ECONOMY

The global economy is expected to grow at a marginally faster pace in 2015 (3.5% from 3.4% to 2014), mainly due to the expected improvement in developed economies (from 1.8% in 2014 to 2.4% to 2015), with developing economies expected to follow a slightly slower growth rate (from 4.6% in 2014 to 4.3% in 2015). More specifically, the USA growth rate is expected to accelerate from 2.4% in 2014 to 2.9% in 2015, mainly due to the significant drop in oil prices. At the same time, the Eurozone is also anticipating increased growth rate from 0.9% to 1.5%, mainly due to the extensive easing of the ECB's monetary policy.

The decisions and actions of the Central Banks are expected to define to a significant degree the economic developments during 2015. In the U.S, the Federal Reserve (FED) terminated its programme of quantitative easing (QE) in October 2014, with an expected gradual return to "normal" (raise in intervention interest rates) in the second half of 2015. However, the notable drop in oil prices and strengthening of the US currency are likely to decelerate the process. The European Central Bank (ECB) reduced its intervention rate to 0.05% and later followed a relaxed monetary policy, deciding on expansion of its balance sheet by at least €1.14tn until September 2016 in order to deal with deflation. Smooth and successful implementation of this policy is likely to be detrimental for the course of the economy and for the greater task of European unification.

GREEK ECONOMY

In 2014, there were signs of stabilization in the Greek economy, with improvement of the economic sentiment indicator and opening to markets - for the first time since April 2010 - through issuance of two 3- and 5-year bonds. However, the climate of uncertainty at the end of the year is reflected in the GDP data for Q4, when real GDP marked a 0.4% drop on a quarterly basis.

On the whole, in 2014, real GDP marked 0.8% increase (2013:-3.9%) after a long recession period since 2008. The contribution of foreign trade remained positive as was that of domestic demand, through increased individual consumption and gross fixed capital formation.

The economic sentiment indicator was improved versus 2013, although at the end of 2014 the political and economic uncertainty had an adverse effect on the economic environment.

In 2014, the deflation trend continues and nominal GDP contracted by 1.8% to €179.1 bn (2013: -6.1%, €182.4 bn). The consumer price index fell by 1.3% in 2014 versus 0.9% in 2013.

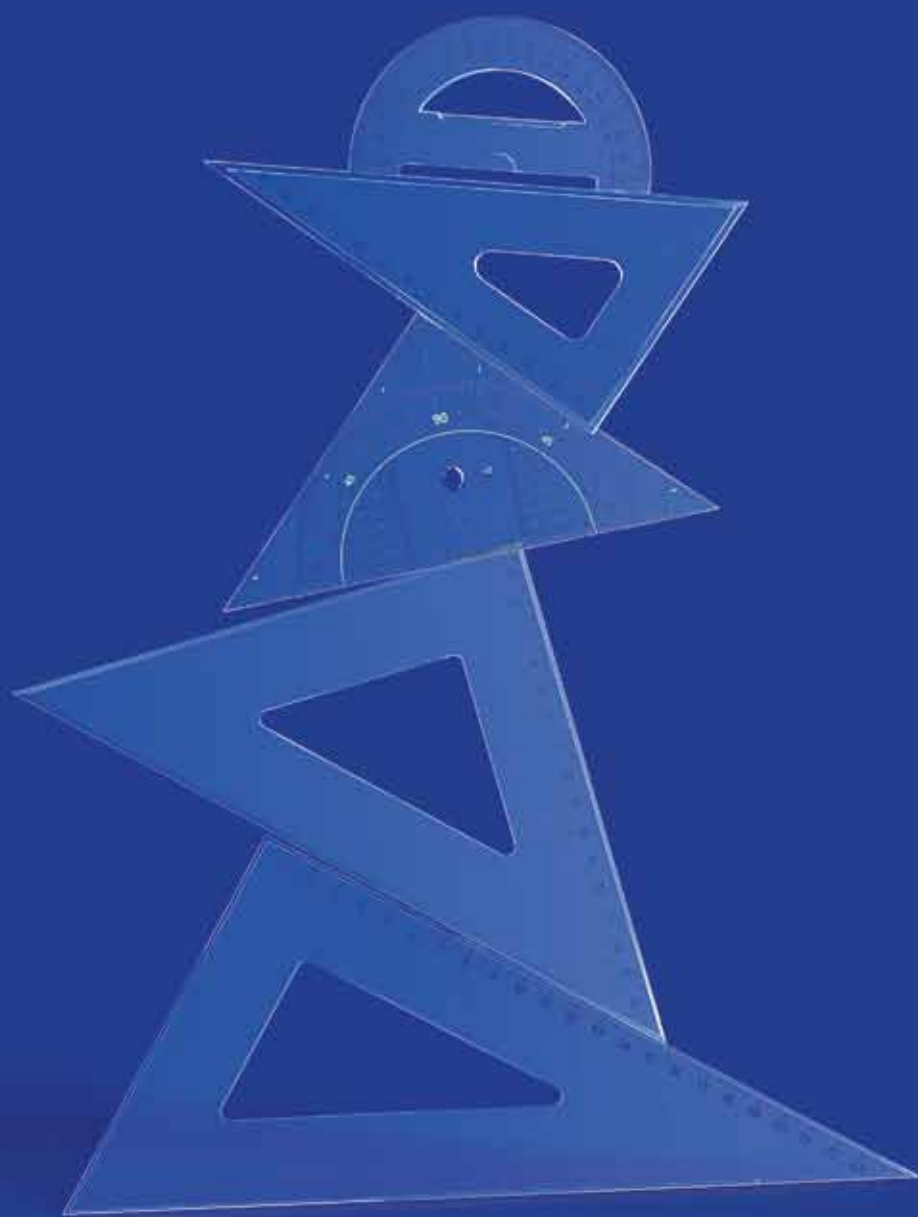
The unemployment rate in 2014 remained high, decreasing from Q2 onwards to lower levels than 2013. More specifically, unemployment in 2014 reached an average 26.5% versus 27.5% in 2013.

At the same time, current account balance noted improvement. In 2014, there was a €1.6 bn surplus (0.9% of GDP) versus €1.1 bn in 2013 (0.6% of GDP). This development is primarily due to the expansion of the surplus to the balance of services and to a lesser degree to the achievement of a surplus rather than a deficit in the primary income account in 2013.

Regarding public finances, according to the Ministry of Finance's announcement (March 16, 2015), it is estimated that based on provisional estimation of ESA-2010, the primary surplus from the Fiscal Policy Programme is 0.3% of GDP (1.5% GDP target). According to the Hellenic Statistical Authority (EL.STAT) announcement on April 15, 2015, the public deficit by ESA-2010 estimation was -3.5% of GDP in 2014, versus -12.3% in 2013. However, excluding the consequences of aid to financial institutions, public deficit in 2014 is expanded to -3.6% of GDP versus -1.8% in 2013 and respectively, primary balance notes a surplus of 0.3% of GDP versus 2.2% in 2013. Additionally, public gross debt amounted €317.1 bn in 2014 versus €319.2 bn in 2013. However, de-escalation of GDP led to an increase in the respective rate to 177.1% of GDP versus 175% in 2013.

SOUTHEAST EUROPE

2014 was a year of recovery for most economies in Southeast Europe, but also of intense imbalances in others. The recovery from the economic crisis was a great challenge for emerging Europe, as these countries have close trade relations with the EU. This fact limits their prospects and dynamic due to weakened demand in the EU and the current deleveraging of European banking institutions. Countries like Albania, Bulgaria and Romania took advantage of their political stability to deal with the basic macroeconomic and financial imbalances of the past. Nevertheless, the major challenges that were present in most countries – with the exception of Egypt and the Ukraine – in 2014 and will continue in 2015 are the significantly low price levels, mainly due to imported deflation as well as the serving and restructuring of the high rate on nonperforming loans. A positive example is the Albanian government, which with the aid of the IMF commenced in 2014 a programme of repayment of loans in arrears. This allows for implementation of a more effective fiscal policy while also providing the banking sector with the necessary liquidity. Additionally, the geopolitical instability created by the Ukraine –Russia conflict gives the other emerging economies the opportunity to develop their production lines and to operate as central areas of stability for production and increased investments. Serbia is one of these cases although the severe floods in May limited significantly the country's economic prospects in 2014. In the case of Cyprus, it should be noted that the country is implementing its economic programme in an exemplary manner. The impressive improvements in the only 1.5 years since the "haircut" of deposits and inclusion in Troika's economic programme are a positive factor in improving the development and sustainability of the country's public debt.



TARGETS AND OUTLOOK FOR 2015

TARGETS AND OUTLOOK FOR 2015

Piraeus Bank, having been established as a credit institution with a leading position in the Greek banking market, is a mainspring for the economic recovery of the Greek economy.

With its strong capital base, Piraeus Bank seeks to contribute actively by providing liquidity to businesses and households and by supporting creditworthy and sustainable investment plans.

In 2015 in particular, despite the adverse economic conditions in Greece and the significant challenges for the banking sector, Piraeus Bank has adapted to these conditions and focuses on ensuring adequate liquidity, preserving its capital adequacy, ensuring the quality of its assets and the rapid return to profitability.

Piraeus Bank Group's strategic priorities are:

- to maintain its leading position in the Greek market with regard to loan and deposit market shares;
- to continue to constitute the bank of first choice for businesses in Greece and one of the major banks of collaboration for individuals;
- to effectively manage its loans in arrears for the benefit of the Group and its customers;
- to continue to pioneer in emerging banking sectors, such as agricultural, green and e-banking;
- to provide high-quality services to its customers, with emphasis on complete service provision and innovation, aiming for even greater penetration into individual customer categories and enhanced cross-selling;
- to manage its international activities in such a manner that they are focused on key markets as well as being self-funded, profitable and capital independent;
- to maintain its strong position in the field of technological developments and banking infrastructures;
- to continue to create the suitable working conditions for its employees, incorporating multiple cultures, exploiting and fully developing their potential and ensuring their commitment to achieving optimal performance;
- to contribute to a model of sustainable economic growth combining profitability with corporate responsibility.



DEVELOPMENTS IN EQUITY AND OTHER MARKETS

DEVELOPMENTS IN EQUITY AND OTHER MARKETS

In 2014, international equity markets showed profits, mainly due to the easing of the monetary policy of the large central banks, which provided great liquidity. S&P 500 was up by 11.3%, Eurostoxx 50 by 1.3%, Nikkei by 7.1% and MSCI World by 2.9%. In contrast, in Greece, the ATHEX General Index fell by 28.9% .

At the same time, the USA bonds fell (85 bps in 10-year yields) as did the German (140bps). In contrast, Greek state bonds yielded higher returns (111bps). The difference in yield between State and corporate bonds fell by 15bps both in the USA (Moody's data on corporate bonds) and in the Eurozone (Thomson Reuters Datastream data on corporate bonds). In the foreign exchange market, in 2014, the euro slipped versus the dollar by 12% and 2% versus the Swiss Franc and in early 2015 the Swiss Central Bank withdrew its commitment to the €/CHF exchange rate of 1.20.

One of the most significant developments recorded in 2014 in international markets was the significant drop in the price of oil.

More specifically, Brent fell by 50% and West Texas Intermediate by 46%. The S&P GSCI, representing total commodities, fell by 34%, with the shipping Baltic Dry Index marking a noteworthy 66% drop.

The drop in oil prices is mainly due to increased production by the USA and constitutes a very positive factor for the world economy and markets as it contributes to increased production capability for companies and parallel increase in available income for households. The speed of the drop poses concerns as does the imminent price-war with Saudi Arabia, which could create a medium-term decrease in supply and further increase in oil price fluctuations.

The US economy is undergoing a phase of growth, interest rates, inflation and liquidity, which creates a favorable environment for the assumption of investment risk. At the same time, the estimates are not very high either, especially if the economic cycle is taken into account. The investment climate still holds a positive dynamic. A factor which is expected to have a negative effect is a possible deleveraging of markets as it would cease FED portfolio expansion and cause a likely increase in the intervention rate. The economic dynamics in the Eurozone and the easy monetary policy being applied by the ECB are

positive for share markets; however, as these markets have already outperformed in 2015, this development might have been already discounted for.

A possible rise in US interest rates, a strengthened dollar and a slow rate of growth in China are all factors that raise the uncertainty for the future course of goods and freight.

PIRAEUS BANK SHARE

On 31.12.2014, the Bank's share capital amounted €1,830,593,914.50 divided into 6,101,979,715 common voting shares of €0.30 nominal value each. Piraeus Bank common shares are intangible and listed on ATHEX, which in 2014 closed with two different results. In the first half of 2014, it noted an upward trend while the second half recorded gradual drop due to the uncertainty created by domestic political-economic developments. Intense volatility and variations were present for most of 2014, with Piraeus Bank share closing at €0.91 on 31.12.2014, reduced by 41% versus €1.53 at year-end 2013. The trend of the Piraeus Bank share is aligned with the Bank Share Index, which noted a 47% drop in 2014.

It is noted that pursuant to L. 3864/2010 and the Ministerial Cabinet Act 38/2012 combined with MCA 6/2013, the Hellenic Financial Stability Fund (HFSF) issued 849,195,130 warrants to private investors who participated in the Bank's share capital increase in 2013. Following the third warrant issuance, according to the relevant Bank announcement on 07.01.15, the issued warrants that are currently traded are 843,637,022, while the Bank's shares against which the warrants are drawn and which are owned by the HFSF are 4,084,163,363, with 66.93% of Bank share capital. Piraeus Bank's warrant closing price was at €0.19 on 31.12.14, noting a -75% change y-o-y.



FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE

VOLUMES EVOLUTION

At the end of December 2014, the Group's total assets amounted to €89,290 mn decreased versus December 2013 (€92,100 mn).

The Group's gross loans before adjustments at end December 2014, amounted to €72,983 mn, incorporating the disbursement of a seasonal loan of €1.8 bn to OPEKEPE (Greek Payment and Control Agency for Guidance and Guarantee Community Aid) for the payment of EU agricultural subsidies to about 650 thousand Greek farmers, which was repaid in full in by mid-February 2015. Total loans in Greece were €66,068 mn and loans stemming from the international operations €6,916 mn. The Group's total deposits amounted to €54,831 mn in December 2014, of which deposits in Greece amounted to €49,450 mn. It is duly noted that Piraeus Bank Group steadily holds the leading position in the Greek banking sector, with a market share representing 29% share of the total domestic deposit market, same as in December 2013.

Regarding loans' customer category breakdown at year-end 2014, total Group business portfolio stood at €48,108 mn, with retail loans amounting €24,875 mn. Business loans represent 66% of total Group loans while retail loans 34% (24% for mortgages and 10% for consumer loans). Based on December 2014 data, Piraeus Bank Group's market share in Greece was 29%.

Net loans amounted to €57,143 mn, with Piraeus Group's loan to deposits ratio in December 2014 having improved significantly to 101% from 111% and 115% at year-end 2013 and 2012 respectively (excluding the OPEKEPE seasonal loan). However, the political uncertainty that arose in December 2014 and continues to the present led to a significant outflow of deposits and consequently to an increase in the loans to deposits ratio.

GROSS LOANS PER CATEGORY

Volume analysis(€ mn)	31.12.2014	31.12.2013	CHANGE
Loans to businesses	48,108	50,167	-4%
Retail loans	24,875	25,946	-4%
Total loans	72,983	76,114	-4%
Greece	66,068	69,063	-4%
International operations	6,916	7,050	-2%

DEPOSITS PER CATEGORY

Volume analysis(€ mn)	31.12.2014	31.12.2013	CHANGE
Sights-Savings	22,961	22,208	+3%
Time	31,870	32,072	-1%
Total deposits	54,831	54,279	+1%
Greece	49,450	49,650	0%
International operations	5,381	4,629	+16%

ASSET QUALITY

The formation of new non performing loans continued its downturn trend of the past two years and zeroed in Q4 2014. More analytically, new loans in arrears as a percentage of loans was 0.0% in Q4 2014 from 0.5% in Q3 2014 and 1.3% the respective Q4 in 2013. This improvement derives from Greece, which showed a negative production of new loans in arrears and is a consequence of marginal recovery of the Greek economy in 2014 (annual GDP growth of 0.8%) and of active management of these loans by the newly-formed Recovery Banking Unit (RBU).

The Group's NPLs ratio stabilized after 6 consecutive years and reached 38.8% at the end of December 2014 compared to 39.0% in September 2014 and 36.6% in December 2013.

At the end of November 2014, the Bank's Management announced the review of some of the estimates regarding future cash flows of its loan portfolio. The reviewed estimates were based on updated information and changes in the legal framework. The basic parameters which influenced these estimates were:

- the continued decline in real estate prices in the Greek market, combined with the extension of the timeframe needed for the liquidation of collaterals;
- the recent amendment in the legislative framework regarding the management of troubled business loans; and
- the uncertainty regarding the sustainment of economic conditions, affecting business efforts to implement corporate restructuring, which are monitored by the established Recovery Banking Unit (RBU).

Following the change in management estimates with regard to the level of impairment losses on Group loan portfolio, increased provisions were booked in 2014 to the amount of €3,718 mn, with total cumulative provisions at year-end 2014 amounting €15,840 mn.

The Group's NPL's > 90 days coverage by cumulative provisions rose to 57.4% at year-end 2014, significantly higher than Dec.2013 (50.6%). Per geographical region, the relevant ratio was at 57.2% in Greece and 60.1% abroad. Including tangible collateral and guarantees, the coverage reaches 124%. The Group's cumulative provisions to gross loans ratio (excluding the seasonal loan to OPEKEPE) at year-end 2014 reached the particularly high 22.3% level (with 25.8% for business loans, 6.7% for mortgages and 36.6% for consumer loans and credit cards) versus 18.5% in Dec.2013, whereas the respective Greek market ratio was at 17.4% at year-end 2014 (stand-alone balance sheets).

CAPITAL ADEQUACY

The Group's total equity at the end of December 2014 amounted €7,322 mn, thus setting the leverage ratio at 8%, significantly higher than the 3% minimum ratio defined by the Basel Committee. The total Group capital adequacy ratio (in the framework of Basel III and excluding implementation of Law 4303/2014) at the end of December 2014 stood at 12.5% and the Common Equity Tier I ratio at 12.4%. The Common Equity Tier I ratio, with complete implementation of Basel III regulations and of Law 4303/2014 (DTC), stood at 11.2%, within the EU average.

The Extraordinary General Meeting of Shareholders on December 19, 2014 approved the Bank's participation in the provisions stipulated by the Law 4303/2014, as in force, regarding the voluntary conversion of deferred tax assets arising from temporary differences into final and settled claims against the Greek State.

RESULTS EVOLUTION OF PIRAEUS BANK GROUP

The Group's FY 2014 net revenues amounted to €2,485 mn while net interest income (NII), which constitutes 81% of net revenues, reached €2,000 mn. The continuing de-escalation of the average monthly cost of term deposits, which fell to 193 bps in Dec.2014 from 305 bps in Dec.2013, contributed significantly. Additionally, interest on new term deposits in Greece fell further in December 2014 to 177bps, down 9 bps versus December 2013.

It should be noted that despite the notable deposit outflows from the end of 2014 to early 2015, the de-escalating course of the cost of term deposits was not affected, thus interest on new term deposits stood at 1.73% at the end of February. Net interest margin (NIM) rose further in 2014 to 270bps versus 243bps in 2013 (as percentage of assets excluding EFSF bonds). NII from Greek operations amounted to €1,695 mn in 2014, with NII from international operations to €305 mn.

Net fees & commissions amounted €333 mn in 2014, with 88% stemming from commercial activities.

The Group's operating expenses amounted to €1,533 mn in 2014, of which 50% were related to staff expenses (€772 mn), 40% to administrative expenses (€605 mn) and 10% to depreciations and other expenses (€156 mn). 2014 operating expenses include €74 mn one-off expenses for the voluntary exit scheme in Greece and €91 mn one-off integration costs for operations acquired. Excluding one-off costs, the cost to income ratio was 56%.

As a result of the aforementioned, the Group's recurring profit before tax and provisions for 2014 amounted €957 mn. When excluding the one-off expenses, the Group's recurring profit before tax and provisions amounted €1,122 mn in 2014.

2014 results were burdened by significant provisions for loans, which amounted €3,718 mn due to the prolonged recession in Greece and as a result of the change in the Management's estimates regarding the level of impairment of the Group's loan portfolio. These provisions as a percentage of loans rose to 5.1% in 2014 versus 2.9% in 2013.

Pre-tax results amounted to €3,047 mn in losses, while Group net results from continuing operations attributable to shareholders amounted to €1,972 mn in losses in 2014.

Net Group results from continuing operations attributable to shareholders amounted to €1,972 mn in losses in 2014.



OPERATIONS IN GREECE

OPERATIONS IN GREECE

Piraeus Bank Group is the largest banking institution in terms of assets, loans and deposits in Greece with a key role in the provision of banking services and credit to small and medium-sized businesses with annual turnover of €2.5 mn - €70 mn. Moreover, the Bank is among the key providers of banking services and credit to individuals and one of the main providers of advisory services of capital markets, investment banking, leasing and shipping banking in Greece. Additionally, the Group holds a leading position in e-banking services and applications, and in financing friendly environmental project (green banking) as well as funding of the agricultural sector, with products and services adjusted to each customer's needs.

In the past few years, Piraeus Bank Group has been actively participating in the restructuring of the Greek banking system as a basic pillar and is today one of the 4 systemic banks in Greece.

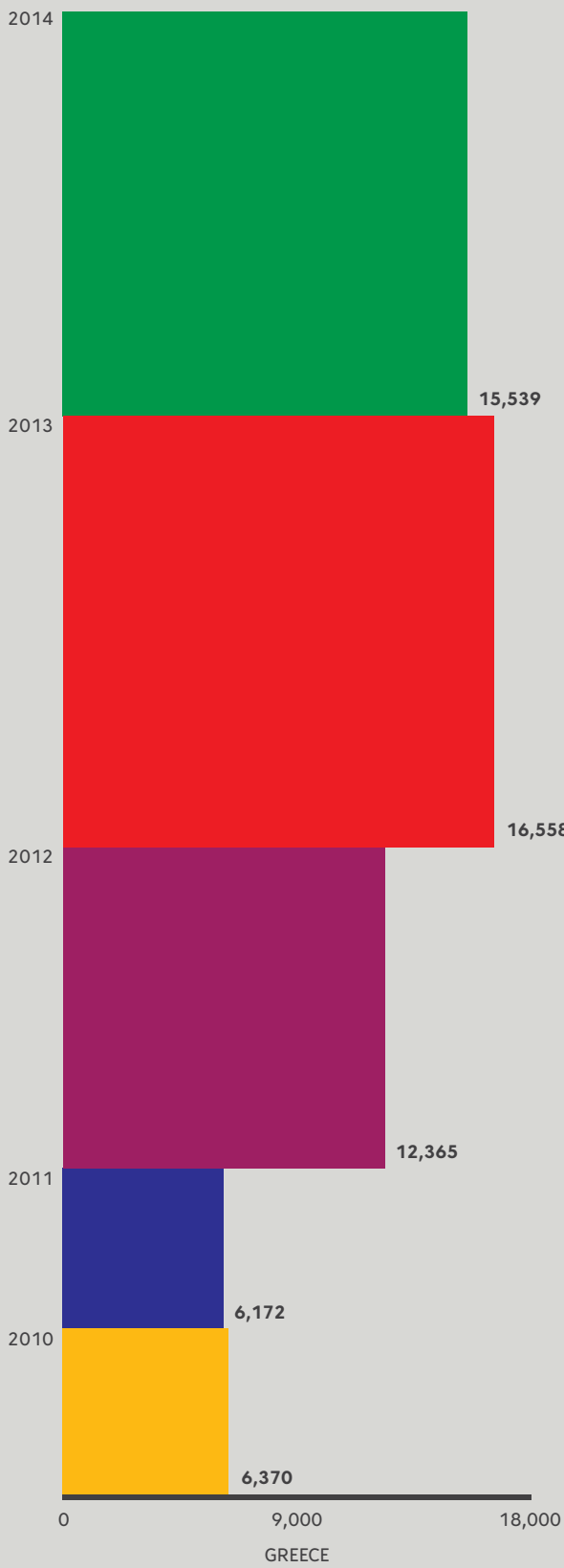
The majority of the Group's banking activities is targeted at the Greek market and includes retail, commercial and investment banking as well as capital management.

At year-end 2014, approx.90% of total Group assets was composed of domestic assets. Domestic activities constitute 85% of total net revenues for the fiscal year ending on 31.12.14. 90% of Group loans to customers were related to borrowers in the domestic market.

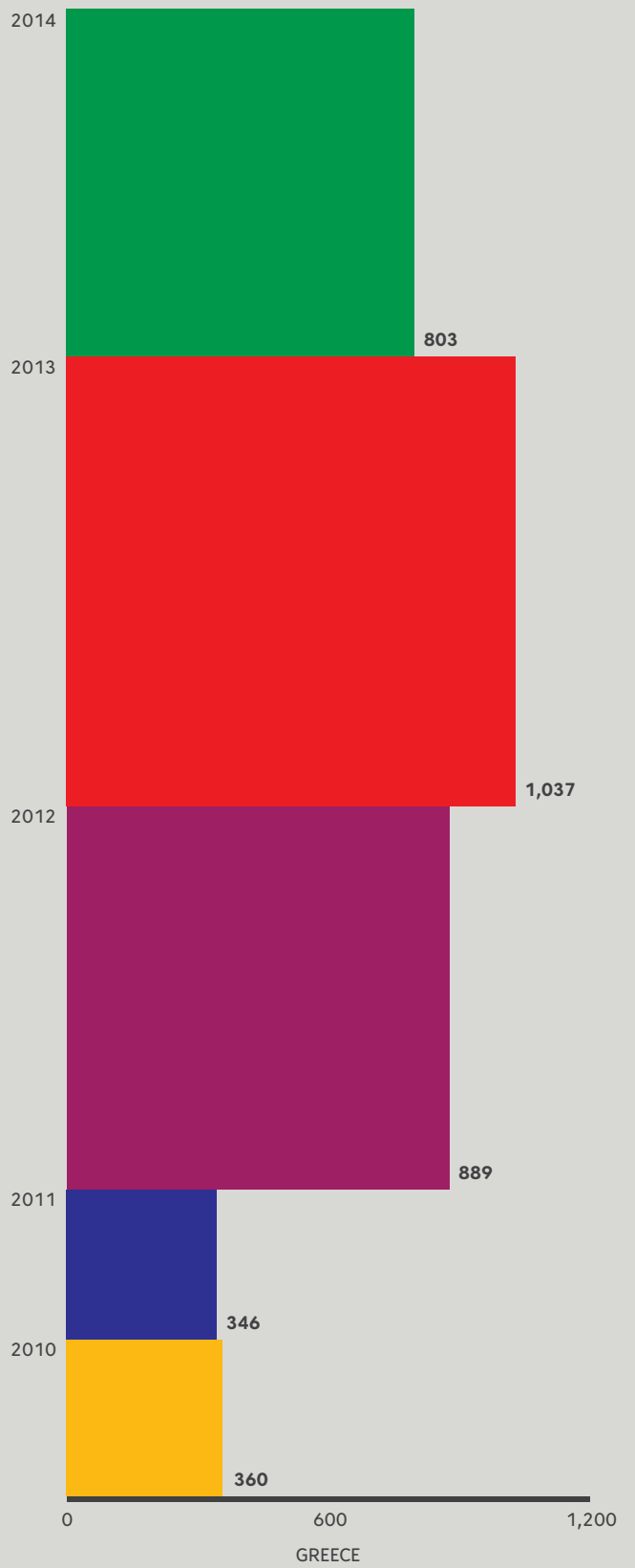
Piraeus Bank continues to have a broadly dispersed presence in various sectors of the economy, while its credit exposures are significantly secured with collateral and guarantees, in addition to cumulative provisions.

With regard to 2014 financial performance, gross loans of Piraeus Bank and its subsidiaries in Greece amounted to €66.1 bn, of which €1.8 bn was related to a seasonal agri-loan to OPEKEPE (which was repaid in early 2015) enabling the disbursement of the EU subsidies funds to approx. 650 thousand farmers. Total business portfolio constitutes 65% of total portfolio, while loans to individuals 35%. In Greece the non-performing loans over 90 days in arrears of total loans ratio was 39% at the end of December 2014 (excluding OPEKEPE loan) from 37% the previous year. The Group's deposits in Greece amounted to €49.4 bn, representing 28.9% of the Greek deposit market at year-end 2014. It should be noted that the Bank holds the first position in the Greek banking sector in relation to deposit market share, which remained steady throughout 2014.

EMPLOYEES



BRANCH NETWORK



Piraeus Bank is the leading bank in Greece in terms of deposit market share (28.9%), that remained unchanged during 2014, while its market share of loans reached 29.1%.

VOLUMES IN GREECE

	31.12.2014	31.12.2013	CHANGE
GROSS LOANS (€ MN)	66,068	69,063	-4%
CUSTOMER DEPOSITS (€ MN)	49,450	49,650	0%
BRANCHES (#)	803	1,037	-23%
EMPLOYEES (#)	15,539	16,558	-6%

RETAIL BANKING

The developments in the banking sector and the bank mergers of the past few years created a new environment with the respective significant challenges for the systemic banks. Piraeus Bank in 2014 completed the integration of the customers from all the merged banks and now holds a leading position in Greece in most Retail Banking volumes.

In 2014, the Bank's excellent e-banking services were accessed by a record number of customers, a fact which contributed to improved service provision at branches, to reduced operating costs and increased customer satisfaction.

With aim to satisfy Piraeus' customers needs and to utilize the opportunities provided by the significantly enlarged customer base, a strategic decision was taken to establish a specialized unit within Retail Banking whose objective is a targeted customer awareness, management, development and retention based on customer segments and sub-segments.

By operating with new models of international standards, 2015 is expected to be a key point in the development of Retail Banking operations and Piraeus Bank shall actively contribute to customer satisfaction, taking into consideration their diversity and real needs.

DEVELOPMENT OF RETAIL BANKING OPERATIONS

Affluent Banking Segment

In 2014, there was further development of the special servicing model for affluent Bank customers, integrating elements of equivalent personal banking models of the merged banks. More specifically, remapping and rationalization of customers and branches were undertaken aimed at optimizing the service points of personal banking customers. There was significant enhancement of the support framework of the Personal Advisors, the specialized employees who provide affluent customer service at the Branch Network with the following actions:

- the "Personal Banking Personal Advisor Training School" was established to achieve uniformity in culture and in the level of skills and abilities. In Q2 2014, over 300 Personal Advisors received training in special 4-day Introductory Programmes with different training tools by 40 speakers who were provided with ample training and support material;

- a special support unit of the Branch Network and of Personal Advisors was formed, made up of executives with long experience, training and qualifications in this subject; and
- the information provision mechanisms to administration were further enhanced with parallel improvement in infrastructures and tools available.

It should be noted that in 2014, the new Personal Banking brand name and communication style were introduced and the information packs provided to customers were redesigned. At the same time, the new Piraeus Personal Banking Debit card was made available as was the innovative Piraeus Multi-Selection Funds, designed to cover the needs of the Bank's affluent customers.

By the end of 2014, Piraeus Personal Banking was available from 277 branches of a total of 803, serving tens of thousands of affluent customers with significant capital managed. Regarding financial results, there was notable increase in cross-selling, reaching 5,3x on 31.12.2014 from 4,9x on 31.12.2013, resulting from increased sales particularly in day-to-day banking products as well as investment and insurance products.

Small Business Banking Segment

In 2014, the SBB Segment was redesigned, with expanded criteria for inclusion of customers and a new business model. The SBB Segment includes legal entities, individual businesses and professionals, taking into account turnover and the exposure of their business loans.

Based on these criteria, customer segmentation was implemented to include small businesses and professionals with significant deposits and even more significant loan portfolio in the SBB Segment.

In addition, the new business model that was designed includes models of customer sub-segments, service, process and specialized tools. The main characteristic of this new model is Total Banking, which entails complete management of customer relation/needs (loans, deposits, services, parallel activities). Emphasis is placed on covering customer needs through innovative products and services, personalized service of customers with great potential and importance, provision of complete and reliable solutions and the new, innovative and easy to use internet banking platform.

Mass Market Segment

Mass Market Segment comprises of 5 million individuals who hold a significant proportion of total deposit/investment balances and a very high share of loan balances.

The Mass Market Segment aims to develop the customers' relation with the Bank by expanding their portfolio and enhancing their service experience by understanding and meeting the needs, through all the distribution channels available to the Bank.

The priority for 2015 is to shape a complete model of operation for the Mass Market Segment that includes customer sub-segmentation, identification and understanding of the customers' needs and coverage of these needs by means of specific products and services, shaping of a complete commercial approach and the creation of tools and processes which improve the customers' overall experience.

Customer Intelligence & Experience

Enhancement of the overall experience of customers when they come into contact with the entire Bank's service network constitutes a key medium term goal. In this direction, the relevant unit implemented actions and extended its activities on multiple levels:

Customer Experience

The Piraeus Bank ATM and Easypay Kiosks networks together with the award-winning Winbank Web Banking platform constitute alternative solutions whereby customer service is easy, speedy and safe. Utilizing these solutions, in 2014 the "Save Time" programme was initiated aimed at informing and training customers about the servicing opportunities of the Alternative Channels.

The Programme was implemented on a pilot basis in 100 selected Branches with use of Tablets, whereby Branch employees can inform visiting customers, present the features of web & mobile banking and make on-the-spot transactions interactively.

The "Save Time" programme was distinguished in the Customer Service Awards in the "Innovation in Service" award.

The Programme contributed significantly to enhanced customer experience and to increased use of alternative service channels. Given the results, the Programme is to be expanded to 300 more branches in 2015.

At the same time, placing even greater emphasis on customers' experience with digital applications, Piraeus Bank developed and further enhanced its user experience measuring methods and interfaces that are used. Indicatively, in 2014 there was extensive use of methods such as user testing, one-to-one user interviews, personas and customer journey maps.

In December 2014, the Bank was the first in Greece to launch the integrated loyalty programme Yellowday, a modern digital platform with offers, accessible from PC, Tablets and Smart-phones (regardless of whether they are customers).

Yellowday aims to offer a personalized experience by providing purchase ideas and recommendations based on their buyer profile and preferences and on their geographical location at any given time.

It also gives collaborating businesses the opportunity to acquire targeted access to the Bank's customers and to increase sales and visits to their businesses.

In 2014, the Bank continued use of the Voice of the Customer (VoC) programme with the aim of disseminating a common customer-centered culture within the Group and the provision of a higher level of customer experience. Implementation of the VoC constitutes a useful tool for collection and structured analysis of information which defines the customer's experience with the existing Bank products and services as well as for analyzing important data related to the development of future products and services. More specifically, through the Programme 75,000 customers were surveyed and their responses resulted in approx. 200 improvement actions for the Group, of which 60% has already been implemented.

75,000 Piraeus Bank customers were surveyed in 2014 through the "Voice of Customer" and their responses resulted in approx. 200 improvement actions.

The 2015 targets for the Programme include the significant increase in the number of customers surveyed in order to measure the majority of the customers' experience with the Bank and to implement the respective improvement actions, where deemed necessary.

Customer Intelligence

With steady orientation towards a customer-centered approach to management and service, Piraeus Bank is focused on recognizing and highlighting customer trends and behavior that are of commercial interest. The aim of all the sectors studied was targeted development of customers, according to their particular needs and desires as they are reflected in their relation with the Bank. For implementation of the previous sectors studied, the most advanced technical analytics that have been developed and are available to the Bank were applied together with targeted multichannel campaigns.

By taking into consideration the findings of these analyses and applying advanced price optimization techniques, the new strategic project of personalized pricing of term deposit customers was developed and implemented.

Additionally, during 2014 there was systematic utilization of the best marketing automation platform to support multichannel campaigns, launching over 150 targeted promotional actions to 2 mn customers at all contact channels and achieving very high response rates (an average of 20%). These actions provided support to the Bank's strategic goals regarding retail banking (deposits, loans, digital banking and insurance products) and to the specialized needs of the marketing and the branch network sectors.

The Bank now has the possibility to effectively manage all its contacts with its customers in order to recognize their needs rapidly and to offer the most suitable specialized solution.

Retail Deposits

In total, in 2014 deposits remained stable although at the end of December, an outflow of deposits was recorded due to the political uncertainty in Greece. For the rest of the year, there was no significant transfer or return of capital to and from abroad, with domestic outflows controlled and mainly related to retail and business capital to cover current needs.

In 2014 as well, the Bank focused on managing effectively and reducing the cost of acquiring deposits capital and of first-demand accounts as well as preserving its deposits.

The new “Do-It-Yourself” product is the first of its kind in the Greek market and was designed to cover customers' needs in designing and creating their own time deposit without having to rely on the pre-designed Bank products.

The product portfolio was enriched with the innovative “Do-It-Yourself” time deposit which introduced a new mentality for time deposits to the Greek market as it allows customers to create their own time deposit, selecting the characteristics and functionality to fully cover their customized needs. A few months after its launching, of the “Do-It-Yourself” time deposit was enriched with the option of linking it to any Piraeus Bank card reward programme, thus allowing customers to benefit from reduced interest and extra points from the card reward programme. It is worth noting that the Piraeus Bank website allows site visitors, regardless of whether they are customers, to design their own “Do-It-Yourself” time deposit by using an innovative, specially-designed tool.

In Greece, total Group retail deposits amounted to €39 bn on 31.12.14.

Mortgage and Consumer Credit

In 2014 once again, Consumer Credit received ISO 9001:2008 certification from TUV Hellas for the Consumer Credit Approval Services of the Consumer Credit Approval Center. This continuous certification is proof of the Bank's commitment to providing quality and effective services and to ensuring unwavering customer satisfaction – with a focus on modern and responsible handling of their needs in the framework of the broader economic environment. Moreover, this certification is related to the enhancement of the image of its management and business performance, to the creation of a competitive advantage and effective management of business risk, to the reduction of its operating cost and resource-saving as well as to promoting internal communication and increasing employee satisfaction.

In 2014, emphasis was placed on enhancement of the quality of mortgage customer service through the redefining of the process and system policies and analysis of the Bank's integrated portfolio with parallel successful migration of Geniki Bank portfolio.

Steady in its commitment, Piraeus Bank continued to support households facing financial difficulties in paying their loans regularly by covering their needs in the best possible way. In 2014, the Bank focused on qualitative portfolio growth in the retail credit sector as well. By means of flexible products, it aimed to finance basic household needs and to upgrade the quality of family life through programmes for home purchase/construction and coverage of university studies expenses.

Green banking continues to constitute a key sector of activity for the Bank. Piraeus Bank maintained its leading position in the "Energy Saving at Home" Programme, with 30% of the signed loan agreements while more than 8,000 households have already completed the required interventions to improve their homes' energy-efficiency.

At year-end 2014, Piraeus Group's consolidated volumes of loan balances reached €16.7 bn for mortgages and €5.0 bn for consumer credit balances (excluding credit cards) with Piraeus Bank Group's market share reaching 24.2% and 22.3% respectively at year-end 2014.

Cards

Debit, Credit, Prepaid Cards

In 2014, Piraeus Bank launched 5 new Card programmes, resulting from its strategic partnerships with leading businesses in the Greek market.

At the same time, the Bank has been gradually upgrading its products with contactless transaction technology, thus enhancing its image and position as a provider of high-tech and innovative products as well as aiming to improve customers' overall experience.

CREDIT CARDS ACTIVITIES OF PIRAEUS BANK GROUP 2014

	NUMBER OF CARDS	PURCHASES				WITHDRAWALS	
		TURNOVER (€)	TRANSACTIONS (#)	ANNUAL CHANGE (€)	ANNUAL CHANGE (#)	TURNOVER (€)	TRANSACTIONS (#)
Debit Cards	2.8 mn	523 mn	10.0 mn	27.6%	37.8%	11 bn	53 mn
Credit Cards ¹	548 thousands	907 mn	11.5 mn	2.4%	5.7%	66 mn	422 thousands
Prepaid Cards ²	400 thousands	133 mn	3.0 mn	24.2%	25.4%	13.8 mn	87 thousands

¹ The performing and up to 90 days non performing balances amount to €1.4 bn.

² The unused credit card limits.

Income from commissions amounted €30 mn. Interest from income from card activity amounted to €103 mn (pre-cash contribution cost).

The 2015 target is preservation of the Bank's leading position in the pre-paid card market, preservation of debit card market share and enhancement of the respective market share of credit cards.

Additionally, completion of the migration of credit and prepaid cards into an integrated system in 2015 is expected to create further promotional opportunities of the Bank's products as well as strengthening its relation with customers and significantly contributing to the reduction of operating costs from the economies of scale that will be created to the amount of €10 mn minimum per year.

The provision of innovative products and services, upgrading customers' experience and the availability of new channels of product promotion are all expected to contribute definitively to the Bank's position in the Greek market.

BANCASSURANCE PRODUCTS AND INSURANCE BROKERAGE

Bancassurance

Total Group under management portfolio amounted to €222 mn in 2014, with total profits stemming from insurance brokerage activities €34 mn, noting a 28% increase versus 2013.

Piraeus Bank's Bancassurance Unit was established in 2008 with the aim of developing systematic sales in Greece and abroad mainly through its branch network but also through alternative channels of communication with customers (call centre, the e-banking platform winbank). With its specialized know-how, the Bank aims to make use of strategic collaborations with the insurance companies NN and ERGO, thus maximizing the value for the Bank. In collaboration with subsidiary Piraeus Insurance Agency and the other bank units, the Unit aims to create complete bancassurance products and mechanisms for automated customer management and service. The key axes for improvement and monitoring are:

- effective bancassurance product sales combined with proper, quality and prompt servicing of customers, through motivation and development of coaching; and
- improvement of the required sales procedures.

Piraeus Bank's Bancassurance was ranked first in Greece in 2014, with a market share of 30%.

As is the case with the other Bank divisions, in 2014 the goal of integration of the absorbed banks together with excellent customer service provision to the new customers – who are also insurance contract holders from partner insurance companies – was successfully achieved by fully utilizing the dynamics of the new, expanded Group branch network and employees. Existing and new customers can now choose from modern insurance products and services to cover all their needs; at the same time, specialized executives from the Group network are available at every Piraeus Bank branch to assist customers in selecting the programmes that suit them.

Piraeus Bank's great expansion and its strategic target to promote insurance products resulted in Piraeus Bank's Bancassurance maintaining its first position in market share, close to 30%, in Greece in

2014 as well as raising its sense of responsibility at creating new products in the traditional sectors of General Insurance as well as in the developing sector of Health, and Life insurance in general.

Aiming to further enhancing sales and in response to customers' developing needs for innovative and flexible bancassurance products, 4 new products were designed in 2014 in collaboration with leading insurance companies in the sectors of Health, and Personal Property Coverage.

Piraeus Insurance Agency SA

The company utilizes its know-how on managing and supporting insurance solutions as well as on effective and flexible customer service system organization, Piraeus Insurance Agency SA, in collaboration with the Bank's Bancassurance unit, manages the exclusive partnerships with insurance companies NN and ERGO. In collaboration with the Bank's Bancassurance unit and the two companies, it creates innovative products, utilizing customers and the Group's needs, and aims to provide products that the best coverage and benefits which are effective and competitive for customers at the Bank's branch network.

Piraeus Insurance and Reinsurance Brokerage SA

Piraeus Insurance and Reinsurance Brokerage SA, a 100% Piraeus Bank Group subsidiary, was established in 2006. It offers all the range of insurance products and services for businesses, fully covering their insurance risk needs. The company's turnover amounted €9 mn in 2014, noting a 29% increase versus 2013.

The company's key goal is to develop further its relation with healthy and active businesses that collaborate with the Bank by offering specialized and innovative insurance products and services, thus ensuring their operation and sustainability in case of insurance risk in the form of damages or financial losses.

BUSINESS BANKING

In Greece, Piraeus Bank Group has always held a key position in services providing funding to businesses active in all sectors of the economy. The Group offers a wide range of deposit and funding products to businesses, including financial and investment advisory services, loans (in euro and other currencies), foreign currency services, insurance products, custody services and import-export services.

The Bank's focus of attention is on selecting high quality customers and systematically monitoring them by means of the most advanced risk management tools, while with particular attention the following are implemented: exposure to the most promising sectors of the economy, ensuring that its lending is with strong collateral and guarantees, pricing relative to risk assumed, and continued efforts for cross-selling enhancement.

Piraeus Bank responded to the need to implement stricter credit assessment criteria of its business portfolio by restructuring its loans, strengthening its collateral and adapting its pricing according to the risk assumed.

In an effort to maintain the quality of sound management of credit risk deriving from its business portfolio, the Bank's Credit unit actively and systematically participates in the process by applying uniform credit policy and practices and by strictly abiding by the processes of approval, renewal and close monitoring of credit limits.

More specifically, the Group's Credit unit is responsible for the following:

- Active participation in approval process (Approval Committees) to define, amend and/or renew credit limits of businesses and financial institutions.
- Close monitoring of quality of business loan portfolio.
- Continuous updating of Credit Policy and Practices Manual and monitoring of its proper implementation.
- Participation in Group Account Officers/Credit Analysts training.

With the aim of safeguarding the Bank's balance sheet, in 2014 as well, even stricter evaluation criteria for business portfolio were applied, targeted at enhancing the Bank's position by means of restructuring of funding, strengthening of collateral and risk-based pricing.

Moreover, in 2014, the Group's Credit was staffed with more Credit Officers and was restructured with the inclusion of new, specialized teams to provide more in-depth credit risk assessment and continual monitoring of business loan portfolio under the responsibility of the Recovery Banking Unit (RBU) and of other specialized business units (Structured Finance, Agricultural unit etc). In the framework of these restructuring, internal structures, systems and processes were enhanced further, aiming towards timely detection, proper assessment and immediate measure-taking to limit credit risk. In conclusion, significant projects regarding Credit Policy enhancement were completed with parallel strengthening of the relevant specialized team.

BUSINESS DEPOSITS

Business deposit balances in Greece on 31.12.2014 amounted €11 bn, including General Government deposits. The domestic economic and political developments in 2013 affected deposits, leading them to intense volatility. Total private sector business deposits of the Greek market fell in 2014 by €2.2 bn (versus a €1.9 bn increase at year-end 2013).

It should also be noted that despite the adverse economic conditions, the Bank continues to take advantage of its know-how of operations with legal entities of the wider public sector. In 2014, it participated in tender offers for broad collaboration with municipalities, municipal businesses, prefectures, hospitals, secondary and tertiary educational institutions, pension funds and other legal entities, which resulted in initiation of a satisfactory number of new synergies and deposits, enhancement of its customer base as well as a significant margin for cross-selling enhancement.

Over 1 mn public and private sector employees serviced their payrolls with Piraeus Bank in 2014.

The Bank's Public Sector & Payroll Development unit continued in 2014 as well to support the Bank's Network with the provision of innovative products and technological solutions to Public Agencies, covering a broad range of their financial activities (loans, cash management, investments, payroll, automated collection and payment systems, e-banking services etc). More specifically, together with other relevant Bank units, the Unit participated in over 750 tender offers for collaboration with Legal Entities of the Public Sector, thus ensuring a multitude of new partnerships as well as significant amounts of deposits.

The unit also made a definitive contribution to the Bank's efforts to attract and manage new public and private sector payrolls as well as adjusting existing customers to the institutional requirements for such transactions, in effect since the summer of 2014.

In total, in the payroll sector the Bank serves more than 1 mn employees in the public and private sector.

BUSINESS LOANS AND ADVANCES

Piraeus Bank Group holds a strong position in business financing in the domestic market, with considerable diversity in all sectors of the economy and emphasis on services to medium and small-sized enterprises. At year-end 2014, total loans to businesses in Greece (excluding OPEKEPE loan) reached €41 bn.

Business loans are granted, for the most part, in the form of credit lines with floating interest rates. Moreover, the Group provides letters of credit and guarantees for its customers. It has also granted loans to all business sectors with particular emphasis on commerce, industry- crafts, construction, energy, infrastructures, tourism, shipping and agricultural production.

CORPORATES

Piraeus Bank Group's Corporate & Structured Finance activities are the provision of banking services, funding of complex transactions, property investment finance, provision of financial advisory services related to debt restructuring and infrastructure advisory.

Corporate and Structured Finance

Piraeus Bank Group's Corporate and Structured Finance unit's activities are the provision of specialized banking services; the organizing of and participation in Structured Finance in the sectors of Transportation, Infrastructure, Real Estate, Energy and Telecoms; and, the provision of advisory services to large infrastructure projects, in Public Private Partnerships (PPPs) and in EU co-funded development projects.

The key factor that shapes the Group's Corporate and Structured Finance policy is to create added value both for the Bank and for its customers through effective management and further development of its portfolio based on an individualized approach to every transaction. Moreover, the unit aims to utilize synergies and undertake projects with other Bank services in the framework of a holistic approach to customer needs.

The Corporate and Structured Finance business strategy for 2014 was aligned with the market conditions and in the following axes:

- dynamic monitoring of existing structured finance portfolio combined with assessment and promotion of restructuring plans;
- utilization of alternative co-funding tools in the framework of EU programmes and mechanisms;
- further expansion of portfolio to the financing of green entrepreneurship investments taking into consideration the positive prospects of the sector and the multiple financial and social benefits, in the framework of promoting a growth model for Greece which is adapted to modern international trends and demands;
- pursuit of active participation in the financing of large infrastructure and privatization projects; and
- utilization of the Bank's leading role in the financing of motorways to attract parallel projects.

Piraeus Group achieved a significant increase in income from underwriting and advisory service commissions, thus contributing to the utilization of EU funding and supporting sustainable investments.

In this framework, in 2014 Corporate and Structured Finance achieved significant increase in interest and underwriting commission income as well as income stemming from advisory service commissions and from major organizer of finance, versus 2013. At the same time, in a period marked by stabilizing trends in macroeconomic volumes for the economy as a whole, Piraeus Bank:

- in the framework of implementation of the EU initiative JESSICA in Greece, in collaboration with the European Investment Bank, signed the contracts for financing of four (4) projects in Central Macedonia and Thessaly regarding framework of construction and operation of electricity and thermal energy biomass power plants of a total 8,25 MWe capacity, thus contributing significantly to the utilization of EU funds and the support of sustainable investments which strengthen the Greek economy and entrepreneurship on a local-periphery level;
- with a strong commitment to support green energy investments, the Bank continued to steadily fund RES investments, mainly wind and hydro-electric parks, completing the evaluation and commencing the contractual implementation of investments totaling approx. 160 MWe;
- in the efforts to re-start the Greek economy and to implement an infrastructural development programme, the Bank actively supported the privatization tenders by providing advisory services to candidate consortia (Kasteli Airport, airports in the periphery) and by submitting a Letter of Intent to cover a significant part of the finance needs of the aforementioned investments; and
- following the restructuring of the motorway projects, as the main commercial financier of the projects, Piraeus Bank assumed the role of Account and Lender Representative Bank for Nea Odos SA (“Ionia Odos” motorway) and initiated the cash operations and toll collection for Aegean Motorway and “Ionia Odos” motorway.

SHIPPING FINANCE

Piraeus Bank has significant presence in loans to the shipping sector, which constitutes one of the most dynamic and extorvertes sectors of the Greek economy.

2014 was another challenging year for dry bulk cargo ships and container ships, while the tanker sector improved. More specifically, the dry bulk cargo ship market was at particularly low levels on average in 2014, with few periods of satisfactory results, mainly due to the oversupply of ships. Container ships noted similarly low revenues, clearly affected by the minimal growth in the developed markets. In contrast, tankers marked a significant increase in freightage in 2014 versus 2013, resulting from the limited number of new ship deliveries combined with increased freight loads from reduced oil prices.

Piraeus Bank’s Shipping Banking reshaped its goals and strategy in 2014 by implementing the plan to separate its updated portfolio from and to transferring its loans in arrears to the Recovery Banking unit.

In the framework of the broader policy of the Bank, in 2014 the processes of separating the performing portfolio and transfer of shipping loans in arrears to the new Recovery Banking unit were undertaken. This organizational change allows the Shipping unit to detach itself from loans in arrears and focus on the “healthy” portfolio and on targeted development of relations with prominent shipping customers.

Taking into account conditions in shipping, the Bank is pursuing a conservative strategy mainly

focused on covering the needs of its expanded customers with selective financing to existing customers, emphasis on parallel activities, promotion of the entire Bank product range and attraction of deposits.

The services provided by the Shipping unit mainly focus on financing of purchase of ships, financing of shipping companies' specialized operating needs (issuance of letters of guarantee, cash management, e-banking, currency conversions). Financing focuses on two basic ship categories: dry bulk cargo ships and tankers. Total balances amounted to €3,2 bn at year-end 2014.

In the framework of a holistic approach to customer needs, by means of the Wholesale Financial Solutions unit, the Shipping unit provides integrated solutions to shipping groups, whose activities and funding needs go beyond shipping to other sectors such as corporate activities, real estate investments and financial investments. Additionally, the unit covers the needs of companies active in sectors related to shipping, such as fuel bunkering vessels, port management etc.

MEDIUM AND SMALL ENTERPRISES BANKING

The field of medium and small sized enterprises has been the prime business field of Piraeus Bank in Greece for almost two decades. The Bank provides services to the two sectors of small and medium-sized enterprises by means of the special Small Businesses and Professionals division (SBLs) with an annual turnover under €2.5 mn, while the specialized Business Centers of the Bank cover SMEs customers with an annual turnover of €2.5 mn to €70 mn.

Traditionally the Bank has been collaborating primarily with medium-sized Greek enterprises. However, in recent years it has gradually established a notable presence in small enterprises and self-employed professionals also resulting from the acquisitions. The prolonged recession in Greece has significantly affected the growth of medium and small sized enterprises. The downturn in demand impacted business turnover, which, combined with limited liquidity and uncertainty about the developments in the economy, create a difficult environment for business activity. However, approach of this market offers a great margin for exploitation of opportunities for new products and services promotion.

The Bank's specialized Business Centers and its branch network cover the upper segment of SMEs.

The Bank's growth model, which incorporates a customer centric approach, led to an increase in customer numbers and consequently to the level of know-how of its executives.

The high-quality standards of service have resulted in harmonization of credit criteria and better loan quality monitoring. In this framework, for a number of years, Piraeus Bank has followed a business loan policy with a great degree of collateral in this loan sector.

It should be noted that the Bank's Business Centers additionally undertake to evaluate applications for businesses whose financing applications are of a specific or composite character (e.g., loans either with Greek State guarantees or with Joint Ministerial Decision).

Small Businesses and Professionals

In the last years Piraeus Bank has developed significant presence in the sector of small businesses and self-employed professionals by providing a wide range of products and services. This category constitutes one of the key strategic axes for the Bank in strengthening and

assisting with the efforts towards the recovery of the Greek economy. In this direction, new innovative products and flexible processes are being developed, aimed at covering the individual customer needs according to their particular characteristics.

Particular emphasis was placed on enhancing the quality of service to businesses by redefining policies and processes as well as analyzing the integrated Bank portfolio following the 2012-2013 acquisitions. At the same time, migration of Geniki Bank's portfolio was successfully completed at the end of 2014.

In 2014, the Small Businesses and Professionals unit focused on expanding its portfolio, with emphasis of loan provision to "healthy" businesses and professionals through the "Piraeus Business" products and the specialized, co-funded programmes through the Hellenic Fund for Entrepreneurship and Development (ETEAN SA), thus actively supporting entrepreneurship.

The Small Businesses and Self-Employed Professionals unit is responsible for the loan portfolio of businesses and self-employed professionals with an annual turnover up to €2.5 mn as well as of loans to the Agricultural sector.

The main responsibilities of the unit are the following:

- active participation in the Approval Committees that define, amend and /or renew credit limits to Small Businesses/Self-Employed Professionals & Farmers;
- close monitoring of business/agricultural loans by means of targeted analytical reports which ensure its quality;
- participation in the shaping of the credit policy, credit criteria and of the Group's credit system as well as monitoring of their application; and
- provision of advisory support to and participation in Branch Network training regarding Small Businesses/Self-Employed Professionals & Farmers issues.

The Small Businesses and Self-Employed Professionals unit has segmented its customers into Small Business, MicroFinancing, Small Agricultural Businesses and RES, Credit Support, Centralized Credit & Quality Control and Agricultural Credit units aiming for more in-depth understanding of customers ("know your customer") and optimization of monitoring of portfolio and application of the Group's Credit Policy.

In collaboration with the Risk Management unit, the Small Businesses and Self-Employed Professionals unit contributes to the development of risk assessment systems (scorecards SBLR-SBLA), which will enhance and accelerate the portfolio assessment process.

In 2014, the Merchant Business Approval Center within the Small Businesses and Self-Employed Professionals unit proceeded with the following:

- integration of the Merchant Business Approval Center process of the customers Multifin – Stock Finance & Group Deals and inclusion of these into the uniform assessment process of the Third-Party Network and E-Market customers; and
- processing and assessment of POS & ePOS installation applications based on existing approval policy and complete implementation of discount limits with alert mechanism in POS collaborations with interest-free installments and assessment of new contractual farming POS's.

The newly-formed Approval Center for Farmers was enriched with the inclusion of the agri-loan portfolio in the central loan recording system and in the credit risk assessment system. Moreover, best practices were selected, the appropriate processes and internal support systems were developed to allow for proper operation and development of the Agricultural sector.

Finally, the Small Businesses and Self-Employed Professionals unit actively participates in projects related to additional upgrading of the assessment procedures for the business portfolio and approval processes.

DEVELOPMENT PROGRAMMES

The Development Programmes unit's responsibilities include management of actions of State Aid of NSRF and of Investment Laws as well as the development and management of business loan products in partnership with institutional partners such as the Hellenic Fund for Entrepreneurship and Development (ETEAN SA), the European Investment Bank (EIB), the European Investment Fund and others.

The financing tools that Piraeus Bank utilizes in its national and international partnerships are the following:

Business Restarting

This action provides co-financed loans to SME's in all sectors with favorable interest terms and of duration proportional to the purpose of loan. Piraeus Bank and ETEAN have equal participation in each loan and the loans can be provided in the form of working capital or for the investment needs of the business. Loan amounts ranging from €10,000 to €300,000 for working capital and up to €800,000 for medium-term loans.

Island Entrepreneurship

This action regards low interest and interest-free loans (for islands with populations under 3,100 inhabitants) to businesses on islands active in the fields of tourism or related to tourism. These loans cover any part of the capital required for implementation of business plans. Loan amounts ranging from €10,000 to €30,000. The finance is exclusively covered by ETEAN SA, with the Bank participating in the selection criteria assessment and in management of the loans.

Additionally, for the period of April-July 2014, the Bank in collaboration with the National Fund for Entrepreneurship and Development (ETEAN SA) proceeded with a special Action targeted at liquidity enhancement of enterprises, based in the Cephalonia Prefecture, which were adversely affected by the earthquake in January. It aimed to aid small and very small enterprises in the Cephalonia Prefecture (Cephalonia and Ithaca) by means of working capital and investment loans to enhance their competitiveness.

Agricultural Entrepreneurship

The Agricultural Entrepreneurship Fund provides long-term loans to professional farmers and businesses involved in the primary sector production, processing of agricultural products, and other related businesses that have been approved for plans of the Greek Ministry of Rural Development under Measures 121, 123A, 311, 312, 313B. The loan may be up to the amount approved for each investment plan. Piraeus Bank participates in collaboration with the National Fund for Entrepreneurship and Development (ETEAN SA) with a co-financing ratio of 1:1.2.

European Investment Bank Financing Programmes

The Action provides financing to SMEs active in manufacturing, trade and services through the EIB funds as Working Capital or Investment Loans.

The Bank's Development Programmes unit is responsible for business selection assessment based on the terms and conditions of each action individually. In 2014, over 4,000 applications were assessed.

In 2014, particular emphasis was placed on developing new relations with agencies involved in entrepreneurship financing in Greece which offer growth opportunities to the Greek market. In 2014, negotiations with the European Investment Fund-EIF were concluded with regard to the provision of products in the framework of the EU initiative "Jeremie". Finally, in 2014 the collaboration between Piraeus Bank and the Institution for Growth in Greece was initiated. The Institution is an initiative of the Greek State in partnership with the German KfW Development Bank with the aim of providing liquidity to Greek SME's to cover their investment plans and operating needs. The two funding tools commenced in early 2015.

At the same time, in the framework of management of actions of State Aid, on October 31, 2014, the Development Programmes unit completed the checks and disbursement of loans to beneficiaries of the NSRF Action A' to all the projects of all the banks absorbed by Piraeus Bank. More specifically, in 2014, a total of 131 investment plans were certified and €8.5 mn in loans was disbursed. In the framework of the NSRF Action A', the Bank supported the implementation of 2,034 investments and proceeded with the disbursement of a total of €174 mn in EU funds. The rate of completion of the approved investment plans is over 60%, which is a great achievement given the economic environment in which these investments were undertaken and also constitutes an excellent example of effective collaboration between the Public and Private sectors. At the same time, the Bank, in its role as Intermediate Managing Body, has undertaken the monitoring of implementation of the long-term loans that businesses were provided under the NSRF Action A' and the Self-Employed Professionals. More specifically, 2,210 checks of 2-year Long-term Loans of the Self-Employed Professionals – Scientists were filed at the Ministry of Development's State Aid IT Systems, regarding all the proposals that had been subsidized by all the banks absorbed by Piraeus Bank. Additionally, the necessary documentation was requested from 918 businesses included in the NSRF Action A' and had received State Aid from November 2011 until October 2012, with parallel completion of the recording of over 730 checks of 2-year Long-term Loans.

In conclusion, the Development Programmes unit, in collaboration with the Training unit, participated in seminars aimed at informing Small Business Partners on issues related to co-funding tools. In this framework, over 100 executives from branch network received training in this. The unit also actively participated in 5 Business Center courses, with 120 specialized Bank executives receiving training in development programmes, co-funded projects and alternative sources of finance.

RESTRUCTURING AND RECOVERY BANKING & TASK FORCE – MERCHANT BANKING

Since early 2014, Piraeus Bank, in collaboration with a specialized international consultancy firm, established an integrated and independent management structure of two business sectors, the Recovery Banking Unit (RBU) and the Task Force Unit/Merchant Bank.

More specifically, the RBU seeks to define sustainable businesses, households and sectors of the economy and to financially support these by means of suitable and personalized solutions, thus achieving a dual goal: to restructure loans of cooperative loan-holders who are facing financial difficulties, thus achieving significant capital-saving for the Bank,

which in turn can be channeled back into the economy to support “healthy” businesses. The Task Force Unit is responsible for managing the Group’s exposure to specific sectors of the Greek economy, by applying various forms of restructuring, and for participation in businesses that have been defined as non-core Group assets.

In order to achieve the above, the RBU has significantly invested in developing a new operating model, based on 4 axes: a) in-depth analysis of customers, b) development of long-term solutions per portfolio category and design of customized solutions for large loans, c) development of special management channels and d) introduction of special processes and targeted policies and tools/products.

It is of the utmost importance that the RBU is staffed with highly qualified and experienced executives under the leadership of a special executive team with long experience in loan issues and in the field of business/sector restructuring. At year-end 2014, the total number of RBU employees was 1,900 people, of which 1,300 in the Bank and 600 in the network of external partners. In collaboration with the Human Resources (unit) and the consultancy firm which was assigned to design the basic operation framework of the new unit, a series of training seminars was designed to further enhance the executives’ knowledge of the new operation framework and the new principles of the regulatory and supervisory framework.

The Bank expects that these actions will contribute significantly to the efforts to further maximize the value that can be drawn from the non-performing loan portfolio by utilizing the know-how of its people and the gradual recovery of the Greek economy.

FINANCIAL AND OPERATING LEASING

Financial Leasing – Piraeus Leases SA

In 2014, Piraeus Leases SA focused its activities on integration of Cyprus Leasing’s and CPB Leasing’s operations in Greece, thus creating a portfolio of loans and operating leases amounting to €3 bn, approx. 40% market share.

At the end of 2014, the acquisition of Cyprus Leasing shares by Piraeus Bank was completed to be followed by the acquisition of CPB Leasing shares in 2015. At the same time, the company’s coverage of bad debt portfolio was completed by means of additional provisions and €85 mn from capital share increase.

In 2014, new operations remained low as activities focused on the creation of foundations that will allow for future positive growth, to start in 2015.

Operating Leases – Olympic Commercial and Tourist Enterprises SA (AVIS)

Olympic Commercial and Tourist Enterprises SA, which operates under the AVIS trademark is involved both in short-term and long-term leases of vehicles. More specifically, in long-term leases, which account for 75% of the company’s leasing activities, there was significant effort to maintain both the market share and leases in spite of the crisis in the Greek car sector due to increased taxation and the adverse economic climate during 2013.

According to the most recently published data, the company is the largest in the car rental sector in relation to the number of vehicles in its possession, noting the greatest turnover of total rentals.

BUSINESS FACTORING

Piraeus Factoring SA, 100% subsidiary of Piraeus Group, was founded in 1998 and is a member of the international organization Factors Chain International (FCI) and of the Hellenic Factors Association, with representation both in the Board of Directors and in its sub-committees.

The company provides services that cover the entire range of domestic and exports factoring to businesses by funding their receivables and ensuring effective management and constant evaluation of the solvency of existing or new partnerships, as well as providing insurance coverage of credit risk.

Key axes of company activities in 2015 will be support of financially healthy and dynamic businesses which, combined with extroversion, will contribute to Greek economic growth and creation of new jobs.

More specifically, in 2015, the company will mainly focus on:

- further developing contractual agriculture, in the framework of the Group's policy, by means of export factoring, thus contributing to enhancement of agricultural economy;
- the creation of new synergies with the Group, achieving targeted financing which will assist in the development of business turnover, ensuring loan repayment;
- the use of new factoring products to finance the chain of production, thus effectively assisting SME's sustainability when there is no direct access to bank loans; and
- the financing of healthy SME's with innovative or high-tech products.

WINBANK

Piraeus Bank's winbank services received significant awards and distinctions in 2014 from agencies both in Greece and internationally.

WINBANK DISTINCTIONS

Global Finance	2014
In the framework of the "World's Best Internet Bank 2014" competition	<ul style="list-style-type: none">- "Best Mobile Banking App" winbank mobile banking App service- "Best Integrated Consumer Bank Site" winbank web banking service- "Best SMS/Text Banking" winbank sms banking service- "Best Consumer Internet Bank in Greece"- "Best Consumer Internet Bank in Albania"
Business IT Excellence (BITE) Awards	<ul style="list-style-type: none">- Excellent performance award for the winbank web banking service, the core of e-banking- Excellent performance award for the innovative, multi-channel winbank "Instant Cash" service
PC Magazine as the top e-Banking service	<ul style="list-style-type: none">- Special "Editors' Choice" badge
e-volution Awards 2015	<ul style="list-style-type: none">- Gold award in the "G-C or G-B Electronic Public Services Applications" category for the "Issuance of e-Administrative Fee" service- Silver award in the «E-Banking / Innovative Services» category for the innovative, flexible "Do-It-Yourself service"

Winbank web banking & www.easypay.gr payment services

In 2014, significant improvements were made to the infrastructure of payments to organizations and of debts by means of winbank web banking and the www.easypay.gr payment portal, resulting in 121% increase versus 2013. More than 800 payments are already available on winbank web banking and www.easypay.gr.

Digital Banking

Since end 2013, all the customers from the former ATEbank, Hellenic Bank, Cyprus Bank, CPB, Milenium Bank, including, by the end of 2014, the former Geniki Bank have been successfully transferred to the common Piraeus Bank Group “winbank” platform. The other factors that contributed to the great increase in users was the redesigning of winbank web banking’s entry page for Greece and abroad, activation of the mobile banking service in Romania and activation of the Cards Online service in Egypt.

“Instant Cash” Service

The innovative “Instant Cash” (Lefta Sto Lepto) service (cash transfer though web/phone/mobile/ATM and receipt of the cash without ATM card) is continuing an upward trend as a 65% increase was noted in the volume of transactions, with value over €28 mn. The greatest increase (84%) was noted in the “Instant Cash” mobile application.

“Piraeus Customer Protection” Service

The Bank’s innovative Piraeus Customer Protection service, which ensures card holders protection, service and guidance in cases of loss or theft of wallet (wallet & shopping protection), marked a significant increase of 97%. This increase shows the appeal of the service to retail customers of the Bank and the 80% increase in the renewal rate proves the trust they place in it. It should be noted that all the coverage provided by the service is active whether the customer is in Greece or travelling abroad.

“Click 2 Chat” Service

In 2014, use of the Click to Chat service quadrupled. The service is useful for online servicing of e-banking users while they connected to the winbank web banking. The great response of users to this service necessitates its further expansion in 2015.

Increased satisfaction rate of e-Banking service users

Aiming for increased user satisfaction, through further improvement of the quality of services provided, in 2014 Piraeus Bank’s e-Banking services received ISO 9001:2008 certification from TUV Hellas for an 11th consecutive year.

In the framework of providing innovative services to facilitate the public’s transactions with the Public sector, in 2014, the new “e-Administrative Fee” service was introduced. This service is the first in Greece to enable customers to issue Greek State administrative fees directly from the Bank, without having to use Taxisnet. In collaboration with the General Secretariat for Information Systems, Piraeus Bank gave citizens the possibility to issue administrative fees through winbank web banking, winbank mobile banking and *www.easypay.gr*. All citizens, regardless of whether they are Bank customers, can instantly obtain the administrative fee they require at any time or place, even when they are in the public service which requests it. In 2015, the availability of this service through all Bank branches, easypay Kiosks, easypay mobile application and easypay POINTS is being scheduled.

Also in 2014, winbank web banking users were given the possibility of money transfers to current accounts, online unlocking and re-issuance of access codes for web & mobile

services. More specifically, from April 2014 (date of commencement of the service) until year-end 2014, 48% of total code unlocking actions and 30% of total re-issuance of access code actions were made online. These new options improved the quality and speed of user servicing as no communication with the Call Center and/or visit to a Piraeus Branch was required.

Finally, great emphasis was placed on actions to provide specialized training to Branch Network employees on e-banking services. In 2014, 32 training courses were organized, in collaboration with the Group's Organizational Training unit, at the Bank's training centers all over Greece.

Self Service Banking, e-Payments & Direct Sales

In 2014, emphasis was placed on increasing revenue from commissions in the Payments sector by developing new payment relations thus increasing transactions and turnover. More specifically, although the portfolio of companies and organizations that are involved in customer debt-collections through Piraeus Bank payment channels increased by 27%, a 59% increase was noted in commissions. The number of transactions and turnover marked increases of 103% and 83% respectively.

New Services

In 2014, Piraeus Bank introduced the easypay POINT service, which enables third (alternative service) points (e.g. small retail points) to collect bills for their customers with the security and technological superiority that Piraeus Bank provides. Through this service and many other innovations offered by its e-channels and branches, Piraeus Bank holds a leading position in the payments sector, undertaking the majority of citizens' payments to the Ministry of Finance and other Public bodies. Another service with significant growth was Multicurrency, whereby payments in other currencies, apart from the euro, are possible, as it now represents 31% of total Paycenter turnover. These volumes reflect the extroversion of Greek businesses towards international markets.

In 2014, the "One-Click-Pay" service was introduced to the market, giving e-commerce businesses the possibility of providing their customers a complete purchase with "just one click", as the payment card information required for the transaction has been securely stored in Piraeus Bank's infrastructures and the business has a "token" which represents the payee's card number. In this way, the customer's user experience is enhanced greatly while the e-businesses' customer and sales volumes also increase.

e-Commerce

In the eCommerce payment sector (collections through internet, files and phone by commercial businesses with charge to customer card), which are made through the Piraeus Paycenter e-platform, total transactions increased by 58%, while turnover increased by 62% in 2014 versus 2013.

The provision of integrated e-Commerce payment solutions represents a strong competitive advantage for Piraeus Bank, as the solutions offered are designed based on the business needs of large enterprises and organizations and in collaboration with them.

EFT/POS

In the EFT/POS transaction sector, there was an increase in turnover by 32% and in transactions by 44% versus 2013. The total portfolio of businesses with privately-owned

Piraeus Bank terminals rose by 20% while the portfolio of businesses which collaborate with the Bank through other terminals (Merchant Service Providers-MSP) by 58%. At year-end 2014, privately-owned EFT/POS terminals installed noted a 20% increase. Respectively, the MSP transaction points in the Bank rose by 79%. Turnover of transactions by installments that the Bank discounts to businesses increased by 154%.

Direct Sales

The Direct Sales unit is responsible for promoting loan products (consumer and mortgages), consumer factoring and green entrepreneurship products through a network of partners, while also promoting acquiring solutions and payrolls to the targeted businesses. In 2014, the unit also developed the network of YellowDay partners, the new, innovative offers' platform provided to the public, regardless of whether they are Piraeus Bank customers.

ATM – easypay Kiosks

At year-end 2014, the Piraeus Bank Group ATM network numbered 1,838 ATMs in Greece, of which 901 in Bank branches and 937 in points outside the Bank, with the significant addition of 25 ATMs in the Metro stations of Athens. Piraeus Bank has the largest ATM network in Greece, with a market share of over 32%. 76% of total Bank withdrawals were made at ATMS, and 9% of total deposits. It should be noted that in 2014 the possibility was offered to make cash withdrawals with the Union Pay International (UPI) cards, which is the largest card organization in China and in Asian markets.

Another important service channel is the easypay machines, installed in Bank branches in Greece, with 21% of total machines installed at partner points outside the Bank. Transactions through these rose by 28% and the total value of transactions by 30%. More specifically, 13% of all deposits, 25% of credit card payments, 25% of loan payments and 29% of passbook updates were executed through the easypay machines, thus proving that they not only provide faster customer service but also contribute to decreased use of Bank tellers.

SELECTED WINBANK FIGURES

	2014
Winbank Web Banking	91% increase in registered users 71% increase in the average monthly number of active users 142% increase in the average monthly number of cash transactions
Winbank Phone Banking	112% increase in registered users 45% increase in active users 81% increase in cash transactions
Winbank Mobile Banking	89% increase in active users 176% increase in cash transactions
Winbank Web Banking Winbank Phone Banking Winbank Mobile Banking	Of total Bank transactions, 81% of remittances, 73% of fund transfers' orders within the Bank and 76% of stock market transactions performed through winbank e-services

GREEN BANKING

The present great environmental challenges, the promotion of a new economic model and the promotion of sustainable growth constitute key axes of economic activity in Greek society. In this framework, in the past few years Piraeus Bank has taken significant steps, recognizing the need to develop existing products and services and adapting them to the present-day economic and social challenges. Thus, it has adopted the principles of sustainable growth and corporate responsibility both in its operation and in its support of customers, suppliers and society as a whole.

In the framework of a forey into Green Economy an integrated, dynamic Environmental Policy, in 2007 the Bank began laying the foundations for Environmental Economy with the development of a new, innovative group of green products and services as focal points. To allow for optimum coordination of this effort, the Bank's organizational structures were changed, resulting in the formation of the Green Entrepreneurship sector and the Green Banking unit in 2009. In this way, specific products and services are developed which finance innovative ideas and important business opportunities, thus recognizing the new economic development model. As a result, all the range of green entrepreneurship is covered: energy-saving, renewable energy sources (RES), alternative waste & water management, organic farming, eco-tourism & agro-tourism, green chemistry and green transportation.

GREEN BANKING – A NEW OPERATING MODEL

Collaborations

A key factor for proper operation of Green Banking is coordination and collaboration with the branch network. Following the 2013-2014 mergers, the needs of the expanded Bank branch network increased dramatically. In 2014 as well, the Bank continued to support the network and resolve any problems that arose as well as provide information regarding green entrepreneurship and promote green products through the branch network.

The role of the Green Banking Advisors should also be mentioned as they are now a part of the organizational structure of large Bank branches. These executives, in collaboration with the Green Banking unit, can guide interested customers through all the stages of implementing the financing of a green interpreneurship project. Another important part of these synergies is that between Green Banking and external agencies. In order for the unit to execute its activities, to obtain information about the existing institutional framework, to inform investors about the Bank's products and actions and to gain insight into the market, in 2014 it collaborated with government organizations, national agencies and research companies in the field of environmental protection and management, and with state governance bodies.

In 2014, Green Banking participated in seminars, conferences and exhibitions such as the 2014 Panhellenic Exhibition in Lamia and the 7th Commercial Exhibition Meeting "Building Green Expo 2014" at MEC Expo Center.

Training

The systematic information actions and training of Group employees that the Bank implemented in the past years resulted in customers recognizing the Bank's leading position in Green Banking know-how. With the branch network's expansion following the incorporation of the new banks and the integration of central services, the need was created to transfer this philosophy to the new employees. With this in mind and aiming to cover customer needs and to inform investors, the following actions were undertaken:

- A training programme was designed and implemented for Business Center employees, to allow for their immediate response to customer information needs (individuals, investors and businesses in the public and private sector) the training was targeted at issues such as energy-saving, RES's, alternative waste & water management etc and at directing customers towards the relevant banking products and/or services.

TRAINING PROGRAMMES

	2014
Training courses (#)	10
Duration of training programme (days)	9
Total training programme days	90
Participants (#)	82
Training man-hours	8,856

- A training programme was designed and implemented for branch network managers aimed at creating a common culture, through the dissemination of a green philosophy, and at gaining and enhancing their knowledge of Green Entrepreneurship.

GREEN ENTREPRENEURSHIP

	2014
Training courses (#)	26
Duration of training programme (days)	1
Total training programme days	26
Participants (#)	497
Training man-hours	2,982

- A training programme was designed and implemented for 46 Piraeus Bank Cultural Foundation (PIOP) executives aimed at informing them about environmental and green banking issues.
- 3,169 Bank employees received training in environmental issues, green business and green banking through e-learning.
- 19 Regional Meetings of Branch Network were held for 900 executives from 730 branches around Greece to provide information about market needs and the proper combination of green products and services to ensure customer needs are met.

Training of staff, quality customer service and information provision to the public are all priorities for Piraeus Bank Group that are unwaveringly pursued.

Feasibility Assessment of Green Projects

The Green Banking unit's activities include assessment of the technical specifications, the technical equipment, the reasonableness of costs, the environmental dimension and the

sustainability of investments in the scope of Green Entrepreneurship. Such an assessment is also implemented in new RES projects that are financed by Piraeus Bank Group subsidiaries in Bulgaria and Romania. In 2014, this assessment of new green loans was included in the Credit Policy Manual, thus further enhancing the processes that support these investments. Moreover, monitoring of existing funded projects was set on an annual basis as an additional tool in ensuring their proper operation and productivity. In 2014, over 600 projects (new and existing) were assessed in different fields.

GREEN BANKING & MARKET

Green Products & Services

Piraeus Bank once again maintained its support of green entrepreneurship, providing the Greek market with specialized green loan products for businesses, individuals and organizations. At the same time, through its subsidiaries and partner companies, it offered its customers a multitude of insurance and advisory services related to the design, implementation, operation and protection of projects, with emphasis on RES's and Energy-Saving.

Additionally, the "Green Move", which began in 2013, continued successfully in 2014 as well, with implementation of three new promotional actions whereby customer businesses providing organic foods were promoted, as well as solar water heaters and alternative heating methods (heat pumps, biomass boilers, energy-efficient fireplaces), thus offering individual customers green products at significantly reduced prices. The Green Move promotes environmentally-friendly choices in people's daily life by supporting:

- individual customers, by offering products at significantly reduced prices; and
- business customers, by promoting their products in all the Bank's promotional means (printed and electronic material).

The experience and know-how that the Group has acquired in green entrepreneurship lay the foundations for the development of a complete package of services for individuals, businesses and organizations, thus, the services regarding energy-saving, Environmental Management System, waste & water and solid waste management, RES's and environmental economy packages are offered by the Group's subsidiaries ETVA Industrial Parks SA and the Center of Sustainable Entrepreneurship Excelixi S.A.

Businesses and organizations benefit from management and reduction of their environmental footprint and minimization of their expenses. The key goal is sustainable growth by combining social responsibility and protection of the natural environment with maximum financial benefits.

Continuous monitoring of the national and international institutional framework of green economy and of the trends in green technology enables Green Banking to implement interventions in all agencies involved and to disseminate the necessary know-how to its customers. In this way, the range of green products and services are enhanced with favourable terms, flexible processes and specialized guidance.

Internet

In addition to the aforementioned actions, another important link between Green Banking and the market is the Green Banking Portal. The website was launched in November 2012 and aims to:

- promote green products and services to the Greek market;
- promote the best practices being adopted by businesses and organizations to reduce their environmental footprint; and
- provide information regarding the institutional framework and green technologies.

In 2013, its operation was expanded to include the English language and in 2014 the assessment process for businesses wishing to be included in the website was renewed, creating a flexible electronic platform for application submission and management. Recognizing the role of social media in daily life, since February 2011 the unit has had dynamic communication with the public through Facebook, Twitter, YouTube and Flickr. The key goal is to inform and sensitize the public on environmental issues by posting green news and articles from Greece and abroad. A broad range of topics are posted, such as news on biodiversity, environmental management of businesses, innovative ideas related to environmental protection and recycling. The posts have wide public acceptance; indicatively, the “Think Green” Facebook profile had 35,138 friends at year-end 2014.

Green Portfolio

At year-end 2014, Piraeus Bank had €1.6 bn in approved limits and €1.2 bn in loan balances, financing the investments of over 20,000 individuals and businesses active in all sectors of green entrepreneurship. Taking into account the adverse economic conditions in Greece, it is worth noting that a 23.5% increase was noted in green customers versus 2013.

More specifically, 17,500 individuals (+26.5% versus 2013, the majority of which derive from the “Energy Efficiency at Household Buildings” programme) chose Piraeus Bank to finance their initiative, with balances amounting to €118 mn. Most loans regard photovoltaic systems on rooftops (€79 mn). The “Energy Efficiency at Household Buildings” programme noted an increase in applications. Specifically, 51,651 applications had been pre-approved by year-end 2014, of which 26,588 received final approval amounting to a total of approx. €273 mn, with the Bank contributing to the implementation of projects amounting to €71 mn (+22% versus 2013). According to the published data, the Bank holds the 2nd place (27%) in the programme’s qualifying decisions stage as it had 13,519 of a total of 49,000 applications.

In total, at year-end 2014, over 2,700 businesses had received Piraeus Bank funding for implementation of projects related to green entrepreneurship.

Green financing to businesses from the Small Business, Business Centers, Large Corporate Business and Piraeus Leasing SA units was in excess of €1.1 bn, 90% of the green portfolio, thus proving the Bank’s support of innovative green ideas of Greek entrepreneurs.

Financing of RES projects was a key field of activity for the Bank in 2014 as well. The total capacity of RES projects that have been funded by Piraeus Bank is 862 MW, noting an 8% rise versus 2013, holding 18% of the total RES market in Greece versus 17% in 2013.

More specifically, over 7,600 photovoltaic systems, of total capacity 510MW, had been financed by 2014. Particular emphasis has been placed on installing photovoltaic parks of up to 100 kW, with more than 7,300 in operation (of which 4,300 for individuals, on rooftops). The Bank had 20% of the total photovoltaic market share in 2014.

Financing of wind parks was also noteworthy in 2014, reaching a total capacity of 311 MW at year-end, or 16% of total wind parks operating in Greece, while the respective loan balances amounted €180 mn. In small hydro-electric parks, the Bank increased the number of funded loans as well as the total loan capacity to 39 MW, holding 18% of total parks in operation in Greece. Finally, Piraeus Bank entered a new field of green energy – biomass. In total, 3 biomass projects were financed with €1.5 mn in 2014, of total capacity 2.2 MW, representing 5% of total biomass capacity in Greece.

The total capacity of RES projects that have been funded by Piraeus Bank (862 MW) averted the annual emission of 1,505 thousand tons of CO₂ into the atmosphere, a quantity that would require 113 mn trees to be absorbed.

GREEN BANKING DATA

	2014	2013 ¹	CHANGE
Capacity (MW) from financed res	862	798	+8%
Prevented CO ₂ emissions ²	1,505	1,499	-
Credit limits in Greece financing (€ bn)	1.6	1.6	-
Loan balances in Greece financing (€ bn)	1.2	1.2	-

¹ There was a review of the quantity of the prevented CO₂ emissions for 2013. This change is due to updating of the emission factor for CO₂ substitution of fossil fuels.

² The calculations for the prevented CO₂ emissions stemming from Piraeus Bank's green financing, are based on the average CO₂ emissions rate of the conventional Greek electricity generation plants and the annual electricity production per RES technology according to the last published data of LAGIE.

Green Investments

Piraeus Group, through its subsidiary Piraeus Capital Management (PCM), participated in Advent Group which specializes in fuel cell technology. PCM is also a shareholder in the company ASA Recycle SA. Moreover, the Piraeus Clean Energy Fund, which invests in the energy sector in Southeast Europe, has invested in 2 RES projects.

In 2014, the agreements were signed for the financing of four biogas projects in Central Macedonia and Thessaly, in the framework of the JESSICA initiatives regarding the construction and operation of electricity and thermal energy biogas biomass power plants of a total 8,201 MWe capacity.

DISTINCTIONS

2014 was a capstone of the Green Banking unit's efforts. Piraeus Bank was awarded the first prize in the category "Product Award" (Product Award for Sustainable Development) of the European Business Awards for the Environment 2013-2014 in Greece, for its Green Products and Green Services among many domestic peers.

These distinctions, awarded by a European institution with a very important role in the adoption and implementation of environmental policies by European businesses which aims to motivate them to adopt policies of environmental protection and sustainable growth. The European Business Awards for the Environment fall under the auspices of the Ministry of Environment, Energy and Climate Change, the Ministry of Interior and Administrative Reconstruction and the Ministry of Development & Competitiveness, while evaluation of entries was made by PASEPPE (Hellenic Association of Environmental Protection Companies), in association with university, sector and scientific representatives.

At the same time, in 2014, the Green Banking division participated in and successfully met all the criteria of the international certification EFQM "Committed to Excellence" as well as the criteria of the Hellenic Management Association (EEDE) in "Adoption of Business Excellence Principles".

Participation in the above programmes assisted the division in adopting business excellence principles through continuous improvement of results, the creation of additional synergies and the development of new, innovative processes in its organizational and operating structure. These distinctions certify the unit's dedication to results and continuous improvement.

GREEN BANKING'S SOCIAL DIMENSION

Even during the adverse economic conditions, Piraeus Bank has remained steady in its commitment to support green entrepreneurship. As a result, all fields of green entrepreneurship received significant funds, supporting approx. 35,000 labor years the equivalent of 7,000 permanent jobs - in 2010-2014 while also contributing to the public's awareness of efficient energy use and environmental protection.

In related studies carried out in 2014, Piraeus Bank's Green Banking was named by those surveyed as the premier bank to support and promote green entrepreneurship.

AGRICULTURAL BANKING

LEADING ROLE IN THE AGRICULTURAL SECTOR

Piraeus Bank, as the leading bank of the agricultural sector, has strategically selected an integrated approach to supporting this sector. In this framework, the Bank supports all the agricultural chain, from the producer and the bodies that provide supplies and services to the producer to the businesses and cooperatives that process, trade and export the agricultural produce.

The Bank, in response to the present needs of producers, has designed and offers a series of integrated banking solutions. The broad range of Bank products offered to farmers includes: deposit accounts, funding tools to cover farmers' needs for working capital, the purchase of land, equipment and a first home as well as complete insurance product packages fully adapted to their individual needs.

At the same time, the Bank continues to enrich and enhance its existing products, aiming to provide excellent service to farmers. A distinct example of this is completion of the new automated assessment process for Working Capital for Farmers (WCF), thus minimizing the time required to assess applications.

In this way, the Bank contributes substantively to improved efficiency and competitiveness of all bodies involved, to agricultural production sufficiency and to significant value added.

NEW PRODUCTS

Fully aware that financing of the agricultural sector has a defining role in its development, the Bank realized early on the need to support young farmers as well as those new to the agricultural sector, thus creating the new, flexible and preferential finance programme "Investment financing for Young/New Farmers". The programme finances initial cost of setup and covers the investment needs of young people up to 40 years old and of newcomers to the sector up to the age of 50.

By also providing effective coverage of agricultural produce from rain and hail, the Bank expanded the possibilities of its “Loan for Proactive Protection of Agricultural Crops”, by providing additional finance for implementation of investment plans that fall under the Hellenic Agricultural Insurance Organisation (ELGA) Active Protection Programme. With this product, a greater percentage of the total investment is covered, not only the percentage from the amount of the loan.

RESULTS

In a changing environment, Piraeus Bank upheld its commitment to support the production process of the agricultural sector and to strengthen the real economy, thus actively contributing to the efforts to re-launch the Greek economy. More specifically, in 2014 it enhanced liquidity to the primary sector with total disbursements amounting over €450 mn, noting a 50% increase versus 2013. Of total loans of the agricultural sector, balances amounted approx. €1.2 bn.

AGRICULTURAL BANKING VOLUMES

	2014
Loan balances (€ bn)	1.2
Disbursements (€ bn)	0.450
Contract farming collaborations (#)	104
Customers (#)	700,000

ACTIONS AND INITIATIVES

In 2014, the Agricultural Entrepreneurship Fund (TAE) continued its operation, financing the investment plans of businesses included in the Agricultural Development Programme (PAA). For this purpose, the Bank has committed €138 mn, which combined with €115 mn from the Ministry of Agriculture and Food, creates an amount of €253 mn in support of farming and rural development.

At the same time, to allow for fuller information provision to farmers, Piraeus Bank created a specialized webpage on its website where all specialized solutions and services offered to farmers as well as new products and services and information on agricultural economy are presented.

In the same framework, the Bank regularly publishes “Epi Gis” magazine regarding agricultural economy.

In relation to the “Antiparos Initiative”, the Bank continued the action by completing its provision of loans with favorable terms to the winners of the competition as a reward for their innovative actions and for completion of their business plan.

The Bank also continued to enhance its leading position in the field by participating in conferences, meetings and events related to the agricultural sector.

CONTRACT FARMING

The innovative “Contract Farming” programme which was launched by Piraeus Bank in the middle of 2013 constitutes an integrated banking model of targeted financing and coordination of commercial/processing businesses and of individual farmers/livestock breeders in the framework of a controlled process through the specialized mechanism of contract farming/livestock breeding cards.

This programme contributes to rationalization of agricultural production, connecting it to market demand, modernization of the trading circles and creation of an expanded network of retail trade of agricultural produce that strengthens the growth of local markets.

Additionally, based on the results to date, the Bank’s significant contribution to the agricultural sector and the overall economy of Greece, the extroversion of Greek businesses and enhancement of employment in agricultural areas has become apparent.

Acceptance of the programme is great and the relevant volumes indicate that it is continuously growing. More specifically:

- over 100 processing and trading businesses and agricultural cooperatives have been included in the programme, with many of them having already renewed their collaborations. These units contribute to the Greek economy by employing 12,500 people and with exports amounting to €1.2 bn to 54 countries around the world;
- over 14,500 producers, farmers and livestock breeders from all over Greece have been included in the programme; and
- loans to producers and businesses are in excess of €450 mn.

SUPPORT ACTIONS OF AGRICULTURAL BODIES

In the framework of existing partnership contracts, Piraeus Bank works with the Greek Ministry of Agriculture and Food, agricultural bodies, agricultural cooperatives and businesses involved in agriculture. Moreover, in 2014, following an open international online competition, organized by the Ministry of Rural Development and Food for the assignment of services for the keeping, cash management and financing of the Special Account of Agricultural Products Guarantee, Piraeus Bank has been assigned the project for the next 4 years. Through the implementation of this project, a funding amount of € 2.5 billion is available annually, in order to carry out timely direct payments to farmers and breeders, provided by the Common Agricultural Policy. In this framework, on 23.12.2014, Piraeus Bank successfully disbursed the 2014 EU funds to 650 thousand farmers amounting €1.8 bn.

Piraeus Bank received EN ISO 9001:2008 certification once again in October 2014 for the entire range of services offered to farmers.

It should be noted that Piraeus Bank is the only Bank to have obtained EN ISO 9001:2008 certification in cash management and payment of Communal Agricultural Aid for producers, thus proving it has the skills to provide high-quality services to both the financing bodies and the beneficiaries.

Moreover, a series of payments to the agricultural sector were successfully completed, which were related to the tax return of the special consumer tax (EFK) on heating fuel, Measure 112 (Young Farmers), Tobacco Restructuring (Measure 144), Compensatory Indemnities, Organic Farming, Modernization of Agricultural Holdings etc. These payments numbered approx. 600 thousands and amounted approx. €440 mn.

With these funds, liquidity was channeled to the market, in a critical period for the Greek economy.

INVESTMENT BANKING

INVESTMENT BANKING

Piraeus Bank provides underwriting and advisory services throughout the capital market product spectrum. In the field of advisory service provision, Piraeus Bank in 2014 continued to participate in projects of privatization, acquisitions, mergers, capital increases etc. Moreover, the Bank also played a significant role in providing financial advisory services in the process of privatizations of the Greek State. Piraeus Bank assumed the role of financial advisor for further privatization of Piraeus Port Authority SA, of Thessaloniki Port Authority SA, and of 10 other ports. It also undertook financial advisory services for the development of the former Athens airport “Ellinikon”, the sale of Astir Voulgimenis, as well as utilization of select Greek State property, such as the property in Afantos on the island of Rhodes, the property in Agios Ioannis in Chalkidiki, commercial property abroad etc. Moreover, the Bank acted as financial advisor in the successful completion of the sale and lease back of Greek State property.

In its role as financial advisor to the private sector, Piraeus Bank acted as issuance advisor in share capital increases while also successfully completing its share capital increase process. The Bank also held one of the top underwriting positions by assuming the role of Main Contractor and Consultant Public Offering (IPOs) held after 2009 at ATHEX by the company Elliniki Technodomiki Anemos SA.

In 2014, Piraeus Bank also gained first place in assuming the role of Advisor in Public Offers. More specifically, the Bank provided, among others, advisory services in the framework of the compulsory public offered for acquisition of shares in the companies M. J. Maillis Group and Cyclon SA.

STOCK EXCHANGE OPERATIONS – PIRAEUS SECURITIES SA

In 2014 as well, despite the adverse economic conditions, Piraeus Securities SA maintained its position in all the spectrum of brokerage services and specifically in trading of stock on international stock markets, bond trading, research and analysis and the derivatives markets.

In 2014, the company once again ranked at the top in terms of transactions, positioned 4th in the market, with 7% market share.

The company’s key activities were the role of intermediary in the trading of Greek and international shares, Greek and international derivatives, state and corporate bonds and

margin accounts, while also processing stock market transactions performed through the Bank's branch network. It also offers individual investors the opportunity to make their transactions, in the Greek and international markets, speedily and safely by means of its fully updated e-transaction platform.

During its long-standing collaboration with foreign institutional investors, Piraeus Securities SA has responded to their demands successfully. As a result, most international organizations with presence in Greece have selected the company for their stock market activities.

In the derivatives sector, Piraeus Securities SA was the first Greek securities company and through its capacity of Market Maker and the Sales unit, has continual presence in all derivatives products and, more specifically, in Stocks Futures and FX Put Options of shares and Indices.

The International Markets unit offers investment proposals covering the investors' needs on an international scale.

In order to better serve its customers outside Athens, in addition to its head offices, the company has 2 branch offices in Thessaloniki and Patra as well as several associated Investment Brokerage Companies around Greece.

PARTICIPATIONS

In 2014, the most important changes in the Group's Holdings portfolio were as follows:

- In the framework of the capital strengthening of subsidiaries, mainly in the financial and insurance sectors, Piraeus Bank participated in share capital increases amounting to approx. €214 mn. The most significant of these were related to Piraeus Bank Beograd A.D., JSC Piraeus Bank ICB, Piraeus Bank Egypt S.A.E, Pireus Leases SA and Picar SA.
- In the framework of the Group's restructuring:
 - Piraeus Bank acquired by absorption 100% of subsidiary Piraeus Wealth Management SA;
 - Piraeus Bank acquired 28,5% of Marfin Investment Group Holding Company;
 - Piraeus Bank sold its minority participation in Athens Water Supply and Sewerage Company (EYDAP S.A.) and in Aegean Airlines;
 - the agreement for sale of ATE Insurance SA to Munich Re. subsidiary ERGO Insurance Group was announced; and
 - in November 2014 the merger by absorption of Geniki Bank Greece with Piraeus Bank was completed.

ASSET MANAGEMENT

Treasury

In 2014, a series of significant organizational developments took place within Piraeus Bank, the largest systemic bank in Greece, to allow for more effective management of the challenges of the economy and for operational integration of the banks acquired in 2012-2013, focusing on optimum management of liquidity, on the Group's own portfolio and on more effective customer service. The establishment of Piraeus Financial Markets (PFM) was a strategic goal of growth and transformation of the former Treasury & Financial Markets unit, which was successfully implemented through a series of actions, migrations

and mergers in a very short time (first half of 2014) and despite the size and complexity of the project, daily operations were maintained uninterruptedly.

The PFM aims to maximize synergies and the benefits deriving from integration of the units specialized in money and capital markets (Treasury & Financial Markets | Private Banking | Piraeus Asset Management Mutual Funds SA), thus creating a central juncture for the provision of investment products and services, aiming to ultimately have more effective coordination of activities and more complete support of Group targets.

In this direction, priority was given to smooth migrations, mergers and staff transfers that took place, implementation of building and technological infrastructures, finalization of the new operating mode, business planning and the broader communication with customers and within the Group. It should be noted that all the relevant activities have been brought together in one building which was remodeled to cover the specialized business needs, especially those of the Trading Floors. The project required the transfer of a large number of employees from 13 buildings, vacating approx. 4,000 sq.m. of office space to be utilized by the Bank. At the same time, the technological equipment and infrastructures of the integrated units were significantly upgraded, installed and are now utilized daily by the relevant users. This utilization has already provided a competitive advantage and facilitates information dissemination, transparency and effectiveness.

Additionally, it was deemed necessary to make an overall recording and reassessment of all processes, checks, systems, managerial reports and updates on markets, technological projects and of the existing institutional framework. It should be noted that in addition to developing the infrastructures and conditions for more effective promotion of business targets, the PFM continued its uninterrupted operation as well as supporting and managing daily Group issues and activities.

Effective liquidity management was once again at the epicenter of activities. In the framework of optimum utilization of liquidity-raising mechanisms, refinancing of marketable and non marketable assets continued. At the same time, alternative sources of liquidity were used in order to significantly reduce the Bank's dependence on EU (ECB, BoG), while also ceasing financing from the BoG (ELA) in 2014. It should be noted that the Bank was the first to enhance further its liquidity through issuance of a 3- year senior bond of €500 mn to international markets in March.

As a result of these measures, the cost of financing was significantly reduced. High credit rating collateral combined with restoration of the Greek banks' reliability, following the successful recapitalizations of 2013 and 2014, resulted in activation of inter-bank relations and ensuring of adequate liquidity by means of inter-bank Repos.

The increase in credit limits and in the number of foreign reciprocal credit institutions contributed to smooth management of increased funding needs in foreign currency, deriving mainly from the addition of the assets of the Cypriot banks, as well as to coverage of Group subsidiaries' liquidity needs.

Throughout 2014, PFM held a key role in the deceleration of deposit costs without losing market shares. Other factors that contributed to this were the continuous and uninterrupted communication with Branch Network executives and the targeted interest rate and product policies that were applied. The Bank also focused actively on attracting deposits from credit institutions abroad. In relation to own portfolio, there was selective reduction in positions, especially in assets not directly linked to the Bank's core activities, with the aim of preserving liquidity and reducing investment risks.

Greece's credit rating was upgraded in 2014 by all Credit Rating firms. In 2014, Greece raised €3 bn through the issuance of 5-year bonds (first issuance since 2010), €1.5 bn through 3-year bonds, while the exchange of 3- and 6-month Greek Government Treasury Bills with 3-year and 5-year bonds raised €1.6 bn. These positive developments allowed other Greek businesses to also raise capital from markets. More specifically, Piraeus Bank participated as underwriter in almost all successful bond issuances of Greek businesses (Hellenic Petroleum, Motor Oil, Play, the Public Power Corporation S.A, the Hellenic Telecommunications Organization S.A.) with substantive contribution to the design and promotion-distribution of these bonds to Private Banking customers, to Piraeus Asset Management Mutual Funds SA and institutional investors.

One of the most important initiatives was the acquisition of a percentage of BNP Paribas by Piraeus Bank subsidiary Piraeus Wealth Management SA and subsequently the legal absorption of the company by the Bank and its operating integration with the Private Banking units of the former Cypriot banks. At the moment, this integrated Private Banking unit within the Bank serves the needs of over 3,200 "relations" with assets under management over €1.5 bn, while significant partnerships with Banks abroad were formed. In 2015, Private Banking's expansion to Attica is scheduled, with two new offices in northern and southern suburbs respectively. In this way, Piraeus Bank is in a position to provide specialized management services to its major customers, providing access to the entire Group product and service range as well as to the entire range of investment products worldwide.

In this direction, a central Investment Strategy unit was created, whose responsibilities include regular updates and analyses of markets and of fluctuations in securities, values and rates as well as the development of investment strategies and portfolios, thus providing centralized support to the Bank in activities related to the provision of investment products and services to customers. At the same time, with a customer-centered approach it contributes to the provision of specialized and individualized solutions, to safeguarding and developing property and to proper design and restructuring of the investment portfolio. In 2014, the suitable infrastructures were created for optimal assessment of investment tools being applied, by developing internal assessment models (Piraeus Screening Models) for bonds, shares mutual funds.

Piraeus Asset Management Mutual Funds is the Bank's investment arm in the management of mutual funds as well as private and institutional investors' portfolios.

In 2014, the company was restructured and significantly strengthened with a new organizational structure which aims to further enhance its know-how and specialization and to increase its Assets under Management, with emphasis on management of institutional investor portfolios (already managing 6 portfolios with a total of €307 mn in capital). In total, the company manages 22 Mutual Funds in Greece and abroad as well as a large number of Institutional and Private Investor portfolios. Total assets under management amounted €684 mn at year-end 2014.

At the same time, the unit undertook to collect and rationalize the management of third party Mutual Fund Management Firms, resulting in the Bank now numbering 12 representation partnerships with internationally renowned and reputable Firms, offering customers over 900 Mutual Funds (€580 mn in customer capital has been invested). The absorption and integration of the Investment Product sub-unit, with the transfer of the respective employees, also contributed to this project, together with a multitude of actions regarding further improvement in the process of investment product and service provision.

Another significant action was the development of the Business Support & Development unit, aiming for more effective support and monitoring on an integrated level, identification and development of synergies and opportunities, coordination of communication within and outside the PMF, implementation of projects, and the design and monitoring of the unit's qualitative and quantitative performance. The unit has been staffed with employees with relevant responsibilities from various units. Another significant factor was the development of a specific framework of operation and collaboration with special units within the Bank which provide specialized support to PFM. These units include the IT, the Legal Department, Regulatory Compliance, HR (PFM Dedicated Support Units – PFMD). In parallel, efforts are being made to further expand and enhance the necessary support mechanisms.

Additionally, the Custody Services and the individual Back Offices of units were integrated into one unit involved in post-trade clearing and activities (PFM Operations – PFMO). This allowed for further alignment and facilitation of the relevant processes and overall improvement in operation. The PFM Banking Services Unit (PFMB), a special bank branch, was established within the PFMO in order to provide specialized, high-quality services to PFM customers.

With all these initiatives and synergies, the PFM gains a competitive advantage and dynamics that will lead to significant increase in volumes in all its activities. The key concerns for 2015 are effective management of liquidity and utilization of the multiple synergies arising from the new operating model, with orientation towards a holistic approach to customers and continuous improvement of their experience with the Group.

REAL ESTATE MANAGEMENT AND DEVELOPMENT

Picar SA

The company has undertaken the utilization and operation of the Citylink Complex, covering an area of 65,000 m², located on the building block surrounded by Stadiou, Voukourestiou, Panepistimiou and Amerikis Streets in the centre of Athens, until 2052.

The users of Citylink include the most reliable and well-know companies in the Greek and global market, thus adding prestige to the entire complex and the company.

The Citylink Complex houses Piraeus Bank's headquarters covering an area of 13,000 m², Attica Department Store covering an area of 25,000 m², the fully renovated "Pallas", "Aliki" and "Mikro Pallas" theatres covering an area of 8,862 m² and the famous Health Club Spa Holmes Place Athens covering an area of 3,420m².

In 2014, the company's leasing revenues amounted €21 mn.

Picar also holds 5.88% equity participation in the company "Attica Department Stores SA", which is active in management and exploitation of the department stores "Attica" in the "Metochiko Tameio Stratou" (Army Share Fund Building), "Attica Golden" in Marousi and "Attica Mediterranean Cosmos" in Thessaloniki, having made notable collaborations with well-known fashion houses, cosmetics and accessories companies.

Piraeus Real Estate SA

Piraeus Real Estate SA is the key arm of the Group's presence in the field of Real Estate and heads other subsidiary companies of the Group in Greece and abroad.

The company provides a full range of real estate design, development and management services. It is involved in real estate development, project management and administration, integrated real estate management on behalf of one owner-investor and property valuations, mediations as well as offering investment advisory services to real estate investment companies and capital.

In 2014, the company managed the construction and design of property in Arta with a total budget of €5.4 mn. It performed valuations of property with a total estimated value of €4.2 bn, the “Exikonomo” programme implementation services with €1 mn in revenue and advisory and administrative-financial services amounting to €1.1 mn in fees. Moreover, the company provides property&facility management services in Greece for the multi-purpose “Citylink” center in the center of Athens, for the entertainment center “Kosmopolis” in Marousi in Attica, for business center & department store “Limani” in Thessaloniki and for the department store and entertainment center “Kosmopolis Park” in Komotini on behalf of Trastor REIC, amounting €1.1 mn.

In collaboration with Piraeus Bank, the company manages the Urban Development Funds of the JESSICA programme for the regions of Central Macedonia and Thessaly (management of approx.€40 mn from the EE Structural Funds as well as €16.8 mn in co-funding from Piraeus Bank) based on a contract signed with the European Investment Bank (EIB). In 2014, the four contracts were signed regarding urban development funding projects, of which three in Central Macedonia and one in Thessaly. Total fees to be awarded to Piraeus Real Estate during the duration of the project are estimated at approx. €1.6 mn.

In partnership with Piraeus Bank and other companies, Piraeus Real Estate contracted agreements for the provision of financial advisory services with the Greek State/ Hellenic Republic Asset Development Fund SA (HRADF) on issues of public property use and privatizations.

ETVA Industrial Parks SA

ETVA Industrial Parks’ main scope of activity is the effective management and utilization of industrial area lands, the development of modern and sustainable business parks and the provision of integrated, high-quality services to conventional and innovative projects, in the following axes:

- to create a sustainable and profitable organization of Piraeus Group and the Greek State with modern environmental models;
- to create opportunities and develop and attract new business activities in the existing Industrial Areas for the benefit of Greece’s local and periphery development;
- to have a definitive role in issues of industrial and business growth in Greece and more specifically in developing the business parks and the business initiatives connected to these as well as in issues of applied technologies in environmental and agricultural innovations on a national and international level; and
- to “export” the acquired experience and know-how by providing high-quality services to other businesses, agencies and organizations in Greece and the Southeast Europe.

At present, ETVA Industrial Parks SA operates 26 industrial areas with modern and transparent procedures, improving infrastructures and rationalizing operating costs.

In the company’s areas of responsibility, approx. 2,300 businesses are established and over 30,000 people are employed, with an annual turnover in excess of €7.5 bn.

ETVA Industrial Parks SA in collaboration with Piraeus Bank promotes investments aimed at developing new, innovative actions in the framework of environmental economy and taking into account social return.

The strategic axes of the company's growth- investment plan are based on those of the "Hellenic Fund for Sustainable Growth (ETVA)" – a subsidiary body of ETVA Industrial Parks SA which was established in December 2014.

The Fund's aim is capital participation in sustainable, value added investments which also preserve the qualities that ensure high and measurable social and environmental indices in the future. The Fund's total available investment capital will initially amount € 50 mn with a 4 to 5 –year investment horizon. The estimated number of investments is 25-30 with total leveraged capital expected to amount to €400-500 mn.

By taking advantage of the existing experience and know-how of ETVA Industrial Parks SA and of its people, with optimal use of the existing industrial land reserve and the specialized financial experience of Piraeus Bank Group, and with the institutional function of the Greek State, the course of the company has all the positive signs of growth.



INTERNATIONAL OPERATIONS

INTERNATIONAL OPERATIONS

Piraeus Bank was one of the first Greek private banks that followed Greek businessmen in their expansion in the markets of Southeast Europe at the end of the 1990's. Soon the Bank expanded its activities to all the sectors of retail and business banking, through the opening of a great number of branches and the buyout of banks. At year-end 2014, the Bank has a total of 372 branches in Albania, Bulgaria, Romania, Serbia, Ukraine, Cyprus and Egypt, while at the same time has a branch in London, another in Frankfurt and a representation Office in Moscow. The main services offered by subsidiary banks pertain to retail banking, large business banking, investment banking and Treasury services. Moreover, in these countries the Group has a number of subsidiary companies which offer specialized services of the broader financial sector such as Leasing, Real Estate, and Insurance among others.

The factors that greatly impacted on the strategies and actions of international operations in 2014 were the following:

- **Political and economic conditions in each country.**

Many of the countries where the Group was active in 2014 noted positive growth rates, such as Albania, Romania, Bulgaria and Egypt. Most of these countries benefited from their low public debt, the increased consumption and the continuation of public sector reforms. The economy of Cyprus, despite the negative growth, managed to reverse the negative conditions created in 2013, to create a secure environment for increased Bank deposits and to improve dramatically the State economy. The Ukraine, where the Group has small presence, was adversely affected by the war conditions following Russia's seizure of Crimea in February 2014. This had a particularly negative effect on the country's economy and it created great fragility in the two countries' relations and in the broader region.

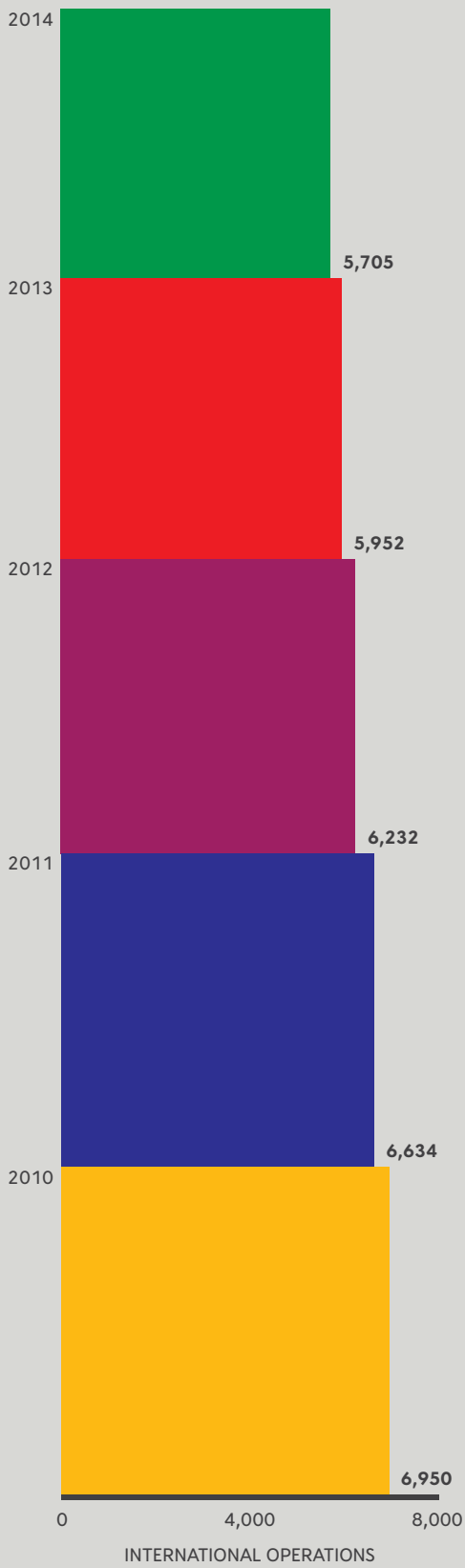
- **A general trend towards reexamination of the European banks' strategic model, especially with regard to their activities in Southeast Europe.**

Given the change in economic conditions and the supervisory requirements, in Europe the large EU banks are redefining their strategic and reassessing their position, particularly in relation to their international activities.

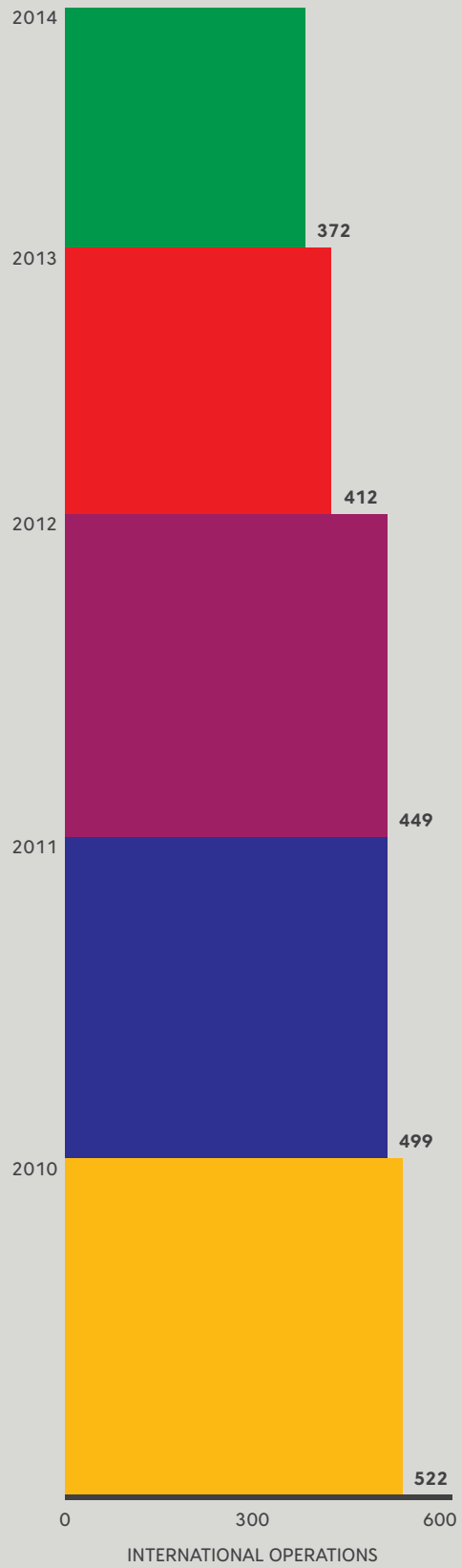
- **The Greek economy and Piraeus Bank's commitment to the Restructuring Plan.**

In the framework of the Banks' restructuring and the agreement signed with DGCOMP, Piraeus Bank has committed itself to proceeding with reassessment and restructuring of its international operations. With this aim, it has reexamined the

EMPLOYEES



BRANCH NETWORK



strategic plan of each country of presence and has designed an action plan for the following years. International Group subsidiaries are proceeding with direct implementation of this plan.

The key pillars of action for international operations in 2014 were the following:

- effective management of non-performing loans;
- increase in deposits; and
- rationalization of activities, through additional cost reductions and reassessment of branch and product profitability.

In order to strengthen the capital adequacy of the international subsidiaries, always in accordance with the requirements of the local Central Banks, the Bank proceeded with conversion of Subordinated Loan to Tier I capital amounting €75 mn in 2014. More specifically, Piraeus Bank ICB (Ukraine) converted €25 mn and Piraeus Bank Beograd €50 mn.

INTERNATIONAL BRANCHES

	2014	2013	CHANGE
Romania	130	140	-10
Bulgaria	83	83	-
Cyprus	14	14	-
Serbia	33	42	-9
Albania	47	53	-6
Ukraine	24	37	-13
Egypt	39	41	-2
London	1	1	-
Frankfurt	1	1	-
Total	372	412	-40

KEY INTERNATIONAL FIGURES (€ mn)

	2014	2013	CHANGE
Assets	9,093	8,986	+1%
Gross loans	6,916	7,050	-2%
Deposits	5,381	4,629	+16%
Employees	5,705	5,952	-4%

The pre-tax and provision profits stemming from the Group's international operations amounted €122 mn, reduced by €34 mn(-22%) versus 2013, while excluding one-off payments the pre-provision profits on a repeated basis amounted €149 mn, an annual 4% decrease. Additionally, there were increased provisions in the loan portfolio amounting €598 mn, and €96 mn in other provisions, which resulted in the posting of negative results. The results from international operations, after taxes, attributable to shareholders, amounted to losses of €504 mn in 2014.

International Operations comprised 10% of total Group assets and 32% of the branch network in 2014.

BANK RELATIONS

2014 was a year of restructuring of the Bank Relations unit and of redefining its objectives and targets.

Following the successful completion of the successive mergers and absorption of Geniki Bank in November 2014, it became necessary to have a detailed picture of the Group's partnership with all collaborating banks with ensuing assessment and rationalization of these as well as selection and preservation of the most advantageous for the Group.

With the Bank's new, stronger negotiating position and its uninterrupted communication with its representatives, significant agreements were achieved resulting in drastic cost reduction in interbank transactions and in noteworthy increase in revenue.

The framework of partner banks was strengthened, with parallel expansion of the fields of collaboration. Interbank limits were restored, thus contributing to more economical and qualitative coverage of the entire range of commercial and interbank activities.

PIRAEUS BANK ROMANIA

Piraeus Bank Romania was founded in 2000 to respond to the needs of Greek companies operating in Romania but rapidly diversified to all banking sectors, offering its services to local businesses and households.

In 2014, Piraeus Bank Romania placed particular emphasis on:

- the reorganization of its network with the closure of 10 branches;
- the restructuring of its loan portfolio;
- the preservation of its deposits; and
- the reduction of funding from the parent company in Athens.

OPERATIONS IN ROMANIA (€ mn)

	2014	2013	CHANGE
Assets	2,086	1,851	+13%
Gross loans	1,509	1,660	-9%
Deposits	1,141	1,027	+11%
Branches	130	140	-7%
Employees	1,605	1,690	-5%

PIRAEUS BANK BULGARIA

Piraeus Bank Bulgaria started operating in 1993, when a branch was set up in Sofia, thus constituting the first foreign bank to operate in Bulgaria. At the end of 2014, its network numbered 83 branches in several cities, maintaining its position as one of the major banks in Bulgaria.

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Customer deposits at year-end 2014 increased significantly by 25%, amounting €1,152 mn while gross loans were reduced by 1% versus 2013, amounting €1,323 mn.

The Group also provides leasing services through Piraeus Leasing Bulgaria.

OPERATIONS IN BULGARIA (€ mn)

	2014	2013	CHANGE
Assets	1,749	1,773	-1%
Gross loans	1,323	1,333	-1%
Deposits	1,152	925	+25%
Branches	83	83	0%
Employees	953	920	+4%

PIRAEUS BANK CYPRUS

Piraeus Bank Cyprus LTD has been active in the Cypriot market since 2008, when it absorbed the local operations of Arab Bank. At year-end 2014, it had 14 branches.

The Bank offers complete banking, investment and financial services to individuals and businesses on a local and international level.

Following the advent of the economic crisis in March 2013 and the stabilization of the banking system, Piraeus Bank Cyprus provided a secure environment for domestic and foreign depositors, thus resulting in an approx. €300 mn increase in deposits in 2014.

OPERATIONS IN CYPRUS (€ mn)

	2014	2013	CHANGE
Assets	1,434	1,100	+30%
Gross loans	834	834	0%
Deposits	1,226	910	+35%
Branches	14	14	0%
Employees	352	307	+15%

PIRAEUS BANK BEOGRAD AD

Piraeus Bank entered the Serbian market in 2005 with the buyout of Atlas Bank, which was later renamed Piraeus Bank Beograd. In 2014, it had 33 branches, offering a wide range of banking services to individuals and businesses.

The Bank maintained its efforts towards improvement of its loan portfolio, preservation of deposits at 2013 levels despite the reduced number of branches.

With the aim of enhancing its regulatory capital, the Bank proceeded with two capital share increases to the total amount of € 50 mn, with partial conversion of subordinated loan granted to the subsidiary

OPERATIONS IN SERBIA (€ mn)

	2014	2013	CHANGE
Assets	549	519	+6%
Gross loans	447	442	+1%
Deposits	269	285	-6%
Branches	33	42	-21%
Employees	511	577	-11%

TIRANA BANK

Tirana Bank began its activities in Albania in September 1996 and was the first private bank to operate in the country. At the end of 2014, the Bank possessed 47 branches and is one of the top banks in the country.

Despite the deterioration of the economic climate, Tirana Bank managed to preserve its deposits, amounting €555 mn, thus continuing for another year to operate as a unit not requiring funding from the parent company.

OPERATIONS IN ALBANIA (€ mn)

	2014	2013	CHANGE
Assets	745	732	+2%
Gross loans	339	321	+6%
Deposits	555	561	-1%
Branches	47	53	-11%
Employees	460	474	-3%

JSC PIRAEUS BANK ICB

Piraeus Bank began operations in Ukraine in 2007 with the buyout of the local International Commerce Bank ICB. At the end of 2014, the network had 24 branches in 12 districts in the country.

In the first eight months of 2014, JSC Piraeus Bank ICB reduced its levels of loans and deposits. Loans in arrears over 90 days constitute 50% of total loan portfolio, thus requiring increased

need for provisions, which reduce its pre-tax income to approx. -€20 mn. The main factor affecting financial figures was the devaluation of the local currency due to the socio-economic instability in the country.

OPERATIONS IN UKRAINE (€ mn)

	2014	2013	CHANGE
Assets	209	231	-10%
Gross loans	136	202	-33%
Deposits	63	102	-38%
Branches	24	37	-35%
Employees	518	629	-18%

PIRAEUS BANK EGYPT

Piraeus Bank Group has been operating in the Egyptian market since the middle of 2005, with Piraeus Bank Group's buyout of the Egyptian Commercial Bank.

The Bank offers modern services and products of retail and business banking in the Egyptian market. At year-end 2014, Piraeus Bank Egypt had 39 branches.

OPERATIONS IN EGYPT (€ mn)

	2014	2013	CHANGE
Assets	1,025	843	+22%
Gross loans	652	490	+33%
Deposits	856	708	+21%
Branches	39	41	-5%
Employees	1,270	1,318	-4%

PIRAEUS BANK LONDON BRANCH

The branch of Piraeus Bank Group in London has been operating since 1999 and is supervised by the local authorities. Its main medium-term goals are:

- achieving high-quality service with specialization in personal banking;
- offering deposit products;
- offering mortgages to Greek and British citizens residing in the UK who are interested in the acquisition of real estate property in Greece, Great Britain and other countries where the Group operates;
- raising funds (senior debt, subordinate debt, hybrid funds and securitizations from the European and international markets); and
- the support of the operations of Piraeus Bank and its subsidiaries in a context of mutual cooperation.

PIRAEUS BANK LONDON BRANCH (€ mn)

	2014	2013	CHANGE
Assets	1,174	1,814	-35%
Gross loans	1,658	1,749	-5%
Deposits	20	18	+10%
Branches	1	1	0%
Employees	22	23	-4%

PIRAEUS BANK FRANKFURT BRANCH

The Piraeus Bank Frankfurt Branch was included in Piraeus Bank Group at the end of 2012, with the absorption of the “healthy” part of the former ATEBank.

The Branch constitutes the only Greek bank with presence in Germany.

The Branch offers deposit products, Online Banking, letters of guarantee (L / G) services, payments and domestic and foreign remittances as well as focusing on attracting Greek customer deposits.

At year-end 2014 the Bank employed 15 people, while total assets amounted €122 mn.

PIRAEUS BANK FRANKFURT BRANCH (€ mn)

	2014	2013	CHANGE
Assets	122	122	0%
Gross loans	18	20	-10%
Deposits	99	93	+7%
Branches	1	1	0%
Employees	15	15	0%



TECHNOLOGY AND INFRASTRUCTURE

TECHNOLOGY AND INFRASTRUCTURE

TECHNOLOGY

In the framework of harmonizing the Technology unit's priorities with the Piraeus Group's business plan for 2014, the unit focused on projects and activities that supported the following:

- institutional obligations as they arise from the Regulatory Framework and the Supervisory Authorities;
- support of the operations regarding the management of Restructuring and Non-Performing Portfolio;
- increase in income from commissions;
- upgrading of the quality of customer service through the use of specialized technological equipment;
- preservation of the technological superiority, through the upgrading of infrastructures, equipment and applications; and
- integration of IT systems and processes of Geniki Bank.

INTEGRATION OF THE FORMER GENIKI BANK IT SYSTEMS

In November 2014, a series of crucial and complex projects regarding the integration of Geniki Bank's IT systems into Piraeus Bank's, were successfully completed.

Commencement of these projects was set for June 2014, with finalization of the portfolio and establishment of monitoring structures of the units and projects. The projects were completed on 21-23 November, when the projects of final data migration to Piraeus Bank's systems were concluded.

In total, 350 employees were involved in the process from various units from both banks. Due to the scope of the projects, the vast majority included employees derived from the organizational structures of the Technology unit.

Given the short time span for the conclusion of these complex and crucial projects, special care was given to the checking projects and to risk-limiting in general, which are summarized below:

- implementation of three generalized test migrations to allow for timely detection and correction of problems;
- establishment and preparation of an intermediate processing environment prior to their transfer to a production environment; and
- development of specialized analytical timeframe for final migration projects.

As was the case with the five previous integrations, coordination and grouping of data on project development was assigned to the special Project Management Office, which provided information to the Integration Steering Committee.

DEVELOPMENT AND IMPROVEMENT OF IT SYSTEMS

The development and improvement of IT systems in 2014 were undertaken in the framework of optimizing and integrating infrastructures, processes and systems which are required by the continuously changing business and economic environment with the aim of achieving economies of scale, increased security, functionality, uniform management by the final user and consequently increased competitiveness for the Bank.

With the completion of integration of the banking activities, the number of customers, accounts and flows increased dramatically resulting in longer flow times. In order to optimize host system operation and to ensure uninterrupted operation of processes with other peripheral systems, updating of the technical parts of the applications was undertaken, using innovative software development methods and new designs, resulting with visible results in the improvement of flow execution times.

Payments

In accordance with the statutory requirements, the necessary adjustments and were made together with further enhanced functionality to support the following:

- Receipt, execution and dispatch of remittances in real time by means of the DIAS interbank payment system.
- Dispatch of payments to public and private sector organizations in real time by means of the DIAS interbank payment system.
- Updating of the support systems of SEPA Direct Debit in accordance with the recent EBA (Rulebook 2.0) requirements.

The majority of adjustments required by the ECB Regulation 260/2012 were accomplished. Among other requirements, this Regulation necessitates the complete redesign of the mode of transfer of payments, remittances, payroll etc between the customer and the bank. Within this framework, from the beginning of 2015 the Bank will be able to fully support customers/ organizations that will be implementing the new infrastructure.

The functionality of payment systems was expanded, resulting in an increase in the number of partnerships with public and private sector organizations (67 bilateral and 53 interbank collaborations) and in the upgrading of existing ones (real time communication before and during the execution of payments through Web Services for checks, data retrieval, information etc).

Actions were developed towards fully automated monitoring and safeguarding of the social supplement (for requirements from the Bank and the Greek State) and of all the similar kinds of payment (such as the heating oil benefit) which were extraordinary payments but continue to be credited to customer accounts.

Collaboration with “Payment Institutions” is also now possible. These Institutions are companies that have the right to collect payments for companies and organizations. Though its infrastructures, the Bank undertakes and clears these payments.

A new payment channel – EasyPay Direct – was developed, which enables the Bank to form new partnerships. Specially-designed POS are installed in small shops or agents, whereby cash payments can be made in real time by their customers.

In collaboration with the Ministry of Interior, the Bank successfully executed the payments to judicial (elections) representatives for the 2014 Municipal Elections and European Parliament Elections.

The demands of the expanded partnership between the Bank and the Agricultural sector were fully met. There was significant improvement in the flexibility and automation of the process (payment process of OPEKEPE, rural cooperatives, ELGA, GAIA EPICHEIREIN SA etc). The process of the 2 disbursements for the distribution of EU subsidies (October and December) was successfully executed. Collection of the Bank’s commissions at various stages of this collaboration was fully automated.

The redesigning of the payment systems resulted in the optimization of the process mode and time of the huge volume of debt payments and of pensions/payroll.

Deposit, Cheque & Commission Systems

Aiming for more detailed recording of commissions and expenses collected by customers and from partner organizations in general, a new database and an automated daily updating process were designed and implemented based on the applications and the particular transactions executed for this purpose. This database constitutes an integrated source of management information regarding the development of the aforementioned Bank revenue sources.

At the same time, the following were achieved:

- The new “Double Savings Account” (with tiered interest rate) was one of the renewed deposit products that were added to the customers’ options.
- Fully automated processes for management of the non-confiscatable accounts in accordance with Law 4254/2014.
- Process of managing and closing non-performing accounts.
- Aiming for uninterrupted customer service, a new integrated database was developed for all incorporated banks, thus allowing for retrieval and printing of interest certificates for the period 2003–date of migration.
- Special application for the order of printed Bank cheque books.
- The functionality of Bank passbook printing was redesigned. The wording of the transactions was adjusted to be clearly comprehensible to the new customers as was the wording of printed analytical transactions to allow for their optimal use by customers.

Investment and Insurance Product Systems

In the framework of centralizing Bank operations and more specifically of inclusion of Wealth Management into these operations, the Bond purchase orders between IMS+ and the Secondary Market were connected to the Bank’s centralized operations. Accounting entries between IMS+ and Equation were also connected to the centralized operations, allowing for support of multiple branches, as was VAT retention for provision of services and FX execution for VAT retention in foreign currency.

Upgrading of the IMS+ system, which supports Private Banking operations, was completed. The upgrading of this new system allows for internet operation on mobile phones and tablets.

The Brokerage system was enhanced with the aim of supporting trading capacity thus allowing for Intraday transactions, with specific rules.

Mutual fund brokerage was migrated from Piraeus Asset Management Mutual Funds SA to the new Piraeus Bank Mutual Fund application, which replaced of FAX communication with foreign brokerage representatives with XML Files for data exchange.

With regard to insurance products, functionality was developed for new products, the most significant of which are: the new BA Health hospital programme, the Platinum Health Solutions product (for affluent customers) and a series of additions to the Health Solutions Gold.

Time Deposits System

A new functionality was developed to support the Time Deposit programmes “Do-It-Yourself” and “Time Deposit Loyalty” with participation in Bank card reward programmes and points in Loyalty cards.

The Time Deposit programmes “Time Deposit Crete”, “Time Deposit Chios” and “Time Deposit Corfu” were developed and offered locally with prize draws.

Retroactive taxation of Greek State term deposits was implemented in accordance with the new tax code.

ATM/Card/Switching Support Systems

In the framework of developing new products and services as well as upgrading existing ones, a series of projects were undertaken, the most significant of which are: development of functionality of the debit cards “AB MasterCard Debit” and “Piraeus Deposit Card”; upgrading of Contactless debit cards; creation of specialized software for Dynamic Currency Conversion (DCC) as well as software for ATM acceptance of China Union Pay debit and credit cards.

At the same time, a series of mechanisms were developed and integrated into the production function in order to enhance optimum performance, security and monitoring of transactions. These mechanisms include a transaction Fraud management mechanism in the Switching system (Base24), installation of EMV/CAM2 at ATM’s to upgrade the security and effectiveness of transaction execution and migration of ATM’s into the Wincor Multivendor platform.

With regard to homogenization of the management of credit cards from the acquired banks, a series of projects were undertaken, the most significant of which are: upgrading of interfaces to support credit cards from the former Cyprus Bank, Millennium Bank and ATEbank with flow support through First Data; the development of data flows from the old Credit Card systems to feed the Bank’s MIS systems; the creation of a mass migration system for credit cards from the former CPB’s to the Bank’s systems (inclusion in the Euronet mechanism) and recording of all receivables to allow for commencement of the migration of all credit cards to a single provider.

Following a comprehensive study, the decision was made to replace the existing Switching (Base24) system with the more advanced, effective and cost-effective Authentic system by ALARIC/NCR. The project is in progress with expected completion in Q1 2015.

Electronic Banking (winbank)

Following the strategy of upgrading and centralizing winbank's infrastructure, in 2014, important functions such as remittances, loans, virtual pre-paid cards and mass payment files (payroll, monet orders) were migrated to the winbank international platform, which provides e-banking services to almost all the Group banks (Greece, Albania, Bulgaria, Serbia, Cyprus, Ukraine, Egypt, Romania).

Additionally, in Greece, the functionality was developed further in time deposits with the provision of the new "Do It Yourself Time Deposit" product and a series of improvements were implemented in the framework of the "Winbank for Businesses" project.

The functionality of the Easypay/winbank payment systems was enhanced with the addition of 83 new organizations and agencies.

Credit Systems

The adjustment processes were implemented to the Retail Loan Application System (Velti) as well interconnection of the Collections system to Mortgage management. The projects of renewing Open Loans to Farmers and of defining new agricultural products in the Loan Origination systems were implemented. This implementation includes application, automatic assessment and approval, automated contract formation and disbursement. The formation of the Recovery Business Units was supported with the proper functionality additions while the credit-holders' Segment information is now defined and recorded. At the same time, the indication of Automated- Checked Position and the possibility of recording Limit Adjustment data were also added.

Finally, documents and technical projects are now available in digitized form, through the Document Management System.

Loan systems were expanded to support the input and processing of loan adjustment data and more specifically of fixed term loans, open term loans, troubled loans, and credit cards, thus safeguarding data centrally and facilitating monitoring and the extract of reports internally and for the supervisory authorities.

A cycle of automated recording and management of applications necessary for the curing restoration of troubled loans into the central LS loan system was developed. In order to accelerate the work of the Loan Management units which are involved in adjusting and changing loans, a series of functionalities were developed, such as online cancellation/recalculation of installments/acruing, capitalization of interest and reversal of the capitalization of loans in arrears. A cycle of file exchange and management for insurance contracts with Insurance companies collaborating with the acquired Banks was developed.

Collections Systems

The Eisparaxis system was updated to the most advanced version. This system executes the activities of collections and restructuring management of individual loans in arrears. Moreover, the functionality was enhanced to support the actions of curing troubled loans and property research.

A new system was installed for collections & recoveries management in the Organizational units, which manage loans/customers of troubled loans (work out units).

Treasury Systems

New products were included in the Front Office Kondor+ system while the portfolio of provided reports was significantly enriched. At the same time, particular emphasis was placed on the interconnectability of the systems that support Treasury operations (Front Office, Back Office, trading platforms, deal inserters).

The specialized module of the OPICS system, whereby the regulatory requirements of EMIR were covered, was included in productive operation. Following its successful trial operation, an upgraded version of OPICS will be installed within the first days in 2015.

In conclusion, the infrastructure was developed to provide daily and intraday information regarding Mutual Funds customer activity.

Risk Management Systems

A significant number of reports and specialized data structures were developed as requested for assessment by external partners or for regulatory requirements, the most distinctive of which are AQR, BASELIII, Bank of Greece Governor's Act, Executive Committee Act 42, FINREP.

The project of upgrading the Risk Authority system by Moody's is in its final installation stage. The aim of the system is to deliver Common Reporting (COREP) reports, required by the Basel III framework and by the Bank of Greece Governor's Act 42.

The new version of the RISKPRO liquidity management system is in parallel trial operation.

Business Process Management Systems

The confiscation application was enhanced in order to support operations such as the activation and cancellation of confiscation orders process, the automated proposal of seized amount, support of non-confiscatable accounts and the automated customer identification and third party statement/declaration.

Major projects implemented through the use of the Workflow Management Appian platform were related to applications for participation in Green Banking through the Green Banking Portal, to cash management by supporting ATM/APS management and interconnection with the e-vas system, the retrieval of Other Bank files, the Environmental Management System and the specialized support application for HelpDesk functions.

Business Intelligence and Customer Relationship Management Systems

With the aim of monitoring the performance of the Recovery Banking Units, new, integrated information infrastructures were developed, which cover the needs for analysis of these units as well as providing the possibility of integrating the other, dispersed IT infrastructures of the Bank, thus achieving "one single version of the true approach".

A series of extensions were made to the Bank's central Data Warehouse with the key aim of enabling P&L and Business Units' Accountability calculations by entering data and calculations of interest and accruals. Additionally, the Bank's ability to monitor farmers was enhanced.

Following the successful acquisitions of the Banks in 2013, in 2104 processes for clearing customer data were executed with the aim of identifying and integrating any common ones. Approximately one million possibly identifiable customers were identified and checked resulting in the final integration and deletion of six hundred thousand.

In addition to customer integrations, a large part of their addresses was defined with the use of modern methodologies and mapping tools, thus significantly reducing mail items.

The infrastructure for monitoring Bank liquidity in real time was expanded in the IntraDay PPM system, thus enabling the monitoring and analysis of customer behavior from multiple aspects.

The implementation of multi-channel management of promotional actions was completed thus allowing for the creation of complex promotional actions as well enabling their parallel implementation in traditional channels, such as at Tellers and Branch Platform, and in electronic channels such as e-Banking, ATM's, sms, email and at the Call Center. Use of this new infrastructure enables the Bank to manage multiple promotional actions in the same day.

Anti Money Laundering Systems

The redesign of WLM checks was completed resulting in multiple benefits. Indicatively, there was a reduction in the number of alerts produced without affecting quality, which in turn led to reduced management time by the units involved. The mechanism and processes of updating World Check lists was also redesigned, resulting in fewer problems and significant increase in the frequency of the updates.

The "4 eyes principle" functionality, regarding WLM alerts management by the Capital Movement units, was implemented in the Embargo system.

Software Quality Assurance

In 2014, a specialized unit was established and staffed with the aim of ensuring the quality of the software produced by the Technology unit.

This new unit undertook to execute operation trials, based on recorded scenarios, of various IT systems, such as the Appian business process flow system, the LOS business loan approval process, the Cashier transaction system, etc.

OPERATION & TECHNOLOGICAL INFRASTRUCTURES

Piraeus Bank Group placed particular emphasis on projects of upgrading operation and technological infrastructures. A significant part of resources was provided for the upgrading of the Branch Network infrastructures as well as of the technological infrastructures of the data centers.

Indicatively, the following interventions, targeted at upgrading the speed and quality of customer service and at the quality of support to Group operations, are mentioned.

Branch Network

- 7,578 PC's were installed with Windows 8.1 operating system, as were 34 Print Servers and 1,182 Scanner Stations.
- IP phone service was expanded to 348 new Branches integrated into the Bank Network. Through this technology all employees have their own phone number thus allowing for increased possibilities for partnerships as well as for reduced operating costs for the Bank.

- Upgrading of the Bank's telecommunications lines.
- Enhancement of ATM network with the installation of a second ATM at select points with high servicing needs (46 installations). At the same time, new software was installed and equipment was upgraded, thus enabling uniform functionality at all ATM's.
- Upgrading of ATM functionality at 202 Branches in order to manage the new 10€ notes channeled to the market by the ECB and to manage cases of counterfeit notes (ECB Directive 6).
- Significant increase in the Bank's APS (Automated Payment System) network while preserving high levels of availability. More specifically, 86 new APS's were installed with parallel upgrading of all machines to allow for management of the new 10€ notes channeled to the market by the ECB and for management of cases of counterfeit notes (ECB Directive 6).
- 358 automatic passbook printers were installed at Branches, resulting in significant improvement of customer service.

Technological Infrastructure of IT Centers

- Increase in the number of systems supported by the back-up IT Center in order to cover all the major Bank applications and ensuring that the maximum time required for activation of the back-up IT center is no more than four hours.
- Improved monitoring of the functionality of applications through enrichment of the monitoring system of the Bank's applications and through direct informing of managers by SMS or e-mail in case of a problem, thus allowing for prompt action.
- Development of new infrastructure for archiving.

Upgrading of International Subsidiary IT Centers Services

- The Managed Print Services (MPS) was expanded to all Bank central services resulting in better user servicing as well as significantly reduced operating cost.
- Creation of new Treasury infrastructure and transfer to a new building following the operating integration and homogenization at all levels of the units which now constitute the Piraeus Financial Markets (PFM) organizational unit. The building was equipped with cutting-edge technologies, applied for the first time in Greece, which provide maximum flexibility and speed of information provision to PFM users.
- All the servers at all central buildings were upgraded as were the technological infrastructures at all administration buildings, with the aim of providing better and uninterrupted user service by using Virtualization & Consolidation technologies.

IT SYSTEMS SECURITY

In 2014, a series of projects and system installations were completed, aimed at maximum maximizing protection of both the Bank's IT system infrastructures and of its customers.

Security Checks of IT System and Infrastructures

In the framework the Bank's and the international and domestic subsidiaries' security, a series of periodical and extraordinary checks were executed. More specifically, there was repeated execution of penetration tests and vulnerability assessments to the Bank's websites and in various applications, servers and data bases by specialized Bank engineers and by contracted external partners in e-banking applications.

Optimization of existing installation of new security systems

Given the continually developing requirements for both system and data security, the existing security systems were re-evaluated, redesigned and improved regarding the level of security. Moreover, the security systems of the acquired banks were utilized by activating them and integrating them into the Bank's production environment. The Bank also proceeded with the selection of the Mobile Device Management system, the installation of which was completed in 2014 and is in pilot operation by select users.

PCI DSS (Payment Card Industry Data Security Standard) Certification

Following reassessment by a specialized firm, the Bank was certified for a fourth consecutive year in the international PCI DSS (Payment Card Industry Data Security Standards), regarding the security of storing, transferring and processing-transaction data executed through credit and debit cards.

This certification constitutes a recognized standard and a compliance obligation for those involved in card data management (including retailers, financial institutions, organizations and companies) and provides additional levels of assurance and confidence to Bank customers, shareholders and partners.

ISO/IEC 27001 Certification of IT Center

The Bank was recertified in the internationally recognized ISO/IEC 27001 for the entire range of functions regarding security, management and operation of the Group's new IT Center in Athens. It should be noted that the Bank has been receiving this certification annually since 2010.

This certification is an internationally recognized standard whereby businesses and organizations certify their installed Data Security Management Systems. It covers the broader framework of the design, implementation, management and operation of data processes and security measures and provides additional levels of assurance and confidence to Bank customers, shareholders and partners.

TECHNOLOGICAL AND ORGANIZATIONAL SUPPORT OF INTERNATIONAL SUBSIDIARY BANKS

In the framework of the strategic choice to centralize system operation in international subsidiaries, in 2014, a series of projects were undertaken in order to improve the services provided and to harmonize the operating mode of Subsidiary Banks (Piraeus Bank Romania, Piraeus Bank Bulgaria, Piraeus Bank Cyprus, Tirana Bank, Piraeus Bank Egypt, Piraeus Bank Beograd, Piraeus Bank Ukraine, Frankfurt Branch) with the Group's standards.

FUNDS TRANSFER

The most important challenges for the Bank in 2014 in the Funds Transfer unit were the assimilation of the new employees from the absorbed banks, their integration into Piraeus Group's culture with parallel utilization and enhancement of the partnerships that the absorbed banks had previously. Targeted actions were undertaken in two directions:

- The first regarded internal restructuring through simplification of processes and more effective internal operation in order to ensure the necessary flexibility, to reduce the cost of operation and to enhance the level of customer satisfaction.

The STP rate of outbound Bank payments reached 99% while the number of incoming payments that are managed automatically by the Bank's payment systems without human intervention reached a similarly high rate of 85%, noting a 2% increase versus 2013.

- The second direction regarded Funds Transfer customers and services. The design of promotional actions in combination with coordinated efforts to attract new customers resulted in the unit's profitability, which noted an increase, exceeding €28.7 mn. Production also grew by 67% and the customer base by 46%.

Piraeus Bank's winbank proved once again to be the first choice for customers in executing remittances, with a 79% of total remittances and the remainder 21% being serviced by the Branch network.

The continuing economic crisis has significantly the mode of transactions, resulting in a return to exchange bonds as payment method. The Bank created an integrated exchange bonds Service for collection, offering security, integrated management and service to customers, resulting in a 24% increase in import items with the respective revenue increasing by 47% versus 2013.

Cash Management

Fluctuations in cash demand by the market continued in 2014 as well. Despite this event, the restructuring of the activities of the Bank's Cash Management Centers, the optimization of infrastructures and the computerization of activities which were completed in 2014 resulted in reduced operating costs and in increased business capability for the Bank. A further 10% reduction was noted in cash costs as well as a 40% increase in cash volume, without any changes in employee numbers.

Aiming to optimize the cash management cycle, a range of actions were implemented (intensification of cash recycling, combined cash transfers etc) which are expected to enable the Bank to reduce its costs regarding cash transfers and stagnant money.

Cash Services

In 2014, the number of customers requiring cash management services increased by 22%. At the same time, cash volumes managed by the Bank's Cash Services for its customers rose by an impressive 65%. Total revenues from cash management services noted an even more significant 115% increase, now amounting €1.2 mn.

This performance is the result of both an increase in traditional cash activities and of full implementation of the new, innovative and specialized "Bank in Office" cash management service. This service offers high value added to customers and is targeted at simplifying the money circuit and its safety.

Centralized Support Operations

In 2014, the trend of the previous year continued towards increased volumes of transactions, resulting from the absorption of the banks and from the continuing increase in confiscations and applications for legalization of inheritors.

In order to manage these volumes, the Bank proceeded with the development of an application for electronic management of confiscation operations, investing significant resources to this project. At the beginning of the year there was commencement of the

mass migration of the local Public Financial Services (DOY) into the electronic confiscation circuit with parallel preservation of the increasing trend of confiscation volumes (41% on annual basis). Following the initial adjustment stage, the rate of electronic confiscations ranges from 60% -70% of the total number of debtors being processed, on a monthly basis. The project is in progress both from the Bank and the Greek State as the electronic confiscation circuit requires further development in order to fully cover the entire life cycle of a confiscation.

CUSTODY OPERATIONS

The provision of high-quality services in post-trading gives the Bank's Custody Operations a leading role in the domestic market, which was enhanced further with the successful integration of the operations of Geniki Bank in November 2014.

The employees' longstanding experience and specialization combined with the use of modern and automated IT systems constitute key factors in the unit's successful response to the challenges arising from the constantly changing environment of the Greek and international capital markets.

Despite the adverse economic conditions, the Bank expanded its customer base in all categories, particularly in Greek and foreign institutional investors. It remained faithful to its principles, aiming to provide optimal service to its institutional and individual customers and to increase profitability with parallel monitoring of assumed risk.

In this framework, for the 12th consecutive year, the Bank was awarded by the "Global Custodian" magazine as the "Top Rated Custodian for Leading Foreign and Domestic Institutional Investors Bank", achieving first place in the category.

Firmly dedicated to providing high-quality services, the Bank remains vigilant and focused on the optimization of its systems and processes and on developing the Custody Operations' range of activities and synergies.

ORGANIZATIONAL OPERATIONS & CENTRAL SUPPORT

In 2014, the Organization unit implemented significant projects that arose from Piraeus Bank's strategic goals, particularly regarding the restructuring of the loan portfolio and loan processes, especially the organization of these units, and of the systems and processes of non-performing loan forbearance as well as the development of specialized products and services addressed to Farmers. The changes in the institutional framework on a European level also necessitated a series of projects which required great effort. Finally, the significant changes in customers and their transaction habits that resulted from the absorption of the banks as well as the different experiences of the Branch employees provided the stimulus and the opportunity for a multitude of improvement actions in the Branches' mode of operation and in the customers' transaction experience. In the same framework, actions that arose from the absorptions of 2013 were completed and in the second half of the year, the absorption of Geniki Bank was implemented.

RESTRUCTURING OF LOAN PORTFOLIO AND CREDIT RISK PREVENTION

Following the Bank's strategic design, the new Credit Policy and Practices Manual was announced, through which the new RBU's were established per credit/loan type. The Organization proceeded with the development of systems and processes for the operation of the RBU's, the redistribution of credit files and with the training of the new system users. The implementation processes of preapproved mortgage adjustments of the merged banks (former ATEBank, Bank of Cyprus, CPB and Millennium Bank) were automated in the VELTI BMP application. The processes for application submission for collaboration and position of loan holders in the small, medium and large business categories were developed in the LOS, as were the Uniform Long-Term Loans to Farmers (EMADA). The necessary infrastructures were developed for the Bank's compliance with the Executive Committee Act 42 regarding the adjustment and restructuring of loans and with the Code of Ethics regarding loan holders.

Similarly, the necessary infrastructures and processes were developed in the framework of Law 4307/2014 regarding the adjustment of NPL's of small businesses and professionals and in the framework of the programme of suspension of installment payment for loans guaranteed by the Greek State.

Moreover, the projects regarding the improvement of the CSS Collateral and Guarantees system were continued, while actions were implemented for the transfer and computerization of the of Fire – Earthquake & Life insurance –MOA Mortgaged Loans from the merged banks (former CPB, former ATEBank, former Millennium Bank) with the aim of better monitoring them and connecting them to the loan service accounts.

PRIMARY SECTOR AGRICULTURAL PRODUCTION SUPPORT PROGRAMME

In the framework of the Bank's systematic support of the primary agricultural production sector, the Organization undertook a multitude of projects in order to better serve its farmer customers. Thus, the Organization implemented approx. 120 Contract Farming agreements in the Bank's loan systems as well as updating the relevant processes. Additionally, the LOS's automated process for renewal of Open Loans to Farmers in Branches was updated, thus enriching the information provided in the applications at the Approval Centers, automating the assessment (on a pilot basis) and the printing and signing of contractual documents at Branches. Functionality was also developed for management of Cash Facilitation/ Prepayments to farmers.

Additionally, actions were implemented in the customer-centered ICE system for the classification of customers who are farmers and the appearance of loan data relevant to them in their product portfolio. The functionality of the printing on the passbook was amended in order to depict analytically the description of the transactions regarding farmers while the improvements were completed in the cash collection transactions, in the adjustment of OGA (Agricultural Insurance Organization)/ELGA (Greek Agricultural Insurance Organization) collections and in OPEKEPE payments.

In September 2014, the annual review of the EN ISO 9001 Quality Management System (QMS) of the Agricultural Sector (Subsidies and Early Retirement to Farmers) was successfully completed, following the inspection by the independent body TUV Hellas.

OPTIMIZATION OF THE BRANCH NETWORK

In 2014, the restructuring programme of the Branch Network of the integrated Bank was continued with the aim of achieving economies of scale and utilization of the owned branch buildings. The Organization unit undertook the coordination of the required projects for the closure of 177 branches and the absorption of their activities by nearby branches, the relocation of 29 branches, the renaming of 5 branches and the natural and/or IT transfer of safe deposit boxes in 76 cases. It also coordinated the required actions for the commencement of operation of three new branches. Finally, it coordinated the process of closing the Geniki Bank branches, in the framework of the absorption.

RESTRUCTURING OF CORE PROCESSES AND OPERATIONS

The Organization unit focused on restructuring the approval process for loan products to individuals, with the aim of simplifying and accelerating them. Following the relevant study, a multitude of actions were executed for the development of infrastructures in the VELTI application (new, automated workflow of card products, automation of application assessment of consumer loans/credit cards, digitization of the required documentation, double checking of payment of consumer loans etc). The process of letters of guarantees of individuals was simplified. In the same framework, regarding Geobanking – an integrated property management basis – the relevant study was completed as well as its development and pilot implementation. Geobanking will be applied in the management of mortgaged property and of the technical checks.

The process of management of commissions and fees lists and exclusion thereof was automated. The Bank's commissions and fees lists and expense pricing was restructured and configured in the new application, which is available on the customer-centered system ICE. A workflow process was developed for discount approvals and for the creation of pricing profile per customer, in accordance with the relevant Bank Policy. Following that, the process of interconnecting the Bank's systems with the new application commenced with the aim of gradually automating all commission collections throughout the customers' transactions. Finally, a report of collections and of reversal entries of manual commissions was developed.

Another significant project was the development of an integrated process of data provision for products of the merged banks. In the framework of this project, the infrastructure was created to allow for data to be searched for by the Branch and to be delivered to customers (eg statements) regarding products of the merged banks. Respectively, the automated (APPIAN) process of management and recovery of filed documents from various storage areas and archives of the merged banks was updated. Finally, the automated (APPIAN) process of customer complaint management was updated and enriched with instructions on direct response to customers for specific request categories.

The Organization unit also focused on improving customer experience of customers making cashier transactions at branches by utilizing new technological capabilities. In this framework, over 90 direct payments of organization bills and taxes as well as 20 payments through Dias Direct Debit were developed in the Cashier transaction system. As payment of bills constitutes one of the most numerous transaction categories, a pilot system of account information recognition through barcode reader was implemented for the 12 most common transactions at approx. 450 branches. Additionally, customers were given the functionality of their accounts a short name in order to define more easily the desired account during the transaction. In conclusion, the "ICE Search" functionality in

the Cashier transaction system provides cashiers with direct and rapid search of the data and/or products of the customer being served without the need for connection to ICE beforehand. In order to better serve the increased flow of customers at cashiers, a study was undertaken which was followed by the installation of the Nemo q management system for queuing times at 130 branches.

IMPLEMENTATION OF INSTITUTIONAL FRAMEWORK AND SUPPORT OF STATE MECHANISM

At an international institutional framework level, the Organization unit coordinated and implemented the amendments to the Account Opening with the aim of harmonizing them with FATCA for the prevention of tax evasion of people with tax debts in the USA who hold bank accounts and investment products in financial institutions outside the USA. Additionally, it proceeded with amendments in processes and systems (Equation, Payroll, Payall) for harmonization with the EU Directive 260/2012 -SEPA regarding the completeness of information in payment applications (exclusive use of IBAN, ISO 20022 XML standards). Finally, changes were made to the Bank's loan systems and to the customer-centered ICE system in order to identify loan holders categorized as Connected Borrowers, with the relevant amendments in the loan product processes and the necessary monitoring reports.

There were also significant changes in investment and insurance operations. More specifically, the organization undertook the implementation of the projects required for implementation of the new institutional framework of the Secondary Bond - Derivatives Market while also implementing the changes to the mode of clearing of securities transactions. It also implemented projects for compliance with Law 4261/2014 regarding the changes to the compulsory car insurance mode, with the BoG/Executive Committee Act 31/30.0.2013 on completion of the Customer Needs Form prior to the signing of any insurance product contract, and with recording of the level of certification of the insurance intermediary for the sale of insurance product, and the BoG/Executive Committee Act 16/21.5.2013 for the registering of the level of certification of the insurance intermediary for the sale of insurance products.

Modernization of the State mechanism and the tax reforms also necessitated a multitude of projects, such as escheatment of stagnant deposit accounts to the Greek State, adjustment of products and processes to comply with the new Income Tax Code (ITC)(Law 4172/2013), automation of account registry and the repetition or inclusion of new programmes of census of pensioners and people receiving pension supplements. The Organization also enhanced greatly the automated process of Confiscations and electronic Confiscations aiming for faster processing of incoming confiscations, taking into account the provisions as to the definition of non-confiscalable account against the State and other Public Entities, the amount of unseizable salary and the protection of the social dividend from confiscation. It collaborated with the e-Governance division of the Ministry of the Interior for automation of information provision to the Bank regarding unseizable accounts through TAXISnet.

In conclusion, the Organization unit participated in the creation of the infrastructure required for implementation of the new Code of Ethics of Banks, in accordance with Law 4224/2013, in effect from 1.1.2015, and of Law 4307/2014 regarding loan forbearance for small businesses and professionals.

OPERATIONAL MERGERS

Following the mergers of the former ATEbank, Bank of Cyprus, Laiki Bank, Millennium Bank, completed in 2013, the Organization implemented numerous projects of improvement and internal restructuring. More specifically, it continued the data integration of customers with multiple CRS's in the Bank's systems into one (approx. 600 thousand integrations of individuals). Moreover, the projects of digitization of loan contracts of the merged banks were completed, thus making the documents instantly available electronically. Another project that was concluded was the transfer of files from Branches and Central Units to the Bank's Storage areas with parallel continuation of the collaboration with Piraeus Bank's Group's Cultural Foundation (PIOP) for the location of files that were deemed of a historical value. Processes were developed and instructions were given for customer service regarding products that had been previously offered by the integrated banking operations (eg confirmation letters on loan repayment and lifting of collateral on paid-off loans, letters of guarantee from the merged banks etc) while support was provided to the liquidator of ATEbank.

Finally, in the second half of 2014, the operational integration of Geniki Bank was designed and implemented. In this framework, the Organization unit reviewed the customer and account data available and undertook the migration of these to the customer-centered ICE system, proceeding with the necessary integrations of common customers. It reviewed the product portfolio of Geniki Bank and proceeded with its migration into the Piraeus Bank portfolio. It updated the training material with which Geniki Bank users received training in Piraeus Bank systems. It developed instructions for Branches for more effective preparation for the merger as well as coordinating the transfer/closure of the Geniki Bank Branches and safe deposit boxes that were not maintained. Finally, it executed performance checks following the merger while also providing support to the new users.

INTEGRATION OF SUBSIDIARY COMPANIES' ACTIVITIES

In accordance with its strategic plan, in 2014 Piraeus Bank incorporated the activities of the Group subsidiaries Piraeus Asset Management M.F.M.C, Piraeus Securities SA and Piraeus Wealth Management SA. The Organization unit recorded the guidelines for the development of the application whereby all stock market orders are now executed by the Bank as a Market Member of ATHEX Stock exchange and proceeded with monitoring the proper operation of the application and recording the relevant guidelines. The Bank designed and participated in the migration of 165 Mutual Funds from Piraeus Asset Management M.F.M.C to Piraeus Bank. In conclusion, it coordinated the merger of Piraeus Wealth Management SA and participated in the design of the necessary accounting articles and the development of the application of the secondary bond market which is now implemented by Piraeus Bank's Treasury.

NEW PRODUCTS AND SERVICES

The Organization unit recorded the requirements for the development of applications, it undertook the monitoring of proper operation and developed processes and guidelines for for the branch network for a multitude of new products and services that the Bank offered its customers in 2014, such as time deposit programmes ("Reward" , "Do-It-Yourself"), investment services (Piraeus Multi Selection, Purchase Power), cards (AB debit

card, credit cards and pre-paid cards, Piraeus Deposit Card) and insurance products (Solutions, Health Gold, Piraeus Family Assistance, Secure Wallet, Dental Care). It also implemented the partnership with DIAS for the new DCT Online payment service, whereby the organizations for which payments are made receive instant notification of these. Four organizations were included in this service in 2014. At the same time, the Organization participated in the development of of the Easy Pay Point Agent service regarding payment of bills through pos at selected retail sales points, by undertaking the configuration of the payment systems and the automation of the approval process in the APPIAN application. Finally, the Organization registered the necessary implementations of systems and automated processes in order to support the EU development programs of the NSRF, the Entrepreneurship Fund, JESSICA and JEREMIE.

LOAN & RESTRUCTURING ADMINISTRATION

The expanded customer base that resulted from the merger of 6 banks constituted a great challenge which shaped the action plan of the Loan and Restructuring Administration unit for 2014.

In the framework of improved and more effective organization and operation of the Bank after the completion of the merger of the 6 banks, in 2014 the Loan and Restructuring Administration unit was upgraded to General Division status, with the establishment of two Units and three Sectors. The scope of the unit's activities regarding operations was undertaken by the newly-formed section of the bank which was in charge of the management of the business loan restructuring of all customer segments. In this framework, five (5) SME Restructuring Management Centers were formed and staffed from the entire HR of the General Administration.

In 2014, a Shipping Finance Administration Centre was established in order to serve customers in the shipping center

Following the creation of a Syndications Desk in the Group's Structured Finance unit, the transfer of the relevant projects was made from the Syndicated Loan Center to this unit. In the framework of monitoring the assumption of credit risk, the Center undertook the monitoring of the guarantees that have been provided to domestic and international subsidiaries.

In 2014, the unit completed the following, by exclusive design or with participation in:

- Information on the processes Syndicated Loans, post-dated cheques, issuance and monitoring of renewal of assigned risk insurance for fire/earthquake etc).
- Collaborations for systemic upgrading such as: upgrading of MCI application, inclusion of VELTI system in Mortgage Adjustments and automation of pre-approved adjustment of mortgages from the merged banks.

At the same time, the actions targeted at the customer base were equally important:

- Effective management of restructuring actions throughout 2014 for all business customers, mortgage customers and agricultural sector customers.
- In 2014 over 40,000 renewals of Open Loans to Farmers were executed.

In parallel, emphasis was placed on effective management of the new products:

- Settlement of Open Loan to Farmers product "T-12" (February).
- Open Loan to Farmers for new customers (March).
- Land and Equipment Loan (March).

- Loan for Proactive Protection of Agricultural Crops (March).
- Investment financing for Young/New Farmers (March).
- “P12” Adjustment Product for the following agricultural loans (September):
- Medium term Investment Loans to Farmers.
- Uniform Long term Open Loan to Farmers.
- Adjustments for Farmers.

Of the above new products, a total of 13 thousands accounts were disbursed or settled according to the aforementioned category.



RISK MANAGEMENT

RISK MANAGEMENT

RISK MANAGEMENT 2014

Risk management is at the focus of attention and a key concern for Management. Prudent application and constant development of an effective risk management framework constitutes a priority and is taken into consideration in shaping the annual business plans.

The Board of Directors (BoD) is fully responsible for the development and supervision of the risk management framework. The Risk Management Committee (BRC), as a BoD committee, convenes on a monthly basis and/or extraordinarily and shapes the strategy for assumption of risk and capital management according to the Group's business goals while also assessing the effectiveness of the risk management policy and the capital adequacy in relation to the level and form of assumed risk. In this framework, the business plans/goals can be adjusted to any current developments that might change the risk profile of the Group. The Assets and Liabilities Committee (ALCO) convenes on a monthly basis at least and analyses market developments (in combination with the level of financial risk assumed by the Bank and its subsidiaries). In 2014, emphasis continued to be placed on liquidity management with the aim of ensuring its adequacy for the Group, given the extremely adverse conditions in the Greek and international markets.

The risk management framework is assessed and developed constantly taking into account the Bank's historical data, market dynamics, harmonization with supervisory requirements and international best practices. Group Risk Management is responsible for the design, specification and implementation of the risk management framework, according to guidelines set by the BoD's Risk Management Committee. The Head of sector reports directly to the Risk Management Committee.

Group Risk Management consists of the following units:

- Group Credit Risk Management Unit.
- Group Capital Management Unit.
- Group Market, Liquidity and Operational Risk Management Unit.
- Group Risk Coordination.
- Corporate Credit Control.

It is subject to the independent audit of the Internal Audit Division's review in terms of the adequacy and effectiveness of the applied risk management procedures.

CREDIT RISK

The Bank's business activity and profitability entail the assumption of credit risk. Credit risk is the risk of financial loss for the Group that results when debtors are unable to fulfill their contractual / transactional obligations. Credit risk is the most significant source of risk for the Group therefore, its effective monitoring and management constitute a top priority for Management. The Group's overall exposure to credit risk mainly originates from approved credit limits and financing of corporate and retail credit, from the Group's investment and transaction activities, from trading activities in the derivative markets, as well as from the placement in securities and from settlement of transactions. The level of risk associated with any credit exposure depends on various factors, the most important being the prevailing economic and market conditions, the debtors' financial condition, the amount, the type, the duration of the exposure, as well as the presence of any collateral and guarantees.

The Group's credit risk management principles are stipulated in the consolidated Credit Policy, thereby ensuring effective and uniform credit risk monitoring and control. Piraeus Bank Group applies a uniform policy and practices with respect to the credit assessment, approval, renewal and monitoring procedures.

CREDIT RISK MEASUREMENT AND MONITORING

Reliable credit risk measurement is of top priority within the Group's risk management framework. The continuous development of the infrastructure, systems, and methodologies aimed at quantifying, monitoring and evaluating credit risk, both for business and retail portfolio, is an essential prerequisite for the timely and effective support of the Management and business units in relation to management decision making, policy control and formulation and the fulfillment of the supervisory requirements.

For more details on Measurement and Monitoring of Loans and Credit Risk, please refer to: Annual Financial Report 2014, note 3.1.2a

For better measurement and monitoring of the credit risk of loans and receivables and due to the increased credit risk from the integration of different banks throughout the year, a separate unit was established within the Credit Risk Unit, in charge of the Group's Credit Risk Models.

The Credit Risk Models Unit is responsible for monitoring and ratification of all credit risk models applied by the Group, both in business and individual credit. It also monitors the application of the models/methods for measuring credit risk in the Group as well as being responsible for developing new models and the execution of projects aimed towards reducing the credit risk assumed. In 2014, the Credit Risk Models Unit proceeded with regular validation – calibration of the models for assessing risk parameters (PD&LGD) as well as incorporating macro-economic factors by means of suitable models for predicting the probability of default for all portfolios (Consumer and Business Credit and Mortgages) for Greece and the international subsidiaries. At the same time, it developed a behavioral model for business portfolio customers in default while also contributing, with its know-how, to the adoption of the Risk Based Pricing methodology to international subsidiaries as well. Additionally, it revised the credit loss estimation model; it estimated the total 5-year credit loss with 2014 half-year data.

With regards to the assessment of existing customers' behavior, both at product and customer levels, all behavior scoring models applied are validated at least every six months. Additionally, the credit rating model of Tiressias SA is used, which takes into account all adverse and credit exposures that an applicant has in the Greek market, and the use of which has already improved the performance of existing models (which are used in the approval procedure). This model is also applied in the pricing, adjusted to credit risk.

It should be noted that Piraeus Bank has intensified the use of behaviour models in the production process. More specifically, models are applied throughout the collection process cycle, resulting in better customer service and lower operating costs. Other ways of monitoring credit risks include: a) portfolio structure review, b) distribution of debtor population, c) monitoring of problem loans, and d) the development of expected and unexpected loan losses. These analyses are being further extended to provide more complete and faster updates on the portfolio's development for the direct and effective management of the retail banking portfolio.

For the measurement and assessment of credit risk entailed in debt securities, ratings from external agencies are mainly applied. The way the Group's exposure to credit risk from debt securities (Bonds and bills) is calculated varies depending on portfolio category, in accordance with IFRS classification.

Moreover, the positions are monitored for market value for internal reasons. The table below depicts the evolution of Piraeus Group's Loans in arrears > 90 days ratio.

LOANS IN ARREARS >90 DAYS*		
	2014	2013
Group	39%	37%
Greece*	39%	37%
International Operations	36%	33%
Greek banking market (AVG)	34%	32%

* Excluding seasonal OPEKEPE loan

PIRAEUS GROUP CAPITAL ADEQUACY

In 2014, the Group ensured a solid capital base, which preserves the ability to seamlessly continue its operations, strengthen its balance sheet and permits the effective financing of the economy where it operates, wherever conditions allow for it.

In April 2014 and in the framework of its business plan, the Group successfully concluded a capital increase amounting €1.75 bn, thus covering the capital needs as they were identified by the diagnostic exercise conducted by the Bank of Greece in collaboration with the consulting firms BlackRock Solutions and Rothschild. Additionally, in March 2014, the Group raised €0.5 bn through the issuance of 3- year senior bonds while in May the Bank paid off to the Greek State the total of its preference shares amounting €750 mn issued by the Bank.

At year-end 2014, total Group regulatory capital amounted €7 bn, while CET-1 common share capital amounted €6.9 bn, thus satisfying the new, minimum supervisory limits.

CAPITAL ADEQUACY GROUP DATA

	2014
Regulatory Capital	€7.0 bn
Risk Weighted Assets	€55.7 bn
Total Capital Adequacy Ratio	12.5%
CET-1 Common Equity Tier 1 Ratio	12.4%
Leverage Ratio	7.9%

A significant development in 2014 was the introduction of the new regulatory framework on capital adequacy “Basel III”, which came into effect from 1.1.2014 under EU Directive 2013/36 and Regulation 575/2013 (CRD IV) and was incorporated in Greek legislation with Law 4261/2014 in May 2014. Thus, the process for calculating capital adequacy now complies with the CRD IV supervisory framework, as it is defined by Greek legislation, by the Directives and Regulations of the European Parliament and the European Council, the technical and regulatory standards of the European Banking Authority, the decisions of the ECB and of the Single Supervisory Mechanism (SSM). It should be noted that the SSM constitutes a key pillar of the banking union and was established as a prudential supervisor of credit institutions operating in the Eurozone and of non-EU members who choose to participate in it. This mechanism was implemented on November 4, 2014 and from 2015 shall constitute the new Piraeus bank group supervisor.

In 2014, the Group Capital Management successfully completed the transition to the new supervisory framework. At the same time, it continued to produce the relevant internal and regulatory reporting to the Bank of Greece and the ECB, to provide expertise and support to the business units on the regulatory framework and on capital management, the completion of projects for centralized calculation of the capital requirements of its subsidiaries and the strengthening of management information through enriched analysis and reporting.

Aiming towards constant improvement of the risk management infrastructure, the Group Capital Management has included in its planned actions the installation and implementation of a new, upgraded Group platform to support the functions of calculating and reporting on capital requirements (Moody’s Risk Authority). The new system is to be fully operational within the first six months of 2015.

Additionally, the Group Capital Management continues to implement projects regarding optimization of the methods of calculating and allocating capital, expansion of the framework of the stress testing in the Group as well as support for calculating capital adequacy of Group subsidiaries that are included in the new supervisory framework.

EU-WIDE STRESS TEST (AQR & STRESS TESTS)

Piraeus Bank participated successfully in the EU-wide stress test among the 130 largest systemic Eurozone banks

The comprehensive assessment was conducted within the preparation framework for the assumption of the immediate supervision of banks by the ECB, the results of which were made public on 26/10/2014.

The comprehensive assessment included Asset Quality Review (AQR) and a Stress Test that was executed on the basis of a basic (expected, likely) and an adverse (particularly severe) scenario. The aim of the test was to investigate the strength of capital adequacy of the banking sector in Europe in a possible further deterioration of the economic conditions and to define the required capital for restoration of Tier 1 at 8%, taking into account the Baseline and 5% Adverse scenarios.

The exercise was based on the Balance Sheet of December 31, 2014 (“Static Balance Sheet”) and the restructuring plan for Piraeus Bank (“Dynamic Balance Sheet”). The results of the exercise included the deductions from the asset quality control and the actions undertaken in 2014.

With the Dynamic Balance Sheet, Piraeus Bank noted a Common Equity Tier 1 (CET1) of 11.4% in the basic scenario and a 6.7% in the adverse scenario, with minimum requirements at 8.0% and 5.5% respectively.

The Static Balance Sheet, combined with the €1.75 bn share capital increase of April 2014, following the pay-off of the €750 mn in Greek State preference bonds, led the CET-1 ratio to 10.7% and 6.1% in the basic and adverse scenarios respectively. These ratios do not take into account the benefit deriving from conversion of the deferred tax assets to deferred tax credit (according to the provisions of L. 4303/2014 following the October 16, 2014 legislative amendment).

If the effect of the conversion of Deferred Tax is incorporated in the calculations, CET 1 in the Static Balance Sheet rises to 11.8% in the basic and 7.7% in the adverse scenario, thus providing Piraeus Bank with additional capital reserves in excess of the minimum requirements of 8.0% and 5.5% in the basic and adverse scenario respectively.

COMPREHENSIVE ASSESSMENT

	Static Balance Sheet*	Dynamic Balance Sheet
Baseline scenario (threshold of 8%)	10.7%	11.4%
Adverse scenario (threshold of 5.5%)	6.1%	6.7%
After conversion of DTA to DTC :		
Baseline scenario (threshold of 8%)	11.8%	12.4%
Adverse scenario (threshold of 5.5%)	7.7%	8.0%

* Includes the share capital increase of €1.75 bn in April 2014 as well as payment of privileged shares amounting €750 mn in May 2014.

LIQUIDITY RISK

Since March 31, 2014, Piraeus Group has been calculating the Liquidity Coverage Ratio and the Net Stable Funding Ratio on a monthly and quarterly basis respectively, as stipulated by EU Regulation CRR 575/2013 in the framework of implementation of Basel III on a European level and of harmonizing with the EU Single Rulebook. Since November 2014, the Group has been under the direct supervision of the Single Supervisory Mechanism (SSM), the European Central Bank (ECB) in collaboration with the Bank of Greece. Moreover, there is continued monitoring of the required liquidity ratios, “Liquidity Ratio” and “Assets/Liabilities maturity mismatch ratio” as they are defined by BoG

Governor's Act 2614/07.04.2009, regarding the framework of the BoG's supervision of credit institutions' liquidity.

On December 31, 2014, total liquidity raised against Piraeus Group collateral by the Eurosystem – the ECB and the BoG amounted €14 bn (2013: €17.9 bn). This reduction in financing from the Eurosystem in 2014 is a reflection of the Bank's enhanced liquidity by means of interbank repos, customer deposits and the issuance of senior debt amounting €500 mn. It should be noted that the Group did not make use of any ELA funds in 2014, versus €750 mn on 31/12/2013.

In 2014, the Group continued to participate in the provisions of Law 3723/2008 on "The Enhancement of the Liquidity of the Economy", reducing, however, the amount of the financing from €11.7 bn of nominal value in Dec. 2013 to €8.5 bn as in May 2014 the preference shares and the Pillar I bonds were paid off; at the same time use of Pillar II was reduced from €9.9 bn to €6.2 bn with an increase of Pillar III at €2.2 bn compared to €1.0 bn in 2013.

MARKET RISK

The Value-at-Risk rate for the Group's Trading Portfolio on December 31, 2014 was €4.15 mn. This estimate consists of €3.33 mn Value-at-Risk rate for interest rate risk, €0 for equity risk, €2.64 mn for foreign exchange risk and €0.07 mn for commodities risk. The diversification effect for the total portfolio on 31.12.14 resulted in a €1.88 mn reduction to the overall trading portfolio Value at Risk.

Amounts (€ mn)	Group Trading Book Total VaR	VaR – Interest Rate Risk	VaR– Equity Risk	VaR – Foreign Exchange Risk	VaR – Commodities Risk	Diversification Effect
2014	4.15	3.33	0.00	2.64	0.07	-1.88
2013	1.27	0.42	0.01	1.14	0.05	-0.34
2012	1.32	0.46	0.01	1.13	0.10	-0.38

SENSITIVITY ANALYSIS RESULTS FOR INTEREST RATE RISK (€ mn)

	EUR	USD	CHF	Other
PV100–Impact on Present Value	-21.65	2.08	-0.6	1.51
EaR–Impact on Net Interest Income	-53.44	3.45	-0.18	-3.04

OPERATIONAL RISK

Operational risk is defined as the risk of loss stemming from the inadequacy or failure of internal processes and systems, human factors or external events.

Piraeus Bank Group acknowledges its exposure to operational risk and aims towards the implementation and constant development of an effective and integrated operational risk

management framework in all its activities. In 2014, the Bank continued to improve the operational risk framework by implementing actions that further reduce the risk that arose from the increased volume of operations and its operation under the new schema. In 2014 as well, the operational and systemic integration with Geniki Bank was successfully completed.

At the same time, the Group's Operational Risk Management unit implemented in a series of actions aimed at enhancing the framework of operational risk management as well as its operations. In brief, these were:

- Updating of the operational risk management governance (organizational structure, lines of defence).
- Updating of the framework of risk assumption appetite (formalities indices & limits, roles & responsibilities, monitoring and reporting).
- Developments of methods to control and reduce operational risk (adjustment of Business Continuity Plan, adjustment of insurance coverage, intensification of the monitoring of infrastructure improvement projects).
- Improvement of the operational risk measurement system and of the reporting framework.

Overall, with the implementation and development of the above framework, the Group aims to optimize its operating and mechanisms, to minimize financial losses from operational risk events, to develop a uniform and clear culture at all Group levels, to adopt advanced methods of measuring and assessing the level of exposure to risk and to prevent potential unexpected and catastrophic losses from future operational risk events.

For more details on Operational Risk Management, please refer to: Pillar III 2014 Disclosures, www.piraeusbankgroup.com

GROUP RISK COORDINATION

The Group Risk Coordination unit is responsible for supervising domestic and international Subsidiaries regarding Risk Management operations at Group level. This supervision is implemented in direct collaboration and with data exchange with the individual Risk Management units and the relevant (per risk type) units of the Group's Risk Management Sector and the International Operations Unit.

More specifically, the Unit assesses the Risk Management Framework, which includes Governance, Strategy, Policy and the Processes/Methodology as well as the existence of the required documentation, aiming towards cohesion at Group level and enhancement of the existing risk monitoring and prevention mechanisms of the Subsidiaries.

In this framework, constant communication and support is provided to Subsidiaries, site meetings are held and improvement actions and projects are recommended and monitored on a regular basis.

CORPORATE CREDIT CONTROL

The Corporate Credit Control unit was established in February 2013 for the purpose of providing independent and regular assessment of the quality of the Group's business loan portfolio and of the processes of measuring and monitoring of the credit risk assumed

according to the Group's Credit Policy and Practices.

With this aim, it conducts controls on samples of borrowers per business unit and assesses on a 4-grade scale (Low Risk, Acceptable, Acceptable Requires Attention, High Risk) the suitability of the policy and credit limits in relation to the level and form of the assumed risk (borrower review) and the effectiveness of the practices and methodology applied with the aim of qualitatively and effectively monitoring the progress of the assumed credit risk at portfolio level (portfolio/ process quality review). This assessment is made by utilizing the data deriving from the Bank's systems, detailed reviews of the credit files – digital and physical – that are held in the business units and in the respective credit unit, and meetings with the relevant marketing/lending and credit officers. An Assessment Report is composed for each control, whereby the CRO, the Top Management and the Risk Management Committee are informed. Additionally, the Unit regularly monitors the implementation of any corrective action that is deemed necessary.

The assessment is related to all the organizational units of business loans that support the promotion – development – management of NPL portfolio (business units) and loan approval (credit units) and it covers most activities, starting from the credit risk assumption stage, continuing to the stage of monitoring the development of the credit risk and concluding in the stage of management of borrowers with high probability of default. The Corporate Credit Control's field of assessment does not include permanently non performing borrowers, the loan administration unit or the monitoring of contractual documents of loans, collateral/guarantees.

SELECTED CONSOLIDATED BALANCE SHEET INFORMATION (€ thous)

Assets	31.12.2014	31.12.2013
Cash and balances with Central Bank	3,837,541	2,874,771
Loans and advances to credit institutions	297,109	293,035
Reverse repos with customers	64,299	7,124
Loans and advances to customers (net of provisions)	57,143,022	62,365,774
Trading securities	14,400,421	15,628,221
Financial instruments at fair value through profit or loss	299,562	214,113
Investment securities	2,560,767	1,435,790
Other assets	10,382,050	8,833,109
Assets from discontinued operations	304,925	357,657
Total Assets	89,289,696	92,009,592
Liabilities		
Due to credit institutions	23,592,330	26,274,952
Customer deposits	54,830,834	54,279,320
Debt securities & other borrowed funds	893,731	561,365
Other liabilities	2,146,805	1,794,482
Liabilities from discontinued operations	503,753	556,574
Total liabilities	81,967,454	83,466,694
Shareholders' Equity	7,210,161	7,673,909
Preference shares	0	750,000
Amounts recognized directly in equity relating to non-current assets from discontinued operations		
Non Controlling Interest	112,081	118,990
Total Equity	7,322,242	8,542,898
Total liabilities and equity	89,289,696	92,009,592

SELECTED CONSOLIDATED P&L INFORMATION (€ thous)

	1.1 - 31.12.2014	1.1 - 31.12.2013
Net interest income	2,000,446	1,662,154
Net commission income	333,294	286,683
Dividend income	15,390	15,368
Results from financial instruments at fair value through profit or loss and investment portfolio	(29,371)	146,684
Other operating income	204,145	3,834,570
Total net income	2,523,904	5,945,459
Total net income on a recurring basis	2,442,854	1,987,255
Staff costs	(771,927)	(884,841)
Administrative expenses	(604,091)	(625,656)
Depreciation and amortization	(156,959)	(126,826)
Total operating expenses	(1,532,976)	(1,637,323)
Total operating expenses on a recurring basis	1,367,780	1,404,342
Profit before provisions and impairment	990,928	4,308,136
Profit before provisions and impairment on a recurring basis	1,075,074	582,913
Share of profit of associates	5,021	(28,770)
Provisions and impairment	(4,043,047)	(2,531,654)
Profit/ (loss) before tax	(3,047,098)	1,747,712
Income tax	1,068,254	768,535
Profit/ (loss) after tax from continuing operations	(1,978,845)	2,516,247
Profit/ (loss) after tax from discontinued operations	6,851	29,912
Non Controlling Interest	6,905	15,929
Profit/(Loss) after tax attributable to shareholders	(1,971,940)	2,532,176

NUMBER OF EMPLOYEES AND BRANCHES

	31.12.14	31.12.13
Number of employees	21,243	22,509
Number of employees stemming from discontinued operations	199	208
Branches	1,175	1,449
